



**BRIEFING: SEPTEMBER 10, 2013, BOARD MEETING AGENDA ITEM #4**

**TO: Chairman Richard and Board Members**  
**FROM: Jon Tapping, Risk Manager**  
**DATE: September 10, 2013**  
**RE: Approval of Contingency Fund for Construction Package 1**

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**Introduction**

At its June, 2013, meeting the Board approved the award of the design-build contract for Construction Package 1 (CP 1), Resolution #HSRA 13-12.

At its August, 2013, meeting the Board approved a policy of establishing contingencies on construction contracts based on a “risk-based, informed approach,” Resolution #HSRA 13-20.

The purpose of this Board item is to establish the construction contingency for CP 1, pursuant to that policy.

**Background**

In the briefing memorandum provided to this Board in support of Resolution #HSRA 13-20 the following was stated:

“Contingency provides a level of protection to the project budget that allows for the successful completion of the project in the face of uncertainty and risk, allowing the project manager to respond to probably, if not precisely quantifiable, variations in the project cost in a timely manner to keep the project moving forward.”

Authority senior staff has conducted an exhaustive risk-based, informed investigation of the facts and circumstances that exist as design work commences on CP 1. Staff has followed best practice procedures and the process outlined in the briefing memorandum. While a detailed description of the specific items included in the contingency is not in the best interest of the Authority and the State of California, each item currently known to the Authority which is appropriate to include in a risk analysis has been carefully considered. During the course of construction of CP 1, as contingencies are resolved, staff will report to the Board on appropriate adjustments to the project contingency.

This contingency is tied to the project, not related to the contractor. It will be managed by the Authority.

Following the procedures established by this Board in Resolution #HSR13-20, Authority staff has developed a construction contingency of \$160,000,000 as appropriate at this time for CP 1. Pursuant to said resolution, the CEO is authorized to manage the CP 1 contingency. For reference, \$140,000,000 in contingency funds was included in the capital cost estimate for CP 1. Not included at that time was the application of new Buy America requirements to utility relocations. This issue has only surfaced in recent months, applying not just to the project but to federally-funded highway and transit projects throughout California and nationally. Although staff is working to mitigate any impacts, it is prudent to include additional contingency at this time.

**Recommendation**

It is recommended that the Board adopt the amount of \$160,000,000 as the contingency for CP 1.

**Attachments**

- Resolution #HSRA 13-21