

**STAFF REPORT FOR CALENDAR ITEM NO.: 11**  
**FOR THE MEETING OF: May 8, 2025**

**TRANSBAY JOINT POWERS AUTHORITY**

**BRIEF DESCRIPTION:**

Find compliance with the Governance Blueprint Stage Gate 1 for release of the Civil and Tunnel Progressive Design Build (40-CT) Request for Proposals (RFP) upon concurrence by key stakeholders and final approval by the TJPA Chief Financial Officer (CFO).

**BACKGROUND**

From June 2020 to May 2024, The Portal (also known as the Downtown Rail Extension (DTX)) project governance was guided by the San Francisco Peninsula Rail Program Memorandum of Understanding (the 2020 MOU), by TJPA, 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). At its January 30, 2025 meeting, the TJPA Board adopted a successor agreement, The Portal Project Implementation Memorandum of Understanding (the Implementation MOU), with the same partnering Agencies to support the further implementation of The Portal.

The 2020 MOU included a DTX Summary Work Program with a number of discrete tasks. The last of these, Task 20, was to "Start procurement tasks, as applicable based on final institutional agreement, selected project delivery method, and scoping." Task 20 further described that the task would be led by TJPA, conducted with concurrence from each of the signatory partners, and that the TJPA Board would take action to provide "Approval to begin procurement".

Prior actions by the TJPA Board have determined that TJPA would be the delivery agency and use a variety of delivery methods for construction contracts, and define the scope, cost, and schedule of the project. These determinations have been made through the conduct of prior work on the Governance Study, the Project Delivery Alternatives Study, and the Phasing Study and 20-Year Financial Plan, respectively. In particular, in July 2022, with the recommendation of the Executive Steering Committee (ESC), the TJPA Board approved Progressive Design Build (PDB) for a single civil and tunnel contract, now identified as 40-CT.

The 2020 MOU also included Task 18 which required the development, in part, of "Detailed study to identify the governance structure to enable stakeholder alignment, effective mega-project delivery, oversight, independent strategic advice, and assurance."

In September 2022, the TJPA Board approved the Governance Study recommendations, which comprised a number of high-level recommendations for advancing The Portal project. Follow-up work tasks were also described.

At its August 2023 meeting, the TJPA Board approved a Governance Blueprint, the first of the aforementioned follow-up tasks. The Governance Blueprint further developed the framework of the Governance Study including:

- Delineation of anticipated policy decisions/decision types by project phase – focused on pre-procurement, procurement, and preconstruction, and on decisions with multi-party scale/impact.
- Governance structure organizational design and composition/reporting of bodies, including Integrated Management Team membership and mandate.
- Framework for delegated authorities; configuration/change management procedures and structure.
- Further definition of stage milestones (now referred to as “Stage Gates”), inputs, and non-TJPA agency decision requirements, process for periodic independent review and expert advice.
- Coordination of related tasks/agreements and alignment with project delivery implementation roadmap.

At its October 12, 2023, meeting, after consideration of recommendations by both the Integrated Program Management Team (IPMT) and the ESC, now known as the Executive Working Group (EWG), the TJPA Board approved a recommendation to release the 40-CT Request for Qualifications (RFQ) finding that the requirements of the Governance Blueprint Stage Gate milestones had been met for the purposes of proceeding with Procurement. The Board’s approval included the express condition that any release of the RFP for 40-CT, or other The Portal construction-related procurements, be conditioned on further Board action after demonstrating full compliance with Governance Blueprint Stage Gate 1 for the applicable procurement.

The purpose of this report is to demonstrate sufficient compliance with Stage Gate 1 for release of the 40-CT RFP; if the Board makes the recommended approval today, the RFP would not be released until it receives concurrence from key stakeholders and final approval by the TJPA CFO.

## **STAGE GATE 1 REQUIREMENTS AND COMPLIANCE ASSESSMENT FOR RELEASE OF THE 40-CT REQUEST FOR PROPOSALS**

The project currently is in the Pre-Procurement phase of the Governance Blueprint (see Attachment 2 Stage Gate diagram). If approved, this action will unlock Stage Gate 1 to move 40-CT contract to the Procurement and Enabling Program phase of the Governance Blueprint. This next phase is the initiation of procurement of the project’s major contracts. The Blueprint requires each subsequent procurement progress through the Stage Gates in a manner similar to 40-CT, the first contract to be let.

