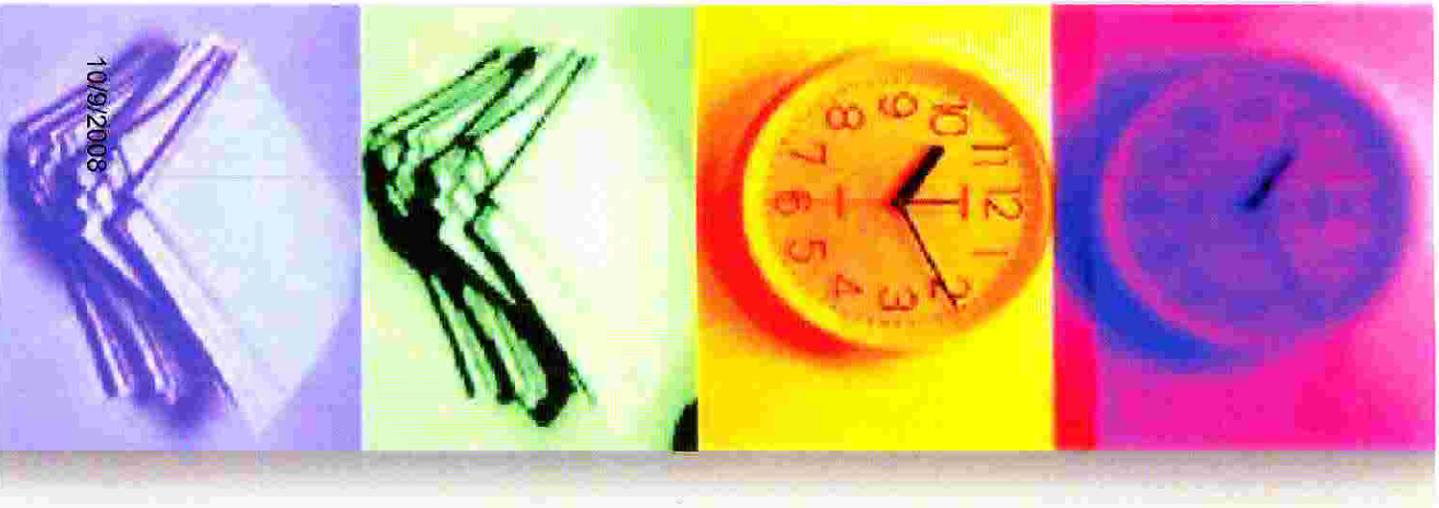


Change Orders

“How are they processed?”

Topics

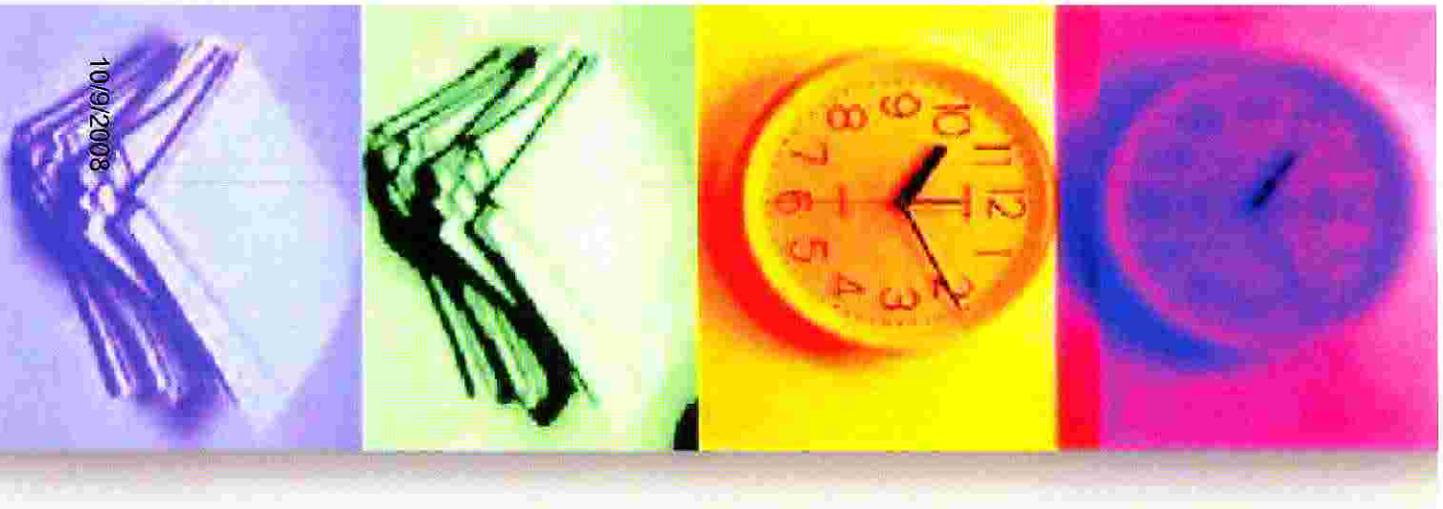
- Change Orders – Definition
- Processes
 - Goods and Services
 - A/E & Construction Services
- Approval Authority Levels



