



Monterey County

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

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Consider funding the increased cost for the WeatherTech Raceway at Laguna Seca (WRLS) Start-Finish Bridge and Racetrack Resurfacing Project, Project No. 8498, advancing funds for the 20% sponsorship match to be reimbursed by A&D Narigi Consulting, LLC. (A&D) by December 31, 2023, and awarding a contract to Granite Construction Company, the lowest responsible bidder, for the base bid and bid alternate for the Start-Finish Bridge and Racetrack Resurfacing Project in the amount of \$12,198,230.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Adopt a Resolution to:
 - i. Approve and authorize the County Administrative Officer or designee to execute Addendum No. 2 to the Agreement for the Operation and Management of the Laguna Seca Recreation Area between the County of Monterey and A&D for "Additional Sponsorship Revenue" in excess of the amount under contract as of the date this Addendum No. 2 is effective in an amount sufficient to provide twenty percent (20%) of the total cost of the Project, estimated at \$1,634,459, but in any event not less than \$1,035,000, by December 31, 2023;
 - ii. Authorize advancing the 20% sponsorship match of \$1,634,459, for cash flow purposes, from General Fund 001, Contingencies Appropriation Unit CAO020, as an operating transfer out to Capital Project Fund 404, Appropriation Unit PFP057, to be reimbursed by A&D with additional Sponsorship Revenue no later than December 31, 2023;
 - iii. Authorize and direct the Auditor-Controller to amend the fiscal year (FY) 2022-23 Adopted Budget to increase appropriations by \$14,045,797 in Capital Project Fund 404, Appropriation Unit PFP057, financed with Capital Project Fund 404 Restricted Fund Balance (404-3045) of \$8,433,599 and an operating transfer of \$5,612,198 from General Fund 001, Contingencies Appropriation Unit CAO020 (4/5ths vote required);
 - iv. Authorize and direct the Auditor-Controller to approve an operating transfer out of \$5,612,198 for FY 2022-23 from General Fund 001, Contingencies Appropriation Unit CAO020, to Capital Project Fund 404, Appropriation Unit PFP057, where General Fund Contingencies has sufficient appropriations available in the adopted budget to cover the transfer (4/5ths vote required);
- b. Award a contract to Granite Construction Company, Inc., the lowest responsible bidder, for the WeatherTech Raceway at Laguna Seca (WRLS) Start-Finish Bridge and Racetrack Resurfacing Project, Project No. 8498, in the total amount of \$12,198,230;
- c. Approve the Performance and Payment Bonds executed and provided by Granite Construction Company, Inc.;

- d. Authorize a project cost estimate contingency, not to exceed ten percent (10%) of the contract amount or \$1,219,823 to provide funding for approved contract change orders;
- e. Authorize the Director of Public Works, Facilities and Parks to execute the contract and, subject to the terms of the Public Contract Code and Board Policies as applicable, approve change orders to the contract that do not exceed ten percent (10%) of the original contract amount and do not significantly change the scope of work; and
- f. Authorize the Director of Public Works, Facilities and Parks to execute a Certificate of Completion and record a Notice of Completion with the County Recorder when the Director determines that the contract is complete in all respects in accordance with Plans and Special Provisions for the construction of the Laguna Seca Start Finish Bridge and Track Overlay, Project No. 8498.

SUMMARY:

Approval of the recommended action will authorize the Monterey County Department of Public Works, Facilities and Parks (PWFP) to award the Laguna Seca Start-Finish Bridge and Racetrack Resurfacing Project construction contract to Granite Construction Company, Inc., as the lowest responsible, responsive bidder and proceed with construction. The Laguna Seca Start-Finish Bridge and Racetrack Resurfacing Project (Project) will address existing safety issues by installing a new pedestrian footbridge (bridge) to replace the aging existing bridge which is in poor condition and is a potential safety concern for the public and racing event participants and personnel. It also includes resurfacing the track and needed repairs and infrastructure improvements to the track surface and kerbs that directly impact the safety of the event participants.

