



STAFF REPORT

CITY OF GREEN COVE SPRINGS, FLORIDA

TO: City Council Regular Meeting **MEETING DATE:** September 1st, 2026
FROM: Greg Bauer, Acting Public Works Director
SUBJECT: Ratification of Pay Applications #4 and #5 for Stratum Contracting and Construction Management in the combined amount of \$81,572.08 for the City Hall Vacant Space Buildout.

BACKGROUND

The Clay Economic Development Council (EDC) approached the City regarding the possibility of moving into one of the unfinished spaces upstairs at City Hall. The concept was presented to City Council at the January 21, 2025 meeting. Council agreed to fund the buildout up front, with the EDC repaying the cost through rent payments over an agreed period at an interest rate comparable to the rate earned on the City's investment accounts.

The City published a solicitation for design-build proposals for the approximately 1,700-square-foot north unfinished space. After the apparent low bidder was permitted to withdraw due to errant pricing, Stratum Contracting was the lowest remaining respondent. Following value engineering, City Council approved a contract amount of \$299,490.00. Approved change orders increased the contract sum to date to \$304,276.50.

City Council previously authorized three pay applications from Stratum. Pay Application #1 was paid. Payments under Pay Applications #2 and #3 were subsequently held after the City received notice from a creditor asserting entitlement to amounts otherwise payable by the City to Stratum. The City Attorney has determined that the amount at issue in the litigation between the creditor and Stratum is \$58,000. The City is not a party to that dispute; however, if the creditor's claim is found to be valid, the City could face potential exposure for any portion of the claimed \$58,000 paid directly to Stratum.

After discussions with Stratum's legal counsel and James Smithson, owner of Stratum, the City Attorney advised that the City may pay Stratum's subcontractors and vendors directly, provided the City retains at least \$58,000 pending resolution of the claim. Mr. Smithson agreed to this payment arrangement and submitted supporting invoices. Staff has been establishing the affected subcontractors and vendors in the City's accounts-payable system so that eligible payments can be made directly.

The electrical and plumbing subcontractors, which are responsible for most of the remaining work, had declined to continue because of nonpayment. Staff estimates that their remaining work can be completed in less than two weeks. To avoid additional delay and move the project toward completion, staff directed Finance to process approved payments to eligible subcontractors and vendors as soon as each entity was established in the City's payables system.

Stratum submitted Pay Application #4 in the amount of \$53,434.42 and Pay Application #5 in the amount of \$28,137.66, for a combined amount of \$81,572.08. Because these applications had not yet been presented to City Council and immediate action was necessary to keep the project moving, staff authorized payment of eligible portions directly to the appropriate subcontractors and vendors, while

maintaining the required holdback of no less than \$58,000. Staff now presents Pay Applications #4 and #5 for ratification of those actions and approval of the direct-payment arrangement described above.

Original Contract Amount - \$299,490.00

Net Change Orders - \$4,786.50

Contract Sum to Date - \$304,276.50

Pay Application #4 - \$53,434.42

Pay Application #5 - \$28,137.66

Combined Pay Applications #4 and #5 - \$81,572.08

Completed to Date - \$264,093.10

Retainage - \$13,204.66

Balance to Finish - \$53,388.06

FISCAL IMPACT

This project will utilize restricted surtax dollars to be repaid at an interest rate comparable to current City investments. Account 001-1319-5006220 - \$81,572.08

RECOMMENDATION

Ratification of Pay Applications #4 and #5 for Stratum Contracting and Construction Management in the combined amount of \$81,572.08 for the City Hall Vacant Space Buildout.