



45th Street Capital Improvement Project Compare and Contrast Staff Reports and Change Orders

Why We Did This Memo

On July 8, 2021 the Mayor and City Council approved an amendment to the City Auditor Office's 2021 Audit Plan to include the 45th Street Project to compare and contrast Staff Reports to their respective Change Orders.

What We Did

The City Auditor's Office compared the "*Fiscal Impact Sections*" of the 45th Street Project Staff Reports to the corresponding Change Orders that were submitted to Council for approval.

What We Found

The Change Orders did not match the Staff Reports "*Fiscal Impact Sections*" until the seventh Change Order. The City Construction Project Manager provided the City Auditor's Office with Change Order Number seven and the Final Staff Report with a "Fiscal Impact Report" that matched to the penny.

End Results

Dan Buckley, Deputy City Manager worked with the City Auditor's Office to update the current staff report. We included an excel spreadsheet to prevent any further calculation errors. On February 12, 2021, Mr. Buckley directed staff to use the Staff Report format and form.

City Auditor's Comment

The two most common types of contract overruns are cost overruns and completion delay. The detailed reasons for these overruns are sometimes unforeseeable and almost never documented in full. Therefore, Executive Management faces the blunt of public scrutiny with the real reasons for the overruns going forever unnoticed. The City Auditor's Office through the CMS program will investigate contract overruns as soon as they arise and document the real reasons from the ground level. Based upon the Contract Overrun Reports we hope to aide management in predicting future contract goals and risks much like an independent third party.



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The contract in this report, the 45th Street Capital Improvement Project, qualifies as a construction project for the CMS Program. The CMS Program will analyze each city contract based upon the attributes of the contract. For example, lease contracts, supplies contracts, or professional services contracts will all use distinct characteristics to analyze these different types of contracts. The CMS Program will serve as one of the City's most dynamic instrument in gaining public trust and demonstrating accountability and transparency.

Appendix I

All seven Change Orders compared to the "*Fiscal Impact Sections*" on each corresponding Staff Reports calculated to show the difference reported to Council.

Appendix II

45th Street Improvements (Broadway – Seawall) Construction Contract Change Order Number seven - Final with the corresponding Staff Report.

City Manager's Office Comment

The Manager agrees with the finding related to the fiscal impact sections of the staff report's incorrectly reporting totals. This version of the staff report used up until this point required manual entry of calculations which at times resulted in incorrect totals being reported. What should be known, is that no funds were spent or allocated based on these incorrect totals. The source documents all correctly reported amounts and totals and these are the forms that drive the purchase and payment process.

The simple change to the form recommended by the Auditor is a good addition as it provides for the auto calculation of amounts input into the form and will eliminate the possibility of mathematical errors going forward.

Further, the Manager supports the efforts of the Auditor to review change orders on construction projects to ensure they are consistent with the projects overall scope. However, in a City like Galveston with aged infrastructure and years under prior



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Audit Plan
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leadership where utility contracts and utility work did not include requirements for accurate as built maps, it often remains difficult to locate the placement of underground utilities. In addition, even the use of modern location techniques and tools prove useless as the high level of the water table impedes their ability to provide valid results.

The fact remains that historically Galveston's underground utilities have been installed in a manner that precludes and/or incumbers the ability of the City and its contractors to easily identify conflicts in advance of construction work. To that end the City now requires

its contractors to provide GPS data marking the location of underground utilities upon installation. In addition, the City is undertaking an effort to locate and map its underground utilities to prevent issues like those experienced on 45th Street. The condition of the drainage infrastructure on 45th street was incorrectly detailed in City records and in some cases left unfinished.

The City will continue to be confronted with change orders most frequently as a result of inaccurate or incomplete records related to underground utilities. We must keep in mind that utility and street work on the island often uncover old infrastructure left in place and never recorded. It seems that the City paved over railroad tracks for years instead of removing them when performing street work. That is no longer the case.

In conclusion, the Manager is supportive of the auditor's efforts and looks forward to working with them to minimize construction change orders.

Appendix I

45th Street Change Orders

Original Contract Price: \$8,994,097

Change Order #	Increase (Decrease) of Change Order	Contract Price with all Approved Change Orders	Staff Report Fiscal Impact Contract Price	Staff Report Contract Price Overstated (Understated)
1	\$854,026	\$9,848,123	\$10,239,623	\$391,500
2	\$172,130	\$10,020,253	\$10,294,253	\$274,000
3	\$359,019	\$10,379,272	\$10,654,772	\$275,500
4	\$147,052	\$10,526,323	\$10,800,323	\$274,000
5	\$113,251	\$10,639,574	\$10,913,575	\$274,001
6	\$220,580	\$10,860,154	\$10,764,635	(\$95,519)
7	(\$742,735)	\$10,117,420	\$10,117,420	\$0

¹ Based upon this Schedule it appears that the same Errors in Change Order 2 were consistent through Change Order #5. These Errors were reconciled in Change Order #7.

