



City Council  
Agenda Report

**DATE:** December 11, 2018  
**TO:** Honorable Mayor and City Councilmembers  
**FROM:** Vince DiMaggio, Assistant City Manager  
**SUBJECT:** Request to Amend the Budget for the East County Performing Arts Center Renovation

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**RECOMMENDATION:**

Staff recommends that the City Council adopt the next RESOLUTION, in order, to:

1. Transfer and appropriate \$1.85 million from General Fund Carryover Reserve to the City Capital Improvement Program Fund; and
2. Increase the ECPAC Improvements Project (IFM3471) by \$1.85 million to \$8.2 million.

**BACKGROUND:**

The East County Performing Arts Center (“ECPAC”) was built in the 1970s. Over the next 40 years, ECPAC served as a venue for hundreds of local and regional performing arts and theatrical events. In 2009, as a result of declining revenues from events and the cost of annual upkeep combined with the level of renovations required to keep the facility operating, ECPAC was closed indefinitely.

In 2017, the City Council directed staff to explore the feasibility of remodeling the facility and securing a professional management organization, with the eventual goal of re-opening ECPAC. After studying the issue of facility management and the structural improvements required, staff prepared a comprehensive plan and budget for the remodeling of ECPAC.

In December 2017, the City Council approved a management agreement with Live Nation to operate and manage a newly renovated ECPAC. In January 2018, the City Council approved an agreement retaining architects RCHS to provide architectural services and design. Finally, in May 2018, the City Council approved an agreement with Weiland to provide construction management services. In August of this year, with design work on-going, demolition of much of the interior of the building began.

## **ANALYSIS**

Since this past spring, an internal committee comprised of staff, construction management firm Weiland, architects RCHS, and Live Nation have worked on creating a redesigned, state-of-the-art performing arts venue. Recently, it became clear that the original project budget was insufficient for accomplishing the necessary improvements. Originally, the City Council authorized a total of \$6.3 million for the project. Exhibit A shows the original Council approved appropriations for the project, followed by the additional requested appropriation amount necessary to complete the project. This additional appropriation is the subject of the current request.

The original project cost estimate included a basic “working assumption” of \$1 million for a major renovation to the facility’s heating and ventilation system (“HVAC”), based on the scope and scale of the improvements needed to that system. Upon more detailed examination by the construction management team, it became clear that a complete HVAC system replacement was necessary. Much of the original ductwork was found to have degraded beyond its useful lifespan and would need to be replaced in its entirety. Weiland began soliciting requests for bids for a complete system replacement and it became apparent that the original HVAC estimate was insufficient. Based on the review of bids received, staff estimates that a new HVAC system will cost approximately \$2.5 million--approximately \$1.4 million above the original estimate.

A second expenditure, not included in the original budget, is for the replacement of the standing metal seamed roof. Once demolition began, it was discovered that the structural integrity of the standing metal seamed portion of the roof was breached in several places due to the overall age of the building, causing significant water infiltration and water damage throughout the building. It was the consensus of staff that this portion of the roof should be replaced as part of the overall building renovation. This added approximately \$280,000 to the project budget. The flat portion of the roof was replaced several years ago and does not require any additional work.

The initial project budget established a 7% contingency for unanticipated overages or other miscellaneous expenditures not foreseen in the original projections. While a 10% construction contingency is the industry standard on a project of this scale, a lower percentage was originally factored into the budget in an effort to be cost conscious. Given that staff and the construction management team have already discovered unanticipated structural deficiencies, it is likely that additional unanticipated items will be uncovered during the actual construction process. For that reason, this request increases the contingency to the industry-standard 10% contingency, based on the increased cost of the overall project, for a total project contingency of \$772,000.

The total estimated cost of the three items described above totals \$2.4 million. There is presently \$605,000 remaining unencumbered in the current project budget, making the overall funding request \$1.850 million from the General Fund. Additional allocations of Community Development Block Grant (“CDBG”) funding for additional ADA improvements will be sought as eligible expenditures are identified.

Lastly, the original project timeline assumed project completion in mid-Spring 2019. Vendors and subcontractors have reported difficulties in maintaining construction timelines due to the extended delay in material fabrication and receiving necessary components. Given these industry realities, staff has updated the project schedule to reflect an estimated completion date of May 1, 2019. This translates to major events being scheduled by Live Nation in the Fall of 2019.

