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**Title:** CONSIDER APPROVAL OF AMENDMENT NO.1 TO AGREEMENT WITH PETROCHEM MATERIALS INNOVATIONS, LLC FOR PROJECT NO. 1763: CITYWIDE RUBBERIZED SLURRY SEAL PROGRAM (CITY COUNCIL)

**Sponsors:**

**Indexes:**

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**Attachments:** 1. Exhibit 1\_Petrochem Materials Innovation Amendment No.pdf, 2. Exhibit 2\_2022-730 Staff Report, 3. Exhibit 3\_Public Works Agreement with Petrochem Materials Innovation

Date	Ver.	Action By	Action	Result
7/16/2024	1	City Council		

**Report to Mayor and City Council**

Tuesday, July 16, 2024

Consent

**SUBJECT:**

**CONSIDER APPROVAL OF AMENDMENT NO.1 TO AGREEMENT WITH PETROCHEM MATERIALS INNOVATIONS, LLC FOR PROJECT NO. 1763: CITYWIDE RUBBERIZED SLURRY SEAL PROGRAM (CITY COUNCIL)**

**I. SUMMARY**

On September 6, 2022, the City Council awarded a Construction and Materials Purchase Contract to Petrochem Materials Innovations, LLC (PMI) in the amount of \$2,733,266.25, and authorized the expenditure of construction contingencies in the amount of \$409,989.94 (15%) for change orders and any unforeseen construction work for Project No. 1763: Citywide Rubberized Slurry Seal program.

Section 1.8 “Additional Services” of the Agreement entered into on August 23, 2022, by and between the City of Carson and PMI, requires that any increase in compensation greater than ten percent (10%) of the contract sum to be approved by City Council.

Staff is requesting City Council to consider approval of Amendment No. 1 to the existing agreement with PMI. Amendment No.1 will authorize staff to approve increases greater than 10% of the contract sum for change orders and added scope up to the amount of the contingency (15%) approved by the City Council at the time the project was awarded to the

contractor (Exhibit No. 1).

## **II. RECOMMENDATION**

TAKE the following actions:

1. AUTHORIZE and REAFFIRM the expenditure of the full project contingency totaling \$409,989.94 (15%) previously budgeted during the contract award per staff report 2022-730 (Exhibit No. 2).
2. APPROVE Amendment No. 1 to Public Works Agreement with Petrochem Materials Innovations, LLC.
3. AUTHORIZE the Mayor to execute Amendment No. 1 following approval as to form by the City Attorney.

## **III. ALTERNATIVES**

1. DO NOT APPROVE the above recommendations.
2. TAKE another action the City Council deems appropriate consistent with the requirements of the law. However, staff will not be able to spend the full contingency amount previously approved by the City Council.

## **IV. BACKGROUND**

The City has a comprehensive citywide street rehabilitation program. Slurry sealing is primarily done on residential streets on an annual basis, rotating throughout neighborhoods. In 2022, the City used a portion of the American Rescue Plan Act of 2021 (ARPA) funds received from the Federal government to slurry streets citywide that is 3-4 times the size of a normal year in an effort to catch up from underfunding slurry in previous years. On June 7, 2022, City Council allocated \$3.5M of its ARPA funds for street improvements. Public Works used this fund to slurry seal approximately 35 miles of streets throughout the City in a geographically equitable manner.

Project No. 1763: Citywide Rubberized Slurry Seal program is listed in the City's Capital Improvement Program utilizing the ARPA funds. To take advantage of economies of scale, and to complete the project in an expedited manner, the formal bidding process was waived and staff was authorized to use "piggybacking" procurement under the City's Purchasing Ordinance that allows the City of Carson to use the City of Los Angeles' competitive bidding process for the same services which will provide significant cost savings and allow more streets to be done for the same money.

On September 6, 2022, the City Council awarded a Construction and Materials Purchase Contract to Petrochem Materials Innovations, LLC (PMI) in the amount of \$2,733,266.25 (Exhibit No. 3) and authorized the expenditure of construction contingencies in the amount of \$409,989.94 (15%) for change orders and any unforeseen construction work for Project No. 1763: Citywide Rubberized Slurry Seal program.

While the city council authorized the expenditures of 15% contingencies amounting to \$409,989.84, the fully executed contract agreement only allows the City's Contract Officer to approve change orders for an increase in amount of up to 10% of the contract sum thereby prohibiting staff from utilizing the full contingency amount approved by the City Council. Section 1.8 of the agreement with PMI states that any increase greater than 10% of the contract sum must be approved by the City Council.

Staff anticipates that the cost of change orders, unforeseen work, and added scope will exceed 10% of the contract sum but not exceed 15% of the authorized expenditures for construction contingencies.

Staff is requesting City Council to approve Amendment No. 1 to allow staff to approve increases greater than 10% of the contract sum for change orders and added scope of work and reaffirm the expenditures of the full project contingency totaling \$409,989.84 (15%) previously budgeted when a Construction Contract was awarded to PMI.

The City has been utilizing rubberized slurry seal due to its superior benefits over conventional slurry seal in preventing deterioration of the existing pavement. The application of rubberized slurry seal is the best-cost effective approach to extending the life of the pavement, preserving structural integrity, and providing quality service to the traffic. The process begins with crack sealing, which is what Public Work's maintenance crews completed and budgeted for FY 22/23.

The project was put on hold for approximately a year because of weather/temperature concerns. It was important to apply the slurry seal during summer to take advantage of the warmer weather and achieve the best results. The anticipated completion date for Project No. 1763: Citywide Rubberized Slurry Seal Program is August 2024.

## **V. FISCAL IMPACT**

None. The estimated material purchase and construction costs of \$2,733,266.25 and the 15% contingency cost of \$409,989.94 will be completely covered by the American Rescue Plan Act (ARPA) funds included in the adopted 5-year CIP plan under account 299-80-820-904-7020 for Project No. 1763. The total cost of the project is anticipated to be \$3,143,256.19 including a 15% contingency. The contingency amount of \$409,989.94 will be utilized in current FY 2024-2025.

## **VI. EXHIBITS**

1. Amendment No. 1 to Agreement with Petrochem Materials Innovations (pgs. 4-9)
2. Staff Report 2022-730 - Award Construction Contract (pgs. 10-101)
3. Agreement with Petrochem Materials Innovations, LLC (pgs. 102 - 154)

1.

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