

**STAFF REPORT FOR CALENDAR ITEM NO.: 13  
FOR THE MEETING OF: November 12, 2015**

**TRANSBAY JOINT POWERS AUTHORITY**

**BRIEF DESCRIPTION:**

Adoption of an Interim Revised Baseline Budget for Phase 1 of the Transbay Transit Center Program in the amount of \$2,059,400,000.

**EXPLANATION:**

This memo provides a briefing on the status of the Phase 1 Program Baseline Budget, and recommends adoption of an Interim Revised Baseline Budget that increases the Phase 1 Program Budget by \$160,000,000, the minimum amount of land sales proceeds anticipated from the future sale of Parcel F. Such a budget increase allows for the award of the remaining trade packages planned to be awarded this calendar year, keeping the project moving forward on schedule. The results of the latest TJPA risk management update and a summary of the final MTC Cost Review report for Phase 1 are also discussed below.

Background re Multi-Year Baseline Budget and Annual Budget

As an agency formed to build a capital project, the TJPA manages its resources primarily in relation to the multi-year Transbay Transit Center Baseline Budgets for Phase 1 and Phase 2. The Baseline Budgets are akin to long-term strategic or financial plans for each phase of the Program. The TJPA Board's Budget Policy No. 3 (adopted in 2004) explains that these long-term plans are statements of how the TJPA intends to fund the construction of each phase of the Program over the life of the Program's construction. Because such a long-term plan is required to make reasoned estimates and assumptions about revenues and expenses, the Board's policy anticipates that the Baseline Budgets would be updated periodically as circumstances change.

Each fiscal year's capital budget reflects the engineering and construction work, and related administrative and support activities, that are expected to occur during that fiscal year to implement the Program. This annual budget represents a slice of the Baseline Budget – it is the reasoned estimate of the revenues and expenses from the Baseline Budget that will occur during that fiscal year timeframe. TJPA staff would only recommend an annual capital budget that is consistent with the Baseline Budget. To the extent the Baseline Budget is revised, the annual capital budget may be revised accordingly. The Board's Budget Policy describes the mechanism for adjusting the annual budget mid-year to account for reallocations among expenditure categories, budget reductions in the event actual revenues do not meet or exceed budgeted expenditures, and budget supplements in the event that actual revenues exceed budgeted expenditures.

Because the Phase 1 Baseline Budget is the overarching financial plan for implementation of Phase 1 of the Program, of which each fiscal year's capital budget is only a slice, the Baseline Budget is the driver for project activities. Moreover, as a condition of drawing on the federal TIFIA Loan, the TJPA must demonstrate via the Baseline Budget that Phase 1 of the Program is “fully-funded.”

(Note that the TJPA also maintains a separate annual operating budget, reflecting the estimated revenues and expenses related to operations of the Temporary Terminal.)

#### Recap of Baseline Budget History

In November 2007, the TJPA Board adopted a Baseline Budget for Phase 1 of the Program in the amount of \$1,189,000,000. The budget included the following Program components: (a) right-of-way acquisition; (b) construction of a temporary terminal; (c) demolition of the existing Transbay Terminal and bus ramp; (d) construction of the above-grade bus facilities portion of the new Transit Center and the foundations and other improvements to prepare for future construction of the below-grade train station (“top-down” approach); (e) construction of a bus ramp and bus storage; and (f) design and engineering of the above-listed facilities including the full below-grade rail level component of the Transit Center building. The budget excluded construction of the below-grade train box.

In May 2010, the Board adopted a Revised Baseline Budget, Financial Plan, and construction schedule for Phase 1 of the Program in the amount of \$1,589,000,000, which incorporated the construction of the train box in anticipation of the August 2010 Federal Railroad Administration (FRA) \$400,000,000 American Recovery and Reinvestment Act (ARRA) grant award for the train box.

