



Exposition Metro Line
Construction Authority


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DATE: April 5, 2007

TO: BOARD OF DIRECTORS

FROM: RICHARD D. THORPE 
CHIEF EXECUTIVE OFFICER

ACTION: AUTHORIZE THE CEO TO ISSUE NOTICE TO PROCEED FOR CONTRACT PACKAGE A3, TRENCH STRUCTURE, TO FLATIRON/FLUOR/PARSONS, A JOINT VENTURE (FFP)

RECOMMENDATION

Contingent upon successful negotiations with Contractor, authorize the CEO to issue Notice to Proceed for Contract Package A3, Trench Structure, to Flatiron/Fluor/Parsons (FFP), a joint venture, in an amount not-to-exceed \$32,300,000.

SUMMARY

Construction Package A3 consists of the trench structure near the University of Southern California campus, the relocation and installation of underground utilities including water, sanitary sewer, storm drain, electrical ductbanks and associated elements along Flower Street and Exposition Boulevard from 23rd Street to just West of Vermont Avenue. This package also includes excavation and disposal of potentially hazardous soil with high levels of arsenic along the entire right-of-way.

The Authority and the Contractor are currently negotiating this work package; however, as of the date of this report, a considerable gap exists between the Authority's current independent cost estimate and the Contractor's proposal. In an effort to maintain the project's schedule, staff requests authorization to issue a Notice to Proceed for Contract Package A3 in an amount not-to-exceed the Authority's current independent cost estimate of \$32,300,000. This action will allow staff to continue negotiation sessions with the Contractor and proceed with

the work in the event a mutually agreeable price at or below the Authority's current independent cost estimate is reached. If further negotiation justifies an increase in the Authority's independent cost estimate and the parties reach a mutually agreeable price for this work, staff will request that this authorization be modified at a future Board meeting.

If the Authority and the Contractor cannot reach a mutually agreeable price after further negotiations, the parties will continue negotiation through the 100% design level. If the negotiation continues to be unsuccessful beyond this level of design, the work contained in Contract Package A3 will be bid to other contractors in accordance with the contract documents.

DISCUSSION

Construction Package A3 consists of the trench structure near the University of Southern California campus, relocation and installation of underground utilities and associated elements along Flower Street and Exposition Boulevard from 23rd Street to just West of Vermont Avenue. The trench structure and associated underground utilities are on the critical path of the project and are time sensitive. The critical path is the longest work element that will result in Substantial Completion.

The Contractor prepared a detailed cost estimate addressing quantities, unit prices, production rates, and other cost elements. The Authority prepared its own independent estimate. The Authority and the Contractor are meeting to attempt to resolve scope and cost differences and arrive at a mutually acceptable cost. However, as of the date of this report, a considerable gap exists between the Authority's current independent cost estimate and the Contractor's proposal.

The Contractor's estimate at 60% design was approximately \$33,000,000. At the time, staff believed a mutually agreeable price could be achieved given this estimate. Upon completion of the 85% design, the Contractor submitted a price proposal of \$47,946,000. The Authority's current independent cost estimate is approximately \$32,300,000. Staff has requested the Contractor to provide an explanation for the significant increase in the Contractor's price from the 60% to 85% design level but has yet to receive a response.

In an effort to maintain the project's schedule, staff requests authorization to issue a Notice to Proceed for Contract Package A3 in an amount not-to-exceed the Authority's current independent cost estimate of \$32,300,000. This action will allow staff to continue negotiation sessions with the Contractor and proceed with the work in the event a mutually agreeable price at or below the Authority's current independent cost estimate is reached. It should be noted that the Authority's current independent cost estimate is based on information available to date. As negotiations proceed and additional information is provided, this independent estimate may change. If further negotiation reveals an increase in

the Authority's independent cost estimate is appropriate, staff will present this increase during a future Board meeting for approval.

If the Authority and the Contractor cannot reach a mutually agreeable price at the 85% design level, the negotiation between the parties will continue through the 100% design. If the negotiation continues to be unsuccessful beyond this level, the work contained in Contract Package A3 will be bid to other contractors in accordance with the contract documents.

In addition to the trench structure, this Construction Package A3 contains authorization for the excavation, removal and disposal of potentially hazardous soil along the entire right-of-way. The existing railroad right-of-way has high levels of arsenic due to the herbicides used by the railroads to control weeds. A soil investigation has identified six locations along the right-of-way that could have soils with level of arsenic that may be considered hazardous. A negotiated not-to-exceed price shall be developed with payment based on two unit rates; one unit rate for the excavation and removal of hazardous materials and one unit rate for the excavation and removal of contaminated materials. A mutually agreeable unit price for this work is expected to be achieved, and is included in the Authority's independent cost estimate. There will be future work in later packages to complete the remediation of the soil along the project right-of-way.

FINANCIAL IMPACT

Funds for the proposed action are available in the FY 07 Design-Build Contract budget category, including a recommended contingency amount of 5% of the direct cost.

NEXT STEPS

If this action is approved by the Board, the CEO will issue a Notice to Proceed to FFP upon completion of negotiations at or below the Authority's current independent cost estimate of \$32,300,000. If further negotiation justifies an increase in the Authority's independent cost estimate and the parties reach a mutually agreeable price for this work, staff will request authorization at a future Board meeting.

If the Authority and Contractor cannot reach a mutually agreeable price after further negotiations, the parties will continue negotiations through the 100% design level. If the negotiation continues to be unsuccessful beyond this level of design, the work contained in Contract Package A3 will be bid to other contractors in accordance with the contract documents.