


AGENDA ITEM NO. 9:00am D
COUNCIL MEETING 12/01/2011
APPROVED BY

December 1, 2011

FROM: PATRICK N. WIEMILLER, Director
Public Works Department


DEPARTMENT DIRECTOR

BY: KELLY S. RIDDLE, Facilities Manager 
Public Works Department, Facilities and Major Projects Division

CITY MANAGER 

- SUBJECT:**
1. APPROVE RECOMMENDED LIST OF PROJECTS TO CONSTRUCT USING THE 2021 SOUTH PEACH AVENUE FIRE INSURANCE PROCEEDS
 2. A RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO ADOPTING THE 40TH AMENDMENT TO THE ANNUAL APPROPRIATION RESOLUTION NO. 2011-133 APPROPRIATING \$1,306,400 OF FIRE INSURANCE PROCEEDS TO BE USED TO CONSTRUCT THE LISTED PROJECTS (COUNCIL DISTRICTS 1, 2, 3, 4, & 7)

RECOMMENDATIONS

Staff recommends that the City Council approve the recommended list of projects for construction using the 2021 South Peach Avenue fire insurance proceeds.

Staff recommends that the City Council adopt the 40th Amendment to the Annual Appropriation Resolution (AAR) No. 2011-133 to appropriate \$1,306,400 of fire insurance proceeds to be used to construct the projects listed (Attached).

EXECUTIVE SUMMARY

On June 3, 2010, a fire destroyed a vacant, two (2) story building at 2021 South Peach Avenue. The fire was investigated by the Fresno Fire Department, who "suggested" the fire was as a result of an act of malicious mischief by persons unknown. The City's Property Insurer, Lexington Insurance Company ("Lexington"), adjusted the loss and arrived at a replacement cost value for the building of \$1,306,400.

In lieu of replacing the building, the City compiled a list of ten (10) high priority facility repair projects. Lexington has agreed that the ten (10) projects qualify as a means to demonstrate earn out of the replacement cost holdback in the amount of \$502,400. This AAR amendment would implement the necessary adjustments and provides funding for these projects.

BACKGROUND

On October 17, 2006, the City Council approved and accepted the Quitclaim Deed from the United States of America for approximately 47 acres of land with improvements. There are several buildings on this property, none were occupied. On January 11, 2005, the City Council adopted Resolution No. 2005-12 authorizing the Director of Parks, Recreation and Community Services to acquire the former U.S. Department of Agriculture (USDA) field station property on the east side of Peach Avenue at the California Avenue alignment. On June 3, 2010 at approximately 11:04 a.m., the Fresno Fire Department was conducting hydrant maintenance at the

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Peach Avenue Fire Insurance Proceeds and AAR

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Internal Revenue Service, 5045 E. Butler Avenue, when they observed a substantial "header" of smoke emitting from the southeast. Upon investigating, the Fire Department discovered a well developed fire rapidly progressing on the second floor of the building at 2021 S. Peach Avenue. The fire was extinguished and investigated by the Fire Department, who "suggested" the fire was as a result of an act of malicious mischief by persons unknown.

The City's property insurer, Lexington, adjusted the loss and arrived at a replacement cost value for the building of \$1,306,400. Lexington has made payment to the City in the amount of \$779,000, which reflects the building's fair market value less the \$25,000 policy deductible.

The City's property insurance policy provides for coverage on a replacement cost basis. If the City intends to make claim for the replacement cost holdback in the amount of \$502,400, it must replace the damaged/destroyed building with a like kind and quality building at the original location or another location. Once the building is replaced, the City is paid the replacement cost holdback provided it has incurred \$1,306,400 to replace the building with a like kind and quality building. If the City spends less to replace the building, it is only entitled to make claim for the actual amount incurred in replacing the building. If the City spends more to replace the building, it is only entitled to make claim for the replacement cost value of \$1,306,400.

There is another option available to the City under the replacement cost provisions of the Property Insurance policy. The City may use the \$1,306,400 in the repair/renovation of an existing building(s), provided, however, the planning for the repair/renovation of an existing building(s) post-dated the loss date of June 3, 2010 and Lexington pre-approved the repair/renovation of the existing building(s). Lexington has agreed that the ten (10) projects qualify as a means to demonstrate earn out of the replacement cost holdback in the amount of \$502,400.

