



Midpeninsula Regional
Open Space District

R-16-82
Meeting 16-18
August 10, 2016

AGENDA ITEM 9

AGENDA ITEM

Award of Contract to D-Line Constructors for Construction Services for the Mount Umunhum Summit Project at Sierra Azul Open Space Preserve for a Base Amount Not-to-Exceed \$7,385,000 and a Separate 10% Contingency

GENERAL MANAGER'S RECOMMENDATIONS

1. Approve the Mount Umunhum Summit Project Design and Plans, and delegate to the General Manager or designee the authority to approve any necessary changes to the Project Design and Plans, and Direct that the "As Built" Designs Come Back to the Board for Final Approval.
- ~~1.2.~~ Authorize the General Manager to enter into contract with D-Line Constructors of Oakland, CA, for a not-to-exceed base contract amount of \$7,385,000,
- ~~2.3.~~ Authorize a 10% construction contract contingency in the amount of \$738,500 to be reserved for unanticipated issues, thus allowing a total contract amount not-to-exceed \$8,123,500.
- ~~3.4.~~ Adopt a Resolution approving a budget adjustment in the amount of \$3,466,450 to the Fiscal Year 2016-17 Budget.

SUMMARY

A Request for Bids was issued on May 11, 2016 for the Mount Umunhum Summit Project (Project). One (1) bid proposal was received and opened on Monday, June 13, 2016. The low bidder, D-Line Constructors, presented a complete and responsive bid package. An FYI memorandum was provided on June 22, 2016 to inform the Board of the bid result. The FYI memorandum also discussed important factors that affected the bid, including site remoteness and a strong construction market. Four (4) options were provided for the Board to consider. Since the issuance of the FYI memorandum, the General Manager directed District staff to contract with a third party cost estimating consultant, Cumming Construction Management, to provide an independent cost estimate to determine whether the one (1) bid received represents fair market value. The third party cost estimate arrived at \$6,923,454, approximately 14% lower than the received bid. Based on relevant market research, the 14% difference is within the tolerance of the fair market value for a Capital Improvement Project of this type. Construction bid data from 2015 showed that for projects with only one (1) bid, the estimate to bid differential was 25 to 50% over the estimate. Projects that received 2 to 3 bids resulted in bids 10 to 25% over the estimate. Therefore, the General Manager recommends awarding the contract for construction of the Project to D-Line Constructors, for a base contract amount of \$7,385,000 and

allow for a 10% contingency to address unanticipated construction issues as the work progresses, for a total not-to-exceed amount of \$8,123,500. In addition, given that the cost of construction has increased substantially as compared to when the budget estimates were first prepared, a line item budget adjustment of \$3,466,450 is required to proceed with implementation.

MEASURE AA

A 5-year Measure AA (MAA) Project List was approved by the Board at their October 29, 2014 meeting and includes the Project as part of MAA Portfolio #23, Mount Umunhum Public Access and Interpretation Projects, with a total funding allocation of \$27.972 Million. This contract is well within the remaining Measure AA funds and serves to further the goals of Portfolio #23 by providing the necessary construction of the Mount Umunhum public access facilities to open the summit for public recreational use.

DISCUSSION

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 Project and Final Construction Documents were completed in May 2016 for inclusion in the Request for Bids.

The purpose of the Project is to provide access to the summit for the public to enjoy the restored natural environment. Public access elements include site amenities that the Board previously approved in August 2015 (Final Design Development Options, R-15-126), November 2015 (Interpretive Design Development Options, R-15-160), December 2015 (EIR Addendum Project Modifications, R-15-166), and March 2016 (Final Design for Shelters and Stair, R-16-26), which include the installation of the following elements:

- Two weather shelters, one at the summit and one at the trailhead area
- A vehicular turn-around at the summit with ADA parking stalls
- An ADA, surfaced pathway around the East and West Summits
- A ceremonial circle near the West Summit
- East Summit viewing area
- Guardrails and site appropriate safety elements
- Final grading and site topographic restoration
- Upper and lower summit stairs
- Parking area with roughly 50 stalls, including 3 ADA stalls
- Vault toilet at the parking area
- Emergency helicopter landing zone
- Rehabilitation of roughly 1/3 mile of summit roadway

- Water storage tanks and associated infrastructure
- Stormwater infrastructure, including bioretention basins
- District standard split-rail fencing.
- Two emergency call boxes, one at the summit and one at the parking lot

Contractor Selection

The Request for Bids was issued on May 11, 2016, and was sent to contractors, subcontractors and consultants who had requested to be notified of the project. Legal notices were posted in the San Jose Mercury News, Santa Cruz Sentinel, and five Builder's Exchange programs. The Invitation to Bid was also posted on the District website.

