



BRIEFING: MARCH 20, 2018 BOARD MEETING AGENDA ITEM #4

TO: Chairman Richard and Board Members

FROM: Terry Ogle, Interim Director of Infrastructure Delivery

DATE: March 20, 2018

RE: Consider Amending the Project and Construction Management (PCM) Contract for Construction Package 1 and Issuing a Request for Qualifications to Re-Procure PCM Services

Summary of Recommended Action

Staff recommends that the Board authorize the Chief Executive Officer (CEO), or his designee, to execute an Amendment to Agreement HSR 11-20, with Wong+Harris, JV (Wong+Harris), to increase the contract value by \$28,500,000 and extend the contract through December 31, 2019.

Background

The California High-Speed Rail Authority (Authority) entered into Agreement HSR 11-20 for Project and Construction Management (PCM) Services, with Wong+Harris, in May of 2013, for the maximum amount of \$34,208,888.87. The term of the Agreement is from May 15, 2013 to December 31, 2018. On August 16, 2017, the Board authorized the Authority to amend Agreement HSR 11-20 by \$6,000,000 million to a not to exceed amount of \$40,208,889. The Board also authorized the CEO, at his discretion, to increase the contract by an additional \$1 million, bringing the contract value to \$41,208,889.

The PCM agreement is an Architectural & Engineering (A&E) professional services contract based on qualifications of the selected PCM team and staffing resources. The role of the PCM is to enhance the Authority's ability to provide expertise and personnel to effectively manage and oversee the Design-Build (DB) contract under the direction and support of the Authority.

In June 2016, the Authority negotiated an amendment to the CP 1 DB contract to increase the contract value as well as extend the contract schedule. In total, the CP 1 DB contract value has been increased by approximately \$300 million and the schedule was extended by 17 months (Northern Extension per Resolution #HSR 16-09 and Excluded Third Party Utilities per Resolution #HSR 17-04). However, no contract amendments were issued to commensurately adjust the PCM contract amount or schedule for this increase in scope and work to be performed to oversee the additional scope and time to the CP 1 DB contract.

The Wong+Harris PCM original proposal amount was about \$85.4 million, which the Authority negotiated to \$34.2 million, reducing the available PCM scope and corresponding resources by about \$51 million. The resulting \$34.2 million PCM contract price is about 3.3% of the original CP 1 DB contract price of \$1.022 billion.

Prior Board Action

On January 12, 2013, the Board approved Resolution #HSRA 13-01, to award a contract for Project and Construction Management services for Construction Package 1 to Wong+Harris, in an amount not to exceed \$34,908,809.

On August 16, 2017, the Board approved Resolution #HSRA 17-15, to amend HSR 11-20 to increase the cost of the CP 1 PCM Services Agreement by \$6,000,000. In addition to the above action, the CEO has an option, at a later date, to increase HSR 11-20 by an additional \$1,000,000 upon his assessment of whether additional time is necessary in order to prepare management's recommendation to the Board.

On December 21, 2017, the CEO invoked the authority to add an additional \$1,000,000 which brings the total contract value for Wong+Harris to \$41,208,889.

Discussion

Basis of Additional Funding

At the Authority's direction, both the scope and level of effort for PCM services have expanded since the initial award of the PCM contract to Wong+Harris to include: 1) Engineering due diligence reviews; 2) Excluded third party coordination; 3) Environmental Oversight; 4) DB contract time extension by 17-months; and 5) Increased effort required for oversight of the North Extension. The Authority has proposed and the Board has approved, previous extensions of time and increases in the scope of work for the CP 1 DB contract but has not commensurately requested the same for the PCM services that support CP 1. The Authority's request is to adequately fund and extend the Wong+Harris contract to allow Wong+Harris to continue providing the services while the CP 1 Contractor ramps up its construction efforts.

Authority staff requested and received a staffing plan and proposal from Wong+Harris which outlines the resources necessary to perform the scope of work through December 31, 2019. The Wong+Harris proposal estimated this effort to be \$28,500,000. Authority staff independently verified the level of effort for PCM services and find that the level of effort, scope of work and planned resources reflected in the Wong+Harris proposal are reasonable and necessary to provide adequate oversight of the CP 1 DB Contractor through December 31, 2019.