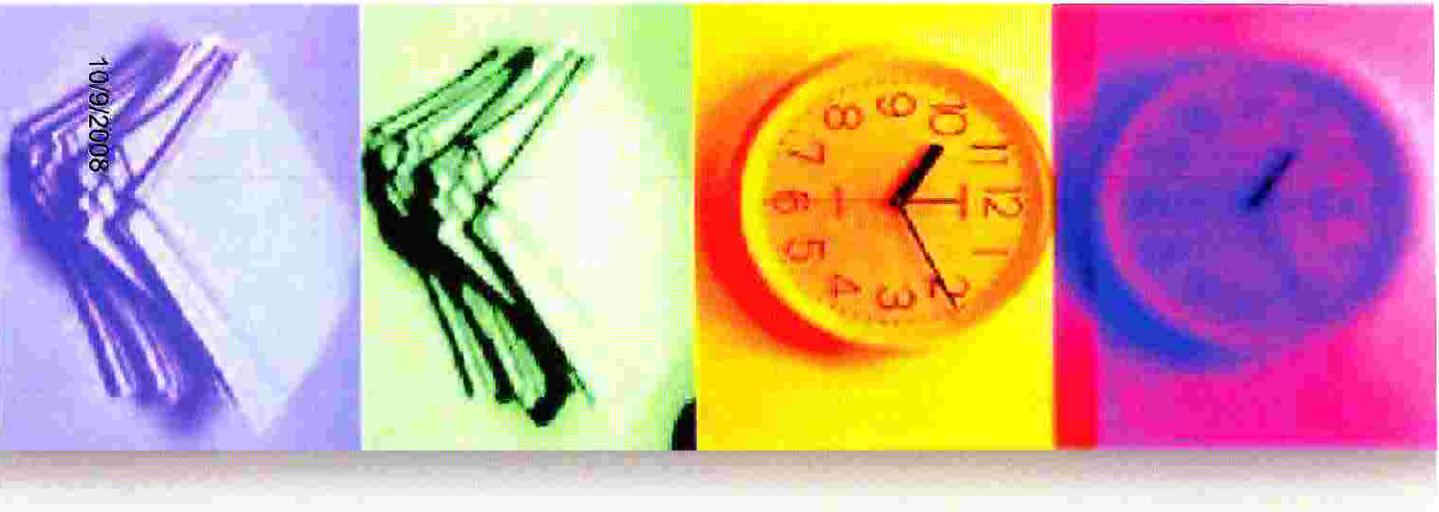
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Definition

- When a modification is required for an existing purchase order, a change order must be submitted to the Acquisition Office.



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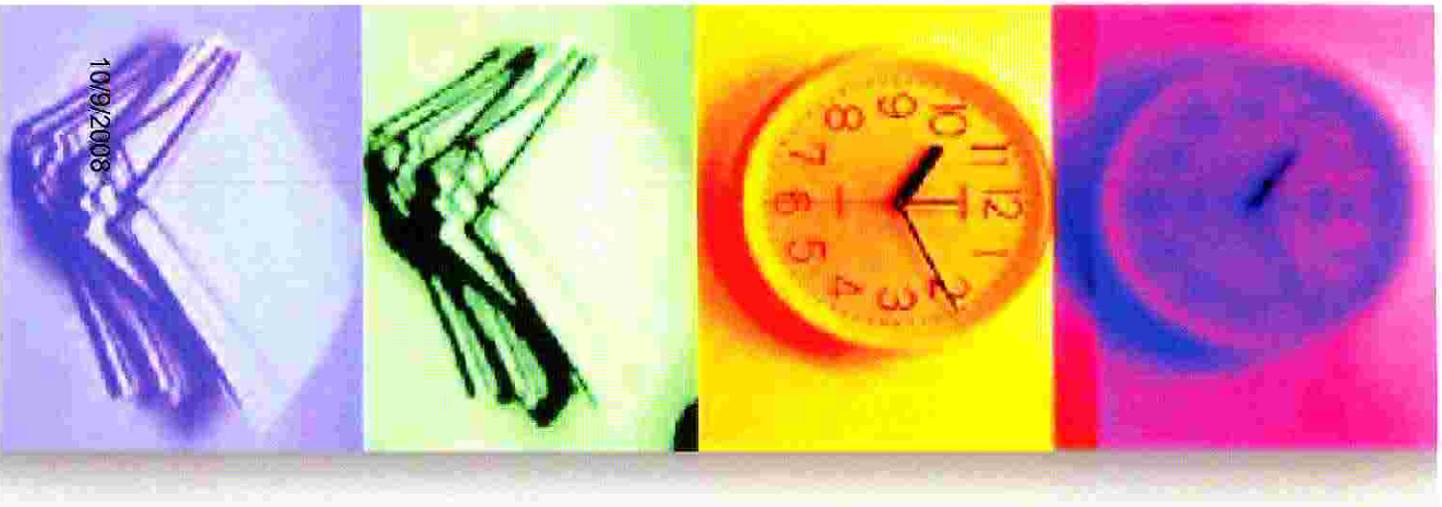


