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Memorandum

AGENDA ITEM 12

DATE:	October 2, 2019 <mark>(revised October 18, 2019)</mark>
то:	Transportation Authority Board
FROM:	Eric Cordoba – Deputy Director for Capital Projects
SUBJECT	10/08/19 Board Meeting: Accept the Downtown Ba

SUBJECT: 10/08/19 Board Meeting: Accept the Downtown Rail Extension Peer Review Panel's Final Report on Governance, Oversight, Management and Project Delivery

RECOMMENDATION	□ Information	Action	Fund Allocation
Accept the Downtown Rail Extension	on Peer Review Par	nel's Final Report	□ Fund Programming
on Governance, Oversight, Manage	ement and Project	Delivery.	Policy/Legislation
			Plan/Study
SUMMARY At the request of the Board, Transp a multi-disciplinary expert peer rev and alternative governance, manag project delivery of the Downtown F direction stemmed from the Board the project and the desire to ensur provided an update on the panel's Board meeting. Members of the ex findings at the October 8 Board me in Attachment 2.	view panel to assess gement, oversight, Rail Extension (DTX 's recognition of th re its success. Pane preliminary finding spert panel will pre	s the current finance and) project. This le significance of members gs at the June 25 sent the final	 Capital Project Oversight/Delivery Budget/Finance Contract/Agreement Other:

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 investment cost, 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:



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

The study team and peer review panel was additionally supported by WSP and 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 or Transportation Authority).

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 various workshops with stakeholders to review preliminary findings and recommendations. Stakeholders provided feedback and input on the initial recommendations and proposed strategic 24-month "transition period" work program (Attachment 1) to prepare the project for implementation. This was followed by a series of staff meetings with stakeholders, both individually and as a group, to further discuss their comments and observations.

Final Recommendations.

The final panel recommendations cover the following areas:

- 1) Program Re-Positioning
- 2) Program Governance, Management and Oversight
- 3) Program Funding and Financing
- 4) Program Definition and Phasing

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5) Program Development and Delivery

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. The work plan includes progressing DTX engineering work to a level that informs project phasing analysis and decision-making. This work would be followed by additional design engineering, in concert with project delivery method analysis, to ready the project for procurement.¹ Key activities include:

- 1. Development of realistic funding assumptions and securing of capital and operating and maintenance revenues sufficient for the initial phase
- 2. Resolution of design criteria, capacity requirements, and access and schedule commitments
- 3. Refining Rail Program scope and any indicated phasing
- 4. Recommending the preferred structure for optimal governance for and management of the Rail Program
- 5. Preparation for carrying out the Program beyond the 2-Year Work Plan or transferring subsequent responsibilities to a successor entity and management team.

This Work Plan is included as Attachment 1.

Implementation.

Over the last few months, we have been discussing with the city and regional stakeholders the means by which the panel's recommendations may be implemented, as well as the barriers that could affect such implementation. As a result, we have developed draft principles under which a Memorandum of Understanding (MOU) among the participating agencies may be enacted and are working on refining the principles with input from the other stakeholders.

Understanding that it may take some time for the parties to settle on the appropriate language for the MOU, we hope that an agreement by the parties to enter into an MOU based on the said set of principles will enable the Integrated Project Team and the Executive Steering Committee to be instituted so that work can proceed without further delay. To that effect, we are working with relevant stakeholders on a suite of related funding actions to support DTX and the broader regional rail program, complementing the existing allocation of Prop K funds to the Planning Department for the Caltrain 22nd Street Study. These actions, which will enable the program to move forward, include funding for: planning, funding support and program management support as well as phasing, review and engineering design for DTX; pre-environmental engineering for the Pennsylvania alignment; Caltrain's systemwide storage and needs assessment to inform the needs at the 4th and King railyard; and overall rail program coordination and oversight.

Next Steps.

1. Presentation to TJPA and TJPA CAC at upcoming meetings.

¹ This clarification is in response to questions received during outreach following presentation of the Expert Peer Review Panel's Final Report to the Transportation Authority Board on October 8.



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- 2. Develop and execute the MOU.
- 3. Prepare and support preparation of allocations and appropriations to move the program of projects forward. These requests would be presented to the Transportation Authority CAC and Board for approval.

FINANCIAL IMPACT

There are no impacts associated with acceptance of the final report. Implementation of recommendations related to allocation or appropriation of Transportation Authority funds would be the subject of future Board actions.

CAC POSITION

The CAC will be briefed on this item at its October 23 meeting.

