



**Date:** May 3, 2011

**To:** Thomas J. Bonfield, City Manager

**Through:** Theodore L. Voorhees, Deputy City Manager

**From:** Joel V. Reitzer, Jr., Director, General Services Department  
Jina Propst, General Services Department

**Subject:** Convention Center Phase II Project: Increased project contingency  
(Change Order to Amendment No. 2-K to the Skanska USA Building  
(CMAR) Contract)

### **Executive Summary**

On October 1, 2007, the City Council authorized the City Manger to execute Amendment 2-E with Skanska USA Building (Skanska) for Phase I of the Durham Convention Center (DCC) upgrades. Upon successful completion and contract reconciliation of the Phase I upgrades, a carry-forward encumbrance remained in the construction contract in the amount of \$84,366. On November 1, 2010, the City Council authorized the City Manager to execute Amendment 2-K with Skanska USA Building for Phase II of the Durham Convention Center Upgrades. On February 7, 2011, the City Council and County Commissioners authorized execution of a pre-opening/construction period management consulting agreement with Global Spectrum, L.P. (Global Spectrum) and a 5 year management agreement. As part of the management agreements with Global Spectrum, the City and County identified the necessity of constructing a new and separate kitchen for the Durham Convention Center. This agenda item requests authority to increase the project contingency on the Amendment 2-K to the CMAR contract with Skanska for execution of a change order for construction of the DCC kitchen.

### **Recommendation**

The Department of General Services recommends that the City Council:

1. Increase the project contingency on the Amendment 2-K to the CMAR contract with Skanska USA Building in the amount of \$300,000 (which includes reallocation of \$84,366 carry-forward encumbrance from Phase I to the Phase II project); and
2. Authorize the City Manager to negotiate and execute change orders on the Amendment 2-K to the CMAR contract with Skanska, provided the total project cost does not exceed the amount budgeted for construction phase services plus the project contingency.

## Background

In 2010, City Council approved contracts with Heery International, Inc. (Heery) for design services and with Skanska for preconstruction services for the Phase II DCC project. In August 2010, the City approved procurement of long-lead delivery mechanical equipment for the project. In November, 2010, the City approved the PGMP for construction phase services with Skanska. Construction began in January, 2011. The proposed kitchen scope of work will be a change order to the Phase II Convention Center construction contract.

## Issues/Analysis

Subsequent to authorization of the construction contracts with Skanska, the City and County approved management contracts with Global Spectrum for the DCC. During the RFP process and negotiations with Global Spectrum, identification of a separate kitchen for exclusive use of the DCC management company was recommended. The management agreements with Global Spectrum state the Owner will build the kitchen infrastructure (i.e. finished floors, walls and ceilings and applicable utility connections) and Global Spectrum will contribute up to \$150,000 toward the cost of purchasing and installing equipment for the kitchen.

Design of the approximately 2,234 square foot kitchen is complete. Skanska, the CMAR for the DCC renovation project, has participated in plan review and cost estimating and has provided a cost estimate of \$450,000 for the kitchen construction, which includes a \$50,000 contingency. Upon review of the remaining Phase II construction work at the DCC, Skanska anticipates accomplishing the kitchen construction with the other scheduled construction activities, with minimal impact to the DCC schedule. The current phase of DCC construction affords the opportune time for completion of the kitchen construction.

By increasing the project contingency, Skanska can proceed with finalizing bids for the kitchen and issuance of a construction change order. Funding for the kitchen construction has been identified from carry-over encumbrance funds from Phase I, contingency funds from Phase II and DCC operating account funds. The City and County share these costs equally.

## Alternatives

Council may choose not to increase the project contingency for the CMAR contract. Without the increased authority to execute change orders to the project, the new DCC kitchen will not be constructed concurrently with the Phase II renovation project. Staff recommends proceeding with increasing the project contingency to allow for timely execution of change order work to construct the kitchen, a necessity for successful operation of the DCC.

## Financial Impacts

<b>Funding Sources</b>	
DCC Operating Funds (Carry Forward Encumbrance from Phase I)	\$84,366.00
DCC Operating Fund (\$107,817 City/\$107,817 County)	\$215,634.00
FY 2008/2009 CIP Funding	\$1,176,000.00

FY 2009/2010 CIP Funding	\$5,335,000.00
<b>TOTAL</b>	<b>\$6,811,000.00</b>

<b>Funding Uses Summary</b>	
Pre-design	\$38,006.00
Design	\$458,700.00
Design Contingency	\$45,870.00
Preconstruction Services	\$52,000.00
Final GMP – Chillers (Phase II)	\$257,034.00
Final GMP- DCC Renovation (Phase II)	\$5,135,645.00
Kitchen Change Order	\$450,000.00
Owner Construction Contingency	\$373,745.00
<b>TOTAL</b>	<b>\$6,811,000.00</b>

**SDBE Summary**

This seeks authorization to allocate additional funds to an existing project. The Department of Equal Opportunity/Equity Assurance did not review the item for compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting.