

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

<p>(1) DEPARTMENT General Services Agency</p>	<p>(2) MEETING DATE 8/12/2014</p>	<p>(3) CONTACT/PHONE Janette Pell, General Services Agency Director, 781-5200 James Salio, Chief Probation Officer, 781-5300</p>	
<p>(4) SUBJECT Submittal of a bid opening report for the Juvenile Hall Expansion project, located at 1065 Kansas Avenue, San Luis Obispo, and, contingent on State Department of Finance approval: (1) award the subject contract to Diani Building Corp., in the amount of \$15,277,000; (2) authorize budget adjustments for the project totaling \$16,787,364 to Fund Center 230-Capital Projects, including \$2,939,885 of new county funding; (3) authorize the General Services Agency Director, or her designee, to order construction changes or additions within the limits set by the Public Contract Code; (4) authorize the Auditor-Controller-Treasurer-Tax Collector to support cash flow requirements for the project; (5) authorize the Auditor-Controller-Treasurer-Tax Collector to execute an amended Certificate of Other Participating County Funding, if required by the state; and (5) to receive a project update. District 2.</p>			
<p>(5) RECOMMENDED ACTION It is recommended that the Board:</p> <ol style="list-style-type: none"> <li>1. Accept the results of the June 5, 2014 bid opening for the Juvenile Hall Expansion project, contingent on State Department of Finance (DOF) approval, and award a construction contract to Diani Building Corp., as general contractor, in the amount of \$15,277,000 and instruct the Chairperson to sign the Contract upon the receipt of the insurance and bond documents;</li> <li>2. Authorize a budget adjustment in the amount of \$13,120,983 from the state-funded SB 81 Financing Program to Fund Center (FC) 230-Capital Projects allowing receipt of reimbursements to construct the Juvenile Hall Expansion by 4/5 vote, contingent on State Department of Finance approval;</li> <li>3. Authorize a budget adjustment totaling \$2,939,885 to FC 230-Capital Projects for the Juvenile Hall Expansion project by 4/5 vote, consisting of: <ul style="list-style-type: none"> <li>• \$1,078,611 in savings generated from cancelling planned projects budgeted in FC 230-Capital Projects;</li> <li>• \$316,722 in savings generated from cancelling planned projects budgeted in FC 200-Maintenance Projects; and</li> <li>• \$1,544,552 by appropriating existing funds from the General Government Building Replacement Designation;</li> </ul> </li> <li>4. Authorize the use of previously allocated funds in the amount of \$326,496 from the Juvenile Hall Building Designation, and \$400,000 from the Facilities Planning Designation, to FC 230-Capital Projects, for the Juvenile Hall Expansion project, by 4/5 vote;</li> <li>5. Authorize the General Services Agency Director, or her designee, to order changes or additions in the work being performed under this construction contract in accordance with the limits set forth in Public Contract Code Section 20142(b) for change order limits;</li> <li>6. Authorize the Auditor-Controller-Treasurer-Tax Collector to make short term loans between any funds under the control of the County Board of Supervisors to support cash flow requirements specific to the Juvenile Hall Expansion project, and to waive the requirement to have repayments occur by the end of the fiscal year and that loan bear interest;</li> <li>7. Appoint the Auditor-Controller-Treasurer-Tax Collector as the duly authorized representative to execute an amended Certificate of Other Participating County Funding, if required by the state; and</li> <li>8. Receive and file the project update.</li> </ol>			
<p>(6) FUNDING SOURCE(S) \$13.12 M SB81 Funding \$3.5 M Juvenile Hall Bldg. Designation \$1.5 M General Government Building Replacement Designation \$0.4 M Facilities Planning Designation \$1.1 M Capital Projects FC 230 \$0.3 M Maintenance Projects FC 200 \$1.38 M In-kind match</p>	<p>(7) CURRENT YEAR FINANCIAL IMPACT \$2,939,885</p>	<p>(8) ANNUAL FINANCIAL IMPACT N/A</p>	<p>(9) BUDGETED? \$3.9M budgeted \$2.9M unbudgeted</p>
<p>(10) AGENDA PLACEMENT <input type="checkbox"/> Consent    <input type="checkbox"/> Presentation    <input type="checkbox"/> Hearing (Time Est. ____ )    <input checked="" type="checkbox"/> Board Business (Time Est. <u>30</u> )</p>			
<p>(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions    <input checked="" type="checkbox"/> Contracts    <input type="checkbox"/> Ordinances    <input type="checkbox"/> N/A</p>			