The original estimated Construction costs for FY 2022-23 for the Start-Finish Bridge and Racetrack Resurfacing/ minor infrastructure work were \$4,558,400 and \$4,534,750, respectively, for a total of 9,093,150. When adding in the Construction Management, the Start-Finish Bridge was \$4,875,000 and Track Resurfacing was \$4,850,000 for a total of \$9,725,000. PWFP disclosed at that time that the estimates were subject to fluctuations due to fuel and material price increases. After bids were opened, the Start-Finish Bridge and Track Resurfacing combined (AKA: the Base Bid plus Bid Alternate) became \$12,198,230 - this was for Construction alone. The Total Project Cost (inclusive of Design, Construction, Construction Management, etc.) is now revised to \$14,902,198 after the bids were received in June 2022; the portion for the Bridge increased by \$3,613,897 to \$8,172,297 and the Resurfacing and repairs estimate decreased by \$508,817 to \$4,025,933, for a net increase of \$3,105,080 (for Construction).

The Board previously allocated \$9,290,000 for the Construction and Construction Management phases of the Project, and supported A&D providing a 20% sponsorship match for the Bridge, (which is \$1,634,459 based on this bid) for total funding of \$10,924,459. In that previous action, \$750,000 was approved funding for the design work for the Start/Finish Bridge and the Track resurfacing, as well as the upgrades to the Turn 3 Structure. To date, approximately \$500,000 of that \$750,000 was expended on the Bridge and Track design/permitting; A&D estimates that \$150,000 is needed for renovations to the Turn 3 Structure, resulting in \$100,000 remaining for this project. The current project estimate of \$14,902,198 less the identified funding of \$10,924,459, leaves a remaining need of \$3,977,739. Staff recommends approving the Base Bid and Bid Alternate for the Start-Finish Bridge and Racetrack Resurfacing Project and providing General Fund Contingency funds for the remaining

need of \$3,977,739. However, funding sources options are presented below in the Financing section.

In addition, approval of the recommended action will authorize Monterey County to enter into Addendum No. 2 with A&D, where A&D commits to provide 20% of the total Bridge Project cost through increased sponsorship revenues estimated at \$1,634,459, but not less than \$1,035,000, to be remitted to the County no later than December 31, 2023. In order to provide needed cash flow for the Project, staff recommends advancing \$1,634,459 from General Fund Contingencies to the Capital Project Fund, which would then be repaid directly from the sponsorship revenues by A&D (Please see Attachment F).

The Laguna Seca Start/Finish Bridge is located at WeatherTech Raceway at Laguna Seca which is approximately ten (10) miles east of Salinas on State Highway 68, and west of Monterey approximately 9 miles east of Highway 101 in an unincorporated portion of Monterey County (Please see Attachment A).

DISCUSSION:

On May 10, 2022, the Board of Supervisors approved the Plans and Special Provisions for the WeatherTech Raceway at Laguna Seca (WRLS) Start-Finish Bridge and Racetrack Resurfacing Project, Project No. 8498. The project was subsequently advertised, and bids were opened on June 17, 2022. Two (2) bids were received for the project. The lowest responsible, responsive bidder was Granite Construction Company, Inc., with a bid of \$9,290,840 for the Base Bid, and \$12,198,230 for the Bid Alternate. The second bidder was Graniterock Company, Inc., with a bid amount of \$9,312,663 for the Base Bid and \$13,728,613 for the Bid Alternate.

The Base Bid consists of the Start/Finish Bridge, the ramps to/from the bridge, the retaining wall system to support the bridge and track, track shoulder and drainage improvements, and other track experience improving features. The Bid Alternate consists of resurfacing the track itself. It is of general understanding that the Start/Finish Bridge needs to be replaced and the track repaved. While the bridge has a very limited and documented lifespan in its current condition, there are various factors, such as preferred surface conditions by various drivers, that make determining the lifespan of the current track surface difficult; some race circuits and drivers prefer a slick surface while others prefer a rougher track condition. Prior to track rentals and major race events, the track is inspected for safety. The track is currently certified from the Federation International De L'Automobile ("FIA") through June 2023. It was last inspected by FIA in October 2021. Certain race series require this certificate to hold a race, currently IMSA and Indy are the two events that it is required for. Tracks similar to Laguna Seca are repaved every 7-10 years, the Laguna Seca track was last resurfaced in 2007.

