



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

(1) DEPARTMENT Public Works	(2) MEETING DATE 12/10/2019	(3) CONTACT/PHONE Robert M. Ruiz Project Manager (805) 788-2114	
(4) SUBJECT Request to approve Amendment No. 2 to the Memorandum of Agreement with the Cities of Arroyo Grande, Atascadero, Grover Beach, Morro Bay, Paso Robles, Pismo Beach and San Luis Obispo for the Animal Services Facility Project; award a Design-Build contract to F&H Construction, which incorporates F&H Construction's proposal documents (Clerk's File), in the amount of \$15,285,970; and authorize a budget adjustment, in the amount of \$18,834,092 to appropriate the associated funding, by 4/5 vote. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board <ol style="list-style-type: none"> <li>1. Approve Amendment No. 2 to the Memorandum of Agreement with the Cities of Arroyo Grande, Atascadero, Grover Beach, Morro Bay, Paso Robles, Pismo Beach and San Luis Obispo for the allocation of construction and financing costs for a replacement Animal Services Shelter; and</li> <li>2. Award a Design-Build contract (no. 320088) to F&amp;H Construction, in the amount of \$15,285,970, for construction of the Animal Services Facility Project; and</li> <li>3. Authorize a budget adjustment, in the amount of \$18,834,092, in the Capital Projects Fund, WBS# 320088, using bond proceeds from the Public Financing Authority, by 4/5 vote; and</li> <li>4. Authorize the Auditor-Controller-Treasurer-Tax Collector-Public Administrator (ACTTCPA) to adjust the amount of the appropriation for the difference between the estimated financing costs and the actual financing costs when the actual amounts are known.</li> </ol>			
(6) FUNDING SOURCE(S) Fund Center 230 - Capital Projects	(7) CURRENT YEAR FINANCIAL IMPACT \$20,675,692.00	(8) ANNUAL FINANCIAL IMPACT N/A	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Board Business (Time Est. _____)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input checked="" type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) 19002012		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: 1920089 <input checked="" type="checkbox"/> 4/5th's Vote Required <input type="checkbox"/> N/A	
(14) LOCATION MAP Attached	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date 4/23/19, #18	
(17) ADMINISTRATIVE OFFICE REVIEW Kristin Eriksson			
(18) SUPERVISOR DISTRICT(S) All Districts			

Reference: 19.165



## COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: Public Works  
Robert M. Ruiz, Project Manager

VIA: Jeff Werst, Design Division Manager  
John Diodati, Director of Public Works

DATE: 12/10/2019

SUBJECT: Request to approve Amendment No. 2 to the Memorandum of Agreement with the Cities of Arroyo Grande, Atascadero, Grover Beach, Morro Bay, Paso Robles, Pismo Beach and San Luis Obispo for the Animal Services Facility Project; award a Design-Build contract to F&H Construction, which incorporates F&H Construction's proposal documents (Clerk's File), in the amount of \$15,285,970; and authorize a budget adjustment, in the amount of \$18,834,092 to appropriate the associated funding, by 4/5 vote. All Districts.

### **RECOMMENDATION**

It is recommended that the Board:

1. Approve Amendment No. 2 to the Memorandum of Agreement with the Cities of Arroyo Grande, Atascadero, Grover Beach, Morro Bay, Paso Robles, Pismo Beach and San Luis Obispo for the allocation of construction and financing costs for a replacement Animal Services Shelter; and
2. Award a Design-Build contract (no. 320088) to F&H Construction, in the amount of \$15,285,970, for construction of the Animal Services Facility Project; and
3. Authorize a budget adjustment, in the amount of \$18,834,092, in the Capital Projects Fund, WBS# 320088, using bond proceeds from the Public Financing Authority, by 4/5 vote; and
4. Authorize the Auditor-Controller-Treasurer-Tax Collector-Public Administrator (ACTTCPA) to adjust the amount of the appropriation for the difference between the estimated financing costs and the actual financing costs when the actual amounts are known.

### **DISCUSSION**

On February 28, 2017, your Board created a capital improvement project to develop a new Animal Services Facility. Creation of the project included the approval of a Memorandum of Agreement (MOA) between all seven Cities and the County of San Luis Obispo (County) wherein an initial budget to fund the project and cost sharing between agencies was established.

On June 19, 2018, your Board approved Amendment No. 1 to the MOA after three Cities (Atascadero, Arroyo Grande and Paso Robles) exercised an early termination clause in the original MOA. Amendment No. 1 was approved by the Cities, including the three that previously opted out, and introduced language to help reduce costs to the Cities by outlining operational goals and by requiring that the County pick up the project's first \$1 million. Attachment 4 to this board letter summarizes other prior Board items for this project.

With approval of Amendment No. 1, the project continued to move forward and completed the two-step Design-Build (D-B) selection process; first by releasing a Request for Statements of Qualifications and then by issuing the Request for Proposal (RFP) to the three top ranking Design-Build Entities (D-BE or D-BEs) of the seven D-BEs that submitted qualification packets.

The top three ranking D-BE firms were:

Diani Building Corporation	Santa Maria, CA
F&H Construction	Lodi, CA
Specialty Construction, Inc.	San Luis Obispo, CA

The proposal period from April 23, 2019 to July 16, 2019 was a collaborative effort where each D-BE met with the County individually, in a confidential setting to discuss their vision for improving the preliminary design provided to them and for their delivery of the project. As part of this process, all D-BEs expressed concern with the \$10.1 million D-B contract budget noted in the RFP. D-BEs referenced the current boom in the building market, shortage of labor, tariffs on materials and State-mandated skilled labor requirements as the primary reasons why it would be difficult for them to deliver the project within the RFP budget.