(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) 19001438		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: 1415013 <input checked="" type="checkbox"/> 4/5 Vote Required <input type="checkbox"/> N/A
(14) LOCATION MAP Attached	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY Date: 10/14/08, 12/06/08, 6/02/09, 2/07/12, 4/02/13, 4/23/13, 9/17/13, 3/18/14, 5/6/14
(17) ADMINISTRATIVE OFFICE REVIEW Geoff O'Quest, Administrative Analyst		
(18) SUPERVISOR DISTRICT(S) District 2		

# County of San Luis Obispo



TO: Board of Supervisors

FROM: Janette Pell/ General Services Agency Director, 781-5200  
James Salio/ Chief Probation Officer, 781-5300

DATE: 8/12/2014

SUBJECT: Submittal of a bid opening report for the Juvenile Hall Expansion project, located at 1065 Kansas Avenue, San Luis Obispo, and, contingent on State Department of Finance approval: (1) award the subject contract to Diani Building Corp., in the amount of \$15,277,000; (2) authorize budget adjustments for the project totaling \$16,787,364 to Fund Center 230-Capital Projects, including \$2,939,885 of new county funding; (3) authorize the General Services Agency Director, or her designee, to order construction changes or additions within the limits set by the Public Contract Code; (4) authorize the Auditor-Controller-Treasurer-Tax Collector to support cash flow requirements for the project; (5) authorize the Auditor-Controller-Treasurer-Tax Collector to execute an amended Certificate of Other Participating County Funding, if required by the state; and (5) to receive a project update. District 2.

## **RECOMMENDATION**

It is recommended that the Board:

1. Accept the results of the June 5, 2014 bid opening for the Juvenile Hall Expansion project, contingent on State Department of Finance (DOF) approval, and award a construction contract to Diani Building Corp., as general contractor, in the amount of \$15,277,000 and instruct the Chairperson to sign the Contract upon the receipt of the insurance and bond documents;
2. Authorize a budget adjustment in the amount of \$13,120,983 from the state-funded SB 81 Financing Program to Fund Center (FC) 230-Capital Projects allowing receipt of reimbursements to construct the Juvenile Hall Expansion by 4/5 vote, contingent on State Department of Finance approval;
3. Authorize a budget adjustment totaling \$2,939,885 to FC 230-Capital Projects for the Juvenile Hall Expansion project by 4/5 vote, consisting of:
  - \$1,078,611 in savings generated from cancelling planned projects budgeted in FC 230-Capital Projects;
  - \$316,722 in savings generated from cancelling planned projects budgeted in FC 200-Maintenance Projects; and
  - \$1,544,552 by appropriating existing funds from the General Government Building Replacement Designation
4. Authorize the use of previously allocated funds in the amount of \$326,496 from the Juvenile Hall Building Designation, and \$400,000 from the Facilities Planning Designation, to FC 230-Capital Projects, for the Juvenile Hall Expansion project, by 4/5 vote;
5. Authorize the General Services Agency Director, or her designee, to order changes or additions in the work being performed under this construction contract in accordance with the limits set forth in Public Contract Code Section 20142(b) for change order limits;
6. Authorize the Auditor-Controller-Treasurer-Tax Collector to make short term loans between any funds under the control of the County Board of Supervisors to support cash flow requirements specific to the Juvenile Hall

Expansion project, and to waive the requirement to have repayments occur by the end of the fiscal year and that loan bear interest;

7. Appoint the Auditor-Controller-Treasurer-Tax Collector as the duly authorized representative to execute an amended Certificate of Other Participating County Funding, if required by the state; and
8. Receive and file the project update.