In its analysis of the level of effort to be expended by Wong+Harris and to potentially on-board a new PCM to begin performing services, the Authority staff considered mitigation strategies ranging from assignment of RDP staff, centralizing similar scopes of work common to all CPs, augmenting PCM oversight activities to amending the contract for a 12-month period which would allow the Authority to explore other funding or budget options. However, due to the

nature of the work, mitigation strategies are limited since options either reduce the level of effort or eliminate work, which Authority staff believes increases Authority risks associated with quality and the fitness for use of the final product. The Authority has performed a review of PCM activities for any potential duplication or non-essential efforts and agrees with the proposed scope of work. In addition to scope, the other two cost drivers for this type of contract are duration of services provided and, in this case, the acceleration of the DB contractor work product which requires higher staffing levels over that period of time. The Authority approves a PCM staffing plan on an annual or bi-annual basis as a contract management strategy to control scope and cost.

This amendment will allow for uninterrupted oversight of the CP 1 DB contract through December 31, 2019. Furthermore, the estimate reflects that a majority of the CP 1 project has been designed and thus fewer coordination issues remain which require the intense level of coordination required at the beginning of the project and Wong+Harris staff who are mobilized have a good working relationship with the Authority's integrated staff and their DB counterpart, as well as familiarity with existing Authority's procedures, processes and decision-making personnel.

Without the requested additional PCM funding to ensure appropriate PCM staffing levels, the Authority will not have project management oversight staff to manage the CP 1 Contractor. The CP 1 Contractor has achieved peak construction workforce levels, which is expected to continue. Implementing the proposed work plan by the PCM equates to an additional contract increase of \$28,500,000 through December 31, 2019.

Programmatic Review and Assessment

At the August 2017 Board meeting, staff agreed to provide a programmatic review and assessment of the current PCMs under contract. Staff's presentation of the results of the programmatic review has yielded that there are areas of improvement for all three PCMs under contract with the Authority. A number of corrective actions and non-conformance reports (NCR) have been issued to each of the PCMs. In particular, Wong+Harris has been responsive in addressing a number of the NCRs and will propose additional staffing to address the concerns raised in the assessments. Overall, however, Authority staff have determined that the Wong+Harris team in particular has been instrumental in administering the oversight of the CP 1 DB contract. In particular, Authority staff attribute the following to Wong+Harris:

- Acceleration of critical parcels leading to early start of construction;
- Initiation of discussions with permitting agencies and reduction of biological monitoring requirements and streamlined documentation;
- Design Due Diligence reviews resulting in cost savings;
- Coordination and facilitation of 3rd party utility relocations, public agency partner encroachment permitting approvals and relationship building has been significant, well-orchestrated and performed in a very professional manner; and
- Navigated highly complex third party utility relocations with the critical utilities including PG&E, AT&T, to name a few.

While the Authority has considered the re-procurement option in this Board memo, after review of the incumbent's proposal for extension through December 31, 2019, the Authority staff have determined that the incumbent can perform the remaining scope of work at a lower rate than industry standard since they are already mobilized to perform the work. The incumbent is also intimately familiar with the contract, has an understanding of project stakeholders and established relationships, has staff in place with a working relationship with their DB counterparts, and has familiarity with existing Authority procedures, processes and decision making personnel. A majority of the project has been designed and thus fewer coordination issues remain to navigate.

Retaining Wong+Harris will also allow for uninterrupted oversight of the CP 1 DB contract through contract completion particularly as the CP 1 DB contractor's construction activities increase. For these reasons, Authority staff will be requesting that the Wong+Harris contract be adjusted for both funding and time to adequately support the CP 1 DB contract through to the completion of the CP 1 scope of work.

CP 1 PCM Re-Procurement of Services

The changes in scope, schedule, and cost of the CP 1 DB contract have also significantly increased the cost of the PCM for CP 1. As a result, as part its programmatic review, the Authority staff also considered a proposal to re-procure the existing PCM Services for CP 1. The results of a re-procurement are also delineated in this Board memo but not an option that the Authority believe would be in the best interest of the Authority or the project. Proposed procurement schedule and details are outlined below.

