

**STAFF REPORT FOR CALENDAR ITEM NO.: 9
FOR THE MEETING OF: July 17, 2024**

TRANSBAY JOINT POWERS AUTHORITY

BRIEF DESCRIPTION:

TJPA staff and the Executive Working Group formed by the TJPA Executive Director for the Downtown Rail Extension (DTX), also known as The Portal, recommend that the TJPA Board adopt a resolution directing project staff to:

1. Revise the Master Schedule as previously approved by the Board of Directors at the April 2021 meeting to a July 2027 Full Funding Grant Agreement (FFGA) date and return at a later date for approval of that revised Master Schedule in conjunction with the revised funding plan, and;
2. Proceed with the following in-scope measures intended to mitigate cost, schedule, and technical risk contingent upon availability of project funds:
 - a. Stand up the Integrated Project Delivery Team (IPDT);
 - b. Advance preparation of Procurement Documents for all proposed contract packages;
 - c. Progress Utility Relocation and 4KY Yard designs; and
 - d. Subject to satisfaction of the Governance Blueprint stage gate requirements, compete and award the 40-CT Heavy Civil and Tunnel contract with a limited Notice to Proceed to advance pre-construction services to reduce risk with respect to tunneling, underpinning, construction sequencing, and cross contract integration and coordination.

EXPLANATION:

Background

The San Francisco Peninsula Rail Program Memorandum of Understanding (MOU) with the Metropolitan Transportation Commission (MTC), the San Francisco County Transportation Authority (SFCTA), the Peninsula Corridor Joint Powers Board (Caltrain), the California High Speed Rail Authority (CHSRA), and the City and County of San Francisco (Mayor's Office), effective June 5, 2020, described, in part, an organizational structure to support the efforts of the TJPA to develop The Portal, to ready for procurement status.

Among the tasks to be completed was the creation of a detailed Comprehensive Work Plan (Work Plan) providing the appropriate level of detail so that each task and the activities to complete it are clearly defined, its relationship to other tasks described, and the resulting deliverable defined. A companion Master Schedule (Schedule) was prepared and regularly updated to place the tasks in a logical order, reflecting dependencies between the tasks. The Schedule indicated a Federal Transit Administration (FTA) FFGA in Spring 2026, subject to availability of funding. At the December 10, 2020 meeting, the TJPA Board of Directors approved the recommended Work Plan, including the accompanying Schedule.

At its April 2021 meeting, the TJPA Board of Directors approved a one-year acceleration of the Work Plan and the accompanying Schedule with a target for the FFGA moved up to April 2025. The challenge of identifying sufficient non-Capital Investment Grants (CIG) funding, or “local match” was discussed as the most significant risk to achieving the accelerated Schedule.

Discussion

Introduction: Since the TJPA Board’s adoption of the accelerated Work Plan and Schedule in April 2021, the project team has worked diligently to complete the required tasks and activities. In summary, virtually all the work tasks in the accelerated Work Plan required for TJPA’s planned request to begin FFGA negotiations in October 2024 have been accomplished. However, at the present time, insufficient non-CIG funds have been identified as being available, in time to meet the FTA’s requirements in support of a request to negotiate an FFGA. Specifically, FTA requires that all non-CIG funding be “committed”- requiring no further legislative or referendum action - at least six months prior to the assumed FFGA date. Under the accelerated Schedule target for FFGA in April 2025, all non-CIG funding would need to be committed by October 2024.

The Portal Capital Cost: The current estimated total Capital Cost for The Portal, as reported to FTA, is \$8.254 billion, escalated to year of expenditure. It should be noted that this amount is inclusive of \$729 million in expended costs for the already constructed train box (plus certain associated costs related to lower concourse and platform levels) constructed as part of the Transit Center. Project staff continue to look for additional measures to cut costs while maintaining the safety and efficiency of the project and bringing them forward for Board consideration after consultation with project partners and required environmental documentation.

Funding Plan: In accepting The Portal into the Engineering Phase of the CIG program, FTA has committed \$3.384 million of FTA funding to the project. To date, TJPA has identified \$1.390 billion in Committed or Budgeted funds from various local, regional, and state sources, leaving a funding gap of \$2.751 billion under the current schedule. All costs are in year of expenditure dollars under the current schedule.

