

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
BOARD ACTION SUMMARY

DEPT: Chief Executive Office

BOARD AGENDA #: B-8

AGENDA DATE: May 3, 2016

SUBJECT:

Approval of Matters Related to the Community Services Facility Heating, Ventilation and Air Conditioning Project, and Related Actions

BOARD ACTION AS FOLLOWS:

No. 2016-226

On motion of Supervisor Withrow, Seconded by Supervisor O'Brien
and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Withrow, DeMartini, and Chairman Monteith

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) Approved as recommended

2) Denied

3) Approved as amended

4) Other:

MOTION:

ATTEST: Elizabeth A. King
ELIZABETH A. KING, Clerk of the Board of Supervisors

File No.

**THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
AGENDA ITEM**

DEPT: Chief Executive Office

Urgent

Routine

BOARD AGENDA #: B-8

AGENDA DATE: May 3, 2016

phx

CEO CONCURRENCE:



4/5 Vote Required: Yes No

SUBJECT:

Approval of Matters Related to the Community Services Facility Heating, Ventilation and Air Conditioning Project, and Related Actions

STAFF RECOMMENDATIONS:

1. Approve the recommended list of pre-qualified Design-Build teams and key sub-consultants and key sub-contractors as a result of the Request for Statement of Qualifications (RFSOQ) process approved by the Board of Supervisors on October 20, 2015 for Community Services Facility Heating, Ventilation and Air Conditioning Project.
2. Approve the Design and Bridging/Performance Criteria Documents for the Community Services Facility Heating, Ventilation and Air Conditioning Project as prepared by the Capital Engineering Design Team and as recommended by the Project Team.
3. Authorize the Project Manager to issue a Request for Proposals (RFP) for the design-build construction of the Heating, Ventilation and Air Conditioning Project at the Community Services Facility; to set a Proposal due date of June 8, 2016 at 2:00 pm and authorize the Project Manager to modify the Proposal due date if necessary.
4. Authorize the early payoff/defeasance of the 2007(A) Certificates of Participation (COP) in order to use the Community Services Facility Pod C as a pledged asset for the financing for this project, using funds on reserve with the Trustee and accelerating the Fiscal Year 2016-2017 payment.
5. Authorize the Project Manager, working the financing team to complete the financing plan including issuing a Request for Proposals for bank financing of this project.
6. Authorize the Project Manager to return to the Board of Supervisors to recommend an award of the design-build construction contract and related financing.

DISCUSSION:

Constructed in 1994, the Community Services Facility (CSF) is a two-story, steel framed, office and administration facility and includes 252,000 square feet of space which was considered to be a state-of-the-art facility when the doors opened to Stanislaus County residents. The building is comprised of four major modules or pods. Current building tenants include 1,300 employees of the Community Services Agency (CSA), Department of Child Support Services

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(DCSS), Alliance Worknet and the Health Services Agency (HSA) Women, Infants, and Children (WIC) and Nutrition Education programs. Every day approximately 1,200 customers are served by County employees in the facility. The facility must remain in operation during normal business hours Monday through Friday, 6:00 AM to 6:00 PM to serve public customers.

After years of continuous service, the HVAC system at the Stanislaus County Community Services Facility is not working properly, requires regular repairs and is at the end of its useful life cycle. It is necessary to repair and/or replace the system as soon as it is practical.

Community Services Facility HVAC System

The existing HVAC units consist of eleven large custom-built rooftop Direct Expansion (DX) air-cooled HVAC units. Each unit serves approximately 10% of the building area. The County has replaced numerous reciprocating compressors over the past years. Cooled air is distributed from the roof top HVAC Units through sheet metal ducts using variable air volume (VAV) boxes with hot water reheat coils to control the flow of air. The main supply air trunk duct distribution uses medium pressure ducting upstream to the zone boxes and low-pressure down-stream of the VAV zone boxes. The majority of the return air is ducted. A small area of the ceiling serves as a return air plenum. Return air is ducted to the rooftop HVAC equipment. At this time an unknown number of VAV zone boxes and heating water valves are failing. As a result, the ambient temperature within the system cannot be maintained as needed. The VAV zone boxes and heating water valves will have to be repaired or replaced. The replacement of the VAV boxes will require removing the existing boxes and replacing them with new boxes to match the existing supply air zone cubic feet per meter (CFM) and re-heat coil capacities. The system will also require balancing of the HVAC air and water systems.

