



# REPORT TO COUNCIL

## City of Sacramento

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www. CityofSacramento.org

STAFF REPORT  
November 29, 2005

Honorable Mayor and  
Members of the City Council

**Subject:** Status Report: Construction Cost-Related Impacts of Hurricanes Katrina and Rita

**Location/Council District:** Citywide

**Recommendation:**

For informational purposes only.

**Contact:** Reina J. Schwartz, Director, Department of General Services, 808-7195

**Presenters:** Reina J. Schwartz

**Department:** General Services

**Division:** Office of the Director

**Organization No:** 3111

**Summary:**

In September 2005, the City Manager requested that the Department of General Services coordinate a report to the Mayor and City Council regarding potential costs impacts related to construction as a result of Hurricanes Katrina and Rita.

This report provides a discussion of the costs of construction-related impacts for the General Services, Parks and Recreation, Convention, Culture and Leisure, Transportation and Utilities departments.

**Committee/Commission Action:** None.

**Background Information:**

While the full extent of the impact of Hurricanes Katrina and Rita on the overall economy is still unclear, past experience, together with the visible devastation, provides some basis for projecting the effects on the supply and cost of building materials and fuel costs Citywide. All City departments involved in project delivery will be vulnerable to price increases in fuel and building materials.



Fuel

- Continuing fuel cost increases and price instability are due to disruption in supply and refinery capacity. This increases the City's cost of fuel and increased operating department fleet costs.
- The cost of parts and materials may rise due to the increased cost of shipping. Suppliers are beginning to notify the City of fuel surcharges to their shipping rates at an average of 10-15% increases over the last eight months.
- There may be delays in vehicle and equipment production due to backlogs created by increased demand to replace equipment damaged or destroyed by the hurricane and/or flooding. Currently, the lead-time for construction bulldozers and wheel loaders is approximately one year. Dealer inventory of loaders has been diverted to the Gulf Coast. As reconstruction commences along the Gulf Coast, costs may increase for vehicles and equipment; thus, delivery times may be delayed as steel production shifts to construction materials rather than vehicles and equipment.

Construction

Construction materials are expected to increase from 10-50% due to damage to products and distribution methods (Attachment A). This is in addition to significant cost increases that have already occurred over the last several years.

Furthermore, our region has been undergoing unprecedented growth resulting in the reduced capacity of contractors to bid and take on more work. This factor has already led to higher bid prices even without Hurricanes Katrina and Rita.

**Financial Considerations:**

While the long-term financial impacts of this year's hurricanes are not yet known, individual project costs are likely to increase as projects are brought forward for approval. Increasing contingency budgets for large projects may be warranted in some cases.

**Environmental Considerations:**

Individual projects will be brought forward for environmental review as required.

**Policy Considerations:** None.

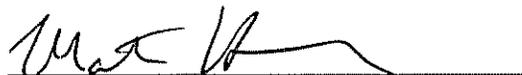
**Emerging Small Business Development (ESBD):**

No products are being bought or sold as a result of this report.

Respectfully Submitted by:



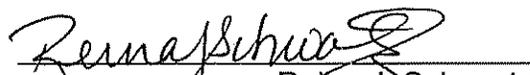
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Gary Reents  
Director, Department of Utilities



Marty Hanneman  
Director, Department of Transportation



Bob Overstreet  
Director, Department of Parks and Recreation

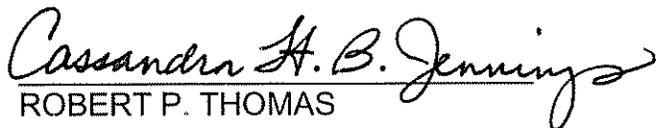


Reina J. Schwartz  
Director, Department of General Services



Barbara Bonebrake  
Director, Convention, Culture and Leisure

Recommendation Approved:



ROBERT P. THOMAS  
City Manager

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ATTACHMENT A

<b>Product</b>	<b>Projected Increase</b>	<b>Specific Reason (if known)</b>	<b>Project Types (Examples)</b>	<b>Data Source</b>
PVC	Up to 200%	Product made in Louisiana	Parks and Recreation: Irrigation and drainage pipes, irrigation valves, electrical conduits, playground equipment  Overall Construction	Swinerton Builders
Steel	20%	Supply and Distribution	Parks and Recreation: Site furniture, shade structures, playground equipment, restroom roofs  Convention, Culture and Leisure: South Basin Project  Overall Construction	Wall Street Journal, Paul Glader
Lumber	10-20%	Yellow Pine Forest Damage	Overall Construction	Davis Langdon Construction Consultants
Gypsum Board	15-20%		Overall Construction	Davis Langdon Construction Consultants
Natural Gas	10%		Overall Construction	Sacramento Business Journal
Oil-Based Products (i.e. Asphalt Concrete)	20%	Lost Supply and Refinery Damage	Overall Construction	Sacramento Business Journal
Cement	12.7%	Lost Supply	Parks and Recreation: Walkways, curbs, mowstrips, restroom and shade structure foundations/pads  Overall Construction	Dept. of Energy
Construction (overall)	10%			Sacramento Business Journal