

**SOUND TRANSIT
STAFF REPORT**

MOTION NO. M2003-59

Additional Contingency for Lynnwood Transit Center Construction Contract

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance	6/5/03	Discussion/Possible Action to Recommend Board Approval Action	Agnes Govern, Regional Express Director	(206) 398-5037
Board	6/12/03		Jim Edwards, Program Administrator, Capital Projects Christine Engler, Construction Program Manager, Capital Projects Jerry Dahl, Construction Manager, Capital Projects	(206) 398-5436 (206) 398-5056 (206) 398-5284

Contract/Agreement Type:	✓	Requested Action:	✓
Competitive Procurement		Execute New Contract/Agreement	
Sole Source		Amend Existing Contract/Agreement	
Interlocal Agreement		Contingency Funds Required	✓
Purchase/Sale Agreement		Budget Amendment Required	

✓ *Applicable to proposed transaction.*

OBJECTIVE OF ACTION

Provide increased construction contract contingency for the work remaining to complete the Lynnwood Transit Center and Park-and-Ride Lot.

ACTION

To authorize the Executive Director to increase the construction contract contingency amount for the Lynnwood Transit Center and Park-and-Ride Lot by \$423,000 for a new total contingency amount of \$1,338,568, and a new total authorized contract amount not to exceed \$10,472,248.

KEY FEATURES

- Establishes justification for providing additional contingency based on differing site conditions.
- Provides increased contingency for the remainder of construction.
- Construction of the Lynnwood Park-and-Ride Lot and Transit Center is approximately 40% complete.
- Value of the work remaining is approximately \$6,500,000.
- Authorized remaining construction contract contingency prior to this action is \$476,000.
- Already identified future needs for the remaining construction contract contingency estimated at \$451,000.
- Estimated contingency available for unidentified needs is \$25,000.

BUDGET IMPACT SUMMARY

Project Description: Lynnwood Transit Center and Park-and-Ride Lot.

Current Status: In construction.

Projected Completion Date: 1st quarter 2004.

Action Outside of Adopted Budget:	Y/N	Y Requires Comment
This Line of Business	N	
This Project	N	
This Phase	Y	This action together with prior commitments will result in a shortfall of \$194k in the construction phase of the project. Funding will be restructured in the proposed 2004 budget to more closely align budget to project phase activity.
This Task	Y	Construction costs are higher than expected due to poor soil conditions.
Budget amendment required	N	
Key Financial Indicators:	Y/N	Y Requires Comment
Contingency funds required	Y	Sufficient unallocated project contingency is available to fund this action.
Subarea impacts	N	
Funding required from other parties other than what is already assumed in financial plan	N	

N = Action is assumed in current Board-adopted budget. Requires no budget action or adjustment to financial plan

BUDGET DISCUSSION

The 2003 adopted budget for the construction phase of this project is \$12,252,170. This action for \$423,000, together with prior commitments in the amount of \$12,023,591, results in a construction phase budget shortfall of \$194,421. The project contingency phase contains sufficient, unallocated budget to fund this action without jeopardizing any other project elements that will need to be funded out of the overall project. After this action, the available project contingency would be reduced from \$3,930,721 to \$3,736,300 and will equate to 11% of the total project budget.

Consistent with Sound Transit Budget Policies, this phase shortfall will be depicted as a negative variance until the 2004 budget is adopted. At that time, the unallocated project contingency can be reallocated to the construction phase to align phase budget amounts with project phase activity.

REVENUE, SUBAREA, AND FINANCIAL PLAN IMPACTS

The proposed action is consistent with the current Board-adopted total project budget and is affordable within Sound Transit's current long-term financial plan and the subarea financial capacity.

SUMMARY FOR BOARD ACTION

Action Item: Additional construction contract contingency for the Lynnwood Transit Center / Park & Ride project (#311), \$s in thousands

	2003 Adopted Budget (A)	Committed To Date (B)	This Action (C)	Total Committed & Action (D)	Uncommitted (Shortfall) (E)
Agency Administration	1,959	\$ 1,688	\$ -	\$ 1,688	\$ 271
Preliminary Engineering	1,606	1,759		1,759	(152)
Final Design	2,368	2,436	-	2,436	(68)
Right of Way	11,567	11,516	-	11,516	52
Construction	12,252	12,024	423	12,447	(194)
Contingency	3,931	-	-	-	3,931
Total Current Budget	33,684	\$ 29,422	\$ 423	\$ 29,845	\$ 3,839

Phase Budget Detail

Bayley Construction	\$ 9,573	\$ 9,573	\$ -	\$ 9,573	\$ -
ST Construction Contingency	\$ 476	\$ 476	\$ 423	\$ 899	\$ (423)
ILA City of Lynnwood	\$ 597	\$ 597	\$ -	\$ 597	\$ -
KBA	\$ 918	\$ 918	\$ -	\$ 918	\$ -
Adolphson & Associates	\$ 211	\$ 211	\$ -	\$ 211	\$ -
Other	\$ 477	\$ 249	\$ -	\$ 249	\$ 228
Total Phase	\$ 12,252	\$ 12,024	\$ 423	\$ 12,447	\$ (194)

