

**SOUND TRANSIT  
STAFF REPORT**

**MOTION NO. M2007-45**

**Contingency Increase for C735 Construction Contract**

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	4/19/07	Discussion/Possible Action to Recommend Board Approval Action	Ahmad Fazel, Link Executive Director	(206) 398-5389
Board	4/26/07		Joe Gildner, Link Deputy Executive Director	(206) 689-3350
			<b>Tony Raben, Link Deputy Construction Manager</b>	(206) 398-5171

Contract/Agreement Type:	✓	Requested Action:	✓
Competitive Procurement	✓	Execute New Contract/Agreement	
Sole Source		Amend Existing Contract/Agreement	✓
Agreement with Other Jurisdiction(s)		Budget Amendment	
Real Estate		Property Acquisition	

**PROJECT NAME**

Central Link Light Rail Initial Segment

**PROPOSED ACTION**

Authorizes the chief executive officer to increase the contingency for the contract with RCI Herzog, Joint Venture for construction of the Rainier Valley segment of the Central Link Light Rail Initial Segment project in the amount of \$17,000,000, for a new total authorized contract amount not to exceed \$171,449,260.

**KEY FEATURES of PROPOSED ACTION**

- This contract includes reconstruction of Martin Luther King Jr. Way South (MLK Way South) in connection with the construction of an at-grade light rail guideway, three light rail stations, and special trackwork including crossovers and a turnback track.
- The proposed action will increase the contract contingency by \$4,000,000 to address potential changes associated with the completion of the work of the Rainier Valley construction project and provide for up to \$13,000,000 of provisional payments towards the potential settlement of RCI Herzog, Joint Venture (RCI Herzog) claims, which are under evaluation, and to compensate subcontractors who have been potentially impacted by project changes and delays. These payments are tied to RCIH completion of work in reaches to enable follow-on system contractors to obtain primary access to perform systems work in the alignment pending RCIH completion of the Project.
- Current remaining contract contingency on this contract is \$1,756,009 out of authorized \$26,146,349 with the project 70% completed.

## **BUDGET IMPACT SUMMARY**

Current Project Phase: Construction  
Projected Completion Date: 2009

<b>Action Outside of Adopted Budget:</b>	<b>✓</b>	<b>Comments on Checked Items</b>
This Project		
This Phase		
This Task	✓	Proposed action requires transfer of funds from unallocated contingency
Budget Amendment Required		

<b>Key Financial Indicators:</b>	<b>✓</b>	<b>Comments on Checked Items</b>
Contingency Funds Required		
Funding required from other parties (other than what is in financial plan)		

Not checked = action is assumed in current Board-adopted budget. No budget action or adjustment to financial plan required.

## **BUDGET and FINANCIAL PLAN DISCUSSION**

The proposed action would authorize increasing the contingency for the contract with RCI Herzog, for construction of C735 (Rainier Valley Construction) by \$17,000,000, for a new total authorized contract amount not to exceed \$171,449,260, which includes betterment work.

The Adopted 2007 Budget for the Central Link Initial Segment is \$2.07 billion. Within that amount, \$139,084,117 has been set aside in the construction phase for Sound Transit's share of C735 Rainier Valley construction. When added to current commitments, the proposed action would increase the commitments for C735 to \$156,061,588, and result in a budget shortfall of \$16,977,471 for this line item, which would be funded from unallocated contingency within the construction phase. Should the proposed action be approved, the remaining budget for construction phase unallocated contingency would be \$25,099,719.

The current authorized contract with RCI Herzog includes scope for betterment work, which is being reimbursed to Sound Transit by third parties in the amount of \$15,787,540. Therefore, Sound Transit's share of the proposed contract authorization is up to \$155,661,720 of the \$171,449,260.

The proposed action is consistent with the current adopted budget, and is affordable within the agency's long-term financial plan and subarea financial capacity. The action will have no new revenue impact on Sound Transit.

## BUDGET TABLE

**Action Item:** RCI Herzog, JV (Increase contingency for C735 Rainier Valley construction contract in the Central Link Initial Segment)

(Year of Expenditure \$000)

### Initial Segment

	Adopted 2007 Budget (A)	Committed To Date (B)	This Action (C)	Total Committed & Action (D)	Uncommitted (Shortfall) (E)
1 Agency Administration	214,780	119,636		119,636	95,144
2 Preliminary Engineering	33,357	33,310		33,310	46
3 Final Design	147,167	146,493		146,493	673
4 Right of Way	217,516	200,129		200,129	17,387
5 Construction	1,174,572	1,068,490	17,000	1,085,490	89,082
6 Construction Services	90,037	88,472		88,472	1,566
7 Third Party Agreements	60,264	58,766		58,766	1,498
8 Vehicles	132,307	131,799		131,799	508
9 <b>Total Current Budget</b>	<b>2,070,000</b>	<b>1,847,096</b>	<b>17,000</b>	<b>1,864,096</b>	<b>205,904</b>

