



SFMTA

# Central Subway Project Settlement and Closeout

SFMTA Board of Directors  
June 6, 2023

# Central Subway

On January 7<sup>th</sup>, we achieved a goal two decades in the making – completing the Central Subway



# Central Subway



# Closing out a megaproject

- What will happen if you approve today's action?
  - Contractor gives up ability to:
    - File claims
    - Demand additional payments
    - Sue the SFMTA
  - SFMTA retains ability to
    - Enforce warranties
    - Demand repair of latent defects
    - Draw on TPC's \$120M bond to fund this work if TPC does not comply

# Closing out a megaproject

- What will happen if you approve today's action? SFMTA will:
  - Make a final payment
    - \$27.6M (\$46.8M, minus \$19.2M credits for change work)
    - SFMTA will owe no more money to TPC
  - Issue "Final Acceptance"
    - Escrow agent will release final \$5.5M of retention to TPC
    - TPC will fully demobilize
  - Extend other smaller contracts to support closeout
  - Apply lessons learned to future large projects

# Legislative Actions

- Tudor-Perini Construction Contract CMOD 147 and Closeout
  - **“Omnibus 4” : \$39.1M** (TPC valued at \$65M)
    - 377 change orders since December 21, 2021, negotiated bilaterally as work proceeded
    - Extend contract to demobilization date
    - Final acceptance, with key exceptions and warranties
  - **COVID lawsuit: \$7.7M** (TPC valued at \$23.1M)
    - TPC agrees to withdraw *Tutor Perini Corp. v. CCSF/SFMTA, Santa Clara Cnty Sup. Ct. Case No. 23CV414035*

# Legislative Actions

To support closeout, documentation and compliance for funders and regulators, orderly transition to Transit Maintenance of Way staff:

- **AECOM** project management – one year, \$0 extension. To support closeout, documentation and compliance for funders, transition of construction docs to SFMTA's maintenance and operations staff.

To support additional small projects that arise from customers' and staff's experience riding and working in the Central Subway:

- **Central Subway Design Group** (WSP et al.) – two years, \$2M extension – subject to additional approval by BOS
- **HNTB** – two years, \$2M extension – subject to additional approval by BOS

# Estimate at Completion

#	Line Item	Reported Jan 2022	Projections, May 2023	Delta
1	Currently booked expenditures (as of Feb 26, 2021)	\$ 1,672.66	\$ 1,672.66	\$ 0.00
2	CMOD 137 - Resolve all Tutor Perini claims	\$ 93.60	\$ 93.60	\$ 0.00
3	CMOD 138 - Omnibus 2	\$ 53.00	\$ 53.00	\$ 0.00
4	Omnibus 3	\$ 27.92	\$ 27.92	\$ 0.00
5	<b>Omnibus 4 (Up to Final Completion)</b>	\$ 10.00	\$ 46.76	\$ 36.76
6	CMOD 139, 140, 142 (rolled into Omnibus 3)	\$ 0.00	\$ 0.00	\$ 0.00
7	Public Works BART Elevator	\$ 5.00	\$ 5.00	\$ 0.00
8	Other non-Tutor Perini costs through startup	\$ 10.00	\$ 10.00	\$ 0.00
9	<b>Project Management - MTA staff/AECOM-EPC JV*</b>	\$ 36.75	\$ 30.24	\$ (6.51)
10	<b>Other contractors - CSDG design, Thales, Harris</b>	\$ 19.00	\$ 27.61	\$ 8.61
11	<b>Contingencies and reserves</b>	\$ 3.00	\$ 0.00	\$ (3.00)
12	<b>Insurance Claim for YBM Fire Incident</b>		\$ (5.10)	\$ (5.10)
	<b>TOTAL</b>	\$ 1,930.93	\$ 1,961.69	\$ 30.76



# Key lessons learned

- Summary of May 12, 2023 Federal Transit Administration (FTA) Project Management Oversight workshop
  - *Procurement – low bid methodology*
  - *Design and Construction – timing of settlements, lack of partnering*
  - *Systems/Operational Readiness*
  - *Policy/Procedure – change control*
  - *Misalignment of project scope and pace with established procedures*
- FTA workshop is first, but not last, lessons-learned exercise. Multiple internal efforts are also underway to use the Central Subway experience to improve our SFMTA project delivery.

# Procurement

PMOC observation	PMOC recommendation	SFMTA actions
<p>Low bid method took away flexibility and gave the contractor too much leverage</p> <p>Systems were 100% designed... to 2012 standards</p>	<p>Move toward alternate bidding approaches (Design-Build, Progressive D-B, CMGC)</p> <p>Plan for code and technology advances over the life of project delivery</p>	<p>Agency PMO procedures on project delivery method</p> <p>More deliberate approach to delivery method selection in recent large projects like TCUP</p> <p>Retention of subject matter expert contractors like CSDG and HNTB</p>

# Design and Construction

PMOC observation	PMOC recommendation	SFMTA actions
<p>Partnering approach was not taken seriously</p> <p>Design did not account fully for maintenance challenges</p> <p>Water management was a constant challenge</p>	<p>Ensure executive ownership of partnering</p> <p>Engage maintenance stakeholders early and often</p> <p>Waterproofing work should be design-build</p>	<p>L-Taraval Phase 2 project is modeling executive-level partnering to manage community impacts</p> <p>Some issues mitigated by Rail Activation Team, others to be addressed through ongoing small capital projects and clawbacks in settlement</p>

# Systems/Operational Readiness

PMOC observation	PMOC recommendation	SFMTA actions
Safety and Security Certification could have been better organized	Follow federal guidelines more closely	Remediated by integrating MTA System Safety and a key contractor into the Rail Activation Team. VNBRT and CS startup have given hands-on startup experience to dozens of staff.

# Policies and Procedures

PMOC observation	PMOC recommendation	SFMTA actions
<p>Contractor's quality control (QC) commitment was poor – for example, the track hardness installation error.</p> <p>Backlog of change orders hampered efficient progress and opened contractor and MTA to commercial risk</p>	<p>Agency needs to enforce high standards for quality early and often, and improve financial controls</p> <p>Establish a way to process Change Orders on a timely basis.</p>	<p>Updating agency protocols for independent QA/QC and independent cost estimates</p> <p>Centralization of SFMTA contract management</p> <p>Embedding staff with newly gained megaproject experience on Capital Projects and Construction teams</p>

# Applying what we've learned

## L Taraval Phase 2

Executive-level partnering to manage community impacts like work hours, noise, and parklets.

Early coordination among agencies to streamline utility and aboveground work schedules



# Applying what we've learned

## Twin Peaks tunnel inspection

Proactive, collaborative approach across SFMTA divisions – no more silos

Independent subject matter experts supporting SFMTA to enhance safety and quality of work product



# *Conclusion and Questions*





SFMTA

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