Two pre-bid meetings/site walks were held at the project site on May 12, 2016, and May 16, 2016, and were attended by a total of six (6) prime contractors. Sealed bids were due on June 13, 2016, and one (1) bid was received in the amount of \$7,885,000. In order to achieve the design intent while reducing the project costs, District staff engaged with the contractor to value engineer (VE) some of the elements through minor re-design and material substitution. An initial VE exercise was conducted on June 23, 2016 with RDG, D-Line Constructors, and District staff. Numerous material substitutions and minor design revisions were mutually identified that allows the bid to be reduced by \$500,000. Further collaboration with D-Line will likely occur if a contract is awarded to identify additional material substitutions for further savings.

Staff contacted the references provided by D-Line and received positive feedback, confirming the firm has successfully completed similar projects in a responsive, on-time, and craftsman-like manner. Those projects include Sausal Creek Restoration in Dimond Park and UCSF Benioff Children's Hospital in Oakland.

In addition, the General Manager directed District staff to engage with an independent third party construction cost estimate to analyze the fair market value of the bid, as only one was received. This cost estimate analysis was conducted by Cumming Construction Management and received on July 22, 2016. The estimate was done without the estimator's knowledge of the bid results, used the same information that was given to potential bidders, and took into consideration the unique factors characteristic of this project. The report revealed a construction cost estimate of \$6,923,454, which is 14% lower than the received bid. Specifically, the breakdown of bid versus the construction cost estimate and engineer's estimate can be seen in the table below (includes base and alternates):

Source	Base Bid	Alt 1: Upper Stairs	Alt 2: Lower Stairs	Alt 3: Trailhead Weather Shelter	Alt 4: Water Tank Area	Total Bid: Base Bid plus Alts 1-4
D-Line Constructors (6-13-16 Bid)	\$6,300,000	\$520,000	\$540,000	\$425,000	\$100,000	\$7,885,000
Third Party Construction Cost (Estimate 7-22-16)	\$5,837,773	\$273,358	\$252,441	\$392,374	\$167,508	\$6,923,454

Engineer's Estimate (6-20-16)	\$6,131,453	\$388,700	\$412,600	\$398,075	\$142,255	\$7,473,083
-------------------------------	-------------	-----------	-----------	-----------	-----------	-------------

According to a presentation by the City and County of San Francisco and other sources presented in the August 4, 2016 FYI Memo, the 14% difference is within the tolerance of the fair market value for a Capital Improvement Project of this type. Construction bid data from 2015 showed that for projects that received only one (1) bid, the estimate to bid differential was 25 to 50% over the estimate. Projects that received 2 to 3 bids resulted in 10 to 25% over the estimate.

Upon careful review of the Bid Proposal, contractors' relevant experience and qualifications, third party cost estimate, and input from RDG's design team, the General Manager recommends awarding the contract to D-Line Constructors who is the lowest responsible and responsive bidder.

Contract Contingency

A 10% contingency amount is an industry standard to manage a project of this size and type and is required to address unforeseen conditions that may be encountered during execution of the work. Unit pricing was included on the bid form to allow negotiation with the contractor should unforeseen situations arise. Unanticipated issues that may arise at this particular project site include the proper handling and disposal of unexpected, and potentially hazardous, buried material given the site's former use as an air force station, and the addition of new and specific final construction elements to seamlessly merge the Summit Project elements with the Road Project elements.

ALTERNATIVES

There are numerous alternatives for how to proceed, each with its own set of pros-and-cons. The following summarizes the benefits and risks of four options, including Recommended Option 1:

Option 1: Recommended. Award a base contract for \$7.385M, which includes the deduction of approximately \$500,000 of VE items.

