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AGENDA SHEET FOR COUNCIL MEETING OF: November 24, 2003

Submitting Dept. Engineering Services

Contact Person Tom Arnold

Phone No. 6307 CITY CLERK'S OFFICE SPOKANE, WA

ADMINISTRATIVE SESSION

- o Contract
o Report
o Claims

LEGISLATIVE SESSION

- o Emergency Ord
o Resolution
o Final Reading Ord
o First Reading Ord
o Special Consideration
o Hearing

CITY PRIORITY

- o Communications
o Economic Development
o Growth Management
o Human Services
o Neighborhoods
o Public Safety
o Quality Service Delivery
o Racial Equity/Cultural Diversity
o Rebuild/Maintain Infrastructure

- CLERK'S FILE
RENEWS
CROSS REF
ENG
BID
REQUISITION

CPR 2003-051

STANDING COMMITTEES

- (Date of Notification)
o Finance
o Neighborhoods
o Planning/Community & Econ Dev

- o Public Safety
o Public Works

Neighborhood/Commission/Committee Notified:
Action Taken:

AGENDA WORDING:

Policy and procedures for implementing administrative change orders for construction contracts under the Public Works & Utilities Division wherein a pre-approved administrative reserve has been established by the Council.

BACKGROUND:

(Attach additional sheet if necessary)

As required under the City of Spokane's Certification Acceptance (CA) Agreement all change orders must be approved prior to the work being done. In a letter dated July 9, 2003, the WSDOT indicated that the City must make some changes in the process in order to assure that the requirements of the CA agreement are met.

Staff, in coordination with WSDOT, has drafted a new policy for all Public Works and Utilities contracts to expedite approval of change orders and amend the change order forms to meet those requirements. The key to the new process is a City Council approved administrative reserve that can be drawn down for the cost of the change orders if necessary. Each reserve will be project specific and included on the agenda at the time of bid award.

Implementation of the policy will be deferred until the effective date of the corresponding ordinance.

RECOMMENDATION:

Approve

Table with Fiscal Impact and Budget Account columns. Fiscal Impact: o Expenditure: \$, o Revenue: \$, o Budget Neutral. Budget Account: o N/A.

ATTACHMENTS:

Include in Packets:

Contract Change Order Policy

SIGNATURES:

Signature of Tom Arnold, Director, Engineering Services

Signature of Tom Arnold, Director, Public Works & Utilities

Signature of Barbara Burns, Legal

Signature of City Administrator for Mayor

Signature of Rob Higgins, Council President

DISTRIBUTION:

Engineering Services
Legal, Barbara Burns

Public Works & Utilities,
Roger Flint

Accounting
WSDOT

COUNCIL ACTION:

APPROVED BY SPOKANE CITY COUNCIL:

November 24, 2003

Signature of Leri Bluestein, CITY CLERK

City of Spokane Policy
Effective Date:
Subject: Contract Change Orders

1. GENERAL

- 1.1 The City often contracts with private construction companies for capital improvements of public facilities throughout the city limits and within the City's sewer and water service area boundaries. During the course of any particular project, it may become necessary to make changes to the original contract. These changes either add to or subtract from the payments or contract working days due to the contractor that were anticipated in the original contract. These changes to the contract are generally referred to as "contract change orders".
- 1.2 This policy shall apply to construction contracts administered by the Public Works & Utilities Division of the City.
- 1.3 This policy is divided into the following sections:

- Section 1 - General
- Section 2 - Definitions
- Section 3 - Policies
- Section 4 - Change Order Authorization Authority
- Section 5 - Contract Change Order Procedures
- Section 6 - Setting of Administrative Reserve
- Section 7 - Contract Change Order Administration

2. DEFINITIONS

"Administrative Reserve" is the dollar amount approved at contract award by City Council as a contingency for use in covering the cost of change orders for the construction contract in question.

"Director – Engineering Services (City Engineer)" is the person with signature authority over the administrative process for the WSDOT and FHWA funding program requirements per the adopted Certification Acceptance (CA) Qualification Agreement with the Washington State Department of Transportation.

"Principal Engineer" is the lead engineer in charge of administrative review of construction projects and approval within monetary limits described below of contract change orders for the PW & U department in question.

3. POLICIES.

- 3.1 All contract changes shall be documented by an approved change order. No change order work shall be done prior to approval. In the case of emergency situations, verbal approval may suffice. Verbal approval must be followed by submission of the corresponding change order within ten calendar days.
- 3.2 Change orders shall be used to add or delete work from a contract only when the work is within the contract's "scope of work".
- 3.3 Change orders shall not be used to add work to a contract that is outside of the contract's "scope of work" unless prior approval is obtained from the Director - Public Works & Utilities and if applicable (State or Federal Transportation Funded Projects) the Assistant Secretary for Highways & Local Programs.
- 3.4 Change orders shall be executed by the person(s) designated in section 4 below.

4. CHANGE ORDER AUTHORIZATION AUTHORITY

- 4.1 For individual contract change orders with a dollar value LESS THAN THE "ADMINISTRATIVE RESERVE" AND LESS THAN OR EQUAL TO \$10,000, the change order shall bear at least the signatures of the Contractor and the Principal Engineer.
- 4.2 For individual contract change orders with a dollar value LESS THAN THE "ADMINISTRATIVE RESERVE" AND LESS THAN OR EQUAL TO \$50,000 BUT GREATER THAN \$10,000, the change order shall bear the signature of the Contractor, the Principal Engineer, and the Director - Engineering Services.
- 4.3 For individual contract change orders with a dollar value LESS THAN THE "ADMINISTRATIVE RESERVE" BUT IN EXCESS OF \$50,000, the change order shall bear the signature of the Contractor, the Principal Engineer, the Director - Engineering Services, and the Director – Public Works and Utilities.
- 4.4 The Principal Engineer shall notify the Director – Engineering Services, Director – Public Works and Utilities, and City Administrator whenever a single change order or the aggregate of change orders exceed the City Council approved "Administrative Reserve" for any project. All change orders that exceed this amount will require City Council approval before proceeding with the exception of Life/Safety issue. It is the intent that a new administrative reserve will be set at this time and will take in to consideration the current percent completion of any given project.

5. CONTRACT CHANGE ORDER PROCEDURES

- 5.1 There should always be an attempt to contact the Design Engineer, and if necessary the appropriate departmental Operations Engineer, before any decision is made to implement a contract change order regardless of the dollar value.
- 5.2 The Design Engineer and appropriate department director have valuable insight into the design conditions as well as budget limitations that may affect any decision made to change the contract. This notwithstanding, there are times when stopping work or slowing work down to confer with the Design Engineer may not be in the best economic or progressive interests of the project or the City. Rather than try to describe situations in which conference with the Design Engineer is appropriate, the following is a guide to help align expectations between Principal Engineers and the Project Design Engineer/Director.

- Contract Change Orders estimated at less than or equal to \$10,000

If needed to keep the project moving, these changes may be made without prior discussions with the Project Design Engineer or Operations Engineer. The Project Design Engineer or Operations Engineer shall be informed of the change at the first available opportunity.

- Contract Change Orders estimated at greater than \$10,000 but less than or equal to \$50,000

An effort shall be made to contact and confer with the Design Engineer and/or Operations Engineer before any changed work begins. If neither is available and it would cause economic or schedule harm to the project, the work may be allowed to progress by the Principal Engineer. Otherwise, the project, or that portion to which the change order relates, will be temporarily shut down until proper conference with the Design Engineer and/or Operations Engineer can be conducted.

- Contract Change Orders estimated at greater than \$50,000

Except in the event of a life/safety issue, work shall not continue on a changed portion of the contract until the change is approved by the Design Engineer or Operations Engineer.

