



Memorandum

Date: June 19, 2019
To: Transportation Authority Board
From: Eric Cordoba – Deputy Director for Capital Projects
Subject: 06/25/19 Board Meeting: Update on the Study of Governance, Oversight, Finance and Project Delivery of the Downtown Extension

<p>RECOMMENDATION <input checked="" type="checkbox"/> Information <input type="checkbox"/> Action</p> <p>None. This is an information item.</p> <p>SUMMARY</p> <p>At the request of the Board, Transportation Authority staff convened a multi-disciplinary expert peer review panel to assess the current and alternative governance, management, oversight, finance and project delivery of the Downtown (DTX) project. This direction stemmed from the Board’s recognition of the significance of the project and the desire to ensure its success. The purpose of this memo is to update the Board on the expert panel’s preliminary findings and recommendations resulting from that study. Members of the Expert Panel will present initial findings at this meeting.</p>	<p><input type="checkbox"/> Fund Allocation</p> <p><input type="checkbox"/> Fund Programming</p> <p><input type="checkbox"/> Policy/Legislation</p> <p><input type="checkbox"/> Plan/Study</p> <p><input checked="" type="checkbox"/> Capital Project Oversight/Delivery</p> <p><input type="checkbox"/> Budget/Finance</p> <p><input type="checkbox"/> Contract/Agreement</p> <p><input type="checkbox"/> Other:</p> <hr/>
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DISCUSSION

On October 23, 2018, the Transportation Authority Board unanimously voted to suspend the funding agreement with the Transbay Joint Powers Authority (TJPA) for the DTX. Recognizing the local and regional significance of the project, the technical and institutional complexity, the high price tag, and limited funding identified to date, the Transportation Authority Board commissioned this review of current and best practices for governance, oversight, management, funding and project delivery of the DTX. To that effect, staff convened a multidisciplinary panel of the following experts with local, national, and international experience:

- Geoff Yarema, Nossaman
- John Porcari, WSP
- Francisco Fernandez, SENER
- Ignacio Barandiaran, ARUP
- Lou Thompson, Thompson Consulting
- Alvaro Relano, SENER
- Howard Permut, Permut consulting
- José Luis Moscovich, IDS
- John Fisher, WSP
- Karen Frick, UC Berkeley

In leading this effort, staff was assisted by Lillian Hames of WSP and Shannon Peloquin of McKinsey & Company.

Approach.

The effort consisted of research, expert interviews, and a series of workshops, with participation by key stakeholders: Caltrain, California High-Speed Rail Authority (CHSRA), TJPA, Metropolitan Transportation Commission (MTC), Alameda/Contra Costa County Transit District (AC Transit), the SF Mayor's Office, SF Planning, San Francisco Municipal Transportation Agency (SFMTA), SPUR and San Francisco County Transportation Authority (SFCTA).

The following activities informed the panel's deliberations:

- 1) Review of project data, including environmental documentation, cost and funding plans and studies, project delivery studies, conceptual design, construction methodology, property acquisition needs, previous studies, and operations analyses, among others.
- 2) Stakeholder interviews, conducted by WSP/McKinsey to understand their perception of and interests in the project, level of support, and expectations for the future.
- 3) Multiple workshops with stakeholders and TJPA staff.
- 4) Case studies of relevant megaprojects including lessons learned from London Crossrail Program, Gateway Project in New York/New Jersey, San Francisco Oakland Bay Bridge Program, California High Speed Rail Program, and Atocha-Chamartin High Speed Rail tunnel and station in Madrid.
- 5) Extensive Expert Panel discussions, analysis, and key findings, leading up to recommendations.

The panel held a workshop with stakeholders on June 5 to review preliminary findings and recommendations. Stakeholder provided feedback and input on the initial recommendations and proposed strategic 24-month "transition period" work program to prepare the project for implementation.

Initial Recommendations

- 1) Rail Program Re-Positioning:
 - a. **Re-position the Rail Program** such that it is developed and delivered by a highly collaborative inter-agency team and viewed as a "project of REGIONAL, STATEWIDE and NATIONAL significance"
 - b. **Re-define program value proposition** as providing a critical connectivity link for current and future developing megaregional rail services – Caltrain, Muni, BART, CAHSR – and serve as planning platform for future connections like a new Transbay Rail crossing, Diridon intermodal and possible new transbay Dumbarton rail service
 - c. **Re-name the program and series of complimentary projects** to reflect this regional priority and and regional role – e.g. Phase 1 of an eventual Transbay Rail Crossing.
 - d. **Secure long-term, durable support** of key local, regional, state, and federal elected officials and stakeholders