Authority staff has estimated the level of effort for PCM services to complete the project is a not to exceed amount of \$30,000,000. These costs are based on \$545,200,000 of construction work remaining at the beginning of July 31, 2018 and using an industry standard of 5.5% percent for construction management services.

As part of its review of PCM services, staff considered an option to re-procure PCM services through issuing an RFQ. This recommendation requires a newly procured PCM notice to proceed by July 31, 2018. Authority staff has confirmed an NTP of July 31, 2018 is achievable to solicit, receive and evaluate proposals; and to subsequently negotiate and execute an agreement with the selected firm. With an NTP of July 31, 2018, the PCM firm selected through the new RFQ will have four weeks to transition the responsibilities from the incumbent to minimize any disruption to the CP 1 Contractor's work. Wong+Harris would be eligible to participate in the re-procurement process and would be considered on the same basis as other Offerors should they submit a Statement of Qualifications.

There would be some extra work by Authority staff to manage a transition of project knowledge, initially prioritize focus areas for the new team, and provide direction for those performing key roles and responsibilities on a highly complex, fast moving construction effort.

This re-procurement approach would require the Board to approve only a \$9,000,000 augmentation in funding for Wong+Harris which allows for uninterrupted service through

August 31, 2018. The \$9,000,000 is based on an average or estimated burn rate of about \$1.5 million per month and will be expended by the end of August 31, 2018.

Once a team is selected the Authority would request approval from the Board to negotiate and execute an agreement including executing an amendment to the existing PCM services to facilitate a transition, if necessary. The re-procurement process is outlined below for the Board’s information.

RFQ Re-Procurement Process

This is a qualification based contract and the procurement will be governed by A&E requirements. The Authority will proceed in accordance with Government Code section 4525, et seq., the Authority’s regulations, Board policies for RFQ, and other applicable state and federal requirements.

Re-Procurement Schedule

The current anticipated schedule for the PCM procurement is as follows:

Activity	Due Date
Board Meeting (Release of RFQ No. RFx17-08)	March 20, 2018
RFQ Release/Advertise in Trade Journals	March 21, 2018
Pre-Bid Conference	March 28, 2018*
Offeror Questions Due	April 4, 2018
Authority Responses to Offeror Questions Due	April 9, 2018
SOQs Due	May 1, 2018
Discussions with Offerors	May 22-23, 2018
Notice of Proposed Award	May 29, 2018
Board Meeting (Approval of Contract)	July 17, 2018
NTP	End of July, 2018

*This date is tentative; the final date of the Pre-Bid Conference will be established prior to RFQ release.

Scope of Work

The scope of service would be similar to existing PCM contracts. The services the PCM team may be called upon to provide are as follows:

- Project management and administration;
- Quality, Verification, Validation (V&V) and Self-Certification process oversight;
- Safety and security oversight;
- Project controls oversight/risk management;
- Engineering oversight;
- Construction oversight;
- Environmental oversight and support;

- Third party, other contracts, and utility oversight;
- Public outreach; and,
- Specialty support services, including Right-of-Way coordination.

A more extensive statement of the proposed PCM scope of services is included in the final draft RFQ provided to the Board in support of this agenda item. The actual services the PCM will provide in any given year will depend on the stage of progress of the CP 1 DB contract, and will be the subject of negotiations with the Authority. The PCM's services will then be documented in annual, semi-annual or other time-specific work plans approved by the Authority.