Pros:

- Includes all public access elements approved by the Board.
- Per conversations with the District CFO and Controller, plus a review of District finances, the District retains sufficient funds both under Measure AA and in cash flow reserve to fund the contract and the contract is fully eligible for Measure AA reimbursement.
- Bid is within 14% of the 3rd Party Cost Estimate and 4% of the final Engineer's Estimate. These differentials are on the lower end of what would be expected for this project had 2 to 3 bids been received, and therefore deemed to represent fair market value. Moreover, research shows that neighboring public agencies are also receiving bids higher than their estimates and that this trend will unlikely change in the short term.
- Retain high confidence of receiving a quality product constructed by a well-qualified firm. Staff have contacted references provided by D-Line and received positive feedback, confirming the firm has successfully completed similar projects in a

responsive, on-time, and craftsman-like manner. Those projects include Sausal Creek Restoration in Dimond Park and UCSF Benioff Children's Hospital in Oakland.

- Would meet the Spring 2017 Grand Opening schedule.

Cons:

- Only one bid was received. As a result, the engineer's cost estimate was revised to reflect the 100% bid plan set and a third party cost estimate was obtained to analyze the fair market value of the one bid received.
- The single bid is higher than the amount budgeted, requiring a budget line item increase. Fortunately, the District retains sufficient cash flow reserve funds to cover this increase and the cost is eligible for full Measure AA reimbursement.

Option 2: Remove the Trailhead Weather Shelter (Bid Alternative #3) from the Contract at approximately \$425,000, along with approximately \$500,000 of VE items, for a reduced Award of Contract of approximately \$6,900,000.

Pros:

- Includes the majority of the elements approved by the Board.
- Would continue to receive a high quality product.
- Per conversations with the District CFO and Controller, plus a review of District finances, the District retains sufficient funds both under Measure AA and in cash flow reserve to fund the contract and the contract is fully eligible for Measure AA reimbursement.
- Reduces the contract by additional \$425,000.
- The Trailhead Shelter can be installed at a later date, if desired by the Board.
- Would meet the Spring 2017 Grand Opening schedule.

Cons:

- The value in building the Shelter while the contractor is already mobilized is lost, likely adding to the overall total cost of construction at a later date.
- A major visitor amenity is either removed from the site or its construction is delayed.
- If the Shelter is constructed at a later date:
 - Overall Project cost is likely to increase with inflation.
 - Temporary impacts to public access would result to accommodate construction within an open and active public use area.

Option 3: Reject current bid, provide minor design changes without significantly altering Board-approved design elements, and re-bid.

Pros:

- Upon a successful re-bid of the Project, the District may receive multiple bids to more fully understand construction costs under current market conditions.
- May potentially receive a bid that is lower than the current bid; however, current trends indicate a potential for receiving a higher bid.

- May includes a majority of the elements approved by the Board.
- May still receive a high quality product.

Cons:

- May run into the risk of the low bidder being less qualified for this type of work.
- May encounter the same situation of receiving only a single bid, or worse - no bids.
- Bid(s) received may be higher. Research indicates that neighboring agencies that went out to bid again have received bids much higher than the corresponding engineer's estimate. Indications are that this trend will not change in the near future.
- Incurs additional consultant design fees to assist with the re-bidding.
- A revised schedule could put the Spring 2017 opening date in jeopardy, not only because of the additional time needed to re-bid, but also the majority of the construction work would be conducted during the winter/spring when rain and snow can affect the schedule.

Option 4: Reject current bid, redesign the project to allow Phased Construction, and re-bid.

Pros:

- Provides the flexibility to construct the Project in separate phases, allowing smaller amounts of budget to be spent annually.
- Bids for the first phase of work would likely be substantially lower than the current bid, and likely within the current budgeted amount.

Cons:

- May run into the risk of the low bidder being less qualified for this type of work.
- May encounter the same situation of receiving only a single bid, or worse - no bids.
- Bid(s) received may be higher.
- Phasing projects typically results in overall higher total construction costs due to multiple mobilization efforts by different contractors.
- The Summit would likely not open to the public in Spring 2017 given that construction may not begin until December 2016, at best.
- Incurs additional consultant design fees to create phased construction plans and re-bid each phase separately.

FISCAL IMPACT

The District's Fiscal Year 2016-17 Action Plan and Budget includes \$5,423,250 for completion of the Mount Umunhum Summit Project to cover the construction costs, allowances for contingencies and unforeseen conditions, and consultant fees for general conditions, construction oversight and administration, and special inspections.

A budget line item adjustment is requested from the Board in the amount of a \$3,466,450 increase for a total of \$8,889,700 to the Fiscal Year 2016-17 Budget to fully fund the remaining

construction work. If the Board approves the General Manager's recommendation, it is anticipated the project will be 100% complete in the Spring of 2017.

Given that there are two budget line item adjustments being recommended as part of the August 10, 2016 Board meeting that affect Portfolio 23, the following table is provided to outline the Measure AA Portfolio budget, costs to date, and the fiscal implications related to the Mount Umunhum Summit and Road Projects:

	Budget (in \$millions)
MAA 23 Portfolio Total	\$27.97
Spent to Date:	\$4.08
Encumbrances:	\$0.3
Mount Umunhum Summit Project:	\$8.89*
Mount Umunhum Road Project:	\$6.33*
Balance Remaining (Proposed):	\$8.37

* These amounts include the proposed construction contracts and other expected expenses to complete the project, including special inspections, construction administration, etc.

BOARD COMMITTEE REVIEW

No Board Committee review is required for this phase of the Project.

PUBLIC NOTICE

Public notice of this Agenda Item was provided per the Brown Act. No additional notice is required.

CEQA COMPLIANCE

On June 12, 2012 (refer to Report R-12-59), the Board approved the adoption of a Final Environmental Impact Report for the Mount Umunhum Environmental Restoration and Public Access Project. In 2015, the District prepared the first Addendum to the 2012 EIR to analyze minor modifications to the Summit and Road improvements that included installation of gates and fencing, and acquiring a road access easement to Mount Thayer for District vehicles, contractors, and emergency access only (no general public access). In July 2016, the District prepared a second Addendum to the 2012 EIR to analyze minor modifications to the Road Project that included: 1) installation of a total of approximately 180 linear feet of retaining walls, in three locations along Mount Umunhum Road, to provide slope stability for road widening; and 2) increasing the number of truck haul trips for transporting excavated material from project construction activities, and routing all excavated material haul trips to Mount Thayer where the material will be used as part of the previously proposed landform restoration (R-12-91).

In summary, taken together, the EIR and its two Addenda fully analyzed the Summit Project, in compliance with the requirements of the California Environmental Quality Act (CEQA). Awarding the contract for construction of the Mount Umunhum Summit Project is consistent with the EIR and the approved Addenda for implementation of the Mount Umunhum Environmental Restoration and Public Access Plan. No new significant environmental effects or a substantial increase in the severity of previously identified significant effects would result beyond what was analyzed in the EIR.

NEXT STEPS

Upon approval by the Board of Directors, the General Manager will enter into a contract with D-Line Constructors, to perform construction of all Summit Public Access elements (excluding any radar tower repairs). The project is scheduled to begin in August 2016 and be completed by Spring 2017.

Attachments:

1. June 13, 2016 FYI Memo
2. August 4, 2016 FYI Memo
3. Resolution Amending the Budget for Fiscal Year 2016-17

Responsible Department Head:

Jay Lin, Engineering and Construction Manager

Prepared by:

Damon Adlao, Engineering and Construction Capital Project Manager III

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
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.	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.
Greater awareness of variability in the current construction markets is needed internally to help raise concerns early on.	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.



Midpeninsula Regional
Open Space District

Memorandum

DATE: August 4, 2016

MEMO TO: Board of Directors

FROM: Stephen E. Abbors, General Manager *SEA*

SUBJECT: Preview of the Mount Umunhum Summit Project Bid Results and Recommendation

This FYI memorandum is provided in advance of the August 10, 2016 Board meeting when the Board will consider an award a contract for construction services for the Mount Umunhum Summit Project (Project). This memorandum is deliberately timed to allow the Board an opportunity to synthesize the information and provide staff with any questions in advance of the meeting.

Based on the following important considerations, including the fully-evaluated conclusion that the single bid received represents fair market value when compared to market trends and the results of a third party cost estimate and a revised engineer's estimate, the Board will be asked to consider approval of the contract in its entirety as bid by D-Line Constructors with the "value engineering" deductions as defined in this memorandum.