## **DISCUSSION**

The purpose of this report is to present the bid results for the construction of the Juvenile Hall Expansion (JHE) project and request Board approval to award the construction contract contingent on State approvals in order to proceed to the construction phase. Notice to Proceed is anticipated in November 2014.

### **Background**

The Juvenile Hall Expansion project is intended to expand the services and treatment programs available in the County for Juveniles. The formal development of this project began in 2007 with the facility needs assessment and master plan. In 2009, the County successfully obtained \$13,120,983 in State funding made available by the 2007 Local Youth Offender Rehabilitative Facility Construction Funding Program (SB 81).

The \$13,120,983 of SB 81 funds represents 75% of the original total project estimate as detailed in the application for the State funds. After award of the contract, the funds will reimburse the County for eligible construction costs only. Other expenses related to project administration, design, permits and construction management count toward the County's obligatory 25% minimum contribution of matching funds, but are not eligible to be directly funded with SB 81 funds.

On April 2, 2013, the Board authorized the pre-qualification of general contractors as part of the Women's Jail Expansion (WJE) project and Juvenile Hall Expansion (JHE) project. The selection process for the WJE project resulted in 11 pre-qualified general contractors. The evaluation of contractors submitting statements of qualifications for the JHE project resulted in an additional 7 pre-qualified general contractors. In total, 18 general contractors pre-qualified for the JHE project.

The attached chronology (Attachment A) provides details of previous Board actions.

### **General Contractor Award**

On May 6, 2014 the Board authorized public bidding for construction services for the JHE project. The project construction bid documents consisted of two components. The first was the base bid, and the second component contained bid alternates.

#### *Base Bid:*

1. A new 20 bed housing unit, academic/administration building, multipurpose gymnasium, covered walkway, fire access roads, drainage improvements, retaining walls, security fencing, lighting, and cameras. (Eligible for State funding).

#### *Optional Alternates Bid Items (in no particular order):*

1. The Addition of 10 sleeping rooms to the new housing unit. (Not eligible for State funding).
2. The installation of an electronic controlled water management system. (Eligible for State funding).
3. The installation of a water softening system. (Eligible for State funding).
4. The construction of an acoustical ceiling for the recreational facility. (Eligible for State funding).
5. Changing the standard exterior lighting to LED lighting. (Eligible for State funding).
6. The upgrade to install stainless steel door panels for the sleeping rooms. (Eligible for State funding).
7. The installation of roof mounted screens for mechanical equipment. (Eligible for State funding).

On June 5, 2014, the County received four bids with base bids ranging from \$15,277,000 to \$16,997,000. Diani Building Corp. of Santa Maria, CA submitted the lowest responsive, responsible bid for the base bid. Diani Building Corp. also

submitted prices for additive alternates 1, 2, 3, 4, 5, 6, and 7. The engineering estimate without escalation was \$11,835,562, and \$12,630,912 with escalation. Both the base bid and alternate prices exceeded the project budget. Bid alternates are not recommended for award.

