



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: February 15, 2011
Placement: Departmental
Estimated Tme: 30 minutes
Continued Item: No
If Yes, date from: N/A
Vote Required: Majority

TO: Board of Supervisors
FROM: General Services Robert Nisbet, Director (805-560-1011)
Contact Info: Paddy Langlands, Assistant Director (805- 568-3096)
SUBJECT: **Santa Maria Betteravia Administration Building Project # 8676 Award
Construction Contract; Fifth Supervisorial District**

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Recommended Actions:

That the Board of Supervisors determine whether or not to proceed with construction of the Betteravia Administration Building.

If the Board elects to proceed with construction of the building, then consider the following recommendations:

- a) Award a Fixed Price Construction Contract in the amount of \$4,695,000.00 to the lowest responsible bidder, Maino Construction Company Inc., San Luis Obispo, CA, subject to the provisions of the documents and certifications as set forth in the plans and specifications applicable to the project and as required by California Law; and
- b) Authorize the chair to execute the Construction Contract upon return of the Contractor's executed contract documents, and the review and approval of the County Counsel, Auditor-Controller and Risk Manager or their authorized representatives; and
- c) Authorize the Director of General Services or designee to approve change orders up to the limit specified in Public Contract Code Section 20142, or \$210,000.00 for this contract.

If the Board elects not to proceed with construction of the building, then consider the following recommendations:

- a) Reject all bids received for construction of the Betteravia Administration Building; and
- b) Direct the Chief Executive Officer, Treasurer, Auditor-Controller, County Counsel, and General Service Director to determine appropriate project substitutions for the Certificates of Participation and reallocation of Recovery Zone Economic Development Bonds that were issued for the project that are in accordance with applicable laws and requirements of using those funding sources and return to your Board with recommendations.
- c) Officially name the Betteravia Administration Building “D” the Joseph Centeno Betteravia Government Administration Building.

Summary Text:

Utilizing an existing building that was never designed for use as a hearing room, there have always been operational deficiencies with the current “Betteravia Building D” that have only grown worse over time. The amount of space for the hearing room, the lobby, the Treasurer-Tax Collector and the Clerk-Recorder has long been insufficient. On April 20, 2010, the Board approved the plans and specifications for a new Administration Building and Back-up Emergency Operations Center (EOC) project at the Betteravia Government Center in Santa Maria to resolve these and other deficiencies, and authorized General Services to advertise for construction bids. On October 21, 2010, seven bids were received ranging from \$4,695,000 to \$5,539,411. Maino Construction Company Inc has been found to be the lowest responsible bidder.

Since April 20, 2010 when the Board directed staff to advertise the project for construction bids, a challenging financial climate has only grown increasingly challenging. The County is facing a fiscal Year 2011-12 potential negative budget gap between expected revenues and expenditures of up to \$90 million. Additionally, the Governor has released his proposed Fiscal Year 2011-2012 budget and it includes proposals that may have additional negative financial consequences for the County. Finally, the Board elected to reduce Santa Maria Board meetings from twice a month to once a month. Due to these negative financial developments since April 2010, the CEO asked staff to investigate the consequences of not proceeding with the project.

The Debt Advisory Committee (DAC) discussed this project on January 6 and January 13, 2011. The DAC discussed whether or not it would be feasible to eliminate this project and apply the debt proceeds to other capital projects, including one that would shift debt service from the general fund to an enterprise fund. The debt is a mixture of taxable Recovery Zone Economic Development Bonds (RZEDBs) and tax-exempt Certificates of Participation (COP’s). They were advised that although it appears technically feasible to transfer the debt proceeds to other projects, there are financial risks associated with such a transfer. The challenging part of the discussion was that there are some unknowns that make it difficult to ascertain the consequences of those risks, and the probability that a portion of the bonds may be subject to significant call provisions currently estimated at a premium of 18% of the amount that is called.