Important Considerations

1. Results of a newly revised engineer's cost estimate and a professional, third-party cost estimate indicate that the bid received represents fair market value. This conclusion considers recent market trends in the Bay Area and a key understanding that when 2 to 3 bids are received, which would be the most that could be expected for this particular project given its scope, lack of onsite utilities, and remote location, bids received are expected to be 10% to 25% above the engineer's estimate. Our analysis indicates that the one bid received is 14% above the third party estimate and 4% above the newly revised engineer's estimate, and thus within the lower end of what is expected based on trend analysis.
2. The Project is fully eligible for Measure AA reimbursement under Portfolio 23, which allocated \$27.972M for "Mt. Umunhum Public Access and Interpretation Projects" and specifically calls for the opening of "Mt. Umunhum for multi-use public access to summit via road and trail".
3. The District retains sufficient funds in the cash flow reserve to fully fund the Project with no subsequent negative impacts to District finances over the course of the next 30 years.
4. Meeting a Spring 2017 Grand Opening date provides the opportunity to highlight the opening of the Mount Umunhum summit as one of the District's first, substantial, regional public access projects funded through Measure AA within the first three years following voter approval of the bond measure.

5. The opening of the summit has received high support from the public and major stakeholders who are closely following and eagerly awaiting completion of the Project, and was one of the highest ranking Vision Plan Priority Actions based on input received at public workshops, via the online engagement tool, and Community Advisory Committee.
6. The District has invested over 8 years of focused effort to: seek outside funds for the Project (including \$3.2M of federal funds and \$1M of Coastal Conservancy funds); conduct lead-based paint and asbestos abatement; demolish dilapidated structures; prepare the public access and restoration plan; certify the EIR; acquire the necessary road rights for public access; and prepare the site for new visitor-serving amenities.

As mentioned in an earlier FYI memorandum dated June 22, 2016, the Project bid received came in higher than the first revised engineer's estimate (which was based on 90% construction documents). As a result, I directed District staff to perform the following "next steps" prior to making a final recommendation to the Board:

- Negotiate specific elements of the project with the bidder, D-Line Constructors (D-Line), to reduce total construction costs (known as "value engineering" or "VE").
- Engage with the design consultant, Restoration Design Group (RDG), to update the engineer's estimate from 90% to 100% construction documents to compare this latest and most complete estimate with the bid received.
- Retain an expert third party construction cost estimator, Cumming Construction Management (Cumming), to provide an independent construction cost estimate.

Below are the conclusions and findings arising from these "next steps" and my recommendation for how to proceed along with a list of alternative actions with pros-and-cons, including budget implications.

DISCUSSION

Staff engaged with D-Line Constructors and RDG to VE some of the elements through minor re-design and material substitution on June 23, 2016. These discussions revealed numerous material substitutions and minor design revisions to reduce the bid by approximately \$500,000. If a contract is awarded, further negotiation with D-Line during the course of construction could realize additional cost reductions.

At the time that the bid was released, the District did not have the most current engineer's cost estimate. The latest engineer's estimate only reflected Project elements at the 90% construction documents level. Many Project elements that affect the cost were missing from that engineer's estimate since they were added late in the design to address new permitting requirements, improve visitor circulation and safety, and reduce future maintenance requirements and costs, including:

- Additional flight of stairs with landings as viewing alcoves to connect the first set of stairs to the parking lot;
- Roadway improvements from the flag pole to the summit (roughly 1/3-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 to stabilize ADA 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 the size and number of bioretention swales; and
- More substantial edge conditions along roadways and turnaround area (thickened edges and small stemwalls) necessary for road support and additional engineering.

RDG provided a new, updated 100% construction document engineer’s estimate of \$7,470,000 on June 20, 2016 that reflects the final Bid Documents.

Concurrent with the VE and revised consultant cost estimate, staff also retained Cumming to provide an independent, expert third party cost estimate. D-Line’s bid result and RDG’s new engineer’s estimate were not shared with Cumming in order for the estimate to be truly independent and unbiased. Cumming submitted an estimated construction cost of approximately \$6,923,454.

The following table provides a summary of the budget, bids, and estimates.

