



California High-Speed Rail **BRIEFING: December 10, 2019 AND AGENDA ITEM #2**

TO: Chair Mendonca and Board Members

FROM: Frank Vacca, Chief of Rail Operations

DATE: December 10, 2019

RE: Consider Providing Approval to Release the Request for Proposals for Track and Systems Procurement

Summary

Staff recommends that the Board approve the Term Sheet, Stipend, and issuance of the Request for Proposals (RFP) for the Track and Systems design-build-maintain contract to three pre-qualified teams. Staff will return to the Board for approval to award the Track and Systems contract and issue Notice to Proceed (NTP) 1 (for work from Madera to Poplar Avenue between Wasco and Bakersfield), and for each subsequent NTP prior to issuance of each NTP.

Background

The California High-Speed Rail Authority (Authority) is responsible for planning, designing, building, and operation of the first high-speed rail system in the nation, linking California's major population centers. The Authority has statutory power to enter into contracts with private and public entities for the design, construction, and operation of high-speed rail trains, pursuant to California Public Utilities Code sections 185034 and 185036. Since 2013, the Authority has awarded three design-build Construction Packages (CP 1, CP 2-3, and CP 4) to implement the civil infrastructure works necessary for the high-speed rail system. This construction is underway across 119 miles in the Central Valley.

In 2016, the Board approved Resolution #HSRA 16-28, approving the Central Valley Funding Plan for submission to the Director of Finance and designating the 119-mile Central Valley Segment as a "Usable Segment" eligible for Proposition 1A bond funds. The Central Valley Funding Plan projected costs for this segment (civil works, track, railroad infrastructure, signaling, overhead catenary system, positive train control, heavy maintenance facility, and two stations) at \$7.8 billion and described a "fully electrified high-speed rail segment suitable and ready for high-speed train operations...." With the enactment of Health and Safety Code section 39719(b)(2), Cap and Trade auction proceeds were made available for the 520-mile Phase 1 blended system, including the Central Valley Segment.

On July 16, 2019, the Board approved the release of a Request for Qualifications (RFQ) for Track and Systems (Resolution #HSRA 19-04). The Authority intends to enter into a design-build-maintain contract with a scope of work that includes design and construction of trackwork, railway systems, electrification, as well as testing and

commissioning. The Track and Systems contract will also include a 30-year term of maintenance for both the underlying civil works and the track and systems work, which includes construction of necessary maintenance facilities. The Track and Systems Contractor will perform specified interface and integration duties with respect to the Authority's other contractors.

As proposed, the Track and Systems work will be issued through multiple NTPs, within the following geographic limits:

- NTP 1: Madera to Poplar Avenue (anticipated September 2020)
- NTP 2: Poplar Avenue to Bakersfield (TBD)
- NTP 3: Madera to Merced (TBD)
- NTP 4: Gilroy to Central Valley Wye (TBD)
- NTP 5: CP Lick to Gilroy (TBD)

NTP 1 is anticipated to be issued in September 2020 and has an estimated cost of \$1.6 billion, which is included in the Program Baseline (cost, schedule, and scope) adopted by the Board on May 21, 2019. Estimated costs for future NTPs would be developed using a schedule of values that will be provided by Proposers within their Proposal, and subject to indexed escalation.

Assuming approval to release the RFP to the pre-qualified firms, staff will return to the Board for approval to award the contract for Track and Systems and issue NTP 1 (Madera to Poplar Avenue). **Staff will also return to the Board for each subsequent NTP prior to issuance of that NTP.**

Three teams submitted Statements of Qualifications (SOQs) in response to the RFQ, which were evaluated based on the criteria provided in the RFQ. These SOQs were thoroughly reviewed and evaluated to establish the most qualified teams based on experience in design, construction, testing and commissioning, operation, and maintenance of high-speed rail infrastructure; financial capability; past performance; organizational and management qualifications; and other key factors. All three teams met minimum qualifications and were determined to be qualified to participate in the RFP stage of the procurement process.