SUPPLEMENTAL MATERIALS

- Attachment 1 DTX Two-Year Work Plan
- Attachment 2 Presentation Summary of Findings
- Enclosure 1 Peer Review Panel Final Report (Revised 10/17/19, to correct Acknowledgments page)

щ	Task	Sub tool: Description	20	19	2020)21
#	Task	Sub-task Description	Q3	Q4	Q1	Q2	Q3	Q4	Q1	0
	Decision: p	ath forward informed by expert panel recommendations	•							
		(a) Workshop(s) with stakeholders to establish IPT governance and staffing, develop transition plans and multi-party MOU, incl. seamless shared agreement for the Rail Program								
	Establish Integrated Project Team (IPT), develop transition	(b) Allocate and define roles and responsibilities for all Work Plan tasks, incl. allocation of tasks to be led by IPT vs. tasks to be coordinated with other agencies								
0.1	plans, and stakeholder engagement to re-	(c) Organize seconded and/or recruited staff for the IPT capable of carrying out the 2-year work plan, including identification of program manager and other support								
	position the Rail Program	(d) Secure stakeholder commitments for steering committee and conduct stakeholder mapping across level of support and importance to success								
		(e) Develop clear statement of objectives as Project of Regional and National Significance with regional priority, and clear objectives and tracking system for stakeholder engagement								
Dec	ision: adopt plans and a	greements for transitional governance, IPT staffing and organization, and stakeholder engagement plan								
0.2	Ongoing management and stakeholder	 (a) Execute and implement transition plan and agreements (b) Ongoing oversight and management in the transition phase (c) Maintain clear records of stakeholder engagement (d) Manage key initiatives to address issues 								
	engagement	(e) Track accountability of all stakeholder engagement processes								
1.1	Identify the full list of STC users, direct and indirect, and relevant plans	Caltrain and CHSR based on their current/updated Business Plans; transit users; and, New Transbay Crossing based on 2018 State Rail Plan, regional rail plan, and current BART/CCJPA planning study								
		(a) Planning, operational, and engineering studies to achieve project re- definition and initial operating phase, incl. planning and environmental permitting requirements								
	Prepare re- definition plan to establish an initial operating phase at	(b) Conduct PAX pre-environmental/environmental and coordinate w/ Rail Yards development planning (per MOU) and 22 nd Street Station study led by SF Planning								
1.2	the earliest possible date and address other program	(c) Perform demand vs capacity scenario analysis over time and side-by- side comparison of options in terms of benefits (economic, riders, housing, etc), costs, schedules, operations, etc.								
	components including PAX, Rail Yards, 22 nd Street Station, and the STC through-station concept to support Transbay Rail/BART	(d) Develop detailed cost estimates, schedules, and extensive risk register and analysis based on structured workshops, incl. risk management program and independent reviews								
		(e) Develop plans for utility relocations and ROW requirements, including risk management and insurance plans, early works packages, and third party agreements as needed								
	(f) Resolve critical operational issues for all users of the initial operating phase, conduct operational analysis, and coordinate operators' plans and requirements									

#	Task	Sub tool: Description	20	19		2021				
#	TASK	Sub-task Description	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q
	Develop and confirm Funding Plan strategy for	(a) Develop funding plan for construction and operations, incl. definition of affordability limit, inter-agency responsibilities, securing commitments, schedule of availability, and tasks to enter FTA funding process								
1.3	the Rail Program based on realistic funding	(b) Conduct assessment of high/ low confidence sources of funding with focus on funding initial operating phase and funding strategy of subsequent phases								
	assumptions and securing of capital and O&M revenues sufficient for the initial phase	(c) Develop new/innovative funding and financing sources including joint development (eg, Rail Yards) enabled by Project Re-Definition strategy								
		(d) Develop funding plan for operations phase, incl. funding agreements and commitments to support initial operating phase operating costs								
1.4	Prepare a preferred Phasing Plan conforming with evolving policy direction on	(a) Prepare Rail Program phasing options in response to rail service scenarios, funding sources and availability, and stakeholder requirements								
	realistic amounts/timing of funding and stakeholder delivery date	(b) Develop detailed work plan for ongoing tasks (engineering, planning, permits, etc)								
	expectations - with an explicit goal to deliver rail service to the STC at the earliest possible date	(c) Develop detailed risk management and assurance plans including ownership, staffing, independent strategic advisor / independent engineer, and management processes								
	Decision: selec	t project definition, phasing plan, and funding plan strategy								
1.5	Ongoing development of technical and funding studies to support Tasks 1 and	Funding plan development, engineering analysis and design, cost estimates, scheduling, risk analysis and risk management, operational analysis, planning of future phases, permitting, early works to support initial operating phase, etc.								