In July 2013, the Board adopted a Revised Baseline Budget for Phase 1 of the Program in the amount of \$1,899,400,000. This revised budget took into consideration the results of the bids for the structural steel trade package and the rising costs of other construction materials and labor as the economy began its recovery from the recession, the cost impacts of incorporation of a risk and vulnerability assessment (RVA) and implementing the RVA design guidance criteria, increases in soft costs largely due to the schedule extension associated with transfer of the construction of the train box to Phase 1 (a three-year schedule extension), and replenishment of contingencies and Program Reserve. The construction cost estimate included in this revised budget was based on the 95% construction documents. The revised budget also assumed a 3.5% escalation rate for construction activities moving forward and included several value engineering measures and deductive alternates totaling \$35.8 million.

In February 2014, the TJPA received an updated construction cost estimate from the Construction Manager/General Contractor (CM/GC) based on the 100% construction documents completed in May 2013. The CM/GC’s construction cost estimate was reconciled with an updated Engineer’s Estimate provided by the project Architect, Pelli Clarke Pelli Architects (PCPA). The reconciled construction cost estimate indicated a total construction cost above the amount in the Baseline Budget. Some of the drivers for the increase in the estimate were scope refinements between the 95% and 100% construction documents, and the active construction market conditions in the San Francisco Bay Area, in general, and the Transbay District, in particular, which was limiting the bidder pool and resulting in increased bid margins beyond what was anticipated in July 2013.

### Cost Reduction Measures

In response to higher than expected bid prices, TJPA staff undertook an extensive team-wide effort to identify and develop additional mitigation and value engineering measures to further reduce construction costs for the upcoming trade packages. Staff worked closely with the design team in accordance with the professional services agreement with PCPA, and the CM/GC, the Construction Management Oversight (CMO) and Program Management/Program Controls (PMPC) consultants also provided support.

At the May 2014 Board meeting, staff presented a mitigation plan to alleviate impacts of the projected increased construction costs on the Phase 1 Baseline Budget. The plan (1) identified value engineering measures totaling an estimated \$29.8 million to reduce the expected cost of upcoming trade packages, (2) proposed the use of Program Reserve and construction contingency to fund bids received that exceeded their respective budgets, and (3) proposed raising additional funds from sponsorship opportunities. The TJPA also retained the services of Leland Saylor Associates to perform a bidder survey, review the bidding manual, and provide recommendations on how to attract more bidders and reduce bid prices on future trade packages.

As previously reported, the TJPA and the CM/GC implemented measures recommended by the Saylor study.

Also as previously reported, the TJPA and the design team revised the drawings and specifications of the design-build packages (including the exterior awning, glazing, and ceiling systems) to make them more flexible and less complex—and thus more attractive to bidders—without compromising the design standards required to deliver a high quality Transit Center building.

In addition, the TJPA sought and received concurrence from the Federal Transit Administration (FTA) to utilize a collaborative design-assist procurement methodology for several of the specialty trade packages, including the Exterior Awning, Glass Curtain Walls and Skylights, and Metal Ceilings systems, to maximize competition and yield the best price by working closely with the trade subcontractor to design to budget. Through this design-build methodology, the TJPA is able to mitigate construction cost increases for these trade packages without sacrificing design integrity and construction risks are significantly reduced as the contractor will be responsible for any design conflicts during construction. By reducing the construction exposure, TJPA is able to reduce the amount of construction contingency required to be budgeted for these trade packages.

Other measures taken to reduce costs included utilization of the cost-plus-time (A+B) approach for the TG18.1 Bus Ramp trade package, whereby the bidders were requested to bid the cost of work items (Part A “Cost”) as well as the number of working days (Part B “Time”). Under this approach, the total schedule for the Bus Ramp package came in one year less than the original CM/GC estimate, which resulted in the removal of the Bus Ramp trade package from the schedule critical path. This will also result in construction management and other soft cost savings and accelerate the availability of Parcel F for sale.

In the case of the TG13.1 trade package for Roof Park Landscaping & Irrigation, the TJPA utilized a bid stipend in order to regain the interest of pre-qualified bidders and maximize the

competition, after learning from the CM/GC that four of the five prequalified bidders were no longer interested in bidding. The bid period was extended and a bid stipend of \$50,000 was offered to the second and third lowest responsible bidders with bids within 30% of the lowest responsive bid. This resulted in the receipt of three bids, two of which were determined to be responsive. The low bidder was one of the prequalified bidders that had previously, prior to the offering of a bid stipend, informed the CM/GC that they were no longer pursuing the project. The low bid was \$3.37 million lower than the second lowest bid, thus saving the TJPA a significant amount of money on this package.

