

Texas Community Development Block Grant Program



CDBG Over Coffee

Today's Topic:
Change Orders



TEXAS DEPARTMENT OF AGRICULTURE
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Change Orders in Construction

What is a Change Order?:

- Industry term for an amendment to the contract
- Change of scope in construction, materials or equipment
- Record the details in the change order form



Construction projects can be complicated, and it's no surprise that there are changes that impact the work. For those surprises that impact the construction plan, the industry uses something called a construction change order. A "Change Order" is basically the industry term for an amendment to a construction contract that changes the *original* project's scope of work, materials or equipment.

In the context of a change order, a general contractor agrees on a particular scope change and record the details in the change order form. Please keep in mind that construction changes are not simply demanded, but requested.

Changes In The Work

Necessary when:

- Decrease or increase in quantity of work
- Decrease or increase of materials, equipment or supplies
- Change in contract duration
- Change in specifications



Construction change orders can occur throughout the execution of the project and most of all construction contracts have a “change in the work” clause that establishes procedures for revising a contractor’s scope of work. Most construction projects will have at least one change order over the course of the project’s life cycle. Therefore, it’s important that construction contractors are aware of this, and plan accordingly.

Change orders are necessary when:

- There is a decrease or increase in the quantity of work to be performed;
- A decrease or increase of materials, equipment or supplies to be furnished;
- A change in the contract duration; or
- A change in specifications.

Minimum Requirements for Contract Changes

- The Grant Recipient must have sufficient funds
- Changes unrelated to the TxCDBG grant project must be clearly identify and funds must be available outside the grant budget
- New Items must demonstrate competitive pricing
- Changes with a different material of construction method



When it comes to change orders:

- The Grant Recipient must be sure to have sufficient grant or local funds available to meet any increase in costs.
- Changes requested that are not directly related to the CDBG construction project, must be clearly identified and distinguish the source of funding that are outside of the grants budget.
- Make sure that Change orders that include new items must demonstrate competitive pricing. A statement from the project engineer providing justification for the proposed pricing may be acceptable.
- Change orders replacing the originally described work with a different material or construction method must clearly identify the change in specifications.

Minimum Requirements for Contract Changes



- Revision in unit price
 - Request to revise a competitive procurement unit price, will not be approved
- Requesting re-mobilization
- Changes greater or less than \$50,000



- Change orders requesting revisions to a unit price that was determined through the competitive procurement process, will not be approved. A Grant Recipient cannot negotiate a discounted cost for the same work. All costs for the revised line item will be disallowed if the unit price is changed.
- Change orders that request “remobilization” costs must demonstrate that:
 - Remobilization costs are necessary and reasonable,
 - The need for remobilization is beyond the Grant Recipient’s control, and the Grant Recipient took proactive steps to resolve any outstanding issues, additional work, or other factors to avoid any remobilization.
 - Awaiting TDA approval for grant agreement amendments or MSR change orders is not justification for remobilization costs unless all documentation is submitted a minimum of 30 days prior to the contractor’s demobilization.
- If a change order involves a decrease or an increase of greater than

\$50,000, the Grant Recipient must receive appropriate approval by the governing body. In such cases, TDA will accept as confirmation that such approval has been obtained either the signature by the chief local official on the Construction Change Order or action by the Authorized Official to submit the change order request in TDA-GO.

Texas Local Governmental Code

- §252.048 - Municipalities
 - Original price not to increase more than 25%
 - Contractor's consent- when original price decrease more than 25%
- §262.031 – Counties
 - Original price not to increase more than 25% -unless required by state or federal law:
 - ✓ Grant Recipient must provide written justification, including citation to the appropriate source, for review.
 - Contractor's consent- when original price decrease more than 18%

The Texas Local Governmental Code 252.048 for Municipalities determines that:

- Change orders may not increase the original contract price by more than 25%.
- Decreases in the original contract price of more than 25% will require written contractor consent.

The Texas Local Governmental Code 262.031 for Counties determines that:

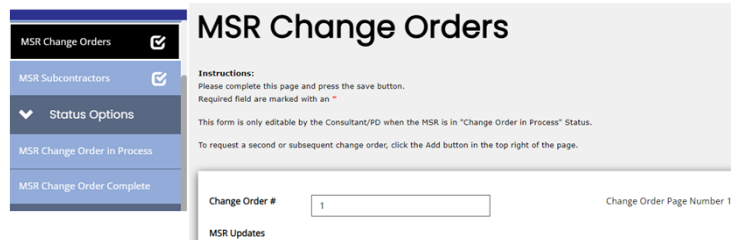
- The original contract may not be increased by more than 25% unless required by state or federal law, rule or regulation after the contract is made. **Grant Recipient must provide written justification, including citation to the appropriate source, for review.**
- Decreases to the original contract of more than 18% must have the contractor's written consent.

* Change orders for an increase of more than 25% will not be approved

and costs will be disallowed. The Grant Recipient must complete a separate procurement if the proposed additional work project exceeds 25% of the original contract. The State of Texas considers a change in the construction contract price of greater than 25% to be non-competitive, as other potential bidders did not have the opportunity to bid on the true scope of the project during the procurement process.

