

DATE ISSUED: March 24, 2004 REPORT NO. 04-063
ATTENTION: Honorable Mayor and City Council
Docket of March 29, 2004
SUBJECT: Fire Stations 12 and 31 – Awarding Construction Contracts
REFERENCE: Fire Facilities

Manager’s Report No. 04-033, dated February 5, 2004
Manager’s Report No. 03-101, dated June 18, 2003
Manager’s Report No. 02-063, dated March 27, 2002
Manager’s Report No. 01-031, dated February 21, 2001
Manager’s Report No. 00-166, dated August 7, 2000
Manager’s Report No. 00-122, dated June 1, 2000
Manager’s Report No. 00-20, dated January 28, 2000

Lifeguard Facilities

Manager’s Report No. 04-033, dated February 5, 2004
Manager’s Report No. 03-101, dated June 18, 2003
Manager’s Report No. 02-063, dated March 27, 2002
Manager’s Report No. 01-171, dated July 27, 2001
Manager’s Report No. 01-088, dated May 10, 2001
Manager’s Report No. 01-031, dated February 21, 2001

SUMMARY

Issues:

1. Should the City Council authorize the City Manager to execute a construction contract with Erickson-Hall Construction, Co., for the construction of Fire Stations 12 (Lincoln Park), CIP No. 33-081.0 for an amount not to exceed

\$3,147,000, and Fire Station 31 (Del Cerro), CIP No. 33-088.0, for an amount not to exceed \$2,962,000, for a total amount not to exceed \$6,109,000?

2. Should the City Council authorize the Auditor and Comptroller to appropriate \$315,000 from CIP No. 33-505.0, La Jolla Cove Lifeguard Tower, fund 92110, FLS Construction fund, and \$990,000 from CIP No. 33-503.0, La Jolla Shores Lifeguard Tower, fund 92110, FLS Construction fund, and \$130,000 from CIP No. 29-494.0, Children's Pool Lifeguard Tower, fund 92110, FLS Construction fund, and \$309,938 from CIP No. 33-098.0, Major Components, fund 92110, FLS Construction fund, to CIP No. 33-081.0, Fire Station 12?
3. Should the City Council authorize the Auditor and Comptroller to expend \$1,744,938 from CIP No. 33-081.0, Fire Station 12, Fund No. 92110, Fire and Life Safety Construction Fund, for the construction of Fire Station 12, provided that the City Auditor first furnishes one or more certificates certifying that funds necessary for expenditure are, or will be, on deposit with City Treasurer?
4. Should the City Council authorize the Auditor and Comptroller to appropriate \$372,900 from CIP No. 33-098.0, Major Components, fund 92110, FLS Construction fund, and \$400,000 from CIP No. 33-091.0, Fire Station 54, fund 92110, FLS Construction fund, and \$543,000 from CIP No. 33-104.0, Fire Station 5, fund 92110, FLS Construction fund, and \$37,000 from CIP No. 33-093.0, Fire Station 1, fund 92110, FLS Construction fund, and \$140,000 from CIP No. 33-090.0, Fire Station 2, fund 92110, FLS Construction fund, and \$259,000 from CIP No. 33-080.0, Fire Station 17, fund 92110, FLS Construction fund, and \$312,554 from CIP No. 33-069.0, Kearny Villa Maintenance Facilities, fund 92110, FLS Construction fund, to CIP No. 33-088.0, Fire Station 31?
5. Should the City Council authorize the Auditor and Comptroller to expend \$2,064,454 from CIP No. 33-088.0, Fire Station 31, Fund No. 92110, Fire and Life Safety Construction Fund, for the construction of Fire Station 31, provided that the City Auditor first furnishes one or more certificates certifying that funds necessary for expenditure are, or will be, on deposit with City Treasurer?
6. Should the City Council direct the City Manager to replenish the transferred funds when the second Fire and Life Safety Bond issuance occurs?