Despite these significant efforts to mitigate construction cost increases, several trade packages came in above budget, which necessitated using a larger than anticipated amount of the Program Reserve and construction contingency to award several trade packages. The TJPA awarded these packages throughout 2014 and 2015 utilizing Program Reserve, construction contingency and remaining construction budget. In particular, in July 2015, in order to maintain the construction schedule, the TJPA utilized budget allocated for yet-to-be-awarded trade packages to award a select number of trade packages identified by the CM/GC as schedule-critical.

To date, the Program Reserve, set at \$87.5 million in the July 2013 Baseline Budget, has been largely depleted and a significant amount of the construction contingency has been utilized to award trade packages. As a result, additional funding is needed to award the remaining trade packages and to replenish both the Program Reserve and construction contingencies.

Risk Management

The TJPA utilizes robust risk management processes and procedures to manage the Phase 1 Program and uses its Risk Management Plan as one of the primary tools to control cost, scope and schedule. The TJPA holds quarterly risk management meetings with the participation of the design, CM/GC, CMO, and PMPC teams, as well as the FRA and FTA to identify new risks and opportunities, retire existing risks that are no longer relevant, update the risk register, develop and update risk management plans for high risk items on the risk register, and assess the adequacy of the construction contingencies and reserve using a quantitative risk analysis.

The risk analysis is conducted using both the FTA “Top Down” modeling methodology as well as a Monte Carlo “Bottom Up” risk model. The FTA “Top Down” risk model is used as the basis for determining the adequacy of the contingencies and reserve at the various stages of the project. The Monte Carlo “Bottom Up” risk model is used to validate the results of the FTA “Top Down” model. Below are the results of the latest risk analysis cost models completed in September 2015, based on bids and prices received to date and remaining project exposure.

Confidence Level	Bottom Up Model		Top Down Model (FTA)	
	Budget (\$B)	Additional Funding (\$M)	Budget (\$B)	Additional Funding (\$M)
30%	\$ 2,189	\$ 290	\$ 2,156	\$ 257
50%	\$ 2,207	\$ 308	\$ 2,216	\$ 316
70%	\$ 2,224	\$ 325	\$ 2,290	\$ 390

The FTA “Top Down” risk model established a range predicting that a minimum of \$257 million in additional funding is required to achieve a 30% confidence level and up to \$390 million in

additional funding is required to achieve a 70% confidence level in the cost to implement Phase 1 on time. The range established by the Monte Carlo “Bottom Up” risk model is a minimum of \$290 million in additional funding to achieve a 30% confidence level and up to \$325 million in additional funding to achieve a 70% confidence level. The models generally converge at the 50% confidence level (predicting between \$308 and 316 million in additional funding is required to deliver Phase 1 on time). The Monte Carlo is more pessimistic at the lower range and more optimistic at the upper range, whereas the FTA model is more optimistic at the lower range and more pessimistic at the upper range. The TJPA relies on the FTA model as a proven risk model successfully used nationwide on FTA funded projects.

MTC Cost Review

From late July to early September, MTC conducted a cost and risk review of Phase 1. The cost review included an assessment of current costs, risk management practices, and adequacy of contingencies to deliver Phase 1 of the program on time. MTC issued a report on September 29 which set forth a number of recommendations including adopting a “Bottom Up+ Risk Register” cost risk model rather than using the FTA “Top Down” risk model. According to the MTC report, the “Bottom Up+ Risk Register” is integrated with and driven by the risks in the project’s risk register, and includes the cost of delay derived from the schedule risk analysis. The report recommended a Phase 1 Baseline Budget increase in the range of \$295 million to \$491 million. The lower range of the MTC recommended budget increase is derived by applying a 30% contingency to the bus storage contract and remaining construction contracts with known costs as of June 2015, applying a 180% contingency to the IP Network cost estimate, and applying a 5% contingency to the remaining soft costs. The upper range is based on the risk analysis using the “Bottom Up+ Risk Register” risk model at the 50% confidence level.