Process for Goods and Services Contracts

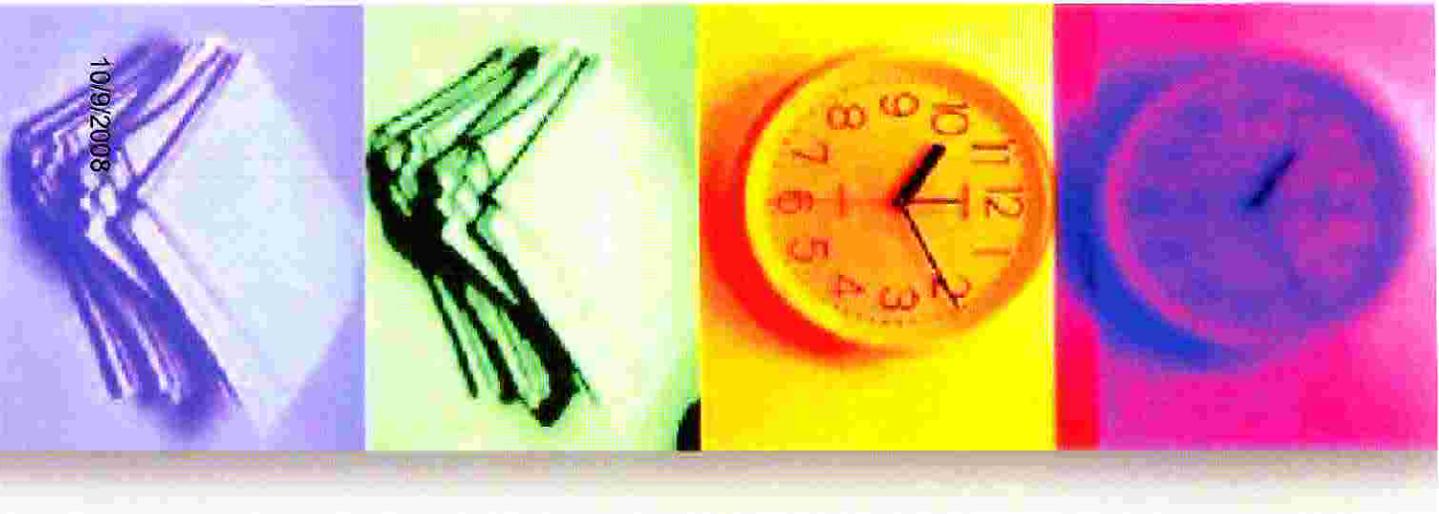
- To increase funds on an existing purchase order when the cumulative sum does not exceed the original total purchase order amount by more than 10%, the Request for Change Order may be signed by the original authorized approver.

Process (cont'd)

- When the increase is more than 10% of the change order it must be approved by the proper authorization level for the new total dollar value



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Approval Authority Levels

- Purchase Requisitions and Requests for Change in Purchase Order
Contract must be reviewed and approved as follows in accordance with the estimated total cumulative cost of the items being requested:

- Requisition Value Approver

- Up to \$150,000 Group Leader
- Over \$150,000 Team Chief

Approval (cont'd)