What is certain, is that the current track surface will continue to degrade and require ever-increasing repairs in order to provide a drivable surface. Without paving in the near future, it is possible that the track could suffer a large and costly repair that could impact the track operations. In addition, there has been notable large-scale negative press about the surface conditions of the track which could lead to negative operational outcomes if track renters, event promoters and sanctioning bodies reduce usage due to the track condition. In addition, completing both the bridge and track projects during the same construction schedule would yield cost savings with regards to equipment mobilization, materials and labor (as compared to bidding and completing two separate projects at two different points in

time). Per our consultants and staff experience, the process of rebidding the track at a future date would most likely result in a higher cost than this current bid price. It is for these reasons that staff is recommending awarding the Base Bid and Bid Alternate. In both cases, additional funding is requested to perform the work: an additional \$779,610 for the Base Bid (primarily for the standard 10% contingency), or an additional \$3,977,739 for the Base Bid and Bid Alternate (for the alternate of the track resurfacing, standard 10% contingency, etc.).

Staff has been working with the design consultant and A&D to reduce the costs of the proposed project, which are generally the two areas of 1) the construction, and 2) the services. At this juncture, Staff and the consultant have identified portions of construction where cost savings could be realized by change order, working with the Construction Contractor. Additionally, Staff has worked diligently with the consultants to reduce soft costs, such as construction management and engineering services during construction, to the reduced amounts reflected in the Project Budget summaries (Attachments B and C). Staff will continue to strive for cost reductions throughout the project construction period.

In conjunction with this, the proposed Addendum No. 2 with A&D will provide additional sponsorship revenues to support 20% of the Bridge project cost, which is estimated at \$1,634,459, but at a minimum no less than \$1,035,000 must be provided. The project is anticipated to be completed by June 2023. A cash flow advance of \$1,634,459 from General Fund Contingencies is requested, which would be repaid by A&D by December 31, 2023.

In compliance with the California Environmental Quality Act (CEQA), PWWP conducted research and found that the Project is categorically exempt (Class 1) from having to prepare an Environmental Assessment (EA) or an Environmental Impact Statement (EIS) because the projects are to perform repair and maintenance of existing streets and similar facilities which involve no expansion of an existing use (See CEQA Guidelines, California Code of Regulations (CCR) Section 15301 Existing Facilities). PWWP personnel filed a Notice of Exemption with the Monterey County Clerk on May 11, 2022.

Construction is anticipated to begin in November 2022 and is expected to be completed by end of FY2022-23, with the Project scheduled to take 226 working days.

In recapitulation, there are three (3) topics for the Board's consideration: 1) to award the Bid Alternate (the track resurfacing), 2) to enter into Addendum No. 2 with A&D for 20% sponsorship commitment, and 3) identify funding sources. It is noteworthy that there are sponsorship agreements and event agreements that are reliant on the Start-Finish bridge being constructed in advance of their subject event, for this coming race season. Patrons have also mentioned the condition of the bridge. Staff seeks direction from the Board on these topics.

OTHER AGENCY INVOLVEMENT:

The Office of the County Counsel-Risk Management, and Auditor-Controller's Office have reviewed and approved the contract documents in the Project Special Provisions as to form, insurance and indemnification provisions, and fiscal provisions, respectively.

Due to the cancellation of the June 2022 Budget Committee meeting and necessity to bring this action forward prior to the next scheduled Budget Committee meeting, staff received approval to bypass the

Budget Committee from the County Administrative Officer and Budget Committee Chair. While bypassing the Budget Committee is not a preferred action, it is necessary in order to keep the project on schedule and completed prior to the racing season.