The temperature of the air within the facility is controlled through a combination of pneumatic and direct digital control (DDC). The temperature control system is 1980's technology and is suspect of being a main source of the problems with the HVAC system.

The building has two Bryant natural gas fired heating hot water boilers, model RV500- W-FD6-WLX-LH with an output of 4,000 million British thermal units per hour (MBTUH), each located on the ground level. The boilers are plumbed together via a single manifold. Two local hot water pumps circulate hot water through the boilers and two system pumps circulate hot water to the building distribution piping system. The boilers supply heated hot water to the warm-up coils in each Miller-Picking/York units and to the exterior VAV zone boxes. The County maintenance staff believes the warm-up cycle hot water coils lack the capacity to properly heat the building during the warm-up cycle time limits. The County also suspects the hot water piping may be corroding and must do forensic testing to check for deterioration of the steel and copper pipes.

Capital Engineering completed its analysis of the system and in a report dated January 26, 2009, reflected that the cost of any repair or replacement project would exceed the preliminary budget estimates the County had developed prior to the RFP process. In 2009, the State of California and the County of Stanislaus were responding to the economic recession. The Departments located within the Community Services Facility have resolved the required reimbursement from State and Federal funding sources.

Approval of Matters Related to the Community Services Facility Heating, Ventilation and Air Conditioning Project, and Related Actions

The existing HVAC system has continued to have challenges that require a full-time assignment of staff from General Services Agency Facilities Maintenance Division, to ensure it operates as best as possible. Even these measures have been insufficient, as noted by the failure of portions of the system during this summer's hottest days.

In view of the need to replace the system and the finalization of a responsible reimbursement plan, the Project Manager requested that Capital Engineering re-examine the HVAC system and update their original report, within the terms of the 2008 agreement. Based on the updated report, the projected costs to replace the HVAC system is estimated to range from \$10 million to \$11.5 million. As the Departments within the Community Services Facility provide programs and services that are primarily federally funded, in order to fully claim the cost of the replacement, including any interest, the funding for the HVAC system replacement project must come from a bona fide third party such as a bank or a public bond offering. The County would not be able to fund the cost of the project with the expectation of being repaid with interest. The use of Tobacco Securitization funds also does not meet the third party requirement.

The Request for Statement of Qualifications Process

On October 20, 2015, the Board of Supervisors authorized the Project Manager to issue a Request for Statement of Qualifications (RFSOQ) for the pre-qualification of design-build teams for the CSF HVAC project. The Project Manager received seven proposals from:

1. Strategic Mechanical Inc.
2. Mesa Energy Systems
3. Diede Construction Inc.
4. ACCO Engineered Systems Inc.
5. Champion Industrial Contractors Inc.
6. Lawson Mechanical Contracts
7. Johnson Controls Inc.

All RFSOQ responses were extensively evaluated, and based on their experience the Project Manager is recommending that all seven respondents be approved to submit proposals for this project. After issuance of the RFP, the Project Team will rank the proposals received based on criteria consistent with the provisions of the Public Contracts Code.

The top three finalist firms will participate in the confidential best and final interview and proposal process. The top finalist proposal and team will be recommended to the Board of Supervisors for final consideration and approval.

Community Services Facility HVAC Financing

As approved by the Board of Supervisors on October 20, 2105, the County's team has worked with KNN Public Finance, the County's financial advisor and evaluated two alternative financing approaches.

The first is a public sale of Certificates of Participation (COPs). This would require the County to obtain ratings, fund a debt service reserve fund, prepare a preliminary and final official statement, and sell the COPs by way of either a competitive or negotiated method of sale. The

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second approach is the Direct Purchase of the COP/lease financing by a commercial bank (i.e., a private placement)

The County's Debt Advisory Committee has considered this Financing Plan at its two most recent meetings, January 27, 2016 and on April 19, 2016 meeting.

Recommended Plan of Finance

- The County will use a lease financing approach to finance the costs of the HVAC project with an expected term of 15 years, and an expected par amount of approximately \$10 million (net).
- It is recommended to pursue the Direct Purchase approach of the COP/lease financing by a commercial bank (i.e. private placement).
- It is recommended that the Bank Qualified approach be pursued.
- The County would pledge a portion of the Community Services Facility (CSF) as the leased asset for the HVAC financing.
- To use a portion of the CSF as a pledged asset, the 2007 Certificates of Participation, which are currently scheduled to be paid off in 2018, must be paid off/defeased early, in Summer of 2016.
- This action will further reduce the amount of County debt.