Manager's Recommendations:

1. Authorize the City Manager to execute a construction contract with Erickson-Hall Construction, Co., for the construction of Fire Stations 12 (Lincoln Park), CIP No. 33-081.0 for an amount not to exceed \$3,147,000, and Fire Station 31 (Del Cerro), CIP No. 33-088.0, for an amount not to exceed \$2,962,000, for a total amount not to exceed \$6,109,000.
2. Authorize the Auditor and Comptroller to appropriate \$315,000 from CIP No. 33-505.0, La Jolla Cove Lifeguard Tower, fund 92110, FLS Construction fund,

and \$990,000 from CIP No. 33-503.0, La Jolla Shores Lifeguard Tower, fund 92110, FLS Construction fund, and \$130,000 from CIP No. 29-494.0, Children's Pool Lifeguard Tower, fund 92110, FLS Construction fund, and \$309,938 from CIP No. 33-098.0, Major Components, fund 92110, FLS Construction fund, to CIP No. 33-081.0, Fire Station 12.

3. Authorize the Auditor and Comptroller to expend \$1,744,938 from CIP No. 33-081.0, Fire Station 12, Fund No. 92110, Fire and Life Safety Construction Fund, for the construction of Fire Station 12, provided that the City Auditor first furnishes one or more certificates certifying that funds necessary for expenditure are, or will be, on deposit with City Treasurer.
4. Authorize the Auditor and Comptroller to appropriate \$372,900 from CIP No. 33-098.0, Major Components, fund 92110, FLS Construction fund, and \$400,000 from CIP No. 33-091.0, Fire Station 54, fund 92110, FLS Construction fund, and \$543,000 from CIP No. 33-104.0, Fire Station 5, fund 92110, FLS Construction fund, and \$37,000 from CIP No. 33-093.0, Fire Station 1, fund 92110, FLS Construction fund, and \$140,000 from CIP No. 33-090.0, Fire Station 2, fund 92110, FLS Construction fund, and \$259,000 from CIP No. 33_080.0, Fire Station 17, fund 92110, FLS Construction fund, and \$312,554 from CIP No. 33_069.0, Kearny Villa Maintenance Facilities, fund 92110, FLS Construction fund, to CIP No. 33_088.0, Fire Station 31.
5. Authorize the Auditor and Comptroller to expend \$2,064,454 from CIP No. 33-088.0, Fire Station 31, Fund No. 92110, Fire and Life Safety Construction Fund, for the construction of Fire Station 31, provided that the City Auditor first furnishes one or more certificates certifying that funds necessary for expenditure are, or will be, on deposit with City Treasurer.
6. Direct the City Manager to replenish the transferred funds when the second Fire and Life Safety Bond issuance occurs.

Fiscal Impact:

In July 2003, City Council approved a revised project budget for both Fire Station 12 and Fire Station 31, totaling \$3,789,490 and \$2,803,154, respectively. If the City Council elects to proceed with the budget increase, discussed herein, the budget would increase to \$4,654,811 for Fire Station 12 and \$4,252,898 for Fire Station 31.

It is recommended that Fire Station 12 and Fire Station 31 be fully funded utilizing current appropriations and reallocations of existing bond proceeds. Fire Station 12 current appropriations total \$2,909,873 (\$75,000 from 100 Fund and \$2,834,873 from existing bond proceeds) and Fire Station 31 current appropriations total \$2,188,444 (\$75,000 from 100 Fund and \$2,113,444 from existing bond proceeds). The cumulative balance required to fund these projects (\$3,809,392) would come from the reallocation of existing bond proceeds from other

Fire-Rescue projects. Specifically, it is recommended that \$3,809,392 be transferred from the La Jolla Cove Lifeguard Tower (\$315,000), the La Jolla Shores Lifeguard Tower (\$990,000), The Children's Pool Lifeguard Tower (\$130,000), the Major Components (\$682,838), the Fire Station 54 (\$400,000), the Fire Station 5 (\$543,000), the Fire Station 1 (\$37,000) The Fire Station 2 (\$140,000), the Fire Station 17 (\$259,000) and the Kearny Villa Maintenance Facilities (\$312,554) projects. It is anticipated that these transferred amounts would be replenished when the second series of bonds is issued for the Project.

