

## SOUND TRANSIT

### MOTION NO. M99-70

#### Design/Build Contract for Tunnels and Deep Stations Request for Approval of Amount for Honorarium

#### BACKGROUND AND COMMENTS

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	10/21/99	Discussion/Possible Action	Paul Bay, Director, Link Bill Houppermans, Chief Engineer	398-5134
Finance Committee	11/4/99	Discussion/Possible Action	Joseph Gildner, Civil Engineer	398-5125 689-3350

#### ACTION:

We are seeking Finance Committee approval for payment of an honorarium of \$900,000 each to two pre-qualified proposers on the Design/Build contract for tunnels and deep stations, between Convention Place and 45<sup>th</sup> Street. Sound Transit will issue a Request For Proposal (RFP) to a maximum of three (3) proposers from a shortlist prepared through the qualification process. An honorarium in the amount of \$900,000 will be paid to each unsuccessful proposer submitting a complete proposal in accordance with the RFP requirements representing a best and final proposal. The total amount paid under this action would be a maximum of \$1.8 million. (If only two proposers are pre-qualified, the unsuccessful proposer would be the only one to receive the honorarium. If three proposers are pre-qualified, two unsuccessful proposers would receive the honorarium). This amount is within the total ten-year budget for final design.

#### BACKGROUND:

On February 11, 1999, Link Light Rail staff presented to the Board a discussion item regarding Civil Construction Contract Packaging and use of alternative contract delivery process (i.e. Design/Build). The Design/Build process was described to the Board in detail. The first phase would be to identify qualified teams by issuing a Request for Qualifications (RFQ). The second phase would be to issue a Request for Proposals (RFP) to those teams deemed to be qualified. Proposals would be evaluated on a "best value" basis. Best value typically considers technical competence of both design and construction personnel, proposed safety program and safety history, proposed quality assurance and control program, contractors' means and methods to carry out the work (and how it affects the public), financial capacity and history of claims, proposed diversity program, cost-benefit analysis in addition to the initial cost of construction. FTA has approved the use of design/build procurements subject to applicable federal laws and regulations and state statutes. At the February 11<sup>th</sup> meeting, the Board authorized Sound Transit staff to proceed with the Design/Build procurement for the tunnel work in the north corridor.

On April 4, 1999, Sound Transit advertised and issued a Request for Qualifications (RFQ) for the Design/Build Tunnel Contract - Capitol Hill to 45<sup>th</sup> Street. In response to this RFQ, four Statements of Qualifications (SOQs) were submitted to Sound Transit for review on May 14, 1999.

Sound Transit cancelled this solicitation on June 11, 1999, for the following reasons:

- ◆ Community requests to consider slightly altered alignments and tunnel station locations on Capitol Hill and in the University District required more time to develop solid information before proceeding to the next stage of procurement.
- ◆ The potential to achieve significant dollar savings by combining two Design/Build contracts into a single design/build contract.

On August 17, 1999, Sound Transit held debriefings with the four joint venture teams that had submitted SOQs in response to the solicitation. Sound Transit used this opportunity to not only debrief the contractors on the cancellation of the first RFQ, but also to request input from the contractors on the proposed new solicitation. The contractors were encouraged to provide Sound Transit with their recommendations to encourage competition and to assure that Sound Transit's solicitation would result in a fair and equitable agreement between the agency and the contractor. Sound Transit also asked that the contractors identify what they perceived as major risk factors that might be mitigated by Sound Transit. The contractor comments have been carefully considered by Sound Transit engineering, legal, and contracts staff in preparing a new procurement document.

One very important component of almost all transportation related design/build (D/B) procurements is the establishment of an honorarium awarded to the losing team(s) in recognition of the considerable amount of money required to bid on such a procurement. We had estimated (and confirmed at the debriefings) that each of the proposing teams will be spending approximately \$1.5 million in response to this solicitation. The design teams need to perform a considerable amount of design in order to furnish Sound Transit with a top quality technical proposal and a price offer for this significant (approximately \$500 million) contract.

Sound Transit will be providing the proposers with a preliminary engineering design (roughly 30% engineering level). Sound Transit staff and consultants (currently under contract) will be detailing route plan and profiles; tunnel appurtenances; functional layouts of stations and cross passages; tunnel ventilation arrangements; station ancillary room layouts; provisions for escalators and elevators; detailed Geotechnical information; sites available for construction staging; potential truck haul routes and/or barging facility layouts (for removal of tunnel spoils); access shaft locations (based on functional requirements and station area planning efforts conducted with the cities, university staff and community input; fire/life safety requirements; and scheduling interface requirements (critical for access dates for follow-on contractors). All of this preliminary design detail must be advanced by the proposers in order for them to define their means and methods and construction staffing requirement leading to a price. This is a monumental task that staff cannot overstate.

By providing appropriate honorarium payments to finalists submitting best and final proposals who are not awarded a design/build contract, in an amount sufficient to generate meaningful competition among potential proposers, Sound Transit will realize significant benefits.

First, it is very unlikely that Sound Transit would receive top quality proposals or any proposals at all without such an honorarium. This would be too great a risk with only one chance in three of winning the contract. The Board of Directors of the construction firms would not allow their companies to be exposed to such a risk.

