



Legislation Text

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Report to Mayor and City Council

Wednesday, March 06, 2024

Consent

SUBJECT:

CONSIDER ADOPTION OF RESOLUTION NO. 24-029, A RESOLUTION OF THE CARSON CITY COUNCIL APPROVING A BUDGET TRANSFER IN FISCAL YEAR 2023-24 FROM THE GENERAL FUND TO INCREASE THE TRANSTECH ENGINEERS, INC. CONTRACT BUDGET FOR THE FISCAL YEAR AND APPROVAL OF PROPOSED AMENDMENT NO. 1 TO THE AGREEMENT WITH TRANSTECH ENGINEERS, INC. TO PROVIDE BUILDING AND SAFETY SERVICES FOR THE CITY OF CARSON (CITY COUNCIL)

I. SUMMARY

In July 2023, the City of Carson transitioned from utilizing Los Angeles County to Transtech Engineering, Inc. (Transtech) for building and safety services. Shortly after this transition, the City experienced an increase in building permit activity. This increase caused the cost to provide building and safety services to increase well beyond those anticipated when the City entered into the original agreement with Transtech. The original contract sum was for \$3,900,000 over three (3) years with two, optional one-year extensions.

This amendment proposes to increase the maximum contract amount from \$3,900,000 to \$8,000,000 over the same three-year period. Since the compensation to Transtech is largely based on a percentage of building permit activity (and not necessarily based on consultant hours), this increase is based on increased building permit activity, which volume increased independently of the contract. As a result, Transtech's invoices have been significantly larger than expected, totaling approximately \$3,211,000 for the first six (6) months of the contract, leaving approximately \$689,000 for the remaining two and half years.

Based on the level of permit activity, it appears the contract sum should be approximately \$2,667,000 per year, or \$8,000,000 over the three years. The entire cost for Transtech's contract is paid by developers, residents, and contractors, through the remittance of permit and plan check fees; calculated by the valuation of applicant projects. Therefore, staff is recommending approval of Amendment No. 1 to allow the building and safety services to continue for the life of the agreement.

It should be additionally noted that staff has received positive feedback from developers and the community regarding Transtech's services and that revenues collected for these services have also increased proportionally.

II. RECOMMENDATION

1. **ADOPT** Resolution No. 24-029, "A RESOLUTION OF THE CARSON CITY COUNCIL APPROVING A BUDGET TRANSFER IN FISCAL YEAR 2023-24 BUDGET FROM THE GENERAL FUND TO INCREASE THE TRANSTECH ENGINEERS, INC. CONTRACT BUDGET FOR THE FISCAL YEAR";
2. **APPROVE** Amendment No. 1 to the agreement with Transtech Engineers, Inc., to provide building and safety services for the City of Carson increasing the not-to-exceed amount from \$3,900,000 to \$8,000,000; **AND**
3. **AUTHORIZE** the Mayor to execute the amendment, following approval as to form by the City Attorney.

III. ALTERNATIVES

TAKE any other action the City Council deems appropriate.

IV. BACKGROUND

In July of 2023, the City of Carson transitioned from utilizing Los Angeles County to Transtech to provide building and safety services. Los Angeles County Building and Safety, managed by LA County Public Works, had been providing building and safety services since the City's incorporation in 1968.

Building and safety reviews and monitors the design, construction, demolition, and maintenance of buildings and structures by enforcing the City's building codes and regulations and through review of applications, issuance of building permits, and inspections.

Services provided under LA County were based on the hourly rate of staff assigned to work in Carson or working on specific projects in Carson, such as technical plan checkers at the Alhambra headquarters working on Carson projects. The amount billed annually by the County, generally between \$1.8 million and \$2.1 million, was less than the total amount of building permits fees the City collected, but the relationship between the fee and the cost was indirect. Transtech's contract, on the other hand, is largely based on a sliding scale percentage of the building permit fee amount, so their compensation is directly related to the amount of building fee revenue; the more permits issued by the City and the greater the value of the permits, the higher their compensation.

What the City did not anticipate in drafting the contract with Transtech at \$3.9 million over three years (for an average of \$1.3 million/year) was that the first six months of their contract would see nearly unprecedented building permit activity, driving up their compensation. This increase doesn't cost the City additional money, since the cost of providing building and safety services is fully offset by the permit fees that are collected

from permit issuance and plan check fees.

The proposed amendment is intended to increase the available funds to continue to provide building and safety services through the life of the agreement. Moreover, the amendment stipulates that there shall be no limitation on the annual amount of compensation to be paid Consultant during the three-year term, with the only compensation limitation being \$8,000,000 over the course of the term. The term of the agreement is a three-year term, with the option to renew the agreement for two additional one-year terms, at the City's discretion. This amendment does not change the term. Staff recommends that the Council approve this amendment.

Purchasing Ordinance 2611(m) provides "any amendment to a contract that exceeds \$75,000 requires re-solicitation unless (i) the City Council waives the re-solicitation requirement following determination that such waiver is in the City's best interest or (ii) the amendment concerns a Change Order in which event bidding will not be required irrespective of the amount." Change order is "a change to the scope of work, price, schedule, or some other term of an existing contract that arises out of reasonably unforeseeable circumstances borne out of the original scope of the contract" under CMC 2601.

The proposed amendment is functionally a change order because it reflects a change to the scope of work and price arising out of reasonably unforeseeable circumstances borne out of the original scope of the agreement. Specifically, the significant increases of the City's Building Division fees collected since the commencement of the agreement and the now adjusted forecast of substantial increase of future fees could not have been reasonably anticipated based on historical development activities.

Additionally, not bidding out the additional scope proposed in the amendment is in the City's best interest because it would not be feasible for City to go out to bid for the additional amount based on the existing contract being in place, since it is not feasible to have two consultants doing this same work concurrently.

V. FISCAL IMPACT

There is no negative fiscal impact related to this approval of this amendment, as expenditures are offset by the revenue provided by the services rendered by Transtech. However, \$3,000,000 is proposed to be transferred from the General Fund Fiscal Year 2023-2024 (Account No. 101-99-999-999-3601) to: 101-70-785-100-6004: \$367,500.12, 101-70-785-293-6004: \$1,056,000.39, 101-70-785-296-6004: \$581,699.56, 101-70-785-297-6004: \$994,799.93.

Contract costs for future years of the agreement will be included in subsequent fiscal year budgets, along with offsetting revenue.

VI. EXHIBITS

1. Agreement with Transtech Engineers, Inc. (pgs. 5-53)
2. Proposed Amendment No. 1 with Transtech Engineers, Inc. (pgs. 54-60)
3. Resolution No 24-029 (pgs. 61-63)

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