

**City of Carson City  
Agenda Report**

**Date Submitted:** June 3, 2011

**Agenda Date Requested:** June 16, 2011  
**Time Requested:** Five Minutes  
**Labor Commissioner PWP #** CC-2011-177

**To:** Mayor and Supervisors  
**From:** Purchasing and Contracts

**Subject Title:** Action to accept Public Works recommendation to approve Amendment No. 1 to Contract No. 1011-201 with Contri Construction Company, titled "North/South Water Transmission Main Project – Phase II" to increase the contract in an amount not to exceed \$494,615.70 funded from the North South Transmission Main as provided for in FY2010/2011. (*Kim Belt*)

**Staff Summary:** On April 21, 2011, The Carson City Board of Supervisors approved the above listed contract in the amount of \$6,808,145.33 plus a contingency amount of \$681,000.00. This request to amend the contract in an amount not to exceed \$494,615.70 is for an increase cost to PVC materials caused by all of the major PVC Manufacturers declaring a Force Majeure.

**Type of Action Requested:** (check one)

Resolution       Ordinance  
 Formal Action/Motion       Other (Specify)

**Does This Action Require A Business Impact Statement:**  Yes  No

**Recommended Board Action:** I move to accept Public Works recommendation to approve Amendment No. 1 to Contract No. 1011-201 with Contri Construction Company, titled "North/South Water Transmission Main Project – Phase II" to increase the contract in an amount not to exceed \$494,615.70 funded from the North South Transmission Main as provided for in FY2010/2011. (*Kim Belt*)

**Explanation for Recommended Board Action:** Staff recommends amending contract 1011-201 with Contri Construction Company, to provide an increase to the contract amount as a result of a Force Majeure being declared by all of the major PVC Manufacturers. A number of circumstances have contributed to the Force Majeure which includes resin manufacturers exporting raw materials at increasingly high levels, keeping domestic inventories very low; the disaster in Japan has resulted in lower production of plastic pipe's key raw materials; increased demand around the world and a key industry resin supplier has declared Force Majeure.

**Applicable Statute, Code, Policy, Rule or Regulation:** N.R.S. Chapter 338 Public Works and 1011-201 Contract Force Majeure section on page C-6 of the Contract.

**Fiscal Impact:** Not to exceed an additional \$494,615.70 for a total of \$7,983,761.03.

**Explanation of Impact:** If approved the below referenced accounts could be decreased by an additional \$494,615.70.

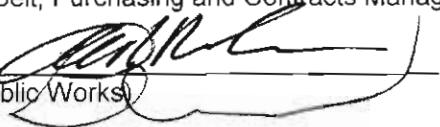
**Funding Source:** North/South Transmission Main - 520-3505-435-7809 as provided in FY 2010/2011

**Alternatives:** Provide other direction pursuant to Board Action.

**Supporting Material:** Contract Amendment No. 1, Correspondence from Contri Construction Company, Western Nevada Supply, Diamond Plastics, JM Eagle and Napco.

**Prepared By:** Kim Belt, Purchasing and Contracts Manager

**Reviewed By:**

  
(Public Works)  
  
(City Manager)  
  
(District Attorney)  
  
(Finance Director)

Date: 6-7-11  
Date: 6/7/11  
Date: 6/7/11  
Date: 6/7/11

**Board Action Taken:**

Motion: \_\_\_\_\_ 1) \_\_\_\_\_ Aye/Nay

2) \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
(Vote Recorded By)

**CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR**  
**AMENDMENT No. 1**  
**Contract No. 1011-201**

**THIS AMENDMENT** is made and entered into this 16th day of June, 2011, by and between the City and County of Carson City, a political subdivision of the State of Nevada, hereinafter referred to as the "CITY", and **Contri Construction Company**, hereinafter referred to as the "CONTRACTOR", and is made to amend the existing contract known as **CONTRACT # 1011-201**.

