



**CITY OF FORT LAUDERDALE  
City Commission Agenda Memo  
REGULAR MEETING**

**#15-0473**

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**TO:** Honorable Mayor & Members of the  
Fort Lauderdale City Commission

**FROM:** Lee R. Feldman, ICMA-CM, City Manager

**DATE:** April 7, 2015

**TITLE:** Fort Lauderdale Aquatic Center Cost Escalation

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**Recommendation**

It is recommended that the City Commission review Recreational Design and Construction, Inc.'s (RDC) proposed increase to the Fort Lauderdale Aquatic Center Guaranteed Maximum Price Developer's Agreement and provide direction on how to proceed with the Aquatic Center project.

**Background**

On September 18, 2012 the City Commission approved a Developer's Agreement with RDC for design and construction of the renovation of the Fort Lauderdale Aquatic Complex (FLAC) with a guaranteed maximum price (GMP) in the amount of \$32,437,434 (\$24,864,950 for the aquatic facility and \$7,572,484 for the parking garage).

On February 25, 2015 RDC presented an Aquatic Center cost analysis with delay and escalation costs at the City Commission Special Meeting (Exhibit 1). RDC claimed the delay and escalation costs are due to delays by the City and an increase in construction material and labor. The delay and escalation costs were broken out by construction divisions and increased the GMP by \$3,594,115. This price increase represents a 15.94% increase to the construction costs, a 7.84% increase to the general conditions cost, and an 11.08% increase to the GMP. In an effort to offset the delay and escalation costs, RDC presented a variety of value engineering options (Exhibit 2).

The City retained the services of Atkins North America, Inc. (Atkins) to review the escalation costs and compare them to a national average cost index benchmark. Atkins adjusted RDC's original GMP for cost escalation based on an industry accepted RSMeans Current Cost Index when compared between July 2012 and January 2015. Atkins further increased the escalation costs assuming construction in the 1<sup>st</sup> Quarter 2016. The Atkins' assessment (Exhibit 3) showed a construction cost escalation value of \$1,677,510, a 7.9% increase to construction costs, and a total escalation value of \$2,157,706. Atkins also reviewed RDC's value engineering options and prepared an independent estimate of probable construction costs (Exhibit 4). Atkins estimate of probable construction costs was close to RDC's value engineering prices.

At a March 11, 2015 meeting with City staff, RDC challenged the RSMeans Historical Cost Index data and claimed it did not take local market conditions into account. On March 25, 2015 RDC provided “back-up” material (Exhibit 5) consisting of vendor quotes, sub-contractor estimates, etc... from 2012 that formed the basis for the GMP and current vendor quotes, sub-contractor estimates, etc... that justify the cost escalation. The City retained Atkins to perform an escalation assessment based on the “back-up” material provided by RDC (Exhibit 6). Atkins’ escalation report reviewed one of the major cost drivers for the FLAC project, which is Division 3 – Concrete. The majority of RDC’s backup material was concrete pricing and RDC’s escalation for Division 3 – Concrete is \$2,394,966, a 45.08% increase over the original GMP. Atkins reviewed RDC’s backup and agreed with RDC’s increase in material price of concrete, which is approximately 40%. However, Atkins did not agree with the labor increase. Atkins report shows that finished concrete price is an approximately 60/40 split between labor and material. An approximately 40% increase in material would require an approximately 48.5% increase in labor to equal an overall 45% increase in price.

In addition to reviewing the RDC backup material, Atkins also performed an independent review of historical unit costs for Division 3 – Concrete based on a similar project. Atkins estimated an average cost escalation for Division 3 – Concrete of approximately 19% from 2012/2013 to 1<sup>st</sup> Quarter 2016.

Additionally, RDC proposed, as an opportunity to reduce the overall cost of the project, to eliminate one deck of the parking structure. The parking garage element of the project represents \$7,572,484 of the project GMP. Reducing the parking garage by one deck will reduce the parking supply from 525 spaces to 320 spaces; lower the debt service by approximately \$65,000 annually and lower net operating income by approximately \$350,000 annually (Exhibit 7).

### **Resource Impact**

Undetermined at this time.

### **Strategic Connections:**

This item is a *Press Play Fort Lauderdale Strategic Plan 2018* initiative, included within the **Public Places Cylinder of Excellence**, specifically advancing:

- **Goal 4:** Be a healthy community with fun and stimulating recreational activities for our neighbors.
- **Objective 1:** Offer a diverse range of youth, adult, and senior recreational programming.

This item advances the *Fast Forward Fort Lauderdale 2035 Vision Plan: We Are Here*

Attachments:

Exhibit 1 – RDC Cost Analysis

Exhibit 2 – RDC Value Engineering Options

Exhibit 3 – Atkins Assessment for Cost Escalation

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Exhibit 4 – Atkins Estimate of Probable Costs  
Exhibit 5 – RDC “Back-up” Material  
Exhibit 6 – Atkins Escalation Report  
Exhibit 7 – Parking Net Operating Income Scenarios

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