The base bid exceeded the engineer's estimate with escalation by approximately 21%. Discussions with bidders have not occurred prior to the Board's decision on award in order to protect the integrity of the procurement process. The factors leading to bids exceeding the estimate are based on staff and consultant analysis, and are listed below:

1. In February 2014, the architect indicated that the project cost was within budget. The consultant architect and sub consultant estimating firm may have used incorrect assumptions leading to estimating errors, some of which are listed below.
  - Questions submitted during bidding process identified omissions and errors in areas that were clarified and added costs, but were not previously estimated.
  - Unit cost methods used in estimating may not have been sufficiently detailed to reflect complexity of design, leading to higher bids.
  - Risks from unknown underground site conditions and soil conditions may have impacted the costs for the helical pier foundation system.
  - Architectural features which were intended to reduce material costs may have required more time to construct, increasing labor costs.
  - Factors applied for escalation and inflation may not accurately reflect rising construction and labor costs, and increased demand for construction work in the area.
  - Costs and phasing to mitigate restrictive site challenges, such as construction adjacent to an occupied facility, constrained site area, and environmentally sensitive species may have added costs to bids.
2. Additional electrical, mechanical, and structural features were included in the base bid to accommodate potential award of a building extension for the 10-bed bid alternate.
3. Several subcontractors were common among the pre-qualified general contractors, indicating possible higher prices from less subcontractor competition.
4. General contractors may have incorrectly assumed more funding was available for construction through State and County resources. Since 2009, the County has reported \$13.1 million in State funding for 75% of eligible construction costs. However, the State funding included costs for contingencies, while County funding included non-construction costs such as design, surveys, consultant contracts, staff time, and fees to State agencies. Bidders may have assumed that the County's contribution included a greater portion of funding for construction.

Staff has identified four options for the Board's consideration.

Option 1 – Fully fund the project and award a construction contract to Diani Building Corp.

General Services Agency and the Probation Department recommend that the Board accept bid results, and award a construction contract in the amount of \$15,277,000 for the base bid only. This recommendation addresses the Probation Department's long-term facility requirements and provides needed facilities that benefit the community.

The current juvenile hall building has inadequate space which lack classrooms, counseling areas, recreational areas, and beds. The proposed project corrects many of the major facility deficiencies and enables better care for detained minors.

- Currently, there are no classrooms in the facility, and staff uses an existing day room in the living area as a classroom. This project would provide classrooms for quality education to detained minors.
- As more minors with mental health needs are admitted, an important element to maintaining a safe juvenile hall is to have private counseling rooms for a therapist to meet with a minor. The proposed project would provide counseling rooms which would allow for better treatment instead of using hallways or living space for counseling.
- The project provides for a new indoor recreational area which would allow minors to participate in physical activity during inclement weather. The current facility does not have a dedicated recreational area and the same hallways and living areas used as make-shift classrooms and counseling rooms are also used for recreation.

- The new proposed facility would provide staff locker rooms and supervisor office space to adequately administer the programs and provide better work environment for staff that are tasked with the difficult job of supervising the minors detained at juvenile hall.
- The 20 bed addition will allow the Probation Department to house and treat minors within the local community and closer to minors' families rather than transporting juveniles to other facilities across the State.

This option provides a cost effective means to proceed with construction and avoids costly increases due to escalation which would be incurred in the other options. To continue this project, the County will need to allocate approximately \$2.9 million in additional funding.

The additional funding of \$2.9 million was gathered from several sources and required several approved capital and maintenance projects to be deferred. These projects total \$1.4 million and affect Probation and GSA-Information Technology, but will not impose a great hardship. These projects can be resubmitted for future consideration at a later time. The additional \$1.5 million will come from the General Government Building Replacement Designation.

The Board's award of a construction services contract is contingent upon California Department of Finance approval of the SB 81 award package. If the project is awarded by your Board, approval by the State is expected in October 2014.

Option 2 – Reject all bids and redesign only features that will not require State Fire Marshal review and will not change State scope nor require State Public Works Board approval for redesign prior to re-bid

General Services Agency and the Probation Department are not recommending this option because it is highly unlikely to achieve the necessary cost reductions due to minimal scope change. Staff is estimating a savings of approximately \$1 million. However, re-design and re-bid process is estimated to extend the project 6 to 9 months with an estimated cost of \$70,000 monthly in escalation. The increased costs due to escalation would eliminate most of the savings.