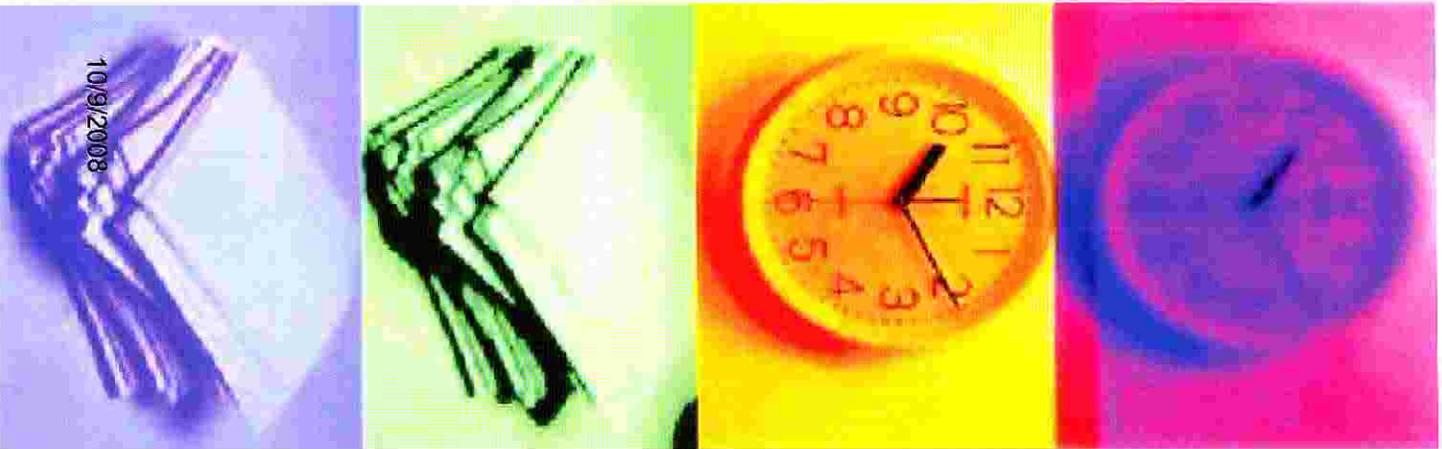
<u>Purchase Order Value</u>	<u>Approver</u>
up to \$2,500	Procurement Consultant Asst.
up to \$25,000	Procurement Consultant I
up to \$50,000	Procurement Consultant II
up to \$100,000	Senior Procurement Consultant
up to \$150,000	Procurement Unit Coordinator
up to \$200,000	Procurement Group Leader
up to \$250,000	Procurement Director
up to \$400,00	Purchase Order Review Committee
for Professional Services up to \$500,000	General Manager
over \$500,000	Commission
for Procurement up to \$750,000	General Manager
over \$750,000	Commission



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Goods and Services Contracts

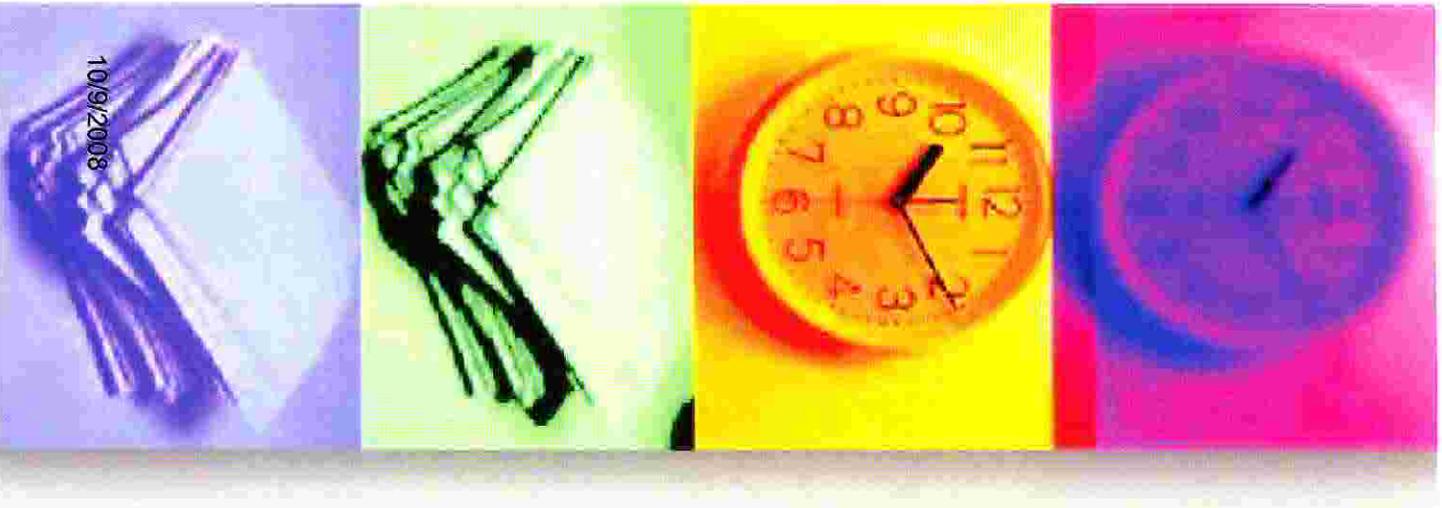
- Requirements Contracts
 - Fixed Unit price contract
 - (Based upon estimated quantities)
- Time and Materials (T&M)
 - Fixed Hourly Rate and Material Costs
- Professional Services
- Inventory and Chemicals
- Material, Repair and Capital Improvement



