



CITY OF MARSHALL AGENDA ITEM REPORT

Meeting Date:	Tuesday, February 12, 2019
Category:	NEW BUSINESS
Type:	ACTION
Subject:	Change Order Authorization.
Background Information:	<p>Periodically, construction contracts require the use of change orders for a variety of reasons-- unforeseen construction items not included in the original contract, variations of contract quantities, unit price changes, time extensions, or plan errors.</p> <p>Currently, the department initiates a change order whenever any of these contract changes occur, but the work is normally completed prior to Council action.</p> <p>The Council has requested City staff to review the current change order process and recommend revisions to streamline the process.</p> <p>In order not to delay construction progress, in accordance with our standard construction Agreement, Article 2 indicates that the "ENGINEER shall act as OWNER'S representative, assume all duties and responsibilities and have the rights and authority assigned to ENGINEER in the Contract Documents in connection with completion of the Work in accordance with the Contract Documents."</p> <p>Also, in accordance with the Standard General Conditions of the Construction Contract, Section 9.01, A. indicates "Engineer will be the Owner's representative during the construction period."</p> <p>However, I believe it is necessary for the Council to be aware of changes to the work previously authorized by the Council. When a construction project is authorized, the Council approves the contract with the contractor plus 5% contingencies.</p> <p>In the last 10 years of project history for all projects over \$100,000.00, change orders have fallen within the 5% range. For projects up to \$100,000.00, change orders vary widely from -3% to +45% and average just under 10% because of the small original contract amounts. In accordance with our current Purchasing Policy, Council approval is not required for contracts under \$25,000.00. If a sliding scale would be considered, use \$25,000.00 or 5%, whichever is greater.</p> <p>After review, it is our recommendation to allow change orders according to the following administrative procedure:</p> <p>(A) Change orders, cumulatively or singly, that do not exceed the project's contingency funding may be approved by the department director or their designee.</p> <p>(B) Change orders that cumulatively or singly increase the value of a contract to exceed the project's contingency funding by twenty-five thousand dollars or less require the approval of the City Administrator. The City Administrator may choose to seek additional approval from the Council.</p> <p>(C) The Council must approve change orders that increase the value of the contract to more than twenty-five thousand dollars beyond the project's contingency funding.</p>

	(D) The Council approve the final reconciling change order and final payment.										
Fiscal Impact:	None at this time.										
Alternative/ Variations:	<p>to allow change orders according to the following sliding scale:</p> <table border="1"> <tr> <th>Project Cost</th><th>Cumulative Percent/\$ Increase Authorized</th></tr> <tr> <td>\$0 - \$500,000</td><td>Up to \$25,000</td></tr> <tr> <td>\$500,001 - \$1,000,000</td><td>\$25,000 + 3% of amount over \$500,000</td></tr> <tr> <td>\$1,000,001 - \$2,000,000</td><td>\$40,000 + 2% of amount over \$1,000,000</td></tr> <tr> <td>Greater than \$2,000,001</td><td>\$60,000 + 1% of amount over \$2,000,000</td></tr> </table> <p>Any change orders greater than the amount authorized above will be presented to the Council for approval.</p>	Project Cost	Cumulative Percent/\$ Increase Authorized	\$0 - \$500,000	Up to \$25,000	\$500,001 - \$1,000,000	\$25,000 + 3% of amount over \$500,000	\$1,000,001 - \$2,000,000	\$40,000 + 2% of amount over \$1,000,000	Greater than \$2,000,001	\$60,000 + 1% of amount over \$2,000,000
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