

MEMORANDUM

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: August 20-21, 2026

From: STEVEN KECK, Chief Financial Officer

Reference Number: 2.5e.(4), Action Item

Prepared By: Scott Eades
District 05 – Director

Subject: **SUPPLEMENTAL FUNDS FOR CONSTRUCTION COMPLETION PHASE**
PPNO 0226K/EA 3307C – SAN LUIS OBISPO COUNTY –
STATE ROUTES 41 AND 46
RESOLUTION FA-26-04

ISSUE:

Should the California Transportation Commission (Commission) approve the California Department of Transportation's (Department) request for an additional \$1,700,000 in Construction Support for the State Transportation Improvement Program (STIP) Route 46/41 Wye project on State Route (SR) 41 and SR 46, in San Luis Obispo County, to complete the construction contract?

RECOMMENDATION:

The Department recommends that the Commission approve the requested supplemental funds allocation for this STIP project.

PROJECT DESCRIPTION:

This project is located on SR 41 and SR 46 near Cholame, west of Davis Road to west of Antelope Road, in San Luis Obispo County. The project is converting the 2-lane conventional highway to a 4-lane expressway. This project has utilized the Construction Management/General Contractor (CMGC) delivery process.

FUNDING AND PROGRAMMING STATUS:

In March 2014, this project was programmed in the STIP for \$62,000,000 in Construction Capital and \$9,500,000 in Construction Support for allocation in Fiscal Year 2021-22. In March 2018, during the adoption of the 2018 STIP, the project was updated to increase Construction Capital to \$97,800,000 and Construction Support to \$13,400,000. In June 2022,

the project received a 20-month allocation time extension for the Construction phase. In December 2022, the project was allocated for \$155,870,000 in Construction Capital and \$15,550,000 in Construction Support with an additional six months to complete construction. In March 2023, the project was awarded to the CMGC for \$155,869,900 in Construction Capital. In April 2023, construction began with 500 working days. In June 2025, the project received supplemental funds in the amount of \$7,200,000 in Construction Support. The project has not received any G-12 funds for Construction Capital. The remaining funds are currently at \$1,917,000 in Construction Capital and \$640,000 in Construction Support. The project is 97 percent complete with 15 working days remaining. The planned Construction Contract Acceptance (CCA) is July 2026. A concurrent project completion time extension for the Construction phase is on this month's Commission agenda.

REASON FOR COST INCREASE:

For the June 2025 supplemental funds request, the Department estimated the remaining support needed to complete the project knowing the contractor was behind schedule and had an aggressive plan to make up the time. Speeding up the work resulted in more quality issues, further remediation, and increased support resources. As noted in the previous supplemental request, the project had to rely heavily on consultant staff. However, the billable rate has increased by 20 percent since June 2025.

Since the June 2025 supplemental funds request, the project realized support cost increases due to the continued need for additional resources to investigate and respond to requests for information, review and approve contract submittals, and review and respond to potential claim reports. Additional resources are also required for additional testing of various materials due to non-compliant results requiring rework of constructed items, inspection of repairs to the pavement on a local road which was damaged during construction, and an increase in the number of working days to complete the project.

There have been numerous requests and supplemental requests for information submitted by the contractor. Each request requires investigation, a solution (often requiring input from Design), a response, and the preparation and issuance of a contract change order (CCO). There have also been numerous contract submittals by the contractor. Each submittal requires review and either an approval response or a rejection and resubmit response. Resources have been expended for seven new potential claim reports for review and responses, preparation for Disputes Review Board (DRB) hearings, mock hearings, and DRB presentations. Five of the 13 reports are pending presentation to the DRB with the remaining 8 unresolved and are expected to require resources for claims dispute after CCA.

There continue to be many non-compliant materials test results for base, subbase, lean concrete, hot mix asphalt, and aggregate for structure work. The tests that did not meet specifications for base and subbase material have resulted in rejection letters, inspection of rework, and additional materials testing. Lean concrete material tests that did not pass have resulted in rejection letters, review and approval of remediation plans, and inspection of

remediation work. For the asphalt tests that did not meet specifications, 10 percent of the material was removed and replaced. The other non-compliant asphalt material has remained in place via a CCO with a reduction in payment. The tests that did not pass required third-party verification by labs outside the District. Due to the sample size and weight, the samples were driven to the labs in District 8, 10, 11, or Sacramento. This support cost was not anticipated. Non-compliant tests of aggregate for structure work required rejection letters, lab personnel to travel to the batch plant, re-sample, and test aggregates for compliance. There were nine concrete placement deficiencies significant enough to require rejection letters, repair plans, and continuous inspection for acceptance. Continuous concrete surface finish compliance issues resulted in several iterations of test panels, rework, and inspection.

