

Item 3
File 10-1197

Department(s):
San Francisco Municipal Transportation Agency (SFMTA)

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would authorize an agreement between the San Francisco Municipal Transportation Agency (SFMTA) and Hill International for Hill International to provide a Capital Program Controls System and Related Support Services, for the SFMTA's Central Subway Project and various other SFMTA projects, (a) for a term of eight years, (b) in an amount not-to-exceed \$22,268,541, and (c) limiting actual expenditures to currently available funds, or \$13,481,000, pending the certification by the Controller of additional available funds.

Key Points

- The Central Subway Project is the second phase of the Third Street Light Rail Transit Project, which would construct three new subway stations and one surface station for the SFMTA to provide rail service to the Financial District and Chinatown.
- According to the SFMTA, the SFMTA does not have the "experience or expertise in project controls, with specialties in transit, tunneling, and underground construction scheduling and estimating, to design, implement, maintain, and train SFMTA staff in the use of a project controls system" for the Central Subway Project. In addition, the SFMTA recognizes that its other transit projects face the same shortcomings and, as a result, the Capital Program Controls System will be utilized by other SFMTA projects.
- Subsequent to a competitive Request for Proposal (RFP) process, the SFMTA has recommended the award of the proposed agreement with Hill International for Hill International to provide a Capital Program Controls System, which includes capital project budgeting, financing, contractor payments, project design and construction scheduling, and contract claims management.

Fiscal Impacts

- The proposed agreement would be funded with 80 percent in Federal grants and 20 percent from Proposition K funds. Currently, the SFMTA has \$13,481,000 in available Federal grants and Proposition K funds. However, the SFMTA anticipates receiving additional Federal and local funds totaling \$8,787,541 (\$22,268,541 total estimated project costs less \$13,481,000 in available funds) throughout the duration of the agreement, which is estimated to be completed by October 31, 2018. As the SFMTA receives additional funding, such funding will be subject to certification by the Controller.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

City Charter Section 9.118 (b) requires any agreement which would result in anticipated expenditures of \$10,000,000 or more by the City and County be approved by the Board of Supervisors.

Background

The Central Subway Project is the second phase of the Third Street Light Rail Transit Project. Phase 1, the T-Third line, began revenue service in April 2007, restoring light rail service to the Third Street corridor in eastern San Francisco. Phase 2, the Central Subway Project, will extend the Third Street line by constructing three new subway stations and one surface station in order for the SFMTA to provide rail service to the Financial District and Chinatown.

The Central Subway design consists of both (a) in-street surface light rail in the southern portion of the system and (b) subway operations, through twin bore tunnels, with three new subway stations at (i) Moscone/Yerba Buena, (ii) Union Square/Market Street, and (iii) Chinatown. Design engineering work for the Central Subway Project began in January 2010. Relocation of utility services for the Central Subway Project also began in January of 2010. According to a memorandum to the Board of Supervisors dated August 24, 2010, from Mr. Nathaniel Ford, Sr., Executive Director/CEO of the SFMTA, the Central Subway Project will be completed in 2018, at which point revenue-generating light rail and subway service is scheduled to begin.

According to the SFMTA's August 2010 monthly report, the total estimated cost for the Central Subway Project is \$1,578,300,000. As of July 31, 2010, project expenditures totaled \$68,300,000, or approximately 4.3 percent of the total estimated project costs. According to the SFMTA's August 2010 monthly report, \$155,900,000, or 9.9 percent of the total estimated project costs of \$1,578,300,000, has been previously appropriated by the Board of Supervisors.

According to an August 24, 2010 memorandum from Mr. Ford, the Central Subway Project will be designed and constructed through seven interrelated construction contracts. The SFMTA recognizes that it does not have the "experience or expertise in project controls, with specialties in transit, tunneling, and underground construction scheduling and estimating, to design, implement, maintain, and train SFMTA staff in the use of a project controls system for the Third Street Light Rail Program, Central Subway Phase 2." In addition, the SFMTA recognizes that its other projects face the same shortcomings. Thus, the SFMTA has requested to procure a needed Capital Program Controls System which would track SFMTA's capital project budgeting, financing, contractor payments, project design, construction scheduling, and contract claims management.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize an agreement between the SFMTA and Hill International, Inc. to provide a Capital Program Controls System and Related Support Services, for (a) a maximum term of eight years, estimated to commence on November 1, 2010 and end on October 31, 2018, (b) an amount not to exceed \$22,268,541, and (c) limiting actual expenditures to currently available funds, or \$13,481,000, pending the certification by the Controller of additional available funds.

On September 15, 2009, the SFMTA issued a Request for Proposals (RFP) for: (1) services to establish independent project controls operations for the Central Subway Project, (2) specify the hardware and software requirements to establish an integrated program/project controls system, (3) integrate the new Capital Program Controls System (CPCS) to existing City finance, timekeeping, and payroll systems, (4) streamline existing capital project management business and related workflow processes with the implemented CPCS, (5) provide training to SFMTA staff to use the project controls system for the Central Subway Project and other SFMTA capital projects, and (6) provide operations and maintenance manuals.

On January 8, 2010, two firms, Hill International, Inc. and The Shaw Group, Inc., submitted proposals that were evaluated by a technical selection committee comprised of members from various SFMTA divisions, other City departments, and the San Francisco County Transportation Authority. Additionally, these two firms were asked to provide a software demonstration to the technical selection committee.

