

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Katy Allen  
Larry D. Lisenbee  
Sara L. Hensley

**SUBJECT:** TUERS-CAPITOL GOLF  
COURSE PROJECT

**DATE:** 09-24-04

Approved

Date

9/27/04

Council District: 7

## RECOMMENDATION

- a. Approval of Contract Change Order No. 41 with Granite Construction Company, for the Tuers-Capitol (Los Lagos) Golf Course Project, increasing the compensation by \$594,005.79, for a total contract amount of \$16,198,401.65.
  - b. Adoption of the following Appropriation Ordinance amendments in the General Fund:
    1. Increase the Los Lagos Golf Course Enhancements appropriation in the amount of \$113,006.
    2. Decrease the General Liability Claims appropriation in the amount of \$113,006.
- CEQA: EIR Resolution No. 69623, PP98-03-064.

## BACKGROUND

On August 8, 2000, Council awarded a contract for construction of an 18-hole golf course to Granite Construction Company, Inc., in the amount of \$14,178,900. Change orders for extra work and unforeseen conditions valued at \$1,425,461.28 (10%) were approved by Council and staff during and after the construction of the project.

The project was substantially complete in October 2001

Since completion of the Los Lagos Golf Course, the City filed a lawsuit against golf course designer, JMP Golf Design, alleging a number of design defects. That lawsuit is currently pending.

## **ANALYSIS**

Subsequent to completion, the contractor submitted to Public Works staff a request for additional compensation related to numerous items of work on the project, over and above the value of the change orders already approved. The contractor sought additional payment for extended overhead, construction delays and claims for extra work by the contractor and subcontractors. The total amount of additional compensation sought by the contractor was approximately \$1.6 million (11.3% of the original contract amount).

Numerous meet and confer meetings between Public Works staff and the contractor were unsuccessful in resolving the request for additional compensation. As a result, the parties agreed to convene an independent Dispute Review Board (DRB) in accordance with the Dispute Resolution Policy that was adopted by Council in October 2002. The final scope of the DRB included making recommendations regarding both merit and quantum for each of the items for which the contractor was seeking additional compensation. The contractor agreed to share the expenses of the DRB with the City in accordance with the policy.

The DRB process was very thorough, beginning in March 2003 and concluding in June 2004. The process took a long time, primarily because of the difficulties in coordinating the schedules for the DRB members; however, the direct costs for the process were less than \$50,000, with the City's share being only \$25,000.

The DRB ultimately recommended that the City pay the contractor additional compensation in the amount of \$634,000, which includes accrued interest. This recommendation compares favorably to the contractor's original claim amount of \$1.6 million. Public Works and Parks recommend approval of this amount based on the findings and recommendations of the DRB. The contractor has indicated that it will accept the recommended amount to settle all of the remaining issues on the project.

The change order also includes amounts for the balance of the DRB services (\$8,208.25) and a credit amount of (\$48,202.46) to balance unexpended funds in the contract, bringing the total contract change order amount to \$594,005.79. The amount remaining in the Los Lagos Golf Course Enhancement project appropriation (\$481,000) is insufficient to pay the entire amount of the change order. To cover this shortfall, it is recommended that \$113,006 from the General Liability Claims appropriation in the General Fund be used.

Based on this final change order amount, the total amount of change orders for the project is \$2,019,467.07, which is 14.2% of the original contract amount. Staff believes this percentage is appropriate due to the complexity of the project.

## **PUBLIC OUTREACH**

Not applicable.

**COORDINATION**

This project and memorandum have been coordinated with the Departments of Planning, Building and Code Enforcement, Conventions, Arts and Entertainment, Environmental Services, General Services and Parks, Recreation and Neighborhood Services. The language of the change order and the memorandum have been coordinated with the City Attorney's Office.

**COST IMPLICATIONS**

1. AMOUNT OF RECOMMENDATION: \$ 594,005.79
  
2. COST OF PROJECT:
 

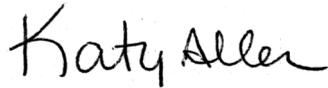
Project Development	\$ 607,000
Construction	14,178,900
Contract Change Orders No. 1 – 40	1,425,461
Contract Change Order No. 41	594,006
Design & Construction Management	2,513,000
Permit Fees	370,000
Habitat Mitigation	515,000
FF&E Budget	<u>2,553,000</u>
TOTAL	<b>\$22,756,367</b>
  
3. SOURCE OF FUNDING: 001 – Los Lagos Golf Course Enhancements  
 001 – General Liability Claims

**BUDGET REFERENCE**

Fund #	Appn #	Appn. Name	RC #	Amt. for Contract	Proposed Budget Page	Last Budget Action (Date, Ord. No.)
001	4782	Los Lagos Golf Course Enhancements	112293	\$481,000.00	N/A	6/22/04, Ord. 27196
001	0018	General Liability Claims	001100	\$113,005.79	IX-13	6/22/04, Ord. 27196
		<b>Total</b>		<b>\$594,005.79</b>		

**CEQA**

EIR Resolution No. 69623, PP98-03-064.



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