The Direct Purchase involves lower overall costs of issuance, as no ratings, official statement or underwriter is required. Also, most Direct Purchase transactions do not require the funding of a debt service reserve fund.

Again, financing for the project was considered by the Debt Advisory Committee (DAC) on April 19, 2016. The DAC approved the following recommendations:

1. Use lease financing to finance the costs of the HVAC project with an expected term of fifteen years and an expected par amount of approximately \$10 million.
2. Pursue a Direct Purchase of the COP/lease financing by a commercial bank (i.e., a private placement) using the bank qualified method.
3. Pledge a portion of the Community Services Facility as the leased asset for the HVAC Financing.
4. Fully defease the remaining maturities of the 2007 Certificates of Participation.

It is recommended that the Community Services Facility, Pod C, be used as collateral for financing. This will allow for the facility to which the improvement is being made, to be used as the pledged asset (collateral) for this project's financing.

Pod C is currently being used as collateral for 2007(A) COP which is scheduled to be paid off in Fiscal Year 2017-2018. In order to use Pod C as collateral for the CSF HVAC Project, it is recommended the County pursue the early defeasance of the 2007(A) COP by the use of funds held by the Trustee for the 2017-2018 payment and accelerating the payment for Fiscal

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Year 2016-2017. If approved, the County will pay the 2017 payment on the bonds in July of 2016 rather than November of 2016 for the interest payment and May 2017 for the principal payments as part of the Fiscal Year 2016-2017 approved budget. The 2018 payment was pre-paid as part of the COP and is being held in an escrow account. The 2018 payment can be paid in 2016 without penalty. The County will then use Pod C as pledged asset to secure financing for the project, with an expected term of 15 years.

Stanislaus County's Debt

Overall, the County has a low level of debt remaining, attributed to a disciplined effort by the Board of Supervisors to reduce the County's debt load and to pay off debt early, where possible. In Fiscal Year 2011-2012, the County retired its 1997 COPs three months early. In Fiscal Year 2012-2013, the County refunded its 2004 Series A and B COPs, paying down approximately \$8.1 million early and shortening the final maturity of the financing from 25 years to 13 years. In Fiscal Year 2013-2014, the County paid off its Pension Obligation Bonds, freeing up approximately \$11.43 million of annual debt service.

The County currently has outstanding only three COP issues, all of which will be paid off by the end of Fiscal Year 2018-2019, in addition to a small amount of internal loans from the County's Tobacco Endowment. The County's debt ratios currently qualify the County for a "very strong" Debt and Contingent Liability Score in the Standard & Poor's General Obligation (GO) Rating Methodology, and the proposed new debt for the HVAC Project should not change that scoring. This is the most favorable scoring possible for that portion of the rating, reflecting the County's low level of debt outstanding.

POLICY ISSUE:

Approval of the recommended actions will ensure the County is maintaining a major asset through its useful life, resulting in a workplace that is energy efficient and comfortable for employees and customers.

FISCAL IMPACT:

The CSF HVAC Project cost is expected to range between \$10 million and \$11.3 million. In order to receive better rates from banks for the financing, it is recommended that the borrowing be limited to no more than \$10 million. In the event the Project costs exceed that amount, the County has assigned \$1.3 million from the Department of Child Support Services (DCSS) for capital use. The final financing plan will be presented to the Debt Advisory Committee in the Summer of 2016. The Project budget, along with the financing plan, will then be presented to the Board of Supervisors for consideration.

BOARD OF SUPERVISORS' PRIORITY:

The recommended actions support the Board's priorities of A Healthy Community, Efficient Delivery of Public Services and Effective Partnerships by ensuring staff and Community members have a sound physical environment in which to conduct business.

Approval of Matters Related to the Community Services Facility Heating, Ventilation and Air Conditioning Project, and Related Actions

STAFFING IMPACT:

This project will be delivered successfully by the County's Capital Projects Team.

CONTACT PERSON:

Patricia Hill Thomas, Project Manager. Telephone: (209) 525-6333

ATTACHMENT(S):

- A. Project Illustrations
- B. Design and Bridging/Performance Criteria Documents

ATTACHMENTS AVAILABLE
FROM CLERK

Approval of Matters Related to the Community Services Facility Heating , Ventilation and Air Conditioning Project and Related Actions

Stanislaus County Board of Supervisors
Agenda Item B-8, May 3, 2016

Approval of Matters Related to the Community Services Facility HVAC Project

Patricia Hill Thomas
Project Manager

Approval of Matters Related to the Community Services Facility HVAC Project

Project History:

- Community Services Facility was Constructed in 1994 and has 252,000 square feet of space. Occupied by the Community Services Agency, Child Support Services, Alliance Worknet and the Health Services Agency's Women and Infant Children and Nutrition Education Programs.
- 1,300 employees are stationed at the facility and 1,200 customers are served daily.

Approval of Matters Related to the Community Services Facility HVAC Project

Project History Continued:

- Since 2008, the CSF HVAC Units have continued to require regular repairs and are now at the end of their useful life cycles. The building has unreliable air and heating. The units need to be replaced.
- On October 20, 2015, the Board of Supervisors approved a new agreement with Capital Engineering for the HVAC Project, and authorized a Financing Plan and Contractor Qualification Proposals to be developed.

Approval of Matters Related to the Community Services Facility HVAC Project

Request for Statements of Qualifications (RFSOQ's)

On February 18, 2016, seven responses were received:

1. Strategic Mechanical Inc.
2. Mesa Energy Systems
3. Diede Construction Inc.
4. ACCO Engineered Systems Inc.
5. Champion Industrial Contractors Inc.
6. Lawson Mechanical Contracts
7. Johnson Controls Inc.

Approval of Matters Related to the Community Services Facility HVAC Project

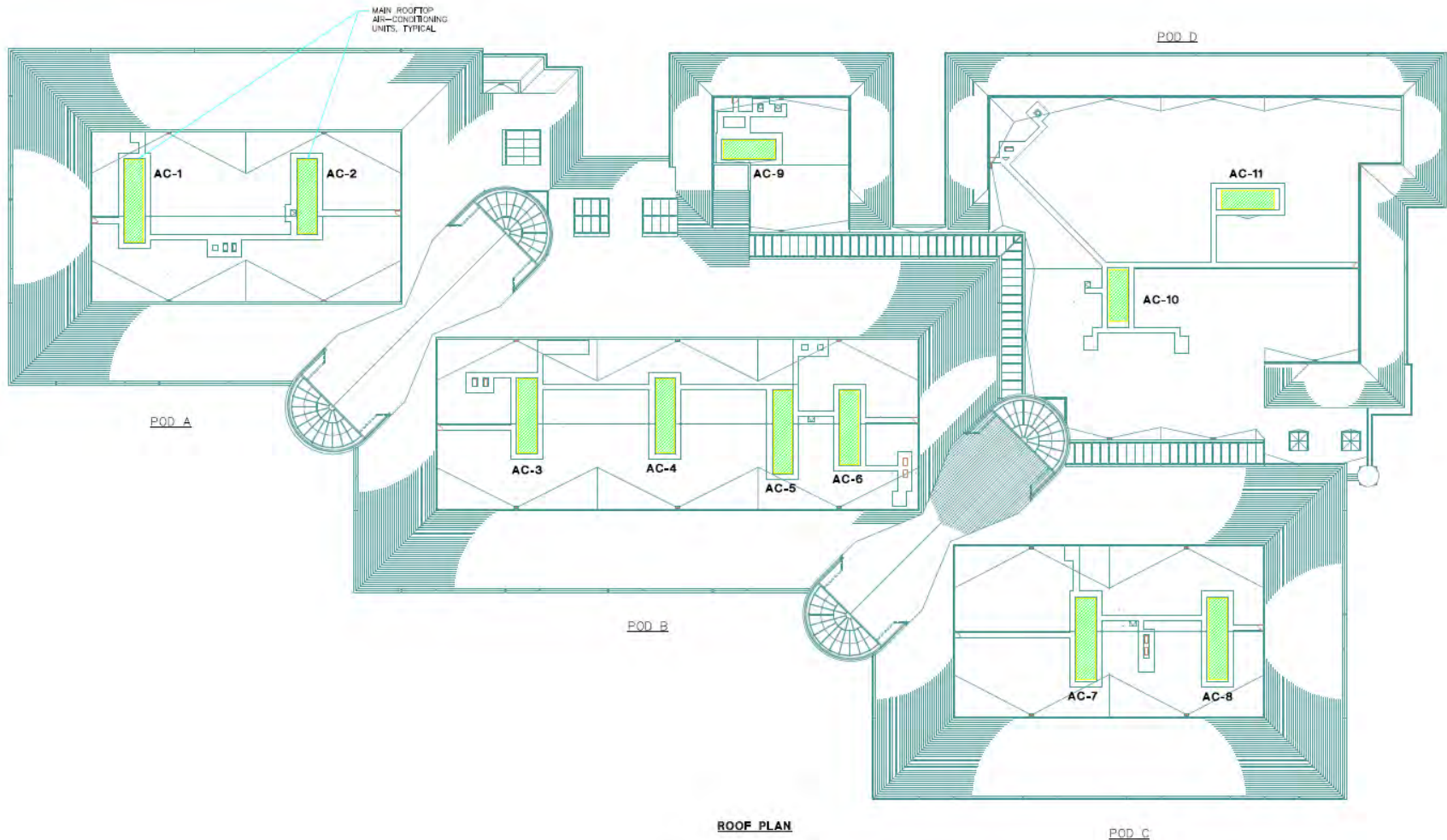
Request for Statements of Qualifications (RFSOQ's) Continued:

- The proposals were extensively evaluated and the Project Manager is recommending that all seven be approved to submit responses to the Request for Proposals.
- The top three finalist firms will participate in the Confidential and Best and Final Proposal/ Interview Process and the top proposal will be recommended to the Board of Supervisors for final consideration and approval.

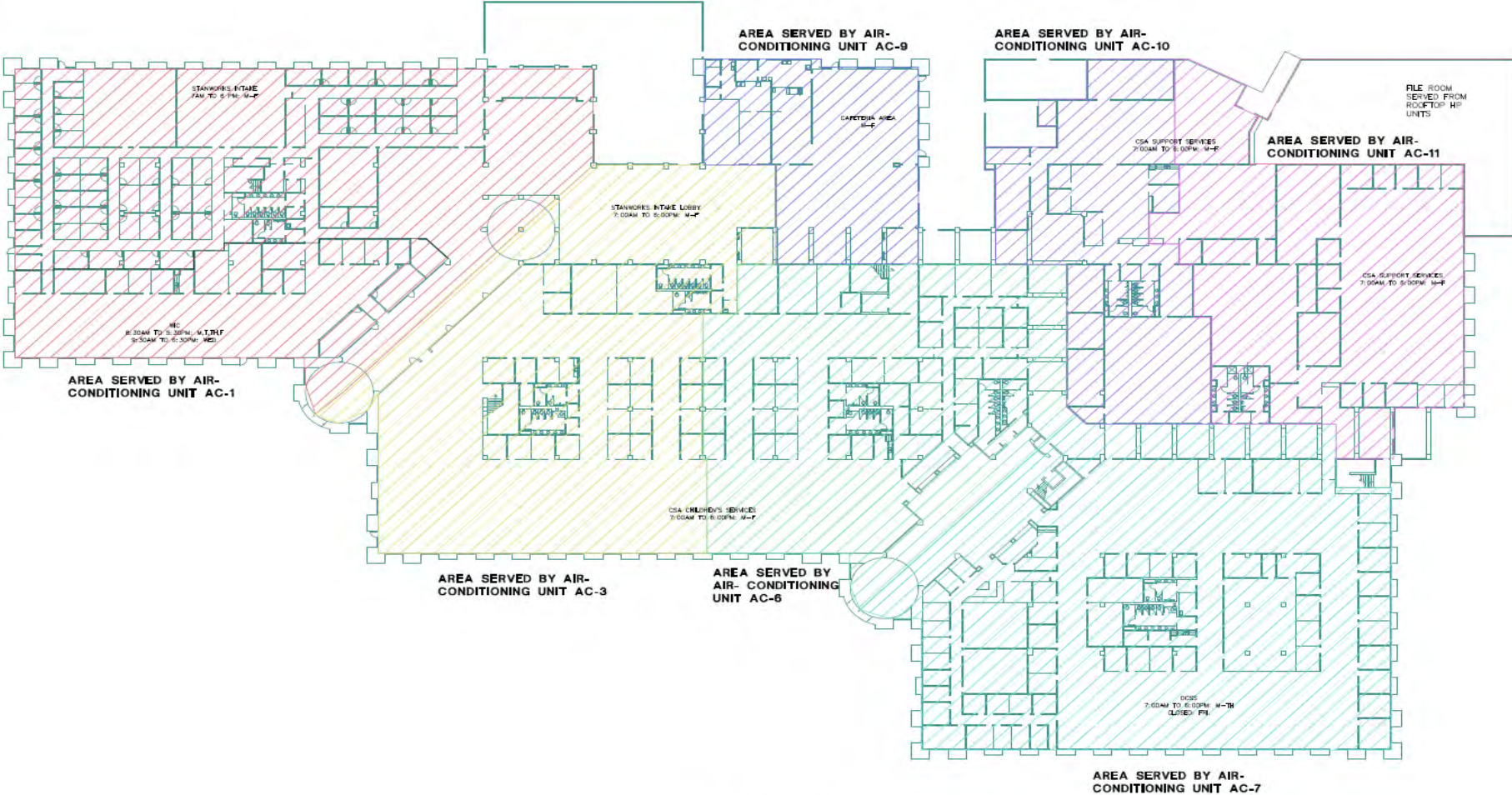
Approval of Matters Related to the Community Services Facility HVAC Project

