

**UPDATE: Public Works Projects on Hold  
Mayor's Office**

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As the result of the federal indictments issued in January of this year certain contracts were placed on hold while they were analyzed and evaluated by Public Works and legal counsel. While Public Works initially reported that 49 contracts were the subject of a hold and review, it was ultimately determined that many of these matters were already 100% complete or could be completed internally. At the end of the analysis 17 contracts are at issue. These contracts fall into two categories: Consulting (design and inspection services) and Construction (where design work is complete and construction has commenced.)

**CONSTRUCTION CONTRACTS**

There are a total of 12 Construction contracts at issue. These contracts involve two separate companies: 1) Horizon Construction Company, Inc. and 2) Yocham Enterprises, Inc. These companies are owned by the individuals named in the federal indictments.

Practically all public construction jobs in America are done by private sector firms. Construction bidding laws require general and sub contractors to obtain performance and or payment bonds (also known as surety bonds) on certain contracts to protect taxpayers against contractors who fail to complete a job or fail to pay their subcontractors. Municipalities, including Tulsa, require surety bonds on construction projects. It is a type of insurance policy.

When a contractor fails to perform on a contract the surety steps in to complete the project. Here, due to the indictments of the owners of Horizon and Yocham the City has notified the sureties (Employers Mutual Casualty and Granite Re) of the default and placed them on demand to step in to complete the following projects:

1. Benchmark Condominiums Drainage Improvements
2. Citywide Waterline Replacement projects
3. 12" Waterline near Chandler Park on West 21<sup>st</sup> Street
4. Sidewalk South 89<sup>th</sup> East Avenue/11<sup>th</sup> to 21<sup>st</sup> Streets
5. Forest Trails Phase 3 - Unsewered Area
6. Fred Creek Drainage Improvement- Phase 2
7. Arterial Street Rehabilitation - North Peoria/ 36<sup>th</sup> to 56<sup>th</sup> Streets
8. Bell Creek Drainage Improvements/ East 41<sup>st</sup> Street to East 37<sup>th</sup> Street
9. Non-Arterial Street Rehabilitation - Zone 8108
10. Arterial Street Rehabilitation - North Sheridan, Admiral to Pine
11. Non-Arterial Street Rehabilitation - Zone 7059
12. Arterial Street Rehabilitation - Admiral, Yale to Memorial

Employers Mutual Casualty of Des Moines, Iowa, is the surety for Horizon and Granite Re of Oklahoma City is the surety for Yocham. Both have acknowledged receipt of our

claims and we are in discussions with them to find a resolution to timely complete the projects.

**CONSULTING CONTRACTS:**

The consulting contracts involve design and inspection work for city projects.

**Breisch and Associates:**

There are currently 9 City of Tulsa contracts pending with Breisch.

- One has not been started.
- The City has taken over one inspection contract and completed the work.
- One is 100% complete.
- Three projects are now in various stages of construction. The outstanding work due from Breisch is "as-built" drawings required after construction is complete.
- Three projects are partially complete, and the necessary documents required to be signed and sealed have been received by the City. All outstanding drawings and deliverables have been provided as requested. In exchange, the City has paid Breisch and Associates for all work that it has performed to date on these projects.

**FBS, Inc:**

There are two projects at issue with respect to FBS however our options are limited by the fact that Commerce Bank has essentially shut down FBS, Inc. and attached the company's receivables. Public Works estimates it would cost the City approximately an additional \$114,000 to hire another firm to complete the two outstanding bridge projects. The City is evaluating its options with an eye toward completing the design projects while minimizing the cost to the taxpayers.

**COMPLETED PROJECTS:**

The invoices are being reviewed as part of the forensic audit and no payment will be made until the contracts are cleared.