2-Year Work Plan to get a re-envisioned Rail Proaram back on schedule. establish the final institutional arrangement with a clear mandate

щ	Teels	Teals Cub Arab Decembritien	20	19		202				
#	Task	Sub-task Description	Q3	Q4	Q1	Q2	Q3	Q4	Q1	C
		(a) Detailed study to identify the governance structure to enable								
		stakeholder alignment, effective mega-project delivery, oversight,								
	Define	independent strategic advice, and assurance. Give strong consideration								
	responsibility for	to options such as single purpose construction authority (e.g., those								
	final institutional	used by LA Metro), Regional rail development and construction								
	arrangement and	management approach (e.g., discussed in organizational assessment of								
	preferred structure	Caltrain's latest business plan), or others. Stress-test options to								
	for optimal	maximize opportunities for Federal funding as a Project of Regional and								
	governance for and	National Significance.								
2.1		(b) Develop management structure, briefs with roles and								
	Rail Program from	responsibilities, staffing qualifications, reporting and communication								
	completion of the	protocols, contracting, and staffing plan								
	workplan to at least	(c) Conduct assessment with Strategic, Economic, Commercial,								
	the point of	Financial, Management cases and considering responsibilities for O&M								
	revenue service for	of new trackage and the rail portion of STC								
	the initial phase.	(d) Develop outcomes-based performance and sourcing management								
	•	system, regime of Key Performance Indicators (KPIs), and stage-gated								
		decision making protocols								
Decisio	on: confirm and adopt fi	nal institutional arrangement for project delivery, organization, agreements,								
		and staffing								
	Transition to final institutional arrangement and organization	Preparation for carrying out the Program beyond the 2-Year Work Plan								
		or transferring subsequent responsibilities to a successor entity and								
2.2		management team. Execution and implementation of Task 2.1								
		outcomes in coordination with the selected project delivery method								
	organization	from Task 3.2.								
	Qualitative delivery	Conduct market sounding through an RFI and other tools with								
3.1	options analysis	infrastructure industry and update the qualitative delivery options								
	options analysis	analysis previously completed.								
		(a) Conduct workshops to allocate risk based on risk analysis from Tasks								
		1.2 and 1.5, and develop analysis and plans for insurance								
		(b) Conduct project delivery options analysis based on a business case								
		and risk-adjusted financial analysis, including input from the market								
	Quantitative	sounding in Task 3.1								
3.2	delivery options	(c) Analyze legal framework and issues for delivery options,								
0	analysis	procurement, and development of contracts								
	unuryois	(d) Develop a strategic implementation roadmap including a								
		procurement and contracting plan, risk management plan, and								
		organizational requirements								
		(e) Scope pre-procurement engineering and early works contracts								
		tailored to the delivery options								L
	Decision: select	delivery option for the Rail Program's initial operating phase							<	
	Start procurament	The following to be led by the final institutional arrangement team								
	Start procurement	based on the selected phasing plan and project delivery method for the								1
	tasks as applicable	initial operating phase: For-construction plans and engineering, costing,								
	based on selected	scheduling, performance specifications, funding, outreach,								
	project delivery	procurement documents including RFQ/RFP, ongoing planning of later								1
	method and scoping				1					1