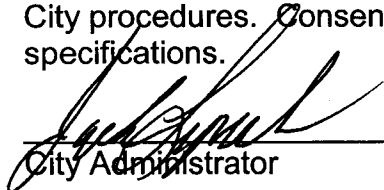
6. SETTING OF ADMINISTRATIVE RESERVE

If an administrative reserve is set on a construction contract, it shall be set at TEN PERCENT (10%) of the lowest responsive bid award forwarded for Council approval, up to a limit of \$100,000. For construction contracts that exceed \$1,000,000, at time of award, the recommended amount of the administrative reserve shall be set by the Director of Public Works & Utilities.

All Administrative Reserves require prior approval of the City Council.

7. CONTRACT CHANGE ORDER ADMINISTRATION

Contract change orders that deviate in any particular way from the attached forms shall require approval by the Assistant City Attorney. Final signed change orders shall be placed on file with the Office of the City Clerk after internal routing in accordance with City procedures. Consent of the surety shall be in compliance with the contract's project specifications.



City Administrator

12-01-03

Date



Director - Public Works & Utilities

12-01-03

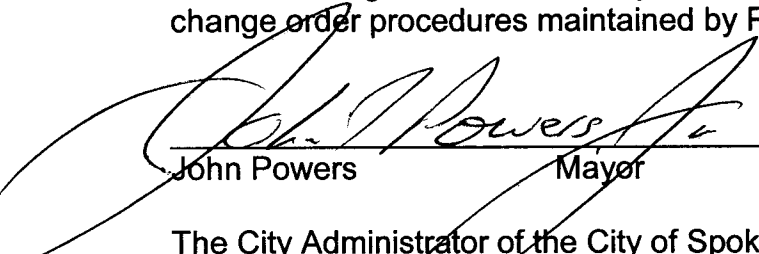
Date

WHEREAS, it often becomes necessary to execute a contract change order due to some addition to or subtraction from the original contract work; and

WHEREAS, it is recognized that it is most efficient and less costly to have contract change orders negotiated and approved at the lowest, most practical level within the organization; -- Now, Therefore,

The following delegation of signature authority is granted.

The Mayor of the City of Spokane Washington delegates the authority to approve contract change orders to the City Administrator, conditioned on following the approved change order procedures maintained by Public Works and Utilities.



John Powers Mayor

12.01.03
Date

The City Administrator of the City of Spokane Washington delegates the authority to approve contract change orders to the Director - Public Works and Utilities, conditioned on following the approved change order procedures maintained by Public Works and Utilities.



Jack Lynch City Administrator

12.01.03
Date

The Director - Public Works and Utilities of the City of Spokane Washington delegates the authority to approve contract change orders to the Director of Engineering Services, Director of Wastewater Management, Director of Water and Hydroelectric Services, and Director of Solid Waste Management, conditioned on following the approved change order procedures maintained by Public Works and Utilities.



Roger Flint Director - Public Works & Utilities

12/01/03
Date

The Director of Engineering Services of the City of Spokane Washington delegates the authority to approve contract change orders to the Principal Engineer – Construction Services, conditioned on following the approved change order procedures maintained by Public Works and Utilities.

Thomas Arnold
Tom Arnold, P.E. Director – Engineering Services

12/1/03
Date

The Director of Wastewater Management of the City of Spokane Washington delegates the authority to approve contract change orders to the Principal Engineer – Wastewater Management, conditioned on following the approved change order procedures maintained by Public Works and Utilities.

Dale Arnold
Dale Arnold Director – Wastewater Management

12/1/03
Date

The Director of Water & Hydroelectric Services of the City of Spokane Washington delegates the authority to approve contract change orders to the Water Systems Engineer (Principal Engineer) – Water & Hydroelectric Services, conditioned on following the approved change order procedures maintained by Public Works and Utilities.

Brad Blegen
Brad Blegen, P.E. Director – Water & Hydroelectric Services

12/3/03
Date

The Director of Solid Waste Management of the City of Spokane Washington delegates the authority to approve contract change orders to the Disposal Operations Supervisor – Solid Waste Management or Contract Manager – Regional Solid Waste System, conditioned on following the approved change order procedures maintained by Public Works and Utilities.

Dennis Hein
Dennis Hein Director – Solid Waste Management

12/03/03
Date

Attest: Leri R. [Signature]
City Clerk:

