



## **Resolution #HSRA 13-20**

### **Policy and Procedures for Contingency Management on Construction, Design-Build, and Design-Build-Operate Contracts**

Whereas, under California Public Utilities Code section 185036 the High-Speed Rail Authority may enter into contracts with private and public entities for the design, construction, and operation of high-speed trains.

Whereas under California Public Utilities Code section 185036 the High-Speed Rail Authority may separate contracts into individual tasks or segments or may include all tasks and segments, including design-build or design-build-operate contract.

Whereas, the High-Speed Rail Authority recognizes and understands that construction contingency is an estimated dollar amount to allow for items, conditions, or events for which the occurrence or effects are uncertain but which experience shows will likely result, in the aggregate, in additional construction costs.

Whereas, the High-Speed Rail Authority recognizes and understands that construction contingency is needed to cover the cost of deemed likely to be necessary in order to accomplish the defined scope of a construction contract, but which cannot be defined or specified with precision necessary to be a biddable cost.

Whereas, the High-Speed Rail Authority wishes to establish policy and procedures pertaining to the establishment and use of contingencies on Construction, Design-Build, and Design-Build-Operate contracts.

Whereas, the High-Speed Rail Authority recognizes and acknowledges that public agencies which regularly deliver public works projects use different approaches to establishing the contingency amount on a project which include; 1) expert judgment based on an assessment made by the Project Manager and staff; 2) guidelines or policy that are pre-established by the owner or public entity; or 3) a risk-based computer simulation analysis.

Whereas, the High-Speed Rail Authority has determined that a risk-based computer simulation analysis approach to establishing contingency amounts on Construction, Design-Build, and Design-Build-Operate contracts is most appropriate and preferred for the High-Speed Rail Projects.

Therefore be it resolved:

1. The Board adopts a risk-based, informed approach in determining appropriate levels of contingency
2. The Board mandates that staff provide to the Audit and Finance Committee for approval a risk-informed contingency assessment report and recommended contingency estimate for every awarded construction package.
3. Authorize the CEO to manage the Audit and Finance Committee's approved contract contingency balance, with required reporting to the Audit and Finance Committee at its regular meetings or upon request, and for the Audit and Finance Committee to provide recurring notification to the Board on contingency trending information.

Vote: 7-0

Date: 08/01/2013

o000o