In July 2003, City Council directed that staff return in Fiscal Year 2004 with a revised financing plan to address how the Fire and Lifeguard Facility Improvements Project (the "Project") budget increase approved in July 2003 would be funded. Due to the investigations by the SEC and U.S. Attorney's Office into certain disclosure practices of the City primarily concerning the pension system, as well as City budget uncertainties, it may not be feasible to return to City Council with such revised financing plan prior to July 2004. When the revised financing plan is brought forth to City Council, it is anticipated the plan would address the July 2003 budget increase, the February 2004 budget increase relating to Fire Station 29 and the South Pacific Beach Lifeguard Tower, and the budget increase authorized today, if approval is so granted. In addition, the plan would address other cost escalations related to the Project, which would be identified when staff returns. Currently, it is anticipated that all of such additional cost increases may be absorbed through adjustments made in the financing cash flows for the project, and through programmatic reductions in the Project, which would be identified when staff returns with the revised financing plan.

BACKGROUND

In 2001, through a series of City Council and Council Committee meetings and in an effort to upgrade the public safety facilities, an overall program for improving fire and lifeguard facilities was presented along with a corresponding financing plan. The approved Project program, presented to the City Council, included 12 fire and 10 lifeguard facilities. The list of fire facilities identified to be added, replaced or remodeled was developed by San Diego Fire-Rescue Department staff in conjunction with the International Association of Firefighters Local 145. The list included the addition of Fire Stations 2 (East Mission Valley), along with construction of a mini-park, 29 (San Ysidro), 32 (Skyline), and 54 (Paradise Hills); replacement of Fire Stations 5 (Hillcrest), 12 (Lincoln Park), 17 (Mid-City), and 31 (Del Cerro); and renovation and remodeling of Fire Stations 1 (Downtown) and 22 (Point Loma). The list also included the Major Component Replacement Project and the Kearny Villa Repair Facility Project.

The list of 10 lifeguard facilities to be replaced or remodeled was developed by San Diego Fire-Rescue Department and Lifeguard Division staff, along with the Municipal Employees Association (MEA). This list included one new lifeguard station to be located at North Pacific Beach; four stations to be removed and replaced at South Mission Beach, La Jolla Cove, Children's Pool and South Pacific Beach; one to be remodeled and enlarged at La Jolla Shores; two to be remodeled at Ocean Beach and Mission Beach; property acquisition for a future new tower at Old Mission Beach; and seed money for the planning, design and infrastructure work for a new Mission Bay Headquarters.

The originally approved total project budget estimated for the entire Fire and Lifeguard Facility Improvements Project was \$45.2 million. Of this total, \$34.3 million was to fund the fire facilities and the remaining \$10.9 million was allocated to lifeguard facilities.

Subsequent to the actions described above, issues arose which resulted in increased Project costs. The estimated cost for the original list of fire facilities increased from \$34.3 million to \$47.3 million. The cost increases for the fire facilities were due to, increased square footage to the new facilities to prepare for future needs, as well as additional relocation costs, construction cost escalation, and additional LEED costs. The Leadership in Energy Environmental Design (LEED) "Silver" certification standard was adopted for seven new fire stations.

The lifeguard facilities also faced increased costs for some of the same reasons, and from the addition of furniture, fixtures and equipment costs that had previously been deleted in anticipation of absorption into the operating budget. Additionally, an Americans with Disabilities Act (ADA) compliance requirement for the addition of elevators in two-story facilities (South Mission Beach, North Pacific Beach and South Pacific Beach) and an extensive ADA accessible ramp to the La Jolla Cove station raised costs.

