



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: General Services
Department No.: 063
For Agenda Of: May 23, 2016
Placement:
Estimated Tme: 3.0 Hours
Continued Item:
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Matthew P. Pontes, Director, General Services
Director(s): (805) 560-1011
Contact Info: Janette Pell, Interim Assistant Director, General Services
(805) 568-3096
Tom Alvarez, Budget Director, County Executive Office
(805) 568-3400
SUBJECT: Northern Branch Jail Project, Receive Report on Construction Bids and Consider Options

County Counsel Concurrence

As to form: Yes

Other Concurrence:

As to form: NA

Recommended Actions:

That the Board of Supervisors:

- a) Receive an update from staff on the construction bids received in April 2016 on the Northern Branch Jail (NBJ) AB900 Phase II Project;
- b) In anticipation of final decisions on the bids on July 12, 2016, consider project options to address the higher than estimated costs;
- c) Consider funding options to address the additional funding need for the project, and direct the CEO to prepare actions through which the Board, within the June 2016 Budget Adoption Hearings, can consider a comprehensive budget proposal of the selected funding method;
- d) Direct staff to research other potential alternatives to the project and return on July 12, 2016;
- e) Provide other direction, as appropriate; and

Auditor-Controller Concurrence

As to form: Yes

- f) After considering the Final Subsequent Environmental Impact Report (SEIR), State Clearinghouse No. 2007111099, that the Board of Supervisors certified on March 11, 2008, the December 6, 2011 SEIR addendum, and the October 8, 2013 SEIR addendum, determine pursuant to 14 CCR §15162(a) that no subsequent EIR or Negative Declaration is required for this project because: i) No substantial changes are proposed in the project which require major revisions of the 2008 Final Subsequent EIR; ii) No substantial changes have occurred with respect to the circumstances under which the project is undertaken which require major revisions of the 2008 Final Subsequent EIR; and iii) No new information of substantial importance concerning the project's significant effects or mitigation measures, which was not known and could not have been known with the exercise of reasonable diligence at the time that the Final Subsequent EIR was certified in 2008, has been received.

Summary Text:

Bids for the Northern Branch Jail AB900 Phase II Project were opened on April 7, 2016, and all bids significantly exceeded the engineer's estimates, resulting in project costs exceeding the overall approved project budget by \$14.75 million.

- Three bids for bid package 1 (BP-1), encompassing construction of the Northern Branch Jail complex and site improvements, were opened with base bids ranging from \$77.72 million to \$79.28 million (compared to the engineer's estimate of \$66.7 million).
- For bid package 2 (BP-2) encompassing construction of the offsite utilities serving the jail, three bids were opened ranging from \$2.911 million to \$3.187 million (compared to the engineer's estimate of \$2,294 million).
- Additional, related items, such the State required 5% construction contingency against the higher than anticipated bids, have also contributed to the additional project costs.

Since April, staff has taken the following actions: 1) worked with the project team and consultants to analyze the bids and review value engineering project options; 2) discussed the situation and explored options with the Board of State Community Corrections (BSCC) staff; 3) worked with the County Executive Office on possible methods to fund the overage; and 4) began exploring possible alternatives to the project, should funding and project options appear infeasible.

This item is presented to provide information to your Board on this work to date. No Board action is requested on project bid options at this time; staff will return on July 12, 2016 for action on the bids. Regarding funding options, staff is requesting conceptual direction at this time so that a comprehensive budget proposal can be prepared and considered within the June Budget Adoption Hearings. The Board may also request at this time that staff further explore alternatives and return with information on July 12, 2016.

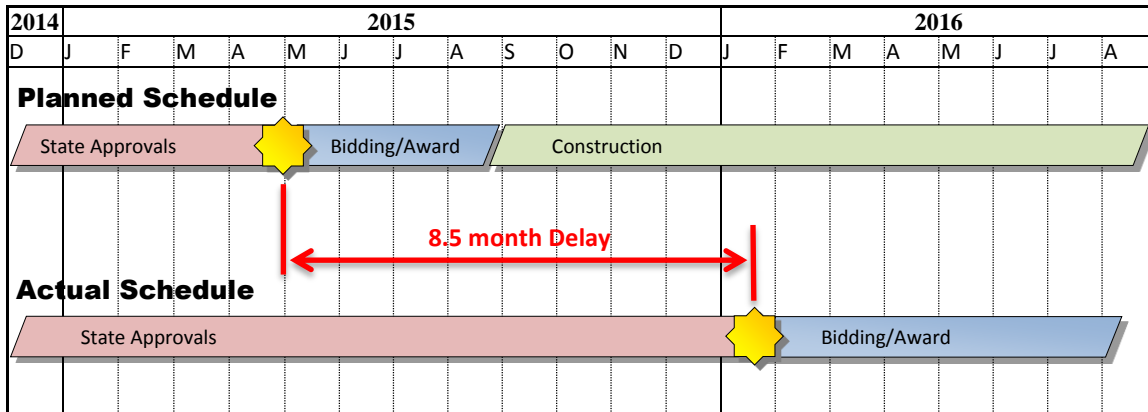
Discussion

1. Bid Analysis – Reasons for higher bids than estimated

Various market conditions may have impacted the bids including escalation, lengthy State approval process, limited competition among steel cell manufacturers capable of meeting stringent State Fire

Marshal requirements, and the remote location proposed for the Northern Branch Jail. These factors most likely contributed to the \$14.75 million overage in the approved project budget of \$96.1 million.

Escalation and State Approval Process: The plans and specifications were submitted to the State for regulatory approvals by late November 2014, consistent with our conditional award, with State approval to commence bidding by late April 2015. Protracted California State Fire Marshal (CSFM) reviews, delayed approval of bid alternates and other delays related to the regulatory approval process resulted in an 8.5 month delay. This is shown in the below schedule illustrating the planned vs. actual schedule.



At the State-mandated .42% per month escalation rate, this delay alone could have accounted for approximately \$2.5 million in additional bid costs.

Santa Barbara County is not alone in dealing with the issue of jail projects with over budget bid results. Representatives of BSCC and California Department of Corrections and Rehabilitation (CDCR) recently stated that over budget bids are becoming more common. This is likely due to the fact that AB 900 and SB 81 applications were submitted during a more depressed construction market when forecast escalation was flat to very low. This is coupled with lengthy State regulatory reviews that have delayed design approvals and caused projects to bid much later than originally envisioned.

Limited Bidder Response: Only three firms bid on the project.

In preparation for the bidding phase for Bid Package -1 (BP-1) or onsite construction, a total of 25 prequalification packets were distributed to interested parties, with 12 completed submissions returned for consideration.

- Nine general contractors were deemed qualified to proceed to the bid phase in accordance with the established scoring criteria, review of references, etc.
- On February 11, 2016, six of the nine prequalified general contractors attended the mandatory pre-bid job walk for BP-1,
- On April 7, 2016, three of the six submitted bids.
- The lowest bid received was from SJ Amoroso Construction Co., Inc. in the amount of \$77.72M, nearly 17% above the engineer’s estimate of \$66.7M.

On March 10, 2016, 13 prime contractors attended the mandatory pre-bid job walk for Bid Package -2 (BP-2), or offsite work

- On April 7, 2016, three submitted bids

- The lowest bid received from Spiess Construction Co., Inc. (a local vendor) in the amount of \$2.912 million, nearly 22% above the engineer's estimate of \$2.394 million.
- Although this increase is significant, in light of bidding on this package being open to all qualified contractors, and since the scope includes only the utility extensions and associated work necessary to provide services to the NBJ project. Staff recommends this contract be awarded in all proposed scenarios for consideration under BP-1, with the exception of a cancellation of the NBJ project in its entirety.

The six prequalified BP-1 prime contractors that elected not to submit a bid were polled regarding their reasoning for declining to bid. One firm cited timing with other bids they were pursuing. Two firms declined due to limited resources. Two firms declined because they had other opportunities for negotiated work. One firm declined because there were too many prequalified general contractors (GCs) and they perceived competition would be too heavy.

If the project were put back on the street for rebid, one or two of the GCs that previously declined to bid would likely bid, so four to six prime bidders would be expected in a rebid situation. The number of BP-1 bidders may increase by one or two if the prequalification solicitation is reopened prior to rebidding, but this is not a guarantee. Rebidding the project will most likely result in added escalation costs.

The feedback from the BP1 prequalified general contractors is an indicator of a robust construction market. Since the Central Coast is remote and underserved by the construction industry, bid pricing is disproportionately impacted when contractors opt to pursue opportunities closer to their main offices in Southern and Northern California, and the pool of interested bidders shrinks.

