

\$261 million set aside for potential high-speed rail cost overruns in Valley

By Tim Sheehan



Gov. Jerry Brown's signature on the ceremonious section of rail at the high-speed rail groundbreaking in Fresno.

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- *California's high-speed rail authority approves a \$261.2 million contingency fund for a 65-mile section of its rail route through the San Joaquin Valley.*
- *The contingency to cover unexpected problems is in addition to the \$1.37 billion contract awarded in January for the work.*
- *The amount is about \$32 million more than originally planned because of a changing set of schedule and cost risks to the project.*



More than \$260 million has been set aside for possible cost overruns for high-speed rail construction between Fresno and the Tulare-Kern county line.

[California High-Speed Rail Authority](#) directors established the contingency for the 65-mile [Construction Package 2-3](#) at their meeting Tuesday in San Francisco. The contingency is in addition to the [\\$1.37 billion contract the agency awarded in January](#) to a Spanish-led construction consortium.

In [a report to the directors](#), authority risk manager Jon Tapping said the agency's staff evaluated dozens risks to the project cost and schedule, prioritized them by likelihood and then ran computerized simulations to assess how they could affect the work. The contingency budget for the project was originally set at about \$230 million, but Tapping said the amount needed to be raised to account for the prospect of safety barriers to separate the high-speed train tracks from nearby Union Pacific Railroad and BNSF Railway freight lines.

Tapping said the simulations provide a 90% confidence level that any unexpected costs can be covered by the increased contingency.

The \$261.2 million contingency amounts to about 19% of contract that was awarded — but not yet signed — to [Dragados/Flatiron/Shimmick](#). The construction team submitted the lowest of three bids for the project at about \$1.2 billion. That figure was boosted as the rail authority added on about \$160 million to cover the cost of utility relocation for [Pacific Gas & Electric Co.](#) power and gas lines along the route.

“A contingency is a function of all projects, and it addresses issues that could arise, largely third-party issues,” said Jeff Morales, the rail agency's CEO. “On highway projects, it's usually a flat percentage. The approach we're taking is quite different. We're identifying and assessing risk areas and assigning people to minimize and mitigate those risks as we go.”

The Dragados/Flatiron/Shimmick contracting team is composed of Dragados USA Inc., a subsidiary of Spain's Grupo ACS and Dragados S.A.; Flatiron West Inc. of San Marcos in Southern California; and Shimmick Construction Co. of Oakland. Their job includes three dozen street over- or underpasses, as well as bridges and elevated viaducts in Fresno, Kings and Tulare counties. It is the second of three sections of the rail route to be built in the central and southern San Joaquin Valley from Madera to just northwest of Bakersfield. Each section will include all of the public infrastructure work on the rail line except for the railbed and steel tracks, which will be covered in a fourth contract spanning the entire route through the Valley.

The first contract of just under \$1 billion was awarded in mid-2013 for [Construction Package 1](#), which runs about 29 miles from the northeast edge of Madera to American Avenue south of Fresno. So far, engineering and design has comprised most of the work on the project, punctuated by building demolition and relocating some sewer lines in downtown Fresno.

In Fresno last week, Morales said he expects the first major work on Construction Package 1 to begin in the next couple of weeks in Madera, where crews will be building a bridge to span the Fresno River and Highway 145 near the BNSF Railway freight tracks at the eastern edge of the city.

“You're going to start seeing foundations being poured in the next few weeks,” Morales said. “Then it's just going to pick up in pace and keep going for the next four years.”

But Morales acknowledged that one major concern that is outside the contractor's control for either the first or second construction package is how quickly the rail authority can acquire the land it needs for the railroad right of way. “It's the single biggest risk for us, with risk defined as potential delay or cost increase to us,” he said.

As of mid-March, the rail agency had purchased or obtained legal possession of 149 pieces of property out of the 522 needed for Construction Package 1. Of the 544 parcels needed in the second section, 15 had been secured.

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