The 40-CT procurement was planned to occur in two steps: (1) RFQ to prequalify proposers, followed by (2) RFP to evaluate proposals and select a proposer. In October 2023, in consideration of staff’s presentation of compliance with the Stage Gate, the TJPA Board authorized release of the RFQ for 40-CT. Four (4) sets of Qualifications were submitted and evaluated in accordance with TJPA’s Procurement Policy and the RFQ. Three teams were shortlisted. The shortlist notifications were made in April 2024.

Over the last several months, TJPA staff has been preparing the 40-CT RFP for release to the shortlist of prequalified teams. Thus, consistent with the Board's October 2023 condition, it is again appropriate to evaluate compliance with Stage Gate 1 requirements.

**Stage Gate 1 Requirements:**

To unlock Stage Gate 1, the Governance Blueprint considers the readiness of the following activities:

- Bid Documents Complete
- Governance Blueprint approved
- Entry to Federal Transit Administration (FTA) Engineering
- Initial set of Policy Documents
  - Baseline Project Definition
  - Baseline Schedule
  - Baseline Budget
  - Baseline Funding Plan
  - Baseline Risk Matrix
- Initial Third-Party Agreements

**Stage Gate 1 Compliance Assessment:**

TJPA staff have evaluated compliance with the Stage Gate 1 requirements for the proposed 40-CT procurement.

- Bid Documents Complete – An integrated 40-CT procurement task team has been assembled comprised of experts in procurement documents, general counsel, construction counsel, an insurance advisor, IPMT members, and core project staff. These team members have worked in multiple workshops to prepare 40-CT bid documents, including the RFP, draft Contract, General Requirements, and other supporting documentation. Upon concurrence by the key project stakeholders and approval by the TJPA CFO, this Stage Gate input is complete.
- Governance Blueprint Approval – The Governance Blueprint was approved by the TJPA Board of Directors at the August 2023 meeting. Thus, this Stage Gate input is complete.
- Entry to FTA Engineering – TJPA completed submission of all documentation required for FTA evaluation of the request to enter Engineering and to provide a project rating on September 21, 2023. FTA Region 9 Administrator Ray Tellis issued a letter to TJPA on May 3, 2024, approving The Portal's entry into the Engineering phase of the Capital Investment Grants process. Thus, this Stage Gate 1 requirement is fully met.
- Initial set of Policy Documents – The project has established all necessary inputs to the initial set of Policy Baseline Documents. The Governance Blueprint calls for these inputs to be consolidated over time into a set of five specific Policy Baseline Documents, with these documents established by, and controlled at, the TJPA Board level. For purposes of release of the 40-CT RFP, staff considers the baseline requirement to be either fully or provisionally satisfied. The following describes the status of the existing inputs to the Policy Baseline:

- Environmental Documents – With respect to the National Environmental Policy Act (NEPA), FTA issued an amended Record of Decision in July 2019 and in June 2023, concluded that no further environmental documentation under NEPA was required as a result of subsequent modifications to the project. With respect to the California Environmental Quality Act, the TJPA Board certified the Final Supplemental Environmental Impact Statement/Environmental Impact Report in December 2018 and approved an addendum thereto in January 2023. Staff considers the project is in full compliance with this input.
- Project Configuration – The Portal 30% design plans were completed for the entire project, except for the 4<sup>th</sup> and King Yard Preparation scope, in October 2022. The IPMT participated in design reviews, comments, and resolution. The draft 4<sup>th</sup> and King Yard Preparation 30% design plans and basis of design were distributed in August 2023 for review and comment. In close collaboration with Caltrain, a revised plan for the 4<sup>th</sup> and King Yard has been developed and the draft is scheduled for submittal in June, 2025. Staff considers that the project is in full compliance with this input.
- Design Requirements – The Portal design criteria was completed in December 2022. It was developed in close coordination with Caltrain and California High-Speed Rail Authority and reviewed by the IPMT. Staff considers that the project is in full compliance with this input.
- Service Plan – The Service Plan is established through an April 12, 2023 “Fleet Management Plan Technical Memo to Validate 4 TPH Services” prepared by DB Engineering (DB) and further established the service plan of 4 Caltrain trains per peak hour per direction through the Operations and Maintenance cost estimate as contained in the 20-Year Financial Plan. Additional prior studies by DB established that The Portal as currently designed has capacity to accommodate 8 Caltrain and 4 California High-Speed Rail trains per peak hour per direction. Staff considers that the project is in full compliance with this input.
- Master Schedule – A project Master Schedule was established consistent with the TJPA Board approval of the Accelerated Work Plan in April of 2021. The Master Schedule is updated monthly and published to the IPMT. The Master Schedule was reviewed and analyzed by the FTA PMOC and found to be “mechanically correct and fundamentally and reasonably sound.” The Master Schedule was the basis, in part, for the 20-Year Financial Plan adopted by the TJPA Board at its August 2023 meeting.