**W I T N E S S E T H :**

**WHEREAS**, during the performance of **CONTRACTOR'S** duties pursuant to **CONTRACT #1011-201** the **CONTRACTOR** requested additional compensation that was not within the original **CONTRACT AMOUNT** of the **CONTRACT**; and

**WHEREAS**, the **CITY** and **CONTRACTOR** desire to amend **CONTRACT** to provide **CITY** authorization to compensate **CONTRACTOR** for the additional expense due to the Major PVC Manufacturers declaring Force Majeure; and

**WHEREAS**, said amendment is at the request of both the **CITY** and **CONTRACTOR**, and that significant benefit will be derived by the **CITY** for said amendment.

**NOW, THEREFORE**, in consideration of the aforesaid mutual promises herein, **CITY** and **CONTRACTOR**, by and through their respective authorized representatives hereby agree to:

- 1 Amend Compensation of **CONTRACT # 1011-201** to provide in its entirety as follows:

City agrees to pay **CONTRACTOR** the **CONTRACT SUM** based upon time and materials for a not to exceed amount of Seven Million Three Hundred Two Thousand, Seven Hundred Sixty One Dollars and Three Cents (\$7,302,761.03), which is an increase to the original contract amount by Four Hundred Ninety Four Thousand, Six Hundred Fifteen Dollars and Seventy Cents (\$494,615.70).

**IT IS ALSO AGREED**, that all unaffected conditions, requirements, and restrictions of the Original Contract document remain in full force and effect for the duration of the Contract term.

**CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR**  
**AMENDMENT No. 1**  
**Contract No. 1011-201**

**ACKNOWLEDGMENT AND EXECUTION:**

In witness whereof, the parties hereto have caused this Amendment to be signed and intend to be legally bound thereby.

**CARSON CITY**  
Finance Director  
Attn: Kim Belt, Purchasing and  
Contracts Manager  
201 North Carson Street Suite 3  
Carson City, Nevada 89701  
Telephone: 775-283-7137  
Fax: 775-887-2107  
KBelt@carson.org

By: K. Belt  
KIM BELT

DATED 6/7/11

**CITY'S LEGAL COUNSEL**  
Neil A. Rombardo, District Attorney

I have reviewed this Contract and approve  
as to its legal form.

By: Randy Nea  
Deputy District Attorney

DATED 6/7/11

**CITY'S ORIGINATING DEPARTMENT**  
BY: Andrew Burnham, Director  
Carson City Public Works Department  
3505 Butti Way  
Carson City, NV 89701  
Telephone: 775-887-2355  
Fax: 775-887-2164  
ABurnham@carson.org

By: ABurnham  
ANDREW BURNHAM

DATED 6-1-11

**CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR**  
**AMENDMENT No. 1**  
**Contract No. 1011-201**

Don Davis deposes and says: That he is the **CONTRACTOR** or authorized agent of the **CONTRACTOR**; that he has read the foregoing Amendment; and that he understands the terms, conditions, and requirements thereof.

**CONTRACTOR**

BY: Don Davis

**TITLE:** President

**FIRM:** Contri Construction Company

CARSON CITY BUSINESS LICENSE #: 11-00028168

NEVADA CONTRACTOR'S LICENSE #: 10516

**Address:** PO Box 97739

**City:** Las Vegas    **State:** Nevada    **Zip Code:** 89193

**Telephone:** 702-458-6004/**Fax:** 702-458-7746

**E-mail Address:** ddavis@contrinyc.com

Don Davis

(Signature of CONTRACTOR) Von Odois President

DATED 6-7-11

STATE OF nevada )  
County of Clark ) ss

Signed and sworn (or affirmed) before me on this 17 day of June, 2011, by Don Davis.



**CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR  
AMENDMENT No. 1  
Contract No. 1011-201**

**CONTRACT ACCEPTANCE AND EXECUTION:**

The Board of Supervisors for Carson City, Nevada at their publicly noticed meeting of June 16, 2011 approved the acceptance of Amendment No. 1 **CONTRACT No. 1011-201**. Further, the Board of Supervisors authorizes the Mayor of Carson City, Nevada to set his hand to this document and record his signature for the execution of this contract in accordance with the action taken.

**CARSON CITY, NEVADA**

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ROBERT L CROWELL, MAYOR  
DATED this 16<sup>th</sup> day of June, 2011.