Anthony Colacchia
Capital Engineering

Approval of Matters Related to the Community Services Facility HVAC Project

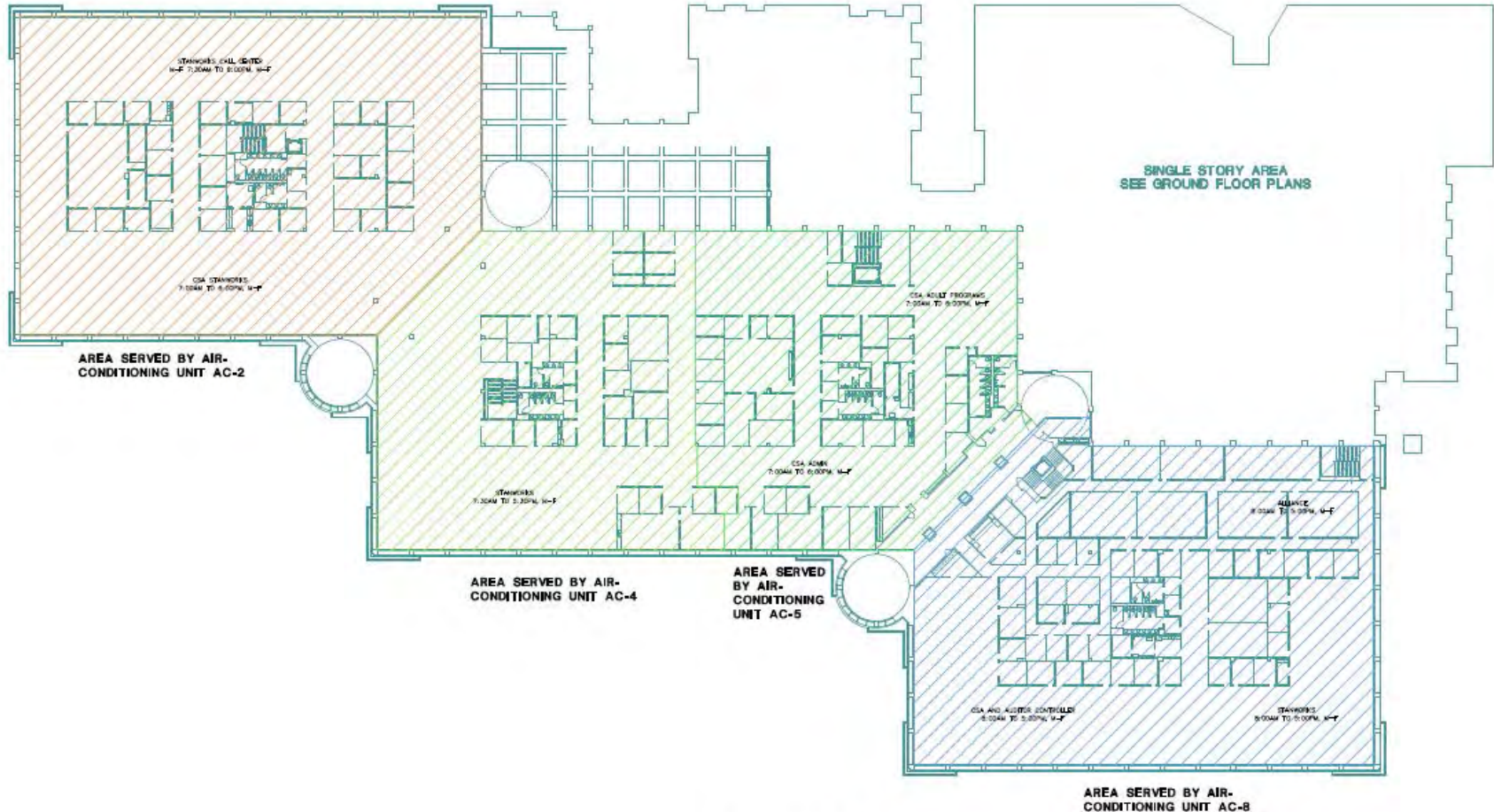


Approval of Matters Related to the Community Services Facility HVAC Project



FIRST FLOOR PLAN

Approval of Matters Related to the Community Services Facility HVAC Project



SECOND FLOOR PLAN

Approval of Matters Related to the Community Services Facility HVAC Project

Community Services Facility Project

- The CSF HVAC Project will include:
 - The Replacement of the 11 HVAC Units
 - Replace System Controls
 - Possible Add Alternatives
 - Replacement or Upgrade of the Boiler System
 - Possible Acceleration of the Schedule
 - Replacement of the Actuator System

Approval of Matters Related to the Community Services Facility HVAC Project

Cindy Thomlison
Deputy Executive Officer

Approval of Matters Related to the Community Services Facility HVAC Project

- The CSF HVAC Project is expected to cost between \$10 million and \$11.3 million. It is recommended that the borrowing be limited to \$10 million. The remaining costs, if needed will be funded from \$1.3 million from the Department of Child Support Services for capital use.
- The CSF Departments can claim reimbursement for these costs given the fact they are capital expenditures.
- State and Federal reimbursement is the key factor in the County's ability to move forward with this much needed repair/replacement project.

Presentation to Stanislaus County Board of Supervisors

Tuesday, May 3, 2016



1300 Clay Street, Suite 1000, Oakland, CA 94612
phone 510-839-8200 fax 510-208-8282

HVAC Project History

- KNN has worked closely with County staff for several years as the Community Services Facility Heating, Ventilation, and Air Conditioning (HVAC) project has developed.
- Current total project cost is estimated to be approximately \$10 - \$11.5 million.
- The County Board of Supervisors granted conceptual approval of the project and financing at its October 20, 2015 meeting.
- The County DAC granted conceptual approval at the January 27, 2016 meeting to move forward with the financing portion of the project.
- The County DAC granted conceptual approval at the April 19, 2016 meeting to move forward with the plan of finance we are presenting today.

Plan of Finance

- The County will use a lease financing to finance the costs associated with the HVAC project, with an expected term of 15 years and an expected par amount of approximately \$10 million.
