

**MOTION NO. M2012-54**  
**Owner Controlled Insurance Program for Northgate Link Extension**

| <b>MEETING:</b>   | <b>DATE:</b> | <b>TYPE OF ACTION:</b>  | <b>STAFF CONTACT:</b>  | <b>PHONE:</b>                |
|-------------------|--------------|-------------------------|--|------------------------------|
| Capital Committee | 8/09/12      | Recommendation to Board | Ahmad Fazel, DECM<br>Executive Director  | 206-398-5389                 |
| Board             | 8/23/12      | Final Action            | Brian McCartan, FIT<br>Executive Director<br><b>David Grenier, Director of Risk Management</b> | 206-398-5100<br>206-398-5096 |

**PROPOSED ACTION**

Authorizes the chief executive officer to implement an Owner Controlled Insurance Program for the Northgate Link Extension by entering into all necessary agreements and contracts with selected insurance companies through Sound Transit’s insurance broker, for a total authorized amount not to exceed \$31,800,000.

**KEY FEATURES**

- This action authorizes the CEO to implement an Owner Controlled Insurance Program (OCIP) for the Northgate Link Extension. The major components of this OCIP insurance and risk management program structure include:
  - General Liability and Excess Liability Insurance
  - Builders Risk Insurance
  - Contractors Pollution Liability Insurance
- Under the Northgate Link Extension OCIP, Sound Transit will provide insurance for contractors working on designated Northgate Link construction sites rather than having the contractors provide their own insurance coverage. This approach provides a uniform insurance program with financial economies of scale from volume purchasing of insurance coverages by Sound Transit and improved controls for the Northgate Link Extension.
- The Northgate Link Extension OCIP insurance costs are within the Board-approved baseline budget for the Northgate Link Extension. The insurance coverage will be for nine years of construction. The general liability coverage will include nine years of construction coverage and six years of completed operations.
- This action is needed because the Northgate Link Extension OCIP insurance coverage needs to be procured and in place prior to the preparation of bid documents for the tunneling contracts.

**PROJECT DESCRIPTION**

The Northgate Link extends light rail approximately 4.3 miles beyond the future interim northern terminus of University Link at the University of Washington Station. The project features approximately 3.4 miles of twin bored tunnels with two underground stations, one at Brooklyn Avenue NE and NE 45th Street in the University District and one at 12th Avenue NE and NE 65th Street in the Roosevelt neighborhood. The alignment includes about 0.9 miles of guideway that transitions from tunnels to an elevated structure and an elevated station that spans NE 103rd Street, near the Northgate Mall. The Northgate Link Extension is scheduled to be completed in September 2021.

## FISCAL INFORMATION

This action is within the adopted baseline budget and sufficient monies remain after approval of this action to fund the remaining work in the Agency Administration phase as contained in the current cost estimates.

### PROJECT TABLE

| Northgate Link Extension    | Amended<br>2012 TIP | Board<br>Approvals | This Action   | Board<br>Approved Plus<br>Action | Uncommitted /<br>(Shortfall) |
|-----------------------------|---------------------|--------------------|---------------|----------------------------------|------------------------------|
| Agency Administration       | 149,500             | 9,437              | 31,800        | 41,237                           | 108,263                      |
| Preliminary Engineering     | 15,077              | 15,329             |               | 15,329                           | (252)                        |
| Final Design                | 113,123             | 99,519             |               | 99,519                           | 13,604                       |
| Right of Way                | 148,050             | 93,431             |               | 93,431                           | 54,619                       |
| Construction                | 1,323,500           | 12,627             |               | 12,627                           | 1,310,873                    |
| Construction Services       | 112,050             | 83,030             |               | 83,030                           | 29,020                       |
| Third Party Agreements      | 11,000              | 2,646              |               | 2,646                            | 8,354                        |
| Vehicles                    | 259,100             | -                  |               | -                                | 259,100                      |
| <b>Total Current Budget</b> | <b>2,131,400</b>    | <b>316,020</b>     | <b>31,800</b> | <b>347,820</b>                   | <b>1,783,580</b>             |

#### Phase Detail

##### Agency Administration

|                    |                |              |               |               |                |
|--------------------|----------------|--------------|---------------|---------------|----------------|
| OCIP               | 31,800         | -            | 31,800        | 31,800        | -              |
| Other Final Design | 117,700        | 9,437        |               | 9,437         | 108,263        |
| <b>Total Phase</b> | <b>149,500</b> | <b>9,437</b> | <b>31,800</b> | <b>41,237</b> | <b>108,263</b> |

#### Contract Detail

|                              | Board<br>Approvals to<br>Date | Current<br>Approved<br>Contract Status | Proposed<br>Action | Proposed<br>Total for Board<br>Approval |
|------------------------------|-------------------------------|--|--------------------|---|
| Contract                     | -                             | -                                      | 31,800             | 31,800                                  |
| Contingency                  | -                             | -                                      | -                  | -                                       |
| <b>Total Contract Amount</b> | <b>-</b>                      | <b>-</b>                               | <b>31,800</b>      | <b>31,800</b>                           |
| Percent Contingency          | 0.0%                          | 0.0%                                   | 0.0%               | 0.0%                                    |

#### Notes:

Amounts are expressed in Year of Expenditure \$000s.