Second, another significant advantage of an honorarium is that Sound Transit will become the owner of their proposals and hence designs, which can then be turned over to the selected D/B team for possible use of some or all of their value engineered ideas. Sound Transit will reserve the right to adopt and incorporate into the work any process, procedure, means or method of design and/or construction that would be in Sound Transit's best interest. This alone could offset the cost of the honorarium should even

one innovation developed by one team be incorporated into the winning team's method of construction. The spread of the costs in the proposals will be greater than the amount of the honorarium itself. A 1% variance in price alone will equate to about \$5 million.

Finally, honorariums have been successfully used in other Design/Build procurements nationally, with FTA approval. In the prior RFQ process, an honorarium of \$300,000 was offered. Since the scope of the work has now been increased substantially, we believe increasing the honorarium to \$900,000 is necessary to generate meaningful competition as required by state law.

Request for Qualifications have been sent out already (on September 15), and are due back to us in early November. We will use the qualifications to pre-select no more than three D/B teams to receive an RFP (and thus the right to an honorarium if they are not selected as the D/B contractor). The RFP will not go out until January, to allow us to include all the results of the Board's actions on the LPA on Nov. 18, and to ensure that we have a Record of Decision on the Final Environmental Impact Statement. The design/cost proposals will come in from the two or three D/B teams first in May 2000 (technical proposals) and then in July 2000 (refined technical proposals and a firm cost proposal). This will then be the basis for negotiations leading to the selection of a successful contracting team. Only the unsuccessful team(s) will receive the honorarium. Notice to Proceed will be given to the winning team after the Board gives its approval (and after Sound Transit has secured a signed Full Funding Grant Agreement with the FTA) in the summer or early fall of 2000.

#### **RELEVANT BOARD POLICIES AND PREVIOUS ACTIONS TAKEN:**

- ◆ Adoption of *Sound Move*, The Ten-Year Regional Transit System Plan (May 31, 1996)  
The Ten-Year Regional Transit System Plan (May 31, 1996) *Sound Move* calls for coordinating with other transportation providers and creating important regional connections.
- ◆ Adoption of *First Moves* (May 22, 1997) Authorization for funding projects referred to as "First Moves" authorizes the executive director to begin in the development of interlocal agreements, and to develop cost sharing arrangements and agreements.
- ◆ Resolution No. 78-1, establishing delegation of authority and procurement procedures (April 9, 1998)  
Resolution No. 78-1 grants the Finance Committee authority to execute contracts up to \$5,000,000, and allows the Board to authorize nonstandard procurements, such as sole source and special circumstance procurements.
- ◆ Resolution 98-49, adopting Fiscal Year 1999 Budget (November 12, 1998) The 1999 budget includes funds for final design activities and the acquisition of rights of way.
- ◆ Resolution No. 98-3, awarding Civil Facilities Contract for Conceptual and Preliminary Engineering (January 22, 1998) Resolution No. 98-3 grants the Board to award a civil facility consulting contract for conceptual and preliminary engineering to a joint venture partnership composed of Parsons Brinkerhoff Quade & Douglas, Inc., ICF Kaiser Engineers, Inc., and BRW, Inc., dba Puget Sound Transit Consultants (PSTC).
- ◆ Motion No. 99-14, identifying the Central Link Light Rail Locally Preferred Alignment (February 25, 1999) Identifies the Central Link Light Rail LPA by segment, operations and Maintenance Facility, and Board Additions in 1995 dollars and 1999 dollars.

- ◆ Discussion, Civil Construction Contract Packaging (February 11, 1999) Seek informal approval to proceed with request for Letters of Interest and Statements of Qualifications from interested firms for four civil contracts on Central Link LRT using an alternative contract delivery process (design/build).
- ◆ Resolution 99-21 Establishes Sound Transit's intent to use of Project Labor Agreement (PLA) for the Central Link Light Rail (July 8, 1999)  
Establishes Sound Transit's intent to use a Project Labor Agreement (PLA) for the Central Link Light Rail Project including the Design/Build Contract.

**KEY FEATURES:**

- Procurement of civil construction contract packaging and use of alternative contract delivery process (i.e. Design/Build)
- Provides incentives for teams to prepare the best proposals and teams for the scope of work

**FUNDING:**

Funding for this Scope of Work is included in *Sound Move* Plan and in the Link project budget, FTA Preliminary Engineering Grant, and FY'99 Capital Budget. The budget for completion of these tasks is identified in Sound Transit's proposed 2000 budget under Final Design and Construction.

