



**CITY OF SALINAS  
COUNCIL STAFF REPORT**

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**DATE: DECEMBER 4, 2018**

**DEPARTMENT: PUBLIC WORKS**

**FROM: DAVID JACOBS, PW DIRECTOR**

**THRU: HILDA GARCIA, PW ADMIN SUPERVISOR**

**TITLE: UPDATE PUBLIC WORKS DEPARTMENT POLICY 75-1  
REGARDING CONTRACT CHANGE ORDERS FOR CAPITAL  
IMPROVEMENT PROJECTS**

**RECOMMENDED MOTION:**

A motion to approve a resolution which updates Public Works Department Policy 75-1 regarding contract change orders for capital improvement projects.

**RECOMMENDATION:**

Staff recommends Council approve a resolution confirming update to Public Works Department Policy 75-1 regarding contract change orders for capital improvement projects.

**EXECUTIVE SUMMARY:**

Public Works' capital improvement projects' contract change orders (CCOs) have been administratively approved to the limit set by the City Code and Public Works Department Policy 75-1. As the charter has been updated, so has the Public Works Department Policy 75-1. More recently, in 2016 City's Municipal Code was amended and increased the formal bidding limit for Public Works contracts. An update to the Policy is expected to reduce the amount of administrative and overhead costs, and the opportunity for contractors to file delay claims.

**BACKGROUND:**

Historically, Public Works' capital improvement projects' contract change orders (CCOs) have been administratively approved to the limit set by the City Code and Public Works Department Policy 75-1 (Policy). Prior to 1975 City Code required a formal bidding process for any project exceeding \$5,000. Accordingly, the Policy, dated September 16, 1975, set forth a \$5,000 limit for administrative approval of Public Works Department's CCOs.

On June 6, 1995, voters approved amendments to the City Code; It was amended and set the formal bidding limit amount at \$25,000, with an annual escalator, not to exceed a maximum of \$50,000. Accordingly, the following year, on April 16, 1996 City Council confirmed a revision to the Policy

to increase the limit of administratively approved CCOs to the greater of \$25,000 or 10% of the contract amount. In accordance with the amended City Code, the Policy's \$25,000 limit was set to increase by \$5,000 on July 1, 1996, and by the same amount on July 1st of each year thereafter to a maximum of \$50,000. Any CCO exceeding the Policy's limit required City Council approval. In an emergency, certain work could be authorized by the City Manager who would advise the City Council as to the emergency conditions.

In 2016, the City's Municipal Code Section 12-21 was amended and set forth a competitive bidding threshold of \$100,000 for public works purchases. The limit was to be automatically adjusted annually to reflect the construction cost index percentage change as published by the Engineering News Record (ENR). The Policy has not been updated accordingly.

In reviewing the 27 formally bid construction projects completed within the past five years, data shows that the majority (17 projects) were within the 10% project contingency. Final contract amounts for all projects during this same time frame deviated (from the original contract amount) by a median of 2%, well below the 10% threshold.

Staff is seeking to update the Policy thereby reducing the amount of administrative and overhead costs for capital improvement projects. Finally, increasing the CCO approval limit will reduce delays on projects and reduce the opportunity for contractors to file delay claims.

#### CEQA CONSIDERATION:

**Not a Project.** The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

#### STRATEGIC PLAN INITIATIVE:

This item relates to the Council's Strategic Plan Goal of a Well-Planned City and Excellent Infrastructure. Investments are made to protect and maintain the infrastructure in an efficient, cost effective manner. Projects' overall administrative cost is expected to be reduced.

#### DEPARTMENTAL COORDINATION:

The Public Works Department routinely undertakes capital improvement projects that involve coordination with other departments. Currently, Public Works staff is working diligently with the Library, Police and Community Development Department staff on the El Gabilan Library

Renovation project, Public Safety Headquarters project and Alisal Complete Streets project, respectively. Updating the Policy will assist in increasing interdepartmental efficiencies related to the capital improvement projects undertaken by the Public Works Department that involve other City departments.

FISCAL AND SUSTAINABILITY IMPACT:

There are no known immediate, specific impacts to the General Fund. An update to the Policy is expected to provide administrative cost savings to public improvement projects by allowing more efficient delivery.

ATTACHMENTS:

List of Formally Bid Capital Improvement Projects (Completed within the last 5 years)  
Updated Department Policy 75-1  
Resolution