Below is a summary list of the projects, including the estimated construction costs and soft costs. It should be noted that internal (City) soft costs are not anticipated to be covered by the insurance proceeds. Therefore, estimated soft costs of \$87,700 for all PARCS projects will be funded from the Department's Capital Projects account while the estimated \$13,200 of soft costs for the AAA Stadium Crack Repairs will be covered by the AAA Stadium Fund. The estimated \$170,000 of soft costs for the Police Headquarters and City Hall Annex reroof projects has yet to be identified; therefore, the this project will not go out to bid until additional funding is identified.

Project	Estimated Const. Costs	Estimated Soft Costs
City Hall Annex Reroof	\$ 367,600.00	\$ 86,600.00
Police Department Headquarters Reroof	\$ 300,500.00	\$ 83,400.00
Pinedale Community Center Reroof	\$ 188,100.00	\$ 32,200.00
AAA Stadium Crack Repairs	\$ 81,500.00	\$ 13,200.00
Romain Head Start Reroof	\$ 76,100.00	\$ 13,500.00
Manchester Park Recreation/Restroom Building Reroof	\$ 16,300.00	\$ 1,700.00
Cary Park Restroom building Reroof	\$ 3,300.00	\$ 700.00
Lions Park Recreation/Restroom Building Reroof	\$ 20,900.00	\$ 2,100.00
Radio Park Restroom Building Reroof	\$ 3,300.00	\$ 700.00
Memorial Auditorium Rigging System	\$ 193,400.00	\$ 36,800.00
Subtotal	\$ 1,251,000.00	\$ 270,900.00
Contingency	\$ 55,400.00	\$ 6,500.00
Total Estimated Project Costs	\$ 1,306,400.00	\$ 277,400.00

This AAR amendment would implement the necessary adjustments and provide funding for these projects.

FISCAL IMPACT

With the exception of the \$25,000 policy deductible, the direct costs to complete the above projects will come from the insurance proceeds. The \$25,000 policy deductible will be paid by Risk Management and assessed against PARCS pursuant to standard policies and procedures. The PARCS and Stadium project soft costs of \$87,700 and \$13,200 respectively, will come from the existing budgets. Bids for the Police Departments projects will not be issued until the \$170,000 needed to fund the soft costs can be identified.

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO ADOPTING THE 40th AMENDMENT TO THE ANNUAL APPROPRIATION RESOLUTION NO. 2011-133 APPROPRIATING \$1,306,400 FROM INSURANCE PROCEEDS FOR FACILITIES AND MAJOR PROJECTS IN FY 2012

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FRESNO:

THAT PART III of the Annual Appropriation Resolution No. 2011-133 be and is hereby amended as follows:

	<u>Increase/(Decrease)</u>
TO: PUBLIC WORKS DEPARTMENT	
Facilities Management Oper	\$ 1,306,400

THAT account titles and numbers requiring adjustment by this Resolution are as follows:

Facilities Management Oper

Revenues:

Account: 38003 Non-Recurring	\$ 804,000
39021 Property Losses	<u>502,400</u>
Fund: 51001	
Org Unit: 181210	

Total Revenues	<u>\$ 1,306,400</u>
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Appropriations:

Account: 58004 Special Projects	<u>\$ 1,306,400</u>
Fund: 51001	
Org Unit: 181210	

Total Appropriations	<u>\$ 1,306,400</u>
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THAT the purpose is to appropriate \$1,306,400 from insurance proceeds for Facilities and Major Projects in FY 2012.

CLERK'S CERTIFICATION

STATE OF CALIFORNIA }
COUNTY OF FRESNO } ss.
CITY OF FRESNO }

I, REBECCA E. KLISCH, City Clerk of the City of Fresno, certify that the foregoing Resolution was adopted by the Council of the City of Fresno, California, at a regular meeting thereof, held on the _____ Day of _____, 2011

AYES:
NOES:
ABSENT:
ABSTAIN:

Mayor Approval: _____, 2011
Mayor Approval/No Return: _____, 2011
Mayor Veto: _____, 2011
Council Override Veto: _____, 2011

REBECCA E. KLISCH
City Clerk