If the Board elects to not proceed with construction of the building, it is recommended that the existing government building (Building “D”) be re-named the Joseph Centeno Betteravia Government Administration Building. On November 9, 2010, the Board adopted a resolution to honor then 5th District Supervisor Joseph Centeno and name the new building after him. With the Board’s

concurrence, naming the existing building after him would seem to capture the intention and spirit of the resolution that was adopted on November 9, 2010.

Background:

The existing 14,661 sq. ft. Betteravia Government Center Administration Building in Santa Maria (Building D) houses the Auditor-Controller, Clerk-Recorder-Assessor, CRA Elections, Treasurer-Tax Collector-Public Administrator-Public Guardian, Veterans Services, CSBTV and the Fifth District Supervisor Offices. Additionally, the building is the location of the Northern Santa Barbara County Board of Supervisors Hearing Room.

There have been long standing space deficiencies within the Betteravia Government Center Administration Building. The building's main lobby has become condensed by other departmental expansions over the past 15 years which have critically impacted lobby space, making it inadequate to current occupancy standards. The Board of Supervisors Hearing Room is often times at or over capacity during Board proceedings. The facility does not meet the County's *2001 Adopted Space Standards*.

After studying several options, the proposed expansion plan was deemed to be the most cost effective and efficient way to ease space deficiencies for the occupying departments and public meetings. The proposed expansion plan includes the construction of a new 13,460 sq. ft. building to be the Betteravia Government Administration Building and Back-Up Emergency Operations Center, or more simply known as "Building E", and renovating approximately 1,300 sf of the current Betteravia Government Center, Administration Building "D."

On October 21, 2010, seven bids were opened for the Betteravia Government Administration Building. Base bids ranged from \$4,695,000 to \$5,539,411 with an average bid of \$5,051,652. There were seven (7) bid alternates, work items that provided for the remodel work for Building D, a solar panel system, monument signs, the completion of finishes in two staff restrooms, additional landscape work, and a floor finish upgrade in the lobby.

The Building E project will provide a new, more efficient, more secure, more functional Board Hearing Room, similar in stature to the Santa Barbara hearing room. It will provide a larger lobby, additional office space for Supervisors and executive staff, an Enhanced Computer Room (ECR) that will serve as a back-up for the entire county infrastructure (see below for more details), and an essential services-designed facility that provides a back-up EOC in the event that the primary EOC in Santa Barbara is rendered non-operative, or if a northern event can be better served from a local EOC.

Enhanced Computer Room

On April 13, 2010, the Board directed staff to incorporate the Information Technology Department's Enhanced Computer Room (ECR) Project into the Building E project. Previously, the Information Technology Department had identified the need for a new Enhanced Computer Room (ECR) in Santa Maria to replace the existing machine room, as it no longer meets the County's needs. The existing machine room in Santa Maria can no longer accept new equipment due to structural concerns and is dependent upon two portable air conditioning units to maintain safe temperature levels. The new ECR will guarantee the delivery of mission critical voice and data communication functions, including the ability to communicate and exchange information between computers, computer users, departments and

external agencies, as well as serve as a backup or failover site for the entire County in case of an emergency. The new ECR will also help mitigate the risks associated with the County’s aging machine room in the basement of the Santa Barbara Administration Building, which has problems that will need to be addressed in the future.

If the building does not proceed, the department is considering three alternative options for the ECR:

- 1) Purchase a containerized computer room and install somewhere in the North County. This option is estimated to cost \$1.5 million. This purchase is not be an allowable use of RZEDBs but is an allowable use for the tax-exempt portion of the COPs.
- 2) Identify and develop an enhanced computer room (2000 sq. ft.) in an existing North County facility that has a generator. This ECR will serve as a backup ECR in the interim with the long term plan of pursuing an out-of-state, or “cloud based” hosting and data storage solution for redundancy. This option is estimated to cost \$600,000. This expenditure is not an allowable use of RZEDBs but is an allowable use for the tax-exempt portion of the COPs.
- 3) Fully equip the new computer room at the EOC with new equipment and use the basement in the Santa Barbara Administration Building as a back-up ECR in the interim with the long-term plan of pursuing an out-of-state, or “cloud based” hosting and data storage solution for redundancy. Making the EOC ECR the primary datacenter requires moving more functionality there. A backup generator is also included. This option is estimated to cost \$725,000 and these expenditures may be an allowable use of RZEDBs [with approval of the California Debt Limit Allocation Committee (CDLAC)] and is an allowable use of the tax-exempt portion of the COPs.