Since the approved \$45.2 million project budget was no longer sufficient to allow for completion of the 12 fire facilities and 10 lifeguard facilities in the original Fire and Lifeguard Facility Improvements Project Program, on July 22, 2003, per Resolution No. 298234, the City Council authorized a budget increase for Fire facilities to \$47.3 million, and directed the City Manager to proceed with only the Lifeguard Station Facilities which could be completed within the previously approved \$10.9 million budget, thus deferring three Lifeguard Facilities. Old Mission Beach Lifeguard Property Acquisition, preliminary work for the Mission Bay Park Headquarters Relocation, and Ocean Beach Lifeguard Station were deferred.

In February 2004, the City Council authorized the City Manager to reallocate existing funds from the deferred lifeguard facilities and from fire projects which would not experience a schedule impact, in order to address the increased costs for the construction of Fire Station 29 and the South Pacific Beach Lifeguard Tower. With the February budget authorizations, it increased the overall Project budget from \$58,199,636 to \$60,280,493.

DISCUSSION

The actual construction bids for the Lincoln Park Fire Station 12 and the Del Cerro Fire Station 31 further exceed the revised estimates. In the last few months, all building type projects have been greatly impacted by unprecedented construction cost increases mostly as a result of escalating material costs, insurance cost, and higher demand for construction services and materials in the region. The Engineering and Capital Projects Department researched the bid outcomes of these type of projects across California and determined that although in the past the cost of construction for the City of San Diego building projects was less than other municipalities in northern California and Los Angeles, in the last year the cost has equaled and in some cases exceeded the construction cost for buildings in those areas (see City Manager Report No. 04-023). On average, in the last year alone, this type of projects have experienced a 50% increase in cost.

On August 26, 2003 the City opened bids for Fire Station 12 (Lincoln Park). Five bids were received. The lowest responsible bid was for \$2,799,646, which was \$299,646 over the construction estimate. On August 12, 2003 the City opened bids for Fire Station 31 (Del Cerro). Five bids were received. The lowest responsible bid was for \$2,740,000, which was \$1,040,000 over the construction estimate. Based on feedback from the construction industry, and in an effort to receive better bids, these projects were combined and re-bid as one package. The second bid opening for Fire Station 12 (Lincoln Park) and Fire Station 31 (Del Cerro), in conjunction, was on December 17, 2003. Only one bid was received for the combined projects for \$6,109,000 which is \$1,909,000 over the construction estimate.

Given the continuing increases in construction cost, re-advertisement of Fire Station 12 (Lincoln Park) and Fire Station 31 (Del Cerro) will not provide any cost savings, and may increase the cost. During the past several months, a global demand for steel has resulted in significant price increases, see Attachment 1. Further increases are projected and industry experts do not see the prices stabilizing in the near future. Material suppliers are only guaranteeing their prices for thirty days. The steel crisis has been further compounded by the affects of increasing worker's compensation and liability insurance premiums, and higher fuel costs. All of these factors have created great instability in the bid climate. The contractor for Fire Station 12 and 31, Erickson-Hall Construction, is facing this situation, and although they are holding their bid price, they are facing price increases from their subcontractors which will need to be addressed.

To address the fact that bids for Fire Station 12 (Lincoln Park) and Fire Station 31 (Del Cerro) have exceeded the budgeted funds, the City Manager's recommendation is to reallocate existing funds from lifeguard facilities and from fire projects, and replenish these projects when the second series of bonds is issued for the Project.

To move forward in accordance with the City Manager's recommendation contained in this report approval to transfer funds within projects is required. A transfer of \$315,000 from CIP No. 33-505.0, La Jolla Cove Lifeguard Tower, and \$990,000 from CIP No. 33-503.0, La Jolla Shores Lifeguard Tower, and \$130,000 from CIP No. 29-494.0, Children's Pool Lifeguard Tower and \$309,938 from CIP No. 33-098.0, Major Components, and \$309,938 from CIP No. 33-098.0, Major Components, to CIP No. 33-081.0, Fire Station 12, and a transfer of \$372,900 from CIP No. 33-098.0, Major Components, \$400,000 from CIP No. 33-091.0, Fire Station 54, \$543,000 from CIP No. 33-104.0, Fire Station 5, \$37,000 from CIP No. 33-093.0, Fire Station 1, \$140,000 from CIP No. 33-090.0, Fire Station 2, \$259,000 from CIP No. 33-080.0, Fire Station 17, and \$312,554.00 from CIP No. 33-069.0, Kearny Villa Maintenance Facilities, to CIP No. 33-088.0, Fire Station 31 will be necessary.