Contract Budget	Current Approved Contract Value (F)	Spent to Date (G)	Proposed Action (H)	Proposed Total Contract Value (I)
Bayley Construction	\$ 9,573	\$ 3,587	\$ -	\$ 9,573
ST Contingency	476	0	\$ 423	899
Total	\$ 10,049	\$ 3,587	\$ 423	\$ 10,472
Percent Contingency	5%			9%

Budget Shortfall

Level	Shortfall Amt (J)	Potential Funds (K)	Funding Source (L)
Construction	\$ (194)	\$ 194	Contingency phase budget

Notes:

Committed to-date amount includes actual outlays and commitments through May 13, 2003.

M/W/DBE – SMALL BUSINESS PARTICIPATION

The small business participation goal for the Lynnwood Transit Center and Park-and-Ride Lot construction contract was 20%. Bayley Construction submitted a small business participation commitment of 20.17%. Of this amount, M/W/DBE firms were to perform 13.6% of the contract and 6.56% was to be performed by a small business.

Construction thus far has not included substantial M/W/DBE or SBE participation. The work of these subcontractors is commencing roughly in the current timeframe and is included more extensively in the remaining phases of the project's construction. While the total value of work performed by M/W/DBE and SBE subcontractors will increase over the life of the contract due to executed change orders, overall M/W/DBE and SBE percentages are likely to decrease slightly. This is because most of the value of the executed and expected change orders affects the soils subcontractor, and the soils subcontractor is not an M/W/DBE or SBE.

HISTORY OF PROJECT

Prior Board or Committee Actions and Relevant Board Policies

Motion or Resolution Number	Summary of Action	Date of Action
M2002-113	Scriber Creek Monitoring Contract.	10/3/02
M2002-91	Construction Contract with Bayley Construction.	8/8/02
M2002-64	Supplement to INCA Final Design Contract.	5/16/02
M2002-59	MOA with Community Transit.	5/16/02
M2002-47	Contract with Utility Vault for storm water vault manufacture and delivery.	4/18/02
M2002-37	Contract with KBA for construction management services.	4/4/02
M2000-116	Final design contract with INCA Engineers.	11/9/00
R2000-16	Acquisition of Real Property Easements.	10/26/00
R98-86	Reallocation of Funds from Lynnwood Connector project to Lynnwood Project.	2/24/00
R98-11	PE/ED Contract with INCA Engineers.	4/9/98

In August 2002, the Finance Committee authorized the Executive Director to execute a contract for construction of the Lynnwood Transit Center with Bayley Construction Company in the amount of \$9,135,680 with a 10% contingency of \$913,568. Construction is approximately 40% complete.

Staff is seeking approval to increase construction contract contingency to support the remaining work. The previously authorized contingency has been drawn down to \$476,000 primarily due to the cost of change orders to over-excavate existing soils and replace with imported structural fill. Identified future needs for the remaining contingency are primarily related to over-excavation and backfill with imported structural fill. After accounting for these potential cost impacts, an estimated contingency of only about \$25,000 is left to support unidentified needs that may be associated with the remaining \$6,500,000 of construction on the project.

Most of the draw down of and need for contingency has been rooted in a single issue – the discovery of much poorer soils than anticipated on the site. These poor soils are being exposed

during construction and appear to be associated with the meandering course of a long-buried stream bed. The poor soils were not discovered during design because the regular pattern of design phase soil borings did not happen to coincide with the old stream bed, and a good portion of the old stream bed underlay a large existing warehouse that was demolished as a part of the construction for the project.

The poor soils, consisting of clays and organic materials mixed with glacial tills, are of insufficient structural strength to support new construction and must be removed and replaced with gravel materials that provide sufficient structural stability to complete construction. When aggregated, the total impact of excavating and replacing the poor materials at the Lynnwood Transit Center and Park-and-Ride Lot will have consumed more than 80% of the originally authorized construction contract contingency.

Most of the remaining project construction will consist of work on the Community Transit Ridestore, Espresso Stand, Driver Restrooms, Canopies, Concrete Pavement, Sidewalks, Curbs, Gutters, Driveways, Lighting, Irrigation, and Landscaping. The risk of a significant change orders or cost overrun is generally low for these types of activities. However, the risk associated with work to complete the storm drainage system remains significant. Normally, a construction contract contingency of about 10% is appropriate. In this case, a contingency of \$423,000, or about 6.5% of the value of the construction remaining, is estimated to be adequate. In the whole, the risk associated with the remaining construction activities should be manageable within the requested contingency amount. This contingency would be controlled by Sound Transit and will not be available to the contractor unless proper change orders were processed and approved.

