

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Motion to Authorize the City Manager to Increase Contract Contingency Spending Authorization for the Aurora Avenue Multimodal Corridor Project (N. 145th Street – N. 165th Street) and the Interurban Trail Pedestrian and Bicycle Crossing Project

DEPARTMENT: Public Works

PRESENTED BY: Paul Haines, Public Works Director
Kirk McKinley, Aurora Corridor/Interurban Trail Project Manager

PROBLEM/ISSUE STATEMENT: Staff is requesting that Council authorize the City Manager to increase contract spending authorization for the Aurora Avenue Multimodal Corridor Project (N. 145th Street – N. 165th Street) and the Interurban Trail Pedestrian and Bicycle Crossing Project. The project is approximately 75% complete, and staff has completed a cost-to-complete (CTC) analysis, which projects that the current contract spending and budget authority would be exceeded prior to contract completion. The CTC includes all previous and projected expenditures for the above mentioned project for the design, right-of-way and construction phases. Tonight Council is requested to authorize the increase for contract spending authority for the project. The budget change will be included with the budget amendment scheduled for Council consideration on November 13, 2006. The current contract completion date is January 9, 2007.

BACKGROUND: Council awarded the construction contract to Gary Merlino Construction Company (GMCC) on June 6, 2005 in the amount not to exceed \$23,606,287.75. This contract award included five different schedules/projects: Aurora, Interurban Bridges, Seattle City Light, Seattle Public Utilities and Ronald Wastewater. Council also authorized a contingency to complete the Aurora Avenue Multimodal Corridor Project (N. 145th Street – N. 165th Street) and the Interurban Trail Pedestrian and Bicycle Crossing Project for a total spending authorization of \$24,992,820.68. Specifically, the contingency for the Aurora Corridor Project (N. 145th St. – N. 165th St.) and the Interurban Pedestrian & Bicycle Crossing Project was calculated at 5%, and the underground utility work was calculated at 10% for SCL, SPU and Ronald Wastewater. On May 8, 2006, Council increased the contingency by \$410,000 to \$1,796,533 (reimbursed by SPU) to respond to the SPU requests for total contract authority of \$25,402,821. As we shared during the bid award in June of 2005, a 5.9% combined total contingency (4% for city portion and 1.9% for utility portion) is considerably less than is typical for a project of this scope and complexity and staff indicated the likelihood of needing to return for funding additional authorization beyond the 5.9% contingency. This request would raise the overall contingency to 12%, with 6.9% attributable to the city portions of the project and 5% designated to the reimbursable utility portions. This is still well within a normal range of 12% to 15% expected for this scale and complexity of project.

There are several circumstances associated with the increased costs. These generally include 1) changes in quantities and prices for certain materials (several of which are yet to be resolved or negotiated), 2) added costs associated with mandatory WSDOT inspections and testing, 3) added costs to address conditions that required additional design and construction beyond what was known at the time of bid award (many of these are utility related and reimbursable), 4) additional improvements added to the scope to accommodate specific construction safety needs including businesses, their customers and pedestrian facilities that initially had been eliminated to reduce costs, and 5) added costs associated with property interfaces, altering designs to accommodate redevelopment projects, and marketing and communication with businesses to assist them with business during construction and 6) eligible delay costs associated with a supplier's strike and utility purveyors. Staff felt it to be important to come to the Council now in order to secure budget capacity well ahead of the potential project expenses.

ALTERNATIVES ANALYZED: Staff has identified the following alternatives to address the projected potential increases:

- *Increase contract spending and budget authority to complete all of the construction work from identified revenue sources. (Recommended)*
- *Review the overall project to potentially reduce and/or eliminate construction items from the project. This option is not recommended because the potential reductions are limited to elements that are key to the design of the project, and would require later expenses by the City to complete them.*

FINANCIAL IMPACT: Table 1 provides an overview of Merlino's original contract award and projected contract authority needed to complete the construction work. Overall, a projected total amount of \$1,025,973 is needed to complete the construction work. The City's portion of the projected increase totals \$636,726 and the utilities portion totals \$389,247. The utilities portion is reimbursable to the City by SCL, SPU and Ronald Wastewater.

Table 1
Merlino Construction Contract

Project	Original Contract Award	Project CTC	Difference
Aurora Corridor Project	\$15,304,460	\$16,764,776	\$1,460,316
Interurban Pedestrian & Bicycle Crossing Project	\$3,118,157	\$3,200,390	\$82,233
Add Alternate No. 1 & 2	\$1,059,300	\$1,156,303	\$97,003
Aurora/Bridge Contingency	\$1,002,826		-\$1,002,826
City	\$20,484,743	\$21,121,469	\$636,726
SCL	\$3,555,375	\$4,310,497	\$755,122
SPU	\$558,116	\$985,948	\$427,832
Ronald Wastewater	\$10,880	\$10,880	\$0
Utility Contingency	\$793,707		-\$793,707
Utilities	\$4,918,078	\$5,307,325	\$389,247
Total	\$25,402,821	\$26,428,794	\$1,025,973

Although Council is not being asked to authorize a budget amendment this evening for the Aurora Corridor Project, an increase in budget authority will be included in the November 13, 2006 Budget Amendment to be approved by Council.

Table 2 – The following table compares current budget authorization to projected total project cost to complete. This information shows that an additional budget authority of \$119,032 is needed to complete the project. This is proposed to be 100% funded by existing federal grant resources.

Table 2
Budget Authorization

Project	Current Resources	Projected Cost to Complete (CTC)	Difference
Aurora Corridor (N. 145 th - N. 165 th)	\$26,740,346	\$28,061,283	\$1,320,937
Interurban Pedestrian Bridges	\$6,369,824	\$6,048,887	(\$320,937)
Utilities	\$6,188,292	\$5,307,324	(\$880,968)
Total Budget	\$39,298,462	\$39,417,494	\$119,032

The chart does not include any unknown costs stemming from resolution of potential claims or other miscellaneous costs. Even though the budget amendment for the project cost is \$119,032, the revenue sources to complete the project will need to be adjusted to show the increase in direct expenses of the project that are not reimbursed by the utilities. The City has been awarded an STP-C grant that can be used for either Phase I or Phase II of the Aurora Corridor Project. In the 2007 – 2012 CIP, staff programmed this grant in Phase II. Staff is now recommending to program up to \$1 million of this grant in Phase I to cover the non-utility additional costs. This will increase the amount of future grants to be obtained to complete Phase II by up to \$1 million. No action on this item is required by Council at this time.

Conclusion: In order to complete the construction work as scheduled, staff is requesting the following increases:

1. Increase total contract spending authority for the Aurora Avenue Multimodal Corridor Project (N. 145th Street – N. 165th Street) and the Interurban Trail Pedestrian and Bicycle Crossing Project by an amount of \$1,025,973.
2. On November 13, 2006 as part of the City budget amendment, Increase the budget spending authority by an amount of \$119,032.

RECOMMENDATION

Staff recommends that Council authorize the City Manager to increase contract spending authority for the Aurora Avenue Multimodal Corridor Project (N. 145th Street – N. 165th Street) and the Interurban Trail Pedestrian and Bicycle Crossing Project by \$1,025,973.

Approved By: City Manager  City Attorney _____

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