




Midpeninsula Regional
Open Space District

Memorandum

DATE: June 22, 2016

MEMO TO: Board of Directors

FROM: Stephen E. Abbors, General Manager 

SUBJECT: Mount Umunhum Summit Project Bid Results and Budget Implications

This FYI memorandum has been prepared to inform the full Board of recent and updated significant cost increases affecting the Mount Umunhum Summit Project budget. The memorandum also includes a recommendation for a budget line item increase, which will need to be brought to the Board for consideration in July in tandem with a recommended Bid Award for construction if the project is to move forward in its current configuration and schedule.

BACKGROUND

In 1986, the Midpeninsula Regional Open Space District (District) acquired the former Almaden Air Force Station and all of its remaining facilities on Mount Umunhum and Mount Thayer (R-86-20) with the intent to restore the area to a natural condition and provide public access. In October 2010, Restoration Design Group (RDG) was retained to begin schematic design of public access elements on the summit. On August 10, 2011, the Board approved an award of contract for the preparation of demolition contract documents for the demolition of existing buildings, with the exception of the radar tower, with the work being subsequently completed in early 2013. In August 2015, the Board approved the Final Design Development Options for the Mount Umunhum Summit Project (Summit Project) and Final Construction Documents were completed in May 2016 for inclusion in the Request for Bids.

DISCUSSION

The budget allocation for the Summit Project in the proposed FY2016-17 Action Plan and Budget includes the cost estimate that was provided by the Project Engineer in late 2015, right at the start of the Action Plan and Budget development process. The project budget included a \$4.02M allocation specifically for the construction contract. Since late 2015, the project scope has been refined, resulting in increased project costs, of which a number of these items were discussed with the Planning and Natural Resources Committee and/or the full Board. Importantly, the District was sent a more recent and higher Engineer's Cost Estimate on March 9, 2016 based on 90% design plans. However, this revised estimate, which resulted in a \$1.45M cost increase, was inadvertently overlooked and did not get folded into the budget process and budget documents. Then, on June 13, 2016, the District held the bid opening and received just one (1) bid proposal that was substantially higher than the March 9, 2016 revised Engineer's Cost Estimate, and nearly double the project budget (see below).

Cost Description	Total Cost	% Difference from Budget
Action Plan and Budget allocation for the construction contract (late 2015)	\$4.02M (total project budget = \$5.42M)	--
Engineer's Estimate (March 9, 2016)	\$5.47M	+36%
D-Line Constructors' Bid (June 13, 2016)	\$7.8M	+94%

The projects costs are obviously substantial and significantly higher than had been contemplated at the beginning of the year. Had the project budget been revised to include the March 9, 2016 updated Engineer's Cost Estimate, the increase from the budget based on the single bid would have been \$2.33M or 42.6% rather than the \$3.78M or 94% as it now stands. The factor driving up project costs, alternatives for Board consideration, recommended next steps, and future corrective actions are discussed below.

Extensive Contractor Outreach

Staff from the Engineering and Construction Department performed aggressive contractor outreach by reaching out to over 30 different individual contractors, as well as advertising the Request for Bids on three local newspaper publications and five different builder's exchanges, in order to generate interest for the Mount Umunhum Summit Project (Summit Project). The vast majority of the contacts did not commit to attending the mandatory bid walk, and instead left their option open on whether to bid or not based on a review of the construction drawings, which was an initial indicator of the difficulty we would experience in soliciting real interest in the job, and foreshadowing the potential receipt of few bids.

Bidding Process and Bid Results

A Request for Bids for construction services was issued on May 11, 2016 followed by a mandatory job walk on May 12, 2016 that was attended by only six (6) prime contractors. Based on ongoing dialogues with the six prospective bidders, four bids were anticipated as close to one week prior to the bid opening. However, only one (1) bid proposal was received and opened on Monday, June 13, 2016. Evaluation of the bid revealed that the low bidder, D-Line Constructors, presented a complete, responsible, and responsive bid package, although the bid is 94% higher than the current project budget and 42.6% higher than the latest engineer's estimate.