The three teams that submitted are as follows, in alphabetical order with a brief description of the team members and their roles:

Bombardier-Salcef-Weitz Consortium

This consortium consists of three equity members: Bombardier Transportation (Holdings) USA, Inc.; Salcef, S.p.A.; and The Weitz Company, LLC. Bombardier Transportation (Global Holding) UK Limited serves as the guarantor for the consortium.

California High-Speed Rail Constructors

This team consists of two equity members: Balfour Beatty Infrastructure, Inc. and Fluor Enterprises, Inc. This team also includes AECOM, Egis Rail, and SYSTRA.

Hitachi Acciona Copasa Rail Partners (H-A-C)

This team consists of three equity members: Acciona Construction USA Corp.; Hitachi Rail STS USA, Inc.; and S.A. de Obras y Servicios, COPASA. Acciona Construcción, S.A, and Hitachi Rail STS S.p.A. serve as guarantors. This team also includes Colas Rail, Ferrovie dello Stato Italiane S.p.A., Hatch Associates Consultants, Inc., and Tyspa.

The RFQ phase has been completed and all three teams are invited to participate in the second phase, which is the RFP. The proposals submitted by teams in response to the RFP will be thoroughly evaluated and scored to determine the team offering the overall “best-value” to the Authority. Under this procurement process, the selection of the preferred partner may be based on the bid selection in conjunction with qualitative factors.

Prior Board Action

In adopting the 2018 Business Plan, accepting the 2019 Project Update Report, and approving the amendment to the Project Baseline at the May 21, 2019 Board meeting, the Board chose to move forward with a business model that includes procurement of Track and Systems with sufficient time to achieve the delivery requirement within the American Recovery and Reinvestment Act (ARRA) grant agreement with the federal government.

The Board approved release of the RFQ for Track and Systems on July 16, 2019, #HSRA 19-04.

Discussion

Authority staff seek approval for the Term Sheet, Stipend, and to release the RFP for Track and Systems. To aid the Authority in final development of the RFP documents, a Term Sheet containing a summary of the major material terms and conditions for the Track and Systems design-build-maintain contract was developed and is concurrently presented to the Board for approval.

Scope of Work

The RFP includes a description of the Track and Systems, which includes:

- Design, Construct, Test, and Commission the Track and Systems work
- Maintain the Rail Infrastructure (which includes both the civil infrastructure and the track and systems work)
- Overall integrator for the system
- Design, construct, operate, and maintain the maintenance of way facilities
- Operate and maintain the Operations Control Center

The \$1.6 billion estimate for the capital costs of NTP 1 aligns with the amended Project Baseline adopted by the Board on May 21, 2019. This action is also in accordance with the 2018 Business Plan and the 2019 Project Update Report.

Each NTP for the Track and Systems contract will contain two phases, a Delivery Phase (which will include design, construction, testing, commissioning, and maintenance of assets required prior to commencing revenue service) and a Service Phase (which will include all activities the Track and Systems Contractor is responsible for during revenue service). The Delivery Phase will have milestones for delivery of the system, and NTP 1 will include a milestone that includes delivery of track to comply with the ARRA grant requirements.

RFP Scoring

The RFP scoring will be comprised of the Technical Proposal and the Price Proposal. Within the Technical Proposal, Proposers will be asked to provide their approach and methodology for both the Delivery Period, which includes project management, rail infrastructure management, and the technical solution, as well as the Service Period, which includes project management, operations and maintenance management, and technical

competence. The Technical Proposal will also include scoring for the Proposers' small business performance plans.

The Price Proposal score will be calculated from a bid schedule of values, which will be based on capital costs for the delivery periods (both for NTP 1 and future NTPs) and 30 years of maintenance calculated at net present value. Prices for the NTPs will be based on the bid schedule of values, and NTPs after NTP 1 will be based on the bid schedule of values plus escalation, which will be tied to various indexes. The Service Period will not begin until the Authority commences revenue service.