In July 2024, the TJPA Board adopted July 2027 as the Full Funding Grant Agreement date. The Master Schedule has been revised accordingly. Staff considers the initial requirements of this input to Stage Gate 1 are provisionally met.

Previously staff anticipated full compliance with this input would occur prior to release of the 40-CT RFP. Staff is now targeting full compliance with this input

subsequent to FTA's risk review to be conducted during the evaluation of TJPA's request to enter into a Full Funding Grant Agreement (FFGA). At the conclusion of that risk review and upon concurrence between FTA and TJPA regarding the project schedule, the TJPA Board will be asked to adopt a Baseline Schedule for The Portal.

- Program Budget – The Program Budget was reviewed and analyzed by the FTA PMOC at a May 2023 Risk Workshop, and during subsequent working session with the PMOC. TJPA and FTA have agreed upon a total Program Budget of approximately \$8.255 billion, inclusive of \$728.5 million of the cost for the already constructed Train Box. The Program Budget was the basis, in part, for the 20-Year Financial Plan adopted by the TJPA Board at its August 2023 meeting in the amount of \$8.246 billion. The \$8.7M difference reflects the FTA PMOC's consideration of the addition of the already sunk Train Box costs in its P65 level of confidence contingency calculation. Staff continues to evaluate cost reduction concepts and monitor construction cost, project risks, and other potential impacts to project cost. Staff considers the initial requirements of this input to Stage Gate 1 are provisionally met.

Previously staff anticipated full compliance with this input would occur prior to release of the 40-CT RFP. Staff is now targeting full compliance subsequent to FTA's risk review to be conducted during the evaluation of TJPA's request to enter into an FFGA. At the conclusion of that risk review and upon concurrence between FTA and TJPA regarding the project cost, the TJPA Board will be asked to adopt a Baseline Budget for The Portal.

- 20-Year Financial Plan – The 20-Year Financial Plan was approved by the TJPA Board at its August 2023 meeting. With FTA's approval of the project to enter the Engineering phase of the CIG process, the FTA Capital Investment Grants dollar contribution was fixed at \$3,384,462,235. TJPA is required to fund the non-CIG portion of the project cost. TJPA continues to work towards addressing the non-CIG share. Once those funds are identified, staff intends to request the TJPA Board adopt an updated 20-Year Financial Plan. Staff considers the initial requirements of this input to Stage Gate 1 are provisionally met.

Previously staff anticipated full compliance with this input would occur prior to release of the 40-CT RFP. Staff is now targeting full compliance with this input subsequent to FTA's risk review to be conducted during the evaluation of TJPA's request to enter into an FFGA. That risk review may, or may not, result in an FTA determination that more, or less, contingency should be budgeted. At the conclusion of that risk review and upon concurrence between FTA and TJPA, the 20-Year Financial Plan will be finalized and presented to the TJPA Board for approval.

- Project Delivery Strategy – The Project Delivery approach was approved by the TJPA Board in July of 2022. In response to on-going risk mitigation evaluations, staff is considering certain modifications to the scope split between the 40-CT Civil and Tunnel and 60-SF Station Fit-Out contracts. In consultations with Caltrain, a

potential combining of the 50-TS Track and Systems and 55-YB Fourth and King Yard At-grade Track and Systems contract is being evaluated. Previously staff anticipated these potential modifications would be presented prior to release of the 40-CT RFP. Staff is now targeting this summer to complete its assessment. Nonetheless, because the baseline Project Delivery approach has been approved, staff considers the project is in full compliance with this input.