More recently, MTC recommended a budget increase of \$360 million by using the average of the results of the “Top Down” and “Bottom Up” risk models at the 70% confidence level from TJPA’s latest risk analysis results. As shown on the above table, at the 70% confidence level, the “bottom up” risk estimate is \$325 million and the “top down” risk figure is \$390 million.

Baseline Budget Adjustment

TJPA staff recommends acceptance of MTC’s recommendation to increase the Phase 1 Baseline Budget by \$360 million, which uses the average of the FTA “Top Down” and Monte Carlo “Bottom Up” risk models at the 70% confidence level from TJPA’s latest risk analysis. TJPA staff’s goal will continue to be completing Phase 1 for a total cost at or below the 30% confidence level based on the FTA “Top Down” model.

TJPA staff propose to apply the recommended \$360 million budget adjustment across three Baseline Budget categories as follows:

Construction Costs	\$154.21M
Programwide Costs (Soft Costs)	\$10.87M
Contingencies and Program Reserve	<u>\$194.92M</u>
Total	\$360.00M

The following describes in detail the basis for this proposal.

### Construction Costs

TJPA staff recommends adjustments in three categories of construction costs for Phase 1: direct costs of remaining construction work to be awarded, CM/GC costs, and the bus storage facility construction.

- Direct Costs of Remaining Construction Work: The current remaining budget for direct costs of the remaining construction scope of work to be awarded is \$0.62 million. The current estimate, based on bids received to date, cost proposals for design-build packages negotiated to date, and prices received for remaining construction scope deemed most appropriate to incorporate as contract change orders (CCO) to existing contracts, is \$127.33 million. Thus additional funding in the amount of \$126.71 million is expected to be needed to award the remaining work. Below is a summary of the remaining construction scope of work to be awarded.

	(\$ millions)
TG08.6 Metal Ceilings*	\$ 24.21**
TG08.7 Glass Floors* (CCO to TG08.11)	\$ 15.64**
TG13.1 Roof Park Landscaping & Irrigation	\$ 32.28
Rooftop Park/Electrical/Mechanical (CCO to TG10.4)	\$ 21.70
TG17.1 Signage/Graphics/Directory Systems*	\$ 3.47
Overhead Contact System (Muni) (CCO)	\$ 7.85
IP Network	\$ 20.00
<u>Artwork (CCOs to existing packages)</u>	<u>\$ 2.18</u>
Total to Complete	\$127.33
Remaining TTC Trade Package Budget:	<u>\$ 0.62</u>
Additional need -- direct cost	(\$126.71)

\*design-build/assist package

\*\*amount does not include change orders issued for advance work

In order to maintain the current construction schedule and avoid inefficiencies and additional costs, change orders in limited amounts were issued for advance work on design-build/assist trade packages where the design portion had already been awarded. For the Metal Ceilings trade package, change orders in the amount of \$4.1 million have been issued to fabricate and install metal ceiling support components (embeds) before the concrete deck is placed, support ongoing 3D coordination with the MEP trades, and for material procurement deposits. For the Glass Floors, a change order in the amount of \$1.16 million was recently issued to prepare shop drawings and perform system testing such that fabrication of the Glass Floor components can begin once funds are available and the work is awarded. These change orders have been funded with construction contingency and are not included in the direct cost need outlined above.

- CM/GC Costs: The CM/GC fee and bonding costs are percentages based on previously estimated direct construction costs of \$910 million. The revised direct construction costs are expected to be \$1.273 billion; thus, these CM/GC costs increase in proportional amounts as well. This results in a projected additional funding need of approximately

\$24.00 million. This includes \$11.76 million for CM/GC fee (based on 3.5% of awarded amount above \$910 million less budget transfers), \$7.50 million for construction reimbursables such as permits, traffic control (not based on % of awarded work), and Subguard (0.98% of awarded work after implementation of Subguard in March 2014), and \$4.74 million for the CM/GC's payment and performance bonds (0.90% of awarded work).

