

# Contract No. 2021-125 Change Order Authority



# Railcar Replacement Program

- Contract No. 2021-125 with Siemens Mobility, Inc.
- Contract Scope: Engineering, Manufacturing, Testing, Delivery and Commissioning of 24 S200 Light Rail Vehicles (LRVs), Manuals and Training, Spare Parts and Special Tools
- Contract Amount: \$163,920,115
- Notice to Proceed - issued June 26, 2023
- Contract Options - 36 Option LRVs

# Board Policy - Change Order Authority

GCRTA Board Policy 410.01 (8): Delegation of Authority:

The Board hereby delegates to the General Manager, Chief Executive Officer of the Authority the following responsibilities:

“...approve change orders on contracts in a net amount not to exceed five hundred thousand (\$500,000) for contracts over five million dollars (\$5,000,000). The Board may, by resolution, vary these limits for particular contracts or projects...”

# Common Reasons for Change Orders

- Regulatory changes
- Design changes, omissions, or alterations
- Unforeseen conditions during final assembly, delivery, or commissioning, such as quality issues and scheduling that could not be planned for
- Materials shortages or late delivery to final assembly
- Changes to budgets and schedules
- Changes in technology or specifications by owner

# Change Order - Management Controls

- Segregation of Duties (Project Management, Contract Administration)
- Procurement Policies and Procedures
- Procurement File – Contract Administrator’s Audit Checklist
- Change Order Review Committee (Grants Management, Internal Audit, Legal Affairs, Office of Business Development, Office of Management & Budget, Procurement, and Project Office)
  - The purpose of the Change Order Committee is to ensure strict compliance with procurement policies and applicable regulations prior to negotiation with the contractor. Required for all change order amounts \$50,000 and above.

# Change Orders – Internal Audit Procedures



- Review quotes, invoices, and change order documents
- Site visits to observe and verify
- Contract compliance review
- Consult with appropriate stakeholders & resources
- Issue audit reports to Management and Board of Trustees

# Contract 2021-125 Change Order Authority Management Proposal

Possible Change Order Authority options:

- \$16,392,012 = 10% of the total contract amount
- \$ 8,196,006 = 5% of the total contract amount
- \$ 6,500,000 = Slightly lower than 4% of the total contract amount

# Contract 2021-125 Change Order Authority Management Proposal

In addition to the periodic audit reports provided to the Board of Trustees, Management is committed to increased communication to the Board of Trustees by:

- Monthly update on the change order activity will be included in the Secretary-Treasurer's report
- Results of change order audit activity will be included in the Internal Audit Committee meeting and the Quarterly Audit Report
- Results of change order activity will be included in the Quarterly Management Report (QMR)
- \$50,000 threshold requiring Change Order Committee review remains unchanged



# Contract 2021-125 Change Order Authority Management Proposal

## Recommendation:

Staff requests that the Committee of the Whole recommend to the Board of Trustees the increase in change order authority on Contract No. 2021-125 with Siemens Mobility, Inc. for the Design, Manufacture and Delivery of Up to Sixty High Floor Rail Vehicles, Spare Parts, Tooling and Training over the Seven Year Term, be set at \$6,500,000.

# Contract 2021-125 Change Order Authority Management Proposal

QUESTIONS?