

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: December 11-12, 2002

Reference No.: 2.5g.
Action Item

From: ROBERT L. GARCIA
Chief Financial Officer

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Chief
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Ref: **FINANCIAL ALLOCATION ADJUSTMENTS FOR AWARD (ASSEMBLY BILL 608)
RESOLUTION FA-02-04**

ISSUE:

The San Diego Association of Governments (SANDAG) is requesting a financial adjustment to an allocation pursuant to AB608. The Department under Delegated Authority allowed by Resolution G-01-36 allocated this project in March of 2002. The project was awarded in August of 2002 twenty-seven percent lower than the final engineer's estimate. The Department requests an adjustment to the allocation and recommends that the California Transportation Commission (Commission) approve the following Resolution.

BACKGROUND:

Assembly Bill 608 amended Section 188.8 of the Streets and Highways Code and was signed by the Governor on October 12, 2001. One provision of this legislation allows the Commission to adjust an allocation amount for a capital outlay project in the State Transportation Improvement Program (STIP) if the construction contract award amount for the project is less than 80% of the engineer's final estimate. The result would be an adjustment to the county shares. This new legislation is permissive and it is understood that the adjustments to the allocations are at the discretion of the Commission. One project has come forward with such a request for an adjustment. This project had a contract award amount 80% less than the engineer's final estimate.

DISCUSSION:**State Route 56 (SR 56), Construct five miles of freeway between I-5 from Carmel Valley to Rancho Penasquitos, Allocation Date: April 2002**

This project is the middle section of the Department's and SANDAG's plan to construct a new freeway (SR 56) from Interstate 5 to Interstate 15. The affected state dollars for the construction of SR 56 from Carmel Valley to Rancho Penasquitos were allocated by the Department under Resolution G-01-36 in March of 2002 for \$59,320,000. The project award amount for these funds was \$43,700,000, 74% of the final engineer's estimate for the affected funds. The following table summarizes the fund sources (Dollars in Thousands):

	TCRP	RIP	IIP	*Co-op Local	*Co-op Local	TOTAL Incl. Local	Total Allocated
Allocation	\$10,757	\$40,763	\$7,800	\$7,400	\$1,350	\$68,070	\$59,320
Award Amount	\$7,446	\$30,431	\$5,823	\$5,790	\$720	\$50,210	\$43,700
Adjustment at Award	\$3,311	\$10,332	\$1,977	\$1,610	\$630	\$17,860	\$15,620

*** Non Allocated Funds**

There were a total of seven contractors providing bids for the project. Based on the number of bids, the bid range and general overall consistency of the bids do not appear to be unbalanced. After examining the bids and individual bid items, the greatest item contributors that decreased the final bid amount were:

<u>Item</u>	<u>Decrease (\$)</u>
Mobilization	-2,000,000
Time Related Overhead	-2,856,000
Roadway Excavation	-5,000,000
Structural Items	-2,000,000
Structural Excavation Items	-600,000
Minor Concrete	-1,000,000
Asphalt Concrete & Base	-1,000,000
Drainage Items	-1,000,000
Imported Borrow & Topsoil	-700,000

One of the main reasons for the difference in the items above is that the contract included a \$2.5 million incentive clause for an accelerated schedule and longer working days. Interviews with the bidders have revealed that the contractors came in and thought that the time and schedule were reasonable given the fact that they did not have to consider major traffic control and existing utilities and therefore bid their items accordingly. The result was a lower unit cost of the major items bid by the contractors. Additionally, the low bidder has another project in the vicinity and as a result bid

substantially lower on various highway and structural unit items. Another factor, albeit probably to a lesser degree, was that the unit costs may not have been accurately reflected at the time of advertising because good historical data was not available for construction of a new 5-mile facility without major traffic or existing utility impacts in San Diego.

A TSM project (EA 172850) is planned for the entire Route 56 corridor. Work will include ramp metering and the installation of fiber optic and Changeable Message Signs (CMS). The total estimated cost is \$6.65 million. The installation of the fiber optic system will involve the trenching of the roadway. The Department believes it makes sense to include the fiber optic work for this section between Carmel Valley and Rancho Penasquitos under the current SR 56 contract and not go back to this newly built section and tear out the pavement for the TSM project. This fiber optic work will cost about \$1.2 million and be completed by adjusting the current contract to include this one item of work. SANDAG has agreed to fund this work using RIP funds. The table below summarizes the fund sources after the adjustment (Dollars in Thousands):

	TCRP	RIP	IIP	*Co-op Local	*Co-op Local	Total Incl Local	Total Allocated
Allocation	\$10,757	\$40,763	\$7,800	\$7,400	\$1,350	\$68,070	\$59,320
Award Amount	\$7,446	\$30,431 \$31,631	\$5,823	\$5,790	\$720	\$51,410	\$44,900
Adjustment at Award	\$3,311	\$10,332 \$9,132	\$1,977	\$1,610	\$630	\$16,660	\$14,420

***Non Allocated Funds**

The project still qualifies for an AB608 request because the contract award amount is 76% of the engineer's estimate (allocation). SANDAG is asking for an adjustment to the allocation and therefore an adjustment to their county shares of \$9,132,000 million under AB 608. The Department also requests an adjustment to their Interregional Shares of \$1,977,000. The TCRP award amount is based on provisions in Section 14556.32(d) of the Government Code. Under these provisions the adjustment is based on the total amount of TCRP invested in the project not just construction. Award adjustments to funding contributed to the project by others will be the responsibility of the Regional Agency under any agreement that they developed with those entities. In this case, the Department and SANDAG have a Cooperative Agreement with the City of San Diego that is based on unit costs for specific items. The City will receive savings that are consistent with what they paid for those specific items.

FINANCIAL RESOLUTION:

Pursuant to Assembly Bill 608, the State Route 56, I-5 freeway project, EA 172821 allocated for construction in March 2002 for \$59,320,000 be adjusted to \$44,900,000.

Attachment

