

MEMORANDUM

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: October 9, 2019

From: STEVEN KECK, Chief Financial Officer

Reference Number: 2.5e.(2), Action Item

Prepared By: Derek Willis
District 02

Subject: **SUPPLEMENTAL FUNDS ALLOCATION FOR PREVIOUSLY VOTED PROJECT (PPNO 3556 / EA 4G630 – SISKIYOU AND SHASTA COUNTIES – INTERSTATE 5 AND STATE ROUTE 89) RESOLUTION FA-19-07**

ISSUE:

Should the California Transportation Commission (Commission) approve the California Department of Transportation's (Department) request for an additional \$1,292,000 for the State Highway Operation and Protection Program (SHOPP) Transportation Management System project on Interstate 5 (I-5) and State Route (SR) 89, in Siskiyou and Shasta Counties, to award the construction contract?

RECOMMENDATION:

The Department recommends that the Commission approve this supplemental fund allocation request for this SHOPP project.

PROJECT DESCRIPTION:

This project is located on I-5 and SR 89 in Siskiyou and Shasta Counties. The project will install new Intelligent Transportation Systems (ITS) elements, upgrade existing ITS elements, and extend the District's Traffic Management Center (TMC) microwave backbone by 35 miles. The project is planned to be completed within 90 working days, during one construction season.

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FUNDING AND CONTRACT STATUS:

The most recent Engineer's Estimate (EE) for this SHOPP project was completed in April 2019. The project was allocated at the June 2019 Commission meeting for \$3,600,000 in construction capital and \$720,000 in engineering support cost.

The project was advertised on June 3, 2019, and bids were opened on July 11, 2019. Two bids were submitted, and the lowest bid was higher than the allocated funds. Based on the lowest responsible bid, the total amount needed to award the contract is \$4,892,000 for construction capital which is \$1,292,000 over the approved allocation amount. This increase includes mobilization, a 10 percent contingency, and state furnished materials.

Currently, the contract award status is pending approval of this request for supplemental funds by the Commission. If the Commission approves this request, construction will begin in May 2020 and will take 90 working days to complete construction in one construction season.

The Department is requesting a supplemental funds increase of \$1,292,000 in construction capital to award this project to the lowest qualified bidder. The current fund allocation for project support cost is adequate and no increase is requested.

REASON FOR COST INCREASE:

Intelligent Transportation System (ITS) projects are highly specialized and require technically skilled teams to implement. Furthermore, estimating the cost of ITS projects is a challenging task due to price fluctuations. Knowing the possible impact of these factors on the bidding prices, the Department conducted contractor outreaches, and job walks with representatives from bidders as well as sub-contractors present prior to advertising the project. The Department also addressed bidder's inquiries to facilitate a competitive bidding environment. Despite these efforts, the Department only received two bids; one from a local contractor who specializes in electrical infrastructure and another from a general contractor who will utilize a sub-contractor to perform the work. Both bids were higher than the EE, which was based on item prices for recent similar projects in the region.

Capital Cost Increase:

The primary reason for the capital cost increase is the market price increase electrical items that form the core of this ITS project. In discussions with the contractors, the contractors indicated that ITS equipment prices have increased dramatically since the most recent ITS project undertaken by the Department. The five bid items include Communication Systems, Information System, Fiber Optic System, Closed Circuit Television and Roadside Weather Information System, and Modifying Existing Electrical System. Combined, the price of these five items increased by \$1,114,000 over the EE, which is 86 percent of the overall requested increase.

Although the EE was based on data from recent similar projects in the area, the contractors indicated that prices of these items have risen sharply in the last few months, and the projects referenced in the EE database could not have accounted for the most recent market prices. By not capturing recent sharp market price increases, it appears that the EE

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undervalued the prices of these five ITS items. An analysis of the contractors ITS equipment lump sum bid prices revealed that the contractor's prices are fair and reasonable, as they are within 8 percent of each other.

The low-bidder also indicated that the short number of working days (90 days) was a factor in the higher bid amount. The Department analysis of the cost impact of having longer construction period concluded that an increased number of working days would likely result in less than significant bid price reduction and additional support cost.

Analysis of Alternatives:

The Department considered re-scoping and/or re-advertising compared to the value-added benefits of recommending the approval of this supplemental fund request. The Department concluded that re-advertising the project is not recommended, as it is unlikely that more specialized contractors from outside of the area would participate. It is also important that an update of the EE to breakdown the lump sum items to reflect recent individual item prices will result in an overall project cost in line with the current lowest bid. Therefore, the overall project cost would not be reduced. Additionally, multiple related operations, including right-of-way agreements and utility contracts are currently underway and the delay due to re-advertising will negatively impact these project elements.

The Department has determined that the requested additional funds are in the best interest of the State to avoid delays in implementing this important project and avoid extra cost of re-programming and re-advertising.

The Department has exercised all feasible measures to minimize costs in carrying out work related to this project and has determined that this request is well-supported and is the only viable alternative available.

CONSEQUENCES:

If this project is not successful in obtaining supplemental funds, the Department will not be able to award this project. Considering the current bidding environment, re-advertising the contract will delay the delivery of this project and could eventually cost the Department more money to deliver this project. The location of the project, and the weather conditions after the beginning of the rainy season may impact the project site conditions construction and could eventually cost the Department more money to deliver this project.

FINANCIAL RESOLUTION:

Resolved, that \$1,292,000 be allocated from Non-Budget Act Item 2660-802-3290 for construction, to provide funds to award the project.

Attachment

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2.5 Highway Financial Matters

Project #	Allocation Amount	Recipient	County	Dist-Co-Rte	Postmile	Project Title	Location	Project Description	Project Support Expenditures	PPNO Program Funding Year	Item #	Fund Type	Program Codes	Project ID	Adv Phase	EA	State Federal	Current Amount by Fund Type	State Federal Additional	Amount by Fund Type	State Federal Revised	Amount by Fund Type
2.5e.(2) Supplemental Funds For Previously Voted Project										Resolution												
\$1,292,000		Department of Transportation	SCLTC	Siskiyou	02-Sis-5	0.0	In Siskiyou and Shasta Counties, on Routes 5 and 89 at various locations. <u>Outcome/Output:</u> Upgrade Transportation Management System (TMS) field elements.	Supplemental funds are needed to Award.	Total revised amount \$4,892,000	02-3556	SHOPP/2017-18	802-3290	RMRA	20.20.201.315				\$3,600,000			\$3,600,000	
										SHOPP/2017-18	802-3290	RMRA	20.20.201.315					\$1,292,000			\$1,292,000	
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