

M e m o r a n d u m

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: December 10, 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-14-12

RECOMMENDATION:

The California Department of Transportation (Department) recommends that the California Transportation Commission (Commission) allocate an additional \$64,700,000 in State Transportation Improvement Program (STIP) funds [\$54,995,000 Interregional Improvement Program (IIP) and \$9,705,000 Regional Improvement Program (RIP)] for the Route 101 - Willits Bypass project (PPNO 0125F) in Mendocino County.

ISSUE:

Additional funds are needed for one previously voted STIP project in order to complete construction.

RESOLUTION:

Resolved, that \$64,700,000 be allocated from the Budget Act of 2014, Budget Act Item 2660-301-0042, to provide additional funds for the project identified below.

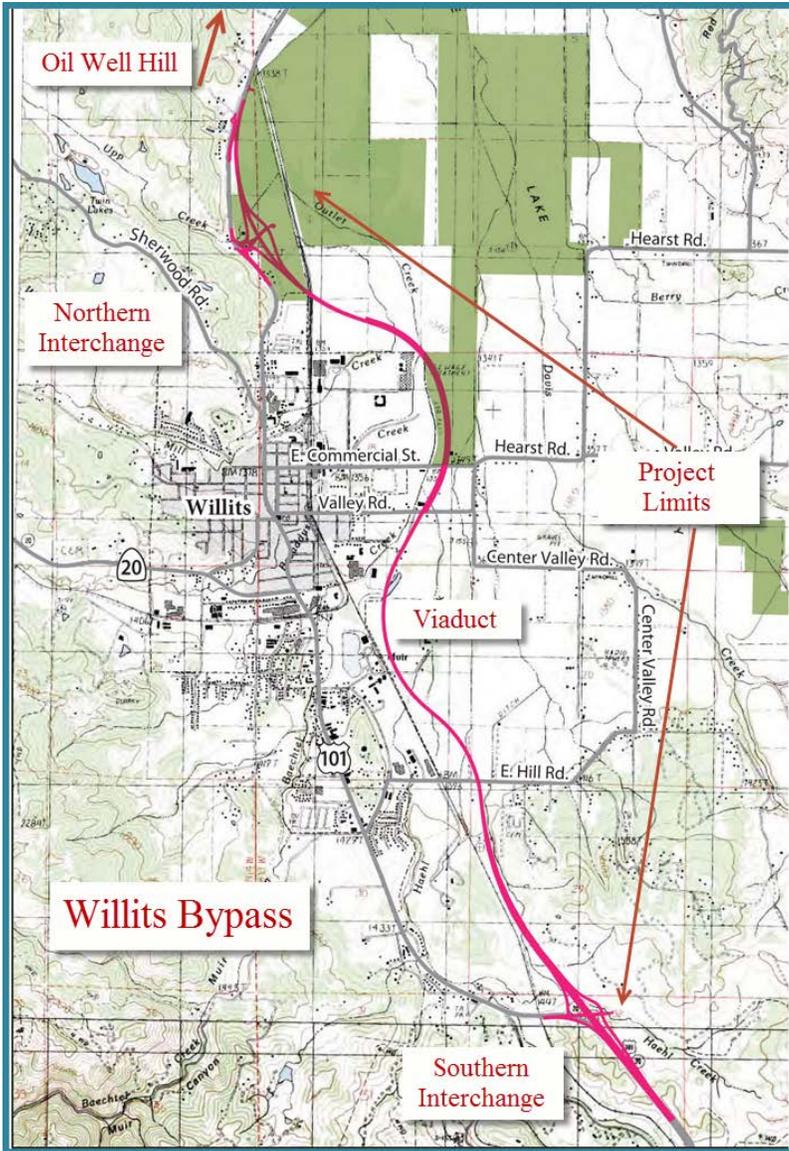
Dist Co-Rte	Fund	Original Allocated Amount	Award Allotment	Current Allotment	Allocation Adjustment	Revised Allotment	% Increase Above Award Allotment
01	IIP	\$115,184,000	\$111,456,000	\$122,771,600	\$54,995,000	\$177,766,600	49%
Men-101	RIP	\$ 20,327,000	\$ 19,669,000	\$ 21,665,900	\$ 9,705,000	\$31,370,900	49%

PROJECT LOCATION

This project is located in Mendocino County, in and near the town of Willits, from 0.8 miles south of the Haehl Overhead to 1.8 miles south of Reynolds Highway.

Figure 1

Figure 2



FUNDING STATUS:

In March 2012, the Commission allocated a total of \$135,511,000 in STIP funds (\$115,184,000 IIP & \$20,327,000 RIP), for construction. The project was later awarded in July 2012 for \$131,125,000 (\$111,456,000 IIP, \$19,669,000 RIP). As of November 2014, the project is approximately 55 percent complete.

REASONS FOR COST INCREASE:

The Willits Bypass (Bypass) project, one of the largest in Northern California, was broken into three areas of construction: (1) the Southern Interchange, (2) the Main Viaduct and (3) the Northern Interchange. Each area has its own unique challenges.