Re-Procurement Evaluation

Statements of Qualifications (SOQs) submitted by PCM offerors will be reviewed for responsiveness and to ensure that the qualifications and requirements are met. The SOQs will then be technically evaluated by Authority staff and public employees pursuant to established criteria for awarding points, which include the following:

Criteria*	Maximum Score	Actual Score
<p>1. PAST PERFORMANCE AND EXPERIENCE Has the Offeror successfully delivered on past projects of similar scope and complexity? Has the Offeror demonstrated sufficient experience on past projects performing the tasks required under the Scope of Work? Has the Offeror demonstrated successful partnering and collaboration in a team environment on past projects of similar scope and complexity? Has the Offeror demonstrated applicable cost savings and schedule improvement methodologies utilized on past projects? Has the Offeror demonstrated a successful and repeatable past approach to delivering high-quality products with schedule constraints?</p>	25	
<p>2. ORGANIZATION AND KEY PERSONNEL Does the proposed project organization present a clear and logical framework? Does the management approach reflect an integrated team and is it responsive to the RFQ requirements? Does the staffing plan convey the proper level of response for the Work? Does it demonstrate a high level of commitment and resource availability? Does it address the full expanse of potential tasks in the Scope of Work? KEY PERSONNEL AND ROLES Are the personal qualifications and professional skills of the project manager, senior professionals and Key Personnel</p>	35	

	nominees appropriate for the roles assigned? Is their past experience applicable and indicative of success on this project? Does the project manager have sufficient authority within their organization to effectively lead and manage the project?		
3.	UNDERSTANDING OF PROJECT REQUIREMENTS Has the Offeror demonstrated a thorough knowledge of the project? Has the Offeror demonstrated a thorough knowledge of what is required to monitor and measure performance of the DB Contract? Is there sufficient evidence of analysis to lend credibility to the commitments made? Has the Offeror given clear evidence through narratives and examples of prior work that it has the capability to carry out the PCM Services for a project of this complexity and magnitude with innovation and autonomy?	30	
4.	SMALL BUSINESS PARTICIPATION Does the Offeror commit to meeting the Authority's SB goal? Does the Offeror's SB narrative clearly identify how the Offeror will utilize SBs to achieve the Authority's SB goal?	10	
Total SOQ Score		100	
Total Weighed Score with 60% Weighting Factor (SOQ Score x 0.6)		60	

This evaluation will be followed by oral discussions, which will be evaluated pursuant to the following criteria:

Criteria*		Maximum Score	Actual Score
1.	PRESENTATION Quality and appropriateness of the presentation Logic of the chosen speakers relative to project challenges Project Manager control over the team	25	
2.	PROJECT MANAGER PARTICIPATION Quality of presentation and responsiveness to questions Understanding of PCM Services challenges and requirements Perceived level of involvement with SOQ structure, content, and presentation plan	25	
3.	KEY STAFF PARTICIPATION Clear and responsive answers to questions Understanding of assignment challenges and requirements Perceived level of involvement with SOQs preparation Demonstration of an integrated team displaying awareness and understanding of the PCM Services	25	

4.	UNDERSTANDING OF PROJECT Conveys an understanding of the critical project success factors Provides evidence of successful SB utilization for this Project Provides evidence of prior project experience, including lessons learned or challenges with projects of this magnitude and complexity	25	
Total Discussions Score:		100	
Total Weighted Discussion Score with 40% Weighing Factor (Discussion Score x 0.4)		40	

Total Score for Statement of Qualifications and Discussion	Maximum Score	Actual Score
Total Weighted SOQ Score	60	
Total Weighted Discussion Score	40	
Final Score	100	

The oral discussion evaluations will be followed by final ranking of the teams submitting SOQs based upon the offerors' Total Scores as provided above, negotiation with the top ranked team, and approval of the award of contract by the Board. The new PCM contract will include the Board's adopted 30 percent Small Business participation goal.

Legal Approval

The Chief Counsel and legal staff have confirmed that this Board item complies with all applicable Board policies and Authority regulations, Public Utility Code Section 185036, Government Code Section 4525, *et seq.* and State and federal law.

Summary

In summary, Authority staff recommends that the proposed additional funding is necessary for the following reasons:

- The PCM scope of professional services has increased as a result of requiring the PCM to perform project level due diligence checks, which was not part of the PCM Agreement scope of work.
- The utility relocation work for PG&E and AT&T (Excluded Third Parties), which was originally to be self-performed by the utilities, was added to the CP 1 DB contract scope of work. The added Excluded Third-Party utility relocation work performed by the CP 1 Contractor expanded the PCM oversight and management resources required beyond that included in the PCM budget.
- The PCM scope of professional services has increased as a result of work acceleration to mitigate prior Right-of-Way (ROW) delays.
- North Extension scope of work was added to the CP 1 DB contract scope of work which required additional PCM oversight resources.