Fiscal and Facilities Impacts:

Budgeted: Yes **Fiscal Analysis:**

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
AB 1600 Fees			\$ 88,000.00
Tax Exempt COPs			\$ 1,295,950.00
Taxable RZEDBs			\$ 4,804,050.00
General Fund - O&M		\$ 110,000.00	
General Fund - COP Debt (10 years)		\$ 175,000.00	
General Fund - RZEDB Debt (30 years)		\$ 418,000.00	
Total	\$ -	\$ 703,000.00	\$ 6,188,000.00

Narrative:

The total cost of the project is estimated at \$6,188,000. The financing proposed for this project (\$6,100,000) is Recovery Zone Economic Development Bonds (RZEDBs) in the amount of \$4,804,050 that were made available to municipalities through the Federal Stimulus legislation passed in early 2009, and Certificates of Participation (COP’s) in the amount of \$1,295,950. This financing is part of a larger issuance that finances the Santa Barbara Emergency Operation Center (EOC) and the Public Defender Remodel. \$88,000 comes from AB1600 Development Fees from the Orcutt Administration Building Fund.

CDLAC (the State entity that approved the County’s use of RZEDBs) has informed the County that these RZEDBs can only be used for the Betteravia Administration Building, the EOC, and the Public

Defender Remodel. However, the tax-exempt COPs can be substituted to any other capital project. The debt was structured in two series: \$3.71 million in tax-exempt COPs, and \$14.94 million in taxable RZEDBs. The breakdown of the two series by project is as follows:

Project	Tax Exempt COPs	Taxable RZEDBs
Emergency Operation Center	\$1,249,359.17	\$4,260,640.83
Public Defender Remodel	\$1,189,724.84	\$4,410,275.16
Betteravia Administration Building	\$1,295,950.27	\$4,804,049.73

If the project does not proceed, a portion of the RZEDBs for the Betteravia project could be reallocated to *some of* the tax-exempt COPs associated with the EOC and the Public Defender Remodel (approximately \$2,000,000). The remainder of the RZEDBs (approximately \$2,800,000) could also be reallocated to either of those projects if the scope of the projects were increased in a manner that was still consistent with their general project descriptions. If a suitable use for the remainder of the RZEDBs could not be justified, then that portion of the RZEDBs could be called at an estimated 18% premium. The estimated penalty of this scenario could be \$504,000 (i.e. 18% of \$2,800,000). Additionally, it is conceivable that the interest rate subsidy associated with the RZEDBs from the Internal Revenue Service could also be in jeopardy. If the Board elects to not proceed with the project, this issue will be investigated further and specifics will be brought back to the Board.

If the building is constructed, annual operating and maintenance costs are estimated at \$110,000. In a time when the general budget for building operations and maintenance is being cut, it would be difficult for the General Services Department to absorb this additional annual expense.

County staff would investigate all possibilities for reallocating the RZEDBs and the COPS to capital projects that make sense, are needed, and are in accordance with the requirements of using those funding sources. However, in the example where \$2,800,000 was called, the estimated penalty of \$504,000 is less than 5 years of operation and maintenance costs on the new building.

Staffing Impacts:

Legal Positions:
0

FTEs:
0

Special Instructions:

Please send one (1) copy of the minute order to John Green, GS/Support Services Division and Courthouse East Wing.

Attachments:

1. Construction Contract