2. Board of State and Community Corrections (BSCC) Preliminary Discussion

In early May, the County Executive Officer and General Services Director spoke with representatives of the BSCC to discuss the construction bids that exceeded the estimated budget, explore opportunities for additional funding appropriations, to better understand what other counties with Conditional Awards were doing, and what advice and other options may be available in moving forward with Santa Barbara County's AB900 Conditional Award. They indicated that there was no additional funding being allocated to AB900 projects that come in over estimates, and that agreements and other conditional award conditions specifically outlined that project overages are the responsibility of the Counties, and not the State. They also cautioned that significant changes to the project would be prohibited as would any significant deviations from the project, as originally proposed and conditionally awarded. Staff has since written a letter to seek written confirmation of these requests and facts.

3. Value Engineering Review

When faced with bids exceeding the estimates to this degree, the County would typically engage consultants in a redesign effort to value engineer non-critical elements back into alignment with the construction budget. In this case, the level of value engineering to reduce the scope of work would likely impact operations as well as the number of beds and program space committed in the AB900 conditional award.

The project design team had participants from an independent estimating firm with experience on over 400 City and County projects that includes specific experience on detention facilities within California.

In addition, the Construction Management Firm performed their own estimating at each juncture of the project, comparing estimates throughout the project to ensure that the most accurate forecasts of projected costs were considered. At each phase of design, this collaborative effort with our Northern Branch Jail team resulted in value engineering that scaled costs to the approved budget. Nonetheless, the ability to predict bid amounts is limited in considering how many bids may actually be received, the impacts of delays and market escalation on a given day, and whether there is sufficient competition among specialty trades that reflect bids that are commensurately competitive.

Value engineering challenges; time involved to process changes versus escalation: The bid analysis and value engineering efforts culminated in a full day workshop conducted on April 21, 2016. Those attending included the project consultants, County Northern Branch Jail project management team, Sheriff's operations staff, General Services, County Counsel, and Facilities Maintenance staff. Careful attention was paid to analyzing not only the immediate potential savings in eliminating or downgrading project elements, but also the long term impacts of those reductions with regards to increased maintenance costs, higher life cycle costs, and programmatic and operational implications which in many cases outweighed the one-time cost reductions.

Proposed reductions ranged from very minor specification adjustments which could relatively quickly be rebid, to full scale redesign potentially eliminating housing units. In each case, the cost benefit was offset to a dramatic extent by further projected market escalation, thus the project would be at great risk of experiencing a scenario whereby any savings would be significantly cut by additional escalation, with the project altered in a manner which in most cases could not be undone.

Furthermore, State mandated controls and processes to enable lease-revenue bond funding, as required by AB 900, significantly complicates and limits the corrective options available to the County. Many of the options presented are time consuming because of the State submittal and approval processes. Cost escalation counteracts the benefits of redesign and rebid options due to the budget erosion that would occur during the lengthy State re-approval processes.

Long Range Escalation is also another factor potentially applicable while determining options. Using the current State-mandated escalation rate of 5% per year (.42% per month), the likely bid day cost of the NBJP will increase by 25% five years from now, 50% ten years from now, 75% fifteen years from now, and so on. The \$80.6M combined BP1 & BP2 bid result today would likely be over \$100M in five years, over \$120M in ten years and over \$140M in fifteen years.

The escalation rates are showing signs of increasing beyond the State-imposed 5% annual escalation rate (.42% per month) that the State mandates be used for escalation calculations. The California Construction Cost Index (CCCI) is a tool that illustrates that construction costs have escalated 2.3% in the first quarter of 2016. This increased rate of escalation is significantly greater than the annual rate experienced over the last five years. If this trend continues, 2016 escalation could be 7-10%. Coincidentally, this period of extraordinary escalation occurred concurrently with the NBJP bid phase, and this trend is likely a contributor to the contractors' bid assumptions and the resulting bids.

4. Project Options

The following options were considered in arriving at the conclusion that should the Board wish to proceed with the NBJ project, Option 2 - awarding the contract for BP1 - is the most cost effective and

feasible approach to fulfilling the project as proposed under the AB900 conditional award. Option 4 – Rebid - would also be feasible, and likely result in cost escalation, although additional project funding could be addressed.

(See Funding Options).

