



Travis County Commissioners Court Agenda Request

Meeting Date: January 29, 2013

Elected/Appointed Official/Dept. Head:

Leslie Browder, County Executive, Planning & Budget, (512) 854-9106

Roger Jefferies, County Executive, Justice & Public Safety, (512) 854-4759

Commissioners Court Sponsors:

County Judge Samuel T. Biscoe and Commissioner Sarah Eckhardt

AGENDA LANGUAGE:

CONSIDER AND TAKE APPROPRIATE ACTION ON THE PROPOSED CIVIL AND FAMILY COURT HOUSE PROJECT, INCLUDING

- A. UPDATE ON CURRENT STATUS
- B. GOVERNANCE STRUCTURE FOR PROJECT AND RECOMMENDED FOLLOW-UP ACTIONS
- C. PROCUREMENT OF PROGRAM MANAGEMENT SERVICES (ALSO KNOWN AS THE OWNER'S REPRESENTATIVE) AND RECOMMENDED STAFF EVALUATION TEAM

BACKGROUND/SUMMARY OF REQUEST:

Update on Current Status

On April 3, 2012, Ernst & Young (E&Y) presented a summary of their findings related to a new Travis County Civil and Family Court House to be located at 308 Guadalupe Street. Their summary included an analysis of the financial feasibility of various delivery options for the Court House, an update on project costs, and a value-for-money analysis of a design-build (DB) and or a public-private-partnership (P3) delivery as compared to a traditional design-bid-build (DBB) process. The E&Y analysis ultimately concluded that there is value-for-money in pursuing an alternative delivery method rather than the traditional DBB approach.

Shortly after receiving the E&Y report, the Commissioners Court appointed a Court House Recommendation Committee to assist with the selection of a final delivery method for the project. Each committee member represented a key stakeholder organization or provided expertise in an important subject matter area related to the project. The members of the Travis County Civil and Family Court House Recommendation Committee were appointed by the Commissioners Court in May 2012. The Committee was asked to return to the Commissioners Court with a

recommendation in June, or as soon as the completion of their deliberations would allow. The Committee completed their work in July and presented their report for the Commissioner Courts consideration and deliberation on August 7, 2012.

The Travis County Civil and Family Court House Recommendation Committee recommended the Commissioners Court pursue a P3 delivery approach for the project. The Committee's report covered a host of other issues, including some refinements to the governance process that E&Y had briefly laid out in their report. These recommendations suggested that the Commissioners Court would need to hire a transaction-oriented P3 advisory team before issuing a solicitation for the development of the project. During discussions regarding the Committee's recommendations, the Commissioners Court informally directed staff to begin working on the necessary procurement documents to obtain a program management team, also referred to as an owner's representative. Once selected, the owner's representative would assist the Court with finalizing their choice of the appropriate delivery method for the development of the Civil and Family Court House.

The following section of this memo and the supporting attachments describe the next steps to assist the Commissioners Court with the Civil and Family Court House project.

STAFF RECOMMENDATIONS REGARDING NEXT STEPS:

Governance Structure for Project and Recommended Follow-up Actions

The Commissioners Court should continue the process of establishing the appropriate governance structure for the project as described on pages 217 – 235 in the E&Y report. This can be accomplished prior to making the final decision on the specific delivery approach now that the options appear to be narrowed to a DB or P3 approach.

As part of the process to establish a governance model for the project, the Commissioners Court should complete the appointments to the Advisory Committee for the project. The Commissioners Court began this work by establishing a draft charge and suggested membership as an extension of the Recommendation Committee. Previous discussions by the Court indicated the intent to each appoint three representatives in addition to the membership of the Recommendation Committee. Attachment 1 is a list of Recommendation Committee members who are able to continue serving on the Advisory Committee, as well as identified vacancies. Attachment 2 is the draft charge for the Advisory Committee that was considered by the Commissioners Court in May 2012.

In addition to finalizing the membership of the Advisory Committee, the Commissioners Court may wish to revisit or reaffirm internal leadership roles for the project. Leslie Browder, County Executive of Planning & Budget and Roger Jefferies, County Executive of Justice & Public Safety, have been serving as the executive sponsors for the project. The allocation of internal staff resources for the project, including an internal project manager and internal team of support staff, would be the responsibility of the executive sponsor(s). Any internal staff assigned to the project will ultimately support the program manager hired as the owner's representative for the project who will be responsible for the day-to-day execution of every aspect of the project.