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Types of Change Orders

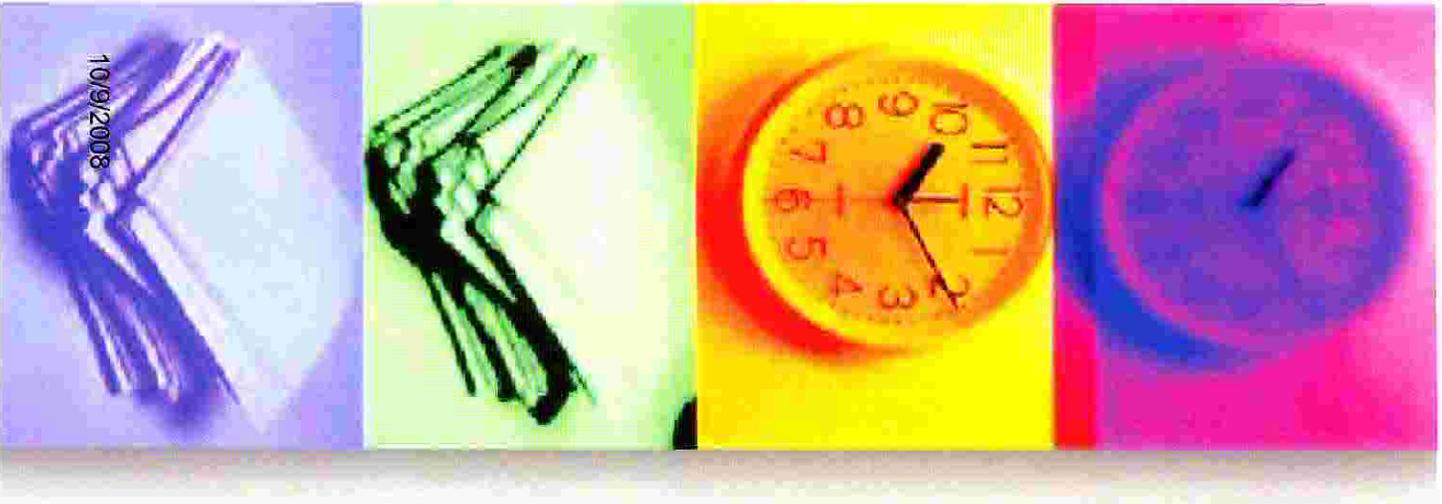
- Option Year Renewals
- Administrative Changes
 - Due to changes in office structure and/or buyers.
- Contract Extensions
 - Changes the contract term.
- Increase in quantities for Requirements Contracts



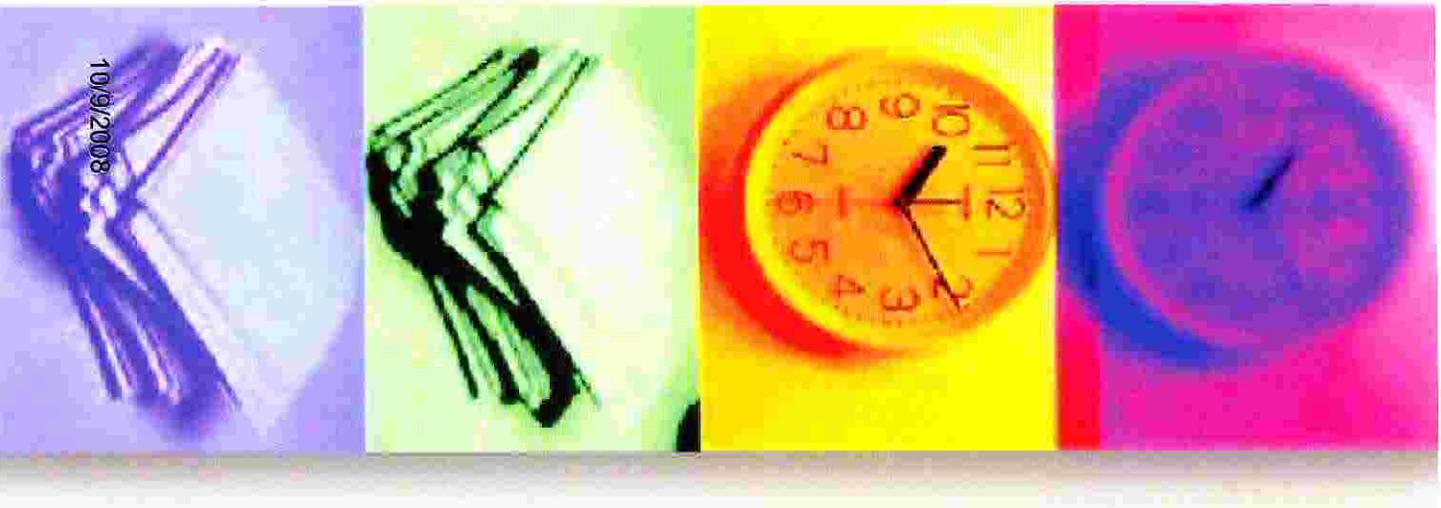
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Types of Change Orders (cont'd)

- Change in Scope of Work
 - Due to unforeseen site conditions
- Increase in the number of labor hours for a specific contract