The score for the Technical Proposal consists of 50% of the final score, and the score for the Price Proposal consists of 50% of the final score.

RFP Schedule

The anticipated schedule for this procurement is intended to allow design and construction of the Plain Line track in time to meet the December 31, 2022 ARRA grant deadline. If the Board approves the RFP for release, the following would be the proposed schedule for the RFP process:

Activity	Date
RFP issued	Mid-December 2019
Industry Forum (Fresno)	Early January 2020
One-on-One Meetings with Proposers	Mid-January 2020
Proposal Agreement Submittal Due Date (stipend)	Mid-February 2020
Additional One-on-One Meetings with Proposers	Mid-March 2020
Proposals due to Authority by 12:00 PM PT	Tuesday, June 30, 2020
Post Notice of Proposed Award	Early August 2020
Presentation to Board (RFP award and NTP 1)	September 2020
Anticipated contract award and NTP 1 issued	September 2020

The schedule may be revised based on developments during the procurement.

Legal Approval

The Chief Counsel has reviewed and approved this RFP for release to the shortlisted firms.

Budget and Fiscal Impact

This request is the second step in the procurement process for a Track and Systems contractor following the Authority's release of the RFQ on July 17, 2019. Staff will return to the Board for approval of the contract award and for future NTPs.

Capital Outlay/Construction Costs

The funds associated with this request include state and federal sources, including federal fiscal year 2010 grant funds, Cap and Trade auction proceeds (Greenhouse Gas Reduction Funds), and Proposition 1A bond funds. The Authority's release of the RFQ allocated budget reserves within the 2019 Program Baseline to the future Track and Systems contract for NTP 1 up to \$1,647,449,182.

This request does not change the Total Program Budget or the FY2019-20 (Current Year) budget:

2019-20 Fiscal Year Budget Includes

Contract Name	Contract Activity/Number	FY2019-20 Budget Allocation	Funding Source
Track and Systems	Track and Systems/NTP1	\$0	
Total		\$0	

Total Program Budget Includes

Contract Name	Contract Activity/Number	Budget Allocation	Funding Source
Track and Systems	Track and Systems/NTP 1	\$1,647,449,182	State and federal
Total	-	\$1,647,449,182	-

Maintenance Costs

The first five years of maintenance following commencement of high-speed rail revenue services would be substantially capitalized through the warranty provisions in the contract, including the provision of construction spares. Following this period, for operations by High-Speed Rail, revenues generated by the system, including farebox and ancillary revenue, will be the source of funding used, consistent with the no-subsidy requirement of Proposition 1A.

If any outside parties operate services on the high-speed rail infrastructure, their access charges will be calculated to cover the full cost of the infrastructure maintenance and operational costs incurred by the Authority.

Stipend

To partially compensate for the cost of the preparation of the proposals submitted, the Authority can pay a stipend to those shortlisted Offerors not awarded the contract if they submit a responsive proposal. As was the process for CP 1, CP 2-3, and CP 4, Authority staff recommends a stipend in the amount of \$2 million for each responsive proposal submitted to the Authority by any shortlisted Proposer that is not awarded the contract, or, in the case of termination of the RFP, proven costs not to exceed \$2 million. The budget for these costs is included within the baseline within the Track and Systems budget allocation.

REVIEWER INFORMATION	SIGNATURE
Reviewer Name and Title: Brian Annis, CFO	Signature verifying budget analysis: Original Signed December 2, 2019
Reviewer Name and Title: Alicia Fowler, Chief Counsel	Signature verifying legal analysis: Original Signed December 2, 2019

Recommendations

Staff requests Board approval of the Term Sheet and Stipend for Track and Systems, as well as approval to issue the Request for Proposals to three qualified teams. Staff will return to the Board for approval to award the contract for Track and Systems and issue NTP 1 (Madera to Poplar Avenue), and for each subsequent NTP prior to issuance of that NTP.

Attachments

Draft Resolution #HSRA 19-11

Term Sheet for Track and Systems

Final Resolution #HSRA 19-04