



Date: December 6, 2011

To: Thomas J. Bonfield, City Manager
Through: Theodore L. Voorhees, Deputy City Manager
From: Marvin G. Williams, Director of Public Works
Edward R. Venable, Manager of Engineering and Stormwater
Subject: Contract Amendment No. 1 Contract ST-251 Street Repairs and Repaving

Executive Summary

The City Council awarded Contract ST-251 to Rea Contracting Company, Incorporated of Raleigh, NC for Street Repairs and Repaving on February 21, 2011. It is Public Work's recommendation to extend the existing contract by \$700,000.00. This additional funding will cover an overrun to the original contract amount. This represents a 17.2% increase over the \$4,063,220.00 originally authorized expenditure for construction repairs and repaving. The original list of streets in this contract is not complete. The shortfall in street completion is due to an increase in the cost of the asphalt repaving layer being installed. Two specific factors created the cost rise, those being a market driven increase in the cost of the liquid asphalt component and the contractor placing a slightly thicker 1.75 inch layer of pavement that is a ¼ inch ticker than the ideal of 1.5 inches. There are four repaving contracts and all four will fall short of the original repaving goals by approximately 20 percent. Attachment A lists what streets have been completed to date, what Public Works estimates will be completed next repaving season, and those streets that will not be completed.

Contract oversight by Public Works staff was inadequate due to a failure to use existing tracking tools which was likely aggravated by staff being overextended. This failure is being addressed by enforced use by staff of the existing tracking tools and an analysis of staffing levels. All individuals in the project management command chain have been rated as Not Meeting Expectations for project management.

Recommendation

The Administration recommends that the City Council authorize the City Manager to amend Contract ST-251 – 2011 Street Repairs and Repaving with Rea Contracting Company, Incorporated by \$700,000.00. This represents a 17.2% increase over the \$4,063,220.00 previously authorized expenditure to facilitate repaving activities for a total contract amount of \$4,763,220.00.

Background

Contract ST-251 is a repair and repaving contract originally anticipated to be completed by October, 2012. Rea accelerated their repaving effort and their contract is now complete. Rea has exceeded the original contract amount of \$4,063,220.00 for Contract ST-251 by approximately \$700,000.00. Additional funding is necessary to cover the overrun to the original contract amount. This represents a 17.2% increase over the \$4,063,220.00 originally authorized expenditure for construction repairs and repaving. The original list of streets in

this contract is not complete. The shortfall in street completion is due to an increase in the cost of the asphalt repaving layer being installed. Two specific factors created the cost rise, those being a market driven increase in the cost of the liquid asphalt component and the contractor placing a slightly thicker 1.75 inch layer of pavement that is a ¼ inch thicker than the ideal of 1.5 inches. The original list of streets will not be completed primarily due to the rise of the cost of asphalt placement. All four contracts will fall short of the original repaving goals by approximately 20 percent. Attachment A lists what streets have been completed to date, what Public Works estimates will be completed next repaving season, and those streets that will not be completed.

Detail on the four contracts, ST-250, ST251, ST-252 and ST-253 can be found in Attachment A.

All funds for Contract ST-251 have been expended and exceeded by a \$650,000.00 overrun. There are remaining funds in the other three contracts. The specific streets to be repaved with those remaining funds can be adjusted and can be drawn from any uncompleted streets in any of the four contracts. In addition to the \$700,000.00 for the overrun, there remains unencumbered \$550,000.00 in 2010 Bond funds that can be used for additional new work.

In an effort to finish the entire two-year project in one repaving season, Rea Construction Company expedited repaving efforts during the 2011 paving season. Their intention was to complete twice the amount of paving required by the contract for the 2011 paving season. Rea, by voluntarily doubling their effort would complete the entire two years of repaving in one season. Public Works gave their approval for Rea to do so. The progress of Rea is tracked by daily reports entered into the Primavera software program. The pace of paving in Rea's final month, October 2011 was twice the effort of previous months. Rea fell behind in entering the daily reports for the month of October, and the Public Works project management team did not discover the issue until the first of November. As the missing reports were entered, the magnitude of paving became known, and the Public Works project management realized Rea had doubled production and far exceeded the previous month's efforts. Upon analysis of the final tally, it was determined that Rea had exceeded the original dollar value of the contract, \$4,063,220.00 by approximately \$700,000.00. Furthermore, the overrun was discovered after a number of streets had been milled but not yet repaved. Public Works has chosen to direct Rea Contracting Company to continue working and conclude repaving of these uncompleted streets. Repaving of these streets added to the total contract overrun. The work in place is of a good quality. The final overrun for the project is approximately \$700,000.00. To rectify the situation, additional 2010 Bond funds in the amount of 700,000.00 needs to be added to the contract to pay for work already completed. Contract oversight by Public Works staff was inadequate due to a failure to use existing Primavera tracking tools which was likely aggravated by staff being overextended. This failure is being addressed by enforced use by staff of the existing Primavera tracking tools and an analysis of staffing levels. All individuals in the project management command chain have been rated as Not Meeting Expectations for project management.

The work completed to date by Rea does not complete all the streets assigned to them under the original contract. The reason for this is threefold. Streets were added and repaved that were not in the original contract. Often these were streets that were rated in Fair condition in the 2007 ITRE study but over the last 5 years had deteriorated. Second is the amount of patching exceeded original estimates. Third and primary is the cost of asphalt has risen. This past year has seen unrest in the Middle East and economic concerns in Europe. Likely these factors contributed to a rise in the cost of asphalt. The contracts include an escalation

clause that sets the cost of asphalt to market values. This removes some of the risk from the contractor and allows them to providing a price focused around their labor effort.

Issues/Analysis

Since there is a known overrun of \$700,000.00 to the existing contract, this amount must be appropriated to make the Rea contract whole on the overrun. The work performed is of a high quality.

Alternatives

City Council can choose to not approve the request, but that will present contractual complications. Approval will allow the City to compensate Rea for work in place that is of good quality. Alternative paving methodologies are being explored to determine if their use will allow more streets to be repaved.

Financial Impact

Funds are available in the 2010 General Obligation Repaving Bond Fund.

Rea Contracting Company, Incorporated:

Original Appropriation	\$4,063,220.00	Repaving
Amendment No. 1	\$700,000.00	Repaving

Revised Appropriations	\$4,763,220.00	

SDBE Summary

The Equal Opportunity/Equity Assurance Department determined that Rea Contracting Company, Incorporated was in compliance when the contract was originally awarded. This contract will meet or exceed the goals with the additional funds.