



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: July 1, 2008
TO: Mayor and Councilmembers
FROM: Engineering Division, Public Works Department
SUBJECT: Contract For The Santa Barbara Airport Consolidated Rental Car Project

RECOMMENDATION: That Council:

- A. Award the contract with Pat McCarthy Construction, Inc., in their low bid amount of \$6,326,550, for construction of the Santa Barbara Airport Consolidated Rental Car Project, Bid No. 3528, and authorize the Public Works Director to execute said contract and approve expenditures up to \$632,655 to cover any cost increases that may result from contract change orders for extra work and differences between estimated bid quantities and actual quantities measured for payment;
- B. Authorize the Public Works Director to execute a contract with Pierce Goodwin Alexander & Linville in the amount of \$570,658, for construction support services, and approve expenditures of up to \$39,946 for extra services that may result from necessary changes in the scope of work;
- C. Authorize the Public Works Director to execute a contract with Earth Systems Pacific in the amount of \$85,732.50, for materials testing and inspection services, and approve expenditures of up to \$6,001.28 for extra services that may result from necessary changes in the scope of work;
- D. Authorize the Public Works Director to execute a contract with AG Mechanical in the amount of \$49,400 for Leadership in Energy and Environmental Design commissioning services, and approve expenditures of up to \$4,940 for extra services of that may result from necessary changes in the scope of work; and
- E. Approve the issuance of a \$7.8 million six-month promissory note at a 6.50% interest rate by the Airport Fund and the purchase of the promissory note by the City's investment portfolio in order to provide interim financing for the Airport Consolidated Rental Car Project.

EXECUTIVE SUMMARY:

Pat McCarthy Construction's bid of \$6,326,550 is the lowest responsive bidder for the Santa Barbara Airport Consolidated Rental Car Project. This Council action awards a contract to Pat McCarthy Construction, as well as associated contracts, for construction administration, materials testing, and Leadership in Energy and Environmental Design (commissioning to Pierce Goodwin Alexander & Linville, Earth Systems Pacific, and AG Mechanical Engineers, respectively).

DISCUSSION:

PROJECT DESCRIPTION

The Santa Barbara Airport Consolidated Rental Car Project (Project) includes the development of a vacant 3.4-acre site, located at 25 David Love Place, into a consolidated rental car facility that provides the rental car agencies serving the Airport a location in which to fuel, perform minor services (oil changes, fluid checks, tire repair, etc.), wash and store vehicles. This Project is necessary as the terminal project will demolish the building currently serving as the facility for cleaning returned rental vehicles. Long-term financing for the Project will come from the proceeds of the planned Airport Terminal debt to be issued in the fall, with the source of repayment being a \$10 Customer Facility Charge that the rental car agencies have been imposing on each rental car contract. Additional description of the project funding can be found in the "Funding" section of this report.

CONTRACT BIDS

A total of six bids were received for the subject work, ranging as follows:

BIDDER	BID AMOUNT
Pat McCarthy Construction, Oxnard	\$6,326,550
Viola Constructors, Oxnard	\$6,419,000
Newton Construction, San Luis Obispo	\$6,540,000
McGillivray Construction, Ventura	\$6,575,000
SBS Corporation, Westlake Village	\$6,824,512
Carroll Construction, Santa Barbara	\$7,114,000

The low bid of \$6,326,550 by Pat McCarthy Construction, is an acceptable bid that is responsive to and meets the requirements of the bid specifications.

The change order funding recommendation of \$632,655, or 10%, is typical for this type of work and size of project.

CONSTRUCTION PHASE CONTRACT SERVICES

Staff recommends that Council authorize the Public Works Director to execute a contract with Pierce Goodwin Alexander & Linville in the amount of \$570,658 for construction support services. Staff also recommends that Council authorize the Public Works Director to execute a contract with Earth Systems Pacific in the amount of \$85,732.50 for materials testing and inspection services. Staff also recommends that Council authorize the Public Works Director to execute a contract with AG Mechanical in the amount of \$49,400 for Leadership in Energy and Environmental Design (LEED) commissioning services.

FUNDING

The following summarizes the expenditures recommended in this report:

CONSTRUCTION CONTRACT FUNDING SUMMARY

	Basic Contract	Change Funds	Total
Pat McCarthy Construction	\$6,326,550.00	\$632,655.00	\$6,959,205.00
Pierce Goodwin Alexander & Linville	\$570,658.00	\$39,946.00	\$610,604.00
Earth Systems Pacific	\$85,732.50	\$6,001.28	\$91,733.78
AG Mechanical	\$49,400.00	\$4,940.00	\$54,340.00
TOTAL RECOMMENDED AUTHORIZATION			\$7,715,882.78

As stated above, the cost of the facility will be paid for over time by a \$10 “customer facility charge” (CFC) levied on each airport rental car contract. The CFC has been in place since January 2006 and approximately \$1.6 million has already been collected. Most of the CFC proceeds collected to date have been used for the design of the project.