- It is recommended to pursue a Direct Purchase of the COP/lease financing by a commercial bank (i.e., a private placement) with a Bank Qualified approach (further explained on next slide).
- The plan is to pledge the Community Services Facility (CSF) as the leased asset for the HVAC financing.
 - Avoid having to incur capitalized (i.e. borrowed) interest for the financing.
 - Minimize the amount borrowed and the overall cost of the financing.

Plan of Finance Continued

- In order to use the CSF, the County proposes to fully defease /pay off early the remaining maturities of the 2007 Certificates of Participation.
 - The County will release the Community Services Facility, which is currently securing the 2007 COPs.
 - The County will reduce the amount of debt outstanding.

Bank Qualification

- Bank Qualification (BQ) is a designation given to a bond offering if the issuer is reasonably expected to issue no more than \$10 million of tax-exempt securities in a calendar year.
- Designating securities as BQ widens the potential investor base by including commercial banks.
- Generally there is a pricing benefit (lower interest cost) if bonds can be designated BQ.
- BQ bonds can be sold either via a public sale or a direct purchase/private placement.
- *The County should carefully consider if other tax-exempt financing needs may arise in calendar year 2016.*

Defeasance of 2007 COPs

- The County’s 2007 COPs were originally issued in the amount of \$40.54 million to refund the County’s 1996 and 1997 COPs for present value savings.
- Currently, two maturities of the 2007 COPs remain outstanding, as follows:

Payment Date	Principal Due	Interest Due
November 1, 2016	0	145,500
May 1, 2017	4,345,000	145,500
November 1, 2017	0	58,600
May 1, 2018	2,930,000	58,600
Total:	\$7,275,000	\$408,200

- The principal amount due on May 1, 2018 can be called, with no premium, starting on May 1, 2017.

Defeasance of 2007 COPs Continued

- The County also has the benefit of a Debt Service Reserve Fund (DSRF) of \$4.054 million that resides at the trustee.
- The County could eliminate all of the outstanding 2007 COPs by funding a defeasance escrow with the funds in the DSRF of \$4.054 million plus \$3.51 million.
 - The County avoids all of the interest due on FY2017-2018 by defeasing the 2018 maturity.
 - The Community Services Facility would then be available for the HVAC financing.