Procurement of Program Management Services (also known as the Owner's Representative)

Staff has been developing an umbrella solicitation that will allow the Commissioners Court to receive proposals from self-selected teams of firms and individuals with the requested qualifications to assist during the initiation and planning phases. Through the planned use of phasing in the contract, this solicitation can put the team in place that will carry the program management of the project through completion of construction.

There is no doubt that the Civil and Family Court House project as currently envisioned is a significant project for the Travis County Commissioners Court. Although levels of responsibility and the scope of work may vary during the later phases of the project, the most desirable candidates for the initiation and planning phases should have experience in both DB and P3 projects. This allows the Commissioners Court to obtain additional outside expertise to assist with planning and final determination of the appropriate project delivery method. This same team can then move forward into subsequent phases of the project after authorization for funding of subsequent phases has been secured. It is not unusual for the development of a public information program about the project to be included as part of the scope of work for program management services, particularly when the project is a significant one like the Civil and Family Court House.

For a more detailed listing of roles and particular areas of expertise to be included in the solicitation, refer to Attachment 3. Attachment 4 is an executive level project schedule that is based on information developed with E&Y and the County's Purchasing Agent.

Staff believes that a draft scope of work for the umbrella solicitation can be completed and presented to the Commissioners Court for comment in early February with anticipated release of a Request for Services (RFS) for Program Management in mid-February with the planned contract award to occur no later than the end of May. This schedule allows the Commissioners Court to complete the initiation and planning phases of the project and establish funding in the 6 to 9 months following contract award for Program Management.

Based on discussions with E&Y and experts in the development community, it is essential to the success of a project that the governance model maintains control, transparency and effective risk management. The one industry proven method to accomplish this is to use the Guide to the Project Management Body of Knowledge published by the Project Management Institute. Information related to this model is outlined in the Governance section of E&Y's report. Project phasing includes initiation, planning, execution, measuring and monitoring, and closing. Travis County is currently in the initiation phase of the Civil and Family Court House Project. Attachment 5 includes an overview of the project phases as defined by the Guide to the Project Management Body of Knowledge.

The initiation phase of the project is the development of the goals and vision for the project, as well as defining desired end results. The outputs of this phase are the preliminary project scope statement, which has been largely developed already through the work with Broaddus and Ricci Greene in the form of the approved Civil and Family

Court House Program document. Additional information needed to complete the project scope statement will include the delivery method and overall business goals and objectives for the project. The project charter will clearly define the project, outline the budget and the resources needed to execute each phase of the project. These documents will be developed as a part of the first phase of work by the firm selected to provide program management services. As mentioned previously, this firm is also commonly referred to as the owner's representative.

Recommended Staff Evaluation Team for Program Management Services

Staff recommends that the solicitation process for program management services be supervised directly by the County's Purchasing Agent, Cyd Grimes. In addition to the public purchasing expertise that is needed to supervise the procurement process, a team of staff members is needed to evaluate responses to the RFS.

A list of recommended individual evaluators is provided below for consideration by the Commissioners Court. These individuals bring various types of knowledge and experience that are relevant to this procurement.

Justice planning and administration – Roger Jefferies
Financial planning and project management – Leslie Browder
Architectural, engineering and construction management – Roger El Khoury
Strategic facilities planning and project management – Belinda Powell
Civil courts administration and stakeholder representative – Peg Liedtke

In addition to the individuals listed above, the County Attorney's office will provide the expertise needed to select and assemble the necessary internal and external legal resources needed for the project on behalf of the Commissioners Court.

FISCAL IMPACT AND SOURCE OF FUNDING:

A special reserve was established in 2011 with initial funding of \$2.1 million for the planning and design of a new Civil and Family Court House. The reserve was increased to \$4.0 million in 2012, and tapped for \$504,000 to fund a feasibility study regarding potential delivery options for the project, including DB and P3 approaches discussed in this agenda item. Additional funding of \$2.0 million was approved in the 2013 operating budget, which brought the reserve balance to \$5,496,000. This additional funding was approved as an ongoing allocation to begin gradually accumulating the ongoing funding needed for future operations and maintenance of a new court house. In the meantime, this reserve can be used for planning and preliminary design as the project moves forward, regardless of the delivery option ultimately approved by the Commissioners Court. This approach will ultimately help to reduce the overall project costs by reducing the amount that needs to be financed through the issuance of debt.

