



## City Council Agenda Item Staff Report

CITY OF SAN BRUNO

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**DATE:** March 28, 2023

**TO:** Honorable Mayor and Members of the City Council

**FROM:** Jovan D. Grogan, City Manager

**PREPARED BY:** Matthew Lee, Public Works Director

**SUBJECT:** Consider Adopting a Resolution Allocating an Additional \$1,500,000 From San Bruno Community Foundation (SBCF) Fund to the Recreation and Aquatic Center (RAC) Project Contingency Funds; Authorizing the City Manager to Execute an Amendment to the SBCF Grant Fund Agreement to Increase the Not-To-Exceed Grant Fund From \$50,000,000 to \$51,500,000; Authorizing the Transfer of \$250,000 From the Beckner Shelter Road and Parking Lot Repaving Project (Project #51022) to the RAC Project; and Approving the Project Budget Increase of \$1,750,000 to Adjust the Total Project Budget From \$60,540,228 to \$62,290,228

### **BACKGROUND:**

The construction of the City of San Bruno's (City) new Recreation and Aquatic Center (RAC) is approximately 55% complete and projected to be completed by late fall of 2023. The completed work to date includes:

1. Creek realignment and enlargement improvements, City Parkway realignment and installation of the new water and sewer main.
2. Building's main structural framing system including seismic bracing.
3. Completed 1<sup>st</sup> and 2<sup>nd</sup> floor concrete floor including pool deck areas.
4. Completed most of the interior framing and working on the exterior framing while completing mechanical, electrical, plumbing (MEP) and heating, ventilation, and air conditioning (HVAC) ductwork.
5. Completed indoor pool plumbing system in preparation for the pool shell construction.

Once constructed, the new RAC building will be a two-story, 49,500 square foot facility replacing the former Veterans Memorial Recreation Center located at 251 City Park Way. The new facility will operate as the City's aquatic, recreation, and community center with a maximum occupancy of 2,400 people and will include an indoor/outdoor pool, multi-use gymnasium, indoor elevated track, community hall, conference rooms, multi-function rooms, classrooms, and staff offices.

Attachment 2 provides a funding and budget timeline of previous Council Actions for the RAC.

**DISCUSSION:**

The RAC project originally had a construction contingency amount of \$4,687,046, which constitutes approximately 10.9% of the construction contract amount. The typical construction contingency for a project of the magnitude of the RAC project is 10% to 15%.

At the February 8, 2022, City Council meeting, the City approved a resolution authorizing the City Manager to appropriate a not-to-exceed amount of \$1,039,456 from the construction contingency to fund the project's design and support costs. The project did not previously earmark any project contingency for the project's soft costs. This reduced the construction contingency from the original \$4,687,046 to \$3,647,590.

Subsequently, on January 24, 2023, the City Council adopted a resolution to transfer \$201,600.00 from the construction contingency to fund the tree removal on Crystal Springs that had been designated as an "extra hazardous fire condition" by the City of San Bruno Fire Chief and Fire Marshal. The RAC's construction contingency was further reduced to \$3,445,990. These two actions brought the contingency to approximately 8% of the original construction amount, below the typical 10% construction contingency for a project of the magnitude of the RAC project.

Staff is recommending replenishing the current construction contingency with San Bruno Community Foundation (SBCF) funds in the amount of \$1,500,000, increasing the total construction contingency to \$4,945,990, which equals 11.5% of the construction contract, and supplementing the funds that were previously transferred to soft costs. This will increase the total SBCF fund commitment to the City for this project to \$51,500,000. The SBCF grant agreement will provide the City with reimbursement of related project expenses up to the allocated amount.

With approximately \$15,000,000 worth of work left to complete all the projected change order work, the forecasted \$605,400.75 construction contingency balance (approximately 4% of the remaining work) is considered low moving towards project completion. Typically, it is best practice to have 10% to 15% contingency for the remaining work to ensure there is adequate funding for any unforeseen work to avoid schedule delays and increased project costs. Increasing the construction contingency amount by \$1,500,000 will ensure that the project has a healthy contingency of 14% for the remaining work. The amounts described above are summarized in Table 1 below.

