
ITEM NO: 2.

SUBJECT: Presentation, Discussion, and Direction Regarding the Proposed Police Station Project

BACKGROUND:

In 2015, staff began to revisit the discussion of a project to construct a new police station. The new facility would accommodate increased staff levels and provide a better work environment for the City's Police Department Staff.

On September 22, 2016, the project received a \$4 million appropriation from the State, which was the first piece of the City's funding sources.

The second source of funds was through a City initiated property tax measure (Measure P) approved by the voters in November 2016. Measure P authorized the City to issue \$4 million in general obligation bonds to finance the new police station, for a total project budget of \$8 million. At the time, the construction estimate for hard costs on this project was approximately \$6 million and \$2 million for other project related costs.

On February 5, 2018, the City Council adopted Resolution No. 2018-11R, authorizing the City Manager to execute an agreement with Vanir Construction Management, Inc. for construction management of the police department facility.

During the Council meeting of March 5, 2018, the City Council adopted Resolution No. 2018-21R, authorizing execution of the Community Workforce Agreement or Professional Labor Agreement ("PLA") between the City and the Fresno, Madera, Tulare, Kings Building and Construction Trades Council ("Council") and signatory unions. In total, 21 unions plus the Council, signed the PLA.

The PLA requires that all work done on the police station project, including both on-site and off-site construction comply with the terms of the PLA. Further, under the terms of the PLA, the contractor awarded the bid for the project must also comply with the requirements of the PLA. The PLA also requires that all employees who work on the project become union members, and that the employer (contractor) is required to pay into the union benefit plan for all employees. Pursuant to Section 18.4 of the PLA, the agreement expires when the project is complete.

The City prequalified 10 contractors for the project. On July 20, 2018, the project went out to bid, and on August 30, 2018, the City received one bid for the project, from Seals Construction for \$7,952,000. In reviewing the bids, Vanir opined that the labor costs

associated with the PLA coupled with the lack of competition created by the PLA, drove the bid to exceed the engineer's estimate.

On September 4, 2018, because the bid exceeded the engineer's estimate, Council rejected the bid, directed City Staff to revise the project, and return to the City Council with a revised project scope and estimated cost, as well as discuss revisions to the PLA requiring union labor. These steps were taken with the intention to rebid the project and attract more competitive bids.

Vanir also reached out to the pre-qualified contractors for the project, to determine the reasons that those contractors did not submit a bid for the project. The various contractors indicated that given the healthy construction market, contractors prefer to bid on projects that do not have a PLA in place, given the rigorous requirements contained in PLAs.

Over the past few months, Staff has reworked the scope of the project to create six additional alternates so that components of the project could be bid independently allowing for potential cost savings should the City Council direct Staff to rebid the project. The estimated savings to the project are between \$300,000 and \$450,000. The alternates are discussed in turn, below:

1. Sally port fence-Reduce height from 9'6" to 8'0"
2. Covered Sally port-Remove canopy
3. Fence around existing Parking Lot-Remove 6'0" fence and gate
4. 13'0" Plaster Wall between City Hall and new building-Remove wall and replace with fence and slats
5. Exterior Metal Siding & Structural Steel Cover-Simplify mechanical screen design to plaster and remove structural steel cover
6. Reduce Irrigation/Landscaping-Remove irrigation/landscaping on northeast side of building

Staff has also worked on revising the PLA. Because the agreement does not have a termination clause or path for the City to terminate the agreement and the signatory unions are not willing to amend the agreement, the existing agreement remains in effect.

DISCUSSION:

Given the fact the City cannot terminate the PLA, the unions have not been willing to amend it, and the agreement applies to any version of the new Police Station (i.e. including if it were redesigned as a modular station), staff recommends the City Council discuss the following options:

1. Rebid the project with the revised scope of work and the PLA; or
2. Redesign the project as a modular unit and bid it with the PLA.

Analysis from Vanir Construction on the pros and cons of options 1 and 2 is attached (Attachment 1).

Option 1 – Rebid the project with the revised scope of work

The rebid could add three to 10 percent, or approximately \$238,560 to \$795,200, to the project cost of \$7,952,000 for an estimated total of \$8,190,560 to \$8,747,200.