Project Status

Work on the fire facilities is underway with the majority of funding obtained through the proceeds from the first series of bonds, issued in June 2002. The fire and lifeguard facilities are in various stages of progress. A chart reflecting the schedule of interim funding and expenses is included as Attachment 2.

Fire Facilities

Fire Station 29 (San Ysidro) is in construction. Fire Station 12 (Lincoln Park) and Fire Station 31 (Del Cerro) will move to construction pending approval of the actions enumerated in this report.

The design phase for the following projects will not be affected by the actions in this report and will continue as scheduled. Fire Station 1 (Downtown) is at 30% design development. Fire Station 2 (Mission Valley) is at 95% design development. Fire Station 22 (Point Loma) has begun design development. Construction of these projects will proceed when additional funds for the Project are allocated. However, presently the Fire and Rescue Department is investigating the possibility of siting a temporary facility in Mission Valley, until the permanent fire facility is constructed. Operational funding for a temporary facility will also need to be addressed, once a plan is developed, and a site is identified.

Fire Stations 32 will be located on a new site and land acquisition is in progress. The land acquisition process will not be affected by the actions in this report.

Portions of the Major Components project are completed, such as replacement of the apparatus doors, generators, and electrical upgrades at various locations, see Attachment 3. Other portions are currently under construction, including the roofing systems for numerous fire stations, for which a major portion has been completed. Based on the actions in this report, the remaining portions of the Major Components, such as the dorm expansions, HVAC, exterior and miscellaneous renovations, and kitchen and parking improvements will be deferred.

Consultants have been selected to provide design-build programming for both, Fire Station 5 (Hillcrest) and 17 (Mid City). Per the actions in this report, the execution of the design agreements will be deferred until additional funds for the Project are allocated. Until such time, we will move ahead with some of the badly needed repairs at the existing Fire Station 5 (Hillcrest) as part of the Major Components Project (\$130,000 has been included in the Major Components budget for this purpose). In addition, the property acquisition for Fire Station 54 and the Kearny Villa Maintenance Facility Improvements project will also be deferred.

Lifeguard Facilities

The replacement of the South Pacific Beach Lifeguard Station and Comfort Station is in construction.

The design phase for the Children's Pool, La Jolla Cove and La Jolla Shores will not be affected by the actions in this report and will continue as scheduled. Construction of these projects will proceed when additional funds for the Project are allocated.

Concept plans for the replacement of the North Pacific Beach and the South Mission Beach Lifeguard Stations are complete, and being reviewed for approval by the community. Although this phase of project development are not affected by the actions of this report, the next phase of

design development will not continue until additional funds are allocated to the Project.

CONCLUSION

In summary, to address the increased costs of Fire Station 12 (Lincoln Park) and Fire Station 31 (Del Cerro), the City Manager's recommendation is to reallocate existing funds from the lifeguard facilities and from fire projects, and replenish these projects when Council will consider and approve the issuance of the second series of bonds.

ALTERNATIVES:

1. Do not award the construction contract for Fire Station 12 (Lincoln Park) and Fire Station 31 (Del Cerro).

Respectfully submitted,

Chief Jeff Bowman
Fire Chief

Afshin Oskoui
Deputy Director
Architectural Engineering and Contracts

Approved: Bruce A. Herring
Deputy City Manager

HERRING/OSKOU/AG

Attachments: [1-Steel Price Report](#)
[2-Schedule of Interim Funding & Expenses](#)
[3-Completed Major Components - Overview](#)