

August 2014

VICE PRESIDENT, BUDGET AND CAPITAL RESOURCES, UNIVERSITY OF CALIFORNIA, OFFICE OF THE PRESIDENT

AMENDMENT OF THE BUDGET, ENVIRONMENTAL HEALTH AND SAFETY EXPANSION, RIVERSIDE CAMPUS

EXECUTIVE SUMMARY

The Riverside campus is requesting a budget augmentation of \$1,611,000, to be funded with campus funds, for the Environmental Health and Safety Expansion (EH&S) project. These additional funds will allow the campus to award a construction contract and commence construction in August 2014. This request represents the third budget amendment to the original approved budget, and will result in a cumulative augmentation of \$2,581,000 (14.0%) from the project's last Regents' approval of a budget augmentation.

The Vice President for Budget and Capital Resources is being asked to approve the augmentation for a revised total project budget of \$21,051,000, funded with State general obligation bonds (\$400,000), prior State lease revenue bonds (\$635,000), external financing serviced by State appropriations under the Assembly Bill 94 mechanism (\$15,984,000), future State funds (\$369,000), and campus funds (\$3,663,000).

BACKGROUND

The EH&S project was originally approved by the Regents in November 2004 for a total project budget of \$11,964,000. Since then, (i) the project's site was relocated to address community concerns (Design and CEQA were approved in March 2012), (ii) the project was the subject of a lengthy litigation process, and (iii) the budget was augmented and the funding plan was modified in three subsequent budget actions. The currently approved total budget for the project is now \$19,440,000. A significant portion of the prior cost increase can be attributed to budget adjustments associated with the California Construction Cost Index, as approved by the State. Attachment 2 provides a funding breakdown of all budget approvals associated with this project.

PROJECT DESCRIPTION

Located along Watkins Drive in the northeast portion of the campus, the EH&S building will provide approximately 17,838 asf of space (29,125 gsf) to accommodate: environmental, health and safety administrative offices and support space; a safety training/learning center; wet laboratories; building support space; and facilities for the receipt, handling and disposal of hazardous waste materials. The outdoor service yard, screened from public view by an 8-foot fence along the main access road, will accommodate cargo containers, an emergency response trailer, portable storage containers and service vehicle parking. This project is required in order to comply with the most recent State and Federal requirements for the handling of hazardous waste.

The single-story building utilizes two structural systems: 1) a concrete masonry vertical structure with a structural steel roof for the materials processing side; and, 2) structural steel and light gauge metal framing for the administrative side. The exterior is a combination of exposed concrete masonry accented with University of California Riverside (UCR) brick, and UCR brick facades with clear anodized aluminum storefront and curtain wall glazing.

NEED FOR THE AUGMENTATION

The proposed budget augmentation of \$1,611,000 is primarily a result of unfavorable bids. Details pertaining to need for the augmentation request are as follows:

Bid Results over Construction Estimates - \$1,411,000

The campus received three bids, with the low bid coming in at \$1.411 million (approximately 9%) over the construction estimate. The range between the low and high bids was only 3.5%. When the campus solicited bids for the project, the bidding procedure required the bids to be blind, precluding the campus from identifying the bidder and cost detail of each component of the construction contract. Therefore, the campus was unable to ascertain in detail what factors drove the “bid bust” prior to either awarding the contract or rejecting all bids. The campus was advised that communication with bidders at this stage could trigger complications such as bid protests. In the absence of a detailed bid analysis, the campus sought the opinions of a professional estimator, who cited a regional spike in labor and concrete masonry could have contributed to the higher bids for this project.

In Fall 2013, the campus did their due diligence for the project. During the Schematic, Design Development and Construction Documents phases, two independent construction cost estimates were prepared: one by the Campus’ cost consultant and one by the Architect’s cost consultant. Joint sessions with the cost consultants and design team were conducted so that cost differences in each of the estimates could be reconciled and the project scope confirmed. The reconciled cost projection was the core of the project budget developed by campus staff. Although every effort was made to ensure the project was within budget, the bid results did not align with the cost consultants’ estimates.