Advantages of rebidding the project in this scenario are:

- It can quickly be put back out to bid in approximately 1 to 2 weeks,
- There may be more competition on the rebid helping contain costs,
- The building life of traditional construction is longer than modular, and
- The \$749,482 investment into the project is utilized. This investment was used for the following categories:
 - Architectural and Engineering: \$581,861
 - Other Project Costs: \$167,621

Disadvantages in this scenario are:

- The project will likely still exceed the initial construction estimate received for the project in 2016 (\$6,500,000) due to minimal opportunity for scope revision without losing or compromising the functionality and operation of the building. The rebid will likely exceed the 2016 cost estimate mainly due to the costs associated with the PLA and general cost of living escalation over the past two years. It is not unusual for a construction estimate to become outdated with the passage of time and changes in the economy;

Option 2 – Redesign the project as a modular building

Vanir polled modular building companies to ascertain whether they would bid on a modular building project with a PLA. Because companies expressed reservation of bidding such a project (see analysis in Attachment 1) and also indicated the costs would increase substantially with a PLA, this project cost could be as high as option 1 - approximately \$8,190,560 to \$8,747,200 or more.

Advantages of this option are:

- Typically, traditional modular construction cost less than traditional build (option 1), however, upon further analysis the cost of this type of project with a PLA does not generate cost savings. As set forth above, the PLA applies to both on-site and off-site work. Because the modular structure is fabricated off-site, the PLA applies to the fabrication process, therefore the cost savings is likely eliminated;
- The current site plan for the project can be utilized to facilitate the redesign.

Disadvantages of this option include:

- Increased project costs,
- Redesign of the project will take more time --- approximately 3 to 9 months would be needed to redesign a modular police station,
- Most of the \$749,482 spent on option 1 will be lost costs, and
- The life span of a modular building is generally less than a traditional build by 10 to 50 percent.

Other options:

Other options include going out to bid without the PLA, with either the revised scope of work or a redesign. However, this could present the City with legal challenges which could delay the project and increase costs.

Another option is to see if Seals Construction would honor its bid submitted in August. Advantages of this option include a cost certain and avoiding increases in costs due to the lapse of time and changes in the economy since August, the ability to start work sooner than the other options, and the \$749,482 investment to date will be utilized. Disadvantages include the cost is over the initial engineer's estimate from 2016.

FINANCIAL ANALYSIS:

Funding Sources:

As set forth above, the total funding received for this project is **\$8,000,000**. To date, **\$749,482** has been spent on the project, which includes costs associated with architectural and engineering fees, along with other project costs.

The funding sources for the \$749,482 utilized have been expensed from two sources to date. The first is the Police Development Impact Fund in the amount of \$95,767. The second is the State Appropriation Fund in the amount of \$653,715. In addition to these project cost, \$158,624 was used to issue the General Obligation Bond.

As of the date of this report, **\$7,267,371** remains in restricted funds for the project.

Further, in addition to construction costs, the payment to the architect is based on overall project cost. Depending on the final construction cost, the additional amount due to the architect may total between \$119,245.00 to \$163,766.00.

Project Options:

Option 1: As detailed above, the total project costs associated with Option 1, may range between \$9,277,335.00 and \$9,878,496.00, which is between \$2,009,964.00 and \$2,611,125.00 more than what is available for the project.

Option 2: As detailed above, the total project costs associated with Option 2, may range between \$9,787,490.00 and \$10,344,130.00, which is between \$2,520,119.00 and \$3,076,759.00 more than what is available for the project.

Original Bid: The third option is to see if Seals Construction would honor its bid submitted in August. The bid from Seals is \$7,952,000.00, which exceeds the budgeted amount by \$1,752,319.00.

Additional Funding Options:

Should the Council choose to move forward with any of the options above, there are additional funding sources that may be made available for the project. Currently, the General Fund Reserve is \$3,475,463.00, there is a balance of \$741,011.00 in the Measure S

Fund, and the Ambulance Services fund has a balance of \$4,667,635.00. Using Measure S as a funding source would require financing.

Please see attachment 2 for detailed analysis of each option.

