

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: August 13, 2012

CAO File No.: 0150-09828-0000

Council File No.:

Council District:

To: The Mayor
The Council

From: Miguel A. Santana, City Administrative Officer



Reference: Transmittal from the Department of Water and Power dated August 9, 2012

Subject: **SECOND AMENDMENT TO CONTRACT NO. 7038 BETWEEN THE LOS ANGELES DEPARTMENT OF WATER AND POWER AND STEVE P. RADOS, INC.,**

SUMMARY

The Department of Water and Power (DWP; Department) requests approval of a proposed resolution authorizing the execution of the Second Amendment to Contract No. 7038 (Agreement) with Steve P. Rados, Inc. (SPR), that (i) extends the original three year term by 18 months, expiring March 15, 2014, and (ii) increases expenditure authority by \$3.3 million for additional contingency funds resulting in a total contract amount of approximately \$44 million. Pursuant to Charter Section 373, for long term contracts, City Council approval is required because the cumulative length of the agreement exceeds three years. The City Attorney has approved the proposed resolution as to form and legality.

The DWP Board of Commissioners (Board) awarded the competitively bid original Agreement to SPR for a total contract amount of \$40.7 million for the construction of the River Supply Conduit Improvement Lower Reach, Unit 4 (RSCILR4) Project. The RSCILR4 Project includes the installation of 10,400 linear feet of various large diameter (48 to 96 inches) welded steel pipes from Griffith Park to the Silver Lake Reservoir Complex area.

Construction activities began in March 2010 and the planned completion date was September 15, 2012. However, due to unexpected site conditions, development of traffic control plans, extensive restoration paving due to the poor pre-existing condition of some of the streets, increased levels of public outreach, and additional regulatory requirements, only 74 percent of the RSCILR4 Project is complete. An additional 18 month term, expiring March 15, 2014, is requested to complete the RSCILR4 Project including the pending change orders already negotiated and change orders currently under negotiation.

According to the Department, as of July 2012, expenditures for the RSCILR4 Project are currently 68 percent of the authorized contract amount; however, the remaining funds for contingencies are nearly depleted at approximately \$300,000. The DWP states that based on the past two years of

experience with the RSCILR4 Project, as well as other similar construction projects, staff anticipates that additional funding for contingencies will be necessary to complete the RSCILR4 Project. If the Second Amendment is approved, the resulting total contract amount will increase from \$40.7 million to \$44 million.

On August 7, 2012, the Board of Water and Power Commissioners (Board) approved the First Amendment to the Agreement to provide a limited term extension and expenditure authority. In accordance with Los Angeles Administrative Code Section 10.5(b)(2), the term was extended for six months expiring March 15, 2013, and authorized payments were limited to approximately \$134,000. Per the City Attorney, Board approval of the First Amendment is allowed to provide both a limited term extension and limited funding. Per the City Attorney, in this instance, the purpose of the First Amendment is to prevent a break in the contract term while approval of this proposed Second Amendment is considered. Furthermore, it was noted by the City Attorney that approval of the proposed resolution and Second Amendment will supersede the actions of the First Amendment.

The above-mentioned aspects of the proposed Second Amendment, and this report, are based upon information received from the Department and the City Attorney subsequent to the initial request submittal.

RECOMMENDATION

That the Council approve the proposed resolution authorizing the execution of the Second Amendment to Contract No. 7038 with Steve P. Rados, Inc., that extends the term 18 months, expiring in September 15, 2014, and provides an additional \$3.3 million of expenditure authority.

FISCAL IMPACT STATEMENT

Approval of the proposed resolution provides additional expenditure authority up to \$3.3 million from the Water Revenue fund. The proposed Agreement complies with the Department's adopted Financial Policies. Approval of the proposed resolution will have no impact on the City's General Fund.

TIME LIMIT FOR COUNCIL ACTION

Pursuant to Charter Section 373, "Long Term Contracts Approved by Council," and the Los Angeles Administrative Code Section 10.5, "Limitation and Power to Make Contracts," unless the Council takes action disapproving a contract that is longer than three years within 60 days after submission to Council, the contract shall be deemed approved.