- Bus Storage Construction: The previous bus storage construction budget, including escalation and design contingency, as reflected in the Baseline Budget was \$15.95 million. The cost estimate which was updated in early 2015 based on the 65% drawings is \$19.45 million, resulting in a delta of \$3.5 million. The Bus Storage construction documents are 95% complete and were submitted to Caltrans for review in September

To summarize the recommended budget adjustment for construction costs:

Direct costs of remaining trade packages	\$126.71M
CM/GC costs	\$24.00M
Bus storage construction	<u>\$3.50M</u>
Total	\$154.21M

*Programwide Costs (Soft Costs)*

The TJPA awarded the Construction Management Oversight (CMO) contract to Turner Construction in 2010 for a six-year term through June 2016. Based on the current schedule of Transit Center substantial completion by the end of December 2017, the CMO contract should be extended until July 2018. Based on expenditures to-date and remaining effort required through closeout of punchlist work and the construction contract, the cost of the CMO contract is expected to increase by \$26.7 million over the original budgeted amount of \$46 million, to \$72.7 million. In September 2015, the Board approved augmenting the CMO contract by \$11.2 million for fiscal year 2015-2016 as an interim step to continue vital CMO services, increasing the contract amount from the original \$46 million to \$57.18 million.

As TJPA's construction representative, the CMO's primary responsibility is to ensure that the CM/GC's work is of the highest quality possible and meets all necessary code requirements. This oversight includes coordinating and providing all special inspections on site and off site. The recommended increase to the overall CMO contract is primarily due to the need for the CMO to conduct significant additional steel fabrication and welding inspections offsite, which are required for non-destructive testing under the American Welder Society code. These costs have been incurred and will continue to be incurred through completion of the steel installation in early 2016. The original budget for CMO services for all special inspections, including steel fabrication and welding inspection, assumed steel fabrication at two facilities working a single shift, at a cost of \$8.8 million. This assumption was developed at the start of the CMO contract services in 2010, prior to award of the structural steel trade package. In contrast to the assumptions on which the budget was based, the structural steel trade subcontractor's fabrication strategy has required fabrication at seven separate facilities working up to three shifts per day and in some cases seven days per week. Steel fabrication has occurred at Oregon Iron Works (Portland, OR; Vancouver, WA), XKT (Vallejo, CA), Thompson Metal Fabrication, (Vancouver,

WA), Herrick Steel (San Bernardino, CA; Stockton, CA) and Kwan Wo (Hayward, CA). The increase in the number of facilities and number of shifts has required the CMO to increase its level of effort accordingly. The current estimate at completion of all special inspections is \$28 million, an amount of approximately \$19.3 million over the originally budgeted \$8.8 million.

Below is a summary showing the changes in the CMO costs by major activities.

<u>Activity</u>	<u>Baseline Budget (millions)</u>	<u>Proposed Revised Budget (millions)</u>	<u>Delta (millions)</u>
CMO base work through June 2018	\$ 34.50	\$ 34.50	\$ -
Quality Assurance special inspections (welding, material source, concrete sampling and testing, etc.)	\$ 8.80	\$ 28.10	\$ 19.30
2nd/3rd shift field coverage, falsework QA, claims	\$ -	\$ 7.80	\$ 7.80
Various items (mockup/outreach/partnering, etc.)	\$ -	\$ 2.30	\$ 2.30
Escalation on base work	\$ 2.70	\$ -	\$ ( 2.70)
<b>TOTALS</b>	\$ 46.00	\$ 72.70	\$ 26.70

All other Programwide and soft costs are trending at or below budget. Savings in design, right-of-way, and TJPA administrative costs reduce the total augmentation to fund the CMO budget from \$26.7 million to \$10.87 million. To fund the CMO contract increase approved in September, \$11.2 million in savings from the design cost, TJPA administrative costs, and other construction management services were transferred to the CMO budget.

#### *Contingencies and Program Reserve*

As described above, MTC recommends a budget increase of \$360 million that is based on the average of the FTA “Top Down” and Monte Carlo “Bottom Up” risk model results at the 70% confidence level. Applying this recommendation, the additional funding need to replenish the construction contingencies and Program Reserve is \$194.9 million. The following is a breakdown of the current contingencies and Program reserve balances and proposed level of replenishments consistent with the MTC recommendation.

