



## Judicial Council of California · Administrative Office of the Courts

455 Golden Gate Avenue · San Francisco, California 94102-3688

[www.courts.ca.gov](http://www.courts.ca.gov)

---

# REPORT TO THE JUDICIAL COUNCIL

For business meeting on June 27, 2014

---

Title	Agenda Item Type
Judicial Branch Report to the Legislature: Evaluation of Cost-Effectiveness of the Governor George Deukmejian Courthouse	Action Required
Rules, Forms, Standards, or Statutes Affected	Effective Date
None	June 27, 2014
Recommended by	Date of Report
Administrative Office of the Courts Curtis L. Child, Chief Operating Officer William J. Guerin, Director, Judicial Branch Capital Program Office	June 11, 2014
	Contact
	Kelly Quinn, 818-558-3078 <a href="mailto:kelly.quinn@jud.ca.gov">kelly.quinn@jud.ca.gov</a>

---

### Executive Summary

The Administrative Office of the Courts (AOC) recommends directing the AOC to submit a report on the cost-effectiveness of the Governor George Deukmejian Courthouse in the City of Long Beach to the appropriate budget and policy committees of the Legislature, the Joint Legislative Budget Committee, the Legislative Analyst's Office, and the state Department of Finance by June 30, 2014, to meet Senate Bill 75 statutory reporting requirements. The report assesses and compares this performance-based infrastructure project with three other court construction projects delivered using traditional procurement methods.

### Recommendation

The Administrative Office of the Courts recommends that the Judicial Council direct the AOC to submit the attached report on the cost-effectiveness of the Governor George Deukmejian Courthouse to the appropriate budget and policy committees of the Legislature, the Joint Legislative Budget Committee, the Legislative Analyst's Office, and the state Department of Finance by June 30, 2014, to meet Senate Bill 75 statutory reporting requirements.

## **Previous Council Action**

No previous council action has occurred or been required because the enactment of SB 75 (Committee on Budget and Fiscal Review; Stats. 2013, ch. 31) in June 2013 initiated the requirement that the judicial branch make a report on the cost-effectiveness of the Governor George Deukmejian Courthouse to the appropriate budget and policy committees of the Legislature, the Joint Legislative Budget Committee, the Legislative Analyst's Office, and the state Department of Finance by June 30, 2014.

## **Rationale for Recommendation**

### **Legislative evaluation criteria**

Section 27 of SB 75 requires the Judicial Council to “assess the implementation of the project agreement and compare the project to other court construction projects the Judicial Council has pursued using the traditional public sector approach. The evaluation shall address whether the project was a cost-effective approach compared to the Judicial Council's other court construction projects.” The attached report on the cost-effectiveness of the Governor George Deukmejian Courthouse includes responses to the following evaluation criteria listed in SB 75:

1. Evaluation of the project company, Long Beach Judicial Partners LLC, and its design-build implementation of the project agreement relative to the requirements of the agreement.
2. Comparison of the assumptions included in the project's final Value for Money analysis—which was submitted to the Legislature in a report dated January 24, 2011—to the project's actual costs to date as well as projected costs incurred under the life of the contract. The comparison shall address assumptions that were made about the project site, timing, capital and operating costs, financing and revenues, and project risks. The comparison shall describe, for each of the project risks that were identified in the Value for Money analysis, whether the risk was realized and if a cost was imposed on the project company or the Judicial Council as a result.
3. Identification of costs that occurred in the project for the project company and the Judicial Council—costs that were not identified in the Value for Money analysis.
4. Description of major challenges encountered by the project and how those issues were resolved.
5. Description of major changes to the project scope, budget, or timeline during the term of the project agreement, including changes that did or did not require renegotiation of the agreement, and the impact of those changes to the project, including cost impact.
6. Assessment of the cost-effectiveness of the project compared to a minimum of three projects constructed as part of the courts construction program. The assessment shall consider the costs to the project company and the Judicial Council related to the construction, management, and operation of the court building. The assessment shall also consider the

timeliness of construction, the quality of the building, and the level of service provided by the project company compared to those criteria for buildings constructed and maintained by the Judicial Council. The information presented in this assessment shall include, but not be limited to, all of the following for each court construction project:

- Identification of all initial, final approved, and actual project costs for each phase of design and construction, including any cost increases and reasons for those increases.
- Identification of the initial, final approved, and actual project timeline for each phase of design and construction, as well as all project delays and the factors associated with the project delays.
- The total project management costs incurred by the Judicial Council, including for existing staff who worked on each project, distinguished by project activity.
- The total costs paid for contractors, distinguished by project activity.

