[MS-0398-040-007-002]

County of San Diego

NORMAN W. HICKEY
CHIEF ADMINISTRATIVE OFFICER
(619) 531-6226
(Location Code 730)

CHIEF ADMINISTRATIVE OFFICE

1600 PACIFIC HIGHWAY, SAN DIEGO, CALIFORNIA 92101-2472

December 11, 1989

TO: Supervisor Susan Golding, Chairperson
Supervisor Leon L. Williams, Vice Chairman
Supervisor Brian P. Bilbray
Supervisor George F. Bailey
Supervisor John MacDonald

FROM: Norman W. Hickey
Chief Administrative Officer

NORTH COUNTY COURT PROPOSALS: RESPONSE TO QUESTIONS FROM ESCONDIDO

At the Board meeting on December 5, 1989, the City of Escondido raised questions concerning the County's funding and capital project priorities, in addition to questioning the staff conclusions on the two proposals. Project-specific questions are addressed below. First, however, I believe it is important to comment generally on the larger issue of the County's efforts to resolve what is clearly the region's number one priority problem: inadequate justice facilities.

The City of Escondido, and the other seventeen cities, must recognize that the Board of Supervisors has been wrestling with the jail overcrowding and court congestion problems for years. There is a considerable history which reflects the efforts of the Board to resolve these problems, with insufficient resources. Progress has been made, but at the expense of other needs, many of which in the eyes of the public would be just as important.

It must also be acknowledged that overcrowded jails and inadequate number of courtrooms are no longer just "County problems." They are regional problems which are going to require regional solutions. The willingness of several cities to assist with courtrooms is a positive example of interjurisdictional cooperation. The need for a regional response is particularly important given the uncertainty of the Proposition A litigation and the time which may be required to get this matter resolved.

If the Courts ultimately support the lower Court's conclusion on Proposition A, the County, and perhaps the entire region, again will have to examine alternative funding strategies. These alternatives have on occasion been considered by the Board on its own and in joint meetings with the San Diego City Council, but since most would require a legislative authority (e.g., utility users tax, business license tax) and voter approval, it has been determined that a decision on the lawsuit should be the basis for implementing any new financing mechanism. In short, if Proposition A revenue does not materialize, new sources of revenue will have to be found. In the meantime the County will be looking to the cities for help.

The fact that the monetary resources are not immediately available has not affected the planning process, however. Every effort is being made to move ahead, although these efforts are not as comprehensive as they would be if the Proposition A proceeds were available. Your Board has considered a master plan for courts and jails which will soon be before you again for review and update. The plan is "needs driven," which means the capital projects which have been identified respond to projected demands.

With respect to specific questions raised by Escondido, my comments are as follows:

1. <u>If the probability of success is anything but certain or close to it, does it make economic sense to spend $2.5 million to plan for Vista expansion without an equally certain and committed financing mechanism</u>?

   The proposed financing mechanism recommended by the Escondido proposal, the use of Certificates of Participation with debt being retired by existing property tax revenue/other general fund revenue, could be used for a Vista courthouse expansion. Escondido is correct that diversion of County property tax revenue from the Escondido redevelopment area to the Escondido Community Development Commission would relieve the County of revenue subject to the Gann Limit. However, this amount of revenue is relatively small (estimated at $1.1 million for FY 1988-89) in relation to the overall Gann problem. It is estimated that without a Gann waiver in 1992, the County will be $51.7 million over the Gann limit. In short, even if the facility could be financed, the County could not afford to operate it at full capacity if there is no Gann waiver.

2. Referring to the estimated operating cost differential between Escondido and Vista ($600,000-$800,000) what was the basis of the court administrative structure that was relied upon in reaching that conclusion and what is the economic basis for the conclusion?

   Given the fiscal constraints the County is operating under and the importance of a functioning judicial system, isn't it necessary to analyze whether the projected operating expenses could be eliminated through creative administrative restructuring?

   The County has been, and continues to be, aggressive in reviewing ways to increase the efficiency of the Courts. Video arraignment, fast tracking and split shifts are just a few of the innovations which have been introduced.

   Inherently, splitting major administrative functions such as the courts is more costly than collocation. The proposed bifurcation of the courts was determined by the courts/support agencies as the most efficient division, assuming that the courts would be split between two locations. The estimated operational costs were developed by the impacted agencies. Prisoner transportation savings would be significant if only civil courts were located in Escondido. There may be additional costs or inefficiencies associated with the criminal/civil bifurcation that have not been identified as a part of the Omni update of the North County Courts Master Plan.

3. What would the County save in lease costs that it is currently spending for commercial, makeshift sites throughout the county (such as the North County Traffic Courts and the downtown San Diego Hotel) if it had 22 more courtrooms available to it by the end of 1992 compared to no new courtrooms through 1996?

   As discussed below, the 1992 schedule is unrealistic. The San Diego Hotel lease will be terminated once the El Cortez facility is operational (June 1990). The County would save $306,396 annually if the San Marcos facility's lease was terminated and functions consolidated into a new courthouse at Vista or Escondido.

4. At what point in time, does the cost of delay exceed the long-term cost of the estimated "operating excess" of the Escondido proposal?

Our analysis, prepared by Shearson, Lehman Hutton, concludes that the cost of delaying construction by 3.2 years would equal the 30-years of $600,000 annual "operating excesses" attributed to the Escondido proposal. Is that professional analysis accurate? If so, what is the benefit of delay when there is an immediate, cost-effective partial solution to the court crisis before you?

