

Department of Public Works

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Bureau of Engineering
Report No. 1

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March 28, 2001
CD Nos. All

James J. [Signature]
Secretary

158506

AUTHORITY OF THE CITY ENGINEER TO ISSUE ADDITIVE AND DEDUCTIVE CHANGE ORDERS AND ADDENDA FOR UP TO \$100,000 OR UP TO THE CONTINGENCY LIMIT SET FOR THE PROJECT COST, WHICHEVER IS LESS

RECOMMENDATIONS

1. Authorize the City Engineer to issue additive and deductive Change Orders up to \$100,000 or up to the contingency limit set for the project (not to exceed 25 percent of the project cost), whichever is less.
2. Authorize the City Engineer to issue addenda for changes in plans, specifications, or bid proposals during the bid period without prior Board approval up to \$100,000 or up to the contingency limit set for the project (not to exceed 25 percent of the project cost), whichever is less.
3. Adopt the amount set forth in Recommendation No. 1 as the specific limit on the power the Board is authorized to delegate in accordance with Section 376 of the new City Charter, for all Change Orders and addenda issued by the bureaus under the Board.

TRANSMITTAL

Copy of City Charter Section 376

FISCAL IMPACT

There is no fiscal impact since contingency costs are budgeted for each project awarded by the Board.

DISCUSSION

The Board of Public Works awards, on average, more than \$100,000,000 worth of construction contracts in each fiscal year. Currently, the City Engineer is authorized to issue additive Change Orders in amounts up to \$50,000 for Wastewater funded projects, and up to \$25,000 for all other projects without prior approval by the Board of Public Works. Any Change Orders exceeding these limits, or exceeding 25 percent of the project construction cost require submittal of a Board report and Board approval prior to issuance.

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The Board authorized the City Engineer to issue Change Orders without prior Board approval up to a limit of \$25,000 on August 25, 1982. The City Engineer issued a Special Order No. SO44-1082 informing all Bureau of Engineering personnel of the Board's action. Inflation since that time has caused the size of contracts awarded by the Board to increase considerably. In the intervening years, the number of Change Orders exceeding the limits and requiring review and approval by the Board has also increased substantially. The new limit of \$100,000 or up to the contingency limit set for the project (not to exceed 25 percent of the project cost), whichever is less, will allow for more expeditious processing of higher cost Change Orders.

City contractors have complained that it takes the City too long to process Change Orders. This significantly increases the amount of time that they are required to wait to be paid. The contractors brought up two separate issues directly related to Change Orders and the amount of time it takes for the City to pay for them at the Contractor's Quarterly Meeting held on July 25, 2000. It is anticipated that the need to obtain prior Board approval for Change Orders will be less frequent and resultant construction delays and delayed payments to the contractors will be greatly reduced.

I therefore recommend that \$100,000, or up to the contingency limit set for the project (not to exceed 25 percent of the project cost), whichever is less, be used as a value limit for City Engineer-issued Change Orders. If Gas Tax funds or funds that generate revenue into the Gas Tax Fund are involved, and the request for a change order exceeds \$100,000 or the contingency limit set for the project (not to exceed 25 percent of the project cost), Board reports requesting Board approval of the Change Order shall be prepared jointly with the Bureau of Street Services. This follows the Board's current policy which states, "Any request for Board action involving Gas Tax funds shall be submitted as a joint report between the originating Department/Bureau and the Bureau of Street Services. In all other instances, Board approved Change Orders will be issued."

Additionally, I also recommend that the same value be used for City Engineer-issued addenda. The circumstances involved in issuing addenda are very similar to those for issuing Change Orders, the difference being that addenda are issued when changes to plans and specifications are made before the construction bids are received. Change Orders are issued after a construction contract is awarded. It is to the City's advantage to make plan changes before construction bids are received. The new limit will significantly reduce the need to obtain Board approval to extend the bid opening dates and will help the Bureau of Engineering deliver projects on time.

These recommendations are consistent with the provisions of the new City Charter, Section 376. The Board has the authority to delegate the approval of Change Orders to a department employee and to specify the dollar amount that can be approved without further authorization of the Board. The City Engineer has historically been the

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designated Department employee, and remains the logical choice to continue in that role.

The Bureau of Engineering will prepare and submit a summary of all change orders exceeding \$50,000 for Wastewater-funded projects and \$25,000 for all other projects quarterly to the Board.

(JZ WHH RR)

Report prepared by

Respectfully Submitted,

Contract Award Section

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Questions regarding this report
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