Downtown Extension Project Expert Panel

Final Report Summary of Recommendations

SFCTA Board Meeting October 8, 2019

Key Stakeholders Involved

TJPA





San Francisco County Transportation Authority

Caltrain JPB



CHSRA



SF Mayor's Office



MTC/BATA

AC Transit

SFMTA

SPUR

CCSF







SPUR



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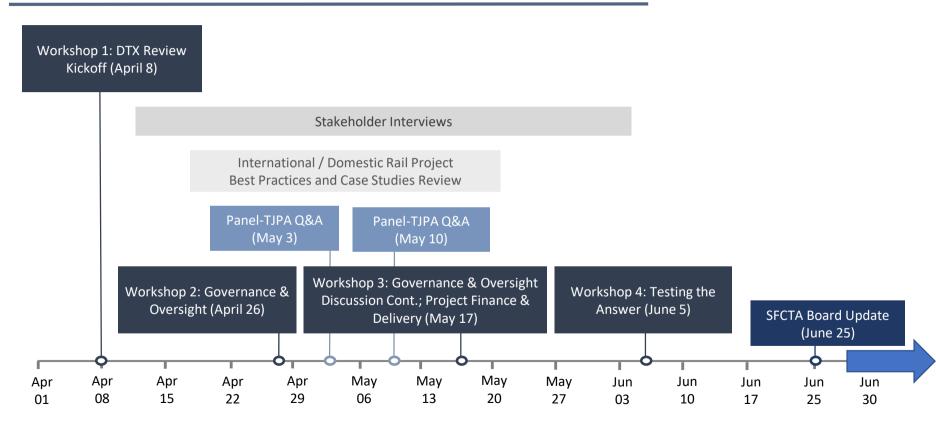
Associate Professor of City and Regional Planning, UC Berkeley

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John Fisher WSP, Northern CA District Manager



The Expert Panel's final recommendations are focused around five key areas:

- 1. Program Positioning
- 2. Governance, Management and Oversight
- 3. Funding and Financing
- 4. Program Definition and Phasing
- 5. Program Development and Delivery

All elements of the Panel's recommendations, key findings and methodology are described in more detail in the Final Report. In addition, the Panel has developed a recommended 2-year workplan to advance these recommendations.

Rail Program Re-positioning (1/2) Recommendations

- 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 and NATIONAL significance"
- Re-define Program value proposition as critical connectivity link for current and future developing megaregional and state rail services – Caltrain, Muni, BART, CAHSR – and serve as planning platform for future connections like a new Transbay Rail crossing, Diridon intermodal station and new Dumbarton rail service
- Re-name the Program and the series of complementary projects that include 4th/King, Pennsylvania Avenue and possible new Caltrain yard to reflect this regional priority and its new positioning

Rail Program Re-positioning (2/2) Recommendations

- Secure long-term, durable support of key local, regional, state, and federal elected officials and stakeholders
- Engage the public directly to build program support and advance social equity, environmental, economic development and other regional goals
- Identify and empower internal and external program champions to drive progress
- Agree on project scope with Caltrain, CHSRA and other possible rail operators

Introduction: Governance, Management and Oversight Recommendations

The panel feels strongly that, in the current funding environment, the **project is at high risk of not materializing unless its governance, management, and oversight issues (as well as other areas detailed in the report) are addressed** to enable change in project direction and strategy. These changes are needed to:

- Further integrate the project into regional rail system goals
- Increase its cost effectiveness
- Better align it with demand trends with the availability of resources over time
- And, in sum, to make it truly competitive for regional, state, and federal funding

Governance changes recommended are intended to **expedite the two-year process to put the project on a viable path to delivery**, and describe a <u>transitional arrangement</u> to ensure project readiness (not the final management structure for project delivery).

The recommendation for a final institutional arrangement for project delivery will be an <u>output</u> of this two year process.

Refocus the responsibilities of the TJPA's management team, as currently constituted or in a refined form, on:

- Closing out the Salesforce Transit Center design and construction contracts and any outstanding claims
- Resolving potential third-party liabilities associated with the Salesforce Transit Center and related facilities
- **Operating and managing the STC** and related facilities

Subject to direction on policy and legal issues, enter into a memorandum of understanding (MOU) among the TJPA, Caltrain, MTC, CHSRA, CCSF and SFCTA pursuant to which:

- Day-to-day responsibility and staffing of DTX program and program level decision-making authority would be transferred to an **Integrated Program Team (IPT)**
- Transfer would become effective no later than end of calendar year 2019, with an appropriate IPT management structure and brief based on rail megaproject development and delivery best practices
- The IPT would be composed of staff seconded from or recruited by MTC, SFCTA, TJPA, CHRSA, CCSF and Caltrain, with proven leadership, organizational acumen, and relevant experience in delivering tasks in the transitional 2-Year Work Plan, with additional support as needed

The IPT actions would be subject to an **organizational matrix specifying approvals the IPT would** need for decisions and reporting to the TJPA Board through:

- An Executive Steering Committee (ESC) comprised of the Executive Directors of IPT member agencies, with the ability to appoint a technical advisory committee (TAC) or group of deputy directors reporting to the ESC to advance decisions / provide oversight of project funding and delivery
- An **IPT program director** reporting to the ESC with management responsibility of all activities contemplated in the 2-Year Work Plan

Governance, Management and Oversight Recommendations (4/5)