RECOMMENDATION:

Staff recommends that Council discuss options and provide direction regarding the proposed Police Station Project.

City of Selma - New Police Station Project, Cost Review & Survey

OPTION 1	OPTION 2
<p>What would the project cost be as currently designed with PLA in place?</p>	<p>What would the project cost be if the building were re-designed as a modular building; with the PLA in place?</p>
<p><i>The re-bid could add 3% to 10% due to escalation plus less sub coverage... some subs that bid could be busy or could have lost interest. The increase in project costs is the lack of general contractor and sub-contractor coverage (or competition) on trade packages in the Central Valley. See pre-qualified general contractor responses below.</i></p>	<p><i>This is not a viable option, since 4 of the 5 modular firms we have contacted will not bid / expressed reservations for PLA, and the 5th firm Willscot Modular stated, "none of their local suppliers are union contactors, however they do work with PLA's ... but the project cost would increase significantly" meaning they have to rely on non-local suppliers and the project cost could be as high as option 1 or more. See pre-qualified general contractor AND modular building contractor responses below.</i></p>
<p style="text-align: center;">Pre-Qualified General Contractor's Responses</p> <p>Bernard's - No response</p> <p>BMY - "Yes we would as long as the apprenticeship requirement is open to all programs not just the joint programs. Interested in bidding the project if there is no PLA, no joint apprenticeship requirement and only State of Ca. Labor Law requirements."</p> <p>Bruce K Hall - "Does not want to bid on project"</p> <p>David A Bush - Extremely busy and decided to bid on non-PLA projects</p> <p>Hal Hays - "I have confirmed with our management, yes we would like to rebid it <u>without</u> PLA."</p> <p>Jl Garcia - "They are sketpical the PLA will be revised sufficiently to allow open competition. Does not want to bid on the project at all moving forward."</p> <p>Mark Wilson Construction - No response</p> <p>Oral E. Micham, Inc - Steve (Vice President) stated "There are too many rules of employment to try and meet, a lot of easier to bid on work is out there. Does not want to bid on project moving forward."</p> <p>Seals - We take no exception to the updated draft PLA as presented. (NOTE: the updated draft PLA was very limited and not approved by the union representatives.)</p> <p>Zumwalt - Management team reviewed the <u>updated</u> PLA for the Selma Police station and they have no objection to bidding this project under the conditions of the PLA. (NOTE: the updated draft PLA was very limited and not approved by the union representatives.)</p>	

Modular Building Contractor's Responses

Q: Would you bid a project if it has a PLA on it?

Modular Building Company Info	Response
JTS Modular – Bakersfield, CA (559) 318-0833	"We would pass on it"
Accelerated Modular Concepts Inc – Victorville, CA (760)245-4200	"We would bid on the site work end of it, but not the offsite manufacturing portion"
Mobile Modular Management – Livermore, CA (925)308-6758	"No, we would have to pass. We take exception to any PLA"
American Modular Systems – Manteca, CA (209)993-1590	"Yes we do look at PLA's but there are a couple things we look at first. Where is the project, who its with and what the project is"
Willscot - Fresno, CA (661)588-1990	"None of our Bakersfield suppliers are union contractors, however we do work with PLA's and it is possible but the project cost would increase significantly."

Attachment 2

Funding Sources

PD Station Project Funds Balances as of January 15, 2018:

State Appropriation (Fund 457):	\$	3,389,427
Measure P General Obligation Bond (Fund 458):	\$	3,877,945
Total Available:	\$	<u>7,267,371</u>

Other Reserve Funds Available as of June 30, 2018:

General Fund (Fund 100):	\$	3,475,463
Measure S (Fund 295):	\$	741,011
Note: Using Measure S as a funding source would require financing		
Ambulance Services Fund (Fund 600):	\$	4,667,635

Factors to Consider

DSJ Architects Contract is based on the project construction cost.

