City of **JOPLIN** City Council Agenda Item

Requested Council Meeting Date: March 7, 2016

Item: COUNCIL BILL NO. 2016-604
Originating Department: CITY MANAGER'S OFFICE

Attachments: 1) Council Bill 2016-604
2) Contract Amendment and Change Order Policy - Attachment A

Department Head: Sam Anselm
Director of Finance: Leslie Haase
City Attorney: Peter C. Edwards

Recommended Action: Approval of Council Bill 2016-604 for the purpose of establishing a written policy for contract amendments and change orders.

Background: In August of 2015, the Auditor of the State of Missouri presented their recommendations following an audit of the City of Joplin. One of the recommendations was to monitor change orders and ensure change orders are adequately supported by documentation, approved, and work is not performed prior to approval of change orders or notices to proceed with the work.

Discussion: On February 8, 2016, City Council held a work session at which a proposed contract amendment and change order policy was discussed. Representatives of the Tri-State Contractors Association and City Staff made presentations and recommendations to City Council of support for the proposed policy and at the conclusion of the meeting, City Council voted to direct staff to prepare the necessary ordinance to bring this policy back to City Council for formal action.

Recommendation: This policy and Council Bill is presented to council for consideration.

Attachment A

Proposed Contract Amendment and Change Order Policy

The City Council desires to establish a goal of minimizing individual contract amendments or change orders of the original contract, but recognizes that special situations can develop that may warrant an exceedance of said goal, including the impacts on our citizens that live adjacent to or have to deal with the construction work in their daily lives. In order to expedite this process, the City Council grants authority to the City Manager or his designee to approve or deny any proposed amendment or change order associated with contracts approved by the City Council of the City of Joplin. The City Manager's authority under this change order policy, with respect only to change orders, is exempt from the purchasing authorization limits contained in Ordinance 2009-015, passed by the City Council on February 2, 2009.

The City Manager is directed to establish and/or amend internal operating procedures that will ensure adequate checks and balances are in place for the proper documentation of all contract amendments and change orders. An annual report to City Council should be prepared that provides a summary of all active contracts that will provide the community with an evaluation of the overall performance of contracted work. The report should contain, at a minimum, the following information:

1. Number of projects awarded, overall amount of awards and percentage relative to overall program budget
2. Number of completed projects, percentage relative to overall project awards, and percentage relative to overall program budget.
3. Original contract award amount, final contract amount and percentage of change.
4. Status of overall program budgets (CIST, Storm Water, TIGER, CDBG, etc.)
5. Overall percentage of "program" completed and anticipated schedule for the remaining projects

Information gathered from this process shall be used to make improvements to all contract administration procedures and policies. Detailed explanations of significant contract amendments and/or change orders shall be provided in the report should any final contract amount exceed the original contract amount by more than:

- 50% for Contracts equal to or less than $100,000
- 30% for Contracts over $100,000 but equal to or less than $2,000,000
- 25% for Contracts over $2,000,000

Scope of work changes for any contract should be within the original contract project limits or should be incidental to the original project such that the benefits to the community of adding or deleting work items is in the best interest of the community and is a fiscally sound modification to the contract.

COUNCIL BILL NO. 2016-604 ORDINANCE NO.

AN ORDINANCE approving a contract change order policy for the City of Joplin, and directing the City Manager to establish internal procedures as necessary to ensure proper checks and balances to change orders are implemented and adequately supported by documentation.

WHEREAS, change orders and contract amendments are essential to the administration and management of the numerous contracts executed by the City; and

WHEREAS, the City Council of the City of Joplin recognizes that it is in the best interest of the community to establish written policies related to the administration and management of the services provided thereto; and

WHEREAS, in August of 2015, the office of the State Auditor recommended the City of Joplin develop a formal written change order policy; and

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF JOPLIN, MISSOURI, as follows:

Section 1. That the City of Joplin hereby adopts a change order policy for the purpose of administering and managing contracts, the same being attached hereto and is incorporated herein as "Attachment A."

Section 2. That the City Manager is hereby directed to implement said policy and to establish and/or amend internal procedures to ensure proper checks and balances are in place and adequate documentation that the policy is being followed.

PASSED BY THE COUNCIL OF THE CITY OF JOPLIN, MISSOURI, this _____day of _____, 2016, by a _____vote.

_____
Michael L. Seibert, Mayor

ATTEST:

_____
Barbara L. Hogelin, City Clerk

APPROVED AS TO FORM:

_____
Peter C. Edwards, City Attorney