



DRAFT

DATE: May 18, 2021

TO: Beth Weldon, Mayor
Assembly

FROM: Rorie Watt, City Manager

SUBJECT: Bartlett Regional Hospital Behavioral Health Facility BE21-149
Best Interest Finding for Supplemental Agreement(s) to add a 3rd Floor

Action Requested

Staff requests that the Assembly consider the best interest finding herewith in accordance with **CBJ 53.50.040** to support the procurement approach approved by the BRH Planning Committee and the PWFC to add a 3rd floor to the new Behavioral Health Facility (BHF) through two Supplemental Agreements. CBJ Charter allows the use of Supplement Agreements to address contract changes over \$250,000 or 25% of the contract amount. Supplemental Agreements require Assembly approval. The recommended procurement approach includes two Supplemental Agreements whose combined total is estimated to be between \$1.75 million and \$2 million (21%-23% of the contract amount).

Background

On March 16, 2021, CBJ opened bids for the new Behavioral Health Facility, a new 14,500 square foot facility to be sited on the Bartlett Regional Hospital (BRH) campus. The project was awarded to the sole bidder, Dawson Construction, at the March 22, 2021 CBJ Assembly meeting for the amount of \$8,459,200.00. The Notice to Proceed was issued April 14, 2021 and the project is currently contracted to be completed by June 30, 2022.

At their April 27, 2021 meeting, the BRH Board of Directors approved a motion to add an additional floor to the Behavior Health Facility and proposed funding this work with \$2.75 million from BRH internal reserves. This motion arose from the need for short term and long term space identified as a result of being unable to purchase the 14,220 SF office building located at 3225 Hospital Drive. BRH currently leases approximately 5,500 SF of clinic space at this building; the current lease expires in December 2022 and is not likely to be renewed. The Board recognized that this additional scope of work will likely add between two and six months to the construction schedule.

On May 7, the BRH Planning Committee considered three procurement options to add a third floor to the new BHF (please see attached 5/6/21 Memo from City Manager, Rorie Watt to BRH CEO Rose Lawhorne). The committee voted to recommend Option 1 to the Public Works and Facilities Committee (PWFC) minimize delay to the construction schedule of the new facility and ultimately provide the needed clinic space prior to the expiration date of the current lease. At their May 10 meeting, the PWFC also approved recommending Option 1 to the Assembly for approval.

Option 1 includes the use of incremental change orders to address immediate foundation and earthwork changes to be followed by two Supplemental Agreements. The first Supplemental Agreement would address structural changes necessitated by the additional floor, followed by a second Supplemental Agreement to address the architectural, mechanical, and electrical changes. The reason for splitting the additional work into two agreements is to allow the contractor to proceed with procurement of structural materials while

design of the mechanical and electrical systems is completed. This option supports the most expedited schedule and more accurate cost estimating as the project progresses.

Best Interest Analysis

Implementing the procurement option outlined in Option 1 will result in cost savings to the CBJ while pursuing the most expeditious schedule for construction. Following are the benefits that will be realized from this approach:

1. Construction Cost Savings
 - a. Adding a 3rd floor to the current project now is more cost effective than constructing a future addition or new facility later. Since the current project already includes mobilization, site preparation, and a roof, an additional floor can be added at approximately 35% less per square foot. This results in an estimated cost savings of \$960,000.
 - b. Contractor Mobilization Costs – estimated cost savings for this activity is \$50,000 (included in the costs savings in a. above).
2. Schedule Savings
 - a. With a contractor already on board, we are saving 2 years if we were to begin design on a new facility now.
3. Weather or Environmental Factors
 - a. By moving forward with Option 1 now, we will be able to get the project roofed before winter saving further impacts due to weather delays if we were to put the project on hold until the additional floor is fully designed.
4. Site Constraints
 - a. As developable land on the BRH campus is at a premium maximizing the footprint area of this facility helps conserve buildable areas elsewhere on the campus for future projects and postpones the need and cost of future land acquisitions.
5. Bid Preparation Costs
 - a. Staff estimates that adding the 3rd floor to the current contract would save approximately \$25,000 in architectural services and CBJ staffing and overhead costs if the project were to be bid as a future addition or separate facility.
6. Administration Efficiencies
 - a. CBJ Project Management savings are estimated at \$75,000 by incorporating the additional floor into the current project now v. managing as a future stand-alone project.
7. Other Considerations
 - a. Staff estimates that A/E services for a future addition or facility would be approximately \$400,000 for design through construction administration. Estimated fees for incorporating the additional floor as similar work now are \$240,000 (including the bid preparation costs noted above), resulting in a cost savings of approximately \$160,000.
 - b. BRH has seen a significant increase in their behavioral health outpatient services just during the one year design of this new facility and anticipates that the facility as designed will be over-capacity by fall of 2022. Adding an additional floor now would enable BRH to proactively address this need.

Action Requested

Based on the reasons outlined above and the estimated cumulative savings of \$1.3 million (excluding land acquisition), staff recommends that the Assembly approve the request to move forward with two Supplemental Agreements to add an additional floor to the new Behavioral Health Facility.

53.50.040 - Public improvement contracts.

(c)

Supplemental agreements. A supplemental agreement shall be approved only as provided in this subsection (c). Competitive sealed bids shall not be required for public improvement projects procured by supplemental agreement. A supplemental agreement may be approved only if the manager makes a written finding that procuring a particular public improvement by supplemental agreement would be in the best interests of the City and Borough because doing

so would save substantial and verifiable amounts of money for the City and Borough. In making this finding, the manager shall consider bid preparation costs, contractor mobilization costs, similarity of work, schedule savings, weather or environmental factors, site constraints, inspection and administration efficiencies, and other factors found relevant by the manager. The manager may approve supplemental agreements not greater than \$250,000.00 or 25 percent of the contact amount, whichever is less, per contract. The manager shall notify the assembly, at its next regular meeting, of any supplemental agreement approved. Prior assembly approval shall be required for any supplemental agreement greater than \$250,000.00. Nothing in this subsection shall be applied or construed in any manner inconsistent with the requirements of CBJ Charter [Section 9.13](#). The manager shall seek an appropriation or transfer of funds by the assembly prior to incurring any obligation for any supplemental agreement unless the manager ascertains that there is a sufficient unencumbered balance in an appropriation for the project the agreement supplements, and that sufficient funds are or will be available to cover the obligation. As used in this subsection, "manager" shall have the meaning set forth in CBJ Charter [Section 4.1](#).