The issue of construction delays is purely speculative. Given the high priority of the North County Court project, additional courts, either permanent or temporary, will be planned immediately. Alternative sources of funding are being considered to begin the process. The City of Vista has also indicated a willingness to assist further in commencing a project.

The proposed design-build approach could be used at either site and thus there is no reason to expect that the selection of a development team would occur any faster for Escondido than Vista. It was indicated in the RFP that the County would accept a pre-designated construction manager. Other members of the development team (e.g., architects, construction firm) would be selected through a competitive process.

There have been two recent design-build projects in San Diego County, the MTS Tower and the City of San Diego Police Administrative Headquarters. Both structures had a construction period of approximately 18 months. The City of San Diego Police Headquarters took two and one-half years from Request For Development Team Proposals to occupancy. The MTS Tower took 41 months for a similar process.

5. What is the construction and financing costs of the Vista proposal? When does Vista deliver? The RFP indicated the agency's experience would be a criteria in evaluating and comparing proposals. How does Escondido's and Lusardi's track record compare with the City of Vista's?

The RFP did not request the submittal of a build to suit/ Certificate of Participation financing. Vista was responsive to the RFP without offering a specific proposal to construct the project on behalf of the County. Vista did offer as a "suggestion" a design/build concept which included the architectural firm of HOK. HOK submitted a project reference which indicated involvement in 35 courthouse projects. Jones Construction Management, also retained by the City of Vista,

has been involved in several major public projects. These include the City of Thousand Oaks Civic Center Expansion, City of Irvine Civic Center, City of Cerritos Community Arts Center, and the Orange County Performance Arts Center. The Lusardi Corporation indicated one courthouse project (Vista-Annex) in 1962.

Page 9 of the Evaluation Committee report stated, "Escondido does have a demonstrated 'track record' at completing a major public project (e.g., Civic Center). In addition, their redevelopment agency generates a significant amount of revenue. While none of their projects have been nearly as complex as one involving the design and construction of a Courthouse, they should be rated responsive to the experience requirements of the RFP."

Page 13 of the Evaluation Committee report stated, "The City of Vista has a limited project experience with respect to major capital projects/coordinating with other public agencies other than the existing Joint Powers Authority with the County. However, their proposal allows the County to proceed independently on most aspects of the project."

6. <u>How does staff reconcile the estimated cost differences of the Escondido proposal which Lusardi will GUARANTEE at $32.5 million with its claim that it SHOULD cost $54 million</u>?

   <u>If staff is correct, wouldn't the County be receiving, in addition to the Escondido incentives, an additional $21.5 million in value</u>?

   The $21.5 million dollar discrepancy is due to the inadequate amount of support space assumed by Lusardi in their initial proposal. This fact was acknowledged in Escondido's November 29th letter to David Janssen, which stated in part: "The degree of support space provided for the facility would be determined by the County during the design phase and any increase would indeed affect the construction budget." The County would not receive $21.5 million in value under the Escondido proposal.

7. <u>Why does staff believe a courthouse would have to cost $200 a foot when an experienced builder is willing to guarantee he can build it at $150 a foot? To put staff's cost analysis of the Escondido proposal in perspective, the award winning</u>

Escondido City Hall was built at $150/foot price?

The actual construction cost will depend on what type of construction is used and specifications developed by the County. It is a judgement call as to what the actual construction cost will be for the new courthouse. The $200 per gross square foot is more in line with actual experience in Southern California courthouses. The City Hall is a much different type of building (e.g., it does not have holding cells, three circulation corridors for prisoners, public, judges/staff are not required, etc.). The ultimate quality, durability and functional adequacy of the courthouse will be impacted significantly by the price paid for the project.

8. Why does staff state that the Escondido proposal would cost the County an additional $4 million in land acquisition costs when Lusardi is willing to sell it at $3 million and when $3 million is already factored into the $32.5 million total construction cost?

The $4.0 million dollar figure was based upon the staff appraisal. It would be a benefit if the Lusardi Corporation is willing to sell it for only $3.0 million. However, in Vista no land acquisition would be necessary. Thus, the Escondido proposal would involve an additional cost relative to Vista.

9. Has Vista done a traffic study? If not, what would be the cost to the County to determine if the site is suitable for 51 courtrooms--a courthouse comparable in size to downtown--that is accessible by only a two-lane road. Do you know that the environmental and traffic concerns can be mitigated? If so, at what expense?

Section 4 of the Vista proposal contains a traffic analysis prepared by Schatzman, Thompson, and Associates, Inc. The study concluded:

"From this analysis it would appear that the proposed 435,000 square foot expansion would have no impact on the adjacent circulation system. This assumes that all of the proposed road projects are completed prior to courthouse occupancy. The second expansion of 300,000 square feet would cause some impacts to the intersection of Hacienda Drive and Melrose Drive and along Hacienda Drive, east of Melrose Drive. This is caused by the large turning movement at the intersection from the relocated interchange. The initial expansion would not cause any significant impacts in the year 2010 analysis."

The proposed improvements are to be funded by Caltrans and City revenue sources and it is believed that they will be completed as stated in the Vista proposal. A review by the Department of Public Works Traffic Section found that both traffic studies for Vista and Escondido utilized accepted methodologies and that the conclusions reached were valid based upon the assumptions stated in the studies.

If you would like any additional information, please contact my office.

Respectfully,

Norman W. Hickey

NORMAN W. HICKEY
Chief Administrative Officer

NWH:me