

**STAFF REPORT FOR CALENDAR ITEM NO.: 13  
FOR THE MEETING OF: December 14, 2023**

**TRANSBAY JOINT POWERS AUTHORITY**

**BRIEF DESCRIPTION:**

Adoption of an amended Baseline Budget for Phase 1 of the Transbay Transit Center Program (Program) in the amount of \$2,278,400,000, and a corresponding amendment No. 3 to the FY23-24 Capital Budget for Phase 1.

**EXPLANATION:**

This memo recommends adoption of an amended Baseline Budget for Phase 1 that increases the Baseline Budget (adopted in 2016) by \$19,000,000. This budget increase principally allows for reconciliation related to expenses and recoveries related to the girder fissure and continued closeout of trade packages related to the Phase 1 construction scope.

**Phase 1 Baseline Budget History**

In 2007, the TJPA Board adopted a Baseline Budget for Phase 1 of the Program in the amount of \$1,189,000,000. The 2007 budget excluded construction of the below-grade train box.

In 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. The revised budget incorporated the construction of the train box in Phase 1 to reflect a \$400,000,000 American Recovery and Reinvestment Act (ARRA) grant award from the Federal Railroad Administration. By successfully securing the ARRA grant, the TJPA was able to construct the train box using a traditional bottom-up construction method and avoid the significant risks associated with the previously planned “top-down” method whereby the train box would have been excavated underneath the Transit Center building in Phase 2 after the building had been put into operation.

Subsequently, in July 2013 and November 2015, the Board adopted two amendments to the Baseline Budget, based, in substantial part, on higher than anticipated cost escalation and resulting bid prices, reflective of the active construction market in the San Francisco Bay Area, in general, and the Transbay District, in particular, which limited the bidder pool.

In 2015, the Metropolitan Transportation Commission conducted a cost and risk review of Phase 1 to advise on the cost to complete the Phase 1 project. In 2016, the Board adopted a revised Baseline Budget for Phase 1 in the amount of \$2,259,400,000; this is the budget that is currently in place.

**Amendment to Phase 1 Baseline Budget**

Staff recommend amending the Phase 1 Baseline Budget by \$19,000,000 principally to reflect 1) reconciliation of expenses and recoveries related to the girder fissure and subsequent settlement payment to the TJPA, and 2) continued closeout of remaining Construction Manager/General Contractor (CM/GC) trade packages for Phase 1 construction.

Reconciliation Related to the Girder Settlement: After opening the Salesforce Transit Center for use, workers discovered a fissure in a girder on the bus deck level. The facility was promptly closed to the public while the repair was made. Throughout the closure, investigation, and repair, TJPA incurred costs associated with the fissure that had not been anticipated in the development of the Phase 1 budget. Recently, the TJPA finalized a settlement pursuant to which the TJPA was compensated for a portion of its damages. The fissure in the girder was not an anticipated cost related to Phase 1 construction and, naturally, was not included in the Phase 1 Baseline Budget. Nonetheless, the TJPA's auditor has indicated that the costs TJPA incurred related to the girder issue must be reflected as Phase 1 expenditures. As a result, staff propose to amend the Phase 1 Baseline Budget to reflect this unanticipated additional cost to the Phase 1 project.

CM/GC Trade Package Closeout: The CM/GC has closed out 46 of the 49 trade package subcontractors for Phase 1 construction. The continued closeout of the remaining trade packages necessitates an augmentation to the Phase 1 Baseline Budget.

TJPA staff have identified sufficient funding for the proposed Phase 1 Baseline Budget amendment. However, the allocation of these funds to Phase 1 results in less funding available for Phase 2.

### **Amendment No. 3 to the FY23-24 Capital Budget for Phase 1**

Each year, the TJPA Board approves an annual operating budget; separate annual capital budgets for Phase 1, Phase 2, and Tenant Improvements; and an annual debt service budget. The annual capital budget for Phase 1 presents the revenues and expenses staff expects the agency to incur for Phase 1 capital costs in that fiscal year; thus, the annual capital budget is a slice of the Phase 1 overall program budget.

In June 2023, the TJPA Board adopted the FY23-24 Capital Budget for Phase 1 in the amount not to exceed \$17,540,365. The budget has been twice amended. Staff recommends increasing the FY23-24 Capital Budget for Phase 1 by \$2,535,000 to address the revised cashflow projections related to Phase 1 close-out during the fiscal year, as shown in the attached.

### **RECOMMENDATION:**

Adopt an amendment to the Baseline Budget for Phase 1 of the Transbay Transit Center Program in the amount of \$2,278,400,000, and a corresponding amendment No. 3 to the FY23-24 Capital Budget for Phase 1.

### **ATTACHMENTS:**

1. Resolution
2. Amendment No. 3 to the FY23-24 Capital Budget for Phase 1

**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 2016, the Board approved an updated Baseline Budget for Phase 1 of \$2,259,400,000; and

WHEREAS, Staff recommends adoption of an amended Baseline Budget for Phase 1 that increases the budget by \$19,000,000, principally to allow for reconciliation of expenses and recoveries related to the girder fissure and continued closeout of trade packages related to the Phase 1 construction scope; and

WHEREAS, In June 2023, the TJPA Board of Directors adopted the FY23-24 Capital Budget for Phase 1 in an amount not to exceed \$17,540,365. The budget has been twice previously amended; and

WHEREAS, Staff recommends adoption of an amendment No. 3 to the FY23-24 Capital Budget for Phase 1 that reflects the revised annual cashflow resulting from the amended Baseline Budget for Phase 1; now, therefore, be it

RESOLVED, That the TJPA Board of Directors adopts the recommended amendment to the Baseline Budget for Phase 1 of the Transbay Program in the amount of \$2,278,400,000 and the recommended amendment No. 3 to the FY23-24 Capital Budget for Phase 1 in the form presented.

I hereby certify that the foregoing resolution was adopted by the Transbay Joint Powers Authority Board of Directors at its meeting of December 14, 2023.

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Secretary, Transbay Joint Powers Authority

<b>FY 23-24 Phase 1 Budget</b>	<b>FY23-24 Budget Amendment 2 (Admin 10-25- 23)</b>	<b>FY23-24 Budget Amendment 3 (Board 12-14-23)</b>	<b>Difference</b>
<b>Revenues</b>			
Transit Center District CFD Funds	17,540,365	20,075,365	2,535,000
<b>TOTAL REVENUES</b>	<b>17,540,365</b>	<b>20,075,365</b>	<b>2,535,000</b>
<b>Expenses</b>			
Legal Counsel	6,000,000	6,000,000	-
Transit Center Program Administration	179,574	179,574	-
Financial and Grants Management	35,000	35,000	-
Construction Dispute Resolution Services	250,000	250,000	-
Program Management / Program Controls	10,000	10,000	-
Transit Center Engineering & Design	99,000	99,000	-
Transit Center Building & Ramps Construction	10,966,791	13,501,791	2,535,000
<b>TOTAL EXPENSES</b>	<b>17,540,365</b>	<b>20,075,365</b>	<b>2,535,000</b>