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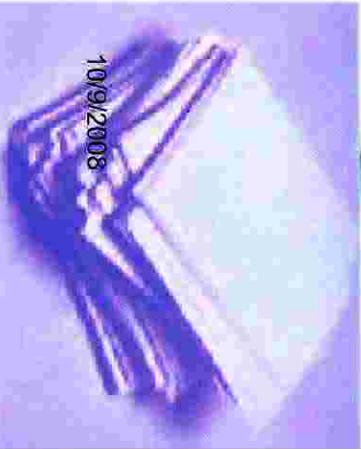


Recent Change Orders

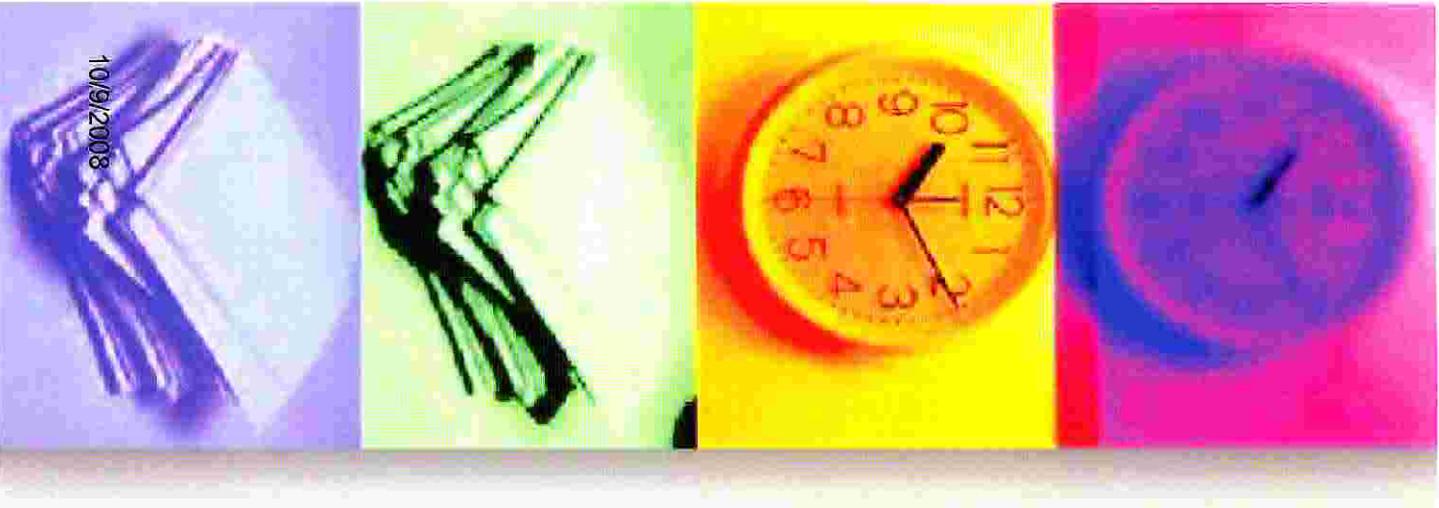
- With the current increase in the number of miles of pipe than in the past, some Requirements Contracts are insufficient to meet current demands.
- To accommodate the increase, provide a fair and competitive environment for vendors, and maintain cost effectiveness for WSSC business, we used the rule of thumb :

Recent Change Orders (cont'd)

- Quantity escalation in early part of base year
 - Extend the quantity to fulfill base year
- Quantity escalation at later part of base year
 - Extend quantity to 100% then re-bid
- Conduct Market Analysis in either case to determine fiscal feasibility prior to exercising option year or re-bid.

