



City Council Agenda Report
Meeting Date: December 15, 2015
Department: City Manager

SUBJECT:

AWARD OF LAKE FOREST CIVIC CENTER CONSTRUCTION MANAGEMENT CONTRACT

RECOMMENDED ACTION(S):

1. Approve the selection of Bernards for construction management services related to the Lake Forest Civic Center project.
 2. Authorize the Mayor to sign, and the City Clerk attest, the agreement with Bernards, substantially in the form attached.
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EXECUTIVE SUMMARY:

In October, 2014, the City Council approved a Request for Proposals for construction management services for the Lake Forest Civic Center project. The City received a total of eight (8) proposals. After evaluating technical submittals, cost proposals, and interviewing the firms, staff recommends awarding a three-year contract to Bernards with a total not-to-exceed compensation amount of \$2,104,864. This amount covers construction management related activities during the design, construction, and post-construction of the Civic Center. Based on a thorough vetting process and review of its qualifications, staff believes Bernards offers the City the best combination of quality and value, bringing proven stability and financial strength, extensive experience in public construction projects, quality personnel, and a proven approach to construction management. The City Attorney's Office reviewed and approved the attached agreement as to form.

BACKGROUND:

During the initial consideration of delivery methods for the Civic Center construction project in 2012, staff recommended engaging a professional Construction Management ("CM") firm to deliver the project under the CM/Multiple Prime method based upon the known parameters of the Civic Center project. At that time, the City Council approved staff's recommendation. CM/Multiple Prime is a project delivery method in which the professional

Construction Manager acts as a consultant on a project from inception to completion. The CM integrates the different facets of the construction process to provide technical and management expertise. "Multiple Prime" refers to the City's direct contracting with more than one trade contractor as opposed to utilizing a General Contractor. Advantages of this method include:

- Access to an independent, construction-based perspective during the design phase. The CM firm will provide valuable input on project design, cost estimating, value engineering, construction document development, constructability review, and cost control/ containment alternatives.
- Usage of competitive bidding processes. Trade contracts will be awarded to the lowest responsible bidders in full compliance with California Public Contracts Code requirements. The CM will assist the City with the bidding process by preparing the bid packages, receiving bids, and handling bid protests.
- Decrease of mark-ups. Under the CM/Multiple Prime method, there are no standard general contractor mark-ups on sub-contracts. Depending upon the packaging of the various trades, there may be some markups if multiple disciplines are packaged together under a prime contractor.
- Greater control over the schedule. This approach provides flexibility for bidding and scheduling separate phases of construction. As an example, a delay with one trade contractor may be made up by advancing work in another trade.
- Hiring an experienced advocate. The CM firm continues to be the Owner's Representative throughout the entire project's construction process and has no financial interest in the trade contracts, allowing for a stronger position when disputing/negotiating change order requests.

For these reasons, the CM/Multiple Prime approach is recognized and widely used in the public and private sectors as an effective and efficient means of achieving successful delivery of construction projects. The selected CM firm will provide valuable pre-construction, construction, and post-construction services to manage project quality, cost, schedule, scope, and risk.

DISCUSSION:

On October 8, 2014, staff issued a Request for Proposal ("RFP") for Construction Management Services for the Lake Forest Civic Center Project. The scope of work included the following services:

Phase I – Pre-Construction Management Services

- Conduct plan review.
- Utilize value engineering to ensure the project stays within budget.
- Provide recommendations on probable construction costs.
- Oversee constructability review and produce viable alternatives as needed.
- Provide master budgeting and scheduling services.
- Develop a detailed Construction Critical Path Method (CPM) schedule.
- Provide preliminary and detailed estimates.
- Create bidding strategies.
- Develop project accounting and management systems.

Phase II – Bid Management Services

- Encourage bidder interest.
- Prepare and issue bid documents.
- Place advertisements.
- Pre-qualification of prime contractors.
- Conduct pre-bid conferences.
- Respond to bidder inquiries.
- Distribute plans and addenda.
- Review and evaluate all bids.
- Prepare contract packages.