TJPA has endeavored since the adoption of the accelerated Work Plan to identify this needed additional funding, including US Department of Transportation and Federal Railroad Administration grant programs through the Infrastructure Investment and Jobs Act (IIJA) and recurring programs, as well as the State of California Transit and Intercity Rail Capital Program (TIRCP). To date, The Portal has not been selected for IIJA related programs, although 2024 grant requests have been submitted for two of the federal programs.

In order to submit a request to begin negotiation of an FFGA, FTA requires, among other things, that a potential Grantee demonstrate that all non-CIG funds be committed to the project. Under the current approved Accelerated Master Schedule, TJPA would have to demonstrate that commitment in October of 2024. There is no credible path to identifying the required \$2.751 billion in that timeframe. Additional time will be required for TJPA, working with local, regional, state, and federal partners to identify such funding.

Risk Mitigation Measures: Several actions are proposed to reduce both technical and cost growth risk to The Portal. The actions are specifically planned to reduce uncertainty in the design of the critical 40-CT Heavy Civil and Tunnel components of the project, add management capacity to ensure proper delivery of the assets, progress third-party agreements and relationships, and advance design on early action activities such as utility relocations. The overall purpose is to be fully prepared to move quickly into construction once funding is available. These actions include:

- Stand up the IPDT to assume sufficient management capability and partner engagement;
- In accordance with good project management practices and FTA Engineering Phase requirements, progress all required activities such as preparation of construction management plans and procedures, integrations planning, and updated Financial Planning, among others;
- Advance preparation of procurement documents for all proposed contract packages;
- Progress Utility Relocation and Fourth and King Yard modifications designs; and
- Compete and award the 40-CT Heavy Civil and Tunnel contract with a limited Notice to Proceed to advance pre-construction services to reduce tunneling, underpinning, construction sequencing, and cross contract integration and coordination risks.

Schedule Scenarios: Several revised schedule scenarios were developed to evaluate options for addressing the funding gap with the goal of minimizing escalation impacts due to inflation while concurrently establishing a target that is ambitious but achievable, maintaining confidence and credibility with FTA, partners, and industry.

Four scenarios were developed as depicted in the table below. Escalation was calculated for each, the amount and timing of potential funding sources was considered, and then future cost mitigations were estimated, resulting in a revised gap forecast.

Escalation was actualized for 2023 as the project cost estimate assumed a higher rate than was realized in the San Francisco Bay area for heavy construction projects. Out-year forecasts were held consistent with the 20-Year Financial Plan.

The largest single source considered for potential additional funding was through the State of California, specifically the extension of the Greenhouse Gas Reduction Fund, which currently expires in 2030. The Fund does not have sufficient capacity for the multi-year investment TJPA seeks for the project without the extension.

There are ongoing discussions regarding a regional measure on the 2026 ballot to provide funding for public transportation. The state legislature extended these discussions for one year and the potential for funding The Portal from this source remains speculative at this time.

TJPA will continue to seek funding from other Federal sources wherever possible and will work with local and regional partners to develop additional funding sources.

FFGA Scenario	+12 mo.	+18 mo.	+24 mo.	+27 mo.
FFGA Date	April 2026	October 2026	April 2027	July 2027
Estimated Additional Escalation	~\$260M	~\$400M	~\$540M	~\$605
Funding Gap Before Mitigation incl. CIG	~\$3,012M	~\$3,152M	~\$3,292M	~\$3,357M
Potential Favorable Adjustments to Project Budget	(~\$550M)	(~\$530M)	(~\$510M)	(~\$510M)
Value Engineering (VE), Scope Modification, and Other Mitigations	(~\$351M) total in VE/Scope Modification concepts currently in review; + Additional mitigations to be pursued over time			
Planned/Potential Sources of Funds	(~\$144M)	(~\$144M)	(~\$1,144)	(~\$1,776)
Funding Gap Post Mitigation incl. CIG	~\$1,967M	~\$2,127M	~\$1,287M	~\$720M

For scenario planning, the following were assumed:

- The Portal base cost is \$7,526 million
- Escalation at 3.5% (per funding plan)
- Committed/budgeted funds amount of \$1,390 million
- Assumed FTA CIG share is \$3,384 million
- Current FFGA date is April 2025

At its April 26, 2024 meeting, the Executive Steering Committee (ESC) considered the staff analysis and discussed at length the pros and cons of the various schedule modification options with particular focus on the levels of confidence for additional state funding within the next two years. There was focus on the potential extension of the state’s Greenhouse Gas Reduction Fund and how the timing of that potential extension might affect The Portal schedule. There was also discussion that funding for The Portal project activities in the TJPA Fiscal Year 2025 budget would be driven, in part, by a new FFGA target date. ESC members specifically requested that the staff recommendation be revised to include a requirement to return to the TJPA Board with a complete revised Master Schedule with the new FFGA target date, and that all project actions be consistent with the Governance Blueprint, as appropriate.

The staff recommendation for a July 2027 FFGA target date is based on the judgement that filling the funding gap is not achievable prior to the State and Regional strategies outlined above. TJPA staff, in collaboration with our partners, will work diligently to continue to identify funding sources.

The additional recommendations represent prudent and durable work product that will help to reduce cost growth risk, and position TJPA to reaccelerate the project should funding become available sooner than currently thought possible.

Upon approval, staff will fully update the Master Schedule in conjunction with the funding plan, including all activities, and return to the Board in the fall of this year seeking approval.

RECOMMENDATION:

As recommended by TJPA staff and the Executive Working Group formed by the TJPA Executive Director for The Portal, approve a resolution directing project staff to:

1. Revise the Master Schedule as previously approved by the Board of Directors at the April 2021 meeting to a July 2027 FFGA date and return in the fall for approval of that revised Master Schedule in conjunction with the revised funding plan, and;
2. Proceed with the following in-scope measures intended to mitigate cost, schedule, and technical risk, contingent upon availability of project funds:
 - a. Stand up the Integrated Project Delivery Team (IPDT);
 - b. Advance preparation of the Procurement Documents for all proposed contract packages;
 - c. Progress Utility Relocation and 4KY Yard designs; and
 - d. Subject to satisfaction of the Governance Blueprint stage gate requirements, compete and award the 40-CT Heavy Civil and Tunnel contract with a limited Notice to Proceed to advance pre-construction services to reduce tunneling, underpinning, construction sequencing, and cross contract integration and coordination risks.

ATTACHMENTS:

1. Resolution

**TRANSBAY JOINT POWERS AUTHORITY
BOARD OF DIRECTORS**

Resolution No. _____

WHEREAS, The Transbay Joint Powers Authority (TJPA) is a joint powers agency organized and existing under the laws of the State of California; and

WHEREAS, Pursuant to state law and the Joint Powers Agreement creating the TJPA, dated April 4, 2001, the TJPA has primary jurisdiction over and will implement all aspects of the Transbay Program, including the Downtown Rail Extension (DTX), also known as The Portal; and

WHEREAS, On April 9, 2020, the TJPA Board of Directors authorized the TJPA Board Chair to execute the San Francisco Peninsula Rail Program Memorandum of Understanding (MOU) with the Metropolitan Transportation Commission (MTC), the San Francisco County Transportation Authority (SFCTA), the Peninsula Corridor Joint Powers Board (Caltrain), the California High Speed Rail Authority (CHSRA), and the City and County of San Francisco (Mayor's Office); and

WHEREAS, The MOU described, in part, an organizational structure to support the efforts of the TJPA to develop The Portal to ready for procurement status, including the formation of an Executive Steering Committee (ESC) to make recommendations to the TJPA Board; and

WHEREAS, The MOU contemplates the ESC would, among other things, recommend to the TJPA Board for approval a Comprehensive Work Plan; and

WHEREAS, On November 20, 2020, the ESC unanimously approved recommendation of a Comprehensive Work Plan, including Master Schedule, to the TJPA Board and, on December 10, 2020, the TJPA Board approved the Comprehensive Work Plan; and

WHEREAS, TJPA subsequently identified alternatives in the Comprehensive Work Plan and Master Schedule that could accelerate the project schedule with the goal of implementing service to rail patrons earlier and reducing project escalation costs; and

