

**SOUND TRANSIT
STAFF REPORT**

MOTION NO. M2007-87

Contingency Increase for Beacon Hill Construction Contract

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	8/16/07	Discussion/Possible Action to Recommend Board Approval Action	Ahmad Fazel, Link Executive Director	(206) 398-5389
Board	8/23/07		Joe Gildner, Link Deputy Executive Director	(206) 689-3350
			Richard Sage, Link Construction Manager	(206) 398-5226

Contract/Agreement Type:	<input checked="" type="checkbox"/>	Requested Action:	<input checked="" type="checkbox"/>
Competitive Procurement	<input checked="" type="checkbox"/>	Execute New Contract/Agreement	<input type="checkbox"/>
Sole Source	<input type="checkbox"/>	Amend Existing Contract/Agreement	<input checked="" type="checkbox"/>
Agreement with Other Jurisdiction(s)	<input type="checkbox"/>	Budget Amendment	<input type="checkbox"/>
Real Estate	<input type="checkbox"/>	Property Acquisition	<input type="checkbox"/>

PROJECT NAME

Central Link light rail Initial Segment

PROPOSED ACTION

Authorizes the chief executive officer to increase the contingency for the contract with Obayashi Corporation for construction of the Beacon Hill Station and Tunnel segment of the Central Link light rail Initial Segment project in the amount of \$4,998,656, for a new total authorized contract amount not to exceed \$305,711,996, which includes reimbursement to Sound Transit by third parties for betterments in the amount of \$214,031.

KEY FEATURES of PROPOSED ACTION

- This contract includes construction of the civil facilities for the Beacon Hill Station and Tunnels including tunnel portals, aerial structures, and the aerial Mount Baker Station.
- The proposed action will increase the contract contingency by \$4,998,656 to address potential changes associated with the completion of the work of the Beacon Hill Station and Tunnel construction project.
- The previous total authorized contract amount of \$300,714,375 included third party reimbursements of \$215,066. The actual signed third party agreement includes a reimbursement of \$214,031, a reduction of \$1,035. As a result, the total authorized not to exceed contract amount prior to this action was reduced to \$300,713,340.

BUDGET IMPACT SUMMARY

There is no action outside of the Board-adopted budget; there are no contingency funds required, no subarea impacts, or funding required from other parties other than what is already assumed in the financial plan.

BUDGET and FINANCIAL PLAN DISCUSSION

The proposed action would increase the adjusted authorized expenditure amount for Obayashi Corporation by \$4,998,656. The new total authorized expenditure amount would be \$305,711,996, including reimbursements to Sound Transit by third parties in the amount of \$214,031. The amount of this contract charged to the Initial Segment will not exceed \$305,497,965.

The Adopted 2007 Budget for the Central Link Initial Segment is \$2.07 billion. Within that amount, \$305,499,309 has been set aside for Sound Transit's share of the Beacon Hill Station and Tunnel (C710) in the construction phase. When added to current commitments, the proposed action would increase this amount by \$4,998,656 to a revised total amount of \$305,499,309, with no remaining balance for this budget line item.

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: Obayashi Corporation (increase the contingency for construction of the Beacon Hill Station and Tunnel (C710) 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	140,441		140,441	74,339
2 Preliminary Engineering	33,357	33,310		33,310	46
3 Final Design	147,167	146,496		146,496	671
4 Right of Way	217,516	202,948		202,948	14,568
5 Construction	1,174,572	1,116,197	4,999	1,121,196	53,377
6 Construction Services	90,037	92,403		92,403	(2,366)
7 Third Party Agreements	60,264	59,566		59,566	698
8 Vehicles	132,307	131,799		131,799	508
9 Total Current Budget	2,070,000	1,923,161	4,999	1,928,159	141,841

Construction Phase Detail

10 Beacon Hill Segment C710	305,499	300,501	4,999	305,499	-
11 Other Construction	826,996	781,844		781,844	45,152
12 Constr Unallocated Contingency	42,077	33,852		33,852	8,225
13 Total Phase	1,174,572	1,116,197	4,999	815,696	53,377

Contract Amount	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	279,749	295,108	-	279,749	295,108
15 Contingency	20,750	5,391	4,999	25,749	10,390
16 Total Sound Transit Share	300,499	300,499	4,999	305,498	305,498
17 Percent Contingency	7%	2%	0%	9%	4%
18 Betterments	214	214	-	214	214
19 Total Contract	300,713	300,713	4,999	305,712	305,712

(B) COMMITTED TO DATE amounts are from Agency WBS Report as of June 2007 + approved and pending board actions not recorded as of 6/30/07, or submitted after that date.

(F) BOARD APPROVALS TO DATE authorized not to exceed contract value is lower than that approved by Board Motion No. M2005-29 (adopted 3/10/05). Betterments (reimbursements) have been reduced based on signed agreements with third parties.

SMALL BUSINESS PARTICIPATION

Prime Consultant/Contractor

The goal for this contract is 11% for small business with a subcontractor goal of 7% for M/W/DBE firms. Obayashi Corporation's current projections for small business and M/W/DBE are 16.81% and 9.66% respectively, thus exceeding the contract goals by 5.81% and 2.66% respectively.