**CONCLUSION**

The challenges in remodeling a large, 40-year old civic building have uncovered several unanticipated additional project costs. The building’s HVAC system will require complete replacement, as opposed to a major overhaul. Additionally, a portion of the facility’s roof will also require replacement due to significant age-related degradation. It is also prudent to ensure that any additional, but as yet undiscovered problems, will be able to be adequately addressed and successfully remedied. For that reason, staff is recommending an increase in the overall project contingency. Taken together, these issues will have the effect of increasing project costs by approximately \$1.85 million, with future consideration of CDBG funds to pay for additional ADA improvements.

**FISCAL IMPACT:**

Authorization of this action will reduce the General Fund Carryover Reserve for the purposes of increasing the ECPAC Improvements Project (IFM3471) by \$1.85 million to total \$8,155,347.

Prepared By: Vince DiMaggio

Reviewed By: N/A

Approved By: Graham Mitchell, City Manager

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Attachments

Exhibit A - ECPAC Budget  
ECPAC Amend Budget Reso

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**EXHIBIT A**

**East County Performing Arts**

Project Appropriation

FY 2018-19

<b>City Council Approved</b>	<b>\$6,305,347</b>	A
Architectural Services	530,000	
Internal Engineering	57,000	
Inspection	65,635	
Construction (Wieland)	5,045,786	
Misc. (advertising, printing, etc.)	1,600	
<hr/> <i>Subtotal</i>	<hr/> <b>\$5,700,021</b>	B
Balance	\$605,326	C=A-B
<b>Additional Costs</b>		
Roof Repair	279,863	
HVAC Overage	1,403,362	(Original budget \$1,166,978; Actual cost \$2,570,340)
Contingency	772,101	
<hr/> <i>Subtotal</i>	<hr/> <b>\$2,455,326</b>	D
Overage Total	(\$1,850,000)	E=D-C
<b>New Proposed Budget</b>	<b>\$8,155,347</b>	F=A+(-E)

RESOLUTION NO.     -18

A RESOLUTION AMENDING THE EAST COUNTY PERFORMING  
ARTS CENTER RENOVATION PROJECT BUDGET  
TO ADDRESS ADDITIONAL PROJECT COSTS

WHEREAS, in 2009, as a result of declining revenues from events and the cost of annual upkeep combined with the level of renovations required to keep the facility operating, ECPAC was closed indefinitely; and

WHEREAS, in 2017, the City Council directed staff to examine the feasibility of remodeling the facility and study the issue of bringing in a professional management organization with the eventual goal of re-opening ECPAC; and

WHEREAS, in December, 2017, the City Council approved a management agreement with Live Nation to operate and manage a newly renovated ECPAC; in January, 2018, the City Council approved an agreement retaining architects RCHS to provide architectural services and design; in May, 2018, the City Council approved an agreement with Weiland to provide construction management services; in August demolition of the interior of the building began; and originally, the Council authorized a total of \$6,300,000 for the ECPAC renovation project (the "Project"); and

WHEREAS, in the course of planning the Project it became clear that the original budget was insufficient for accomplishing the necessary improvements after it became clear that a complete heating and ventilation ("HVAC") system replacement was necessary as much of the original ductwork was found to have degraded beyond its useful lifespan and would need to be replaced in its entirety; and

WHEREAS, Weiland began soliciting requests for bids for a complete system replacement and based on the review of bids received, staff estimates that a new HVAC system will cost approximately \$2,500,000; approximately \$1,400,000 above the original estimate; and

WHEREAS, it was further discovered once demolition began, that the structural integrity of the standing metal seamed portion of the roof was breached in several places due to the overall age of the building, causing significant water infiltration and water damage throughout the building, necessitating a portion of the roof to be replaced as part of the overall building renovation, adding approximately \$280,000 to the Project budget; and

WHEREAS, a 10% construction contingency is the industry standard on a project of this scale, a lower percentage of 7% was originally factored into the budget in an effort to be cost conscious; and

WHEREAS, staff and the construction management team have already discovered unanticipated structural deficiencies; it is considered likely that additional unanticipated items will be uncovered during the actual construction process thereby approaching the industry-standard 10% contingency, so that based on the increased cost of the overall Project, the total contingency should be \$772,000; and

WHEREAS, there is presently \$605,000 remaining unencumbered in the current Project budget and the total estimated cost of the three items described totals \$2,400,000; making the overall funding request \$1,850,000 from the General Fund; and

WHEREAS, it is to the benefit of the City to provide for the complete renovation of a regional performing arts venue.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL CAJON AS FOLLOWS:

1. The above recitals are true and correct, and are the findings of the City Council.

2. The City Council hereby approves the amendment of ECPAC Project budget by allocating an additional \$1,850,000 from the City's General Fund for the renovation of ECPAC.

12/11/18 CC Meeting

Budget Amendment (ECPAC Renovation) 120718