- Risk Register – The Risk Register for The Portal has been actively updated on a quarterly basis since September 2020, generally through special IPMT meetings. In February 2023, following a Quantitative Risk Workshop conducted by the IPMT, a Quantitative Risk Analysis Report was issued, which informed the project contingency value proposed by the TJPA. In May 2023, the FTA PMOC conducted its own Risk Workshop, resulting in an FTA recommended Program Budget. FTA recommend a small increase in the Program Budget (6%), much of which was connected to a proposed increase in forecast inflation, and an additional 6 months of schedule contingency. The IPMT continues to conduct regular risk workshops. Staff considers the project is in full compliance with this input.
- Initial Third-Party Agreements – TJPA and the City and County of San Francisco Interagency Cooperative Agreement (ICA) has been fully approved and is being implemented. TJPA and Caltrain have adopted a Sitework (Railyard) Project Management Memorandum of Agreement, an Interim Agreement, and an Amended and Restated Interim Agreement, each of which address scope, process, and compensation issues. TJPA and Caltrain continue to work on a Master Cooperative Agreement that will address the long-term funding, maintenance, and asset disposition issues associated with the project. TJPA and the California High-Speed Rail Authority have commenced discussions on a bi-lateral Agreement. Staff considers the project is in full compliance with this input.

Based on the above, TJPA staff is seeking the Board’s determination of adequate compliance with the Governance Blueprint Stage Gate 1 for release of the 40-CT RFP (conditioned upon key stakeholder concurrence with the procurement documents and final approval by the TJPA CFO). As described above, while certain items remain “conditionally” compliant, TJPA staff believes this approach satisfies the purpose and function of the Stage Gate framework as a means to test readiness to advance.

An alternative, however, would be for the TJPA Board to direct staff to hold the release of the RFP until all of the items are fully compliant. Below staff provides a risk assessment of this alternate approach.

## **RISK ASSESSMENT OF HOLDING THE RFP**

### **Cost Considerations**

At this early stage in the project, with virtually all the project cost in the future, delay costs are approximately \$263M for a one-year delay, assuming a 3.5% annual inflation rate, which may be higher or lower depending on market conditions. Rejecting the

concept of provisional compliance with Stage Gate 1 and delaying issuance of the 40-CT RFP will have a day for day delay to the project as the RFP release is on the Critical Path.

Under the current project budget, the total contingency (allocated and unallocated) comprises approximately 43% of the project cost, excluding financing. Project contingency is a recognition and accounting for project risk. As design and construction proceed, project risks are identified and mitigated or realized. Further development of the design through the 40-CT Preconstruction services may result in an ability for the project team to prudently reduce project contingency, subject in part to FTA concurrence. If contingency is reduced, The Portal's non-CIG funding gap will also be reduced. Thus, TJPA staff believe greater precision in the project cost may be realized through release of the 40-CT RFP.

### **Schedule Impact**

The current 40-CT contract has a schedule duration of 30 months for preconstruction services. In those 30 months, the 40-CT contractor will have to mobilize design and preconstruction staff, validate or propose changes to the 30% design, advance the designs to ready-for-construction, negotiate one or more construction Notice(s) to Proceed (NTP) with TJPA, and interface with the Track and Systems and Station Fit-Out designers and contractors. Currently, the 40-CT contract is 6 days off the project Critical Path, so delays in the issuance of the RFP will result in day for day delay, pushing out the target date for start of revenue service.

### **Reputational Risk**

There is a balance with regard to reputational risk as related to when the procurement documents are released. On one hand, through a series of industry soundings, procurement outreach briefings, and larger format contractor briefings, TJPA has been forecasting the release of this procurement for over a year. Delaying its release could decrease contractor interest in the opportunity.

There is risk with regard to the ability to fully fund both the Capital and Operating costs of the project. However, these are well understood and well documented in the 20-Year Financial Plan and subsequent and recent Board discussions. Delay in proceeding with the 40-CT RFP will not mitigate this funding challenge. TJPA is pursuing multiple funding sources in collaboration with partner agencies.

