

Memorandum

To: Cost Review Committee

From: Ron Alameida, Director of Design & Construction for the Transbay Transit Center, SF Public Works
Dennis Turchon, Senior Construction Manager, TJPA
Sara DeBord, Chief Financial Officer, TJPA

Date: For the Committee Meeting of August 24, 2016

Re: Agenda Items

**Agenda Item 2: Process for any Potential Proposed Future Program Budget Amendment, and
Agenda Item 3: Process for any Proposed Fiscal Year Budgets and Amendments**

Agreement Section 1.B(i)

“The Committee may make recommendations to the TJPA Board about any proposed budget or budget amendment, before the TJPA Board considers taking action on any such budget or amendment.”

Program Budget

The Phase 1 Program Budget has been approved by the TJPA Board at \$2,259,400,000. The Transit Center Project Team does not anticipate any further increases to the Phase 1 Program Budget, but to the extent any budget amendments are proposed, will timely brief the Committee in order to allow for a recommendation to be made to the TJPA Board.

Fiscal Year Budgets

The TJPA Board approves a capital and an operating fiscal year budget each year. The capital budget is a “slice” of the overall Program Budget, based on anticipated expenditures for the coming fiscal year. The operating budget is developed for the Temporary Terminal. Operating expenses are limited to the amounts available from an RM-2 operating grant and small lease and advertising contracts. TJPA does not allocate any staff time to the operating budget. In a typical budget process, TJPA staff provides a narrative budget outlook to the TJPA Board in April, draft fiscal year capital and operating budgets as information items in May, and final capital and operating budgets for adoption in June. The Fiscal Year 2016-17 Capital and Operating Budgets are attached. **Discussion Item:** does the Committee want to review the fiscal year budgets and make a recommendation to the Board each spring?

The fiscal year capital budget is typically divided into these major categories:

- Salaries and benefits for TJPA staff
- Administration (rent and other office expenses)
- Professional & Specialized Services, including construction
- Right-of-Way Acquisition (complete for Phase 1)
- Fiscal & Emergency Reserves

Under the Board-approved TJPA Budget Policy, the TJPA Executive Director can approve budget amendments that reallocate amounts within the four major categories that do not exceed 10 percent of the

total budget for that category. A reallocation of more than ten percent, or an increase in the fiscal year budget, would require TJPA Board approval. **Discussion Item:** Does the Committee want to review the Executive Director-approved fiscal year budget amendments (i.e., less than ten percent reallocation amongst line items) before the Executive Director approves? Or will notification to the Committee suffice?

Agenda Item 4: Process for Contracts, Amendments and Change Orders above Threshold Amounts and/or Funded by Interim Financing

Agreement Section 1.B(ii)

“The Committee may make recommendations to the TJPA Board about any new contract or amendment of an existing contract, with a cost to the TJPA in each instance in excess of \$250,000, before the TJPA Board considers such contract or contract amendment for approval, and if TJPA Board approval is not required, before the TJPA staff enter into any such contract or contract amendment.”

Agreement Section 1.B(iii) and Section 1.B(v)

“The Committee may make recommendations to the TJPA Board about any construction contract change order with a cost to the TJPA in each instance in excess of \$250,000, before the TJPA Board considers the change order for approval, and if TJPA Board approval is not required, before the TJPA staff approve any such change order.”

Agreement Section 1.B(v)

“The Committee must approve any expenditure of the proceeds of the Interim Financing before the TJPA may make such expenditure or take any action committing to expend any such proceeds, provided that once the Committee grants an approval and the TJPA subsequent to that approval takes action to commit to expend those funds, such approval may not be reversed by the Committee.”

Discussion Item: The Transit Center Project Team will timely brief the Committee on any proposed contracts or contract amendments in excess of \$250,000 in order to allow for a recommendation to be made to the TJPA Board. To the extent that a contract or amendment is not fully negotiated but is anticipated to be require approval before the next Committee meeting, the Project Team will provide a list of anticipated contracts/amendments with detail regarding scope and an anticipated “not-to-exceed” cost, and request that the Committee recommend the contract/amendment to the TJPA Board. The Project Team would report back to the Committee on the final negotiated amount at the next quarterly Committee meeting. See next agenda item.

In addition, moving forward, at least ten working days prior to the quarterly Committee meeting, the Project Team will provide a detailed listing of anticipated upcoming construction contract change orders (“CCOs”) and any Notices to Proceed (“NTPs”) that are anticipated to be funded with the proceeds of the Interim Financing. As noted above, to the extent that a CCO is not fully negotiated but is anticipated to be require approval before the next Committee meeting, the Project Team will provide a list of the current Change Requests (“CRs”) with detail regarding scope and an anticipated “not-to-exceed” cost, and request that the Committee pre-approve issuance of a CCO so long as it doesn’t exceed that cost. The anticipated amounts of NTPs would be based on contractor cash flow, and the Committee would be asked to approve a “not-to-exceed” amount for each NTP. The Project Team would report back to the Committee on the final negotiated CCO amounts and the final NTP issuance amounts at the next quarterly Committee meeting.

Agenda Item 5: Contracts or Contract Amendments that Require Concurrence or Recommendation from the Committee

5a. Contracts or Contract Amendments in Excess of \$250,000

The Transit Center Project Team anticipates executing or recommending the following contract awards/amendments between September – November 2016:

- State Advocacy. A Request for Proposals (“RFP”) was issued on July 18, 2016 for services from respondents with expertise in the State legislative process and comprehensive knowledge and experience with the State of California’s executive and legislative branch operations and procedures. TJPA is seeking an advocate to represent its interests at the State level and be proactive in developing funding opportunities. Proposals were due August 15; two proposals were received and are under evaluation. TJPA contracted with Mercury Public Affairs and Townsend Public Affairs from August 2010 through July 2016 for these services; the RFP was issued as these contracts are now expired. TJPA anticipates recommending approval of one contract to the TJPA Board. Based on the RFP language and the proposals received, which are still subject to negotiation, TJPA anticipates a contract with a period of no more than five years and annual compensation (paid via monthly retainer) not to exceed \$150,000, for a total contract amount not to exceed \$750,000.
- Transbay Transit Center Construction Trade Packages and RFPs :

TG27.1 Data Network and Systems Integration (Converged IP Network System):

The converged internet protocol (IP) network consists of equipment (servers, switches, and routers) that processes data for communications and other IP-based systems at the Transbay Transit Center. The networks and systems include the local area network (LAN), wide area network (WAN), wireless local area network (WLAN), internet access, and network security. Other Transit Center systems that require the converged network include the building management control system for the heating, ventilating, and cooling; security access control systems for doors and operable barriers; video management systems (cameras), and fire and life safety management systems, among others. This trade package was issued for bid on July 7, 2016. Four bids ranging in cost between \$4.375 - \$19.257 million were received on August 17, 2016. The TJPA team is currently evaluating the bids. The approved budget for this trade package is \$13 million and the Engineer’s estimate is \$11.5 million. TJPA staff anticipates recommending approval to award this trade package to the TJPA Board in September or October 2016 for an amount within the approved budget.

TG27.2 Audio Visual Equipment and Integration (Digital Signage System):

The audio visual/digital signage system is designed to provide data to the public, in the form of transit schedules, and wayfinding and visitor information. The digital signage system comprises digital media players, servers, and liquid crystal displays (LCDs) that process data for display in the Transit Center. The digital media players import data from a variety of sources, store the data on an internal hard drive, and process the data into single digital video signals. The digital media players send these digital video signals to one or multiple LCDs. The LCDs process the digital video signals to display as individual data bits on an array of LCD picture elements (pixels), that is, the transit schedules, and wayfinding and visitor information. This trade package was issued for bid on July 7, 2016. Three bids ranging in cost between \$1.46 - \$2.987 million were received on August 17, 2016. The TJPA team is currently evaluating the bids. The approved budget for this trade package is \$3million and the

Engineer's estimate is \$2.2 million. TJPA staff anticipates recommending approval to award this trade package to the TJPA Board in September or October 2016 for an amount within the approved budget.

RFP 17-03 Physical Security Information Management (PSIM) System and Emergency Communication System/Mass Notification System (ECS/MNS) Integration Services:

To assist the TJPA with the protection of life and prevention of injuries, the ECS/MNS will be used to coordinate and convey real-time information and instructions to passengers and personnel in the Transit Center during emergency events. The ECS/MNS will use intelligible voice communications along with emergency radio communications, visible signals, short message service (SMS) text, graphics (digital displays), and wireless communication methods. These communication methods are intended for the protection of life and prevention of injuries by indicating the existence of an emergency situation and instructing people with the necessary and appropriate response and action.

The PSIM system will support establishing the Transit Center as a world class transit center with premier safety and security management systems. The PSIM system will allow security staff to efficiently and quickly disseminate safety and security alerts and develop and act upon incident analysis reports, and will act as a force multiplier allowing security personnel to more rapidly identify and resolve security incidents. The PSIM system will provide security personnel with a heightened awareness of conditions leading up to and during an incident and will assist security personnel in proactively resolving incidents through a single common user interface driven by an incident response checklist tailored to the specific incident at hand. The PSIM system will monitor, collect, correlate, and integrate events from multiple security devices, systems, and observations and present it to the security personnel with an incident response checklist, customized to the incident being addressed, allowing an enhanced, consistent, standards-based, and rapid response.

The PSIM System and ECS/MNS Integration Services RFP is planned to be issued September 1, with proposals due October 13. TJPA anticipates recommending approval of a contract in November or December, within the approved budget of \$6.0 million (\$3.0 million for the PSIM and \$3.0 million for the ECS/MNS).

5b. Construction Contract Change Orders in Excess of \$250,000

See attached.

Agenda Item 6: Proposed Change to Threshold Amount from \$250,000 to \$500,000 for Construction Contract Change Orders.

