



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

CONSENT

September 25, 2007

Honorable Mayor and
Members of the City Council

Title: Contract: Crocker Art Museum Expansion and Renovation Project (CF60)

Location/Council District: 216 O Street, Council District 1

Recommendation: Adopt a **Resolution** authorizing the Crocker Art Museum Association (CAMA) and the City Manager to execute a contract with Rudolph & Sletten, Inc. in an amount not to exceed \$8,079,000 for the following work in support of the Crocker Art Museum Expansion and Renovation Project: a) detailing, fabrication, and installation of steel; b) disconnecting the fire alarm, security and electrical systems in the Herold Wing; c) re-routing water supply lines; d) demolishing the Herold Wing; and e) site de-watering to prepare for construction of a basement.

Contact: Cynthia Kranc, Facilities Manager, 808-2258

Presenters: Not applicable

Departments: General Services

Division: Facilities & Real Property Management

Organization No: 3289

Description/Analysis:

Issue: On September 4, 2007, the City Council directed staff to return to Council for the approval of a contract with Rudolph and Sletten, Inc. for various construction activities in support of the Crocker Art Museum Expansion and Renovation Project (the "Project") in advance of the City Council's approval of the Project guaranteed maximum price (GMP). The construction activities included in the recommended contract would typically be included in the GMP that will be presented for Council's consideration in November 2007. However, proceeding with this separate contract before the GMP is developed will lock in the price for those portions of the construction, and start those portions of the Project two months in advance of the GMP, saving two months in escalation costs.

Policy Considerations: Development of the Project is consistent with the Strategic Plan goals of strengthening community and regional partnerships to enhance the quality of life, preserving the arts and culture opportunities, and enhancing educational opportunities for the entire community.

Committee/Commission Action: Not applicable

Environmental Considerations: On October 25, 2005, City Council adopted Resolution No. 2005-780 certifying the Environmental Impact Report (EIR), approving the Mitigation Monitoring Plan, and adopting the Findings of Fact and Statement of Overriding Considerations for the Project. On August 22, 2006, the City Council adopted Resolution No. 2006-623, that approved modifying the Project to include demolition of the Herold Wing and design of a replacement structure, and approved an Addendum to the Project EIR for this modification.

Rationale for Recommendation: The proposed construction contract is recommended to:

- Avoid a two month delay in the overall construction schedule that will occur if the steel contract is delayed until the GMP is developed.
- Avoid project cost escalation for the items specified by locking in the work under the recommended contract at current prices. Although certain segments of the construction industry such as residential housing have experienced some slowing, the level of construction activity for large projects such as hospitals, bridges, etc. is still high enough so that a reduction in the prices of the recommended construction materials and services in the near future is not likely.
- Avoid the risk of losing potential bidders on the Project. Construction delays are resulting in a smaller pool of potential bidders for Project activities because bidders find other projects as time passes. Three potential bidders for steel have already found other projects.
- Avoid the risk of losing time sensitive pledges that are tied to planned project completion dates.
- Prepare the site so construction of the Teel Pavilion may begin as soon as Council approves the GMP and authorizes the award of the Construction Phase Amendment for the Project.

Under a typical GMP scenario, this work would be bid by Rudolph & Sletten, Inc. in their role as the construction manager, and would be included in the Project GMP that will be provided for Council consideration in November 2007. However, Rudolph & Sletten's agreement for construction management services contains provisions that allow Rudolph & Sletten to proceed with specified items of construction prior to Council's approval of the GMP, if authorized by the City Council and CAMA. Because staff recommends proceeding with the specified work before development of the GMP, this report requests that Council provide

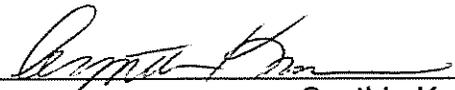
such authorization for these items by authorizing the City Manager and CAMA to execute a separate contract with Rudolph & Sletten for this work. Competitive bidding for this work was conducted by Rudolph and Sletten, Inc. just as they would have done if this work were included in the GMP that will be provided November 2007.

