



Change Orders

A Study Session

April 6, 2016 Measure Q Steering Committee



What is a Change Order?

- ▶ An **AMENDMENT** to a construction contract
 - ▶ Typical changes:
 - ▶ Scope of Work
 - ▶ Contract Price
 - ▶ Contract Completion Time
 - ▶ May be an increase, decrease or no cost or time impact
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What's included in a construction contract?

- ▶ Contract and Forms, including Bid Form
 - ▶ Construction Drawings
 - ▶ Construction Technical Specifications
 - ▶ General Conditions and Supplementary Conditions
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What causes Change Orders?

- ▶ Unforeseen conditions in construction
 - ▶ Emergency conditions not caused by Contractor
 - ▶ Owner requested changes (usually scope of work)
 - ▶ Architect/Engineer errors or omissions in the construction documents
 - ▶ Code/inspector requirements (Regulatory Agency requirements)
 - ▶ Time delay – changes agreement for completion date; may or may not have an associated cost
 - ▶ Other, ex: unavailability of specified products
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What do we do to avoid or minimize Change Orders?

- ▶ Note that each project is unique, a one-off design, and buildings are complicated with lots of inter-related building systems.
- ▶ Primary focus: **PREVENTION**
- ▶ 1. Thorough due diligence of existing conditions (pre-design)
 - ▶ Accurate assessment of existing conditions; locate any as-built drawings & specs
 - ▶ Confirm of existing underground utilities
 - ▶ Site geotechnical investigation
 - ▶ Hazardous materials study and testing



Minimizing Change Orders, continued

- ▶ 2. Complete and well-coordinated construction documents
 - ▶ Review of design documents at regular intervals prior to issuing for bid
 - ▶ Compliance with budgeted scope of work and Owner requirements
 - ▶ Constructability, coordination of disciplines, completeness
 - ▶ Involve all stakeholders throughout the design phase, so the different Owner perspectives and requirements are taken into account in the design as it develops



Minimizing Change Orders, continued

- ▶ 3. Manage and minimize scope creep during design and Owner changes after the project bids
 - ▶ Be clear with stakeholders what scope of work was budgeted and approved by the Board, and when the 'cut-off' for comment is during the design phase
 - ▶ Engage all team members in prioritizing scope objectives to facilitate decisions
- ▶ 4. Look ahead during construction phase
 - ▶ Project Managers and Construction Managers consistently look ahead of the construction process to identify potential issues and pre-empt them, or resolve them with the Contractor prior to the need for a costly fix (and potential Change Order)



Process for Change Order Approval

- Board Policy – Delegation of Authority for Potential Change Orders
 - January 15, 2014 – one year trial (do we need to evaluate, reconfirm?)
 - Delegates authority to Superintendent/President, Vice President of College Operations, or Executive Bond Manager to approve all Potential Change Orders (PCOs) on behalf of the Board
 - Approval of Change Orders (aggregation of PCOs) is required by Board by ratification
 - Requires project management team to maintain log of all open potential PCOs



Process for Change Order Approval

- ▶ 1. Unforeseen or emergency conditions that have to be handled immediately in order to not delay construction progress
 - ▶ Contractor brings item to attention of Construction Manager with proposed fix and rough magnitude estimate of time and materials required. Construction Manager reviews it and brings it to attention of Program Project Manager and Executive Bond Manager.
 - ▶ Executive Bond Manager evaluates and if in agreement, issues direction for the Contractor to proceed with the work on a time and materials basis, and submit a Change Order Request with the actual cost.
 - ▶ The final Change Order Request is submitted, negotiated by the Construction Manager if needed, and grouped together with other Potential Change Orders to bring a formal Change Order to the Board for approval or ratification.



Process for Change Order Approval

➤ 2. Other items

- Contractor and/or Construction Manager identify Potential Change Order (may be an Owner scope change request)
- Contractor describes scope of work and provides a cost quote
- Construction Manager evaluates the proposed cost and negotiates if needed to arrive at reasonable and mutually agreeable cost for the work
- Construction Manager presents Potential Change Order to Program Project Manager and Executive Bond Manager for review
- Once a Potential Change Order has been conditionally accepted by the Executive Bond Manager, a number of Potential Change Orders are grouped together into a formal Change Order, which is submitted to the Board for approval or ratification.



Funding for Change Orders

- ▶ Construction Contingency is included in Project Budgets for potential Change Orders – typically 10%
- ▶ Where the Construction Contingency is held depends upon the project delivery method and type of contract
- ▶ **Design Bid Build** delivery method (Performing Arts, Small Cap projects)
 - ▶ Contingency is typically held by the Owner and is not in the construction contract
 - ▶ The Contractor has bid exactly and only the work described in the construction documents



Funding for Change Orders

- ▶ **Design Build** delivery method (Autotech, Biotech, Science projects)
 - ▶ Owner's Contingency included within the Design Build contract
 - ▶ Since Contractor and Architect/Engineers on same team, Owner not involved in any changes due to errors and omissions
 - ▶ Primarily Owner requested changes
 - ▶ Contractor must submit substantiated request for use of Owner's Contingency
 - ▶ District also holds small Project Contingency outside the Design Build contract. If and when the Owner's Contingency within the Design Build contract is exhausted, and additional changes to contract/cost/time are needed, the Design Builder would submit a Change Order Request, which would be processed as previously described and brought to the Board for approval.
 - ▶ Goal is NO CHANGE ORDERS on the Design Build projects



Questions?