HVAC Financing Options

- Both financing scenarios reflect a direct purchase method of sale.

	Scenario 1 Bank Qualified	Scenario 2 Non-Bank Qualified
Par Amount:	\$9,850,000	\$9,850,000
Child Support Cash Contribution:	<u>1,300,000</u>	<u>1,300,000</u>
Total Sources:	\$11,150,000	\$11,150,000
Project Fund Deposit:	\$11,000,000	\$11,000,000
Costs of Issuance: ¹	<u>150,000</u>	<u>150,000</u>
Total Uses:	\$11,150,000	\$11,150,000
T.I.C.: ²	2.79%	3.29%
Estimated Average Annual Payments:	\$813,000	\$839,654
Total Payments:	\$12,195,005	\$12,564,415
Final Maturity:	2031	2031

¹ Cost of issuance includes estimated fees for Bond Counsel, Municipal Advisor, Bank Counsel, etc.

² Estimated market conditions for "A" rated direct purchase lease as of April 12, 2016. Subject to change.

Estimated Payment Schedule

	Fiscal Yr. Ending	Scenario 1 Bank Qualified	Scenario 2 Non-Bank Qualified
1	2017	\$810,308	\$809,252
2	2018	810,354	840,970
3	2019	814,982	838,369
4	2020	814,050	840,274
5	2021	812,700	841,521
6	2022	810,930	837,110
7	2023	813,740	837,205
8	2024	810,992	841,643
9	2025	812,825	840,258
10	2026	814,098	838,215
11	2027	814,813	840,514
12	2028	814,968	841,990
13	2029	814,565	837,644
14	2030	813,602	837,640
15	2031	812,081	841,814
		\$12,195,005	\$12,564,415

* Based upon market conditions as of April 12, 2016, subject to change.

Next Steps

- April 19th: County's Debt Advisory Committee approved HVAC plan of financing.
- Tuesday, May 3rd: County Board of Supervisors considers plan of finance.
- Week of May 2nd: Distribute Bank RFP.
- Week of May 16th: Responses from Bank RFPs due.
- Month of June: Draft documentation and negotiate terms and conditions with selected Bank.
- Week of July 18th: County DAC approves recommended Bank.
- Week of July 25th: County Board of Supervisors approved financing Resolution.
- Week August 1st: Defeasement 2007 COPs.
- Week of August 15th: Close HVAC financing.

Approval of Matters Related to the Community Services Facility HVAC Project

- On April 19, 2016 the recommended approach was presented to the Debt Advisory Committee who supported these recommendations to the Board of Supervisors.

Approval of Matters Related to the Community Services Facility HVAC Project

Recommendations

1. Approve the recommended list of pre-qualified Design-Build Teams and key sub-consultants and key sub-contractors as a result of the Request for Statement of Qualifications (RFSOQ) process approved by the Board of Supervisors on October 20, 2015, for Community Services Facility Heating, Ventilation and Air Conditioning Project.

Approval of Matters Related to the Community Services Facility HVAC Project

Recommendations Continued:

2. Approve the Design and Bridging/Performance Criteria Documents for the Community Services Facility Heating, Ventilation and Air Conditioning Project as prepared by the Capital Engineering Design Team and as recommended by the Project Team.

Approval of Matters Related to the Community Services Facility HVAC Project

Recommendations Continued:

3. Authorize the Project Manager to issue a Request for Proposals (RFP) for the design-build construction of the Heating, Ventilation and Air Conditioning Project at the Community Services Facility; to set a proposal due date of June 8, 2016 at 2:00 p.m. and authorize the Project Manager to modify the proposal due date if necessary.

Approval of Matters Related to the Community Services Facility HVAC Project

Recommendations Continued:

4. Authorize the early payoff/defeasance of the 2007(A) Certificates of Participation (COP) in order to use the Community Services Facility Pod C as a pledged asset for the financing for this project, using funds on reserve with the Trustee and accelerating the Fiscal Year 2016-2017 payment.

Approval of Matters Related to the Community Services Facility HVAC Project

Recommendations Continued:

5. Authorize the Project Manager, working with the financing team to complete the financing plan including issuing a Request for Proposals for bank financing of this project.
6. Authorize the Project Manager to return to the Board of Supervisors to recommend an award of the Design-Build construction contract and related financing.

Approval of Matters Related to the Community Services Facility HVAC Project

Questions?