

Item 2
File 11- 0464

Department:
Department of Public Works (DPW)
Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the Director of Public Works (DPW) to execute an amendment, consisting of Modification No. 14, to the Construction Management Agreement with Cooper Pugeda Management, Inc. for the Laguna Honda Hospital (LHH) Replacement Program, to increase the Construction Management Agreement by \$893,335, or 5.8 percent, from a not-to-exceed amount of \$15,303,429 to a not-to-exceed amount of \$16,196,764.

Key Points

- The LHH Replacement Program is a \$584,946,602 project which provides for the demolition, construction, and renovation of a new LHH.
- The initial Construction Management Agreement between DPW and Cooper Pugeda Management, Inc. included a not-to-exceed amount of \$601,000.
- The current LHH Replacement Program Construction Management Agreement is for a not-to-exceed amount of \$15,303,429.

Fiscal Impact

- The proposed increase under Modification No. 14, in a not-to-exceed amount of \$893,335, would increase the existing Construction Management Agreement's not-to-exceed amount from \$15,303,429 to a not-to-exceed amount of \$16,196,764, an increase of 5.8 percent,
- The initial Construction Management Agreement between DPW and Cooper Pugeda Management, Inc. included a not-to-exceed amount of \$601,000. If the proposed Modification No. 14 for \$893,335 is approved, the total Construction Management Agreement would increase to a not-to-exceed amount of \$16,196,764, which reflects an increase of \$15,595,764 more than the original Agreement. However, Mr. Thomas notes that this significant increase has occurred because the Agreement was initiated in stages, where the Agreement would be modified annually based on the work plan for the particular year involved.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT/BACKGROUND

Section 9.118(b) of the City's Charter requires that all agreements in excess of \$10,000,000 or amendments to said agreements in excess of \$500,000 be approved by the Board of Supervisors.

Background

The Laguna Honda Hospital (LHH) Replacement Program comprises demolition, construction, and renovation of LHH, including (a) the construction of four new buildings: South, Link, East, and West, and (b) renovations to existing facilities. According to Mr. John Thomas of the Department of Public Health (DPH), Program Manager for the LHH Replacement Program, the LHH Replacement Program will result in 780 Skilled Nursing Facility beds.

As shown in Table 1 below, the total estimated LHH Replacement Program budget is \$584,946,602.

Table 1: LHH Replacement Program Estimated Expenditures	
	Estimated Expenditures
Professional Services	
Design Agreement	\$50,800,000
Construction Management	20,716,795 ¹
Permits and Fees	7,995,831
DPW Program Management	7,956,227
Special Inspection and Testing	6,360,579
Surveys, Reproduction, Activation	2,515,295
DPW Architecture	2,428,642
Hazardous Materials	1,734,813
Environmental Impact Report	289,503
Subtotal	\$100,797,685
Construction	
Construction	\$484,148,917
Subtotal	\$484,148,917
Total	\$584,946,602

¹ - Estimated expenditures for Construction Management include \$14,596,548 or 70.5 percent in agreements with private contractors and \$6,120,247 or 29.5 percent in City employee staff time.

Table 2 below summarizes the sources of funding for the LHH Replacement Program.

Table 2: Sources of Funding for LHH Replacement Program	
General Obligations Bonds ¹	\$296,083,671
Interest Earned from General Obligation Bonds	26,771,514
Tobacco Settlement Revenues ²	133,554,943
Interest Earned from Tobacco Settlement Revenues	7,437,788
Certificates of Participation	120,000,000
Grants ³	1,098,686
Total	\$584,946,602

¹ – General Obligation Bonds approved by the San Francisco voters on November 2, 1999.

² - Tobacco Settlement Revenues are funds received under a 1998 Master Settlement Agreement between the Attorney General of the State of California and various manufacturers of tobacco products,, which is administered by the State of California.

³ – Grants are from the US Health Resources and Service Administration (HRSA) and the US Department of Housing and Urban Development (HUD).

Following a competitive bid process in May of 2001, the Department of Public Works (DPW) entered into a Construction Management Agreement with Cooper Pugeda Management, Inc.¹ to provide construction management services throughout the planning, design, bid, construction and post construction phases of the LHH Replacement Program.

According to Mr. Thomas, the LHH Replacement Program commenced construction in the fall of 2002. Mr. Thomas advises that due to the recent discovery of the need for significant structural repairs to the roof of one of the LHH's buildings, the estimated completion of the LHH Replacement Program has been delayed by approximately one year from December, 2012 to late 2013.