### Construction Phase Detail

10 C735 Rainier Valley Segment	139,084	139,062	17,000	156,062	(16,977)
11 Other Construction Segments	993,411	929,429		929,429	63,982
12 Construction Unallocated Contingency	42,077	-		-	42,077
13 <b>Total Phase</b>	<b>1,174,572</b>	<b>1,068,490</b>	<b>17,000</b>	<b>1,085,490</b>	<b>89,082</b>

Contract Amount (All Vendors)	Board Approvals to Date (F)	Current Approved Contract Value (G)	Proposed Action (H)	Proposed Total for Board Approval (I)	Proposed Contract Value (J)
14 Contract Amount	128,303	152,693	-	128,303	152,693
15 Contingency	26,146	1,756	17,000	43,146	18,756
16 <b>Total Contract</b>	<b>154,449</b>	<b>154,449</b>	<b>17,000</b>	<b>171,449</b>	<b>171,449</b>
17 Percent Contingency	20%	1%	100%	34%	12%
18 Betterments	15,788	15,788	-	15,788	15,788
19 <b>Total Sound Transit Share</b>	<b>138,662</b>	<b>138,662</b>	<b>17,000</b>	<b>155,662</b>	<b>155,662</b>

(B) COMMITTED TO DATE amounts are from Agency WBS Report as of February 2007 + approved and pending board actions not recorded as of 2/28/07, or submitted after that date.

Budget Shortfall Task Level	\$ (K)	Potential Resources (L)	Source (M)
20 C735 Rainier Valley Segment	16,977	42,077	Construction phase unallocated contingency

## SMALL BUSINESS PARTICIPATION

### Prime Consultant/Contractor

For this project, Sound Transit established contract participation goals of 20% Small Business and 12% M/W/DBE. RCI Herzog committed to participation goals of 35% Small Business and 20% M/W/DBE.

To date, contract participation goal attainment is 48.9% Small Business and 25.4% M/W/DBE. RCI Herzog is projected to meet or exceed its committed 35% and 20% participation goals.

### EEO Commitment

RCI Herzog committed to adhere to the established workforce EEO Goals of 21% people of color and 12% women. To date, 27.3% of the total work hours have been performed by people of color and 9.7% of the total work hours have been performed by women.

### Apprentice Utilization Commitment

RCI Herzog committed to a 20% apprentice utilization goal. As a result of a variety of factors outside RCI Herzog's control, it has been able to attain 8.4% apprentice participation to date. 49.4% of the apprentice work hours have been performed by people of color and 16.2% of the apprentice work hours have been performed by women.

### **PROJECT DESCRIPTION and BACKGROUND for PROPOSED ACTION**

This project includes construction of the at-grade light rail transit guideway in the median of the widened MLK Way right of way from South Walden Street to South Norfolk Street. Stations are located at Edmunds Street (Columbia City Station), Othello Street (Othello Station), and Henderson Street (Rainier Beach Station). A turnback track is located just south of the Rainier Beach Station.

The construction scope includes construction of a new MLK Way roadway including curb, gutter, and sidewalks; pedestrian crossings; and signalized intersections. Most wet utilities are being replaced including sewer, storm drainage, and water supply. Overhead utilities will be placed underground per an agreement between the City of Seattle and Sound Transit.

The C735 Rainier Valley Construction was originally scheduled to be completed by April 9, 2007. The latest schedule update from the contractor indicates a substantial completion date of September 2007. Sound Transit is forecasting substantial completion by the end of 2007 with final acceptance to follow four months later.

Construction of this contract is approximately 70% complete. The remediation work for hazardous and contaminated materials has been greater than anticipated. To date, costs associated with these conditions have drawn more than half of the original contract contingency. The extra hazardous and contaminated material remediation costs incurred exceed \$7.9 million of which \$3.25 million was funded using added contingency approved by the Board through Motion No. M2005-28.

In addition to the hazardous and contaminated material costs, other commodities (storm, sewer, joint utility trench, wall, waterline work, paving, and station work) have also required draws on the contingency, as anticipated. The hazardous and contaminated material costs coupled with the draws on the other commodities and three provisional payments on the contractor's claim have nearly depleted the contract contingency. Of the currently available \$26.1M in contingency, \$24.4M has been committed to date.

In order to complete this segment in a timely and efficient manner, additional contingency is required to manage potential changes that may still arise. These potential change issues include any necessary modifications to the remaining work of which 30% is still to be performed.