Option Description	Approximate Implementation Time (months)	Approximate Added Cost (\$M)			Feasibility
		<i>Costs – Savings = Total</i>			
		Costs	Savings	Total	
Option 1 – Cancel the Project	0 mo.	(\$0M)	(\$0M)	(\$0M)	Yes
Option 2 – Award the Project and Proceed as Designed	2-3 mo.	\$14.8M	(\$0M)	\$14.8M	Yes
Option 3 – Redesign and Rebid using Design-Bid-Build	14-16 mo.	\$19 M	(\$6.3M)	\$12.7M	No
Option 4 – Rebid same Project specifications	4 mo.	\$16.3 M	(\$0M)	\$16.3 M	Yes

Timelines of the above summarized options were derived from numerous conversations with State representatives that manage the funding award processes. Estimated implementation costs above were derived from cost models. Approximate savings amounts are expressed as order of magnitude estimates and are subject to change contingent upon State approval of proposed reductions and the construction market pricing climate.

Project Option 1 – Cancel the project

Pros: The AB900 conditional award allows counties the option of cancelling the project prior to award of the construction contract, and the bid documents and Public Contract Code allow the Board to reject all bids. The County has spent over \$12 million to date in project costs.

Cons: The County will not have an opportunity to realize State reimbursement of any of the project expenses to date, and would lose the \$80M AB900 conditional award. To address the primary reasons the County pursued the AB900 funding – overcrowding in the Main Jail and need for rehabilitation – staff would need to develop alternatives.

Project Option 2- Award the project and proceed as designed

Pros: The project as designed fulfills all of the conditional award criteria, as well as the County’s project criteria as scoped. In light of the proximity of the 3 bids received, and the fact that contractors who were prequalified for the project have experience successfully delivering comparable detention facilities, the low bid may very well be the best value in the current market, with more escalation probable according to forecasts.

Cons: The deficit to the approved project budget was not contemplated. Given the demand for General Fund dollars to fund other County needs and priorities, and the large commitment of General Fund to fund the operations of the NBJ, greater General Fund appropriation is challenging. However, financing the project is feasible (See Funding Options).

Project Option 3- Redesign the project to value engineer scope, and rebid.

Pros: Aside from increasing the pool of bidders, redesign is the most effective means of achieving more favorable bid results, and could be achieved at a low expense to the County (staff soft costs only) for the consultant services necessary to perform the work.

Cons: The value engineering studies did not result in any options which would achieve savings commensurate with the \$11M construction deficit. Moreover, major reductions would result in a scope change as defined by the State, necessitating State review of the proposed changes prior to implementation. This was certainly the case when the County attempted to initiate a scope change for the STAR SB1022 project which ultimately resulted in cancellation, as the State is not amenable to modification of the project as defined by the AB900 application and subsequent conditional award. In order to reduce the construction estimate significantly, a reduction in number of beds and/or other elements intrinsic to the County's submission and contributing to it scoring high enough to be conditionally awarded would be likely be a change from the project that was "established" and approved by the State and thus could be rejected, or required to start over completely with an initial step of "Project Establishment". Moreover, in addition to incurring costs for the County team to manage the redesign, the time necessary to rebid the project would result in additional escalation which would negate a significant amount of the value engineering savings. Cost escalations, however, could be absorbed by the Operations Fund (see Funding Options below), depending on the length of project delay.

While this may appear to be the most cost effective, this option is highly prohibitive from the State's perspective.

Project Option 4- Rebid same Project specifications

Pros: May result in additional Bidders and a more favorable bid results. This option would likely be allowable by the State.

Cons: There is no guarantee that more Bidders would bid on this project. Project escalation would likely occur and potentially negate any of the savings if additional Bidders submitted bids. However, increases in escalation could likely be absorbed by the savings accrued to the operations fund (see Funding Options).

5. Funding Options

County Executive Office staff reviewed several funding options. All options listed below would need to be funded by the General Fund, and specifically, General Discretionary Revenues. Under any option, staff would recommend funding \$2.5 million of the project shortfall from the following sources:

- Approximately \$2 million (net of invoices in the process of being approved and paid) from the remaining balance in the County's SB-1022 fund balance. This currently is in a capital project account set up for SB-1022.
- There is an \$800 thousand balance in the North Branch Jail Contingency Committed Fund that is to be used for non-construction contingency costs, such as the annual audit of the NBJ project. It is recommended that \$500 thousand of this balance be transferred to the AB 900 Construction Fund.