Phase III – Construction Management Services

- Provide on-site construction management and coordination.
- Monitor permits, bonds and insurance.
- Maintain the CPM schedule.
- Prepare regular project budget reports.
- Develop Storm Water Pollution Prevention Plan.
- Review and reconcile each contractor's schedule of values.
- Develop billing procedures.
- Conduct pre-construction conference.
- Implement progress monitoring and reporting.
- Own Quality Assurance and Quality Control activities.
- Coordinate and monitor testing, inspection, and special services.
- Implement safety program.
- Provide "as-built" documents.
- Manage request for information and submittals.

- Implement a change order processing system.
- Evaluate and mitigate all contractor claims.
- Monitor contractor licenses and insurance certificates.

Phase IV – Close Out Management Services

- Prepare O&M manuals.
- Coordinate move-in, staff training, and commissioning.
- Conduct user training sessions.
- Manage all punch lists.
- Submit as-built record drawings.
- Obtain all final line release documentation.
- Coordinate final sign-offs from all inspectors.

Staff began the selection process by posting the RFP on the City's website. Additionally, the RFP was sent to twelve (12) consultants found on the City's interested vendor list. Staff held an optional pre-proposal meeting on October 30, 2014. Posted on the website, the notice of the meeting included a call for questions or requests for further information. During the meeting, staff reviewed a total of 23 items. Later the same day, staff posted a document containing the information disseminated during the meeting on the City's website.

The most frequently posed questions by potential firms related to the budget for the project. Staff provided information on the estimated project budget, stating "The City prepared a tentative budget in 2012, dependent upon approval by the City Council, of \$53 million for the project. This budget will be escalated for inflation. A&E services are tentatively budgeted at approximately \$4 million."

During this time, staff became aware that the Army Corps of Engineers would require a Standard Individual Permit for any development activity on the proposed site. Understanding this process could significantly impact the proposed timeline, staff issued an Addendum to the RFP on November 6, 2014, extending the submission deadline by several months. The City ultimately received eight (8) proposals from the following firms by the appropriate deadline.

- Barnhart-Reese (San Diego)
- Bernards (Irvine)
- C.W. Driver with Griffin Structures (Irvine)
- Dudek (San Marcos)
- Ledesma & Meyer (Rancho Cucamonga)
- Linik (Valencia)
- Rudolph & Sletten (Irvine)

- Simpson & Simpson (Alhambra)

The following City Manager-approved selection panel evaluated the submitted proposals.

- (Former) Assistant City Manager/Director of Economic Development/Community Preservation (Economic Development/Community Preservation)
- (Former) Deputy City Manager/Director of Management Services (Management Services)
- Principal Civil Engineer (Public Works)
- (Former) Administrative Services Manager (Management Services)

The selection panel scored the proposals based upon the firm's expertise and experience, response to the scope of work, and allocation of resources. In accordance with RFP guidelines, firms must score a minimum of 70 points on the qualitative evaluation to advance to the interview portion of the process. Seven (7) of the firms received at least the minimum score and the Selection Committee invited the top four (4) firms to the oral presentation/interview in April, 2015. Each firm was requested to bring to the oral presentation/interview those team members who would be working directly with City staff on the Civic Center project.

Interview scores considered the following factors:

- Experience.
- Communications.
- Project scheduling.
- Management of multiple-prime delivery method projects.
- Bid management.
- Proposed allocation of resources.
- Cost estimating.
- Management of change orders.
- Quality control.
- Closeout procedures.

The results of the qualitative evaluation and interview are displayed in Table 1.

