



MEMORANDUM

Date: November 12, 2013

To: The Honorable Chairman and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to read "CHH", is written over the printed name "C.H. Huckelberry".

Re: **Downtown Courts Project Development and Cost**

At the November 5, 2013 Board of Supervisors meeting, the Board asked for detailed information of the costs incurred by the County as a result of the City of Tucson's withdrawal from the Downtown Courts project. As you know, we are repurposing the project as a public service center that houses not only our lower courts, but the Assessor, Treasurer, Recorder and Constables.

This last-minute repurposing has caused the County to incur substantial additional costs. The attached November 1, 2013 memorandum from our Facilities Management Director discusses the additional costs incurred by the County due to the City's participation in the project since approximately 2003, followed by their decision to formally withdraw from the project on November 13, 2012 – nearly nine years later.

As you can see, the total additional expense incurred by the County is approximately \$12.5 million. Had the County known the City would not participate when the project was first being designed, all of these costs could have been avoided. In any future cost-sharing projects with the City, a pre-project intergovernmental agreement will be required that defines the financial liability of the parties should one party withdraw from the project.

The Board also asked for an overall financing summary for the project. The attached memorandum from the Finance and Risk Management Director shows the sources of funds for completing this \$143 million project.

Please note that the Certificates of Participation are a future public sale that will complete the tenant improvements and the parking garage. Revenues to repay this debt will be secondary debt service for the General Obligation bonds and the General Fund for Certificates of Participation, which will be supplemented by parking garage revenues and a new courts facility fee.

CHH/mjk

Attachments

c: Ellen Wheeler, Deputy County Administrator
Reid Spaulding, Director, Facilities Management
Tom Burke, Director, Finance and Risk Management



Memorandum

DATE: November 1, 2013

TO: Chuck Huckelberry, County Administrator

FROM: Reid H. Spaulding, R.A.
Facilities Management Director

SUBJECT: **Itemization of Costs Incurred by the County as a Result of the City of Tucson's Withdrawal from Participation in the Joint Courts Project**

Below please find a summation of the estimated total cost incurred as a direct result of the City's late withdrawal from the Consolidated Court project:

Initial Design and Engineering: Excluding countless hours of staff time of both City and County as well as several members of both judicial staffs, the capital project budget had incurred charges approximating \$11.3M in architectural design and engineering fees prior to the City's withdrawal. As 54% of the planned space was assignable to the City, their proportionate share of such cost would be \$6.1M.

Subsequent to the City's formal withdrawal on November 13, 2012, the capital project budget has incurred an additional architectural and engineering service fee of \$335,000 for re-design and re-engineering of County functions to backfill the vacated City space. Again, such additional consulting fees do not include countless hours expended by County staff and members of the Assessor, Recorder and Treasurer's offices to provide input and review of the new proposed plans.

Phasing, Permitting and Packaging: As a consequence of the City's late decision to abandon their interest in the project, the actual project delivery methodology has been adversely affected. Originally, construction activities would have flowed seamlessly from construction of the tower shell immediately into multi-floor tenant improvements. Such sequencing takes full beneficial use of the CMAR's project management team, subcontractor labor, equipment rentals and all other jobsite related General Conditions and overhead. Instead, the project is now forced to consider a piecemeal approach to tenant improvements based upon those floors delayed as a result of undergoing complete or partial redesign. The manpower resources of both the architectural team as well as the engineering consultants are under duress to quickly produce design and construction documents reflecting the new tenants in an expeditious manner so as to minimize any down time by the construction forces. This premium on producing construction documents as quickly as possible is undoubtedly reflected in the consultant's additional service fees.

Implementation and adoption of new Building Codes as well as new LEED certification criteria have both occurred subsequent to original building design. Essentially, the Tower Shell building will be permitted under the old adopted Code, while the majority of the delayed tenant improvements must now be permitted under the new Code. Likewise, LEED criteria for achieving the silver level certification as desired by the Board of Supervisor's Sustainability Action Plan has also changed.

Finally, despite the disjointedness of the resultant project delivery plan, the County remains dedicated to receiving the benefit of marketplace competition into all aspects of the work. As design and construction documents are completed for the various re-designed floors, each floor or area of improvement is subject to competitive pricing and the establishment of a Guaranteed Maximum Price (GMP). The necessary process of packaging each scope of work by both the consultants and Construction Manager-at-Risk (CMAR) is time consuming and costly as compared to what would have been a cohesive all-encompassing bid package.

Realistically, it is impossible to quantify monetarily the true cost of such a piecemeal approach. Unfortunately, such an approach is necessary to minimize to the fullest extent possible any prolonged or extended General Conditions passed along to the County by the CMAR.

Construction costs: Based entirely upon the originally approved design, there are a number of built conditions in the Tower Shell which are and were specific to the City of Tucson's planned occupancy. The ordering of materials and sequencing of construction activities prevented the following scopes of work to be deleted prior to the City's late decision to withdrawal:

Lower Level design – The subgrade level of the new building included four (4) courtrooms, three (3) of which were specific to City Courts. The High Volume Courtroom as its name implies was uniquely designed to accommodate a large number of participants. As such, the design called for a higher than normal ceiling to spatially address the issue of a highly-crowded Courtroom. Such excessive ceiling height is no longer required, but built.

Quantity of detention cells - The new facility will include (14) detention cells to hold inmates prior to arraignment or trial. This quantity is approximately 50% in excess of what is actually required to accommodate County Justice Court needs. The construction of all detention cells were well underway prior to the City's decision.

Security accommodations and provisions – Security officer accommodations including restrooms and locker rooms were sized to support a quantity of officers required to support thirty (30) Courtrooms. With the City's absence, the number of Courtrooms has been reduced to fourteen (14). Again, due to the lower level location and associated plumbing, such large provisions were already in place prior to the City decision.

Specialized ductwork and HVAC equipment – Based entirely upon proper, fundamental Courtroom design, a considerable amount of the new facility's high and medium pressure ductwork is double-walled and acoustically insulated. This is specifically required to ensure proper acoustics in the Courtrooms where one's ability to hear is paramount to the judicial process. As with other previously mentioned actual construction, the long lead time associated with such specialized ductwork resulted in the fabrication of such material well in advance of the City's decision. With a reduction in the number of Courtrooms from 30 to 14, the need for roughly 50% of such expensive ductwork is no longer required but fabricated and installed.

Public waterline infrastructure – It has been well documented that the City's existing public water infrastructure was inadequate to serve the fire protection needs of a new 7-story, downtown office tower. Consequently, the Developer (County) was forced to bear the entire burden of replacing the City's antiquated water lines in both Toole Ave. and Stone Ave. As an active participant in the development, it was anticipated that the City would share equally in the burden of such public improvement with the County agreeing to amortize their proportionate cost over the lease term. While the County retains their right to file formal legal action against the City for reimbursement, the required work has been completed and expenditure incurred.

Debt and interest: As the attached **Summary of Costs** indicates, the cumulative value of the under-utilized and remedial project costs incurred as a consequence of the City's withdrawal exceeds \$9,400,000. To expedite the project and consequently minimize overall construction costs, the County opted to utilize alternative funding in lieu of seeking additional voter approved bond funds to complete the project. The additional \$9.4M of debt incurred to account for the remedial portion of the City's decision results in an additional \$3M in interest based upon a 15 year indebtedness.

Please do not hesitate to contact me should you have any questions.

Attachment 1:

**Summary of Cost Incurred Resulting from City's Withdrawal
Joint Courts Complex**

<u>Item/Scope</u>	<u>Estimated Cost</u>
Base A/E fees incurred for non-utilized design	\$6,100,000
Re-design fees for vacated space	335,000
Excessive lower level clear height	800,000
Excessive quantity of detention cells	1,080,000
Excessive security staff provisions	450,000
Unnecessary ductwork and HVAC provisions	450,000
Non-sharing public waterline infrastructure	188,000
Incurred interest on debt associated with items listed above	3,117,000
Total Estimated Cost of Additional Expense	\$12,520,000



MEMORANDUM

DEPARTMENT OF FINANCE AND RISK MANAGEMENT

Date: November 8, 2013

To: C. H. Huckelberry
County Administrator

From: Tom Burke
Director

A handwritten signature in black ink, appearing to read "Tom Burke", is written over the printed name and title.

Re: Funding for Public Service Building

At its meeting on November 5, 2013, the Board of Supervisors requested information about the funding for the new Public Service Building at 240 N. Stone Avenue. The current project is budgeted for \$143,500,000. The County is funding the project using three major funding sources: bonds proceeds from the 2004 Bond Authorization, funds transferred from the Tax Rate Stabilization Fund, and proceeds from an upcoming issue of Certificates of Participation.

The Public Service Building is being funded as follows:

2004 Bond Proceeds	\$ 66,480,063
Transfer from Tax Rate Stabilization Fund	22,470,283
Future Certificates of Participation	<u>54,549,654</u>
Total Project Funding	<u>\$143,500,000</u>

The original 2004 Bond Ordinance allocated \$76,000,000 to the new courts building and \$4,500,000 for the rehabilitation of the Old Courthouse and anticipated \$4 million from the City of Tucson from the disposition of its municipal court facilities. Of those amounts, the County has spent \$14,019,937 on court projects as follows:

- \$9,400,389 to build courtrooms on the 8th floor of the Superior Court building and relocate Adult Probation and Pre-Trial Services,
- \$3,973,955 to purchase the land for the new courthouse,
- \$640,884 to purchase the HUD building being used by the Justice Courts, and
- \$4,709 on the Old Courthouse.

The remaining \$66,480,063 of 2004 Bonds is allocated for the completion of the project.

c: Reid Spaulding, Facilities Management Director