EEO Commitment

The EEO goals for this contract are 21% people of color and 12% women of the total labor hours worked on the contract. To date, 24.66% of the total work hours have been performed by people of color and 6.2% of the total work hours have been performed by women. As a result of a variety of factors outside of Obayashi Corporation's control, it has been unable to attain 12% women participation to date.

Apprentice Utilization Commitment

Obayashi Corporation committed to a 20% apprentice utilization goal. As a result of a variety of factors outside of Obayashi Corporation's control, it has been able to attain 10.44% apprentice participation to date. The project goal is to have 21% of the apprentice hours performed by

people of color and 12% performed by women. To date 44.74% of the apprentice work hours have been performed by people of color and 23.17% of the apprentice work hours have been performed by women.

PROJECT DESCRIPTION and BACKGROUND for PROPOSED ACTION

This contract includes construction of an approximately one-mile long, twin tube tunnel beneath Beacon Hill, including a deep mined tunnel station. Vertical circulation to the tunnel station will be provided through an access shaft with four high-speed elevators and stairways. A secondary shaft will be provided for emergency egress. A station headhouse will provide access to elevators and stairways. East of the tunnel, the alignment continues on an elevated guideway, including an aerial station near McClellan Street. The aerial Mount Baker Station is fully enclosed and includes a new urban plaza. The alignment descends to grade in the median of MLK Jr. Way just north of South Walden Street.

The Beacon Hill construction was originally scheduled to be completed by June 8, 2008. A time extension has been granted for an additional 54 calendar days bringing the contract completion date to August 1, 2008. Sound Transit is forecasting substantial completion by December 2008 with acceptance to follow three months later. December 2008 substantial completion does not impact revenue operation service in mid-2009.

The initial contingency of \$20 million is just over 7% of the contract amount. Historically, contingency for contracts principally dealing with soils is 15%. Additional contingency in the amount of \$750,000 was transferred to the C710 contract from the Real Estate budget to cover some of the site remediation costs associated with petroleum contaminated soils.

In addition to ongoing normal changes, there have been a number of unusual occurrences, such as:

- Soil conditions differing from that anticipated under the contract were encountered; remedial action was taken to stabilize the grounds through jet grouting and dewatering. Change orders were issued for this work, consuming over \$7.5 million of contingency.
- Temporary erosion and sedimentation control provisional sums were increased by change orders totaling over \$637,000.
- East Portal landslide remedial and mitigation costs of \$1 million.
- Sand inflow at the west longitudinal ventilation adit costs of \$1.25 million.
- Cleanup of contamination at the ARCO gas station site cost about \$850,000.
- Installation of an emergency generator at the West Portal cost nearly \$560,000.

These occurrences along with routine changes have contributed to the near depletion of the contract contingency such that remaining budget is required to cover routine change orders for anticipated remaining changes, unanticipated small changes, and to perform the work in a timely and efficient manner.

Prior Board/Committee Actions

Motion/Resolution Number and Date	Summary of Action
M2005-29 3/10/05	Executed a contract amendment with Obayashi Corporation in the amount of \$750,000 for the Link Light Rail Initial Segment Beacon Hill Tunnel, for a new total authorized contract amount not to exceed \$300,714,375, which includes reimbursements to Sound Transit by third parties for betterments in the amount of \$215,066.
M2004-59 6/10/04	Authorized the Chief Executive Officer to execute a contract with Obayashi Corporation for the construction of the Beacon Hill Tunnel, the Beacon Hill Tunnel Station, the aerial guideway along McClellan Street, and the aerial McClellan Station in the amount of \$279,964,375, plus a contract contingency of \$20,000,000 for a total authorized contract amount not to exceed \$299,964,375, which includes reimbursed to Sound Transit by third-parties for betterments in the amount of \$215,066

CONSEQUENCES of DELAY

A delay beyond August 2007 in approval of this action could cause delays and inefficiencies in completion of the C710 Beacon Hill construction contract.

PUBLIC INVOLVEMENT

Not applicable to this action.

ENVIRONMENTAL COMPLIANCE

JI, 06/29/07

LEGAL REVIEW

JW 8/9/07

SOUND TRANSIT

MOTION NO. M2007-87

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 Obayashi Corporation for construction of the Beacon Hill Station and Tunnel segment of the Central Link light rail Initial Segment project in the amount of \$4,998,656, for a new total authorized contract amount not to exceed \$305,711,996, which includes reimbursement to Sound Transit by third parties for betterments in the amount of \$214,031.

Background:

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Motion:

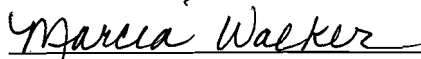
It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to increase the contingency for the contract with Obayashi Corporation for construction of the Beacon Hill Station and Tunnel segment of the Central Link light rail Initial Segment project in the amount of \$4,998,656, for a new total authorized contract amount not to exceed \$305,711,996, which includes reimbursement to Sound Transit by third parties for betterments in the amount of \$214,031.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on August 23, 2007.



Mark G. Olson
Board Vice Chair

ATTEST:



Marcia Walker
Board Administrator