Table 1. Qualitative Evaluation and Interview Scores

	Technical Review				Technical Review Subtotal	Qualifications Interview				Interview Subtotal	Total
	Rater					Rater					
	1	2	3	4		1	2	3	4		
FIRM: C.W. Driver in association with Griffin Structures											
	90	89	84	86	349	95	92	95	92	374	723
FIRM: Bernards											
	90	83	75	85	333	90	90	88	92	360	693
FIRM: Ledesma & Meyer											
	85	77	72	85	319	95	85	90	92	362	681
FIRM: Barnhart Reese											
	86	86	70	85	327	80	89	85	80	334	661

Because of the complexity of the scope of services, the City’s Civic Center Project Manager (Assistant City Manager) and Assistant Project Manager (Director of Management Services) met with the top two firms – C.W. Driver and Bernards to review and validate the submitted technical proposals. This additional due diligence also focused on the proposed allocated resources. In addition, the City’s Project Manager and Assistant Project Manager conducted site visits with each of the top two firms. Staff visited the Saddleback College Sciences Building Project in Mission Viejo managed by C.W. Driver as well as the Meridian Condominium Project in Newport Beach managed by Bernards. City staff toured the sites with the respective lead project manager and superintendent in order to better understand the firm’s construction management philosophy and approach.

Staff next conducted reference checks for both firms. When possible, staff called those former clients who were assigned the same members of the team as is proposed for the Lake Forest Civic Center project. The list of references called for each firm is provided in Table 2; reference sheets are included in Attachment 1. Both firms had outstanding references.

Table 2. References

C.W. Driver	
<i>Client</i>	<i>Project</i>
City of Laguna Niguel	Civic Center
City of Newport Beach	Civic Center
Saddleback Community College	Sciences Building
Coastline Community College	Newport Beach Learning Center
Bernards	
<i>Client</i>	<i>Project</i>

Rose Bowl Operating Co.	Rose Bowl Renovation
Manhattan Beach Unified School District	Mira Costa High School
City of Monrovia	Public Library
Walt Disney Imagineering	Disney's California Adventure

Staff next evaluated cost proposals. Staff reviewed the fee proposals for all four (4) firms that were invited to the oral presentation/interview, as allowed per the City's Purchasing and Contract Guidelines. The initial cost proposals are shown in Table 4.

Table 4. Initial Cost Proposals for Top Four Firms

Firm	Initial Fee Proposal
C.W. Driver in association with Griffin Structures	\$3,449,028
Bernards	\$1,866,361
Ledesma & Meyer	\$1,960,000 (estimate based on cost proposal of 4% of the initial sum of the low responsive prime trade contract bids) plus General Conditions
Barnhart Reese	\$1,714,512

As documented in the City's Purchasing and Contracting Guidelines, the cost proposal of the top ranked consultant is evaluated to determine if it is reasonable. The tests of reasonableness include comparison of the cost proposal to the City's estimated project cost and the City's project budget, prior experience, comparative project costs in neighboring or relevant communities, professional judgment, and comparison to the costs submitted by qualified vendors for the proposed project.

Industry research indicates that typically the construction management fee is a fixed lump sum, but it can also be a percentage of the total project construction costs. Methodologies on how to arrive at a fixed fee or percentage are often proprietary and vary throughout the industry, and are dependent upon the size and complexity of a given project. Because the scope and complexity of civic center-type construction projects are as unique as the communities that undertake them, a direct comparative assessment of project costs is difficult to achieve.

However, it is helpful to compare costs submitted by qualified vendors for the same project. Based upon the qualitative evaluation and interview scores, the top ranked firm's total score is only 4.3%, 6.2%, and 9.4% higher than the second, third, and fourth firms respectively. However, the fee proposal for the top ranked firm is 85%, 76%, and 101% higher than the second, third, and fourth firms,

respectively. Based upon this comparison, the final test of reasonableness was not deemed to be met.

The differences between the cost proposals of the top firm and the second, third, and fourth ranked firms range from \$1.49M - \$1.74M, with an average difference of \$1.6M. Although all four firms responded to the same scope of work as outlined in the Request for Proposal, staff allowed for the possibility that the differences in cost were in part based upon a difference in services offered. To ensure that this was not the case, staff met with C.W. Driver to review the scope of work, proposed allocation of resources, hourly rates, organizational structure, and construction management strategy. After the meeting, C.W. Driver submitted an updated cost proposal. Staff then met with the second-ranked firm, Bernards, to conduct the same review. Bernards also submitted an updated cost proposal. Both proposals are shown in Table 5.