These funds would be transferred to the AB 900 Construction Fund, leaving a shortfall of approximately \$12.2 million to be funded.

Bid Overage Funding Needed	
Construction Bids - Overage	\$ (14.7)
SB1022 Remaining Funds	\$ 2.0
NBJ Contingency Funds	\$ 0.5
Balance to Fund	\$ (12.2)

Four potential funding options have been identified, with **Funding Option 3- Transferring Funds from the NBJ Operations Fund as the recommended option.**

Summary of Funding Options

Options	Pro	Con
Option 1 - Reduce Strategic Reserve	Funding available; Could be achieved through Budget Adoption process	Would reduce Strategic Reserve to 60% of target level; not the intended purpose of the Strategic Reserve per the Board’ policy.
Option 2 – Utilize Debt Financing	Avoids using the Strategic Reserve	Would preclude GF debt for other County CIPs in next year’s budget; financing/interest costs
Option 3 – Transfer Funds from the NBJ Operations Fund	Sufficient funding exists, given delays already experienced; would not require more GF beyond the Operation Funding Plan’s current levels	Removes a cushion in the Operations Fund balance should any unanticipated costs arise
Options 4 – Hybrid Approach	A hybrid approach of two or all three of the options above could spread the risk of any one option	If reducing the Strategic Reserve by any amount, the target level still would not be met; if using a portion of debt proceeds, it would prohibit use of these funds for other County projects.

Funding Option 1: Reduce Strategic Reserve to 60% of target level

The General Fund Strategic Reserve is currently fully funded at \$29.9 million and recommended to be fully funded in FY 16-17 at \$31.0 million. Should the Board reduce the Strategic Reserve to fund the NBJ project, the reserve would drop to about 60% of the target, or to \$18.2 million.

Pros: These funds could be transferred to the project during the budget process by a 3/5 vote. It would avoid costs of debt financing the shortfall.

Cons: The Strategic Reserve’s purpose is for reserving funds for economic downturns, to mitigate state and federal budget actions, to maintain core services, disaster costs and liability costs; it is not intended to fund capital project shortfalls. Authorized uses of the Strategic Reserve are detailed in the Budget, Processes, Policies, and Fund Structure section of the Recommended Operational Plan, page F-12. The County has achieved full funding of this reserve over the last two years as it has emerged from the Great Recession; further economic downturns are likely and this fund will be needed to offset reductions. Additionally, the use of the Strategic Reserve could adversely impact the County’s short-term and long-term credit rating.

Funding Option 2: Utilize Debt Financing and Forgo Other Capital Projects

Debt could be issued to fund the project overage. For roughly \$15 million in proceeds, over a 20 year life, approximately \$1.1 million would be required in annual General Funds for debt service. Should the Board request this source of funding, staff would convene the Debt Advisory Committee (DAC) in the next few weeks to discuss the use of these funds for the NBJ. It is assumed that Certificates of Participation (COPs) could be issued for this purpose. Debt issuance requires a 4/5 vote of the Board.

Pros: This funding would avoid significantly affecting the Strategic Reserve. The CEO has already proposed appropriating \$1.4 million of ongoing General Fund to fund \$20 million in capital projects in the Recommended 2016-17 Budget expansions, and this could be used for the shortfall.

Cons: There is significant countywide need for capital improvements, and using up debt capacity for the NBJ would preclude other, significant and needed capital improvements in the County contained in the Capital Improvement Plan, such as security upgrades in County buildings, Calle Real sewer lines, and necessary capital replacement items at the existing Main Jail. Currently there is \$305.6 million in unfunded CIP projects identified over the next 5 years. The County has not been able to fund General Fund capital projects over the last several years, and as the County slowly emerges from the Recession, this funding is needed for these purposes.

In addition, issuance costs are expected to about \$282 thousand and interest costs over the life of the bonds would be approximately \$8.0 million. Using existing funding (see below) would be less costly.

Funding Option 3 – Transferring Funds from the NBJ Operations Fund

This fund, intended to set aside funding for the annual operations of the NBJ upon opening, could be used to cover the shortfall.

To fund the annual operations of the new NBJ facility, in FY 2010-11 an operating funding plan was developed so that \$17.3 million (growing to \$19.5 million by FY 2022-23) would be available upon opening. (These NBJ costs are in addition to the estimated \$41.3 million in operating cost of the existing Main Jail as of the NBJ opening date). The plan relies on growth in the General Fund each year to incrementally fund the operations and use of accumulated fund balance until, by FY 2022-23 (or four years after opening), when there should be sufficient ongoing General Funds to pay for the ongoing annual operations without drawing on fund balance.

The Operations Fund began in FY 2011-12 with a \$1.0 million contribution, and has 7 more years until reaching ongoing funding sufficiency. Transition costs, or early Sheriff staffing costs necessary to ensure operations by the opening, are also included in the funding plan. There is now \$14.0 million in the fund balance.

We are currently one year behind the original project timeline (which assumed the NBJ to be fully staffed as of March 2018) used when the funding plan was developed. This means less expenditures are occurring than originally planned while the necessary revenues are still being set aside. Because of this, excess funds are accumulating in the Operations Fund account, and there is expected to be sufficient funds to pay for the higher construction costs as well as the ongoing operating costs. The table below demonstrates the change in operating costs from the original plan and these savings can be used for the one-time construction cost overages.

NBJ Operating Costs at Differing Opening Dates (\$'s in millions)			
Year	Original		March 2019
2015-16	\$	(0.3)	\$ (0.2)
2016-17	\$	(2.7)	\$ (2.0)
2017-18	\$	(10.5)	\$ (3.8)
2018-19	\$	(17.3)	\$ (11.1)
2019-20	\$	(17.9)	\$ (17.9)
Total Operating Costs	\$	(48.7)	\$ (34.9)
Savings from Original Plan			\$ 13.8

The table below modifies the original funding plan to reflect the impact of the delayed opening of the NBJ (which lowers the operating costs) and the assumption to transfer \$12.2 million to the NBJ construction fund:

<i>If Jail Opens Fully Staffed March 1, 2019</i>						
Fiscal Year	GFC Base	GFC Increase	Total GFC	County Match Construction	Operating Costs	End of Year Balance
2011-12	\$ -	\$ 1.0	\$ 1.0	\$ -	\$ -	\$ 1.0
2012-13	1.0	1.0	\$ 2.0	(3.0)	-	-
2013-14	2.0	1.3	\$ 3.3	-	-	3.3
2014-15	3.3	1.3	\$ 4.6	-	-	7.9
2015-16	4.6	1.5	\$ 6.1	-	(0.2)	13.8
2016-17	6.1	1.5	\$ 7.6	(12.2)	(2.0)	7.2
2017-18	7.6	1.5	\$ 9.1	-	(3.8)	12.5
2018-19	9.1	1.8	\$ 10.9	-	(11.1)	12.3
2019-20	10.9	1.8	\$ 12.7	-	(17.9)	7.2
2020-21	12.7	2.2	\$ 14.9	-	(18.4)	3.7
2021-22	14.9	2.2	\$ 17.1	-	(19.0)	1.8
2022-23	\$ 17.1	\$ 2.2	\$ 19.3	\$ -	(19.5)	1.6

Pros: This option is recommended because there are sufficient funds in the fund balance to address the project overages; while there is an additional expense, it would not require appropriating more General Fund dollars beyond the Operations Funding Plan’s currently anticipated levels; no interest or issuance costs associated with debt financing costs would be incurred, and the Strategic Reserve would remain intact at the targeted level. In essence, delays in operations results in more accumulated funding in the Operations Fund while operating expenses are delayed.

Cons: The risk with this option is that increases in employee costs (i.e. salary increases, pension costs, workers compensation or health care costs) in excess of the original plan would increase transition and eventual operating costs of the NBJ; if this occurred, the Operating Fund would be depleted faster than anticipated. If costs increase beyond assumptions, and the \$12.2 million is allocated now for the NBJ shortfall, there would be less of a cushion to absorb the cost increases.

Funding Option 4 – hybrid approach of the three above.

Utilizing a portion of each of the three funding approaches could also be employed.

Pro: This would spread the risk of each approach.

Con: This option is not recommended because it would still be contrary to the Strategic Reserve policy and reduce the reserve below the target level. Using some portion of debt proceeds would still prohibit use of those funds for other county capital improvement project needs in FY 2016-17.