South Side Entry Canopy - \$123,000

The campus included an entry canopy to the EH&S building’s south façade as an additive alternative in the bid documents. The canopy would reduce solar heat gains at the south end and provide visual enhancements to the building. This addition would contribute to operational savings by reducing cooling costs in the hot summer and early fall months, when temperatures in Riverside regularly approach 100 degrees Fahrenheit. This element of the design was part of the original design, and evaluated in the CEQA document, but was listed as an alternate during the bid process to provide the flexibility to move forward with the entire project, should the bid and all add alternates come in above cost estimates. Despite the base bid bust, upon careful consideration, the operational savings represented by the canopy are too significant to forgo, and thus this element is now seen as essential to include.

Contingency - \$77,000

The \$77,000 represents the proportional increase in the project contingency and attributable to the two items listed above. The total contingency will increase to \$847,000, which is 5 percent of the construction contract.

Revised Project Budget and Funding

The total project cost is proposed to be \$21,051,000, funded with State general obligation bonds (\$400,000), prior State lease revenue bonds (\$635,000), external financing serviced by State appropriations under the provisions of Section 92495 of the California Education Code (\$15,984,000), future State funds (\$369,000), and campus funds (\$3,663,000). The lease revenue bonds associated with this project, received in May 2012, were excess proceeds from non-UC projects, and were used for working drawings. The University intends to propose State funding for equipment (\$369,000) in the 2015-16 fiscal year. If State funds are not available, the campus will commit to finding alternative sources to fund the \$369,000 and will amend the budget accordingly. The additional campus funds associated with this augmentation (\$1,611,000) are comprised of campus indirect cost recovery.

Schedule

With approval of this action, the campus will award the construction contract and construction will commence in August 2014. The project is scheduled for completion in February 2016. This is a seven month delay from what was previously cited in the December 2013 budget approval and bidding documentation. The delay is associated with campus management reviewing all fund sources applicable for this augmentation and facilities management extending the construction phase by two months. The additional two months associated with construction was determined based on project complexity and to align the project completion with the construction of the accessible parking provided by proposed Parking Lot 27, adjacent to the project site.

ATTACHMENTS:

Attachment 1: Project Budget

Attachment 2: Project Budget Approval History and Funding Plan

OFFICE OF THE PRESIDENT:

Accordingly, under the authority delegated to me, I approve amendment of the 2014-15 Budget for Capital Improvements and the Capital Improvement Program as follows:

From: Riverside: Environmental Health and Safety Expansion - preliminary plans, working drawings, construction and equipment - \$19,440,000 to be funded from State general obligation bonds (\$400,000), State lease revenue bonds (\$635,000), external financing serviced by State appropriations under the Assembly Bill 94 mechanism (\$15,984,000), proposed future State funds (\$369,000), and Campus Funds (\$2,052,000).

To: Riverside: Environmental Health and Safety Expansion - preliminary plans, working drawings, construction and equipment - \$19,440,000 to be funded from State general obligation bonds (\$400,000), State lease revenue bonds (\$635,000), external financing serviced by State appropriations under the Assembly Bill 94 mechanism (\$15,984,000), proposed future State funds (\$369,000), and Campus Funds (\$3,663,000).

Authorization to transfer the additional \$1,611,000 in campus funds is dependent upon approval of the contract award submittal.