## Prior Board/Committee Actions on this Project

Motion/Resolution Number & Date	Summary of Action
M2006-74 10/26/06	Authorize the Chief Executive Officer to increase the contingency for the contract with RCI Herzog, Joint Venture for construction of C735 (Rainier Valley Construction) by \$7,500,000, for a new total authorized contract amount not to exceed \$154,449,260.
M2006-70 10/05/06	Authorizing the Chief Executive Officer to execute an agreement with the Seattle Housing Authority to pay Sound Transit for the betterments of Seattle Housing Authority facilities as part of the light rail construction along Martin Luther King, Jr. Way South, estimated at \$2,212,317.
R2005-08 3/10/05	Transferring uncommitted lifetime capital budget in the amount of \$4 million from the Right of Way Phase to the Construction Phase of the Link Light Rail Initial Segment adopted budget, maintaining the total adopted project capital budget of \$2.07 billion.
M2005-28 3/10/05	Executing a contract amendment with RCI Herzog, Joint Venture in the amount of \$3,250,000 for the Link Light Rail Initial Segment construction in Rainier Valley, for a new total authorized contract amount not to exceed \$146,949,260, which includes reimbursements to Sound Transit by third parties for betterments in the amount of \$14,123,336.
M2004-03 2/12/04	Authorizing the Chief Executive Officer to execute a contract with RCI-Herzog, A Joint Venture for the Rainier Valley light rail construction in the amount of \$128,302,911 with a 12% contingency in the amount of \$15,396,349 for a total authorized contact amount not to exceed \$143,699,260.

### **CONSEQUENCES of DELAY**

A delay beyond April 2007 in approval of this action could cause delays and inefficiencies in completion of the C735 Rainier Valley construction contract.

### **PUBLIC INVOLVEMENT**

Not applicable to this action.

### **ENVIRONMENTAL COMPLIANCE**

JI 3/30/07

### **LEGAL REVIEW**

JN 4/13/07

## SOUND TRANSIT

### MOTION NO. M2007-45

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to increase the contingency for the contract with RCI Herzog, Joint Venture for construction of the Rainier Valley segment of the Central Link Light Rail Initial Segment project in the amount of \$17,000,000, for a new total authorized contract amount not to exceed \$171,449,260.

#### **Background:**

This project includes construction of the at-grade light rail transit guideway in the median of the widened MLK Way right of way from South Walden Street to South Norfolk Street. Stations are located at Edmunds Street (Columbia City Station), Othello Street (Othello Station), and Henderson Street (Rainier Beach Station). A turnback track is located just south of the Rainier Beach Station.

The construction scope includes construction of a new MLK Way roadway including curb, gutter, and sidewalks; pedestrian crossings; and signalized intersections. Most wet utilities are being replaced including sewer, storm drainage, and water supply. Overhead utilities will be placed underground per an agreement between the City of Seattle and Sound Transit.

The C735 Rainier Valley Construction was originally scheduled to be completed by April 9, 2007. The latest schedule update from the contractor indicates a substantial completion date of September 2007. Sound Transit is forecasting substantial completion by the end of 2007 with final acceptance to follow four months later.

Construction of this contract is approximately 70% complete. The remediation work for hazardous and contaminated materials has been greater than anticipated. To date, costs associated with these conditions have drawn more than half of the original contract contingency. The extra hazardous and contaminated material remediation costs incurred exceed \$7.9 million of which \$3.25 million was funded using added contingency approved by the Board through Motion No. M2005-28.

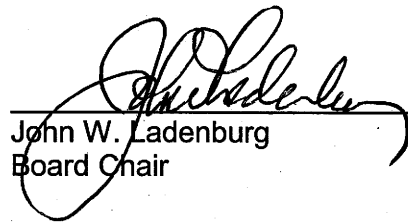
In addition to the hazardous and contaminated material costs, other commodities (storm, sewer, joint utility trench, wall, waterline work, paving, and station work) have also required draws on the contingency, as anticipated. The hazardous and contaminated material costs coupled with the draws on the other commodities and three provisional payments on the contractor's claim have nearly depleted the contract contingency. Of the currently available \$26.1M in contingency, \$24.4M has been committed to date.

In order to complete this segment in a timely and efficient manner, additional contingency is required to manage potential changes that may still arise. These potential change issues include any necessary modifications to the remaining work of which 30% is still to be performed.

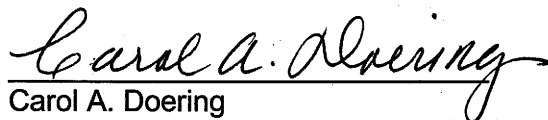
**Motion:**

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to increase the contingency for the contract with RCI Herzog, Joint Venture for construction of the Rainier Valley segment of the Central Link Light Rail Initial Segment project in the amount of \$17,000,000, for a new total authorized contract amount not to exceed \$171,449,260.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on April 26, 2007.

  
\_\_\_\_\_  
John W. Ladenburg  
Board Chair

ATTEST:

  
\_\_\_\_\_  
Carol A. Doering  
Acting Board Administrator