Financial Considerations: On April 18, 2006, the City Council approved the final Tier I and Tier II Community Reinvestment Capital Improvement Program (CRCIP) project list and bridge financing plan. The Project was included on the City's final CRCIP project list for capital funding and a bridge loan. The Project funding sources to date include:

City of Sacramento CRCIP	\$ 2.0 million
CRCIP Loan	12.0 million
CA Proposition 40 Grant	2.0 million
Sacramento County CAMA Grant	2.5 million
SHRA Downtown Bond	8.0 million
SHRA Tax Increment (TI)	1.0 million
CAMA Contributions and sale of Lot X	<u>44.1 million</u>
Total as of September 4, 2007	\$71.6 million

Some pledges are tied to expiration dates, therefore, it is in the City's and CAMA's best interest to authorize the start of construction so as not to lose private funding. Since 2005, cost escalation alone accounts for an approximate \$10 million increase to the Project budget. Approximately one-third (\$3 million) of this cost increase can be traced to the cost of steel. Cost escalation on large construction projects such as this averages about one percent per month. Based on the current Project construction cost estimate, this equates to approximately \$700,000 per month. In order to avoid this amount of on going cost escalation it is critical that construction begin as soon as possible to lock in prices for construction materials. There is sufficient funding in the Project budget to award the construction contract for various construction activities to Rudolph & Sletten, Inc. in an amount not to exceed \$8,079,000.

Emerging Small Business Development (ESBD): Staff and Rudolph & Sletten, Inc. have conducted an extensive outreach to local chambers of commerce and the small business community in an effort to include emerging/small business participation in the Project. For FY2006/07, the Department of General Services achieved an ESBD percentage of 62%.

Respectfully Submitted by: 
Cynthia Kranc
Facilities Manager

Approved by: 
Reina J. Schwartz
Director, Department of General Services

Recommendation Approved:

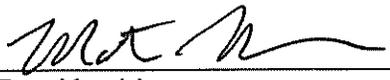

Ray Kerridge
City Manager

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Attachment 1

BACKGROUND INFORMATION

In October 2000, the Crocker Art Museum Association (CAMA) presented a proposed process and timeline for a Master Plan development for the Crocker Art Museum to the City Council. Since that time, the City and CAMA have been working together on the preconstruction phases of the Crocker Art Museum Expansion and Renovation Project (the "Project"). Currently, construction is underway on State funded improvements to the existing museum and the off-site improvements, in preparation for construction of the Project. The following milestones support the actions requested in this report.

On December 3, 2002:

- The City Council adopted Resolution No. 2002-799 authorizing execution of a Memorandum of Understanding (MOU) between the City and CAMA that outlined the roles and responsibilities of the City and CAMA throughout the preconstruction and construction phases of the Project, and authorizing CAMA to release an RFQ/P for the selection of a Construction Manager/General Contractor (CM/GC) for the Project. A panel comprised of CAMA and City representatives unanimously selected Rudolph & Sletten, Inc. as the Construction Manager for the Project through a competitive, qualification-based selection process.

On March 11, 2003:

- The City Council adopted Resolution No. 2003-117, suspending competitive bidding for the construction of the Project, as it is permitted to do under Section 3.60.170D of the Sacramento City Code, which allows competitive bidding to be suspended if the City Council determines, on a 2/3 vote, that it is in the best interests of the City to do so.

On November 4, 2004:

- The City Council adopted Resolution No. 2004-854 authorizing CAMA to proceed with the design development phase.

On December 7, 2004:

- The City Council adopted Resolution No. 2004-919 approving the Crocker Art Museum Business Plan and recognizing increased annual General Fund costs in an amount of \$541,000 beginning in FY 2008.

On October 25, 2005:

- The City Council adopted Resolution No. 2005-781 approving the design of the Project and Resolution No. 2005-780 certifying the EIR, approving the Mitigation Monitoring Plan, and adopting the Findings of Fact and Statement of Overriding Conditions. Staff updated the City Council on the status of the CAMA Capital Project Phase 2

On February 7, 2006:

- The City Council adopted Resolution 2006-104 approving the CRCIP project list, which included the Crocker Art Museum Expansion and Renovation Project.

On April 18, 2006:

- The City Council approved the final Tier I and Tier II project list and bridge financing which included a \$2 million dollar CRCIP contribution, \$8 million from Sacramento Housing and Redevelopment Agency bond funds, and a \$12 million bridge loan for the Project.

On August 22, 2006:

- The City Council adopted Resolution No. 2006-623 approving an Addendum to the Final EIR for the Project and approving the demolition of the Herold Wing and design of a replacement structure.

On March 20, 2007:

- The City Council adopted Resolution No. 2007-162 authorizing the City Manager to execute a construction contract with Rudolph & Sletten, Inc. for public improvements to the existing Museum, funded by the State of California under the California Cultural and Historical Endowment (CCHE) Grant and authorizing CAMA to execute an agreement with Rudolph & Sletten, Inc. for construction management services. CAMA's use of Rudolph & Sletten, Inc. prior to that time was in accordance with the City Manager's authority.

On May 29, 2007:

- The City Council adopted Resolution No. 2007-320 authorizing the City Manager to execute a construction contract with Rudolph & Sletten, Inc. in an amount not to exceed \$3.34 million for the off-site and on-site improvements for the Project, in anticipation of the Project construction in winter 2007.

On June 5, 2007:

- The City Council adopted Resolution No. 2007-362 approving the First Amendment to the MOU, outlining the construction protocol between the City and CAMA and approving the CAMA Business Plan, Capital Project Phase 2.
- CAMA reported on the overall success of the fundraising campaign. The City Council approved the naming of the new wing of the Project as "The Teel Pavilion", in honor of the Teel family, a campaign leader and major donor.
- The City Council authorized Rudolph & Sletten, Inc., the approved Construction Manager for the Project, to solicit bids from prospective subcontractors for the construction phase of the Project.

On September 4, 2007:

- The City Council adopted Resolution 2007-652 authorizing staff to develop an alternate construction financing strategy for the Project and directing staff to return to Council in advance of the award of the guaranteed maximum price with a contract for: a) detailing, fabrication and installation of steel; b) disconnecting the fire alarm system in the Herold Wing; c) rerouting water pipes; d) demolishing the Herold Wing; and e) site de-watering to prepare for construction of a basement.

RESOLUTION NO. 2007-XXXX

Adopted by the Sacramento City Council

September 25, 2007

AUTHORIZING A CONTRACT FOR CONSTRUCTION ACTIVITIES RELATED TO THE CROCKER ART MUSEUM EXPANSION AND RENOVATION PROJECT (CF60)

BACKGROUND

- A. On December 3, 2002, the City Council adopted Resolution No. 2002-799 authorizing execution of a Memorandum of Understanding (MOU) between the City and the Crocker Art Museum Association (CAMA) that outlined the roles and responsibilities of the City and CAMA throughout the preconstruction and construction phases of the Crocker Art Museum Expansion and Renovation Project ("Project"), and authorizing CAMA to release an RFQ/P for the selection of a Construction Manager/General Contractor (CM/GC) for the Project. A panel comprised of CAMA and City representatives unanimously selected Rudolph & Sletten, Inc. as the Construction Manager for the Project through a competitive, qualification-based selection process.
- B. On March 11, 2003, the City Council adopted Resolution No. 2003-117, suspending competitive bidding for the construction of the Project.
- C. On September 4, 2007, the City Council adopted Resolution 2007-652 authorizing staff to develop an alternate construction financing strategy for the Project and directing staff to return to Council in advance of the Council's approval of the Project's guaranteed maximum price with a contract for: a) detailing, fabrication and installation of steel; b) disconnecting the fire alarm, security, and electrical systems in the Herold Wing; c) rerouting water pipes; d) demolishing the Herold Wing; and e) site de-watering to prepare for construction of a basement.
- D. This work has been bid by Rudolph & Sletten and is included in the contract being proposed for approval by the City and CAMA.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. CAMA and the City Manager are authorized to execute a construction contract with Rudolph & Sletten, Inc. in an amount not to exceed \$8,079,000 for the following work in support of the Crocker Art Museum Expansion and Renovation Project: a) detailing, fabrication, and installation of steel; b) disconnecting the fire alarm, security and electrical systems in the Herold wing; c) rerouting water pipes; d) demolishing the

Herold Wing; and e) site de-watering to prepare for construction of a basement.