The project has encountered numerous unforeseen issues during the first two construction seasons which have resulted in unanticipated costs that have exhausted the project's 10 percent contingency. These issues have also delayed the project two additional years. Although many issues have been addressed, several significant issues continue to be a risk and need to be addressed in order to complete construction. To manage these costs, a Risk Management Plan was developed to forecast the costs of the project risks, in conjunction with the total cost at project completion. (Figure 3)

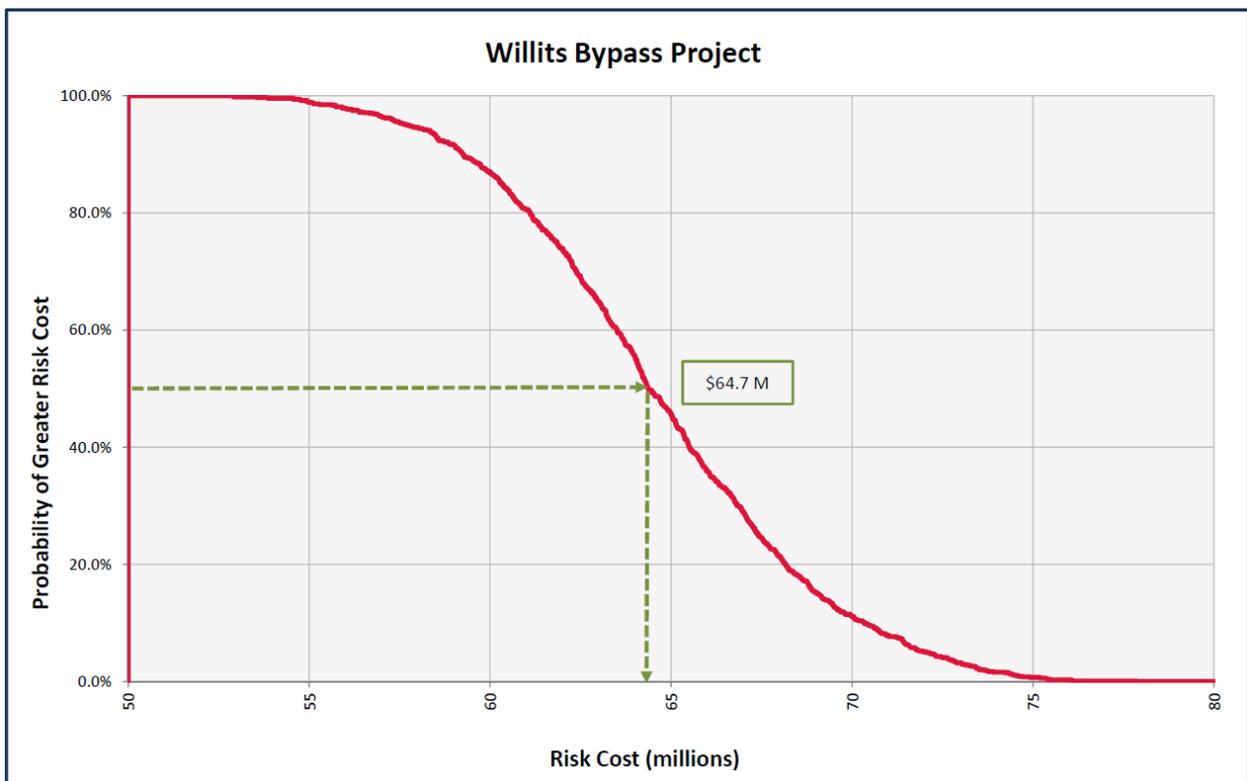


Figure 3 – Probability distribution graph showing the total cost of the 56 active risks quantified in the risk register.

The risk analysis indicates that at 50 percent probability, the additional cost needed to finish the project will be \$64.7 million.

The main issues are summarized as follows:

Environmental Regulation, Constraints and Delays

In May 2012, a lawsuit was filed in Federal court by various organizations trying to put a halt to the Bypass project. A temporary injunction was requested by these organizations. However, that did not stop the project from being awarded on July 26, 2012. In December 2012, the Federal court denied the temporary injunction.

In August 2012, another lawsuit challenging the need for a four-lane bypass was also filed in Federal court. This led to additional permit requirements from the following regulatory agencies; the Army Corps of Engineers (USACE), the North Coast Regional Water Quality Control Board (Water Board), and the California Department of Fish and Wildlife (DFW). It also led to a delay in receiving permits which resulted in a delay to the start of work. The contractor received limited access to the project site by late February 2013, but did not have full access until May.

The added permit requirements and delay in authorizing access resulted in a one year delay to the project. It also affected various construction operations including, but not limited to, tree removal, clearing & grubbing, roadway excavation, viaduct footing excavation, and wick drain installation.

Bird Nesting & Surveys

Permit approval delays resulted in the delay of the vegetation clearing operations originally scheduled between September 1, 2012 and January 31, 2013. This work began after February 25, 2013 which was during migratory bird nesting season. The added permit requirements by DWF included strict bird survey protocols that identified hundreds of bird nest exclusion areas to be avoided during the nesting season. This new requirement restricted the contractor's access to project work zones significantly limiting work progress.

