

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

MEMORANDUM

DATE: April 26, 2022

TO: **BOARD OF DIRECTORS**
Lake Arrowhead Community Services District

FROM: **MICHAEL THORNTON, District Engineer**
CATHERINE CERRI, General Manager

SUBJECT: **CONSIDER APPROVING CHANGE ORDER FOR THE DISTRICT CORPORATE YARD PROJECT NO. 177**

A. RECOMMENDATION

It is recommended that the Board of Directors consider a change order for a price change due to inflation and plan changes and provide direction to staff.

B. REASON FOR RECOMMENDATION

The Board of Directors awarded a contract to Trinity Construction on February 23, 2021, for the amount of \$ 2,537,376. Since the award, there was a delay in the approval of the project from the County of San Bernardino Planning Department. The District received the permits from the County on January 13, 2022. In the time between the project award to Trinity and the plan approval from the County, there have been significant increases in the cost of materials, equipment and wages. There were also some changes to the civil plans during the permitting process. The contractor was eligible to cancel the contract after 90 days of delay. We are ready to break ground this week. Below is the proposal from the contractor.

Description	Contract \$	Proposed \$	Change \$	%
Site Work	1,392,208	1,706,837	314,629	22.6%
Building	1,145,169	1,370,504	225,335	19.7%
Total Contract	2,537,376	3,077,341	539,964	21.3%
Grading Changes		155,302	155,302	6.1%
ADA Curb		33,463	33,463	1.3%
Total Plan Changes*		188,765	188,765	7.4%

**Based on Engineer's Estimate*

District staff did extensive research on the various line items proposed by the contractor and compared them to the Producer's Price Index and found these proposed costs to be in line with the financial indicators included as an attachment.

C. BACKGROUND

On August 31, 2018, the District sent Request for Proposals to several architectural/engineering firms for design and assistance with both the bidding process and construction management. On October 30, 2018, the District received 3 proposals and the Board awarded the contract to SHG Architects on November 13, 2018. The plans and specifications were prepared and bids were opened on November 21, 2019. Five (5) bids were received, four (4) of which were responsive, with bid amounts ranging from \$6,582,000 to \$6,813,000 and did not include the cost to erect the building. The Engineer's Estimate was \$3,840,000. All bids were rejected for budgetary reasons.

Since then, District staff, Board of Directors and the architect have been working together to find a solution that will accomplish the goal of housing the Mechanical Operations and Field Operations Departments while lowering the construction cost. Various design changes were analyzed to cut costs but to put the project back out to bid, the District would need to pay an additional \$138,000 for redesign and bid costs without knowing what the final bid prices would be. Approval for \$125,000 in redesign costs was brought to the Board on January 28, 2020 but there wasn't support for it and the item didn't pass. Since that time, District staff have been negotiating with the lowest responsive bidder, Trinity Construction, to find cost saving measures that wouldn't require extensive design changes. Some of these changes include revisions to storm drains and underground utility lines, a simplified roof line, lower grade electrical fixtures and less zones for the heating and air conditioning system. This process has resulted in a decrease of \$2,548,000 from Trinity Construction's original low bid.

D. FISCAL IMPACT

The negotiation process has reduced the total project cost by \$2,548,000 and has avoided some design and bid costs. The budget includes \$6,000,000 for the construction of the facility. There will be additional costs to complete the project that can only be estimated at this point. Those costs include contingencies, staff time, inspection, material testing, permitting and construction management. Below are the current estimated project costs before the proposed change order.

Architect	341,795
Building Materials	1,025,237
Contractor	2,537,376
Building Installation	509,687
Exterior Doors & Windows	179,313
Inspection/Survey	45,000
Permitting	38,576
Administration	11,550
Total Construction Costs	<u>4,688,534</u>

E. ENVIRONMENTAL IMPACT

In 2018, an Administrative Addendum to the Initial Study was prepared documenting the reduction in square footage from the Initial Study and Mitigated Negative Declaration prepared in 2007 under State Clearing House #2007091061.

F. ATTACHMENTS

- Financial Indicators

Construction Financial Indicators

	13 month percent change
Producer & Consumer Price Indexes	
Producer Price Index	11.9%
Consumer Price Index (CPI-U) U.S.	9.3%
Consumer Price Index (CPI-U) Inland Empire	10.0%
New warehouse building construction	29.1%
Construction Materials	30.1%
Components for construction	30.8%

Producer Price Index Components	
Transformers & power regulators	43%
Lighting fixtures	11%
Air conditioning and refrigeration equipment	23%
Heating equipment	21%
Hardware	18%
Building materials, paint and hardware wholesale	29%
Plastic water pipe	100%
Prepared paint	22%
Lumber	27%
Gasoline	66%
Diesel	78%
Truck transportation of freight	26%
Steel mill products	70%
Aluminum mill shapes	44%
Copper and brass mill shapes	27%
Fabricated structural metal products	30%
Structural, architectural and pre-engineered metal products	50%
Nonferrous wire and cable	30%
Nonferrous mill shapes	34%
Primary nonferrous metals	36%
Bolts, nuts, screws, rivets and washers	16%
Asphalt	43%
Cement	8%
Concrete products	10%
Paving mixtures and blocks	10%
Construction sand, gravel and crushed stone	9%