WHEREAS, On March 19, 2021, the ESC expressed support for the acceleration modification to the Comprehensive Work Plan, including Master Schedule, to the TJPA Board; and

WHEREAS, On April 8, 2021, the TJPA Board of Directors approved an acceleration modification to the Comprehensive Work Plan, including Master Schedule, for The Portal as supported by the ESC under the MOU; and

WHEREAS, Under the accelerated Master Schedule, obtaining a Full Funding Grant Agreement (FFGA) with the Federal Transit Administration (FTA) was adjusted to April 2025; and

WHEREAS, The sources available to complete local share funding will not be available in time to meet the FTA's requirements in support of a request to negotiate an FFGA on the original Master Schedule; and

WHEREAS, On April 26, 2024 the ESC considered staff analysis of various schedule scenarios and supported a two year modification to the FFGA date and requested that staff return to the TJPA Board with a revised Master Schedule, and that all project actions be consistent with the Governance Blueprint, as appropriate; now, therefore, be it

RESOLVED, That the TJPA Board of Directors hereby approves and directs staff to continue to develop an updated Master Schedule for The Portal reflecting a new FFGA target of July 2027, and advance risk mitigation strategies, including limited procurement activities, consistent with the approved Governance Blueprint, contingent upon availability of funding.

I hereby certify that the foregoing resolution was adopted by the Transbay Joint Powers Authority Board of Directors at its meeting of July 17, 2024.

Secretary, Transbay Joint Powers Authority

Downtown Rail Extension / The Portal Funding Plan and Schedule Update

TJPA Board
July 17, 2024



Agenda

- Accelerated Work Plan
- Procurement Priorities & Risk Mitigation
- Considerations for Revised Full Funding Grant Agreement (FFGA)
Target Date
- Funding Plan and Funding Gap Approach
- Look Ahead – Next Steps

Accelerated Workplan

- In April 2021, the TJPA Board adopted an Accelerated Workplan with a FFGA target date of spring 2025
- The most significant schedule risk was TJPA's ability to demonstrate full local share commitment at least six months in advance of FFGA
- All other significant Accelerated Workplan milestones have been achieved

Procurement Priorities: Progressive Design-Build

Risk Mitigation:

- Advance preconstruction work
- Address top project risks
- Clarify project phasing and sequencing to refine schedule, underpinning, scope and cost reduction, and design validation
- Start the approximately 18-month process of bringing the progressive design-build (PDB) civil and tunnel (40-CT) contractor up to speed, advancing design, and developing the requisite trust and partnership prior to the start of general civil construction

Minimum \$75 million target funding to issue 40-CT Request for Proposal (winter 2024-2025)

Risk Mitigation: Project Readiness

- Stand up Integrated Project Delivery Team
- Progress Federal Transit Administration (FTA) Engineering phase activities
- Develop procurement documents for all contract packages
- Progress Utilities and Fourth and King Yard designs
- Subject to satisfaction of the Governance Blueprint stage gate requirements, compete and award the 40-CT Heavy Civil and Tunnel contract with a limited Notice to Proceed to advance pre-construction services to reduce risk with respect to tunneling, underpinning, construction sequencing, and cross contract integration and coordination.

Context for Revised FFGA Date

- TJPA Board-adopted Accelerated Workplan identified FFGA target date of spring 2025
- Target date requires revision, to account for time required to confirm local share funding and request/negotiate FFGA
- Project team and the Integrated Program Management Team (IPMT) considered multiple scenarios for revised FFGA date, from +12 months to +27 months
- Without further mitigation, schedule change scenarios would result in additional escalation of approximately ~\$300M-600M

Considerations for Revised FFGA Target

- Establishing a target that is ambitious but achievable
- Building urgency and setting foundation for funding advocacy
- Minimizing additional escalation cost
- Maintaining confidence and credibility with partners and industry

Forthcoming Proposed Scope Modifications

IPMT/Configuration Management Working Group and Executive Working Group have approved the following scope modification and value engineering (VE) concepts for final environmental review, totaling up to ~\$541 million:

Project Element	Status	Estimated Value
Train box extension elimination	Proposed	\$130M
PAX tunnel stub box reduction	Proposed	\$205M
HSR vertical circulation deferral	Proposed	\$16M
4th and Townsend St. Station Configuration Change	Proposed	\$190M

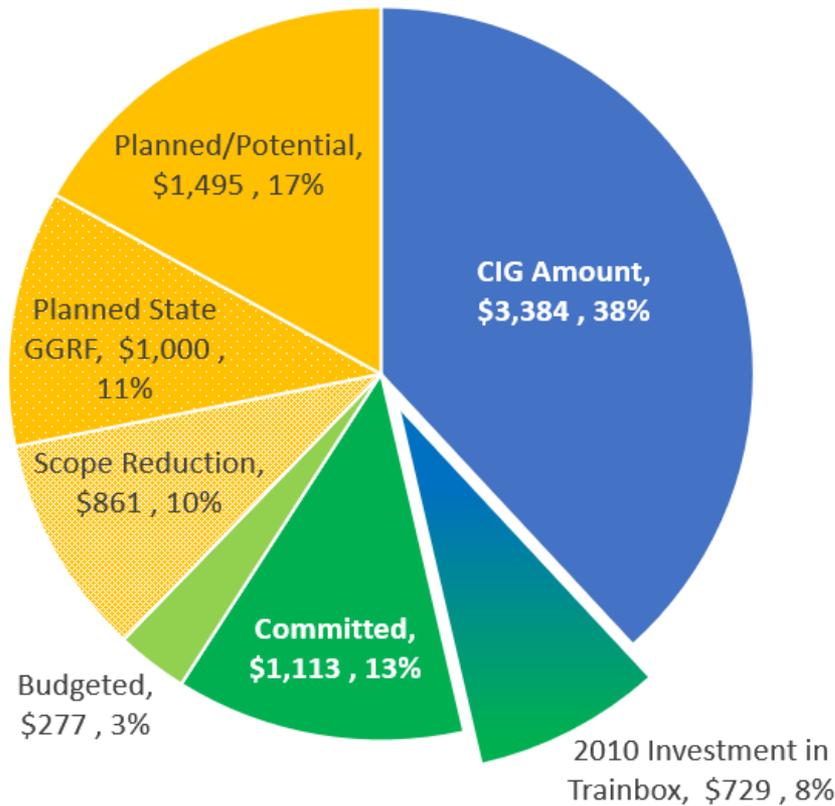
Other Cost Reductions and Secondary Mitigations

- Closing funding gap expected to require other cost reductions and secondary mitigations, including risk reduction and further VE/scope modification
- Other potential mitigations have been identified, to be further developed and considered by Integrated Project Delivery Team and IPMT:

Potential Cost Mitigations	Potential Value
Adjustments to Current Budget (e.g., escalation cost actualization)	Up to ~\$320M
Potential Secondary Mitigations	Potential Value
Other VE/Scope Modifications or Deferrals	TBD
Cost/Risk Reduction through Design Development/Constructability	TBD

Proposed FFGA +27 Master Schedule Funding Plan

DTX/The Portal Full Funding - Assuming \$605M Escalation from FFGA +27mths



(\$ millions YOY)

FFGA +27 Capital Cost and Funding	YOE \$ M
Capital Cost	8,860
Train Box (completed)	729
The Portal (Other Eligible Costs)	7,526
FFGA +27 Escalation (3.5%/yr)	605
Proposed Funding	
FTA New Starts CIG	3,384
Train Box (Completed/Committed)	729
Other Committed/Budgeted Funds	1,390
Scope Reductions/Cost Actualization	861
Remaining Funding Gap	2,495
Total Funding Plan	8,860

FFGA Date Scenarios

FFGA Scenario	+12 mo.	+18 mo.	+24 mo.	+27 mo.
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State Funding

Funding plan calls for ~\$1B in additional state funding, through combination of TIRCP, high-speed rail, and/or future sources

- \$1B is in range (~12%) of peer projects statewide

Until cap-and-trade is extended, Greenhouse Gas Reduction Fund (GGRF) will not have capacity for this level of investment

