



Metropolitan Water Reclamation District of Greater Chicago Text File

100 East Erie Street
Chicago, IL 60611

File Number: 12-1537

Agenda Date: 11/14/2012

Version: 1

Status: Adopted

In Control: Procurement Committee

File Type: Agenda Item

Agenda Number: 4

TRANSMITTAL LETTER FOR BOARD MEETING OF NOVEMBER 15, 2012

COMMITTEE ON PROCUREMENT

Mr. David St. Pierre, Executive Director

Authorization to revise the Contract Change Order Policy for Capital Improvement Construction Projects *(As Revised)*

Dear Sir:

On June 28, 2012, the Board of Commissioners conducted a Study Session on Contract Change Orders (CCOs). At the study session, information regarding how other local agencies handle CCOs was provided, discussed and compared with the District's current policy.

Currently, the District manages the cost of these contracts with best-in-class performance: for the past five years, the average percent increase has been 2.4% of the final contract value. Best in class in the construction industry is less than 5%. The District plans to maintain best in class in this category.

Therefore, it is recommended that a 5% contingency line item be added to each construction contract for errors and omissions, and unforeseen circumstances only. All changes in scope will need to come before the Board. This 5% recommendation holds the District to best-in-class management in contracts financially and it is the lowest value used in local peer agencies. This recommendation will only pertain to engineering Capital Improvement Construction Projects. The 5% contingency will be included in the initial board letter presented for construction projects.

It is also recommended that the approval authority limit for the Director of Engineering to be updated from the current \$10,000 limit to \$100,000 per change. Reporting requirements would remain the same to ensure full transparency to the Board and the public. Using Engineering News Record's construction cost index, a \$10,000 change order in 1962 (720 ILCS 5/33E-9) would equate to a current value of approximately \$104,000 change order today. This \$100,000 recommendation will update the value established in 1962 to current levels and it is the lowest staff level adopted by local peer agencies.

There is no recommended change in authorization level for the Director of Maintenance and Operations. The types of contracts being managed by this group should be able to be managed within estimated values.

These changes will give staff the tools they need to make field decisions and keep projects on

schedule.

It is hereby recommended that the Board of Commissioners authorize the Director of Engineering and the Director of Procurement and Materials Management to execute a contract change orders as outlined herein.

It is also recommended that the Resolution adopted by the Board on May 7, 1998, which authorized the Chief Engineer to approve certain change orders, be amended to authorize the Director of Engineering to approve change orders up to \$100,000 per change until such time as the 5% contingency included in each such contract is exhausted.

Requested, Catherine A. O'Connor, Director of Engineering, MVL
Recommended, Darlene A. LoCascio, Director of Procurement and Materials Management
Respectfully Submitted, Barbara J. McGowan, Chairman Committee on Procurement
Disposition of this agenda item will be documented in the official Regular Board Meeting
Minutes of the Board of Commissioners for November 15, 2012

Attachment