**Table 1: Summary of Project Contingency**

Construction Contingency Drawdown and Proposed Increase			
	Project Contingency Balance	Remarks	Percent of Construction Contract
Approved Construction Contingency (June 8, 2021)	\$4,687,046.00	Construction Award	10.9%
Adjusted Construction Contingency (February 8, 2022)	\$3,647,590.00	Budget Adjustments	8.5%

Amended Construction Contingency (January 24, 2023)	\$3,445,990.00	Pay Tree Removal – Fire Hazard	8.0%
Contingency Balance To Date:	\$1,624,322.40	Less Approved Change Orders \$2,095,714.69	3.77% (47.14% of the current approved contingency balance)
Anticipated Balance By July 2023	\$605,400.75	Less Potential Change Orders \$1,018,922.05	1.4% (17.56% of the current approved contingency)
Proposed Project Contingency Increase	\$2,105,400.75	Add SBCF Funds of \$1,500,000	4.89% (53.35% of the revised contingency balance)

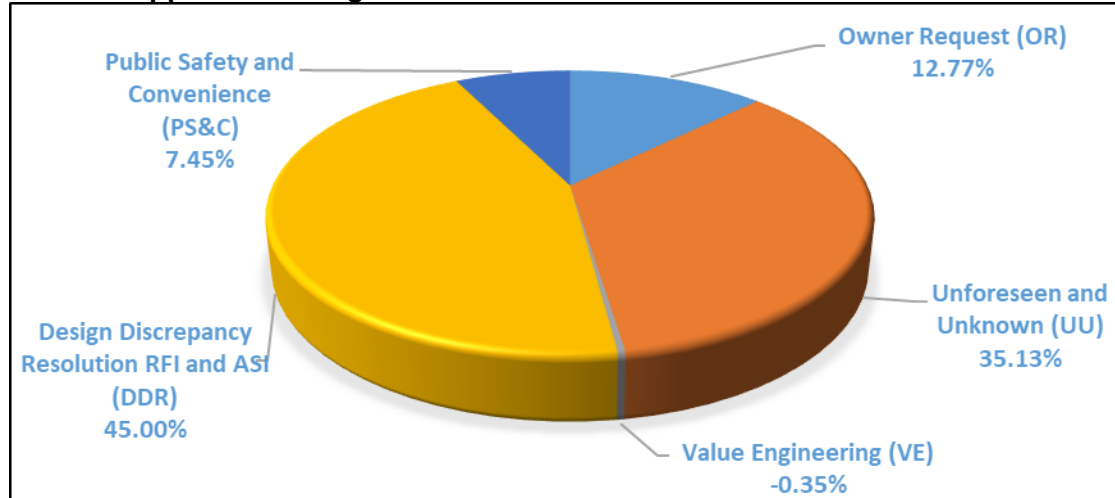
#### Recreation and Aquatic Center (RAC) Program Funding Sources, Budget, And Expenditures

Attachment 3 lists the funding sources for the project and Attachment 4 lists the project expenditures in relation to those funding sources. The two tables highlight that the SBCF grant fund covers \$50,000,000 of the Initial Adopted Project Components of \$54,408,363 and the balance of \$4,408,363 is funded by City Funds. Other connected project components such as the Water/Sewer Replacement projects (\$1,520,000) are funded through the City's Water/Sewer Enterprise Funds. Currently City Funds are used to fund contingency for this project. There are currently no SBCF funds used to fund other additional scope added after the initial project adoption, such as the Desoto Sidewalk Enhancements and the Beckner Shelter Road and Parking Lot Repaving Project.

#### Approved Change Orders

Approved change orders are changes to the contract that have been reviewed, approved and included in the contract and are necessary to construct the RAC building. The total cost of approved change orders to date is approximately \$2,095,715 (see Attachment 5). The majority of the costs are from Design Discrepancy Resolution (DDR) and Unknown and Unforeseen (UU) circumstances: \$943,087.70 are changes to the structural, mechanical, electrical, and plumbing system, necessary to meet the latest code requirements, and maintainability of the facility in the future, and \$436,861.01 are from the disposal of unsuitable soil from the roadway, utility, and creek construction to a special handling disposal site. The rest of the approved change orders are due to public safety and convenience, owner request, and value engineering. The current approved change orders, totaling \$2,095,715, are summarized by category type in Chart 1 below.

