

Board of Trustees Agenda Item

Board Meeting Date: August 2, 2010


Title of Item: Construction Change Order Processing

Background and Analysis:


Executive Director of Facilities, Operations and Construction Management Charles Allen will give an overview of the construction change order process including what may prompt a change order, oversight, and change order rates.

Recommendation: (specify if information only)


Submitted by:	Executive Director of Facilities, Operations and Construction Management Charles Allen, x6150
Additional contact names:	
Is backup provided?	Yes



FOOTHILL-DE ANZA
Community College District



Foothill College




De Anza College

Board of Trustees Presentation

Construction Change Order Processing

August 2, 2010



FOOTHILL-DE ANZA
Community College District

Background

- Some terms
 - PCO (Proposed Change Order)
 - A discrete item of work for which additional compensation is proposed by the construction contractor
 - Contract Modification
 - A change to the construction contract usually includes a number of PCOs that have been bundled together for ease of administration

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Background

■ Change orders are the result of

- Changes in Field Conditions
- Design Changes to clarify drawings or to change or correct a design detail
- Owner Request (Maintenance & Operations, Information Technology, User needs, etc. not previously identified)
- Jurisdictional Mandates – DSA, new regulation, regulatory agency review, etc)

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Background

■ Current process

- Proposed Changes are categorized and tracked by
 - Changes in Field Conditions
 - Design Changes to clarify drawings or to change or correct a design detail
 - Owner Request (Maintenance & Operations, Information Technology, User needs, etc. not previously identified)
 - Jurisdictional Mandate – Division of State Architect, new regulation, etc)
- Contractor submits a proposal detailing scope and cost
- The proposal is reviewed for merit by the Architect, Gilbane, District bond managers (and by users for owner requested changes).
- If the proposal has merit, price negotiation takes place between Gilbane/District and the Contractor
- If there is no agreement on price and work to be performed, then the proposed change is rejected.
- If there is agreement on price and work to be performed, then
 - Executive Director/Project Director authorizes work to proceed for PCOs under \$50k
- PCOs over \$50k in value are bundled into a contract modification and submitted for Board approval
- PCOs under \$50k are bundled into a contract modification and submitted for Board ratification

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Background

- Executive Director of Facilities, Operations, & Construction Management
 - In order to avoid expensive delays, may authorize change orders up to \$50,000
 - Must seek subsequent Board ratification of the change
- Change Orders in excess of \$50,000 must have prior Board approval

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Background

- Audit & Finance committee provides oversight for project cost and schedule variances
- Citizens Bond Oversight committee provides oversight for projects

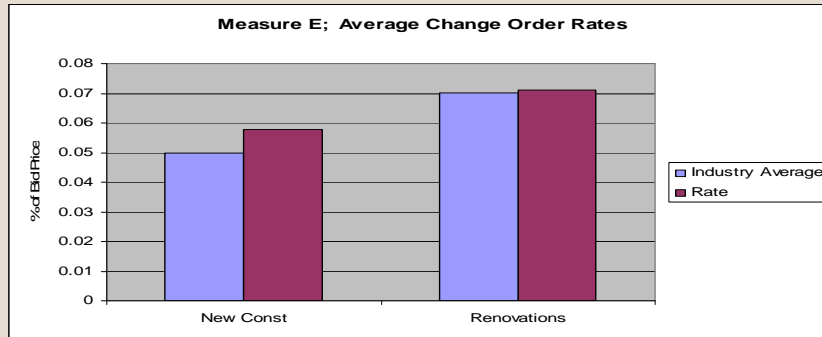
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Background

(information from previous Measure E presentation in August 2007)

■ Change Order Rates; Sample Projects

- Industry Average = 7% for renovations and 5% for new construction
- Measure E change order rates are largely consistent with the industry average



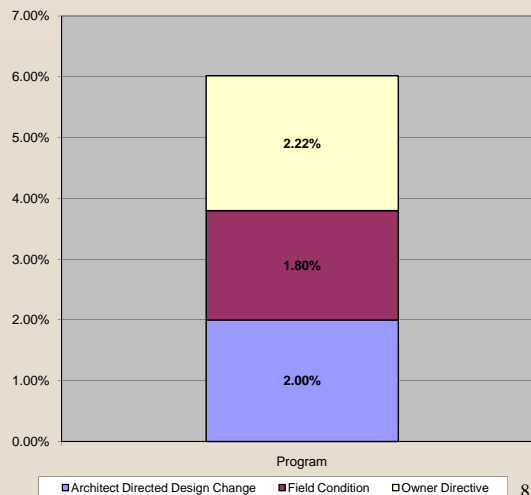
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Background

Approved Change Orders as Percent of Contract Value

■ Measure C Change Order Rates; Completed Projects

- Target percentages = 7% for renovations and 5% for new construction
- Since the vast majority of work completed to date is renovation work, these rates are consistent with our targets



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Continuous Improvement Initiatives

■ Construction Delivery Methods

- Lease Leaseback

- Design-Build

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Conclusion

■ The District's change order management includes

- Appropriate controls

- Experienced managers

- Constant vigilance

- A determination to minimize changes

- Well trained & experienced project personnel

- A determination to avoiding claims and claims related legal costs that arise out of mismanaged change orders

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Wrap up

■ Change orders are an integral part of the construction industry & are to be anticipated

■ Positive aspects of change orders

- Correct minor design errors & omissions
- Value added
- Accommodate new requirements & standards when warranted
- Accommodate unforeseen or unanticipated user / maintenance and operations / information technology requirements when warranted

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Questions & Discussion

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