During the meetings with C.W. Driver, staff worked with the Project Executive to identify areas where hours could be reduced to capture cost savings. As a result, C.W. Driver subsequently reduced its hours to approximately 19,400. During the meetings with Bernards, staff re-reviewed the assigned resources to ensure adequate staffing. Bernards believed it submitted the most appropriate allocation of resources, but accommodated the City's requests to assign more resources during preconstruction and add an additional project engineer during construction to be utilized on an as-needed basis. As a result, Bernards increased its hours to approximately 21,700. The difference between the updated cost proposals remains significant at almost \$1.2M, and is attributable to the higher hourly rates of the resources proposed by C.W. Driver.

Table 5. Updated Fee Proposals for Top Two Firms

Firm	Updated Fee Proposal
C.W. Driver in association with Griffin Structures	\$3,291,130
Bernards	\$2,104,864

Based upon the technical proposals, oral presentations/interviews, resource allocation review meetings, site visits, and reference checks, it is clear both firms have significant experience delivering successful projects under the CM-Multiple Prime method. After a careful and thorough analysis, staff is recommending Bernards be selected to provide construction management services for the Civic Center project. The reasons for this recommendation are set forth in the next section of this report.

Recommendation

City staff believes that Bernards is best suited to provide construction management services for the Civic Center project for the following reasons:

- Best combination of quality and value.
 - The financial health and stability of the City is a top priority for the City Council and the community. The City's longstanding commitment to conservative fiscal management is evidenced through the provision of quality public projects, services, and programs over the years without the issuance of debt. The community has come to expect a high level of fiscal responsibility in all that the City does. The scope and complexity of the Civic Center project demands this same commitment to conservative fiscal management. To that end, staff is recommending Bernards, the second-highest rated firm, which has proposed a price that is approximately \$1.2M less than the highest rated firm. Staff believes the resources and services proposed by Bernards offers the City the best combination of quality and value.

- Proven stability and financial strength.
 - Founded in 1974, Bernards is a nationally ranked, multidisciplinary commercial builder and construction management company with a regional office in Irvine. Bernards has bonding capacity in excess of \$1B.

- Experience.
 - Bernards offers extensive experience in the successful delivery of public agency building projects using the CM-Multi Prime delivery method. Past projects include the Atascadero City Hall, Calabasas Civic Center, Camarillo Library, and the Corona City Hall.

- Quality personnel.
 - The success of the project will be dependent upon the quality of the project team – the technical competence and experience of each team member along with their ability to effectively communicate the needs of the project. Bernards is proposing a distinguished core team, guaranteed by name in the contract, offering extensive experience in construction management. The combined tenures of the Project Executive, Senior Project Manager, and Superintendent represent over 80 years of industry experience.

- Approach to the project.
 - As documented in their proposal, Bernards has a single goal in mind: to make sure that the City of Lake Forest's best interests are at the forefront of every decision they make. To ensure consistency throughout the project, Bernards has reserved a seasoned team to work solely on the Lake Forest project from kick-off to occupancy.

This team will partner with City staff to deliver a project that is on time and on budget.

Based on its assessment of the current conceptual plan, and utilizing historical project schedule information for similar structures, Bernards is confident the new Civic Center can be built within the required timeframe using a standard delivery method of a 5-day, 40 hour work week. Throughout the plan development, Bernards will continually challenge the schedule logic to improve durations and tighten up the schedule. In regards to cost control, Bernards applies a multi-pronged approach utilizing constructability reviews, value engineering, and cost estimating. Bernards offers a prestigious estimating team, comprised of 20 professionals who prepare bids of approximately \$4.7 billion annually. Based upon past performance, the variation between the final project estimate provided by Bernards estimators and actual bids received averages 2.5%.