**Appendix II
45th Street Change Order Number 7**



City of Galveston

45th Street Improvements (Broadway – Seawall)

Construction Contract Change Order Number 7 - FINAL

Consultant: Arceneaux Wilson & Cole LLC 2901 Turtle Creek Drive, Suite 320 Port Arthur, Texas 77642 Phone No.: 409.724.7888		Owner: City of Galveston 823 Rosenberg Galveston, Texas 77550 Phone No.: 409.797.3630		Contractor: Main Lane Industries, Ltd. 14115 Luthé Rd., Suite 100 Houston, TX 77039 Phone No.: 713.896.3141 NTP Date: 2/25/19	
Change in Contract Price			Change in Contract Time (Calendar Days)		
Original Contract Price:	\$	8,994,097.00	Original Contract Time:	365	days
Previous Change Order(s): No. 1 to No. 6	\$	1,866,057.44	Net Change From Previous Change Orders:	276	days
Contract Price Prior to this Change Order:	\$	10,860,154.44	Contract Time Prior to this Change Order:	641	days
Net Increase/Decrease of this Change Order:	\$	- 742,734.85	Net Increase/Decrease of this Change Order:	132	days
Contract Price With all Approved Change Orders:	\$	10,117,419.59	Contract Time With all Change Orders:	773	days
Cumulative Percent Change in Contract Price (+/-): + 12.49%			Construction Contract End Date: (mm/dd/yy)	4/08/21	

RECOMMENDED:

By: *M. A. Cole*
ARCENEUX WILSON & COLE

Date: 06/14/2021

APPROVED:

By: _____
CITY OF GALVESTON

Date: _____

ACCEPTED:

By: *[Signature]*
MAIN LANE INDUSTRIES

Date: 6/14/21

NOTE: A cumulative change in the contract price in excess of 25% cannot be reviewed.



Appendix II
45th Street Change Order Number 7



City of Galveston

CAPITAL PROJECTS STAFF REPORT

Date: June 24, 20

To: City Manager
Mayor and City Council Members

From: Trino Pedraza, Director of Municipal Utilities and Construction

Project Location: 45th Street

Project: 45th Street Improvements from
Broadway to Seawall

Request:

Consider approval of Change Order #7 to the contract with Main Lane Industries, Ltd. for the 45th Street Improvements from Broadway to Seawall project decreasing the contract by \$742,734.85 from the amount of \$10,860,154.44 to the amount of \$10,117,419.59. Authorizing the City Manager to execute all necessary documents upon final approval by the City Attorney.

Prior Council Action

- A. Council awarded Main Lane Industries, Ltd. the contract for the construction of the 45th Street Improvements from Broadway to Seawall on December 13, 2018 in the amount of \$8,994,097.00.
- B. Council approved Change Order #1 to the contract with Main Lane Industries, Ltd. on February 28, 2019 increasing the contract by \$854,026.00.
- C. Council approved Change Order #2 to the contract with Main Lane Industries, Ltd. on July 25, 2019 increasing the contract by \$172,130.00
- D. Council approved Change Order #3 to the contract with Main Lane Industries, Ltd. on October 17, 2019 increasing the contract by \$359,018.80.
- E. Council approved Change Order #4 to the contract with Main Lane Industries, Ltd. on January 23, 2020 increasing the contract by \$147,051.53.
- F. Council approved Change Order #5 to the contract with Main Lane Industries, Ltd. on March 24, 2020 increasing the contract by \$113,251.02.
- G. Council approved Change Order #6 to the contract with Main Lane Industries, Ltd. on August 27, 2020 increasing the contract by \$220,580.09.





City of Galveston

CAPITAL PROJECTS STAFF REPORT

Background

- A. This change order request reconciles unused bid items and provides for additional bid items needed to complete the construction of the project.
- B. The majority of the deduction is related to the traffic signal scope of work which will be self-performed and managed in-house.
- C. The proposed work and additional time for this change order are items identified and recommended by a combination of City staff and the Engineer of Record.
- D. The net result is a deductive change order to finalize the project.

Fiscal Impact Report

	2017 GO Bond	2017 Water CO	2017 Sewer CO	TOTAL
Original Council Award	\$ 6,491,027.00	\$ 1,924,675.00	\$ 578,395.00	\$ 8,994,097.00
Change Order 1	\$ 771,526.00	\$ 82,500.00	\$ -	\$ 854,026.00
Change Order 2	\$ -	\$ 172,130.00	\$ -	\$ 172,130.00
Change Order 3	\$ 359,018.80	\$ -	\$ -	\$ 359,018.80
Change Order 4	\$ 129,660.00	\$ -	\$ 17,391.53	\$ 147,051.53
Change Order 5	\$ 167,376.87	\$ (72,000.00)	\$ 17,874.15	\$ 113,251.02
Change Order 6	\$ 220,580.09	\$ -	\$ -	\$ 220,580.09
Change Order 7	\$ (742,734.85)	\$ -	\$ -	\$ (742,734.85)
TOTAL CONTRACT COST	\$7,396,453.91	\$2,107,305.00	\$613,660.68	\$ 10,117,419.59

Alternatives

- A. Approve change order #7 to the contract with Main Lane Industries, Ltd. for a total decrease of \$742,734.85 for reduction in unused bid items and additional scope of work needed to complete construction operations of the 45th Street Improvements from Broadway to Seawall.
- B. Do not approve the change order.

Staff Recommendation

Approve change order #7 to the contract with Main Lane Industries, Ltd. for the 45th Street Improvements from Broadway to Seawall for a deductive amount of \$742,734.85.

Attachments

- Change Order #7 Form
- EOR Recommendation

