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September 17, 2014

Ms. Angela Calvillo
Clerk of the Board of Supervisors
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
City Hall, Room 244
San Francisco, CA 94102

**Subject: San Francisco General Hospital Rebuild Program
Modification to the Executive Construction Management
Agreement**

The Department of Public Works ("DPW") is requesting approval to execute an amendment to the Executive Construction Management Agreement with Jacobs Project Management Co. ("Jacobs") by \$4,474,706 from \$16,400,000 to \$20,874,706 to pay for ongoing as-required services as described in the original contract scope of work, to account for updated service utilization projections.

Background

Following a competitive Request for Qualifications ("RFQ") process, the Department of Public Works on August 5, 2008 entered into an Agreement with Jacobs (Attachment 2), to provide executive construction management services throughout planning, design, bid, construction, and post-construction for the San Francisco General Hospital ("SFGH") Rebuild Program.

The original scope of work to be performed on an as-needed basis includes:

Pre-Construction Phase Services

- A. Construction Planning/Document Control Tasks
- B. Budget/Cost Estimating/Cost Control Tasks
- C. Construction Scheduling/Schedule Control Tasks

Construction Phase Services

- A. Construction Administration/Document Control Tasks
- B. Construction Scheduling/Schedule Control Tasks
- C. Budget/Cost Estimating/Cost Control Tasks

D. Inspector of Record Inspection, and Quality Assurance/Quality Control Inspection Tasks

Close-Out Phase Services

Post-Construction Phase Services

The SFGH Rebuild Program engaged Jacobs on an as required basis when the Program Team Integration was still in formulation. The Rebuild Program developed the Construction Manager / General Contractor ("CM/GC") and Design-Assist variation of an integrated design method of project delivery, and as such, the Team Integration began early in the Schematic Design phase of the project. The level of service utilization was indeterminate at time of contracting with integrated roles and responsibilities between Executive Construction Management Consultant, the Construction Manager / General Contractor ("CM/GC"), and the Architectural / Engineering Team. The SFGH Rebuild Team has consistently managed the utilization of each of these contracts to ensure timely, effective, and economic Project delivery of the new San Francisco General Hospital and Trauma Center, which is scheduled to open in December 2015.

The history of service utilization has been established over the last six years with an average expenditure of \$630,829 per quarter. The Rebuild Team updated the projection of staff utilization (Attachment 4) and the Project Management Team Organization Chart (Attachment 1, Slide 6). The last complete update and contract modification was presented to the Board of Supervisors in October of 2010. The newly updated Staff Utilization Projection is similar to the 2010 update, but recognizes the trend of elevated and protracted engagement of cost and schedule oversight personnel which have been historically required to properly service the Project during the past four years.

The Rebuild Team is also forecasting the need to address additional Project needs for SFGH beyond the delivery, and ultimately close-out of the original Program. The Rebuild Team has held true to delivering the Bond approved Project on time and below budget; however, operational and regulatory needs have evolved since the inception of the SFGH Rebuild Program nearly eight years ago. The added SFGH needs also include extensive remodeling of the

existing hospital basement and second floor beyond the original commitment by the SFGH Rebuild Bond. Furthermore, legacy regulatory issues regarding the existing Service Building seismic certification of “Non-structural Building Components” to a rating of NPC-4 are impacting the SFGH Rebuild scope of work, contributing to the amplified and protracted staff utilization of the Jacobs contract.

The updated Staff Utilization Projection and Project Management Team Organization Chart revisions from the 2010 forecast have been principally driven by the following:

- The past six years have shown a high demand for Jacobs to provide cost and schedule review/validation services, consistently elevated above what was originally contemplated and for durations longer than forecasted in 2010.
- The 2010 forecast budget contemplated reduction of Jacobs’ staff with DPW personnel for cost estimating and scheduling. However, the addition of DPW cost estimators and schedulers never came to fruition.
- The updated Staff Utilization Projection indicates a need to maintain services through 2016 at a minimum, in anticipation of additional scope required by the Medical Center to address operational and regulatory changes.
- The “Non-structural Building Components” seismic upgrade Scope of Work to the Service Building, which was originally a separate Project from the Rebuild Program, is being requested by SFGH to be at least in part absorbed by the Rebuild Program, thus adding to the required level of utilization of the Rebuild Team including the Executive Construction Management services with Jacobs.
- The increased utilization also reflects a continued role of Jacobs in the development and maintenance of SFGH Rebuild specific Document Control and Inspection Management Systems (Prolog & Encompass customization) during the remaining term of the contract.

The SFGH Rebuild Team continues to actively manage the forecasted cost to achieve the lower range of construction management cost experienced in

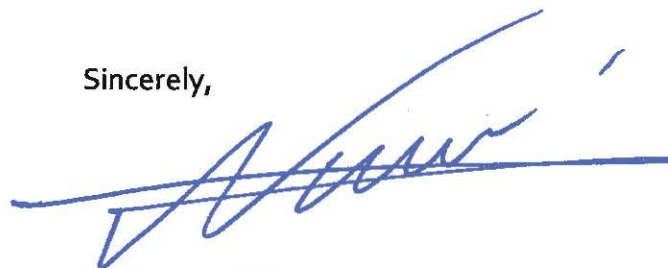
California as indicated in our updated survey of currently active comparable projects (Attachment 1, Slide 5). The increased as-required contract requested will set the SFGH Rebuild Executive Construction Management Fee / Construction Cost Ratio at 3%. We have found that currently privately owned hospital projects have trended in a range of 2.5% to 4.8% and publicly-owned hospitals are in a range of 7.5% to 10% of construction cost. We have been able to maintain a lower cost ratio in part by maintaining a high City Staff to Consultant ratio.

Funding for the requested contract value change is available within the current overall forecasted budget from earlier unrealized or unallocated cost. There is no need for additional funding to address the requested contract modification, which is a testament to the successful management of the Rebuild Program and has much to do with the level of participation of Jacobs Project Management Co. services preserving budget. This budget preservation is a direct result of cost and schedule review / validation services provided by Jacobs. To date, we have identified \$55.6 million of cost avoidance through the application of Jacob's cost and schedule review / validation services.

We respectfully request the Board of Supervisors' approval to amend the Jacobs Agreement in order to continue to support the SFGH Rebuild Program Projects through the remaining construction, commissioning and licensing activities to account for updated service utilization projections.

If you have any questions, please feel free to call Mr. Ronald Alameida of my staff at 415-695-3861.

Sincerely,



Mohammed Nuru
Director

cc: Edgar Lopez, Deputy Director and City Architect
Ronald Alameida, DPW Program Manager

ATTACHMENTS

- 1. Presentation to Board of Supervisors – Request for Contract Modification Approval Exceeding \$10M, Dated October 2014**
- 2. Jacobs Project Management Co. Agreement, dated August 5, 2008**
- 3. Contract Modifications to Jacobs Project Management Co. Agreement**
- 4. Revised Staff Utilization Projection, Dated August 2014**