(\$millions)	<b>Budget (July 2013)</b>	<b>Budget Transfers</b>	<b>Current Balance</b>	<b>Revised Budget</b>	<b>Variance</b>
CM/GC Contingency*	\$36.4	\$(18.1)	\$ 18.3	\$35.1	\$(16.8)
Construction Contingency	\$62.5	\$(50.0)	\$12.5	\$69.1	\$(56.6)
Program Reserve	\$87.5	\$(86.0)	\$1.6	\$123.1	\$(121.5)
<b>Total</b>	\$186.4	\$(154.0)	\$32.4	\$227.3	\$(194.9)

\*amount is 4% of total award of direct work.

Detailed Baseline Budget Breakdown

<b>Phase 1 Revised Baseline Budget Summary</b>					
(\$millions)	<b>Baseline Budget (Jul 2013)</b>	<b>Budget Transfers</b>	<b>Adjusted Budget (2013)**</b>	<b>Proposed Revisions Baseline Budget</b>	<b>Variance</b>
<b>Construction Costs</b>					
TTC Construction*	\$ 933.7	\$ 135.7	\$1,069.4	\$1,196.1	\$(126.7)
Bus Ramp*	\$ 40.4	\$ 16.0	\$ 56.5	\$ 56.5	\$ -
Temp Terminal	\$ 20.7	\$ -	\$ 20.7	\$ 20.7	\$ -
Bus Storage*	\$ 16.0	\$ -	\$ 16.0	\$ 19.5	\$ (3.5)
Utility Relocations	\$ 19.9	\$ 1.2	\$ 21.0	\$ 21.0	\$ -
Demolition	\$ 16.5	\$ -	\$ 16.5	\$ 16.5	\$ -
CM/GC Costs	\$ 85.6	\$ 2.0	\$ 87.6	\$ 111.6	\$ (24.0)
<b>Subtotal Construction Costs</b>	<b>\$1,132.7</b>	<b>\$ 154.9</b>	<b>\$1,287.6</b>	<b>\$1,441.8</b>	<b>\$(154.2)</b>
<b>Programwide Costs (Soft Costs)</b>					
Design	\$ 188.5	\$ (9.1)	\$ 179.3	\$ 179.3	\$ -
Construction Mgmt	\$ 53.8	\$ 11.2	\$ 65.0	\$ 75.9	\$ (10.9)
Pre-Construction	\$ 31.3	\$ -	\$ 31.3	\$ 31.3	\$ -
Art	\$ 2.0	\$ -	\$ 2.0	\$ 2.0	\$ -
ROW	\$ 77.7	\$ (1.1)	\$ 76.76	\$ 76.6	\$ -
PMPC	\$ 101.5	\$ -	\$ 101.5	\$ 101.5	\$ -
Admin/Legal/Financials/etc.	\$ 125.7	\$ (1.9)	\$ 123.8	\$ 123.8	\$ -
<b>Subtotal Soft Costs</b>	<b>\$ 580.3</b>	<b>\$ (0.9)</b>	<b>\$ 579.4</b>	<b>\$ 590.3</b>	<b>\$ (10.9)</b>
<b>Contingencies and Program Reserves</b>					
CM/GC Contingency	\$ 36.4	\$ (18.1)	\$ 18.31	\$ 35.1	\$ (16.8)
Construction Contingency	\$ 62.5	\$ (50.0)	\$ 12.5	\$ 69.1	\$ (56.6)
Program Reserve	\$ 87.5	\$ (86.0)	\$ 1.6	\$ 123.1	\$(121.5)
<b>Subtotal Reserves</b>	<b>\$ 186.4</b>	<b>\$ (154.0)</b>	<b>\$ 32.37</b>	<b>\$ 227.3</b>	<b>\$(194.9)</b>
<b>Total Phase 1 Program</b>	<b>\$1,899.4</b>	<b>\$ -</b>	<b>\$1,899.4</b>	<b>\$2,259.4</b>	<b>\$(360.0)</b>

