State of California
DEPARTMENT OF TRANSPORTATION

California State Transportation Agency

MEMORANDUM

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: August 20-21, 2026

From: STEVEN KECK, Chief Financial Officer

Reference Number: 2.5d.(5), Action Item

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District 04 - Director (Acting)

Subject: **ALLOCATION FOR PROJECT WITH COSTS THAT EXCEED THE PROGRAMMED AMOUNT BY MORE THAN 20 PERCENT**
PPNO 2911K/EA 2Q20U – SONOMA COUNTY – STATE ROUTES 37 AND 121
RESOLUTION FP-26-15

ISSUE:

Should the California Transportation Commission (Commission) approve the California Department of Transportation's (Department) allocation request for $32,354,000 for Construction of the State Highway Operation and Protection Program (SHOPP) Operational Improvements project on State Route (SR) 37 and SR 121, in Sonoma County, to advertise the project?

RECOMMENDATION:

The Department recommends that the Commission approve the requested allocation for this SHOPP project.

PROJECT DESCRIPTION:

This project is located on SR 37 near the City of Novato, at the SR 121 intersection, in Sonoma County. This project provides operational improvements at the intersection reducing daily vehicle hours of delay, and reduces greenhouse gas emissions. The project proposes to upgrade the intersection, extend the eastbound merge lane by one mile, reconstruct pavement, upgrade guardrail and drainage facilities, replace median barriers, and add new lighting. The project will be combined for advertising with a non-SHOPP project (PPNO 2364E/EA 1Q763), which will replace the Tolay Creek Bridge (No. 20-0090).

FUNDING AND PROGRAMMING STATUS:

In March 2022, this project was programmed in the SHOPP for $17,657,000 in Construction Capital and $3,397,000 in Construction Support for allocation in Fiscal Year 2023-24. In June 2024, the project requested an allocation time extension for the Construction phase. However, the request was deferred to the August 2024 Commission meeting and approved for 19 months. In October 2025, the project funds lapsed and were reprogrammed for $17,657,000 in Construction Capital and $3,397,000 in Construction Support for allocation in 2025-26. In March 2026, the project was rebalanced to move out the allocation of the Construction phase to 2026-27.

In July 2026, the Engineer's Estimate reflected the need of $27,157,000 in Construction Capital (53.8 percent over the programmed amount) and $5,197,000 in Construction Support (53.0 percent over the programmed amount). The Department is also requesting to extend the period of construction by an additional 36 months (for a total of 72 months). A concurrent allocation for the non-SHOPP project (PPNO 2364E/EA 1Q763) is on this month's Commission agenda. The Department plans to advertise the combined project in September 2026 and begin construction in May 2027. Construction is planned for 5 seasons with a duration of 1,100 working days.

REASON FOR COST INCREASE:

The Construction Capital estimate is greater than the programmed amount due to modifications to the original lane extension design. The Construction Support estimate is greater than the programmed amount due to an increase to structural inspection and environmental compliance oversight resulting from the redesign; additional resources to oversee dewatering operations, groundwater treatment, and compliance with environmental permit requirements; and an increase in the number of working days.

Capital Cost Increase:

During the previous phase, the project team had limited information regarding existing site conditions and environmental permitting requirements. For the extension of the eastbound merge lane, it was assumed that a combination of rock slope protected fill and sheet pile walls would be a feasible solution for the embankment design. However, this assumption did not account for the existing Bay Mud soil conditions, which were later determined to make the sheet pile walls infeasible. The geotechnical borings that identified the deep Bay Mud layers were not completed until the design phase. Based on the geotechnical investigation, structures analysis showed that a more rigid retaining wall system would be required as the appropriate and feasible alternative. The proposed sheet pile wall with guardrail was changed to a pile-supported retaining wall, which requires a concrete barrier. The change from the proposed rock slope protected embankment and sheet pile walls to an engineered embankment and two pile-supported retaining walls resulted in an increase to the capital cost.

The project site experiences consistently saturated soil conditions, requiring extensive dewatering operations to facilitate construction of the retaining walls and embankments. In addition, water quality sampling determined that the groundwater must be treated before it can be discharged, resulting in additional treatment costs.