Option 3 - Reject all bids and perform a full redesign to bring project within current State and County authorized funding available

General Services Agency and the Probation Department are not recommending this option because it would jeopardize approved State funding of \$13.1 million due to drastic changes in scope from the original SB 81 application approved in 2009. To bring the project within current funding limits, the project would require severe reduction in functionality and size, and any project savings from scope cuts would be hindered by rising escalation and inflation over time. If approved by the State, it would take between 16 to 18 months to rebid the project, during which time the escalation increases could eliminate a significant amount of project savings from scope reduction.

Option 4 – Reject all bids and cancel the project

General Services Agency and the Probation Department are not recommending this option because the Probation Department will continue to operate without adequate classrooms, counseling room, and administrative offices, while additionally the County would lose the \$13.1 million in State funding. It is unlikely this type of funding will be available again in the near term, if ever. The County has spent \$1.9 million in cost to date and if the project is cancelled this money will be unrecoverable. However, with this option, the remaining \$2 million in prior authorized Board funding could be used for a future Juvenile Hall Expansion project.

Staff recommends the Board approve Option 1 to fully fund the project and award a construction contract to Diani Building Corp. If the Board approves the project to proceed, staff recommendations for public contract code change order limits, certificate of other participating County funding, short term loans for cash flow requirements will be required. Options 2, 3, and 4 involves rejecting all bids at this time.

Public Contract Code Change Order Limits

Public Contract Code Section 20142 allows the Board to authorize a county officer to order changes or additions in the work being performed under construction contracts up to certain specified amounts. Staff recommends that the General Services Agency Director, or her designee, be authorized to execute change orders within the statutory limits.

Certificate of Other Participating County Funding

On September 17, 2013, the Board executed a Certificate of Other Participating County Funding as part of State Public Works Board requirements for lease revenue bond financing. The Certificate identifies the sources and amounts of funding for the County’s cash match and in-kind match, certifies that funds are lawfully available, are legal, and authorized. The certificate also identifies that no other governmental consents are required for County funding share, and the project and funding have no prior pledge that would impair the rights and benefits of the owners of the Bonds.

Staff recommends the Board appoint the Auditor-Controller-Treasurer-Tax Collector as the duly authorized representative to execute an amended Certificate of Other Participating County Funding which contains the same terms and conditions as the certificate executed by the Board on September 17, 2013, but will have updated funding information in accordance with Board actions.

**OTHER AGENCY INVOLVEMENT/IMPACT**

Representatives from the Probation Department, County Administrative Office, General Services Agency, and County Counsel participated in the project steering committee. The Auditor-Controller-Treasurer-Tax Collector is involved at various stages of the project including the contractor pre-qualification process.

The Department of Fish and Wildlife, Army Corps of Engineers, Air Pollution Control District, and the Regional Water Quality Control Board, have been involved throughout the permitting process.

Several State agencies are involved in the SB81 funding approval processes including the Board of State Community Corrections, the California Department of Corrections and Rehabilitation, the Department of Finance, the Pooled Money Investment Board, the State Fire Marshal, and the State Department of Public Works.

County Counsel has provided legal guidance on all aspects of the JHE project and has reviewed the bid construction services contract for form and legal effect.

**FINANCIAL CONSIDERATIONS**

Since the last update to the Board, the project cost has increased due to actual bids being received which exceeded the engineering estimate. The total project increase since 2008 has been \$3,842,524. Table #1 summarizes the revised project costs over time.

