


Memorandum



Date: July 13, 2012

To: Honorable Chairman Joe A. Martinez
and Members, Board of County Commissioners

From: Carlos A. Gimenez
Mayor 

Subject: Status Update: Assessment and Repair of the Adrienne Arsht Center for the Performing Arts (Arsht Center) of Miami-Dade County

At the July 3, 2012 Board of County Commissioners' (BCC) meeting, questions were raised regarding the Status Report provided to the Board. This memorandum provides answers to these inquiries and also, presents updates to the report that are now available.

Forensic Engineer

Along with containing the water damage to the Arsht Center and ensuring the completion of performances of the Lion King, a key priority was to address the direct cause of the water damage as quickly as possible. Consequently, immediately after the incident, the services of plumbing contractors (Douglass Orr Plumbing Inc. and Fred McGilvray Inc.) and plumbing engineers (Steven Feller PF) were retained to assess the damages. The plumbing contractors completed initial required repairs and reinforcement to the damaged storm water leader. Their repairs were later confirmed by the engineering report provided for the damaged storm water leader.

After reviewing this work, it was determined that the services of a forensic engineer were essential for the County to have a comprehensive evaluation of the building's roof rain water drainage system. In this regard, County staff has negotiated an emergency contract to retain the services of a forensic engineering consultant, Slider Engineering Group Inc. to provide a detailed assessment report identifying the cause of the failure of the roof rain water drainage system. The forensic report will assess all aspects of the existing roof rain water drainage system, including the storm water drainage wells and construction documents, to determine if the existing as-built conditions and capacity are appropriate for the facility. Slider Engineering Group Inc. will also provide necessary repair documents and costs analyses to eliminate any potential future failures. The firm's final report will be available 45 days from the contract start date and will include an assessment of any repairs required prior to the opening events of the Arsht Center's fall season.

Insurance

The County, the Performing Arts Center Trust ("PACT") and our adjusting teams continue to work together to contain costs while ensuring the quality and timeliness of the work to obtain maximum reimbursement from the insurance carriers. A comprehensive review process has been established to accomplish this.

York Risk Services Group, Inc. (York) is the designated coordinating insurance adjuster of record for the Arsht Center loss. York has assembled a highly skilled team consisting of Halliwell Engineering Associates (engineering consultant), J.S. Held, Inc. (construction consultant), Hagen Streiff Newton Oshiro (forensic accountant) and EFI Global (industrial hygienist) to assist with the settlement of the County's insurance claim. Each scope of work is reviewed by the Internal Services Department (ISD) and then submitted to York's team for review. Once the team's review is complete, the PACT

is notified so that work may commence. As work is completed, invoices are then submitted through the same process and are presented to the Office of Management and Budget (OMB) for payment.

In order to help streamline the process and provide oversight for the team, a representative from J.S. Held, Inc. is on the site on a full-time basis and will be engaged until the construction repairs are completed. The PACT's business interruption carrier, Chubb Group of Insurance Companies, is finalizing their review of submitted invoices received under this policy during the repairs process.

Please note that pursuant to the Operating and Management Agreement between the County and the PACT, the PACT has responsibility to contract for repairs to the Arsht Center. It is important to point out that the County, the PACT and our respective insurance adjustors are committed to the utilization of competitive processes to select qualified firms required to complete the repairs to the Arsht Center.

Funding to Cover the Repair Costs

The recommendation to the Board is to authorize the allocation of up to \$5 million to be funded from a portion of the annual amount allocated to the PACT for operational support, the excess Convention Development Tax (CDT) receipts, if any, and/or the Convention Development Tax Shortfall Reserve to be used only as required for the assessment, demolition, and reconstruction of the damage to the Arsht Center as detailed in the June 20, 2012 status report, subject to satisfaction of established conditions. It is important to underscore the following:

- This is an "up to" amount and the allocation of these additional CDT funds is on a reimbursement basis subject to the strict and comprehensive review process outlined above.
- As noted above, the PACT and the County are working very closely with our insurance companies and pro-actively coordinating the pursuit of all eligible costs under these policies. It should be pointed out that any expenses that are covered by the PACT's business income carrier will be used to fund corresponding costs for phases I and II.
- The annual County CDT subsidy of \$7.65 million to the PACT helps to cover the complex's occupancy costs and is necessary and committed to meet the Arsht Center's FY 2011-2012 operating costs. This County subsidy, along with the Arsht Center's earned revenue (e.g., ticket sales, concessions, etc.) and private fundraising results in a balanced annual operating budget for the PACT. While the PACT is incurring increased operating costs attributable to the damage (e.g., additional electrical costs due to dehumidification), it is making every effort to economize and is projecting that approximately \$200,000 from this FY 2011-2012 CDT operating subsidy may be available to help address the costs of damage assessment and repairs.

As outlined above, the subsequent results of the forensic engineer's report will be reviewed to determine whether additional actions are necessary to recoup the costs of damage assessment and repairs.

We remain committed to the strong partnership between the County and the PACT and to the shared goal of restoring this world-class facility to the standards of excellence established for its service to our community.

If you need any additional information, please contact Lisa M. Martinez, Senior Advisor, at 305-375-2911.

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Page No. 3 of 3

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