Change Order Background

Through August 18, 2016, the Transbay Transit Center Project has executed CCOs worth approximately \$147 million. Of the \$147 million total, approximately \$37 million can be attributed to the traditional change order categories consisting of errors & omissions, code issues, Owner-requested scope changes and unforeseen conditions; \$19 million attributed to CM/GC contingency and \$91 million attributed to base scope buy-out. The overwhelming number of previously approved change orders is related to base scope buy-out/procurement, buttress pile installation and resolution of claims with the buttress/shoring/excavation trade subcontractor. As the project is out of the ground with foundations complete and only minor utility trenching remaining, the risk for unforeseen conditions has essentially been retired.

Discussion Item: In accordance with Sections C and D of the Agreement, the Transit Center Project Team recommends increasing the value from \$250,000 to \$500,000. The majority of CCOs to-date are either below \$250,000 or above \$500,000. Of the 266 CCOs identified with merit utilizing construction contingency, and the 31 CCOs identified with merit utilizing CM/GC contingency, only 29 are within the range of \$250,000 to \$500,000. The Project Team believes the most efficient review of cost spending based on the 5+ year history on this project would be to increase the threshold of review by the Committee to \$500,000 to best monitor spending.

Discussion Item: Regardless of the threshold for reviewing CCOs, the Project Team proposes the following method for change order review and recommendations. Moving forward, at least ten working days prior to the quarterly Committee meeting, the Project Team will provide a detailed listing of anticipated upcoming CCOs above the threshold, or that are anticipated to be funded with the proceeds of the Interim Financing. To the extent that a CCO is not fully negotiated but is anticipated to be require approval before the next Committee meeting, the Project Team will provide a list of the current CRs with detail regarding scope and an anticipated “not-to-exceed” cost, and request that the Committee pre-approve issuance of a CCO so long as it doesn’t exceed that cost. The Project Team would report back to the Committee on the final negotiated amount at the next quarterly Committee meeting.

Timing of CCO processing is a key consideration for this proposal. 1) Unless they are directed to do work on force account, subcontractors may not begin work for owner-proposed changes until a CCO is fully executed. 2) Once a CCO is issued, the contractor typically invoices for work associated with that CCO in the following pay application. By providing pre-approval, the Committee can assist the Project Team in avoiding potential delays with ongoing field work and ensure that the contractor and its subcontractors are paid timely for work performed.

Agenda Item 7: Review and Discuss Process for Internal Controls and Audits

Agreement Section 1.B(iv)

“The Committee may make recommendations to the TJPA Board or TJPA staff regarding adoption and implementation of internal controls for financial management.”

Agreement Section 1.B(vi)

“The Committee may obtain financial or performance audits or reviews as the Committee may from time to time deem necessary, with the cost of such audits to be borne the TJPA, and the TJPA shall cooperate fully in such audits and reviews. Such audits or reviews may be performed by the City, the MTC or any consultant or expert that the Committee may select.”

The TJPA Board has approved an Internal Control Policy (attached), and TJPA staff have developed internal accounting control procedures in line with the policy (most recent update attached).

The certified public accounting firm of Vavrinek, Trine, Day & Co. LLP (“VTD”) is TJPA’s independent auditor, through a contract that will go through the Fiscal Year 2018. VTD performs an annual audit, the goal of which is to provide reasonable assurance that the financial statements of TJPA are free of material misstatement. VTD also performs the broader, federally mandated Single Audit, requiring them to report not only on the fair presentation of the financial statements, but also on the TJPA’s internal controls and compliance with legal requirements. VTD typically visits TJPA offices in the April-June timeframe for interim fieldwork, and in October or November for final fieldwork. TJPA presents its audited financial statements to the TJPA Board in December (or January if there is no December Board meeting), and will continue to send these audited statements to the Controller’s Office and MTC.

VTD also provides Agreed Upon Procedures (AUP) Reports for the TJPA's trust accounts: semi-annually for the trust account for Gross Land Sales Proceeds, and annually for the TIFIA Collateral Accounts.

Discussion Item: Any recommendations or requests related to internal controls or audits can be coordinated with Sara DeBord, TJPA CFO.

Agenda Item 8: Determine Meeting Schedule and Potential Project Impacts

The construction phase of Phase 1 of the Transbay Project has been progressing very well and has already retired major risks such as excavation, foundation work, utility relocation, train box concrete and field installation of the structural steel; construction has now entered a less risky phase of construction than previous activities. The Transit Center Project Team is making the recommendations and proposals above to avoid any unnecessary additional costs resulting from delay that could be, in itself, a risk to the progress. The Transit Center Project Team's goal is to ensure that the ongoing field work and monthly general contractor pay applications will not be delayed while still working with the Committee to meet the objectives set forth within the Transbay Project Cost Oversight Agreement. **Discussion Item:** The Project Team is proposing that the Committee meet in person on a quarterly basis on the last Monday of the given month. This allows sufficient time for the Committee's recommendations to be incorporated into any relevant presentation to the TJPA Board.