- **Explicit requirement of concurrence by MTC, SFCTA, Caltrain, CCSF and CHSRA** on at least the following key items, without which the TJPA could not act and funding contributions could not flow into the project:
 - **Recruitment and selection of an IPT program director** with demonstrated experience planning and delivering urban rail megaprojects
 - Scoping of the study and undertaking design engineering to produce the definition of an initial phase and final phase of the Rail Program, its optimal delivery methodology, and a clarification of the relationship to the larger regional rail context
 - Approval of the study once finalized
 - **Development of the funding and financing plan within affordability limits** to ensure delivery of the initial rail access to the STC at the earliest possible time, ensuring access for high-speed rail service when needed
 - Resolution of design criteria across operators
 - Determination of operation and maintenance responsibilities
 - Selection of a Lead Agency and Project Manager for the delivery phase after the 2-Year Work Plan is complete, with demonstrated experience in planning and delivering urban rail megaprojects including tunnel structures

Governance, Management and Oversight Recommendations (5/5)

The IPT would:

- **Execute the two-year workplan**, which outlines the activities necessary to reposition the Rail Program and advance it to either:
 - Procurement (if delivery model is DB, DBM or DBFM)
 - Prepare for final design (if Design-Bid-Build)
- Establish the final management structure for project delivery

The IPT would be structured to operate with transparency, to ensure better decision-making at all levels and to build public confidence in the program.

Funding and Financing Recommendations

- Strengthen the program's strong claim on revenues from existing and emerging sources
- Re-evaluate and strengthen existing funding plan to:
 - Separate high confidence level from low confidence level revenue sources
 - Establish an affordability limit for the initial operating phase
 - Seek new grant opportunities to support development
- 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
- Provide clear direction to Congressional Delegation on program benefits and eligible sources of federal funds/financing support for the program

Program Definition and Phasing Recommendations

- Undertake design engineering to establish an Initial Operating Phase that will achieve Caltrain rail service to the STC (and accommodate CHSR) by a date certain (2028) set by stakeholders, and within a budget supported by higher confidence level revenues
- This initial phase would be **consistent with NEPA/CEQA approvals** and maintain eligibility with FTA and other federal funding programs and incorporate a new risk adjusted cost estimate
- Conduct a **new systems capacity and operations analysis** for Caltrain and CAHSR to help inform capital/operational needs and timing of these investments with a goal of developing funding and operational agreements with both operators as soon as feasible
- Initiate **planning process with other related adjacent projects**, including potential long term service connections with a second Transbay crossing

Program Development and Delivery Recommendations

- Conduct a structured market sounding program to gain direct input on technical, financial, operational interface and risk drivers from the private sector
- **Perform a robust delivery options analysis** considering Design-Bid-Build (DBB), Design-Build (DB), Design-Build-Maintain (DBM) and Design-Build-Finance-Maintain (DBFM) to determine which combination optimizes "value for money"
- 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
- Finalize and incorporate comprehensive agreements with Caltrain and CHSRA, on issues such as project scope, operations specifications, capacity requirements, and amount and timing of capital and O&M funding

Thank You

Questions?

Re-define the program, identify the governing entity, and select delivery method.

	Providely a	20	19		20		2021		
Task	Description	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Decision: path forward informed by expert panel recommendations	•							
(0) Establish ITP,	Workshop(s) based on expert panel recommendations, allocate roles/responsibilities, and development of agreements and inter-agency staffing plan								
Transition Plans, and Stakeholder Engagement	Decision: adopt plans and agreements for transitional governance, IPT staffing, and stakeholder engagement plan		•						
Plan	On-going Rail Program management and stakeholder engagement								
(1) Re-Definition of a	Develop Project Definition, Funding Plan, and Phasing Plan for the Rail Program's components, coordinated with related projects (eg, PAX, Rail Yards, 22 nd St. Station)								
Fundable and Deliverable	Decision: select project definition, phasing, and funding								
Rail Program	On-going development of technical and funding studies								
	For the final institutional arrangement: define responsibilities, governance and oversight plan, agreements, performance management plan, KPI's, and staffing plan								
(2) Final Instituational Arrangement	Decision: adopt plans and agreements for final institutional arrangement for project delivery, including organizational structure and staffing								
	Transition and implementation of final institutional arrangement and organization, as applicable								
(3) Selection of Project	Delivery options analysis incl. market sounding, risk workshops, business case, procurement framework, and operator agreements								
	Decision: select delivery option for the Rail Program's initial operating phase								
(4) Start of Procurement	Start procurement tasks as applicable based on selected project delivery method and led by final institutional arrangement								•