\*Budget includes design contingency and escalation

\*\*As of October 2015

Funding Plan

The sale of Parcel F will provide significant funding to the TJPA. Parcel F, a Caltrans Transfer Parcel, is an approximately 30,000 square foot development site fronting on Howard and Natoma Streets between First and Second Streets at the southwest end of the Transit Center, adjacent to the bus ramp. A portion of the property lies over the throat structure of the DTX. Under the Transit Center District Plan, the portion of Parcel F not located over the throat structure has

potential for development of a 750-foot mixed-use high rise. The building on Parcel F will connect to the Rooftop Park by a pedestrian bridge, similar to the Salesforce and 181 Fremont Towers. Parcel F will be available for development following completion of construction of the Bus Ramp in 2016. TJPA is currently in negotiations with bidders for Parcel F; the minimum sales price will be \$160 million.

TJPA staff recommends augmenting the Phase 1 Baseline Budget at this time by the \$160 million minimum that will be generated from the sale of Parcel F, to enable award of schedule critical scope of work—Metal Ceilings, Glass Floors, Signage, and the Rooftop Park, totaling \$97.3 million in direct costs. An additional \$20.9 million for indirect costs would be added to the budget as well, and the remainder of the \$160 million used to augment contingencies and Program Reserve. In addition, it is recommended to utilize the current Bus Storage budget of \$15.95 million to further replenish the contingencies and Program Reserve. The Baseline Budget for the Bus Storage trade package would be fully replenished (and increased to the current estimated cost of \$19.5 million) when a final Revised Baseline Budget is adopted, currently anticipated in January 2016. The following is a summary of the recommended Phase 1 Interim Revised Baseline Budget.

<b>Phase 1 Interim Revised Baseline Budget Summary</b>					
(\$millions)	<b>Budget (Jul 2013)</b>	<b>Budget Transfers</b>	<b>Adjusted Budget (2013)*</b>	<b>Budget Adjustment (Parcel F)</b>	<b>Interim Revised Baseline Budget</b>
<b>Construction Costs</b>					
TTC Construction*	\$ 933.7	\$ 135.7	\$1,069.4	\$ 97.3	\$1,166.7
Bus Ramp*	\$ 40.4	\$ 16.0	\$ 56.5	\$ -	\$ 56.5
Temp Terminal	\$ 20.7	\$ -	\$ 20.7	\$ -	\$ 20.7
Bus Storage*	\$ 16.0	\$ -	\$ 16.0	\$ (16.0)	\$ -
Utility Relocations	\$ 19.9	\$ 1.2	\$ 21.0	\$ -	\$ 21.0
Demolition	\$ 16.5	\$ -	\$ 16.5	\$ -	\$ 16.5
CM/GC Costs	\$ 85.6	\$ 2.0	\$ 87.6	\$ 20.9	\$ 108.5
<b>Subtotal Construction Costs</b>	<b>\$1,132.7</b>	<b>\$ 154.9</b>	<b>\$1,287.6</b>	<b>\$ 102.2</b>	<b>\$ 1,389.8</b>
<b>Programwide Costs (Soft Costs)</b>					
Design	\$ 188.5	\$ (9.1)	\$ 179.3	\$ -	\$ 179.3
Construction Mgmt	\$ 53.8	\$ 11.2	\$ 65.0	\$ -	\$ 65.0
Pre-Construction	\$ 31.3	\$ -	\$ 31.3	\$ -	\$ 31.3
Art	\$ 2.0	\$ -	\$ 2.0	\$ -	\$ 2.0
ROW	\$ 77.7	\$ (1.1)	\$ 76.6	\$ -	\$ 76.6
PMPC	\$ 101.5	\$ -	\$ 101.5	\$ -	\$ 101.5
Admin/Legal/Financials/etc.	\$ 125.6	\$ (1.9)	\$ 123.8	\$ -	\$ 123.8
<b>Subtotal Soft Costs</b>	<b>\$ 580.3</b>	<b>\$ (0.9)</b>	<b>\$ 579.4</b>	<b>\$ -</b>	<b>\$ 579.4</b>

