



COMMONWEALTH of VIRGINIA

Commonwealth Transportation Board

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Agenda item # 1

RESOLUTION OF THE COMMONWEALTH TRANSPORTATION BOARD

July 18, 2018

MOTION

Made By: Mr. Kasprovicz, Seconded By: Ms. Hynes
Action: Motion Carried

Title: SMART SCALE Project Re-Scoring for Route 7 Corridor Improvements Phases 1 and 2 Project in the County of Fairfax (UPCs 99478 and 106917)

WHEREAS, section 33.2-214.1 of the *Code of Virginia*, provides that the Commonwealth Transportation Board (Board) shall develop a statewide prioritization process for certain projects funded by the Board, including those projects allocated funds pursuant to sections 33.2-358, 33.2-370 and 33.2-371 of the *Code of Virginia*, and

WHEREAS, on June 17, 2015 the Board adopted a statewide prioritization policy and process pursuant to Section 33.2-214.1 and directed the Commissioner of Highways, the Department of Rail and Public Transportation and the Office of Intermodal Planning and Investment to take all actions necessary to implement and administer the policy and process adopted on June 17, 2015 (collectively the HB2 Prioritization Policy and Process), including but not limited to issuance of a Policy Guide consistent with the intent of the policy and process; and

WHEREAS, on July 28, 2016, the Board rescinded the HB2 Prioritization Policy and Process previously adopted on June 17, 2015 and adopted a revised policy and process to govern screening, scoring and selecting projects for funding pursuant to Section 33.2-214.1 (SMART SCALE Prioritization Process); and

WHEREAS, on October 24, 2017, the Board rescinded the SMART SCALE Prioritization Process previously adopted on July 28, 2016 and adopted a revised SMART SCALE Prioritization Process to govern screening, scoring and selecting projects for funding pursuant to Section 33.2-214.1 ; and

WHEREAS, a revised Policy Guide consistent with the SMART SCALE Prioritization Process was issued and posted at SmartScale.org; and

WHEREAS, Item 10 of the Board's SMART SCALE Prioritization Process provides that a project that has been selected for funding must be re-scored and the funding decision re-evaluated if there are significant changes to either the scope or cost of the project, such that the anticipated benefits relative to funding requested would have substantially changed; and

WHEREAS, Item 10.a. of the Board's SMART SCALE Prioritization Process further provides that if an estimate increases prior to project advertisement or contract award that exceeds the following thresholds, and the applicant is not covering the increased cost with other funds, Board action is required to approve the budget increase:

- i. Total Cost Estimate <\$5 million: 20% increase in funding requested
- ii. Total Cost Estimate \$5 million to \$10 million: \$1 million or greater increase in funding requested
- iii. Total Cost Estimate > \$10 million: 10% increase in funding requested; \$5 million maximum increase in funding requested; and

WHEREAS, the Route 7 Corridor Improvements Phases 1 and 2 Project (UPCs 99478 and 106917), (Project), was submitted for consideration and selected for \$79.8 million in funding through the District Grant Program and \$39.8 million in funding through the High Priority Projects Program for a total of \$119.6 million in funding in the first round of the prioritization process; and

WHEREAS, the Route 7 Widening Phase 1 and Phase 2 projects were the two lowest ranked funded projects in Round 1 in the Northern Virginia District with scores of 1.054 and 1.159, respectively; and

WHEREAS, the Project is being developed and procured following a Design-Build contracting method; and

WHEREAS, the Virginia Department of Transportation (VDOT) opened price proposals March 29, 2018 and determined that the price proposals were responsive and represented good competition; and

WHEREAS, review of the initial price proposals indicated that the contract value exceeded the approved budget by approximately \$95 million; and

WHEREAS, VDOT continued to work with Offerors to evaluate options for bringing the cost more in line with the previously approved budget; and

WHEREAS, VDOT recommended changes to technical requirements and a modification to the original Project scope to replace the half interchange at Baron Cameron Avenue with an

improvement of the existing at-grade intersection to include a triple left turn from Route 7 westbound; and

WHEREAS, the recommended revised scope has been qualitatively reviewed and no negative impact to Project benefits is anticipated; and

WHEREAS, VDOT received final price proposals on June 28, 2018; and

WHEREAS, the contract value exceeds the approved budget by \$80 million, which exceeds the threshold established by the Board's SMART SCALE Prioritization Process and requires Board action to approve the budget increase; and

WHEREAS, VDOT was committed to partnering with Fairfax County to identify funding necessary to deliver this important project and the benefits associated with it by sharing equally in the budget increase provided that VDOT's share did not exceed \$40 million; and

WHEREAS, on June 19, 2018, the Fairfax County Board of Supervisors approved additional funding for the Project in the amount of up to \$40 million.

WHEREAS, VDOT recommends CTB approval of a SMART SCALE budget increase in the amount of \$40 million using cost savings from awarded High Priority Projects statewide and awarded Construction District Grant Projects in the Northern Virginia District, and undistributed balances of Northern Virginia Construction District Grant funds.