- The PCM scope of professional services has increased as a result of the need to complete a re-examination of the environmental document for the North Extension, and additional permit compliance and monitoring.
- The PCM scope of professional services has increased by assuming environmental permit compliance and monitoring requirements which were being performed by the CP 1 Contractor.

Without the requested additional PCM funding to ensure appropriate PCM staffing levels, the Authority will not have project management oversight staff to manage the CP 1 Contractor. The CP 1 Contractor has achieved peak construction workforce levels. The current PCM fiscal year (FY) 17/18 budget is forecasted to be exhausted by March 23, 2018.

Budget and Fiscal Implications

This request has two impacts, one to the current year funding allocation and one to the Total Program Budget. This item proposes to shift \$6,500,000 from the 2017-18 fiscal year funding allocation for CP1 Design-Build Contract Work (currently at \$447,500,268) to the 2017-18 fiscal year funding allocation for CP 1 PCM (Wong-Harris) (currently at \$9,161,033).

2017-18 Fiscal Year Budget Impact

Contract Name	Contract/Activity Number	Current FY Contract/Activity Budget	Budget Change	Funding Source
Wong-Harris	HSR11-20	\$9,161,033	\$6,500,000	State funding
TPZP	HSR13-06/CP-1 DB Contract Work	\$447,500,268	(\$6,500,000)	State funding

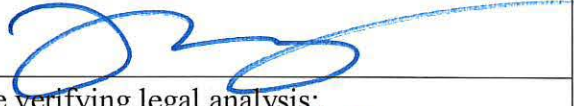
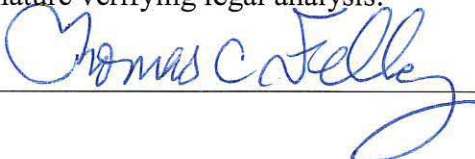
Authority staff will manage the increased costs of the pending contract change with this revised budget through the end of the 2017-18 fiscal year with no additional augmentation of the CP1 PCM budget, unless a Board action occurs.

In addition, this item proposes to increase the HSR 11-20 CP 1 PCM contract budget by \$28,500,000 and to reduce the CP 5 Design-Build Contract work budget by \$28,500,000, which is a Total Program impact. The result of this action will increase the HSR 11-20 CP 1 PCM contract budget to \$69,708,889 (\$41,208,889 + \$28,500,000) and reduce the CP 5 Design-Build Contract Work budget to \$318,596,000 (\$347,096,000 - \$28,500,000), resulting in a net-zero overall Total Program Budget change.

This budget reallocation is a short-term solution needed to increase the PCM contract for CP 1, and the CP 5 budget balance will need to be reassessed for total funding needs. CP 5 is the anticipated contract to build the track and systems associated with CP’s 1-4.

Total Program Budget Impact

Contract Name	Contract/Activity Number	Current Total Program Contract/Activity Budget	Budget Change	Funding Source
N/A	HSR 11-20 Wong+Harris	\$41,208,889	\$28,500,000	State Funding
N/A	CP 5 Design-Build Contract Work	\$347,096,000	(\$28,500,000)	State/Federal Funding

REVIEWER INFORMATION	
Reviewer Name and Title: Russell Fong, Chief Financial Officer	Signature verifying budget analysis: 
Reviewer Name and Title: Thomas Fellenz, Chief Counsel	Signature verifying legal analysis: 

Recommendations

Staff recommends that the Board authorize the CEO, or his designee, to execute an Amendment to Agreement HSR 11-20, with Wong+Harris, JV (Wong+Harris), to increase the contract value by \$28,500,000 and extend the contract through December 31, 2019.

Attachments

- Draft Resolution #HSRA 18-03
- Resolution #HSRA 17-15
- Resolution #HSRA 13-01
- Final Draft RFQ to re-procure PCM Services for Construction Package 1