**Chart 1: Approved Change Orders**



#### Potential Change Orders

Staff are currently tracking an estimated cost of potential change orders in the amount of \$1,018,922 (see Attachment 6). The potential change orders include an estimated amount of \$618,922 for the DDR category, which include changes to structural, mechanical, and architectural elements. There is also an estimated \$400,000 of UU category changes which include the disposal of additional contaminated soil that is currently being reviewed for approval. These potential change orders are expected to be completed by July 2023.

#### Beckner Shelter Road and Parking Lot Repaving Project

The Beckner Shelter Road and Parking Lot Repaving improvements was a project previously identified as an ancillary project to the RAC. This was due to Beckner Shelter Road work being complementary to the RAC project which includes sidewalk access from the Lara Parking Lot, an Americans with Disabilities Act (ADA) accessible bridge to the pool parking lot and rehabilitation to Beckner Shelter. The proximity of the paving for this effort is directly adjacent to the RAC project and there would be mobilization cost savings for paving. Shifting project funds from the Beckner Shelter Road and Parking Lot Repaving Project (Project #51022) would allow the work to be completed as part of the project. No SBCF Funds are utilized as part of this project.

#### Budget Update

The project is currently operating with the following City Council approved budget:

Construction Cost	\$43,031,000
Project's Soft Cost	\$14,063,238
Construction Contingency	<u>\$ 3,445,990</u>
Approved Budget	\$60,540,228

With the requested additional SBCF funds of \$1,500,000 and the transfer of \$250,000 from the General Fund Capital Reserve, the proposed new budget for the RAC project will be \$62,290,228.

Approved Budget	\$60,540,228
Additional SBCF Funds	\$ 1,500,000
CIP Funds Transfer	<u>\$ 250,000</u>
Proposed New Budget	\$62,290,228

**FISCAL IMPACT:**

The additional funds request of \$1,750,000 will be funded from the available SBCF funds in the amount of \$1,500,000 and the \$250,000 fund transfer from the General Fund Capital Reserve. See Attachments 3 and 4 for the Project Cost and Budget Summary.

**ENVIRONMENTAL IMPACT:**

There is no environmental impact with this additional contingency funding request. On May 19, 2020, the Planning Commission certified the project Final Environmental Impact Report and adopted CEQA Findings and a Mitigation Monitoring and Reporting Program to allow for the project. The Beckner Shelter Road and Parking Lot Repaving Project falls within the Categorical Exemption set forth in CEQA Guidelines, Section 15301(c), which exempts the improvement and minor modifications of certain existing facilities such existing highways and streets, sidewalks, pedestrian trails and similar facilities.

**RECOMMENDATION:**

Consider Adopting a Resolution Allocating an Additional \$1,500,000 From San Bruno Community Foundation (SBCF) Fund to the Recreation and Aquatic Center (RAC) Project Contingency Funds; Authorizing the City Manager to Execute an Amendment to the SBCF Grant Fund Agreement to Increase the Not-To-Exceed Grant Fund From \$50,000,000 to \$51,500,000; Authorizing the Transfer of \$250,000 From the Beckner Shelter Road and Parking Lot Repaving Project (Project #51022) to the RAC Project; and Approving the Project Budget Increase of \$1,750,000 to Adjust the Total Project Budget From \$60,540,228 to \$62,290,228

**ALTERNATIVES:**

1. Do not authorize the appropriations of funds from San Bruno Community Foundation and staff to request funds when needed.
2. Do not authorize the increase of the project contingency funds and the project may not have the funds for any major unforeseen changes and may result in project schedule delays, reduced scope of work, and increased project cost.
3. Do not authorize the increase of the project contingency funds and the current project contingency balance will remain low (4% of the remaining work) and may potentially reduce the project scope of work to keep the project within budget.

**ATTACHMENTS:**

1. Resolution
2. Council Action Background
3. Funding Sources
4. Project Expenditures & Funding Sources
5. Approved Change Orders to Date
6. Potential Change Orders