One D-BE, Specialty Construction, Inc., ultimately withdrew from the RFP process due to its concern of not being able to secure the required skilled labor for the project at a reasonable cost. Current market conditions have also increased expected soft costs from what was originally planned.

Upon confirming the state of the current building market and prior to issuing the RFP, the County, with the help of its construction manager consultant, Kitchell, worked to trim the project program to only what is necessary for operations. When issued, the RFP identified various components of the project as Deductive Scopes, Additives or Enhancements and required the D-BEs to provide itemized costs for these components to allow the County to remove or add them as needed to arrive at an acceptable D-B contract cost to all parties while maintaining the project objectives and allowing for D-BE recommended enhancements as appropriate.

The selection committee comprised of County and City representatives reviewed the two proposals using the RFP's evaluation criteria to determine the proposal that would provide the best value, in accordance with Public Contract Code section 22164 (f)(4). Upon conclusion of review of proposals from Diani Corporation and F&H Construction, the selection committee unanimously recommended that the County enter into contract negotiations with F&H Construction. Negotiations with F&H Construction ensued shortly thereafter and concluded with the negotiated costs summarized in Table 1 below.

**Table 1: Project Costs**

	Original MOA Budget	MOA Amendment No. 2 Costs after negotiating with F&H Construction
Building and Hard Costs including Design (D-B Cost)	\$9,201,500	\$15,285,970
Interior Hard Costs (Furniture, Fixture and Equipment, Data, Security)	560,000	575,000
Soft Costs (Professional Services, Administration, Permits/Fees, Testing/Inspection, Contingency, etc.)	3,940,000	4,487,7708*
<b>Total Project Cost</b>	<b>\$13,701,500</b>	<b>\$20,348,740</b>

\*Difference from original MOA due to increased project contingencies, increased cost of permits due to higher construction value and added administration costs due to delay experienced when cities opted out of project.

Since expected total project costs exceed the amount noted in the MOA, approval of Amendment No. 2 to the MOA by your Board is required to establish \$20,348,740 as the new total project scope cost and \$18,999,773 as the new project cost to be shared by all parties. The ACTTCPA office is bringing a separate item to your Board seeking approval to secure long term financing for the project.

When complete, the new facility will include features that meet or exceed the intent of the County's ENERGYWISE PLAN adopted by your Board in November 2011. The features will assist in reducing on-going operation and maintenance costs and include, but are not limited to:

- Use of energy-efficient equipment (Energy Star appliances)
- Insulation to reduce space heating and cooling needs
- Ample daylight in facility through use of windows and solar tubes
- Low Flow plumbing and high efficiency light fixtures
- Irrigation with rain sensor

#### **OTHER AGENCY INVOLVEMENT/IMPACT**

A project Steering Committee meets regularly to help guide the project's delivery and to provide oversight. The Steering Committee includes representatives from County Administration, Finance, Public Works as the project manager, and the Health Agency as client department and operator. The Steering Committee also includes representatives from partner cities of Atascadero, Grover Beach, Paso Robles and San Luis Obispo. Amendment No. 2 to the MOA and the D-B Contract has been reviewed and approved by County Counsel as to legal form and effect. The ACTTCPA will assist with obtaining long term financing for the project.

All seven city councils have approved Amendment No. 2.

## **FINANCIAL CONSIDERATIONS**

This is a multi-year project budgeted in the Capital Projects Fund – WBS 320088 New Animal Services Facility Project. The total project costs are estimated at \$20,348,740, plus financing costs of \$326,952, for a total estimated cost of \$20,675,692.

The County has committed to fund an initial \$1,348,967 of project costs: \$1,000,000 as stated in Amendment No. 1 and \$348,967 for Oklahoma Avenue utility extension costs. The remainder of the estimated project (\$18,999,773) and financing costs will be split amongst the participating parties, per the attached Amendment No. 2 to the MOA. The County's Financial Advisor, KNN, estimated financing costs associated with the future debt issuance to be \$326,952.

The County has programmed initial funding of \$1,841,600 for the project, including \$675,000 from the Capital Projects Fund, and \$1,166,600 from General Government Replacement Fund.

If approved, the budget adjustment will authorize additional funding needed to complete the project, transferring \$18,834,092 of bond proceeds from the Public Financing Authority, by 4/5 vote. It is recommended that your Board authorize the ACTTCPA to adjust the amount of the appropriation when the actual financing costs are known.

Please see Exhibit "A" for estimated project costs and funding sources.

## **RESULTS**

Approval of the recommended actions will allow the Department of Public Works to continue to work toward delivering the County's first Design-Build contract for a New Animal Services Facility that when completed, will contribute to County's goal of providing a more safe, healthy and well-governed community.

## **ATTACHMENTS**

- 1 Vicinity Map
- 2 Exhibit A – Project Costs
- 3 Amendment No. 2
- 4 Timeline of Board Actions
- 5 Design-Build Contract
- 6 F&H Construction's Proposal Documents

File: 320088

Reference: 19.165

c: Michael Hill, Health Agency Director  
Dr. Eric Anderson, Animal Shelter Director  
Animal Shelter Steering Committee (with attachments)

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