A report was submitted to the Commissioners Court in August 2012 that provided preliminary financial analysis for the project. This analysis should be updated and refined as part of the work to be completed under the contract for Program Management Services (and recommended in this agenda item). A recap of this report that was provided to the Commissioners Court is included as Attachment 6.

Raising the tax rate in small increments over the next few years could be a strategy used to build sufficient revenue to pay for future operations and maintenance requirements by the time the court house is completed, regardless of the delivery method chosen by the Commissioners Court. As indicated previously, the additional revenue generated during the development period could provide cash funding for planning, design and engineering in the early stages of the project, ultimately reducing the total amount needed for debt financing and interest costs. If this approach was used, the analysis in August indicated that the annual tax rate could be increased by approximately ½ cent each year over a four-year period. Staff is reviewing assumptions to assess whether these projections can be further refined.

REQUIRED AUTHORIZATIONS:

N/A

ATTACHMENTS:

1. List of Recommendation Committee Members and Advisory Committee Members
2. Draft Charge for Advisory Committee
3. Roles in the Proposed Governance
4. Executive Level Project Schedule
5. Definition of Project Phases
6. Recap of Preliminary Financial Analysis (completed in August 2012)

Copies to:

The Honorable John Dietz, 250th District Court
The Honorable Lora Livingston, 261st District Court
The Honorable Eric Shepperd, County Court at Law #2
The Honorable Rosemary Lehmborg, District Attorney
The Honorable David Escamilla, County Attorney
The Honorable Amalia Rodriguez-Mendoza, District Clerk
The Honorable Dana DeBeauvoir, County Clerk
Peg Liedtke, Civil Court Administrator
Cyd Grimes, Purchasing Agent
Nicki Riley, County Auditor
Roger Jefferies, County Executive, Justice and Public Safety
Leslie Browder, County Executive, Planning and Budget
Jessica Rio, Budget Director
Roger El Khoury, Director Facilities Management
James Collins, First Assistant County Attorney
John Hille, Assistant County Attorney
Tom Nuckols, Assistant County Attorney

Attachment 1
Civil and Family Court House Recommendation Committee Members and
Advisory Committee Members

Organization

1. **Downtown Austin Alliance** – Charles Heimsath
2. **Original Austin Neighborhood** – Not confirmed
3. **Greater Austin Chamber of Commerce** – Shaun Cranston
4. **Greater Austin Hispanic Chamber of Commerce** – Not confirmed
5. **City of Austin** – Rodney Gonzales
6. **Capital City African American Chamber of Commerce** – Not confirmed
7. **Austin Asian American Chamber of Commerce** – Not confirmed
8. **Austin Bar Association** – Martha Dickie
9. **Downtown Austin Neighborhood Association (DANA)** – Not confirmed
10. **Real Estate expertise and tax** – Art Cory
11. **Real Estate Council of Austin (RECA)** – Rebecca Bray
12. **Financial Expert** – Not confirmed
13. **Public Finance** – Not confirmed

Areas of Expertise Suggested for Advisory Committee Members

Architectural
Community Leadership
Engineering
Environmental
Facilities Management
Financial
Information Technology
Legal
Security

Attachment 2

Charge for Civil and Family Court House Community Advisory Committee DRAFT

(This charge was last reviewed by the Commissioners Court on May 8, 2012)

The Community Advisory Committee is an advisory panel of external individuals and firms needed to supplement the internal team and independently advise the Program Manager and the Commissioners Court. The Charge of the committee is as follows:

1. The committee is to provide independent advice and recommendations to the Commissioners Court and the Program Manager for the duration of the procurement, design and construction of the Travis County Civil and Family Court House. The advice and recommendation may come in the form of a presentation to the Commissioners Court, a written report, or other appropriate means of communication. If appropriate due to the vote of the committee, majority and minority reports may be presented to the Commissioners Court.
2. The advice and recommendations may be generated by inquiries on specific issues by the Commissioners Court and the Program Manager, and by observation of specific issues by the Committee.
3. The work of the committee should be collaborative, objective, informative, and transparent and should instill confidence in the soundness of the advice for the Travis County Commissioners Court and the residents of Travis County.
4. The committee should update the Commissioners Court on a quarterly basis regarding the status of their work and resulting recommendations, and receive further direction from the Commissioners Court as needed.

