

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

MEMORANDUM

DATE: JANUARY 25, 2022

TO: BOARD OF DIRECTORS
Lake Arrowhead Community Services District

FROM: MICHAEL THORNTON, District Engineer

CATHERINE CERRI, General Manager

SUBJECT: CONSIDER APPROVAL OF CHANGE ORDER NO. 2
WITH CBC STEEL BUILDINGS

A. RECOMMENDATION

Consider Change Order No. 2 with CBC Steel Buildings (CBC) and provide direction to staff.

B. REASON FOR RECOMMENDATION

This change order represents a significant cost increase due to market conditions, inflation and logistic disruptions.

C. BACKGROUND INFORMATION

In 2019, the District received two bids for a steel building. CBC submitted a price that supplied all of the elements of the design, including the mezzanines, at a price of \$1,094,536. The competitor's bid was \$1,259,101¹ but was for a much simpler building of their own design which consisted of a single slope roof and did not include the mezzanines.

The CBC quote was brought before the Board of Directors who expressed concern with the high cost of completing the building. Staff returned to the architect and building manufacturer to simplify the building and remove the mezzanines. CBC responded with a new contract price of \$546,272 which was awarded in November, 2020. The price was guaranteed through March 2021.

¹ Equivalent installation cost removed. Original quote was \$1,768,788 including installation.

CBC provided engineered plans which were submitted to the county for a building permit. The county permitting process was lengthy and a building permit wasn't approved until January 2022. CBC was paid \$44,981 for the engineered plans which is included in the total contract price.

Currently, basic steel prices are approximately 21% higher than when the original contract was negotiated but the manufacturer has repriced the building at an 88% increase. Impacts such as labor costs, logistics disruptions and price increases on parts, materials and coatings were cited.

The California Construction Cost Index² has increased 27% since November 2020. Construction inflation projections anticipate a continued increase in prices over the next two years, partly due to a backlog of projects which had been put on hold³.

To put the project out to bid will require new plans and another permitting process with the County.



<https://tradingeconomics.com/commodity/steel>

² <https://www.dgs.ca.gov/RES/RESOURCES/Page-Content/Real-Estate-Services-Division-Resources-List-Folder/DGS-California-Construction-Cost-Index-CCCI>

³ <https://edzarenski.com/2021/01/26/2021-construction-inflation-e1/>

D. FISCAL IMPACT

The estimated cost of the entire project is \$4,340,774. Approving this change order will result in a cost increase of \$478,965 which is 11% of the entire project. The budget includes \$6,000,000 but the BOD desires to keep the building portion to less than \$5,000,000. With this change order, the total cost is estimated to be \$4,820,000 with no other changes. Because these funds have been allocated in the budget, this cost increase will not impact any other planned projects.

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

CBC Change Order No. 2