

**Execute Contract Change
Order with Balfour Beatty
Infrastructure, Inc., to Account
for Unanticipated Cost
Escalation for Labor and
Materials**

TOPS & AMP Committees
January 29, 2025



Proposed Action

- Approve a contract change order to compensate Balfour Beatty International Inc. (BBII) in the amount of \$13,500,000 for unanticipated cost escalation for labor and materials associated with construction of the Peninsula Corridor Electrification Project (PCEP) from July 1, 2021, through Project Final Acceptance
 - Part of a comprehensive resolution to close the design build contract
 - Change Management Board (CMB) unanimously approved the proposed change order on January 3, 2025
 - A combination of remaining available Project funds will cover the change order

BBII Contract Closeout

Contract Closeout and Final Change Order will result in:

- **No Contract claims** against Caltrain, with Caltrain reservation of right to cross-claim against BBII in pending third-party litigation
- **Within BBII Contract Budget (\$1.097B)**
- **Within PCEP Project Budget (\$2.44B)**

Closeout Continued

- **BBII Closeout Items**
 - Change Order (Unanticipated Cost Escalation for Labor and Materials)
 - Approved by CMB on January 3rd
 - Request Approval at January Committees and February Board
 - Close of Shared Risk Pool
 - Finalize Allowance/Credit Items
- Estimate approximately \$2.5M in BBII contract savings
- BBII contract savings to support project related extended overhead for TASI and JPB associated staff/consultant for close out the PCEP project

Details

Unanticipated Cost Escalation Justification

- BBII performed its base scope of work beyond the timeframe anticipated in the contract and experienced cost escalation for labor, supplies and equipment beyond ordinary inflation
 - Base scope of work was extended from August 2020 to September 2024
- The General Provisions also require JPB to make an equitable adjustment to the contract price “if an approved Contract Change Order causes an increase or decrease in the Contractor's cost of, or the time required for, the performance of the Work under this Contract”
- The proposed change order is consistent with guidance provided by the federal government regarding federal cost principles, which provides that an equitable adjustment may be made to the contract amount for fixed price contracts to account for “current economic conditions.”

Solution

- Staff extensively reviewed balance outstanding work, as of July 2021
- Staff reviewed the formulaic calculation model, and the statistics for labor and material price indices over the past three years to establish the total cost impact
- Through extensive negotiations, BBII agreed to reduce its change request amount from \$21M to \$13.5M
- Staff provided the full formulaic model to CMB members and provided full calculation backups for their review. CMB approved.

Impact to Design Build Contract Close Out

- As part of comprehensive contract close out negotiations, approval of this Change order will result in:
 - Project completion within the overall budget of \$2.44B
 - Approximately \$2.5M in surplus materials and spare parts are transferred from BBII to JPB as trade offs for minor punchlist
 - BBII waives contract claims against Caltrain, with Caltrain reservation of right to cross-claim against BBII in pending third-party litigation

BBII Design-Build Contract Final Account

BBII Two Change Requests

- March 2022 Incident Damage Cost – \$2.19 million
- BBII Unanticipated Cost Escalation – \$13.5 Million
 - Requires Committee and JPB approval
- CMB Approved both Change Orders on January 3, 2025

\$50M Share Risk Pool – Final Account

Description	Amount
Shared Risk Contingency Allowance	\$50,000,000
Fully Executed Shared Risk Items	\$30,110,111
BBII Withdraw Shared Risk Items	\$16,967,385
Allowance Balance	\$19,889,889
Equal Share	\$9,944,944

Note:

1. BBII has agreed to withdraw \$17M of Shared Risk items in exchange of two change requests.
2. Caltrain withdraw \$3.5 million bus bridge cost reimbursement from BBII.

BBII Milestone Incentive – Final Account

Incentive Item	Contract Amount	Amount Earned	Variance
Early Cutovers	\$4,000,000	\$4,000,000	\$0
Early Overall Substantial Completion	\$8,000,000	\$4,220,000	\$3,780,000
Early Revenue Service	\$3,000,000	\$1,000,000	\$2,000,000
TOTAL	\$15,000,000	\$9,220,000	\$5,780,000

BBII Contract Final Account

Elements	Savings (Ins)	Two Change Orders (outs)	Variance
Project Milestone Incentive	\$5,780,000		
Project Performance Incentive and Allowance	\$2,469,788		
Share Risk Pool Saving Split	\$9,944,944		
TOTAL	\$18,194,732	(\$15,694,732)	\$2,500,000

Two BBII Change requests in total of \$15.7 millions

- March 2022 Incident Damage Cost – CMB Approved – \$2.19 million
- BBII Unanticipated Cost Escalation – \$13.5 Million

BBII Punchlist & Surplus Materials

- Limited track access after the launch of Revenue Service in September
- Caltrain/TASI will complete the remaining minor punchlist items that is approximately \$1 million
- In exchange, BBII to transfer surplus materials and spare parts with a value of approximately \$2.5M to Caltrain.
- Surplus materials and spare parts provide a valuable resource to Caltrain
 - Supports maintenance of new infrastructure
 - Mitigate risk of supply chain delays and additional costs, particularly with potential tariffs

Project Cost at Completion

Project Budget Summary

Description of Work	Re-Baseline Budget	Estimate At Completion	Variance to Re-Baseline
Electrification (BBII)	\$ 1,097.15	\$ 1,094.65	\$ (2.50)
EMU Procurement	\$ 556.07	\$ 565.28	\$ 9.21
Minor Construction Contracts (SSF, 25th Grade, Tunnel, CEMOF, SCADA, Non-BBI OCS)	\$ 67.06	\$ 63.79	\$ (3.27)
Real Estate Acquisition & Support	\$ 34.91	\$ 36.23	\$ 1.31
PG&E, Utilities	\$ 132.09	\$ 132.02	\$ (0.07)
Management Oversight & Support	\$ 312.70	\$ 324.37	\$ 11.67
TASI Support	\$ 114.49	\$ 142.03	\$ 27.55
Finance Charges	\$ 9.90	\$ 12.95	\$ 3.05
Insurance	\$ 6.58	\$ 6.58	\$ -
Other Required Projects & Services	\$ 9.08	\$ 7.43	\$ (1.65)
Environmental Mitigation	\$ 14.44	\$ 11.75	\$ (2.68)
Caltrain Capital Overhead (ICAP)	\$ 48.22	\$ 45.22	\$ (3.00)
Contingency	\$ 40.00		\$ (40.00)
Total	\$ 2,442.69	\$ 2,442.31	\$ (0.38)



Benefits

- Close out complex design build contract within contract amount
- Enable demobilization of Project staff and consultants
- Complete project without claims or litigation, saving time and money
- Enable PCEP completion within \$2.4 billion Budget
- Obtain surplus materials

Staff Recommendation

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FOR MORE INFORMATION

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