LINK LIGHT RAIL  
PRELIMINARY ENGINEERING, FINAL DESIGN AND CONSTRUCTION

Expenditures and Budget	1999 Approved Ten-year Budget A	Life to Date Expenditures and Outstanding Commitments B	Pending Board and Finance Committee Decisions <sup>2</sup> C	Budget Available A-(B+C)	Proposed Board Action E
PE <sup>1</sup>	\$82,189,771	\$63,161,598	\$ 6,196,869	\$12,831,304	\$0
Final Design <sup>1</sup>	\$97,936,283	\$ 0	\$9,941,603	\$87,994,680	\$ 1,800,000
Construction <sup>1</sup>	\$1,739,529,859	\$ 0	\$ 0	\$1,739,529,859	\$ 0

1. All figures for Central Link only.
2. Includes Parametrix contract amendment and six architectural contracts

**Cost**

The total cost for the honoraria will be a maximum of \$1,800,000. Three firms will be selected to submit proposals, and up to two unsuccessful Proposers will receive an honorarium of \$900,000 each. This amount will be within the total ten-year budget for final design.

**EXECUTIVE SUMMARY:**

**Scope of Work**

The Design/Build Scope of work contains all the tunneling and heavy civil construction for the corridor north of the DSTT. The contract length extends approximately 4.5 miles from the north end of the

existing Downtown Seattle Transit Tunnel on Pine Street, to the temporary northern terminus for this phase of the Contract near the intersection of 15<sup>th</sup> Avenue and 45<sup>th</sup> Street in the University District.

### **Procurement and selection process**

For the Design/Build procurement the Contractor will be selected using a two-step best value procurement procedure:

- A. First, Statements of Qualifications submitted in response to the RFQ process will be evaluated in accordance with pre-established criteria set forth in the RFQ document. The evaluation process will result in a "short list" of firms determined eligible to receive the Request for Proposal (RFP).
- B. Second, Sound Transit will invite the Proposers listed on the "short list" to submit Proposals, which will be evaluated in accordance with pre-established criteria, using a "best value" standard.

### **M/W/DBE participation**

To the best extent possible, Proposers are requested to establish and detail a plan to utilize certified disadvantaged business enterprises. DBE participation is not required for consideration of a Proposal but will be an evaluative factor in the selection of a contracting team. Sound Transit will establish contractual levels of DBE participation with the winning contractor.

### **ALTERNATIVES:**

- ◆ Provide a reduced Honorarium. Staff believes this would not create meaningful competition, and would result in lower quality proposals and thus higher cost numbers in the proposals because teams would cover uncertainties with higher costs. Staff strongly recommends not to decrease this amount because the \$900,000 honorarium will allow contractors to advance their designs during the proposal stage to a greater detail and thus remove uncertainties in their cost proposals resulting in better value and, most likely, lower cost proposals.

### **CONSEQUENCES OF DELAY:**

It is very important to confirm the amount of the honorarium to the proposers at the earliest possible date during the qualification stage because the teams will also be spending upwards of \$100,000 in the qualification stage alone (for which no honorarium is being granted). Even though actual payment of honorarium amounts is many months away, early confirmation is warranted because it potentially could affect contractor decisions to even respond to the RFQ. Staff encourages action on this today.

### **LEGAL REVIEW:**

The Legal Department has approved the Background and Comments and the Motion as to legal sufficiency.

**SOUND TRANSIT**

**MOTION NO. M99-70**

A motion of the Finance Committee of the Board of the Central Puget Sound Regional Transit Authority approving an honorarium payment of \$900,000 each for up to two unsuccessful proposers for Design/Build Contract for tunnels and deep stations for Central Link Light Rail between Convention Place and 45<sup>th</sup> Street.

**Background:**

Finance Committee approval is requested for payment of an honorarium of \$900,000 each to a maximum of two pre-qualified proposers on the Design/Build contract for tunnels and deep stations, between Convention Place and 45<sup>th</sup> Street. Sound Transit will issue a Request for Proposal (RFP) to a maximum of three (3) contractors from a shortlist prepared through the qualification process. An honorarium in the amount of \$900,000 will be paid to each proposer submitting a complete proposal in accordance with the RFP representing a best and final proposal.


The total amount paid under this action would be a maximum of \$1.8 million. (If only two proposers are pre-qualified, the unsuccessful proposer would be the only one to receive the honorarium. If three proposers are pre-qualified, two unsuccessful proposers would receive the honorarium). This amount is within the ten-year budget for final design.

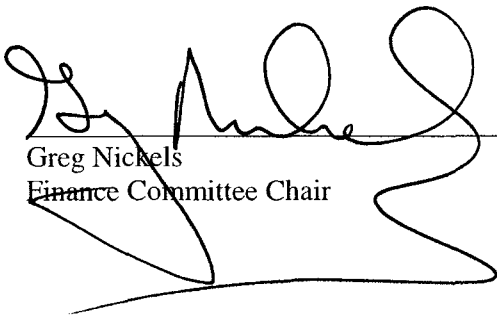
**Motion:**

It is hereby moved by the Finance Committee of the Central Puget Sound Regional Transit Authority that an honorarium payment of \$900,000 each is approved for up to two unsuccessful proposers submitting a complete, best and final proposal for the design/build contract for tunnels and deep stations for Central Link Light Rail between Convention Place and 45<sup>th</sup> Street.

Approved by the Finance Committee of the Central Puget Sound Regional Transit Authority at a regular meeting thereof on the 4 day of Nov., 1999.

ATTEST:

  
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Marcia Walker  
Board Administrator

  
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Greg Nickels  
Finance Committee Chair