When it comes to bidding strategies, Bernards will work closely with staff to develop optimum bid packages, taking into consideration timing, alternates development, and bid package scoping. Bernards will clearly separate the trades whenever possible, utilizing a higher number of bid packages, to further entice prospective bidders to bring more value to the City. The combination of thorough estimating and packaging with proactive contractor solicitation will bring forth the highest quality of work for the best prices.

With over forty-plus years of construction experience, Bernards will implement management processes that facilitate and encourage the sharing of information while relieving the City of the daily minutia associated with projects of this size. During construction, the Bernards Project Manager and his field support team will provide full-time monitoring of on-site activities, address field questions, and should an emergency arise, make sure that it is addressed immediately and appropriately. Bernards' experience modification rate (safety rating) is currently 0.83, which is 17% better than the industry average.

Finally, the Bernards approach to close out and post-construction services is to begin these services on the first day of construction. From the Notice-to-Proceed forward, the project team is focused on successful project completion. To achieve this goal, Bernards follows a very detailed series of reviews and processes. In addition, four weeks prior to the expiration of the one-year warranty period, Bernards will conduct the a year-end walk through to verify that the

quality and the workmanship of the materials and equipment are meeting expectations, and to identify any warranty issues. Any items requiring correction will be addressed in a timely manner.

In sum, City staff believes that Bernards will provide exceptional construction management services at a reasonable cost to the City. In managing a project of this scope and complexity, and with such importance to the community, the City has a responsibility to consider not only the cost of services provided, but the quality of those services and the associated service providers. Staff is proposing the firm that we believe will best represent the community's interests in assisting the designer in developing the most cost effective program solution, in navigating the project in an efficient timeframe, and in skillfully navigating the best value from all of the trade contractors.

As such, staff recommends approving a three-year agreement with Bernards with a not-to-exceed total compensation of \$2,104,864. The Agreement includes two multi-year renewal options based on the length of the project. The City Attorney reviewed and approved the agreement as to form.

At this time, the City Council may decide to (1) approve or reject the staff recommendation, (2) reject all proposals, (3) instruct staff to re-negotiate all or any portion of the proposed agreement, or (4) seek supplemental information from any or all participating firms.

Next Steps

Throughout the project, the City will issue phased notices to proceed. Although the attached contract encompasses the total anticipated costs associated with delivery of the entire Civic Center project, if approved, an initial notice to proceed will only be issued for design activities based upon the successful completion of the environmental permitting process. Subsequent notices to proceed will be issued upon readiness of the next phase and the conformation of available funding.

Staff contemplates that preparation of plans and specifications could take approximately ten to twelve months. By winter 2016, staff expects to have shelf-ready design plans for the Civic Center project. It is the intent of staff that the recommended total compensation for this contract would cover the construction management costs for the Lake Forest Civic Center as currently conceptualized. However, the design process may result in an updated total cost based upon such factors as complexity of design and associated construction duration. In addition, if the City decides to exercise the "self-help option" of accelerating the grading of the Civic Center site as allowed for in the IRWD development agreement, the total cost of the construction management contract may be

impacted. Upon receipt of final design documents, staff will confirm funding availability subsequent to further updates to the Opportunities Study Projects Cash-Flow Model. Based on Council direction, staff could proceed with the issuance of Requests for Bids to begin the first development phases of the Civic Center.

FISCAL IMPACT:

The agreement's total compensation is for a not-to-exceed amount of \$2,104,864. This amount covers design, construction, and post-construction activities. Design phase activities in the proposed agreement are approximately \$343,458. There are sufficient funds in the 2 Year CIP Budget for Civic Center Design for the proposed design phase activities. Staff will return to Council with a proposed Civic Center Construction budget, to include both construction and post-construction activities, once final design documents are completed.

ATTACHMENTS:

1. References
2. Contract with Bernard's Bros., Inc.

Initiated By: Hannah Shin-Heydorn, Director of Management Services
Submitted By: Debra D. Rose, Assistant City Manager/Director of Economic Development/Community Preservation
Approved By: Robert C. Dunek, City Manager