NOW THEREFORE BE IT FURTHER RESOLVED, by the Commonwealth Transportation Board, that the SMART SCALE budget increase of \$40 million for the Project, using cost savings from awarded High Priority Projects statewide and awarded Construction District Grant Projects in the Northern Virginia District, and undistributed balances of Northern Virginia Construction District Grant funds, is approved provided that the additional SMART SCALE funding approved herein is matched by funding from Fairfax County.

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CTB Decision Brief

SMART SCALE Project Re-Scoring for Route 7 Corridor Improvements Phases 1 and 2 Project in the County of Fairfax (UPCs 99478 and 106917)

Issue: The Route 7 Corridor Improvements Phases 1 and 2 (Project) was selected for funding under the Commonwealth Transportation Board's (Board) SMART SCALE Prioritization Policy/Process and, based on initial price proposals received by the Virginia Department of Transportation (VDOT), the anticipated contract value exceeded the approved budget by approximately \$95 million. Based on final negotiations, the contract value exceeds the approved budget by \$80 million. VDOT recommends sharing the cost increase equally with Fairfax County and requests a SMART SCALE budget increase of \$40 million. Board approval of the budget increase is required.

Facts:

Item 10 of the Board's SMART SCALE Prioritization Policy/Process, adopted October 24, 2017, provides that a project that has been selected for funding must be re-scored and the funding decision reevaluated if there are significant changes to either the scope or cost of the project, such that the anticipated benefits relative to funding requested would have substantially changed.

Item 10.a. of the Board's SMART SCALE Prioritization Process states that if an estimate increases prior to project advertisement or contract award that exceeds the following thresholds, and the applicant is not covering the increased cost with other funds, Board action is required to approve the budget increase:

- i. Total Cost Estimate <\$5 million: 20% increase in funding requested
- ii. Total Cost Estimate \$5 million to \$10 million: \$1 million or greater increase in funding requested
- iii. Total Cost Estimate > \$10 million: 10% increase in funding requested; \$5 million maximum increase in funding requested

Route 7 Corridor Improvements Phases 1 and 2 Project (UPCs 99478 and 106917) was submitted for consideration and selected for \$79.8 million in funding through the District Grant Program and \$39.8 million in funding through the High Priority Projects Program for a total of \$119.6 million in funding in the first round of the prioritization process. The Route 7 Widening Phase 1 and Phase 2 projects were the two lowest ranked funded projects in Round 1 in the Northern Virginia District with scores of 1.054 and 1.159, respectively.

The Project was developed and procured using a Design-Build contracting method. VDOT opened price proposals March 29, 2018 and determined that the price proposals were responsive and represented good competition. The lowest price proposals exceeded the estimated contractor's price by approximately \$95 million. VDOT initiated the Best and Final Offer (BAFO) process permitted under the Design-Build procurement process and worked with Offerors and stakeholders to identify measures that reduce cost. VDOT received final price proposals June 28, 2018 and based on the final price proposals, the contract value will exceed the approved budget by \$80 million.

Decision Brief

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Higher than anticipated price proposals received from Offerors were influenced by several factors, including high risk attributable to a significant number of complex utility relocations, including the \$200 million upgrade project by Washington Gas (in the same project footprint and in the same timeframe) and relocation of a 54" diameter water line; restrictive provisions in the technical proposal limiting the Offerors' ability to avoid utilities; more than 230 property transactions for the right of way; accelerated construction schedule; and possible increase in unit prices due to a competitive market for construction resources (multiple, ongoing, large scale projects in Northern Virginia).

VDOT identified cost savings due to changes in technical requirements and a modification to the original Project scope to replace the half interchange at Baron Cameron Avenue with an improvement of the existing at-grade intersection to include a triple left turn from Route 7 westbound. No negative impact to Project benefits is anticipated.

VDOT committed to partnering with Fairfax County to identify funding necessary to deliver this important project and the benefits associated with it by sharing equally in any budget increase, provided VDOT's share did not exceed \$40 million. On June 19, 2018, the Fairfax County Board of Supervisors approved additional funding for the Project in the amount of up to \$40 million. VDOT recommends CTB approval of a SMART SCALE budget increase in the amount of \$40 million using cost savings from awarded High Priority Projects statewide (\$26,798,584) and awarded Construction District Grant Projects in the Northern Virginia District (\$9,658), and undistributed balances of Northern Virginia Construction District Grant funds (\$13,191,758).

Recommendations:

Approval of the SMART SCALE budget increase of \$40 million, using cost savings from awarded High Priority Projects statewide and awarded Construction District Grant Projects in the Northern Virginia District, and undistributed balances of Northern Virginia Construction District Grant funds, is recommended.

Action Required by CTB: The CTB will be presented with a resolution for a formal vote to approve the SMART SCALE budget increase.

Result, if Approved: If approved, funds will be transferred so that the contract can be awarded.

Options: Approve, Deny, or Defer.

Public Comments/Reactions: None