In addition, there are two roadway embankment sections that have failed due to settling or uncompacted embankment. To resolve the embankment issue, it required additional resources for surveys, monitoring, geotechnical exploration, and cone penetration testing and analysis. This issue is unresolved and will require 24-hour inspection and testing for rework due to the remaining contract time, local road closure requirements, and holiday closure limitations. Additional cone penetration testing from the Department's Division of Engineering Services and delivery of a geotechnical report are required to verify the remediation work.

Furthermore, the complete rehabilitation of a local road was required due to the damage that occurred during the construction of the two bridges. This work required inspection, and material testing for acceptance.

Moreover, there was a non-compliant, rejection, and investigation of the Cast-In-Drilled-Hole concrete for a sign-structure foundation which did not meet strength requirements. Final acceptance by the Department's Division of Design and Engineering Services Foundation Testing branch required the contractor to core the concrete.

The original number of working days on this project was increased from 500 to 715 at the time of the initial supplemental funds request. As a result of the additional efforts that were required to administer the project, the duration of the schedule has to be increased again. The number of working days will be increased by another 25 for a total of 740. The level of testing and retesting exceeded what was originally anticipated. Due to these additional efforts to bring the project's quality to an acceptable level, additional support costs are needed. Therefore, the project will require an additional \$1,700,000 in support costs to complete construction.

CONSEQUENCES:

If this request for supplemental funds is not approved, the Department will not be able to complete construction of this project. If the construction contract is further delayed, it will likely result in claims by the contractor. To complete construction at a later time, another project will have to be programmed in a future STIP cycle at a possible higher project cost.

FINANCIAL RESOLUTION:

Resolved, that \$1,700,000 be allocated for Construction Support, to provide funds to complete the Construction phase for this STIP project.

Attachment

2.5 Highway Financial Matters

Project #	Project Title	PPNO			
Allocation Amount	Location	Program			
Recipient	Project Description	Funding Year			
RTPA/CTC	Project Support Expenditures	Item #			
County		Fund Type		State	State
Dist-Co-Rte		Program Codes		Federal	Federal
Postmile		Project ID		Additional	Revised
		Adv Phase	State	Amount by	Amount by
		EA	Federal	Fund Type	Fund Type
			Current Amount		
			by Fund Type		

2.5e.(4)**Supplemental Funds for Previously Voted Project****Resolution FA-26-04**

1	Route 46/41 Wye. Near Cholame, from 0.7 miles west of Davis Road to 0.5 miles west of Antelope Road.		05-0226K		
\$1,700,000			RIP/2022-23		
			CONST		
Department of	Convert to a 4 lane expressway.		301-0042 SHA	\$457,700	\$457,700
Transportation			301-0890 FTF	\$3,532,300	\$3,532,300
<u>SLOCOG</u>	<u>Outputs</u>	<u>Unit</u>	<u>Total</u>		
San Luis Obispo	New roadway lane-mile(s)	Miles	7.4		
05-SLO-46	Total revised amount \$180,319,900.		IIP		
54.1/57.8			CON ENG		
	Supplemental funds are needed to complete construction.		001-0042 SHA	\$2,609,600	\$2,609,600
			001-0890 FTF	\$20,140,400	\$20,140,400
	CEQA - EIR, 05/19/2008; Re-validation 06/22/2022		20.10.025.700		
	NEPA - FONSI, 05/19/2008; Re-validation 06/22/2022		IIP/2022-23		
	Future consideration of funding approved under		CONST		
	Resolution E-06-23; July 2006.		301-0042 SHA	\$10,834,800	\$10,834,800
			301-0890 FTF	\$83,626,100	\$83,626,100
	Addendum to the previously approved future consideration of		20.20.025.700		
	funding approved under Resolution E-22-111; December 2022.		IIP/2022-23		
	Right of Way Certification: 06/29/2022		CONST		
			304-6058 TFA	\$57,419,000	\$57,419,000
	As part of the initial allocation, the Department requested to		20.20.025.700		
	extend the completion of CONST and CON ENG an additional		IIP		
	6 months beyond the 36-month deadline.		CON ENG		
			001-0042 SHA	\$195,000	\$195,000
	As part of this supplemental request, the Department is		001-0890 FTF	\$1,505,000	\$1,505,000
	requesting to extend the completion of CONST and CON ENG		20.10.025.700		
	an additional 3 months beyond the 42-month deadline.		0514000028		
			4,3		
			3307C		