

Agenda Report

TO: CITY COUNCIL

DATE: APRIL 12, 2004

THROUGH: FINANCE COMMITTEE

FROM: CITY MANAGER

SUBJECT: AUTHORIZATION TO INCREASE MORILLO CONSTRUCTION'S
CONTRACT FOR THE CONSTRUCTION OF FIRE STATION 34
BY A NOT-TO-EXCEED AMOUNT OF \$206,620

RECOMMENDATION:

It is recommended that the City Council:

- 1) Appropriate \$40,000 from account number 101-363100-8506 Fire Department's general fund operating budget to account number 71813, Fire Station 34.
- 2) Appropriate \$157,932 from Charter Capital Account to account number 71813, Fire Station 34.
- 3) Authorization to increase Morillo Construction's contract for the construction of Fire Station 34 from a not-to-exceed amount of \$2,660,312 to \$2,866,932

Background

In December, 2000, the City hired Morillo Construction to construct Fire Station 34 which was designed by Gonzalez/Goodale architects as an essential facility. The approximately 13,000 feet, three-bay Fire Station 34, located at 1360 East Del Mar Boulevard, was completed on time in January 2002. Since completion, staff has received feedback that this visible project is well received by the Fire Department, Caltech, and the community.

The project went over budget by \$206,620 because of unanticipated costs associated with compliance requirements of the lease agreement with Caltech and Design Commission recommendations, costs associated with the changes requested by Fire Department for operational reasons, and costs associated with drawing clarifications provided to the contractor, by the architect, regarding the exterior cladding, structural framing and site development component work of the project. While the latter created a changed condition relative to contract documents, it resulted in an improved project from a quality and aesthetic context.

Furthermore, staff was aware that the project budget was minimal, so it was decided to reduce the project scope and monitor the project cost. To reduce the project budget, staff ensured that the program functions inside the building were limited to those essential for fire fighting functions, used interior finishes that were austere in nature to minimize operational cost as well as approved a design that was acceptable to both Caltech and the Design Commission, and implemented their recommendations.

Since the completion of this project in December 2002, and staff's receipt of the balance of the change order proposals from the contractor between January 2002 and February 2002; staff has coordinated with the user group, architect, and contractor, and has had consultation with the City Attorney's office to determine the legitimacy of costs, assignment of associated burden/risks and resolve warranty and equipment issues. The main reason that the project is over budget can be mainly attributed to costs associated with drawing clarifications provided to the contractor by the architect regarding the exterior features, structural framing, and site development component work that occurred towards the end of the project. These design clarifications resulted in an increase in project costs and effected a higher quality project. After a review of these changes and consultation with the City Attorney's office, they do not appear to meet the threshold of professional negligence. To a lesser extent, some of the Fire Department's requested changes also contributed to the project being over budget. Noted below is additional information regarding the construction budget, change order cost, and the amount required to close contract, which has formed the basis for staff's recommendation.

Construction Budget

Contractor's Base Construction Cost	\$2,345,000
Plus Approved Contingencies	<u>\$ 315,312</u>
Not to Exceed Construction Contract Amount	\$2,660,312

Change Order Cost Summary

Additional Testing and Inspection/Permits	\$ 121,000
Agreed Change Order Cost	<u>\$ 400,932</u>
Subtotal Change Cost	\$ 521,932
Less Approved Contingencies	<u>(\$ 315,312)</u>
Amount Required to Close	\$ 206,620

Amount Required to Close Contract

Not-to-Exceed Construction Contract Amount	\$2,660,312
Plus amount required to close	<u>\$ 206,620</u> (\$197,932 is unfunded)
Adjusted Construction Cost	\$2,866,932

Approximately \$121,000 of the contingency amount was used to pay for additional testing and inspection requirements due to drawing clarifications and rain (during site grading work) as well as additional permit fees and sewer connection costs.

Negotiations between the City and the contractor lead to a revised agreed change order proposal amount of \$400,932. The component breakdown of this change order amount is

as follows: Approximately \$197,000 could be attributed to miscellaneous contract documents revisions and field clarifications provided by the architect directly to the contractor, while about \$40,000 may be attributed to Fire Department's staff request. The change order cost due to the need to satisfy the intent of the lease with Caltech, respond to Design Commission/Planning and Development staff's recommendation, and comply with City inspector's requirement as well as minor routine field issues is about \$163,000.

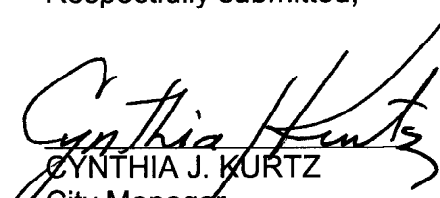
Lastly, the agreed change order amount is less than fifteen percent of the adjusted construction cost and is consistent with local standards of care for comparable Public Sector projects. The adjusted construction cost is also less than the cost of comparable projects in the Los Angeles metropolitan area at that time.

FISCAL IMPACT:

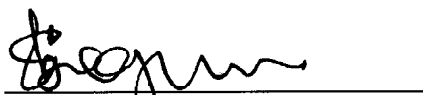
The \$40,000 appropriation from the Fire Department's general fund operating budget will reduce its budget for non-essential equipment for Fiscal year 2004 by this amount, and it is anticipated that the equipment will be purchased in Fiscal Year 2005.

Including the new appropriations, sufficient funds will be available for this contract in the Capital Improvement account number 8114-301-71813.


Respectfully submitted,


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City Manager


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