

# Memorandum

To: CHAIR AND COMMISSIONERS  
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: June 25, 2014

Reference No.: 2.5e.(1)  
Action Item

From: NORMA ORTEGA  
Chief Financial Officer

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Division of  
Transportation Programming

Subject: **ALLOCATION FOR SUPPLEMENTAL FUNDS FOR PREVIOUSLY VOTED PROJECT  
RESOLUTION FA-13-15**

## **RECOMMENDATION:**

The California Department of Transportation (Department) recommends that the California Transportation Commission (Commission) allocate an additional \$1,470,000 for one State Highway Operation and Protection Program (SHOPP) project identified below.

## **ISSUE:**

Additional funds are needed for one previously approved project in order to close-out the construction contract.

## **RESOLUTION:**

Resolved, that \$1,470,000 be allocated from the Budget Act of 2013, Budget Act Items 2660-302-0042 and 2660-302-0890 to provide additional funds to allow the following project to be closed-out.

<u>Project</u>	<u>Dist-Co-Rte</u>	<u>Original Allocated Amount</u>	<u>Current Allocation</u>	<u>Allocation Adjustment</u>	<u>Revised Allocation</u>	<u>% Increase Above Current Allocation</u>
1	07-LA-39	\$5,399,000	\$3,693,600	\$1,470,000	\$5,163,600	39.8%



**PROJECT DESCRIPTION:**

This project is located from approximately 23 miles north of Azusa to the intersection with Route 2 in the San Gabriel Mountains. The project limits are within the boundaries of the Angeles National Forest in isolated rough mountainous terrain. Several landslides occurred along the two-lane route during the 2005-06 winter season requiring repairs to rebuild the roadway and prevent further erosion and roadway degradation. The project constructs soldier pile type retaining walls at three locations and mechanically reinforced embankments at two locations.

A landslide severely damaged the highest part of the route in 1978. Since then, this stretch of roadway has been closed to public vehicles and roamed by Nelson's bighorn sheep, mammals that are now fully protected under state law. The roadway now serves county, state and U.S. Forest Service (USFS) personnel for maintenance activities, access to three dams critical to flood control, and emergency access. The Department attempted to transfer responsibility for the entirety of Route 39 north of postmile 17.81 (including the closed section) to either the USFS or Los Angeles County, both of which declined for financial reasons, even though both the USFS and the county deem the route "essential". This section of road is operating under a permit dating to the 1920's, when the highway was built. According to the agreement, all roadway improvements will be required to be removed and returned to a natural landscape if the Department abandons the highway.

**FUNDING STATUS:**

The project was programmed into the 2006 SHOPP for \$5,000,000 and was voted for \$5,399,000 in June 2009 for construction in Fiscal Year 2008-09. In October 2009, the project was awarded for \$3,176,000. An additional \$517,600 was allocated to the project by the Department under resolution G-12 authority in October 2010 to address contract change orders. Construction was completed and accepted in December 2011, but there are insufficient funds to pay for the settlement of claims. An additional \$1,470,000 in supplemental funds is needed to close-out the construction contract and results in an overall increase of 39.8 percent over the current allocation.

**REASONS FOR COST INCREASE:**

After completion of construction the contractor submitted a total of five claims for \$1,977,000. Two of these claims were settled for \$262,000, but the remaining three claims were unresolved and submitted for arbitration. These remaining claim items involved compensation for differing sub-surface site conditions and the resulting disruption, delays and overhead that resulted from the presence of large sub-surface boulders at the wall locations that were not anticipated by the contractor. The negotiated claim settlement is \$1,470,000 including interest charges accrued.

Department lessons learned is to take into consideration project risks when determining the amount of funding to include in the engineers estimate for project contingencies and supplemental contract work. The location and scope of work posed higher risks and these risks were not fully reflected in the nominal five percent contingency amount contained in the estimate.

An additional \$1,470,000 in supplemental funds is needed in order to close-out the construction contract.

**FUNDING OPTIONS:**

**OPTION A:** Approve this request as presented above for \$1,470,000 to allow the close-out of this construction contract.

**OPTION B:** Deny this request and require the Contractor pursue payment from the Department through further legal action. The Department has considered this option and determined that the future costs to resolve these issues would most likely be greater than the current request and interest will continue to accumulate on the unpaid amount.

**RECOMMENDED OPTION:**

The Department recommends that this request of \$1,470,000, as presented in Option A above, be approved to allow the close-out of this construction contract.