### **IPMT AND EWG ENGAGEMENT AND INPUT**

In accordance with TJPA procurement policies and good practice, IPMT members were asked to execute a Non-disclosure Agreement prior to engaging in detailed procurement document development discussions. IPMT members who executed this agreement were engaged as the RFP and contract documents were being developed and provided valuable suggestions and comments. IPMT comments were discussed and either adopted or deemed not in the best interest of the project.

In evaluating the readiness to release the RFP, both the IPMT and EWG expressed concern regarding TJPA's readiness to negotiate and successfully administer the resulting contract. The

Portal staff acknowledged this concern and are committed to building out the necessary capacity over the next several months including on-going work to update and expand project management plans and procedures, through staff augmentation from Caltrain's engagement in the Integrated Program Deliver Team and the existing Program Management Construction Management (PMCM) contract as adopted by the Board in June 2024.

Through the engagement and coordination described above, the IPMT and EWG unanimously support the TJPA Board's finding of compliance with Stage Gate 1 of the Governance Blueprint for release of the 40-CT RFP.

#### **NEXT STEPS**

Assuming approval, staff will finalize procurement documents and with concurrence by key stakeholders and final approval by the CFO, will release the 40-CT RFP to the shortlisted teams. Evaluation of submitted proposals will take place in the Fall, followed by negotiations with the highest ranked team, with an anticipated recommendation to the Board for Contract Award in the Spring or Summer of 2026. See Attachment 3 for a procurement timeline.

#### **RECOMMENDATION:**

Find compliance with the Governance Blueprint, Stage Gate 1 for release of the 40-CT RFP upon concurrence by key stakeholders and final approval by the TJPA CFO.

#### **ENCLOSURES:**

1. Resolution
2. Stage Gate Diagram
3. 40-CT Procurement Timeline



**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 the Transbay Program, including the portion of the Transbay Terminal/Caltrain Downtown Extension/Redevelopment Project commonly referred to as Phase 2/Downtown Rail Extension (DTX)/The Portal; and

WHEREAS, Pursuant to state law and the Joint Powers Agreement, the TJPA is authorized, in its own name, to do all acts necessary to fulfill the purposes of the Joint Powers Agreement, including, but not limited to, making, and entering into contracts; and

WHEREAS, On July 14, 2022, the TJPA Board of Directors approved the DTX Project Delivery approach. The approach includes, among other things, the use of a progressive design-build delivery method for the civil and tunnel scope (40-CT) of the Project; and

WHEREAS, The design-build method of project delivery, using a best value procurement methodology, can result in benefits such as reduced project costs, expedited project completion, and design features that are not achievable through the traditional design-bid-build method; and

WHEREAS, The Portal project governance previously was guided by the Peninsula Rail Program Memorandum of Understanding (the 2020 MOU), adopted in June of 2020 by TJPA, 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 2020 MOU includes a DTX Summary Work Program which anticipated the TJPA Board would take action to provide "Approval to begin procurement;" and

WHEREAS, On August 10, 2023, the TJPA Board of Directors approved a Governance Blueprint for the project, including stage milestones (now referred to as "Stage Gates"); and

WHEREAS, The project is expected to unlock Stage Gate 1 to move to the Procurement and Enabling Program phase of the Governance Blueprint, which includes initiation of procurement of the project's major contracts, including the release of bid documents for the 40-CT contract; and

WHEREAS, The 40-CT procurement is planned to occur in two steps: (1) Request for Qualifications (RFQ) to prequalify proposers, followed by (2) Request for Proposals (RFP) to evaluate proposals and select a proposer; and

WHEREAS, At its October 2023 meeting, the TJPA Board approved the release of the 40-CT RFQ, with the express condition that any release of the RFP for 40-CT, or other Portal construction-related procurements be conditioned on further TJPA Board action after demonstrating full compliance with the Governance Blueprint Stage Gate 1 for the applicable procurement; and

WHEREAS, As explained in detail in the accompanying staff report, TJPA staff, have evaluated the agency's compliance with the Governance Blueprint Stage Gate 1 requirements for the proposed 40-CT procurement, and, as supported by the Integrated Program Management Team and the Executive Steering Committee (now known as the Executive Working Group (EWG)), have concluded that the agency is either fully-compliant, or provisionally compliant with the Governance requirements associated with the release of the 40-CT RFP; now, therefore, be it

RESOLVED, That the TJPA Board of Directors finds adequate compliance with the Governance Blueprint, Stage Gate 1 for release of the 40-CT RFP upon concurrence by key stakeholders and final approval by the CFO.