Cost Description	Total Cost	% Difference from Budget	% Difference from New Estimates
Action Plan and Budget allocation for the construction contract (based on an initial engineer’s estimate of late 2015)	\$4.02M (total project budget = \$5.42M)	--	
Engineer’s Estimate based on 90% Plans (March 9, 2016)	\$5.47M	+36%	
Revised Engineer’s Estimate based on 100% Plans (June 20, 2016)	\$7.47M	+86%	
3 rd Party Cost Estimate (July 21, 2016)	\$6.92M	+72%	
D-Line Bid (June 13, 2016)	\$7.8M	+94%	+4% from revised engineer’s estimate; +14% from 3 rd party estimate
D-Line Bid after Value Engineering Deductions (July 29, 2016)	\$7.3M	+82%	

Research indicates that similar to this Project, capital improvement projects across the state and nation have recently experienced bids much higher than were originally estimated, and indications are that this trend will continue in the foreseeable future. Findings are provided below:

- Public Works bids in general are coming in higher than the engineer’s estimate. The Golden Gate Bridge (GGB) District received two (2) bids to install steel net on the bridge to deter suicides. The project was estimated at \$76M, but the bids came in at \$142M and \$174M.
- The current construction market is strong. Project costs are higher than past years. City and County of San Francisco provided a presentation on October 19, 2015 describing the current greater Bay Area construction trend as follows:

- Construction bid data from 2015 shows that for projects that received only one (1) bid, the estimate to bid differential was 25 to 50% over the estimate. Projects that received 2 to 3 bids were 10 to 25% over the estimate.
 - Strong construction demand continues to be a major construction escalation driver.
 - Bidding environment remains favorable for contractors/subcontractors.
 - Bid Index shows 12.5% increase in local bid estimates over the past year.
 - Local experts are using 2016 escalation rates of 4.0% to 6.0%.
- Re-bidding a project may lead to complications and other negative impacts. City of San Jose Thompson Creek Trail Improvement Project's initial bid resulted in eight (8) bidders with the low bid approximately 70% over the engineer's estimate. The City of San Jose re-scoped and re-bid the project but only received four (4) bids. The low bidder from the initial bid also filed a protest on the second bid. Re-bidding a project could have negative results such as receiving fewer and higher cost bids, as well as other complications.

If the Board does approve the contract as bid (including deducted VE items), an increase in the budget of approximately \$3M will be needed for the Summit Project. The Board can expect to see a resolution included as a second item in the award of contract agenda report to authorize the additional funds that would be necessary to move forward in awarding the contract.

ALTERNATIVES

There are numerous alternatives for how to proceed, each with its own set of pros-and-cons. The following list summarizes the benefits and risks of each, beginning with Recommended Option 1:

Option 1: Recommended. Award a base contract for \$7.3M, which includes the deduction of approximately \$500,000 of VE items.

Pros:

- Includes all public access elements approved by the Board.
- Per conversations with the District CFO and Controller, plus a review of District finances, the District retains sufficient funds both under Measure AA and in cash flow reserve to fund the contract and the contract is fully eligible for Measure AA reimbursement.
- Bid is within 14% of the 3rd Party Cost Estimate and 4% of the final Engineer's Estimate. These differentials are on the lower end of what would be expected for this project had 2 to 3 bids been received, and therefore deemed to represent fair market value. Moreover, research shows that neighboring public agencies are also receiving bids higher than their estimates and that this trend will unlikely change in the short term.
- Retain high confidence of receiving a quality product constructed by a well-qualified firm. Staff have contacted references provided by D-Line and received positive feedback, confirming the firm has successfully completed similar projects in a responsive, on-time, and craftsman-like manner. Those projects include Sausal Creek Restoration in Diamond Park and UCSF Benioff Children's Hospital in Oakland.
- Would meet the Spring 2017 Grand Opening schedule.

Cons:

- Only one bid was received. As a result, the engineer's cost estimate was revised to reflect the 100% bid plan set and a third party cost estimate was obtained to analyze the fair market value of the one bid received.

- The single bid is higher than the amount budgeted, requiring a budget line item increase. Fortunately, the District retains sufficient cash flow reserve funds to cover this increase and the cost is eligible for full Measure AA reimbursement.

Option 2: Remove the Trailhead Weather Shelter (Bid Alternative #3) from the Contract at approximately \$425,000, along with approximately \$500,000 of VE items, for a reduced Award of Contract of approximately \$6,900,000.

Pros:

- Includes the majority of the elements approved by the Board.
- Would continue to receive a high quality product.
- Per conversations with the District CFO and Controller, plus a review of District finances, the District retains sufficient funds both under Measure AA and in cash flow reserve to fund the contract and the contract is fully eligible for Measure AA reimbursement.
- Reduces the contract by additional \$425,000.
- The Trailhead Shelter can be installed at a later date, if desired by the Board.
- Would meet the Spring 2017 Grand Opening schedule.