Factors Affecting the Cost

During the bidding process, numerous discussions with potential prime and sub-contractors made it clear that the remote location of the project was the primary reason that contractors were discouraged from bidding the project. It is also the main reason why the one bid received is higher than the most recent engineer's estimate. Another important factor that was communicated by several contractors and engineers is that the current construction market is so strong in the Bay Area that many contractors are too busy to take on additional work. The supply and demand nature of the business significantly contributed to contractor interest, and therefore the bid result. Additionally, the construction escalation rate for the San Francisco Bay Area has consistently increased by 4-6% annually since 2012, further impacting the accuracy of the 2015 cost estimate.

In addition, there were several scope items that were added to the project as of January to improve visitor flow and increase safety, improve construction efficiencies, improve the durability of the visitor-serving facilities, further blend and integrate the new facilities to the existing surroundings, and address newly uncovered engineering/permitting requirements. These additional items, which also contributed to the additional cost and were included in the overlooked revised Engineer's Cost Estimate are detailed below:

- Additional flight of stairs with landings as viewing alcoves to connect to the parking lot
- Addition of roadway improvements to scope of project (roughly 1/3 of a mile of road)
- Additional roadway infrastructure
- Detailed hand and guard rails
- Metal detailing with a long-lasting weatherproof finish
- A non-combustible roof framing system for the weather shelters
- Upgrade in materials, scale, and size of both weather shelters
- Increase in the number of site boulders
- A Sustainable natural resin paving system for use with stabilized pedestrian paths
- Metal edging along pedestrian pathways
- Additional Timber benches
- Additional Water tanks
- Additional stone steps within planting restoration areas
- Rock “mulching” within restoration areas and bioretention swales
- Increase in size and number of bioretention swales
- More substantial edge conditions along roadways and turnaround area (thickened edges and small stemwalls) necessary for road support and additional engineering

Options for Addressing the Added Project Cost

Staff is preparing four options for Board consideration in July, which are described below. Of the four options, Option 1 is the only one that meets general expectations about both schedule and quality, does not disrupt other elements of the District’s capital program, and provides the best control over project costs in view of the uncertainties associated with the current construction market. However, in view of the increased costs, the Board may wish to either downsize or delay the project, or both. The General Manager has consulted with the Controller and the increased costs are not a financial problem for the District as they are clearly within the existing voter approved Measure AA project allocation.

Option 1: Recommended. Approve an increase to the project budget, following negotiations with the one bidder to reduce costs without sacrificing project quality and durability. Per discussions with the District Controller and a review of District finances, the District retains sufficient funds both under Measure AA and in cash flow reserves to accommodate the required budget increase. As a reminder, Measure AA allocated \$27.972M under Portfolio #23, Sierra Azul: Mount Umunhum Public Access and Interpretation Projects, with \$2.429M spent to date (not including any grant reimbursements). Also, per the Controller’s Report of May 25, 2016, the FY2016-17 Cash Projection estimates Total Ending Cash Balances at \$71.349M (includes \$22.2M for Measure AA funds).

Option 2: Remove capital projects from the Action Plan to offset a portion of the cost increase. Projects may include the following:

○ South Area Office Long-Term Facilities Feasibility Study	\$150,000
○ El Sereno Residence Disposition	\$69,500
○ Harkins Bridge Replacement at Purisima Creek	\$310,900
○ ECdM Oljon Trail Implementation, Phases III/IV	\$404,575
○ Sierra Azul Meyer Residence Repair and Site Improvements	\$269,100
○ Lysons Demolition at Monte Bello OSP	\$230,300
○ Page Mill Eucalyptus Removal	\$276,000
○ Prescribed Fire Program Development	\$100,000
○ Restoration Forestry Demonstration Project	\$60,000

○ Farm Labor Housing – La Honda Creek	\$394,900	
○ Enterprise GIS Planning and Implementation	\$165,000	CapEx
	\$102,000	OpEx
○ IT Infrastructure Upgrades	\$273,600	CapEx
	\$32,400	OpEx
TOTAL		\$2,838,275

Removal of these projects would only partially offset the added cost (approximately \$2.84 saved compared to the approximately \$3.8M additional budget needed).

Removal of projects from the FY2016-17 Action Plan is not recommended given that this would result in substantial disruption to the work program, work flow, and staff allocation. If implemented, deferral of the above projects would impact the District's ability to address upcoming issues in a timely manner (e.g. South Area Office Long-Term Facilities Feasibility Study), lose project momentum (e.g. ECdM Oljon Trail Implementation, Phases III/IV), hamper the District's progress in implementing the FOSM (e.g. IT Infrastructure Upgrades), and affect the District's land management progress (e.g. Restoration Forestry Demonstration Project).