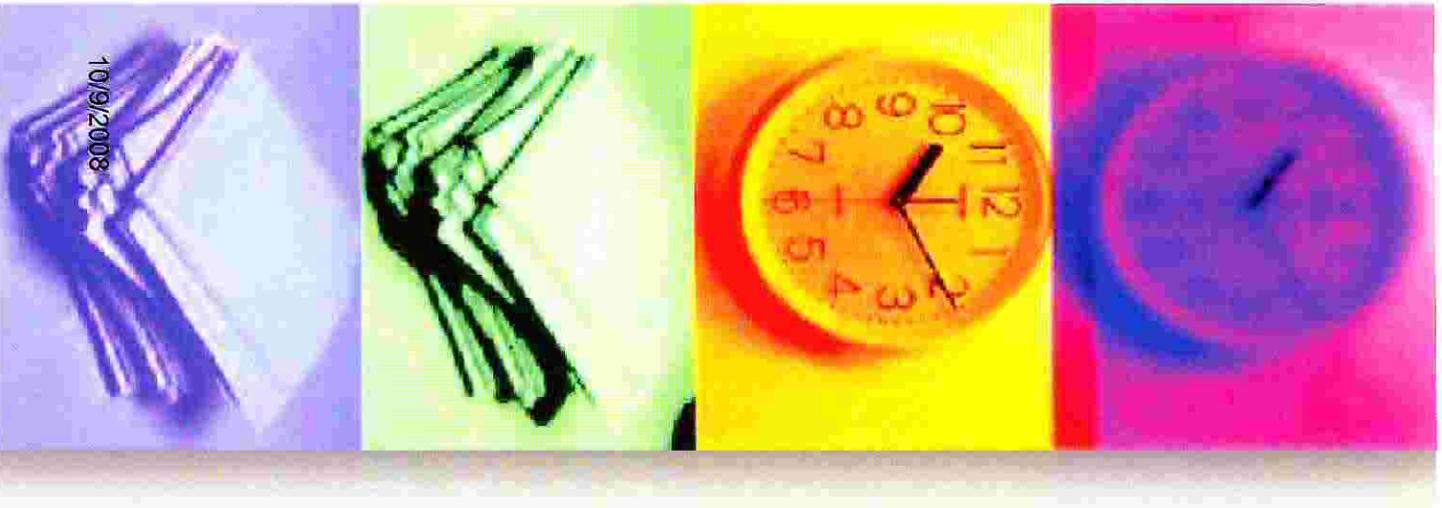


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A/E Contracts

- WSSC usually issues two types of A/E Contracts
 - Blanket Order Agreements (BOA)
 - Design Contracts



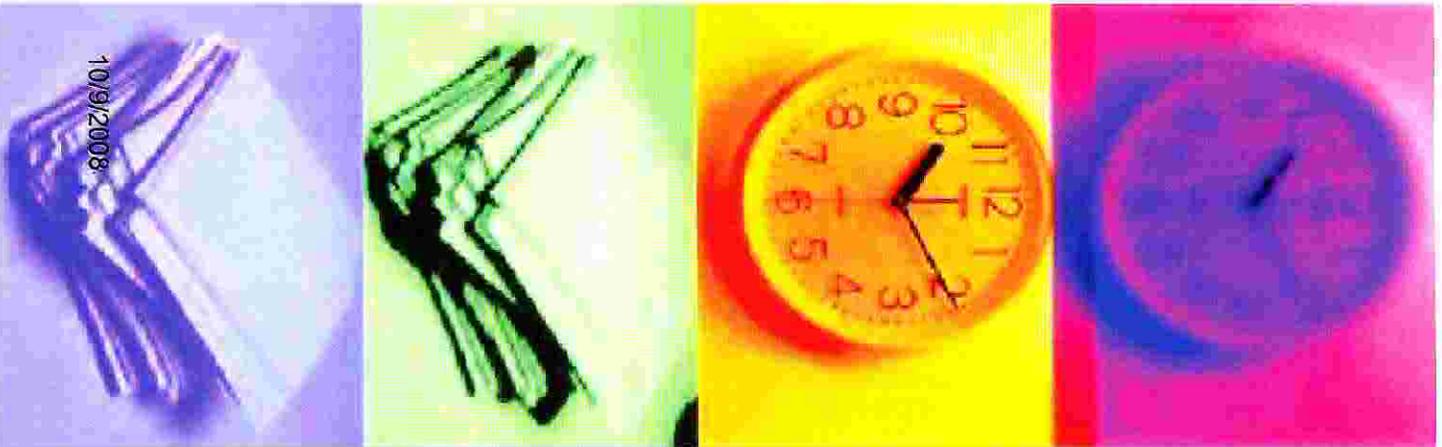
A/E

(cont'd)

- BOA usually has a base period and option years
- A typical change order to BOA's we need more designs than originally anticipated.
- Another common change to both BOA's and Design Contracts: Is when we change our minds in what we want or had to alter the designs as a result of permit problems.

Construction Contracts

- The original contract sets forth the design and requirements to be provided by the vendor.
- WSSC normally utilizes a unit price schedule with estimates quantities to price and pay for the work.
- A change order is any change to the initial requirement.