August 4, 2014

Patrick J. Lenz
Vice President Budget and Capital Resources

Date

ATTACHMENT 1

| Cost Category | Approved Budget Dec. 2013 | Augmentation Request | Proposed Budget July 2014 | % of Total |
|---------------------------------------|--|---------------------------------|--|-----------------------|
| Site Clearance | \$ 358,000 | \$ 10,000 | \$ 368,000 | 1.8% |
| Building | 11,807,000 | 1,006,000 | 12,813,000 | 62.0% |
| Exterior Utilities | 1,534,000 | 467,000 | 2,001,000 | 9.7% |
| Site Development | 1,699,000 | 51,000 | 1,750,000 | 8.5% |
| Fees | 1,210,000 | - | 1,210,000 | 5.9% |
| A&E, Internal | 655,000 | - | 655,000 | 3.2% |
| Surveys, Tests, Plans, Specifications | 136,000 | - | 136,000 | 0.7% |
| Special Items ¹ | 902,000 | - | 902,000 | 4.4% |
| Subtotal | 18,301,000 | 1,534,000 | 19,835,000 | 95.9% |
| Contingency | 770,000 | 77,000 | 847,000 | 4.1% |
| Total P-W-C | 19,071,000 | 1,611,000 | 20,682,000 | 100.0% |
| Group 2 & 3 | 369,000 | - | 369,000 | |
| | \$ 19,440,000 | \$ 1,611,000 | 21,051,000 | |

Project Statistics

| | Dec 2013 | July 2014 |
|--------------------------------|-----------------|------------------|
| GSF | 29,125 | 29,125 |
| ASF | 17,838 | 17,838 |
| Efficiency Ratio: ASF/GSF | 61.2% | 61.2% |
| Building Cost/GSF | \$ 405 | \$ 440 |
| Project Cost/ ² GSF | \$ 655 | \$ 710 |

¹ This includes labor compliance, value engineering, mitigation monitoring, agency review fees, LEED commissioning, and hazardous materials certification. This does not include assumed capital interest of \$698,000 which will be funded with proceeds from UC external financing

² Does not include Group 2 & 3

Environmental Health and Safety Expansion, Riverside Campus

PROJECT BUDGET APPROVAL HISTORY AND FUNDING PLAN

| APPROVAL | State GO | State Lease Revenue Bonds | Future Proposed State Funding | External Financing | Campus Funds | TOTAL |
|--|-----------------|------------------------------|-------------------------------------|-----------------------|--------------|---------------|
| November 2004: Budget Approval - Regents | | | | | | |
| <i>Action</i> | \$ 11,964,000 | \$ - | \$ - | \$ - | \$ - | \$ 11,964,000 |
| Approved Budget | \$ 11,595,000 | \$ - | \$ 369,000 | \$ - | \$ - | \$ 11,964,000 |
| November 2007: Budget Approval- Regents (Augmentation Associated with Site Change) | | | | | | |
| <i>Action</i> | \$ (11,195,000) | \$ 16,619,000 | \$ - | \$ - | \$ 1,082,000 | \$ 6,506,000 |
| Approved Budget | \$ 400,000 | \$ 16,619,000 | \$ 369,000 | \$ - | \$ 1,082,000 | \$ 18,470,000 |
| August 2012: Budget Augmentation - Administrative action | | | | | | |
| <i>Action</i> | \$ - | \$ - | \$ - | \$ - | \$ 970,000 | \$ 970,000 |
| Approved Budget | \$ 400,000 | \$ 16,619,000 | \$ 369,000 | \$ - | \$ 2,052,000 | \$ 19,440,000 |
| December 2013: Budget Adjustment - Action by Concurrence | | | | | | |
| <i>Action</i> | \$ - | \$ (15,984,000) | \$ - | \$ 15,984,000 | \$ - | \$ - |
| Approved Budget | \$ 400,000 | \$ 635,000 | \$ 369,000 | \$ 15,984,000 (a) | \$ 2,052,000 | \$ 19,440,000 |
| July 2014: Proposed Budget Augmentation - Administrative Action | | | | | | |
| <i>Proposed Action</i> | \$ - | \$ - | \$ - | \$ - | \$ 1,611,000 | \$ 1,611,000 |
| Proposed Budget | \$ 400,000 | \$ 635,000 | \$ 369,000 | \$ 15,984,000 | \$ 3,663,000 | \$ 21,051,000 |
| (a) Does not include assumed capital interest of \$698,000 which will be funded with proceeds from UC external financing | | | | | | |