Although this issue was addressed during the first two construction seasons, additional clearing operations are still needed. Clearing operations continue to be a significant risk impacting the cost on the Bypass project and is included in the Risk Management Plan.

Borrow Operations

Obtaining borrow material continues to be major issue. The Bypass project requires roughly one million cubic yards of borrow material. Oil Well Hill (OWH) was designated by the Department as an optional borrow site for the project. The site was initially cleared for use prior to the start of construction however, permit requirements were subsequently added that made it unavailable. This delayed placement of abutment fills at the Northern Interchange.

The contractor obtained access to an alternative borrow site, the Mendocino Forest Products (MFP) site, which was closer to the project. This site, initially authorized by Mendocino County, was used for less than three weeks before a lawsuit and additional permit requirements made that site unavailable as well. Borrow operations remained stopped for approximately one year until the additional permitting requirements were met.

The Department aided the contractor in obtaining permits to this site by amending the Bypass project's environmental document to include the MFP site. The delays in access to both borrow sites have added a second year of delay to the project.

The delay in access to borrow material led to a delay of trucking that material to the project. The contract schedule originally had trucking operations completed by the end of 2014. This is prior to more stringent emission rules that go into effect in 2015 from the California Air Resources Board.

As a result, the contractor has indicated they will have fewer trucks available, thus making this issue a significant risk for potential cost increases. Although these costs have not been fully negotiated, the Department will be responsible for those additional costs. Delays related to borrow and trucking operations have impacted on the Bypass project and these costs are identified in the Risk Management Plan.

Concurrent Off-site Mitigation Project PPNO 0125X

Another condition of the environmental permits for the Bypass project requires the Department to provide concurrent off-site mitigation of approximately 2,033 acres. The off-site mitigation work is being done under the Wetland and Riparian Mitigation (Mitigation) project, PPNO 01-0125X, located just north of Willits.

On June 20, 2014, the USACE suspended the environmental permit for the Bypass project because mitigation work was not taking place as required. The contractor was then directed to stop all construction activities. After the Department met with and made commitments to the USACE, the permit was reinstated on July 7, 2014 allowing work to resume.

In order to accelerate the rest of the mitigation work, the Department prepared two service contracts funded from the Bypass project including seed collection and plant propagation. As a result, the Mitigation project work has impacted costs on the Bypass project and is included in the Risk Management Plan.

Northern Interchange Redesign

As a condition of reinstating the environmental permit outlined by the USACE, the Department was instructed to consider redesigning the Northern Interchange in order to reduce wetland impacts. The project schedule had this work beginning in June 2014. However, the new design will delay this work until the 2015 construction season and require additional funds identified in the Risk Management Plan.

Storm water quality issues

The Bypass contract includes a Storm Water Pollution Prevention Plan. During the first two construction seasons, the project experienced significantly more rain than expected which resulted in slope failures.

Consequently, the Water Board advised the Department that the project was out of compliance with the permit and imposed additional Storm Water requirements for the project.

The additional Storm Water measures and resulting time delays for this item have been addressed for the first two construction seasons. It is anticipated that increased storm water measures will continue to impact the Bypass project for the remainder of the contract and the costs are included in the Risk Management Plan.

Opposition to the project

Impacts from opposition to the Bypass had to be addressed during the first two construction seasons. The project includes a budget for State Furnished Materials to fund Construction Zone Enhanced Enforcement Program to manage public traffic and safety. However, during the first two construction seasons, it was used mainly to manage protestors and vandalism. California Highway Patrol officers were required to be onsite 24 hours a day, seven days a week to protect construction equipment, materials, the public, construction workers, and Department staff. Based on the first two construction seasons, it is anticipated that this will continue to impact the Bypass project and the cost is included in the Risk Management Plan.

Other construction issues

The project has also experienced a number of other issues that need to be addressed including contaminated wood waste disposal, areas of unanticipated settling, plan discrepancies as well as roadway compaction issues. Additionally, the Bypass project is located within an area known for Native American tribal activities. Several burial sites had been identified prior to construction. Additional burial sites however, were discovered during construction. These discoveries have further resulted in additional risk to the project which is accounted for in the Risk Management Plan.

Currently, the project is 55 percent complete and although the project was awarded with a 10 percent contingency, the issues and delays identified during the first two construction seasons have resulted in the payment of several contract change orders and claims which have exhausted the project contingency.

A quantitative risk analysis was conducted to forecast cost at the completion of the project. This includes an estimate of additional funding needed to cover identified risks. The issues above have been identified and quantified in the Risk Management Plan.

FUNDING OPTIONS:

OPTION A: Approve this request for supplemental funds, as presented above, for \$64,700,000 to complete construction on this project.

OPTION B: Deny this request which would delay project completion, further increase costs while putting the project at risk of further violating regulatory permits.

RECOMMENDED OPTION:

The Department recommends that this request of \$64,700,000, as presented in Option A above, be approved to complete construction.