Table #1 – Project Costs Over Time

Year	2008-2012	2013	March 2014	August 2014
<b>Total Project Cost</b>	<b>\$ 17,494,644</b>	<b>\$ 18,553,283</b>	<b>\$ 18,572,778</b>	<b>\$ 21,337,168</b>
In-kind match	\$ 1,248,661	\$ 1,376,300	\$ 1,376,300	\$ 1,376,300
State SB 81 funding	\$ 13,120,983	\$ 13,120,983	\$ 13,120,983	\$ 13,120,983
County funding	\$ 3,125,000	\$ 4,056,000	\$ 4,075,495	\$ 6,839,885
Change in County funding from previous update		\$ 931,000	\$ 19,495	\$ 2,764,390
Authorized funding for cost increases:				
Juvenile Hall Bldg. Designation		\$ 375,000		
Fund Balance - Facilities Planning Designation		\$ 400,000		
Recommend funding for cost increases:				
Capital Projects - FC 230				\$ 1,078,611
Maintenance Projects – FC 200				\$ 316,722
General Government Bldg. Replacement Fund				\$ 1,544,552
<b>Shortfall</b>		<b>\$ 156,000</b>	<b>\$ 175,495</b>	<b>\$ 2,939,885</b>

As previously discussed, the cost increases are attributed to the higher construction bid, increase in contingency

associated to the higher construction bid amount, other support for utility connections and fees to public agencies.

Construction costs for the Juvenile Hall Expansion are eligible for approximately \$13,120,983 in State funding or 75% of the eligible project costs for construction, as estimated in the application submitted in 2008. Funding is requested for the base bid only.

The County's share of total project costs that are ineligible for State funding is \$6,839,885 of which the Board has previously authorized \$3,900,000 for the project leaving an additional \$2,939,885 in funding needed.

Of the previously authorized \$3,900,000, a portion of the funding currently resides within designations and is recommended to be transferred to the project: \$326,496 from the Juvenile Hall Building Designation, and \$400,000 from Facilities Planning Designation to FC 230-Capital Projects.

To fund the shortfall of \$2,939,885, staff reviewed other funding sources and considered several projects which could be deferred to a future time.

- Staff recommends canceling eight approved capital and maintenance projects, and using remaining funds from one completed project (Attachment B). These projects total \$1,395,333 and affect Probation and GSA-Information Technology, but will not impose an immediate impact. These projects can be resubmitted for future consideration at a later time. Other projects were considered for cancellation, but due to their immediate impacts on operations or to health & safety, were not pursued.
- The additional \$1,544,522 is recommended to be funded from the General Government Building Replacement Designation.

#### Cash Flow Requirements

Funding will be needed to manage the reimbursements from the State to the County. In accordance with the signed agreement, the State will retain 5% of the SB 81 funding, or \$656,049, until the project is complete and an audit is performed. Additionally, the State has a 45-day lead time for processing reimbursement payments to the County. This will require the management of cash flow as the State reimbursements are processed. In order to meet cash flow requirements the County of San Luis Obispo Board of Supervisors annually authorizes the Auditor-Controller-Treasurer-Tax Collector to make loans between any funds in the County Treasury that are under the control of the County Board of Supervisors to the extent allowed by law. Board policy states that loans should bear an interest rate equivalent to the rate earned on funds in the County Treasury and repayment should occur by the end of the fiscal year unless specific authorization is given by the Board of Supervisors. The Auditor-Controller-Treasurer-Tax Collector recommends the Board of Supervisors grant an exception to the interest bearing and fiscal year end repayment requirements specific to the project funding. Funding from the State is fixed, any interest charges to the project will already be absorbed by the General Fund. It is currently projected that reimbursement from the State may follow 60 days after the County has made vendor payments.

#### **RESULTS**

The Juvenile Hall Expansion project will increase the housing capacity and expand facilities for juvenile treatment services. It will also provide improved staff support offices, counseling rooms, a year-round recreational building, and separate classroom space. The expanded facility will enable the County to provide programs and services to a growing community, with substantial offset of capital costs from State bond funding. The Juvenile Hall Expansion project will contribute to a safer community.

#### **ATTACHMENTS**

1. Vicinity Map
2. Attachment A - Chronology of Board Actions
3. Attachment B – Funding from Projects Recommended for Cancellation