



Capital Projects: Settlement Authority

Legal and Claims Committee

Item 6b

May 13, 2014

Definitions

- (b) Change order — “Change order” means an amendment modifying the terms of an existing contract.
- Change Order = Extra Work Order
= Settlement

Administrative Code Section 8123: Authority of the General Manager

- (b) Change orders for capital construction projects may be executed by the General Manager without prior Board approval for an aggregate amount of \$250,000 per contract or an aggregate amount not to exceed 5 percent of the initial amount of the contract, whichever is greater.

Execution of Change Order

- Amends the Contract
- Increases the “Authorized Contract Maximum”

Administrative Code Section 6433: Authority to Litigate, Compromise & Settle Claims

- (c) Claims under Capital Construction Contracts.
— The General Manager, with the approval of the General Counsel, is authorized to compromise or settle any claim under a capital construction contract if the amount paid under the contract, including change orders, together with the amount payable pursuant to the compromise or settlement, does not exceed the authorized contract maximum.

Purpose of Admin Code Section 6433(c)

- To clarify that the General Manager's authority under section 8123 is applicable to settle all claims relating to construction projects

Internal approval for extra work orders (EWOs)/Change Orders

- Resident Engineer sends memo to Unit Manager recommending EWO.
- Engineering staff evaluates recommendation and drafts EWO.
- Draft EWO certified by head of Construction Contracts and approved by Legal.
- Chief Engineer approves EWO and issues it to contractor.

Safeguards

- New lawsuits and 6433 settlements reported to Board.
- For additional work, EWOs issued. If the aggregate amount is within 5% over the original contract price, EWOs approved by field staff, Construction Contracts, Legal, and Chief Engineer.
- If to settle litigation, GM and GC required to approve



Questions?