### **AOC response to legislative evaluation criteria**

As indicated above, SB 75 requires the council to assess and compare the 31-courtroom Governor George Deukmejian Courthouse PBI project with three other court construction projects delivered using traditional procurement methods. Although the attached report provides information on three other projects, the most valuable comparison is to the San Bernardino Justice Center, which is of a similar scale, with 35 courtrooms, and was constructed at the same time in a similar construction market. The two other completed projects examined—the Richard E. Arnason Justice Center in the City of Pittsburg and the South County Justice Center in the City of Porterville—are the next largest of the new courthouse projects completed by the judicial branch and have only 7 and 9 courtrooms, respectively. A summary of key findings of the report follow.

The Governor George Deukmejian Courthouse was designed and constructed nearly two years faster than the San Bernardino Justice Center for two main reasons: first, the design-build delivery method used as part of the PBI process allowed for design and construction phases to overlap or be fast-tracked. The AOC's traditional construction manager at risk (CMR)<sup>1</sup> delivery method, which was used by the AOC on the three comparator projects, requires sequential approvals of preliminary design, working drawings, and construction phases, taking more time to complete than the design-build fast track. Second, PBI uses private financing, which is not subject to the timing of state bond sales, which drive the construction start date for state-financed construction projects and can produce delays. The San Bernardino Justice Center construction start was delayed by nine months as a result of a cancelled bond sale.

The AOC delivered all four new courthouses under budget, saving the state over \$71 million. The hard construction costs of the Governor George Deukmejian Courthouse and the San

---

<sup>1</sup> An overview of this procurement approach is included in Appendix A of the attached report.

Bernardino Justice Center are almost identical, with the Governor George Deukmejian Courthouse costing 0.15 percent more per square foot. Three factors add value to the Governor George Deukmejian Courthouse: mechanical and electrical equipment configurations were designed to alleviate failure and avoid service payment deductions, infrastructure was designed for future conversion of leased office space to six courtrooms, and significantly more holding cells are included to accommodate future expansion in the number of courtrooms.

The two methods used to develop the four projects studied—PBI for the Governor George Deukmejian Courthouse, and CMR for the other three projects—valued and supported collaboration throughout the design, construction, and operations transition processes, resulting in projects with predictable budget management and minimal change orders related to coordination of documents. Each method relied on competitive procurement with multiple proposers.

The council's *California Trial Court Facilities Standards* were applied to each project and resulted in new courthouses of predictable quality, function, and cost irrespective of delivery method. The four subject projects align favorably with the target ranges in the standards for square feet per courtroom, floor area efficiency factors, and volume-to-area ratio.

Project management for courthouse capital projects is provided by the AOC's Judicial Branch Capital Program Office, primarily by AOC employees and sometimes with assistance from outside firms. For the four projects reviewed in this report, judicial branch project management costs accounted for 1.63 percent of the total aggregate project costs, or 1.82 percent of the hard construction costs.

The project company carried out the project agreement effectively and met all of its requirements concerning schedule, design and construction processes, change orders, and quality control.

The assumptions about site, timing, and capital costs of the Governor George Deukmejian Courthouse, as defined in the project's final Value for Money analysis,<sup>2</sup> dated January 24, 2011, were valid. The assumptions about project risks were also valid, with no additional costs passed to the AOC in excess of the original allocation. The successful refinancing in December 2013 indicates that the financing assumptions were also valid. It is too early in the service period to make definitive assessments of operating costs and revenues.

The project agreement for the Governor George Deukmejian Courthouse requires that the new courthouse operate properly for 35 years and then be returned to state ownership in a specified

---

<sup>2</sup> This analysis is a comparison of the risk-adjusted whole life-cycle cost of the project procured as a PBI and of the project as if it were procured as a design-bid-build project, which is the public sector comparator. The comparison is done on a net present value (NPV) basis to facilitate a consistent comparison of costs, because the costs to the state occur at different points in time under each procurement option. The NPV of each of the procurement methods is compared to determine which would provide the best value to the state.

condition and requires that the project payments to the project company be reduced if these terms are not met. The project company, not the AOC, has assumed the risk of operating and maintaining this facility to a high level for the 35-year duration of the project agreement. Because the San Bernardino Courthouse opened in May 2014 and the Governor George Deukmejian Courthouse has been operating for less than one year, a comparison of actual operating and maintenance costs cannot be provided in the report.

### **Comments, Alternatives Considered, and Policy Implications**

The AOC did not solicit comments on the recommended council action. This report is mandated by the Legislature, and therefore, no alternatives have been considered.

### **Implementation Requirements, Costs, and Operational Impacts**

There will be no implementation requirements, costs, or operational impacts related to the findings of the attached report.

### **Relevant Strategic Plan Goals and Operational Plan Objectives**

The recommended council action supports Goal II (Independence and Accountability), Goal III (Modernization of Management and Administration), and Goal VI (Branchwide Infrastructure for Service Excellence).

### **Attachment**

1. *Governor George Deukmejian Courthouse: Evaluation of Cost-Effectiveness—Report to the California Legislature as Required by Senate Bill 75 (Stats. 2013, ch. 31), June 2014*