FINANCING:

On October 19, 2021 and April 26, 2022, the Board of Supervisors approved the funding recommendation for the WRLS Start-Finish Bridge and Track Resurfacing Project for an amount totaling \$10,475,000, including General Fund, Other Financing Uses \$600,000; Laguna Seca Recreational Area (LSRA) Unrestricted Net Position \$1,283,905; Cannabis Tax Assignment \$4,406,095, of which \$3,000,000 is to be released as a temporary zero-interest (0%) loan to be repaid by Transient Occupancy Tax (TOT) revenue beginning FY 2023-24; General Fund Unassigned Fund Balance \$3,000,000; and 20% Sponsorship Match for the Bridge Project \$1,035,000. The balance of \$150,000 is for renovations to the Turn 3 Structure. The 20% Sponsorship Match based on the current Bridge budget has increased to \$1,634,459. With this change, the current approved funding sources total to \$10,924,459.

The current Project budget estimate is \$14,902,198 which leaves an additional funding need of \$3,977,739. Staff requests the Board approve allocating General Fund Contingencies to fund the additional need of \$3,977,739, as well as provide for a temporary advance of \$1,634,459 for the 20% sponsorship match, for a total of \$5,612,198. The temporary advance is anticipated to be repaid by A&D from Sponsorship Revenues no later than December 31, 2023, which A&D has agreed to provide per Addendum No. 2. The current General Fund Contingencies balance is \$6,412,316, and this request would reduce it to \$800,118. Another funding option is Cannabis Tax Assignment, which has an available balance of \$2,070,116. Given the magnitude of this funding request, it may reduce the County's ability to address future financial issues. The Budget Office is aware of pending issues in the range of \$4.0 to \$12.0 million that may require additional funding or impact revenue in FY 2022-23.

Bids received were greater than anticipated, a concern raised by Staff previously that estimates are subject to fluctuations in materials prices, fuel increases, among other things. As referenced above, Staff has been working with the design consultant and A&D to reduce the costs of the proposed project, which are generally the two areas of 1) the construction, and 2) the services. At this juncture, Staff and the consultant have identified portions of construction where cost savings could be realized by change order, working with the Construction Contractor. Additionally, Staff has worked very diligently with the consultants to reduce the construction management and engineering services during construction ("soft costs"), to the reduced amounts reflected in the Project Budget summaries (Attachments B and C). Staff will continue to strive for cost reductions throughout the project construction period.

Staff notes that during this important infrastructure reconstruction, the track will be closed. This will preclude track rentals, which are often occurring when Laguna Seca does not have scheduled events. This track rental revenue will thus not be available while the track is closed and the construction in process. This will have an impact on overall operation revenues. A&D and staff are in the process of planning and working on non-race events during this period, and how events can be planned around the construction activity. However, if these non-race events do not come to fruition, there will be a

negative impact on revenues, and thus overall net position. This is a short-term impact, but necessary to address the safety issues and deferred maintenance. The long-term goal is to improve the safety of the facility, increase revenues from tourism with more events and reach its optimum earning capacity. Staff will be bringing forth in October 2022 an overall financial viability report to the Budget Committee and then Board after the racing season ends.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

This Project addresses near-term capital improvements to the Laguna Seca Recreational Area and provides for adequate facilities and infrastructure, supporting the Board of Supervisors Economic Development, Administration, Infrastructure, and Public Safety Strategic Initiatives by enhancing the safety of the County staff, facility occupants, and the public. Recreational activities and events support economic development and promote an experience that would encourage repeat customers. The recommended action supports the following Board of Supervisors' Strategic Initiatives:

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

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Reviewed by: Bryan Flores, Chief of Parks

Approved by: Randell Ishii, MS, PE, TE, PTOE, Director of Public Works, Facilities and Parks

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Attachment A: Location Map

Attachment B: Project Budget for Base Bid

Attachment C: Project Budget for Base Bid and Bid Alternate

Attachment D: Draft BOS Resolution

Attachment E: Contract, Bonds & Insurance

Attachment F: Addendum No. 2 to Agreement for Operation & Management of LSRA