	<u>Contract Amount</u>	
Construction Cost @ \$8,190,560	\$	655,245
Construction Cost @ \$8,747,200	\$	699,776

This would be an increase to project cost between \$119,245 to \$163,766

Budget Analysis

Option 1 Review

Construction Cost @ 3% Increase	\$ 8,190,560
Architectural and Engineering Services Estimate	\$ 366,845
Other Project Cost Estimate	\$ 719,930
Total Project Cost:	<u>\$ 9,277,335</u>
Available Project Funds	<u>\$ 7,267,371</u>
Variance	\$ (2,009,964)

Construction Cost @ 10% Increase	\$ 8,747,200
Architectural and Engineering Services Estimate	\$ 411,366
Other Project Cost Estimate	\$ 719,930
Total Project Cost:	<u>\$ 9,878,496</u>
Available Project Funds	<u>\$ 7,267,371</u>
Variance	\$ (2,611,125)

Option 2 Review

Construction Cost	\$ 8,190,560
Architectural and Engineering Services Estimate	\$ 877,000
Other Project Cost Estimate	\$ 719,930
Total Project Cost:	<u>\$ 9,787,490</u>
Available Project Funds	<u>\$ 7,267,371</u>
Variance	\$ (2,520,119)

Construction Cost	\$ 8,747,200
Architectural and Engineering Services Estimate	\$ 877,000
Other Project Cost Estimate	\$ 719,930
Total Project Cost:	<u>\$ 10,344,130</u>
Available Project Funds	<u>\$ 7,267,371</u>
Variance	\$ (3,076,759)

Other Options Review

Seal's Honors Bid

Construction Cost	\$ 7,952,000
Architectural and Engineering Services Estimate	\$ 347,760
Other Project Cost Estimate	\$ 719,930
Total Project Cost:	<u>\$ 9,019,690</u>
Available Project Funds	<u>\$ 7,267,371</u>
Variance	\$ (1,752,319)

Public Works
December 2018

Row Labels	All Parks	Alleys	Art Center	Berry Pk	Brentlinger Pk	Chamber of Comm	City Hall	City Hall Annex	Corp Yard	Downtown	Drain Inlet	Home	Islands	Lincoln Pk	LLMD #1	LLMD #11	LLMD #2	LLMD #3	LLMD #4	LLMD #5	LLMD #6	LLMD #7	LLMD #8	Mark's Pond	Medians	Nebraska Pond	Other	Peter Ringo	Pioneer Village	Pocket Park	Police Dept	Pump Stations	Salazar	Senior Center	Shafer Park	Sidewalks	Signs	St Lights	Storm Drains	Streets	Trees/Streets	Grand Total												
Asphalt Work		1.5																																							28	29.5												
Cleaning (outside)	83			3.5	13.5				49	70.5			5.5	8	39.3	4	44.5	14.5	9	3	12			8	4		17	26	6	4			9.5		6			1.5	8.5	19.5		469												
Concrete Work																											4															22	26											
Custodial Work	33.5		2				16.5		10																		2			19.5												22.5	106											
Electrical work														1																												4.5	6	12.5										
Flags/Banners/Decor/etc.														2																													2											
Graffiti					0.5																			1.5			0.5																	2.5										
Hauling/Loading			1.5						60.5								2										14.5																1	79.5										
HVAC Work																																										5	5											
Landscaping														7								7																						14										
Mechanical																																7											7											
Meetings							0.5		8																																			8.5										
Mowing/Renovating				4.5	8				1.5				11	7.5	3.25		3.5		2	2.5			2.5	2		3		9					8										12	80.3										
New Construction									39					0.5													1																	1	51.5									
Painting																																												1	26.5									
Plumbing																													2															2										
Pruning									2	79					2	1	6								17			9																151	258	524								
Removal																																												1.5	0.5	2								
Renovating						1																																							6	7								
Repairing				12	7.5			2	17.5		0.5			2		1.5																														3	4.5	4.5	10.5	5.5	6.5	9	11.5	98
Sick Leave												13															24																				37							
Supervision							9		18																																						27							
Sweeping										4																																					119	132						
Vacation Leave												32																																			4	283						
Workman's Comp																																														1	2							
Grand Total	117	1.5	3.5	20	29.5	1	26	2	206	154	0.5	45	16.5	21	51.5	5	57.5	14.5	11	5.5	12	7	2.5	11.5	21	3	316	46.5	6	4	24.5	11.5	23	65.5	25.5	22	7.5	17.5	8.5	354	258	2034												