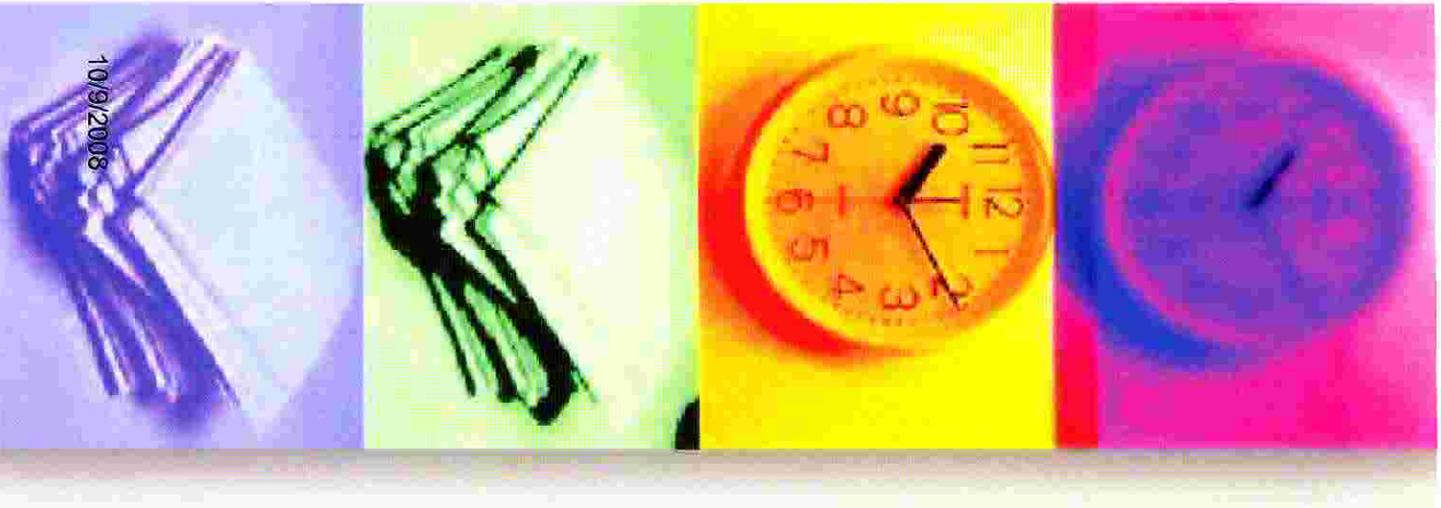


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Types of Change Orders

Construction

- Change our mind in what we want
- Problem arose in Construction Process
- Over-run in estimated quantities



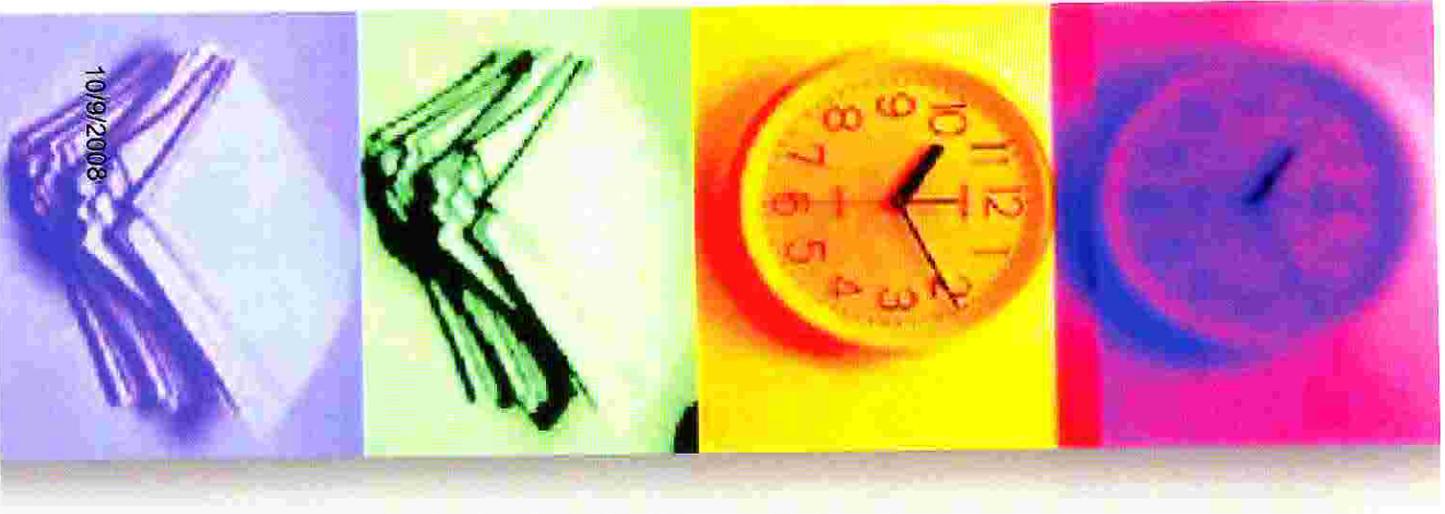
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Approval Authority Levels

- Approval Threshold (Acquisition Director)
 - Over-runs water/sewer contracts \$150,000 cumulative or 50% of bid price.
 - Over-runs on major construction contracts \$500,000 cumulative or 4% of original bid price. (Treatment Plants or Pumping Station).



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Approval Authority Levels (A/E)

<u>Original Amount</u>	<u>Cumulative Authority for Director</u>
\$0- \$500,000	\$125,000
\$500,000 - \$1,000,000	\$250,000
\$1,000,000	\$500,000

All change orders above \$500,000 requires
Commission Approval