

APPROVED
JUN 07 2006

REPORT OF GENERAL MANAGER

NO. 06-136

DATE June 7, 2006

**BOARD OF RECREATION
and PARK COMMISSIONERS**

C.D. All

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: CAPITAL PROJECTS: DELEGATION OF AUTHORITY TO THE GENERAL MANAGER FOR APPROVAL OF CHANGE ORDERS TO CONSTRUCTION CONTRACTS UP TO THE AMOUNT OF \$100,000

J. Combs	_____	J. Kolb	_____
H. Fujita	_____	F. Mok	_____
S. Huntley	_____	K. Regan	_____
B. Jensen	_____	*M. Shull	<u>ms</u>

Robert H. Jensen (da)
General Manager

Approved /

Disapproved _____

Withdrawn _____

RECOMMENDATION:

That the Board authorize the General Manager to approve single change orders to construction contracts up to the amount of \$100,000, which is an increase from the previous authority of \$25,000, as long as the scope of the change does not impact the ability to provide recreational programs to the community or reduce the scope of the project and is within the budgeted construction contingency amount, but not to exceed 10% of the original construction contract amount awarded by the Board for a single change order or 25% of the original construction contract amount for the total sum of all change orders.

SUMMARY:

On November, 20, 2002, (Board Report No. 02-389), the Board approved delegation of the change order authority from the Board of Recreation and Parks Commission to the Bureau of Engineering (BOE), to a maximum of \$25,000 per change order for the projects being managed by the Prop K Program Manager and to the BOE Prop K Program Manager to a maximum of \$100,000 per change order for the Griffith Observatory project. Because the Griffith Observatory project is extraordinarily large, this exception to the previous policy assured that the Griffith Observatory project, being managed by Bureau of Engineering for the Department, moved quickly during construction without excessive delays.

REPORT OF GENERAL MANAGER

PG. 2 NO. 06-136

On January 8, 2003, Board Report No. 03-09 was approved which increased the authority of the Department of Recreation and Parks General Manager to approve change orders to construction contracts up to \$25,000 from \$5,000. At that time, most construction contracts awarded were below \$400,000. Since then, construction contracts were awarded well in excess of \$1 million per contract. Due in part to the award of larger construction contracts, staff has received numerous requests for change orders exceeding \$25,000, which, therefore have required Board approval. The added length of time needed for Department staff to obtain Board approval of staff-reviewed and negotiated change orders has often led to delays in construction, complaints from the contractors, and ultimately, to further claims at the close of construction.

Department staff believes that delegating authority for the approval of change orders up to \$100,000.00 will decrease construction delays and reduce the risk of damages sought by contractors. Staff's recommendation to increase the change order authority is in line with other City departments. For example, the Department of Water and Power (DWP) General Manager's change order authority limit was increased to \$150,000 several years ago and a recent policy change, approved a few months ago, increased the authority limit on change orders to \$200,000. Similarly, the Department of Airports (LAWA) General Manager's limit was increased to \$100,000 in the 1980's; the Harbor Department General Manager's authority limit was increased to \$150,000; and, the Bureau of Engineering (BOE) City Engineer's authority limit was increased to \$100,000 in 2005 for other City department's projects.

Staff recommends the increase in approval limit of change orders up to \$100,000 be granted to the Department of Recreation and Parks, General Manager. The provision requires approval of the Board should any addition or deletion to a construction contract, regardless of cost, change the scope of the project, reducing potential service to the community of the new facility. Board approval will be requested should the amount of any change order exceed the amount of the contingency that exists with a particular project and also, when a single change order exceeds 10% of the contract award or multiple change orders would exceed 25% of the contract award.

FISCAL IMPACT STATEMENT:

This increase in the delegation of authority to the General Manager will not have any fiscal impact to the City. Intangible project savings, such as minimal work stoppage and better work coordination and scheduling between job specialties, will be realized when change orders are processed without delays that may otherwise increase changes.

Report prepared by Gino Ogtong, Management Analyst II, Planning and Development.