Option 3: Phase the project and bid out design elements at two different times, with the first phase occurring in FY2016-17, and the second phase occurring in FY2017-18. Although this would allow costs to remain within or closer to the allocated budget, breaking the work into two different phases, two different years, and into two different contracts has a high probability of increasing the total project cost above the current \$7.8M bid given the current and foreseeable construction market, as well as significantly delaying the project schedule.

Option 4: Redesign the project to eliminate certain elements to bring the project within or closer to the current budget. This will result in an incomplete project that would not meet the project goals and desired outcomes for the public and for this site. Moreover, a drastic scope reduction may require a rebidding of the project, as the current bidder may no longer desire to enter into a reduced contract, thus impacting the construction schedule, and requiring a minimum of three months for a rebid. Also of concern is whether or not the District would be able to attract any bidders to a more modest project in such a remote location.

NEXT STEPS

Staff is currently engaging with D-Line Constructors to value engineer (VE) some of the elements through minor re-design and material substitution. An initial VE exercise will be conducted on June 23, 2016 with RDG, D-Line Constructors, and District staff. Initial discussions with the D-Line Constructors has revealed numerous material substitutions and minor design revisions that could reduce the bid by as much as \$500,000 (note: this amount is still very tentative). There may be other material substitutions, yet to be identified, that could potentially produce additional savings. These modifications would yield at best a small reduction.

Substantial decreases in the bid amount could only be accomplished through a significant re-scoping (complete removal of elements) of the project, which would require significant re-design and/or re-bidding the project. This effort would significantly affect the desired goals of the project and move the schedule beyond spring of 2017. Moreover, the inherent risk of not receiving bids, or receiving high bids given other factors (including remoteness and travel distance and potential increases in material or labor costs) still exist. For these reasons, the General Manager does not recommend re-designing the project, and instead working with the existing bidder to bring down the cost to the extent possible while maintaining the quality and durability of the finished project.

Assuming VE efforts are successful, a recommendation for Award of Contract and a line item budget increase will be presented to the Board in July. RDG is currently working on a revised independent final engineer’s estimate (an update as of the March 2016 estimate) that will be used as a tool to analyze in more detail the contractor’s bid by line item.

MOUNT UMUNHUM ROAD REHABILITATION PROJECT IMPACTS

Given the manifestation of the current competitive construction market and premium required for the project’s site remoteness, the Mount Umunhum Road Rehabilitation Project (Road Project) may also experience similar budget constraints. The FY2016-17 Action Plan and Budget allocated \$3 million for the repair contract and the revised engineer’s estimate that was just recently provided on June 8, 2016 anticipates a cost of \$4.35 million. The Road Project released for bid on June 10, 2016, and is expecting bid results on July 8, 2016. Bid results along with the General Manager’s recommendations will be presented to the Board in July. Unlike the Summit Project, the Road Project contains discreet elements that can be removed to substantially decrease the cost without significantly impacting the Project goals. These elements were included for ease of long-term maintenance of the road.

Lessons Learned

Staff has reflected significantly on the factors and issues that arose as part of the Summit Project to identify lessons learned and actions that will be taken in the future to avoid repeating this situation, as detailed below:

LESSONS LEARNED	FUTURE CORRECTIVE ACTIONS
<p>In a “hot” construction market, the Engineer’s estimate may still be lower than the actual construction bid, particularly when competition for project dollars is low or non-existent.</p>	<p>Hire third party cost estimating firm for (1) high-cost projects, (2) projects with high level of uncertainty, and (3) projects with usual circumstances or scopes. Third party cost estimating firm such as Leland Saylor Associates, Cummings Construction, and RSMMeans typically have a better feel for construction inflation, the site remoteness factor, and availability of construction companies and supply. A third party cost estimation would also serve to verify the engineer’s assumptions and identify any potential gaps in cost line items.</p>
<p>Greater awareness of variability in the current construction markets is needed internally to help raise concerns early on.</p>	<p>Provide staff training and development. Identify and attend construction-related seminars and events to help staff stay abreast of current construction industry standards, costs, and market trends.</p>