Attachment 3
Roles in the Proposed Governance Structure for Civil and Family Court House
DRAFT

Executive Sponsor – A person or persons are typically selected to provide direction and guidance to the Program Manager, to assure resources are provided for the project in a timely fashion and expertise, guidance and access to the Commissioners Court are readily available at critical junctures for the Program Manager. This role is currently being provided by two County Executives who serve as co-sponsors for the project.

Program Management Services – The Program Manager, also called the Owner’s Representative, is typically employed through an outside contract. This individual brings project and construction management expertise. He or she is supported by the internal Project Manager, as well as other internal staff or contracted expertise. This individual acts as the coordination point for all contracted project resources. He or she will typically have a project manager that will direct the “day-to-day” project issues, with the Program Manager taking on more strategic oversight of the project and assisting with design of the internal management structure and processes required for overall management of the project.

Project Manager – An internal individual should be designated as the County’s primary point of contact for a steering committee (see definition below) that provides strategic direction for overall project delivery. This individual is responsible for ensuring that direction from the steering committee is implemented, administering the contracts of the Program Manager and other external project advisors, coordinating internal and external project committees, and handling day-to-day internal processes that are needed to assist the external Program Manager achieve project objectives.

Steering Committee – This group should be include four to six individuals that would meet monthly and be responsible for approving any scope changes, as well as any changes in strategic direction for the project. The committee should include at least two members of the Commissioners Court and at least one civil District Judge. The Executive Sponsor and the County’s internal Project Manager will provide support for the Steering Committee throughout the project.

External Advisors – An advisory panel of external individuals or firms will be needed as supplemental advisors to the internal team resources. These individuals or firms will independently advise the Program Manager and Steering Committee. The extent of the team depends on the delivery method, but will likely include:

Financial Risk Manager (see definition below)
Bond Counsel
Special Counsel
Information Technology Experts
Security Experts

Internal Team – Full-time and part-time resources will be provided by various members of County staff throughout the project to offer advice and expertise as needed, as determined by the Executive Sponsor, Project Manager or the Steering Committee.

Financial Risk Manager – An independent third party who is responsible for advising the Program Manager, the Advisory Committee and the Commissioners Court on project issues is typically retained for quality assurance purposes. This third party would be responsible for monitoring project planning and execution, recommending any corrective actions to appropriate individual(s) related to the project. Under a P3 approach, the role of this position is more extensive and is heavily involved in the development of the project charter (or charge) and helping to finalize project objectives during the initiation phase. During the planning phase, this third party is heavily involved in preparing procurement documents to solicit the developer and concessionaire assessments as the bids are evaluated. The Concessionaire will assume most of the traditional Project Management role during construction as most of the project controls and risks have been transferred to the Concessionaire.

Attachment 4
Executive Summary Level Project Schedule
 Timeline for Civil & Family Court House

Commissioners Court Discussion:	January 29, 2013
<i>Recap of Feasibility Study Recommendations</i> <i>Review of Schedule/Next Steps</i> <i>Citizens Advisory Committee</i>	
Issue Request for Services for Advisors	February 12, 2013
Award Contract for Advisors	May 21, 2013
Decision on Delivery Method and Bond Election Ballot Language	by August 2, 2013
Bond Election	November 5, 2013
Issue Request for Proposals for Development	January 2014
Select Proposal	February 2015
Finalize Design and Contract and Award Contract	March 2016
Start Construction	March 2016
Complete Construction	December 2017
Building Occupancy	January 2018

Attachment 5

Definitions of Project Phases

These definitions follow the industry practices outlined in the Guide to the Project Management Body of Knowledge published by the Project Management Institute.

Initiating – The initiating phase of the project life cycle occurs when the project is defined and authorized by management. This is the first phase of a project.

Planning – After project initiation, project planning begins. The planning phase refines the project objectives and then lays out the steps necessary to achieve the objectives. Steps include defining the objectives, requirements, staffing, budget, dependencies, scope, determining the schedule, and assigning the project resources and team. This information culminates in the Project Execution Plan.