Potential timeframe for securing state:

- Throughout 2024: Advocacy, education, and engagement with partners, stakeholders, and Bay Area delegation
- By mid-2025: Approval of cap-and-trade extension/GGRF reauthorization
- 2025/2026: Secure accelerated commitment of funding to project

Funding advocacy to continue to focus on urgency and opportunity to leverage/secure federal funding

Local Funding: Additional/New Sources

Schedule adjustment will provide time to develop/commit additional local funding:

- **Existing** land-based sources, such as Impact Fees and Community Facilities District (CFD) funds
- **Expanded** sources, including pledge of future tax increment revenues and further development contributions
- Potential **new/future** sources could include pricing, future local measure, etc.

Propose to form TJPA - City and County of San Francisco - San Francisco County Transportation Authority working group to advance local sources, reporting to the Executive Working Group on regular basis

Regional Funding: Potential 2026 Regional Measure

While the CA Legislature withdrew SB 1031, the MTC is leading discussions to place a regional transportation funding measure on the November 2026 ballot

- First-order priority to stabilize transit operating funding
- Could also include capital funding component
- Uncertain as a potential source of funding for The Portal

Revised FFGA Target Date of +24 to +27 months required to include potential funds from a November 2026 measure to The Portal's funding plan

Other Federal Funding: Non-CIG Grants Programs

- MTC has endorsed the project for Mega and Federal-State Partnership programs, under the regional Bipartisan Infrastructure Law framework though the project has not yet secured funds from non-CIG federal grant programs
- Project is part of FRA Corridor Identification Program planning (through HSR Phase 1 corridor)
- TJPA will continue to seek funding in current and future cycles where the project is eligible and competitive
- Relatively limited number of current and anticipated grant cycles, even with adjustment to project schedule

Non-CIG Federal: Past Cycles	Status	Value
FRA: CRISI 2022	Non-selected	\$29M
USDOT: MEGA 2023	Non-selected	\$114M
FRA: Fed-State Partnership 2023	Non-selected	\$97M

Non-CIG Federal: Current/Future	Status	Federal Funds
FRA: CRISI 2024	Submitted May 24	\$24.6M
USDOT: MEGA 2024	Submitted May 3	\$118.5M
FRA: Fed-State Partnership 2024	Anticipated	TBD

Funding Advocacy

Local

1. Seek pledge of future tax increment revenues
2. Advance Transbay CFD funds
3. Seek Central SoMa impact fees and CFD funds
4. Develop other/new local funding sources

Regional

1. Submitted request to MTC to advance project to Level 1 of Major Project Advancement Policy (MAP) Framework
2. Request MTC to allocate RM 3 funds for 40-CT Civil and Tunnel Contract, either through new allocation or re-programming of \$100.7M in currently allocated funds

State

1. Cap & Trade reauthorization
2. Authorizing legislation for future regional transportation measure
3. Request to re-allocate portion of \$60M in TIRCP project development funding

EWG Recommendation

1. Continue to advance all risk mitigation strategies including limited procurement activities, consistent with the approved Governance Blueprint and Stage Gates as follows:
 - a. Start the approximately 18-month process of bringing the 40-CT PDB contractor up to speed, advancing design, and developing the requisite trust and partnership prior to the start of general civil construction
 - b. Advance 40-CT preconstruction work to mitigate project risks, clarify project phasing and sequencing to refine schedule, underpinning, scope and cost reduction, and design validation
 - c. Stand up Integrated Project Delivery Team
 - d. Progress FTA Engineering phase activities
 - e. Complete procurement documents for all contract packages
 - f. Progress utilities and Fourth and King Yard designs
2. Develop an updated Master Schedule reflecting a new TJPA Board adopted FFGA target date
3. Continue to advocate for project funding, seek grant funding, and work to complete the funding plan to advance to the FFGA

TJPA Board Look-Ahead

Related Milestones at TJPA Board:

- Approve Successor Governance MOU
- Adopt secondary mitigations (including VE/Scope Modification and Budget Adjustments) upon completion of environmental findings
- Adopt Updated Master Schedule and Baseline Budget
- Establish The Portal Committee of the TJPA Board

Questions?