Project contingency remaining, if approved by the Finance Committee, will be reduced from \$3.93 million to \$3.51 million. This summer staff anticipates bringing an agreement with the City of Lynnwood, in the amount of approximately \$260,200 for additional intersection and signalization mitigation improvements in conjunction with this project, to the Finance Committee/Board. This is the remaining identified need for the project contingency. At this time, staff does not anticipate further needs for the project contingency. In addition, any unused construction contingency will be reallocated to the project contingency phase. The anticipated surplus will be transferred to the Snohomish Program Reserve, most likely as part of the 2005 budget process, after the completion of the Lynnwood Transit Center and Park-and-Ride Lot.

CONSEQUENCES OF DELAY

There are no immediate consequences if additional contract contingency is delayed. This action is being requested in anticipation of the need for some additional contingency to support the remaining construction of the project. If the additional contingency is delayed indefinitely, staff's ability to manage changed conditions timely in the field may be hampered due to the need to bring each change to the Finance Committee for funding authority. In each case, it is likely that the contractor could be entitled to additional compensation for owner-caused delay, and that completion of the project could be delayed.

REGIONAL PARTNERSHIP AND COOPERATION

The Lynnwood Project grouping established a Project Management Team (PMT) and an Executive Advisory Committee (EAC) to assist staff in making project decisions. Technical personnel from the project team staff the PMT. The EAC is comprised of elected officials, key agency management staff, and city business and community leaders to advise Sound Transit on

project-related matters. Both these committees remained very active through the lifecycle of the project. Sound Transit, the City of Lynnwood, and Community Transit continue to work cooperatively throughout the life of this project.

PUBLIC INVOLVEMENT

Sound Transit has an extensive public outreach program that is designed to solicit feedback at different stages of the project. To date, there have been three open houses, three newsletters, an environmental hearing, as well as a project web site. On different occasions, the project team has met with the Lynnwood City Council, Lynnwood Planning Commission, Lynnwood Arts Commission, Lynnwood Central Business District, Lynnwood Public Facilities District, South Snohomish County Chamber of Commerce, and Snohomish County Citizen Advisory Committee on Disabilities. Sound Transit has also attended community and special interest group meetings.

A groundbreaking ceremony was held at the start of the construction phase and Sound Transit provides Executive Advisory Committee members a monthly construction update to keep them informed of the progress the project is making.

LEGAL REVIEW

MB 5/15/03

SOUND TRANSIT

MOTION NO. M2003-59

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the Executive Director to increase the construction contract contingency amount for the Lynnwood Transit Center and Park-and-Ride Lot by \$423,000 for a new total contingency amount of \$1,338,568, and a new total authorized contract amount not to exceed \$10,472,248.

Background:

In August 2002, the Finance Committee authorized the Executive Director to execute a contract for construction of the Lynnwood Transit Center with Bayley Construction Company in the amount of \$9,135,680 with a 10% contingency of \$913,568. Construction is approximately 40% complete.

Staff is seeking approval to increase construction contract contingency to support the remaining work. The previously authorized contingency has been drawn down to \$476,000 primarily due to the cost of change orders to over-excavate existing soils and replace with imported structural fill. Identified future needs for the remaining contingency is primarily related to over-excavation and backfill with imported structural fill. After accounting for these future potential cost impacts, an estimated contingency of only about \$25,000 remains to support unidentified needs that may be associated with the remaining \$6,500,000 of construction on the project.

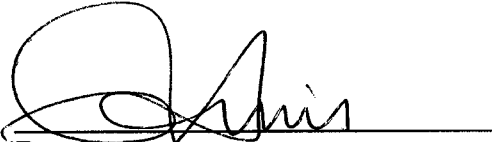
Most of the draw down of, and need for, contingency has been rooted in a single issue – the discovery of much poorer soils than anticipated on the site. These poor soils are being exposed during construction and appear to be associated with the meandering course of a long-buried stream bed. The poor soils were not discovered during design because the regular pattern of design phase soil borings did not happen to coincide with the old stream bed, and a good portion of the old stream bed underlay a large existing warehouse that was demolished as a part of the construction for the project.

Most of the remaining project construction will consist of work on the Community Transit Ridestore, Espresso Stand, Driver Restrooms, Canopies, Concrete Pavement, Sidewalks, Curbs, Gutters, Driveways, Lighting, Irrigation, and Landscaping. The risk of significant change orders or cost overrun is generally low for these types of activities. However, the risk associated with work to complete the storm drainage system remains significant. Staff expects that the risk associated with the remaining construction activities to be manageable within the requested contingency amount.

Motion:

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the Executive Director is authorized to increase the construction contract contingency for the Lynnwood Transit Center and Park-and-Ride Lot by \$423,000 for a new total contingency amount of \$1,338,568, and a new total authorized contract amount not to exceed \$10,472,248.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on June 12, 2003.

A handwritten signature in black ink, appearing to read "Ron Sims", written over a horizontal line.

Ron Sims
Board Chair

ATTEST:

A handwritten signature in black ink, appearing to read "Marcia Walker", written over a horizontal line.

Marcia Walker
Board Administrator