Recording the Change Order

- Change order confirmation via TDAGO
 - MSR Change Request:



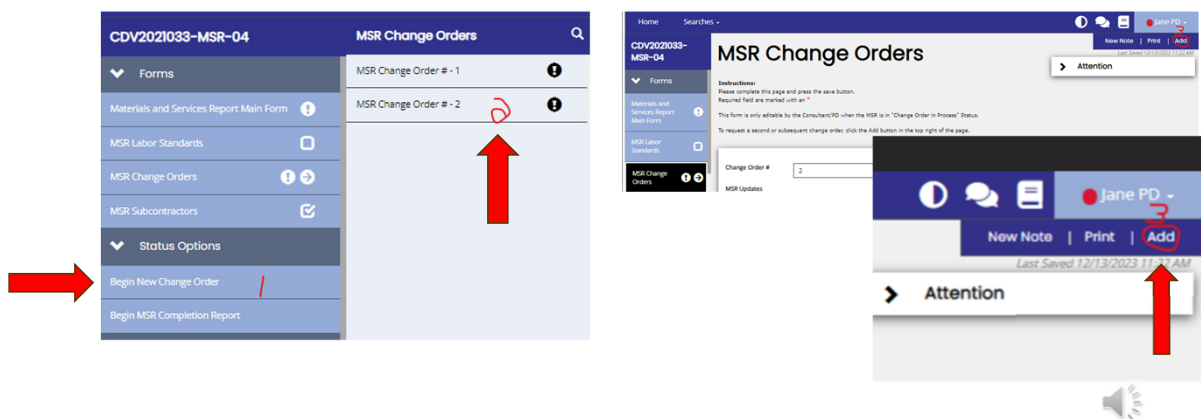
The screenshot shows a web application interface for "MSR Change Orders". On the left is a navigation menu with items: "MSR Change Orders" (selected), "MSR Subcontractors", "Status Options" (with a dropdown arrow), "MSR Change Order In Process", and "MSR Change Order Complete". The main content area has a header "MSR Change Orders" and "Instructions: Please complete this page and press the save button. Required fields are marked with an *". Below the instructions, it states: "This form is only editable by the Consultant/PD when the MSR is in 'Change Order In Process' Status. To request a second or subsequent change order, click the Add button in the top right of the page." The form includes a "Change Order #" field with the value "1" and a "Change Order Page Number 1" label. There is also an "MSR Updates" section.

- TDA approval before fully executing



- When recording the Change Order, the Grant Recipient must upload confirmation via the TDA-GO form that both the Grant Recipient and project engineer have determined the proposed change is appropriate.
- In addition, TDA strongly recommends that Grant Recipients obtain TDA approval before fully executing a change order or addendum with the contractor/service provider.

Adding a New Change Order



<https://www.texasagriculture.gov/Grants-Services/Rural-Economic-Development/Rural-Community-Development-Block-Grant-CDBG/Forms>

When ready to add a new change order, make sure to select the MSR the change order is going to be added to and follow these three simple steps:

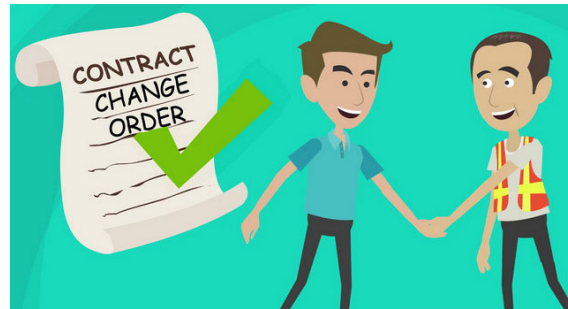
1. From the main menu under Status Option, select “Begin New Change Order”, this will open the window for a new Change Order page
2. Select the most recent approved Change Order and when opened you will find an Add button on the upper right corner
3. When ready, select Add and this will create a new Change Order form.

Once completed, please review and if correct, under status options, click on Submit Change Order.

For more information of how to complete and submit the Change Order please visit our CDBG website.

The Change Order Form

- Owner – Grant Recipient
- TxCDBG Grant Number
- Project Description
- Contractor – Name and address
- Engineer – Name and address
- Change Order No.
- Describe the Change
- Sign and date change order – owner, engineer, and contractor



Standardizing the construction change order process creates consistency and means you don't have to waste time creating new documents each time a change is introduced into the project. One way to do this is by using a template.

The goal of a change order is to outline the details and impact of the change on the scope of work specifically and thoroughly. TDA recommends including the following information (at minimum) on the change order form to achieve this goal:

- The owner's name
- The TxCDBG grant number
- A complete description of the planned work
- The Contractor's name and address
- The engineer's name and address
- The change order number
- The item and the price of the change (including the breakdown of costs as well as the total)

- The signatures of all necessary representatives and relevant third parties
- The date on which all necessary representatives (and other relevant third parties) sign the change order
- The revised project completion date if it's a time extension.

Submitting the Change Order

- Reimbursement and match credits
 - Change order must be submitted and approved
 - Grant Recipient is obligated for costs if executed without TDA approval
 - Submit **ALL** change orders



- TDA will not reimburse the Grant Recipient or credit the Grant Recipient's match commitment for work listed on a change order unless the change order has been submitted and approved. Requests for payment for unapproved change orders will be put on hold at TDA's discretion.
- If the change order is executed without TDA approval, the Grant Recipient is obligated to pay for any changes that has does not approve. For these reasons, TDA recommends that the Grant Recipient submit the change order in TDAGO! prior to fully executing the change order.
- Grant Recipients must submit all change orders on a contract, whether or not the work will be paid with grant or matching funds, so that CDBG staff has a complete record of the contract. Any difference in price from the original contract to the Certificate of Construction Completion (COCC) must be accounted for, by a change order.

Amending the TxCDBG Contract



Project changes reflected in a change order may also require an amendment on the TxCDBG Agreement Performance Statement or Budget.



Project changes reflected in a change order may also require an amendment to the Grant Agreement Performance Statement or Budget. These items should be submitted together as described in Chapter 11 Grant Agreement Amendments. Prior to executing any change order that makes substantial changes to the project and is likely to change the activities, location, or beneficiaries as described in the Performance Statement, the Grant Recipient should contact TDA. TDA will approve a change order only when the revised project is consistent with the Grant Agreement Performance Statement.

Thank You For Your Attention



Time for Questions