<b>Contingencies and Program Reserve</b>					
CM/GC Contingency	\$ 36.4	\$ (18.1)	\$ 18.31	\$ 12.4	\$ 30.7
Construction Contingency	\$ 62.5	\$ (50.0)	\$ 12.5	\$ 42.0	\$ 54.5
Program Reserve	\$ 87.5	\$ (86.0)	\$ 1.6	\$ 3.4	\$ 5.0
<b>Subtotal Reserves</b>	<b>\$ 186.4</b>	<b>\$ (154.0)</b>	<b>\$ 32.4</b>	<b>\$ 57.8</b>	<b>\$ 90.1</b>
<b>Total Phase 1 Program</b>	<b>\$1,899.4</b>	<b>\$ -</b>	<b>\$1,899.4</b>	<b>\$ 160.0</b>	<b>\$2,059.4</b>

\*Budget includes design contingency and escalation

\*\*As of October 2015

This action allows the project to continue moving forward on schedule without incurring additional costs associated with delays and/or re-bidding. The Roof Park Landscaping & Irrigation (Rooftop Park) trade package bids were received on June 30, 2015 and would have expired on September 30, 2015. The two low bidders agreed to extend their bid prices to December 2015, but not longer; not awarding by December means re-bidding the package. TJPA and CM/GC staff also reached out to the lowest apparent responsible bidder and offered to perform a courtesy review of time critical preconstruction submittals such as contract grow trees that required long lead time. The bidder declined the offer as it would require him to expend additional resources without a guarantee of award.

TJPA continues to work closely with its funding partners, including the City and County of San Francisco and MTC, to implement a financing strategy for the remainder of the recommended Phase 1 budget increase. At this time discussion centers around a short-term debt instrument to be available for the remainder of the Phase 1 construction period, solving not only the budget funding gap but also any cash flow issues that arrive due to timing of availability of land sales and Mello-Roos Community Facilities District (CFD) proceeds. As TJPA has significant revenue streams in the future from both the CFD and net tax increment from its portion of property tax on the former State-owned parcels, a short-term debt instrument could be refinanced with long-term debt once these revenue streams mature. The objective of the parties is to have a financing structure in place in January 2016, to allow for re-payment of the bridge loan and timely award of the Bus Storage facility construction contract.

**RECOMMENDATION:**

Approve an Interim Revised Baseline Budget for Phase 1 of the Transbay Transit Center Program in the amount of \$2,059,400,000.

**ATTACHMENTS:**

1. Resolution

**TRANSBAY JOINT POWERS AUTHORITY  
BOARD OF DIRECTORS**

**Resolution No. \_\_\_\_\_**

WHEREAS, The Transbay Joint Powers Authority (TJPA) is a joint powers agency responsible for the planning, design, construction, operation and management of the new Transbay Transit Center Program; and

WHEREAS, In July 2013 the TJPA Board adopted a Revised Baseline Budget for Phase 1 of the Transbay Transit Center Program in the amount of \$1,899,400,000; and

WHEREAS, Due to an extremely active San Francisco Bay Area construction market, limited availability of bidders, and construction escalation in excess of what could be predicted in 2013, insufficient budget remains to award and complete remaining Phase 1 work; and

WHEREAS, MTC has conducted a cost review and recommends a Phase 1 Baseline Budget augmentation of \$360 million, for a total Phase 1 Baseline Budget of \$2,259,400,000, and TJPA concurs with this recommendation which allows for the award of remaining work and significant increases in contingencies and Program Reserve; and

WHEREAS, Throughout September and October 2015, TJPA has been negotiating with bidders for the land parcel known as Parcel F, and expects to sell the parcel for no less than \$160 million; and

WHEREAS, TJPA, MTC, and the City and County of San Francisco will continue to work towards implementing a financing strategy to finance the remainder of the recommended Phase 1 Baseline Budget increase; now, therefore, be it

RESOLVED, That the Recommended Interim Revised Baseline Budget for Phase 1 of the Transbay Transit Center Program of \$2,059,400,000, an increase of \$160 million funded by the expected minimum amount of Parcel F sales proceeds, is approved.

I hereby certify that the foregoing resolution was adopted by the Transbay Joint Powers Authority Board of Directors at its meeting of November 12, 2015.

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Secretary, Transbay Joint Powers Authority