**ATTEST:**

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ALAN GLOVER, CLERK-RECORDER  
DATED this 16<sup>th</sup> day of June, 2011.

## Contri Construction Company

P.O. Box 97739 • Las Vegas, NV 89193  
Tel: (702) 458-6004 • Fax: (702) 458-7746

May 31, 2011

Mr. Thomas L. Guinn, P.E.  
Water Utility Manager  
Carson City  
3505 Butti Way  
Carson City, NV 89701-3498

Ref: North/South Water Transmission Main Project, Phase II

Sub: Force Majeure PVC/Price Increase

Dear Mr. Guinn:

We are in receipt of your letter dated May 23, 2011, wherein you have authorized Contri Construction Company to proceed with ordering the entire quantity of 24-inch Bell & Spigot PVC at the increased price. This price increase was caused by a worldwide resin shortage which in turn caused the major manufacturers to declare a "Force Majeure" and rescind all previous quotes.

Contri Construction Company has previously provided Carson City with backup quotes and correspondence from Western Nevada Supply, Diamond Plastics, JM Eagle and Napco to substantiate this situation.

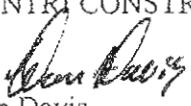
Contri Construction Company actual price increase is:

	\$460,214.66
With tax (7.475%)	<u>34,401.04</u>
Total amount	
requested and authorized	\$494,615.70

Contri Construction's change order request reflects only our direct cost plus tax. No markup will be requested due to the unfortunate nature of this worldwide situation.

Please contact me should you need any further clarification.

Sincerely,  
CONTRI CONSTRUCTION COMPANY

  
Don Davis  
President

DD/pg  
Attachments (6)

cc: Ted Contri  
Gary Bedell  
Nikolai Caviglia  
Bill Bevilacqua  
Rick Cooley  
File

CARSON CITY N/S WATER MAIN PH2

Contri Purchase price

WNS ORIGINAL QUOTE 11065	
BELL & SPIGOT PVC	\$2,056,973.00

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Revised Pricing 5/19/11

WNS REVISED QUOTE 11065.3	Contri Purchase price
BELL & SPIGOT PVC W/NEW PRICING	\$2,517,187.66

FORCE MAJEURE PVC INCREASE	\$460,214.66
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Engineers estimate \$9.5M

Contri Bid \$6.8M

\$2.7M below engineers estimate

Price increase on PVC still puts contract well below engineers estimate.

All PVC Pipe Manufacturers have declared Force Majeure.

PVC Manufacturers are also not able to meet the 90 day dating requirement on pipe.

Because of resin shortages they will have to run all pipe at 1 time.



[www.goblueteam.com](http://www.goblueteam.com)

April 26, 2011

Re: PVC Pipe Availability and Pricing

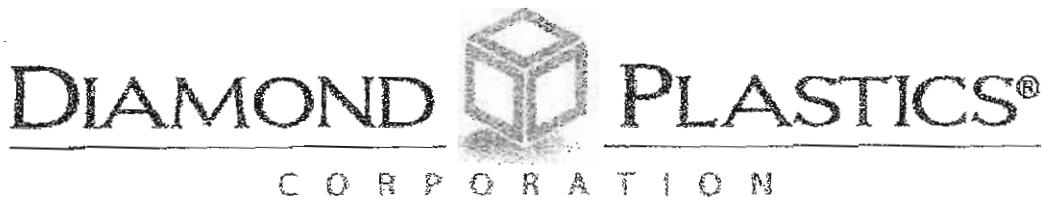
Dear Valued Customers:

Some of you may be aware of the recent notifications sent out by all of the PVC Pipe Manufacturers over the last 30 days. PVC pipe resin is at an all time high and the availability of PVC pipe has been drastically impacted. The three major manufacturers have all declared a **Force Majeure**, and they are no longer honoring any previous quotes, or purchase orders. Because of this uncertainty, PVC Pipe prices have escalated more than 50% over the last 30 days, and continue to be extremely volatile. Currently these manufacturers are only able to provide quoted prices for 7 days, and even at that point the pipe is subject to availability when the order is placed.