Long-term financing for the project will be part of the main Airport Terminal Project financing which will occur in the fall of this year. However, with the need to award the bid now and the long-term financing scheduled for the fall, there is a need for interim financing in order to allow this project to proceed.

The staff recommendation is to have the Airport Fund issue a six-month, \$7.8 million promissory note at an annual interest rate of 6.50% and have the City purchase the promissory note for our investment portfolio. The term of six months will allow the Airport Fund to pay off the promissory note from the proceeds of the long-term financing this fall.

Staff recommends a 6.50% interest rate because the rental car facility portion of the Airport Terminal Project financing will be taxable (as opposed to a traditional tax-exempt

municipal financing). This is because the rental car facility is a private activity purpose, as opposed to a public facility. Finance Department staff has checked with the City's financial advisor, Kelling, Northcross & Nobriga, and the 6.50% rate is reasonable for a taxable financing in today's interest rate environment.

The purchase of the Airport promissory note is a "Permitted Investment" under the City's Investment Policy. Section VII of the Investment Policy – "Suitable and Authorized Investments" – contains two subsections that authorize this transaction. The following is the relevant sections of the City's Investment Policy.

The City is empowered by statute to invest in the following types of securities and are those that the investment managers are trained and competent to handle.

A. Investment Types

1. *Bonds issued by the City, including bonds payable solely out of the revenues from a revenue producing property owned, controlled, or operated by the City or by a department, board, agency, or authority of the local agency.*
4. *State of California and Local Agency Obligations. Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state; and bonds, notes, warrants, or other evidence of indebtedness of any local agency within this state including bonds payable solely out of the revenues from revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency. Notes eligible for investment shall be rated in a category of "A" or its equivalent or better by two Nationally Recognized Statistical-Rating Organizations.*

Providing the interim financing as recommended by staff accomplishes several goals.

1. It gets the Airport the funds they need to proceed now with the joint use rental car facility.
2. It offers the City's investment portfolio a secure investment that provides a much higher yield than we are earning on our other investments.
3. It does not require an appropriation of \$7.8 million of reserves from the General Fund (or any other fund) to lend to the Airport because we are buying an investment, not lending reserves.
4. There is a guaranteed source of repayment from the Airport long-term debt issuance coming this fall. Even if the main terminal project and financing is delayed (unexpectedly high bids, etc.), the Airport would still be able to issue a separate, stand-alone bond to borrow the funds for the rental car facility in order to pay off the promissory note because of the dedicated source of repayment (the \$10 per rental car contract "customer facility charge").

The Finance Committee considered the staff recommendation at today's meeting. Staff will present the Finance Committee's recommendation as part of the report to the City Council.

The following summarizes all project design costs, construction contract funding, and other project costs:

ESTIMATED TOTAL PROJECT COST

Design (by Contract or City staff)	\$727,964.00
Other Design Costs - City staff (if contract), Environmental (Assessments, etc.)	\$38,500.00
Subtotal	\$766,464.00
Construction Contract	\$6,326,550.00
Construction Change Order Allowance	\$632,655.00
Construction Management/Inspection (by Contract)	\$610,604.00
Materials Testing and Inspection	\$91,733.78
LEED Commissioning	\$54,340.00
Subtotal	\$7,715,882.78
TOTAL PROJECT COST	\$8,482,346.78

SUSTAINABILITY IMPACT:

This Project will be designed and constructed utilizing “green” principles threaded throughout the development, with the objective to obtain LEED Certification. This Project was registered on February 14, 2007 with the U.S. Green Building Council, with the goal of obtaining a Silver rating based on the established LEED, Version 2.2, for new construction. An initial evaluation of the project has identified such opportunities as: 1) the inclusion of photovoltaics, or on-site solar collection to power and light the facility; 2) the use of water efficient fixtures and equipment to reduce both consumption and discharge; 3) the collection of surface storm water run-off into filtrating bio-swales prior to discharging into storm systems for water quality management; 4) the use of recycled and regional materials, along with the diversion of construction waste from disposal to a redirection of materials for recycling; and 5) an attention to indoor air quality through efficient mechanical systems and the use of natural daylight. The design process will also be under the direction of numerous LEED accredited professionals.

PREPARED BY: Owen Thomas, Principal Engineer/LR/sk

SUBMITTED BY: Christine F. Andersen, Public Works Director

APPROVED BY: City Administrator’s Office