6. Other Financial Considerations and Alternatives

Once the Board approves the bids for the project, the County will be obligated for the construction and operating costs of the Northern Branch Jail until all the bonds and other indebtedness incurred by the State have been fully repaid, which is estimated at 30 years, pursuant to the AB900 Phase II State agreements. The most significant cost of the project is not the one-time construction cost, but the ongoing operational cost of the new jail. The construction costs of the NBJ are being offset by the \$80 million conditional award provided by the State BSCC; the State, however, does not provide funding for the new jail operating costs, which are projected at \$17.3 million annually, (growing to \$19.5 million by FY 2022-23 when there should be enough ongoing general fund contribution to sufficiently fund the ongoing operations). The Operating Plan has been followed to date, as the NBJ has been a Board priority for funding over the last several years.

Since the operations funding plan was developed in FY2010-11, other funding requirements and priorities also have been developed that also rely on growth in General Fund discretionary revenue, such as the 18% maintenance funding policy; shift of property taxes to the Fire District; and salary and benefit increases. These priorities have and will continue to restrict the ability to fund significant other needs in the near term.

The Northern Branch Jail will provide much needed capacity, improved programming space, and a more efficient layout. The project will result in 344 new rated beds and 32 specialty beds. After considering the removal or closure of beds in the Main Jail, the net result will be 196 new rated beds.

Rehabilitation Study of the Main Jail. After the NBJ is constructed and operated, the Main Jail will still remain, with an estimated 699 rated beds, and continue to house approximately 2/3 of the total inmates. An item that has not been fully evaluated is the cost to rehabilitate the Main Jail, with or without the NBJ. Given its age, condition and site location, it has been believed that the facility would be too costly to update. Focus has therefore been on developing the NBJ.

A study of immediate repair and deferred maintenance items was completed last year by Marx Okubo. Consultants, which identified \$15 million in repairs to be completed in the next 10 years. Funding for the deferred maintenance repairs are being prioritized in the Capital Improvement Plan and funded as revenues allow. A complete rehabilitation evaluation including modernization, however, has not been completed and would take approximately six months for consultants to evaluate this option. If the Board seeks this information prior to making final decisions, it could request that staff return with an estimate, however, only a very rough and conceptual estimate of what could be accomplished could be developed by July. This conceptual estimate would be based on what may be possible at the Main Jail site, and the necessary paths to accomplish each option. A full study could be conducted in the future.

Other Alternatives. An obstacle to rehabilitating the Main Jail has always been in finding “swing space” to place inmates while major construction and rehabilitation was occurring. More opportunities to house inmates may be available given recent reductions in jail populations in other jurisdictions. A few counties have, or recently had, short-term agreements to send inmates to nearby counties’ jails. Given recent changes in law, particularly AB109 Realignment and Proposition 47, inmate beds may now be available in nearby counties, and staff could evaluate the cost and feasibility of an arrangement as a short-term option or long-term option.

If a long-term option, the benefit of such an agreement would need to be evaluated in the context of the potential cost savings of jail operations, inmate welfare, logistics of the post-adjudicated population including transportation costs, and other related concerns. The Board could direct staff to further evaluate this before final decisions are made on the project. The Sheriff has expressed that he does not believe this is a viable long-term solution.

Confirmation of all Project Costs. Prior to decisions on the project, staff would reaffirm that all fixtures, equipment, technology, computer costs, etc. are planned within the project budget FF&E line item.

7. Timeline and Next Steps

Budget Hearings: Budget Adoption Hearings are scheduled for June 13th and 15th. Staff recommends that the Board provide conceptual direction to staff at this time so that information can be prepared and considered within the Budget Adoption Hearings. Staff recommends Funding Option 3 for the reasons noted. If this is selected, the funding would be appropriated at the hearings in the Capital NBJ Jail Project Fund, under General Services, but would not be spent unless the bids are accepted and the project moves forward.

Decision on Bids: Bids for the project expire on August 5th, 2016. Once your Board accepts the bids and awards contracts, staff would coordinate final State required approvals and move forward into construction. Should your Board decide to move forward, a decision to accept the bids and award the contracts would need to be made no later than August 5th 2016. If contracts are not awarded prior to August 5th 2016, a bid extension request would need to be requested from the bidders. Such a request is subject to the bidder’s discretion and not necessarily guaranteed. In order to efficiently facilitate the state approval process staff recommends returning at the July 12 meeting for contract award.

Other Alternatives: The Board could review the other alternatives described and provide direction to staff as appropriate.