Board Approvals = Committed To-Date + Contingency, and includes pending Board actions.

Amended 2012 TIP reflects Board Resolution R2012-13 to baseline the project schedule and budget, adopted 6/28/12. The project budget prior to amendment is located on page 34 of the 2012 Transit Improvement Plan (TIP).

"Shortfall" to the Amended 2012 TIP for Preliminary Engineering phase of the Northgate Link Extension project results from "Board Approvals" amounts that include unused funds authorized for allocated contract contingencies that will be decommitted as these contracts complete.

## SMALL BUSINESS PARTICIPATION

Not applicable to this action.

## EQUAL EMPLOYMENT WORKFORCE PROFILE

Not applicable to this action.

## BACKGROUND

In 2001, Sound Transit implemented an OCIP for Sound Move capital programs. The OCIP covered most construction and final design activity that was managed directly by Sound Transit, primarily Central Link Light Rail Initial Segment and Airport. Under this OCIP, Sound Transit

purchased a “consolidated” insurance program to cover all final design and construction activity on the projects rather than the traditional approach of having the contractor provide its own insurance to cover its work. The primary benefit of the program was to insure that a uniform, high-quality insurance program covered all work on the projects. A properly structured OCIP can also be a lower-cost means of providing insurance coverage versus a traditional approach.

In preparing for the University Link project, Sound Transit conducted an extensive review of its experience with the Central Link OCIP program and reviewed the contracting approach for the University Link project. It was determined that an OCIP program would be the most efficient and effective means of providing insurance coverage for the University Link project. Sound Transit incorporated the “lessons learned” from the Central Link OCIP for improved OCIP administration, contractual risk-transfer, and claim processing in structuring the University Link OCIP. The U-Link OCIP is a “project-specific” OCIP versus a rolling OCIP that was used for the Central Link projects.

Given the success of the University Link OCIP in providing a comprehensive insurance and risk management program on a major infrastructure and tunneling project, Sound Transit determined that using an OCIP on a similar project such as the Northgate Link Extension is the optimal approach. The OCIP Feasibility Study for the Northgate Link Extension Construction Phase was prepared by the Sound Transit Risk Management Division, in collaboration with the Willis Construction Practice, National Wrap-Up Group. The study confirmed the recommendation that a Northgate Link Extension OCIP be established.

## **ENVIRONMENTAL COMPLIANCE**

JI 7/18/2012

## **PRIOR BOARD/COMMITTEE ACTIONS**

Not applicable to this action.

## **TIME CONSTRAINTS**

Board approval at this time will allow Sound Transit to effectively market and procure the Northgate Link Extension OCIP insurance coverages in the global insurance/reinsurance marketplace to avoid any potential premium cost increases due to a hardening commercial insurance market.

## **PUBLIC INVOLVEMENT**

Not applicable to this action.

## **LEGAL REVIEW**

LA, 8/3/12

## **MOTION NO. M2012-54**

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to implement an Owner Controlled Insurance Program for the Northgate Link Extension by entering into all necessary agreements and contracts with selected insurance companies through Sound Transit's insurance broker, for a total authorized amount not to exceed \$31,800,000.

### **BACKGROUND:**

In 2001, Sound Transit implemented an OCIP for Sound Move capital programs. The OCIP covered most construction and final design activity that was managed directly by Sound Transit, primarily Central Link Light Rail Initial Segment and Airport. Under this OCIP, Sound Transit purchased a "consolidated" insurance program to cover all final design and construction activity on the projects rather than the traditional approach of having the contractor provide its own insurance to cover its work. The primary benefit of the program was to insure that a uniform, high-quality insurance program covered all work on the projects. A properly structured OCIP can also be a lower-cost means of providing insurance coverage versus a traditional approach.

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This action authorizes the CEO to implement an Owner Controlled Insurance Program (OCIP) for the Northgate Link Extension. The major components of this OCIP insurance and risk management program structure include general liability and excess liability insurance, builders risk insurance, and contractors pollution liability insurance.

Under the Northgate Link Extension OCIP, Sound Transit will provide insurance for contractors working on designated Northgate Link construction sites rather than having the contractors provide their own insurance coverage. This approach provides a uniform insurance program with financial economies of scale from volume purchasing of insurance coverages by Sound Transit and improved controls for the Northgate Link Extension.

The Northgate Link Extension OCIP insurance costs are within the Board-approved baseline budget for the Northgate Link Extension. The insurance coverage will be for nine years of construction. The general liability coverage will include nine years of construction coverage and six years of completed operations.

**MOTION:**

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to implement an Owner Controlled Insurance Program for the Northgate Link Extension by entering into all necessary agreements and contracts with selected insurance companies through Sound Transit's insurance broker, for a total authorized amount not to exceed \$31,800,000.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on August 23, 2012.



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Julia Patterson  
Board Vice Chair

ATTEST:



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Marcia Walker  
Board Administrator