Because of the existing Bay Mud soil conditions, the proposed roadway structural section, retaining walls, and embankment must be constructed by over-excavating the existing soil and placing lightweight fill material, resulting in an increase to the capital cost.

The modifications to the original lane extension design amount to an increase of $9,500,000 in capital costs.

Support Cost Increase:

The support cost increase is due to additional resources that will be required for structural inspection that is associated with the pile-supported retaining walls. The retaining wall installation will have to be done during a 55-hour lane closure. In addition, resources will also be required for inspection associated with over-excavation, lightweight fill placement, and settlement and slope stability requirements. Furthermore, oversight will be required during dewatering operations and groundwater treatment, to monitor compliance with environmental permit requirements. Coordination with regulatory agencies and project stakeholders was also increased due to the environmentally sensitive project location and the need to address unforeseen field conditions. The original workplan was put together under the assumption of installing sheet pile walls and rock slope protected fill. The transition to retaining walls and lightweight fill and associated activities added to the project's complexity and reflects an increase of 880 working days (from 220 to 1,100 days).

These revisions to the workplan amount to an increase of $1,800,000 in support costs.

CONSEQUENCES:

If this allocation request is not approved, the Department will not be able to advertise the contract to address critical operational improvements at the intersection, including improving peak-hour travel times, reducing daily vehicle hours of delay, and shortening the queue along the eastbound direction of SR 37 during peak hours, and hence reducing greenhouse gas emissions. The commuter, freight, and recreational functions along this segment of SR 37 will continue to experience deteriorating operational conditions at the intersection, including heavy congestion, queue back-ups into the four-way signalized intersection, and delays traveling through the intersection during the peak-hour period. To address all of the improvements, the project will have to be reprogrammed in a future SHOPP cycle, which will result in delays and could result in higher costs due to escalation, new requirements, and re-engagement and outreach with the communities and advocacies groups.

FINANCIAL RESOLUTION:

Resolved, that $27,157,000 be allocated from the Budget Act of 2025, Budget Act Item 2660-302-0890 and Non-Budget Act Item 2660-802-3290 for Construction Capital, and $5,197,000 for Construction Support, to provide funds to advertise this SHOPP project.

Attachment

2.5 Highway Financial Matters

Project No. Allocation Amount County Dist-Co-Rte Postmile	Location Project Description	PPNO Program/Year Phase Prgm'd Amount Project ID Adv Phase EA	Budget Year Item # Fund Type Program Code	Amount by Fund Type
2.5d.(5)	**Allocation of Project with Construction Cost that Exceeds 20 Percent of the Programmed Amount**			**Resolution FP-26-15**
1 $32,354,000 Sonoma 04-Son-37 3.8/4.9	Near Novato, from 0.1 mile west to 1.0 mile east of Route 121. Improve traffic operations by modifying intersection and extending the lane merge in eastbound direction.	04-2911K SHOPP/26-27 CON ENG $3,397,000 CONST $17,657,000 0422000181 3,4 2Q20U	505-3290 RMRA 001-0890 FTF 20.10.201.310 2017-18 802-3290 RMRA 2025-26 302-0890 FTF 20.20.201.310	$597,000 $4,600,000 $5,197,000 $3,115,000 $24,042,000 $27,157,000

Preliminary Engineering	Budget	Expended
PA&ED	$0	$0
PS&E	$4,043,900	$3,760,270
R/W Sup	$103,500	$17,749

Performance Measure:
Planned: 1,515.0, Actual: 1,515.0 Daily person hours of delay (DPHD)

CEQA - EIR, 02/08/2023; Re-validation 07/16/2025
NEPA - FONSI, 02/08/2023; Re-validation 07/09/2026

Future consideration of funding approved under Resolution E-23-70; May 2023.

EA 2Q20U/PPNO 04-2911K combined with non-SHOPP EA 1Q763/PPNO 2364E for construction under EA 1Q76U/Project ID 0424000414.

Related non-SHOPP multi-funded allocation for EA 1Q763/PPNO 2364E under Resolutions FP-26-20 and LTCAP-A-2627-01; August 2026

As part of this allocation request, the Department is requesting to extend the completion of CONST and CON ENG an additional 36 months beyond the 36 month deadline.