



Agenda Report

18-059

Agenda Date: 3/20/2018

REPORT TO COUNCIL

SUBJECT

Agreement for Construction and Repair Work with Belfor USA Group, Inc. and Related Budget Amendment

BACKGROUND

On August 8, 2017, a fire occurred in the early morning at the Santa Clara Convention Center Exhibit Hall B exhibitor's display area during the "Flash Memory Summit". It appears that the fire was accidental and originated within one of the exhibition booths. The sprinkler system activated and the City Fire Department responded and extinguished the fire. There were no reported injuries; however, the incident resulted in extensive smoke damage to walls, ceilings, ventilation system and water damage to the underfloor electric and communications facilities in three Exhibit Halls.

The City of Santa Clara carries property damage insurance through the Alliant Property Insurance Program (APIP). The City immediately reported the loss to APIP, and APIP quickly moved to assist the City with remediating the damage through its claims administrator, McLaren's Global Claims Services ("McLarens"). This included completion of an Air Quality Assessment Report completed by an Industrial Hygienist to ensure that City and Convention Center staff, along with other exhibitors, could safely enter the Exhibit Hall.

DISCUSSION

The restoration service provider authorized by APIP/McLarens is Belfor USA, Inc. ("Belfor"). APIP/McLarens, through their established practices and in accordance with the terms of the City's insurance policy, arranged for Belfor to promptly begin work, and the City Manager authorized the emergency services. While the work continued, APIP/McLarens and its various inspectors and estimators worked with City staff and Belfor to create a comprehensive scope of work and budget. That scope of work and budget has been incorporated into the proposed Agreement. The total not to exceed amount of the Agreement is \$1,650,000 which includes \$1,400,000 for base services and an additional \$250,000 for any additional services that may be required. As per standard operating procedure, APIP/McLarens provides the City with lump sum funds under its insurance policy to pay Belfor's invoices as those invoices are periodically approved by APIP/McLarens.

In order to effectuate such payments to Belfor, the City will enter into an Agreement directly with Belfor, included as Attachment 1, which incorporates the procedural terms of the City's APIP policy. Under the Agreement, Belfor will be paid only for work that has been approved by APIP and for which the City has received advance payment. No City funds beyond the \$25,000 deductible will be paid under this Agreement. APIP/McLarens has approved the Agreement. Approval of this Agreement will allow the City to comply with the requirements of its property damage policy and to properly distribute the insurance proceeds to the approved restoration service provider, Belfor.

ENVIRONMENTAL REVIEW

The action being considered is exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15301 "Existing Facilities" as the activity consists of the repair, maintenance, and permitting of an existing public structure, facility, or mechanical equipment, involving negligible or no expansion of an existing use. Furthermore, the action being considered is exempt from CEQA pursuant to CEQA Guidelines section 15302 "Replacement or Reconstruction" as the activity consists of replacement or reconstruction of an existing structure or facility where the new, reconstructed, structure will be located on the same site as the structure replaced or reconstructed and will have substantially the same purpose and capacity as the structure replaced or reconstructed.

FISCAL IMPACT

Staff is requesting appropriations in the Amount of \$1,650,000 in the Convention Center Repairs and Upgrades CIP project to be funded by insurance proceeds and a transfer from the City's Special Liability Insurance Fund for the required deductible (Attachment 2). To date, APIP has provided the City with \$1,060,619.25 in partial payments to cover repair costs. In addition, APIP has retained subrogation counsel to pursue recovery of all of the restoration expenses, including reimbursement of the City's \$25,000 insurance deductible, from the insurance carriers for the entities responsible for the fire.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

Approve and authorize the City Manager to execute an Agreement with Belfor USA Group, Inc. to repair damage caused by a fire at the Santa Clara Convention Center for a not-to-exceed amount of \$1,650,000 subject to the provision of those funds by the City's property damage insurer; and 2) Approve appropriations in the amount of \$1,650,000 in the Convention Center Repairs and Upgrades CIP project (6018) to be funded by insurance proceeds and a transfer from the Special Liability Insurance Fund (Requires Five Affirmative Council Votes).

Prepared by: Ken Winland, Building Maintenance Manager, Public Works

Reviewed by: Craig Mobeck, Director, Public Works

Reviewed by: Angela Kraetsch, Director, Finance

Reviewed by: Brian Doyle, City Attorney

Reviewed by: Manuel Pineda, Assistant City Manager

Reviewed by: Walter C. Rossmann, Chief Operating Officer

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Belfor Agreement
2. Budget Amendment