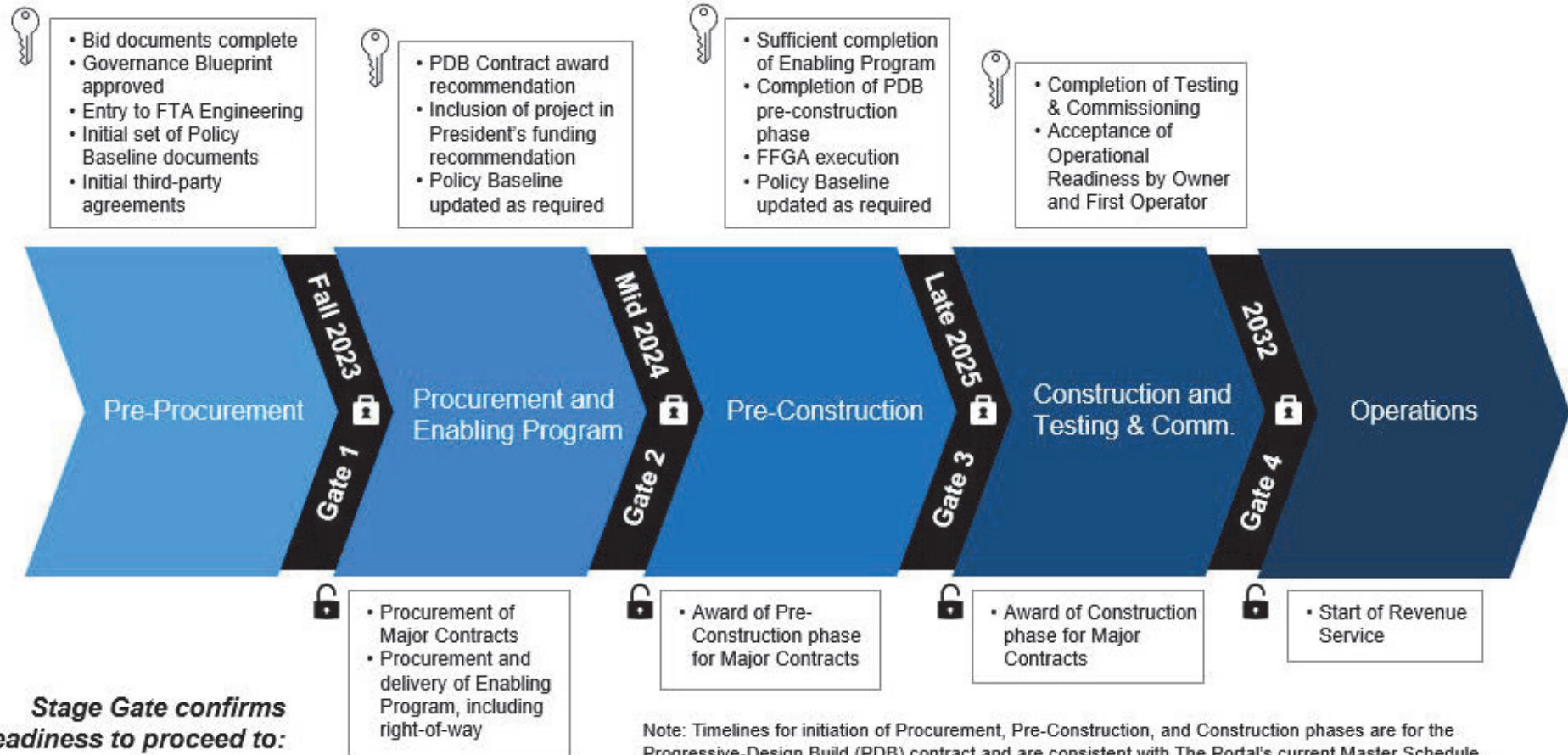
I hereby certify that the foregoing resolution was adopted by the Transbay Joint Powers Authority Board of Directors at its meeting on May 8, 2025.

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Secretary, Transbay Joint Powers Authority

# Stage Gate Framework

## Stage Gate Inputs:



# 40-CT Civil and Tunnel Procurement Timeline, RFP to Award

