

Procurement Code Manual

PROPOSED AMENDMENTS TO
ARTICLE 25, "CHANGE ORDERS"

Council Presentation: April 9, 2019





Procurement Code Manual Amendments



Overview

➤ Resolution Amendments:

- Result of FAIR: Review Contract Allowances, Contingencies and Administrative Change Orders (aka, Change Order Authority)
- Briefly discuss the definitions of Contract Allowance, Contingencies and Administrative Change Orders
- Project specific examples demonstrating how they've been effective
- Staff recommended changes to Section 25.1 "Change Order Process", and 25.2 "Change Order Conditions"



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Background Information for New Council Members

➤ Construction Related Projects and the Use of Change Orders and Applicable “Safety Net” Terminology:

- Contract Allowance:
 - Applicable to a Design/Bid/Build project delivery method
- Owner and Contractor Contingency:
 - Applicable to a Construction Manager at Risk (CMAR) and Design/Build (DB) project delivery method
- Administrative Change Orders (aka, Change Order Authority):
 - Applicable when Contract Allowance or Owner and Contractor Contingency has been exhausted



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Project Specific Example - traditional design/bid/build:

- Brannen Neighborhood Improvements – Phase I
 - 1,285 feet of waterline & new services, 1,170 feet of sewerline & services, new manholes and street reconstruction
 - Consultant's Estimate = \$2,025,265
 - City established Contract Allowance (CA) = \$89,605 (4.42%)
 - Total estimated contract amount prior to bid = \$2,114,870
 - 10 bids ranged from \$1,914,238 - \$2,223,690 (includes CA)
 - Sellers & Sons bid = \$1,824,633.50 + \$89,605 = \$1,914,238
 - 200 calendar day contract period
 - Administrative Change Order (ACO) = \$182,463 (10% w/o CA)







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Project Specific Example - traditional design/bid/build:

- **Brannen Neighborhood Improvements – Phase I**
 - 16 Field Orders issued against the Contract Allowance
 - Additional water & sewer services
 - Additional manhole work (including drop connections & epoxy coatings)
 - Concrete encasement of sewerlines (ADEQ requirement)
 - Waterline & fire hydrant adjustments
 - Additional sewerline (8" and 12")
 - Dealing with ground water
 - Additional concrete removal and replacement
 - Additional asphalt paving
 - Field Order #12 reallocated \$35,000 from bid items (rock, subgrade & franchise utilities) to Contract Allowance (revised total = \$124,605)



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Project Specific Example - traditional design/bid/build:

- **Brannen Neighborhood Improvements – Phase I**
 - Total Contract Allowance utilized = \$118,868.89 (6.27% of final contract expenditure) and 6 calendar days added to the contract
 - \$5,736.11 remaining in the Contact Allowance
 - 1 Change Order processed out of the Administrative Change Order allocation in the amount of \$47,729.12 (2.52% of final expenditure) and 14 calendar days added to the contract
 - \$134,733.88 remaining in the Administrative Change Order Allocation
 - The project was successfully delivered at \$66,814 under the awarded contract amount



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Project Specific Example - Construction Manager at Risk (CMAR)

- 2015 Street Maintenance projects (Phase 2) Chip Seal:
 - The project consisted of street improvements (chip seal 123 streets and perform roadway reconstruction) - \$2,904,883.71
 - One Field Order was issued: Rehabilitation of FUTS trail (Ponderosa Trails)
 - \$166,531.00 (contract - \$200,000.00 in contractor contingency)
 - Saved time and construction costs with economy of scale and deployed resources
 - Two Change Orders were issued: Improvements of Arroyo Park
 - Federal Grant funded project - \$145,200.00 (authorized change order approval - \$290,488.37)
 - Saved time and construction costs with economy of scale and deployed resources



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Project Specific Example - Construction Manager at Risk (CMAR)

➤ Rehabilitation of FUTS trail (Ponderosa Trails):

- Place 0.25 Tons of crack seal to the existing Ponderosa Trails FUTS (1,180 Ft).
- Pulverize and recompact 3,300 LF to an existing Pulliam Road asphalt FUTS.
- Install 42 LF of a 12" Corrugated Metal Pipe (CMP) for drainage.
- Placed 309 Tons of $\frac{3}{4}$ " Asphaltic Concrete ($1\frac{1}{2}$ ") to the Pulliam Road FUTS (3,300 Ft.).
- Placed 411 Tons of Modified Asphaltic Concrete overlay ($1\frac{1}{2}$ ") to the Pulliam Road and Ponderosa Trails FUTS (4,400 Ft).