Table 1 below shows the results of the technical selection committee's scoring of the two written proposals and oral presentations.

	Hill International, Inc.	The Shaw Group, Inc.
Step 1 - Written Proposal	37.84	38.04
Step 2 - Oral Presentation	45.18	36.71
Total Score	83.02	74.75

As shown in Table 1 above, Hill International received the highest score of 83.02 points out of a total score of 100 points. After negotiations between the SFMTA and Hill International regarding the scope of services, including a 26 percent Small Business Enterprise participation goal for this contract, the SFMTA is recommending that an agreement be awarded to Hill International.

The SFMTA estimates a commencement date of November 1, 2010 and a completion date of October 31, 2018, or a term of approximately eight years. Under the proposed agreement, Hill International will provide the SFMTA with a project management and software system (the "Capital Program Controls System" or "CPCS"), the purpose of which is to track SFMTA's capital project budgeting, financing, contractor payments, project design, construction scheduling, and contract claims management. According to Mr. Ford, the CPCS will be initially implemented on the Central Subway Project and then on all subsequent SFMTA capital

projects, such as the infrastructure projects on Hyde Street and Powell Street, the Islais Creek Motor Coach Maintenance Facility, and the Sunset Tunnel signal rehabilitation.

According to data provided by Mr. Arthur Wong, Construction Manager of the Central Subway Project, the estimated total cost of the proposed agreement is \$22,268,541. As shown in Table 2 below, approximately 77 percent of the estimated total project costs of \$22,268,541, or \$17,112,873, consists of staffing services and technical support. The proposed agreement allocates 124,340 hours of staffing and support services, with hourly rates ranging from \$20.00 per hour to \$135.58 per hour. The \$17,112,873 allocated for staffing services and technical support includes an assumed profit of 7.5 percent for the contractor and subcontractors and an annual two percent cost of living adjustment, while the hourly rates listed above represent only labor costs.

Item	Estimated Cost
System Startup	\$ 151,312
System Business Analysis	443,868
System Design	329,684
System Development	864,624
System Validation	265,176
System Deployment	445,048
Software Allowance	1,050,000
Software Customization Allowance	480,000
Supplemental Software Allowance	1,022,000
Surety Bonds ¹ - Hill (Prime Contractor)	53,548
Surety Bonds - Stellar (Partner/Subcontractor)	50,408
Staffing Services and Technical Support	17,112,873
Total	\$ 22,268,541

The proposed resolution would authorize the SFMTA to expend the total not-to-exceed amount of \$22,268,541, but the SFMTA can only incur expenditures from the currently available funds of \$13,481,000, which has been certified by the Controller. As the SFMTA receives the additional funds of up to \$8,787,541 (\$22,268,541 less \$13,481,000), such additional funds will be subject to the Controller's certification.

SFMTA's priorities will focus on the Central Subway Project by (1) developing project controls, (2) training SFMTA and other City agency staff in the use of project controls systems, and (3) providing any support services for the program controls during the design, construction, and close-out phases of the Central Subway Project.

¹ The contractor and subcontractor are required to obtain surety bonds, which ensure that the insurer of the bonds will find a substitute contractor and/or subcontractor in the event that the project cannot be completed by the original contractor and/or subcontractor.

FISCAL IMPACT

The proposed agreement between the SFMTA and Hill International has a not-to-exceed amount of \$22,268,541, over a term not to exceed eight years. According to the August 24, 2010 memorandum from Mr. Ford, the Capital Program Controls System initially being procured for the Central Subway Project will eventually be used for other SFMTA capital projects, such as the infrastructure projects on Hyde Street and Powell Street, the Islais Creek Motor Coach Maintenance Facility, and the Sunset Tunnel signal rehabilitation.

As of the writing of this report, the SFMTA has identified \$13,481,000 in funds previously appropriated by the Board of Supervisors for the subject agreement. Based on data provided by the SFMTA, Table 3 below identifies the funding sources.

Source of Funds	Amount
Federal Grant Funds (80 Percent)	\$ 10,784,800
Proposition K Funds (20 Percent)	2,696,200
Total	\$ 13,481,000

As shown in Table 3 above, the SFMTA has received \$10,784,800 in grants from the Federal government and \$2,696,200 in matching local funds from the Proposition K Sales Tax Fund, which is administered by the San Francisco County Transportation Authority², for a total of \$13,481,000 in available funds certified by the Controller. No City General Fund monies would be expended to fund the subject agreement between the SFMTA and Hill International.

As previously noted, an additional \$8,787,541 is needed to fully fund the not-to-exceed amount of \$22,268,541 under the agreement with Hill International (\$22,268,541 total estimated project costs less \$13,481,000 in available funding).

Mr. Wong advises that under the not-to-exceed \$22,268,541 agreement between the SFMTA and Hill International, Hill International will provide services based on the availability of the funds as certified by the Controller.

RECOMMENDATION

Approve the proposed resolution.

² The San Francisco County Transportation Authority administers the Proposition K half-cent local transportation Sales Tax program. The Authority also prepares the Strategic Plan to guide the timing of Proposition K expenditures and maximize leveraging.