- e. **Engage the public directly** to build program support and advance social equity, environmental, economic development and other regional goals
 - f. **Identify and empower** internal and external program champions to drive progress
- 2) Rail Program Funding:
- a. **Re-evaluate and strengthen the project's current funding plan** to separate high confidence level from low confidence level revenue sources, identify new and emerging potential sources, establish an affordability limit for initial operating phase, and seek new grant opportunities to support project development
 - b. **Establish a credible long-term financial plan, with stakeholder input**, to secure the amount and timing of capital and operating funding needed to deliver each element of the program, accommodating capacity and operational needs over time
- 3) Rail Program Project Delivery:
- a. **Conduct a structured market sounding program** to gain direct input on specific technical, financial, operational interface and risk drivers from the private sector
 - b. **Perform a robust delivery options analysis** considering the full range of approaches including: Design-Bid-Build (DBB), Design-Build (DB), Design-Build-Maintain (DBM) and Design-Build-Maintain-Finance (DBFM), to determine which optimizes “value for money”
 - c. **Scope preliminary engineering** to align with selected project delivery method and revised available funding to mitigate cost/schedule risk and support an initial operating phase
 - d. **Help forge and incorporate comprehensive agreements with Caltrain and CHSRA**, on issues such as operations specifications, capacity requirements, and amount and timing of capital and operations and maintenance funding
- 4) Rail Program Governance and Oversight:
- a. **Reviewed governance and oversight** best practices, models and lessons learned from similar mega-project experience and program case studies
 - b. **Identified key criteria for organizational success**, related to board and executive team roles and responsibility; reporting and transparency; staffing levels/mix and capacity; as organizational culture; funding/financing, delivery expertise, risk management and rail operations
 - c. **Still evaluating, with stakeholder input**, various structural models against these criteria and intend to provide findings and recommendations at the July 23rd Board meeting

Two-Year Work Plan.

The expert panel believes that certain activities need to take place over the next two years to better position the project for success, regardless of the governance and oversight structures chosen. This plan will re-envision the program, identify the governing entity and organization with a clear mandate and capability to implement it, and select a project delivery method. This Work Plan is included as Attachment 1.

Next Steps.

1. Continue stakeholder and CAC engagement
2. Transportation Authority Board Update on July 23
3. Final Report complete by July 23
4. Presentation to TJPA and TJPA CAC at upcoming meetings

FINANCIAL IMPACT

None. This is an information item.

CAC POSITION

The CAC will be briefed on this item at its June 26th meeting.

SUPPLEMENTAL MATERIALS

Attachment 1 – DTX Two-Year Work Plan

Attachment 1: DTX Two-Year Work Plan

2-Year DTX Work Plan to re-envision the Program, establish the governing entity and organization with a clear mandate and capability to implement it, and select a project delivery method

	Task	Description	2019		2020				2021	
			Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
(0) Stakeholder Engagement	0.1	Conduct strategic review of stakeholder support and process: (a) mapping across level of support and importance to success; (b) develop clear statement of objective(s) for engagement; (c) update tracking system to manage engagement; and, (d) develop transition plan and agreements.								
		Decision: confirm and adopt strategy for stakeholder engagement, including transition plan and agreements		◆						
	0.3	On-going stakeholder engagement and management to support Tasks 1-3 below: (a) execute transition plan and agreements; (b) maintain clear records of engagement; (c) manage key initiatives to address issues; and, (d) track responsibility and accountability of all engagement processes.								
(1) Fundable & Deliverable Program	1.1	Identify the full list of STC users and their requirements: (a) Caltrain and CHSR based on their current/updated Business Plans; (b) transit riders; and, (c) New Transbay Crossing based on 2018 State Rail Plan, regional rail plan, and current BART/CCJPA planning study.								
	1.2	Prepare a Strategic Options plan: (a) demand vs capacity scenario analysis over time; (b) side-by-side comparison of benefits (economic, riders, housing, etc), costs, schedules, operations, etc.; and, (c) plan to resolve critical operational issues for all users. <i>Include PAX and Rail Yards.</i>								
	1.3	Develop and confirm Funding Plan strategy: (a) plan funding for construction and operations for all phases (DTX, PAX, etc); (b) assessment of high/ low confidence sources; (c) development of new/innovative sources incl. joint development (eg, Rail Yards); and, (d) alignment as Project of Regional and National Significance with regional priority.								
	1.4	Prepare a Preferred Phasing Plan based on the outcomes of Tasks 1.1-1.3: (a) options in response to different rail service scenarios; (b) work plan for on-going tasks (engineering, planning, permits, etc); and, (c) recommendations for on-going risk management.								
		Decision: select project definition, phasing plan, and funding plan strategy					◆			