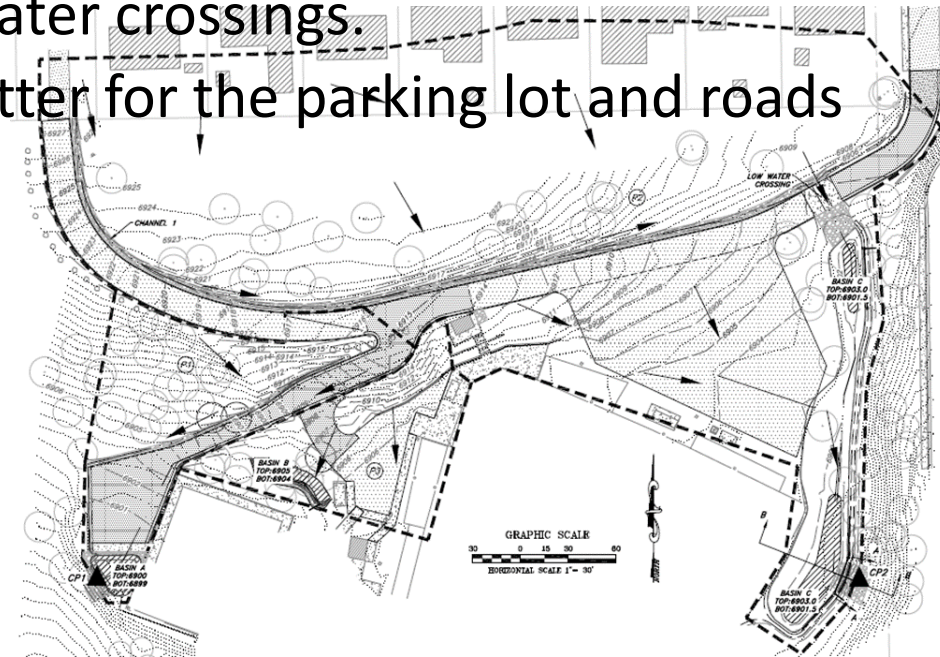


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Project Specific Example - Construction Manager at Risk (CMAR)

➤ Improvements of Arroyo Park:

- Place 1,830 SY of 3" AC on 6" A.B.C. on the roads leading to the field and playground/ramada area.
- Placed 926 SY of 4" of crushed processed asphalt millings on the parking lot areas.
- Placed 900 SY of concrete flatwork for sidewalks and water crossings.
- Placed 1,500 LF of concrete vertical type A curb and gutter for the parking lot and roads leading to the playground/ramada area.





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Proposed Amendments: Section 25.1 "Change Order Process", Letter (A)

• Field Orders

• Current:

- Project Manager- \$10,000 and 10 calendar days
- Section Head- \$25,000 and 30 calendar days
- Division Head- Full contract allowance amount and 60 calendar days

• Field Orders

• Proposed:

- Project Manager- Change by an amount up to \$10,000 and up to and through 10 calendar days
- Section Head- Change by an amount up to \$25,000 and up to and through 30 calendar days
- Division Head- Change up to the Full contract allowance amount and up to and through 60 calendar days



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Proposed Amendments: Section 25.1 "Change Order Process", Letter (B)

• Task Orders

• Current:

- Project Manager- \$10,000 and 10 calendar days
- Section Head- \$25,000 and 60 calendar days
- Division Head- Contract allowance, up to \$100,000 and 120 calendar days

• Task Orders

• Proposed:

- Project Manager- Change by an amount up to \$10,000 and up to and through 10 calendar days
- Section Head- Change by an amount up to \$25,000 and up to and through 60 calendar days
- Division Head- Change by an amount up to \$100,000 and up to and through 120 calendar days



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Proposed Amendments: Section 25.1 “Change Order Process”, Letter (E)

• Change Orders

• Current:

- Shall not exceed 25% for professional services contracts
- Shall not exceed 15% of construction contracts
- Shall not exceed 25% of all other contracts
- Or \$50K, whichever is greater without Council approval

• Change Orders

• Proposed:

- Any single Change Order of \$50K or more for any contract previously approved by Council shall be sent with a recommendation from the change order committee to Council for final approval



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Proposed Amendments: Section 25.2 “Change Order Conditions”, Letter (A)

• Contract Allowance

• Current:

- Will be added to all design and construction contracts based on Engineer’s estimate
- Over \$1 million (5%)
- \$999,999- \$250K (7.5%)
- \$249,999 or below (10%)

• Contract Allowance

• Proposed:

- Can only be added to design/bid/build contracts
- May be added based on Engineer’s estimate OR respondent’s bid, whichever is lowest
- Over \$1 million up to (5%)
- \$250K- \$1 million up to (7.5%)
- Below \$250K up to (10%)
- Justification Required



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Proposed Amendments: Section 25.2 “Change Order Conditions”, Letter (B)

- Administrative Change Orders (ACO)

- Current:

- A 10% ACO may be included in all design and construction contracts

- Administrative Change Orders

- Proposed:

- The ACO percentage can be up to 10% applicable only to design/bid/build contracts



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Proposed Amendments: Section 25.2 “Change Order Conditions”

- Section 25.2 (New language)
- Letter (C), “Owner’s and Contractor’s Contingencies”
 - Shall only be allowed for Construction Manager at Risk and Design/Build contracts
- Letter (D), “Justification Documentation”
 - For any contract allowance, change order authority or contingency that is recommended for construction projects
 - Completed by Project Manager and approved by section or division head



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Proposed Amendments: Section 25.2 “Change Order Conditions”

- Section 25.2 (New language) Cont’d
- Letter (E), “Summary of Change Order Thresholds”

TYPE OF CONSTRUCTION PROJECT DELIVERY METHOD	CONTRACT ALLOWANCE	CHANGE ORDER AUTHORITY (*)	OWNER CONTINGENCY	CONTRACTOR CONTINGENCY
DESIGN/BID/BUILD: FORMAL SOLICITATIONS	PERCENTAGE BASED ON CONTRACT AMOUNT, WITH JUSTIFICATION	UP TO 10%, WITH JUSTIFICATION	NOT ALLOWED	NOT ALLOWED
CMAR: REQUEST FOR STATEMENTS OF QUALIFICATIONS	NOT ALLOWED	NOT ALLOWED	NEGOTIATED	NEGOTIATED
DESIGN/BUILD: REQUEST FOR STATEMENTS OF QUALIFICATIONS	NOT ALLOWED	NOT ALLOWED	NEGOTIATED	NEGOTIATED

*NOT TO EXCEED \$500,000



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QUESTIONS?