This being said, Western Nevada Supply is committed to working with you during these challenging times. Please review all of your contracts for terminology referring to **Price Escalation** and **Force Majeure**. If materials for your project have not been ordered and delivered then we will need to address them immediately. Any jobs that have been quoted need to be brought to our attention so that we may address them on a case-by-case basis. The PVC Manufacturers are speculating that this resin shortage could continue on through July 2011 and pricing will continue to be unstable until that time. We will continue to carry strong inventory and support you in any way possible.

Sincerely

Andrew Siderius  
Waterworks Division Manager



April 20, 2011

TO: All Diamond Plastics Customers

This letter is meant to address the current situation of the PVC pipe and resin markets and give our customers the information needed to help them navigate through this difficult time.

A number of factors have contributed to this situation which includes resin manufacturers exporting raw materials at increasingly high levels, keeping domestic inventories very low; the disaster in Japan has resulted in lower production of plastic pipe's key raw materials; increased demand around the world and a key industry resin supplier has declared force majeure this week. This has all added to an already difficult situation in the supply of PVC resin.

Diamond Plastics has done everything it can to accommodate our customers in this difficult situation, however, as market conditions worsen, we are tasked with managing our production and inventories to the best of our abilities. In order to do this, we must take the following actions:

- All outstanding PVC quotes have been canceled
- All PVC back orders due to material shortages are subject to review, approval and possible rejection, regardless if there is a valid quote attached.
- No extensions on any PVC orders will be accepted
- All new orders are subject to review, approval and possible rejection

Diamond Plastics is committed to helping our customers through these challenging times through good communication. We appreciate your understanding and support.

Respectfully,

A handwritten signature in black ink, appearing to read "John E. Britton".

John E. Britton  
President/CEO

## EXHIBIT A



April 18, 2011

Dear Valued Customer:

A number of factors have contributed to a highly volatile situation in the PVC resin market.

- The gap between natural gas and oil prices has resulted in resin manufacturers' exporting raw materials at increasingly high levels, further keeping domestic inventories very low.
- Resin manufacturers worldwide are already operating at more than 90 percent capacity.
- The disaster in Japan has resulted in lower production of plastic pipe's key raw materials and increased demand around the world.
- A key industry resin supplier declared force majeure this week, adding to an already difficult situation in the supply of PVC resin.

As leaders in the plastic-pipe industry, at JM Eagle it is our intention to take control of the situation while fulfilling your PVC plastic-pipe needs in the long run. Our objective is to always ensure your delivery of product. Therefore, effective immediately, we are taking the following actions.

- All outstanding PVC quotes have been cancelled.
- All PVC back orders due to material shortages are being reviewed and an allocation system is being implemented. Priority will be given to job-direct vs. stock orders.
- No extensions on any PVC orders will be accepted.
- Terms and conditions, detailed on order acknowledgements, are changing. Please review all order acknowledgements.

We appreciate your understanding and thank you for your continued partnership during these challenging times.

Best Regards,

A handwritten signature in black ink, appearing to read 'Neal Gordon'.

Neal Gordon  
Vice President, Marketing

**Andrew Siderius**

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**From:** Jim Passey [jimp@qpasales.com]

**Sent:** Tuesday, April 19, 2011 4:07 PM

**To:** Jim Passey

**Subject:** IMPORTANT NAPCO UPDATE!

To Our Valued Customers:

Due to the current market situation, please be advised that effective immediately all NAPCO quotes dated prior to April 18, 2011 are no longer valid. Please feel free to contact Jim Passey or Ron Quinzon with any questions or concerns.

Jim Passey / [\(jimp@qpasales.com\)](mailto:jimp@qpasales.com) / (707)529-0780

Ron Quinzon / [\(ronq@qpasales.com\)](mailto:ronq@qpasales.com) / (916)837-8646

Regards,

Jim Passey  
QPA  
P. O. Box 2788  
Santa Rosa, CA 95405  
Ph: 707-529-0780  
Fax: 888-274-6947  
E-mail: [jimp@qpasales.com](mailto:jimp@qpasales.com)