



SACOG Board of Directors

February 14, 2008

Cost Savings on Yuba County Route 70 Freeway Project

Issue: What position does SACOG want to assert regarding the findings and disposition by California Transportation Commission (CTC) of \$43,640,000 in savings from a low contractor's bid for the Route 70 freeway project in Sutter and southern Yuba Counties?

Recommendation: The Transportation Commission directed staff, with certain conditions, to ask the CTC at its February 14 meeting to credit back to the regional share cost savings in the proportional amount that SACOG programmed to this project in 2006 and 2007 (26.8%), and likewise back to Caltrans the proportional additional amounts it put into the project in 2006 and 2007 (73.2%); staff did so, but CTC put the issue over for reconsideration at its March 12-13 meeting, so the Transportation Committee can now ask the Board to approve and reinforce its direction.

Committee Action/Discussion: State statutes (AB 608 of 2002) allow CTC at its discretion to credit savings back to the source of programming when contractors' bids come in more than 20% below the amount allocated for project construction (the engineer's final project cost estimate) on state highway projects in the State Transportation Improvement Program (STIP). CTC approved the only two prior cases that came up since 2002. Typically CTC policy would split the savings according to proportional shares of overall project cost (10.4% to SACOG and 89.6% to Caltrans) as shown in the STIP and as allocated.

CTC allocated \$126,000,000 for the Sutter/Yuba Route 70 freeway project in June 2007, and Caltrans awarded a contract to the low bidder at \$77,562,000 (plus a contingency of \$4,798,000) in November, yielding a savings of \$43,640,000 (35%). Caltrans asked the CTC to credit the savings back to Caltrans' share (89.6%) and SACOG's regional share (10.4%), in proportion to the sources that comprised the \$126,000,000 programmed.

This project has a long history, originally programmed in the 1998 and 2000 STIPs, as two projects with a combined \$72,530,000 construction cost, 100% from Caltrans interregional funds. By the 2004 STIP, the cost stood at \$77,230,000, still 100% from Caltrans. In the 2006 STIP, the estimated construction cost increased to \$90,000,000, and SACOG put in \$4,200,000 (4.7%) of the total from Sutter County's part of the regional share with Caltrans providing the rest. In the 2007 STIP Augmentation, the estimated construction cost increased to \$126,000,000, and SACOG put in an additional \$8,856,000 from Yuba County's part of the regional share, bringing SACOG's proportional share to 10.4% of the total, with Caltrans again providing the rest. Caltrans proposes to divide the savings 89.6% to Caltrans and 10.4% to SACOG's regional share, in accordance with CTC past practice. Yuba County asserts that savings should be divided according to last dollars in, on the basis that the programmed amount in 2004 was enough to build the project and supplemental programming in 2006 and 2007 should never have been needed. Both Yuba and Sutter Counties have pledged to use the savings for nearby projects on State Routes 70 and 99, which both CTC and Caltrans should favor. Caltrans was prepared to support SACOG's position in this case, but CTC staff raised the issue of precedent, given that CTC expects to deal with further large cost savings because a lot of bids currently are coming in low all over the state. CTC asked Caltrans and SACOG to reexamine and reconsider this issue and bring it back to CTC at its March 12-13 meeting. Precedent, subsequent use of the savings, and technical arguments about when Caltrans should have known contractor bids were turning low all may enter into the discussion. A few other regions might support us in principle or in anticipation of upcoming opportunities.

Approved by:

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