The initial Construction Management Agreement between DPW and Cooper Pugeda Management, Inc. included a not-to-exceed amount of \$601,000. Since the original Construction Management Agreement for \$601,000 was approved, there have been 13 modifications to this Agreement. One of the previous 13 modification to this Agreement was approved by the Board of Supervisors (Modification No 10, Resolution No. 357-08) The Budget and Legislative Analyst notes that Resolution No. 357-08, which was approved by the Board of Supervisors on August 8, 2008, authorized DPW to increase the Construction Management Agreement by \$4,789,098 from \$9,995,383 to \$14,784,481. Mr. Thomas advises that, because the original Construction Management Agreement was anticipated to be less than \$10,000,000, any

¹ The original proposed resolution states that the Construction Management Services Agreement awarded by DPW is with Turner Construction Company/Cooper Pugeda Management, Inc. a joint venture, which was initially awarded the Agreement in May, 2001. However, the joint venture was severed in May, 2003 to enable Turner Construction Company to compete in the selection of another project and the resolution was subsequently amended to reflect the assignment from Turner Construction Company/Cooper Pugeda Management, Inc., a joint venture, to Cooper Pugeda Management, Inc.

amendments under that amount were not subject to Board of Supervisors approval. It was not until Modification #10 that the amount of the agreement increased to \$10,666,193 and Board of Supervisors approval was required under Resolution No. 357-08. Since the Board of Supervisors approved the \$14,784,481 not-to-exceed amount, three additional modifications have been made which were not subject to Board of Supervisors approval because they were either under the not-to-exceed total amount of \$14,784,481 previously approved by the Board of Supervisors or were less than \$500,000. Currently, the LHH Replacement Program Construction Management Agreement is for a not-to-exceed amount of \$15,303,429.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Director of Public Works to execute an amendment, consisting of Modification No. 14, to the Construction Management Agreement with Cooper Pineda Management for the LHH Replacement Program, in order to increase the Construction Management Agreement by \$893,335, or 5.8 percent, from a not-to-exceed amount of \$15,303,429 to a not-to-exceed amount of \$16,196,764.

Mr. Thomas advises that the subject amendment to increase the Construction Management Agreement by \$893,335 would fund increased construction management services costs associated with (b) completion of the main LHH building, (b) administrative duties to support the LHH Replacement Program, and (c) Office of Statewide Health Planning and Development (OSHPD)² inspections related to the remodel of existing LHH building

FISCAL IMPACTS

The proposed amendment for a not-to-exceed amount of \$893,335 would increase the existing Construction Management Agreement's not-to-exceed amount from \$15,303,429 to a not-to-exceed amount of \$16,196,764, an increase of 5.8 percent. The \$893,335 increased cost would be funded through a reallocation of existing LHH Replacement Program funds previously appropriated by the Board of Supervisors.

As noted above, the initial Construction Management Agreement between DPW and Cooper Pineda Management, Inc. included a not-to-exceed amount of \$601,000. If the proposed Modification No. 14 for \$893,335 is approved, the total Construction Management Agreement would increase to a not-to-exceed amount of \$16,196,764, which reflects an increase of \$15,595,764 more than the original Agreement. However, Mr. Thomas notes that this significant increase has occurred because the Agreement was initiated in stages, where the Agreement was modified annually based on the work plan for the particular year involved. Once the construction phase began, DPW began to do longer term estimates of the work that would be needed.

² OSHPD is a department within the California Health and Human Services Agency. OSHPD's Facilities Development Division (FDD), permits, reviews and inspects health facility construction projects. The LHH Replacement Program is a OSHPD permitted project which requires OSHPD oversight and use of licensed OSHPD Inspectors of Record (IOR). The OSHPD regulations require continuous inspection of the work, and the proposed Modification #14 includes funding to provide additional staff to supplement the limited number of City staff that possess IOR certification.

POLICY CONSIDERATION

The proposed amendment is the result of direct negotiation rather than competitive bidding.

DPW is requesting an \$893,335 increase in the existing agreement rather than undergoing a new competitive Request for Proposal (RFP) process for construction management services. Mr. Thomas advises that this professional service agreement provides construction management support for the LHH Replacement Program, which is a multi-year, multi-phased program. According to Mr. Thomas, an RFP was originally issued to select the qualified team to support the LHH Program over its duration. However, the LHH Replacement Program has incurred delays which have necessitated the extension and augmentation of the Construction Management Agreement. In addition, the current Cooper Pineda Management staff-members assigned to the LHH Replacement Project are familiar with the program and are an integral component of the project team.

RECOMMENDATION

Approve the proposed resolution.