Cons:

- The value in building the Shelter while the contractor is already mobilized is lost, likely adding to the overall total cost of construction at a later date.
- A major visitor amenity is either removed from the site or its construction is delayed.
- If the Shelter is constructed at a later date:
 - Overall Project cost is likely to increase with inflation.
 - Temporary impacts to public access would result to accommodate construction within an open and active public use area.

Option 3: Reject current bid, provide minor design changes without significantly altering Board-approved design elements, and re-bid.

Pros:

- Upon a successful re-bid of the Project, the District may receive multiple bids to more fully understand construction costs under current market conditions.
- May potentially receive a bid that is lower than the current bid; however, current trends indicate a potential for receiving a higher bid.
- May include a majority of the elements approved by the Board.
- May still receive a high quality product.

Cons:

- May run into the risk of the low bidder being less qualified for this type of work.
- May encounter the same situation of receiving only a single bid, or worse - no bids.
- Bid(s) received may be higher. Research indicates that neighboring agencies that went out to bid again have received bids much higher than the corresponding engineer's estimate. Indications are that this trend will not change in the near future.
- Incurs additional consultant design fees to assist with the re-bidding.

- A revised schedule could put the Spring 2017 opening date in jeopardy, not only because of the additional time needed to re-bid, but also the majority of the construction work would be conducted during the winter/spring when rain and snow can affect the schedule.

Option 4: Reject current bid, redesign the project to allow Phased Construction, and re-bid.

Pros:

- Provides the flexibility to construct the Project in separate phases, allowing smaller amounts of budget to be spent annually.
- Bids for the first phase of work would likely be substantially lower than the current bid, and likely within the current budgeted amount.

Cons:

- May run into the risk of the low bidder being less qualified for this type of work.
- May encounter the same situation of receiving only a single bid, or worse - no bids.
- Bid(s) received may be higher.
- Phasing projects typically results in overall higher total construction costs due to multiple mobilization efforts by different contractors.
- The Summit would likely not open to the public in Spring 2017 given that construction may not begin until December 2016, at best.
- Incurs additional consultant design fees to create phased construction plans and re-bid each phase separately.

Based on the analysis above and the important considerations that are listed on page 1, I will be asking the Board to consider approval of the contract in its entirety with the “value engineering” deductions as bid by D-Line Constructors on August 10.

RESOLUTION NO. 16-___

RESOLUTION OF THE BOARD OF DIRECTORS OF THE MIDPENINSULA REGIONAL OPEN SPACE DISTRICT AMENDING THE BUDGET FOR FISCAL YEAR 2016-17

WHEREAS, on June 22, 2016 the Board of Directors of the Midpeninsula Regional Open Space District adopted the Fiscal Year 2016-17 Budget and Action Plan; and

WHEREAS, unanticipated expenses associated with the **Mount Umunhum Summit Project** have arisen and additional funds are required to complete the project; and

WHEREAS, the General Manager recommends amending the FY 2016-17 Budget and Action Plan to reflect the increased costs of the project;

NOW, THEREFORE, The Board of Directors of the Midpeninsula Regional Open Space District does resolve as follows:

SECTION ONE. Amend the Budget and Action Plan for the Midpeninsula Regional Open Space District for the Fiscal Year 2016-17 as follows:

Project Name	Current Budget	Revised Budget
Mount Umunhum Summit Project	\$5,423,250	\$8,889,700

SECTION TWO. Monies are hereby appropriated in accordance with said budget.

SECTION THREE. Except as herein modified, the FY 2016-17 Budget and Action Plan, Resolution No. 16-25 as amended, shall remain in full force and effect.

* * * * *

PASSED AND ADOPTED by the Board of Directors of the Midpeninsula Regional Open Space District on August 10, 2016, at a Regular Meeting thereof, by the following vote:

- AYES:**
- NOES:**
- ABSTAIN:**
- ABSENT:**

ATTEST:

APPROVED:

Secretary
Board of Directors

President
Board of Directors

APPROVED AS TO FORM:

General Counsel

I, the District Clerk of the Midpeninsula Regional Open Space District, hereby certify that the above is a true and correct copy of a resolution duly adopted by the Board of Directors of the Midpeninsula Regional Open Space District by the above vote at a meeting thereof duly held and called on the above day.

District Clerk