



DATE: August 15, 2013

TO: Lynn Peterson, Secretary of Transportation

FROM: Julie Meredith *R/for*  
Program Director, SR 520 Program

CC: Cam Gilmour, WSDOT Chief Operating Officer  
Keith Metcalf, WSDOT Acting Chief Engineer

SUBJECT: **SR 520 Program Reserve Budget Update**

The purpose of this memorandum is to update you on the status of the SR 520 Program (Program) reserve budget and to detail actions that the Program is taking to manage budget trends and track performance. As we discussed on August 13, discussions regarding Eastside construction and delay impacts for pontoons with the respective contractors as well as trending information have led me to prepare this memo.

### **Background**

The SR 520 Program uses a variety of state-of-the-art project management tools and techniques to track cost and schedule performance. Examples include:

- A customized cost and schedule tracking system using WSDOT's Project Management and Reporting System (PMRS) in combination with a uniquely configured performance reporting system configured for mega projects.
- Trend performance reports produced at the project and program levels weekly, monthly, quarterly, and annually.
- A risk management program using an integrated database with regular predictive risk modeling updates.
- Regular confidence meetings conducted with senior program leadership.
- Regular coordination meetings with our contractors, using a "zippered" approach that aligns state field staff, managers, and executives with their contractor counterparts.

One of the key project management elements revolves around our weekly construction management reports and the weekly Monday meetings with our project teams. Each project prepares weekly construction reports. These reports are construction management tools for

project managers to see and plan for potential effects of future change orders and are intended for internal use. These reports are also used to convey to program managers cost, schedule and risk performance trends so that proactive responses can be prepared. These reports contain preliminary change order data that has not yet been or may never be agreed to, and often include very preliminary cost and schedule information. It is important to note that not all of the potential change orders contained in the weekly reports will be realized and the final cost of those items are not yet known.

The project management tools are used to spot trends in performance so that proactive management decisions can be made to optimize opportunities and minimize risk.

### **Current Situation**

Using the project management tools outlined above, the following outlines the status of the program reserve fund.

- 1) More than \$1.2 billion in active construction is underway for the new SR 520 corridor. Of that work, the Eastside is nearing completion, we're nearly halfway complete with pontoon construction, and the floating bridge continues to take shape on Lake Washington. Thirty-two of 77 pontoons are complete for the new floating bridge. \$888 million has been expended in construction for the SR 520 corridor.
- 2) On July 30, we shared with the public and media an update to the SR 520 program, including information about two change orders that were negotiated with the design-build contractors for the pontoon and floating bridge design-build contracts. Attachment 1 provides a listing of major change orders executed to date.
- 3) Following the execution of those change orders, approximately \$100 million of the original \$250 million program reserve remains.
- 4) Approximately \$84 million of the \$149.8 million of the previously executed change orders, as well as a large portion of pending and potential change items, are to address issues related to the design of the first cycle of pontoons built in Aberdeen. As the Engineer of Record, WSDOT is responsible for all effects resulting from an error in the design of the pontoons. The risk of a design error of this magnitude was not included in the 60 percent CEVP estimate which was used to establish the program budget. If the design error had not occurred, the current reserve budget would be approximately \$65.8 million, leaving a balance of approximately \$184.2 million.
- 5) The weekly reports also show schedule trends. Currently, the Pontoon Construction Project is showing the completion of the final cycle (Cycle 6) in early 2015, as opposed to the original spring 2014 schedule. As reported in July 2013, the Floating Bridge and Landings Project open to traffic date ("substantial completion") is currently forecasted for early 2016. Final completion of the project is noted as early 2017. Final completion encompasses demolition of the existing bridge and all contract close-out. Additionally,

the Eastside Transit and HOV Project is trending towards a June 2014 open to traffic date. This is six months beyond the contractor’s original open to traffic date.

- 6) Cost trends as reported in the weekly reports demonstrate that should all of the potential and pending changes materialize at the reported amounts the Program’s existing reserve budget will be exhausted.
- 7) We expect to execute additional change orders later this year, including to the pontoon contractor to address modifications for cycles 3 through 6 and to the floating bridge contractor to address time-related impacts.

Below is a summary of the SR 520 program reserve budget developed to be available for the entire program and the change orders executed for each of the three design-build contracts.

**Table 1. Summary of Initial Reserve Budget, as of August 14, 2013**

Initial SR 520 program reserve budget:	\$250.0 million
- Total executed change orders for three design-build projects	-\$149.8 million
Current SR 520 program reserve budget	\$100.2 million
- Pending and potential change orders issues	-\$228.4 million
<b>Remaining balance if ALL potential change items realized</b>	<b>-\$128.2 million</b>

*Note: The SR 520 reserve budget is available for the existing funded SR 520 program.*

*Cost estimates in the Potential Change Items vary—some are rough order of magnitude estimates by the project team, or may be from a discussion with the contractor. Many “estimates” have not been subjected to any actual cost estimating or validation, and have not begun to be negotiated with the contractor.*

I will be closely monitoring the situation and will keep you informed as we receive more information and negotiate additional change orders.

Also, weekly reports were recently requested by a public disclosure request, which WSDOT is responding to in the required timeframe. The weekly reports are technical documents not developed for public communications nor intended as a budget tool. They represent the opinion of the project manager and do not necessarily contain final budget information.

**Attachment 1. Executed change orders current as of August 14, 2013**

<b>Pontoon Construction Project</b>	<b>Total</b>	<b>\$44.4</b>
	Time delays for project Record of Decision	\$6.9
	Moorage and bollards added to pontoons in Aberdeen	\$3.4
	Cycle 1 spalling repairs	\$9.9
	Cycle 2 modifications (adding transverse post-tensioning in Aberdeen casting basin)	\$22.4
	<i>Various</i>	\$1.8
<b>Floating Bridge and Landings</b>	<b>Total</b>	<b>\$75.2</b>
	Lease agreements for Tacoma facility	\$12.0
	Urban design changes	\$6.3
	Pump wells included in pontoons for ballast	\$2.1
	Joining mock-up exercise on Lake Washington	\$2.9
	Cycle 1 repairs to four pontoons completed in dry docks or with coffer cell	\$48.8
	<i>Various</i>	\$3.1
<b>Eastside Project</b>	<b>Total</b>	<b>\$30.1</b>
	Fairweather basin permit	\$7.5
	84 <sup>th</sup> Ave. interchange change	\$5.9
	Transition work at west end of project	\$3.4
	Noise walls	\$9.1
	Soil stability	\$2.3
	<i>Various</i>	\$2.3
<b>Total</b>	<b>\$149.8</b>	

*NOTE: This is the breakdown of executed change orders for each of the three design-build projects with major changes listed. The balance of changes is summed under "various." Numbers may not total due to rounding.*