Key Contract Risks

The Bids were opened on April 7, with the bidding terms requiring the bids remain valid for 120 calendar days. Upon the Board’s direction, subsequent steps towards award include the Board’s consideration of the contract, County approval of the revised project budget, Department of Finance approval, as well as State Public Works Board approval of the revised project costs. Depending on the selected options, time constraints may put the bids at risk and necessitate rebid.

Fiscal and Facilities Impacts:

Budgeted: Yes as to the approved original project budget; however, the County is solely responsible for any and all costs, expenses and fees in excess of the maximum State financing. Therefore, should the County proceed with construction, the funding for the \$14.75 million in excess of the existing project budget is not yet funded. Further, the total cost will vary depending on the funding option selected as indicated earlier in this document.

Fiscal Analysis:

PREVIOUSLY APPROVED BSCC "BUDGET SUMMARY TABLE"

LINE ITEM	STATE REIMBURSED	CASH MATCH	IN-KIND MATCH	TOTAL	County Overmatch Eligible	County Overmatch Ineligible
1 Construction	\$68,981,999	\$3,596,203			\$701,080	40,000
2 Additional Eligible Costs	\$3,622,000	\$603,881			\$920	
3 Architectural	\$5,101,000	\$101,000			\$373,613	\$122,750
4 Construction Management	\$2,295,000	\$328,585			\$593,881	\$76,500
5 CEQA		\$383,000			\$0	
6 Audit			\$20,000	\$20,000		
7 Site Acquisition			\$602,000	\$602,000	\$10,000	\$4,481,315
8 Needs Assessment			\$70,000	\$70,000		
9 County Administration			\$2,988,309	\$2,988,309		\$95,205
10 Transition Planning			\$200,000	\$200,000	\$700,000	\$11,300
11 Real Estate Due Diligence			\$11,938	\$11,938		
TOTAL AB900-ELIGIBLE PROJECT COST	\$80,000,000	\$5,012,670	\$3,892,247	\$88,904,916	\$2,379,494	\$4,827,070
PERCENT OF TOTAL	90.0%	5.6%	4.4%	100.0%		

County Overmatch - Eligible \$2.379M
 County Overmatch - Ineligible \$4.827M
 Total Project Cost \$96.1M

PROPOSED REVISED BSCC "BUDGET SUMMARY TABLE"

PROG	LINE ITEM	STATE REIMBURSED	CASH MATCH/ELIGIBLE OVERMATCH	IN-KIND MATCH	TOTAL	County Overmatch Ineligible
1000	1 Construction	\$68,672,268	\$18,159,797			40,000
1000	2 Additional Eligible Costs	\$4,008,500	\$1,820,222			
2000	3 Architectural	\$5,024,232	\$687,113			\$122,750
4000	4 Construction Management	\$2,295,000	\$355,263			\$91,281
3000	5 CEQA		\$333,000			
6000	6 Audit			\$20,000	\$20,000	\$40,000
5000	7 Site Acquisition			\$612,085	\$612,085	\$4,481,315
7000	8 Needs Assessment			\$70,000	\$70,000	
8000	9 County Administration			\$2,973,613	\$2,973,613	\$135,205
9000	10 Transition Planning			\$900,000	\$900,000	
8001	11 Real Estate Due Diligence			\$15,600	\$15,600	
	TOTAL AB900-ELIGIBLE PROJECT COST	\$80,000,000	\$21,355,395	\$4,591,298	\$105,946,692	\$4,910,551
	PERCENT OF TOTAL	75.5%	20.2%	4.3%	100.0%	
					County Match/Overmatch - Eligible \$ 21,355,395	
					County Overmatch - Ineligible \$ 4,910,551	
					Total Eligible Project Costs \$ 105,946,692	
					Total Ineligible Costs \$ 4,910,551	
					Total Project Costs \$ 110,857,243	

The above represents the BSCC Summary Table previously approved by the Board and subsequently by the State, as well as the revised proposed project budget which will need to be approved by the Board and ultimately the State. The \$110.858M projected revised total project budget represents a \$14.75M increase from the previously approved \$96.1M.

Staffing Impacts:

Should the County proceed with the construction and ultimately operate the new jail, staff will return with a detailed transitional hiring plan that is currently planned to add approximately 100 new staff.

Attachments:

A. Original Plan for Future NBJ Operations Funding

Authored by:

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