Executing - This phase takes the Project Execution Plan, combined with the staffing and executes the project. Tasks include design of the project, bidding the project, constructing the project and closing out the construction project.

Measuring and Monitoring – This phase ensures that controls established in the Project Execution Plan for maintaining the quality, cost and timeline for the project are executed. This is the phase that executes the change management process for the project. This is not a discreet phase but is continuous throughout the project life cycle.

Closing – The closing process involves getting formal acceptance of the project completion for the client, department, executives, or other bodies of authority. The inputs to the process are the administrative and contract close-out procedures and final acceptance of the project is granted.

**Attachment 6
Recap of Preliminary Financial Analysis**

A report was submitted to the Commissioners Court in August 2012 that provided preliminary financial analysis for the project. The information that follows is a recap of that report. This analysis should be updated and refined in the future through the work to be completed under the contract for Program Management Services as part of the next steps recommended in this agenda item.

Project Construction Phase Costs

Design Build	Public Private Partnership (P3)
\$338.7 million	\$343.0 million

The analysis completed in August assumed that under the DB method, the County would finance close to 100% of the capital costs primarily through the issuance of long-term debt. Under the P3 approach, the County would finance approximately 60% of the construction costs with the balance to be financed by the third party partner, or concessionaire.

Whether the County finances 100% of the project costs under the DB approach or 60% under the P3 option, the issuance of debt would be phased over several years based on project spending needs. Interest rates were assumed to range from 4% up to 5.5% depending on timing of issuance, and the assumed interest rates were projected in consultation with the County's financial advisor. Average estimated capital financing is shown in the table below.

Capital Financing

	Design Build	Public Private Partnership (P3)
Average annual County debt service	\$22.7 million	\$13.8 million
Average annual payments to concessionaire related to capital financing	-0-	\$11.4 million
Total	\$22.7 million	\$25.2 million

The County portion of the project funding would likely be financed over a 20-year period to reduce interest costs, but County financing is shown here as 30-year financing simply to facilitate comparability since any P3 concessionaire is expected to finance costs over a 30-year period. In reality, the County would most likely finance its portion of the project over 20 years in accordance with its financial policies, and more importantly, to reduce interest costs. This would increase the average annual debt service to \$26.2 million per year, but total payout would ultimately occur over a shorter time frame and would not significantly increase the impact on the annual tax bill of the average homestead.

E&Y projected that operations and maintenance costs can vary significantly over their 30-year forecast period due to need to invest in major facility maintenance from time to time as can be seen in the following table. As part of the financing plan for

the project, the County could begin building cash reserves in the future to accumulate renewal and replacement funds that could help pay for rehabilitation and repairs when needed. This would help smooth costs over time and prevent any spikes in the average annual tax bill.

Operations & Maintenance Costs/Service Payments to P3 Concessionaire

	Design Build	Public Private Partnership (P3)
Average annual costs	\$10.1 million	\$9.7 million
Low (start-up year)	\$4.7 million	\$3.8 million
High (major maintenance)	\$31.8 million	\$31.2 million

**Estimated Cumulative Annual Tax Impact on Average Homestead by 2020
(Initial projections developed in July 2012)**

	Design Build	Public Private Partnership (P3)
Debt amortization over 20 years	\$69	\$71
Debt amortization over 30 years	\$61	\$66

2020 was selected as an illustrative year after the debt associated with the project would have theoretically been issued. Homestead values used in the analysis reflect consistent, modest annual growth of 3% to facilitate comparison between the delivery methods during any given year. Reducing the financing period to 20 years for the County portion of debt slightly increases the impact of the annual tax bill during the 20-year debt term, but reduces the total costs paid out over time.

As previously discussed in August 2012 when this information was provided to the Commissioners Court, these projections represented very preliminary estimates and actual results could vary significantly. That is still the case.

Going forward, raising the tax rate in small increments over the next few years could generate sufficient revenue to pay for future operations and maintenance requirements by the time the court house is completed, regardless of the delivery method chosen by the Commissioners Court. The additional revenue generated during this time could provide cash funding for planning, design and engineering, which would ultimately reduce the total amount needed for debt financing and related interest costs.