

Montana Airport Managers Association Meeting

Standard Operating Procedure: AIP Change Order Approval

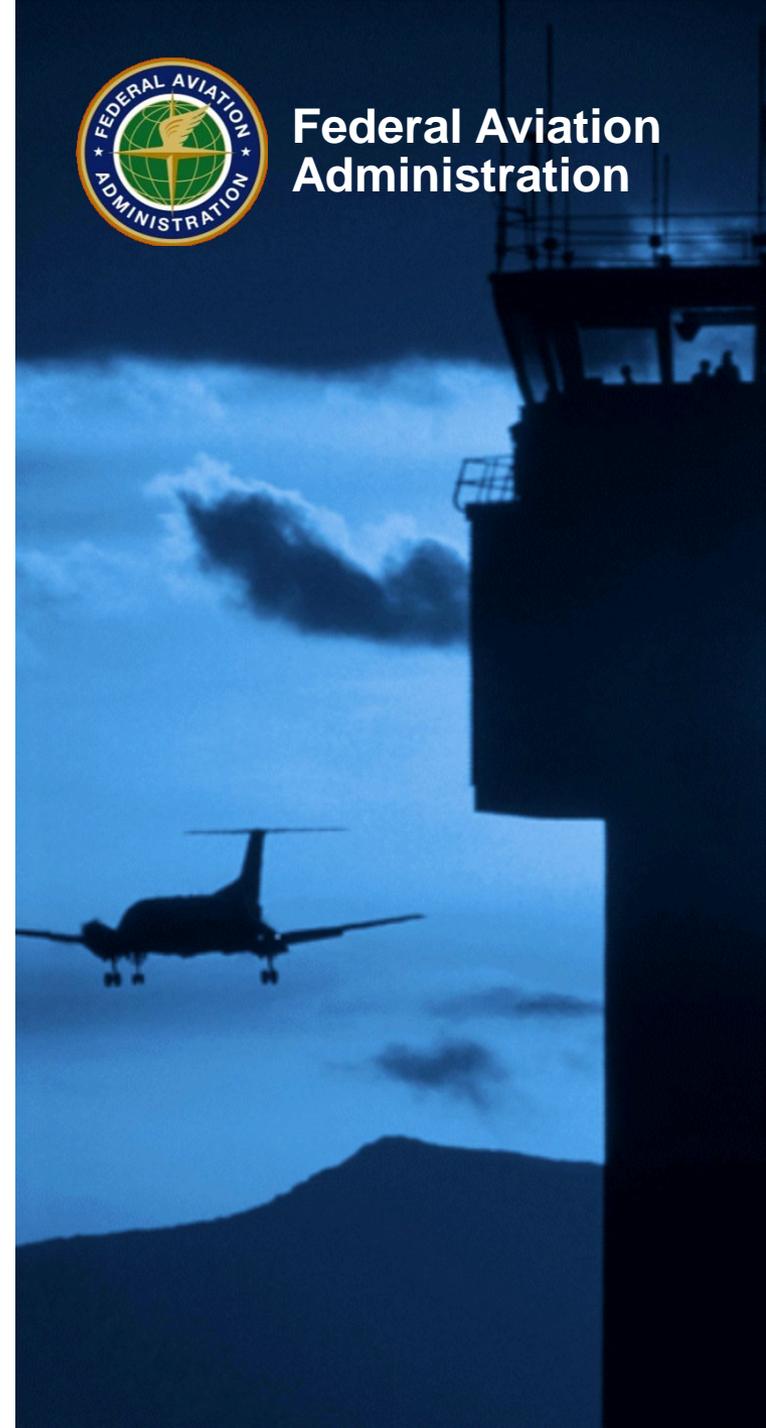
September 24, 2014

Presented by:

Jason Garwood
Civil Engineer
Helena Airports District Office



Federal Aviation
Administration



Topics

➤ Wednesday, September 24, 2014

- Change Order and Supplemental Agreement
- FAA Approval of Change Orders
- AIP Standard Operating Procedure: Construction Project Change Order Approval
- Proposed Change Order Submittals
- FAA Review Process



SOP for AIP Change Order Approval

➤ References

- ❑ FAA Order 5100.38C, AIP Handbook
 - ❖ Section 4 - 940

- ❑ AC 150/5370-10G, Standards for Specifying Construction of Airports

- ❑ SOP for AIP Construction Project Change Order Approval (not official yet)

- ❑ Draft FAA Order 5100.38D (Advisory Only...for now)
 - ❖ Section 5-34



SOP for AIP Change Order Approval

➤ Change Orders

- Written order by the airport sponsor to the contractor which makes a change in the design, drawings or specifications of the contract within the general scope
- Eliminating items of work from a contract may be accomplished using a change order
- Change orders cannot exceed 25% of the estimated contract cost or of a major item (major item defined in AC 150/5370-10G)



SOP for AIP Change Order Approval

➤ Supplemental Agreement

- ❑ Any change that exceeds 25% of the estimated cost of the contract or major item (defined in AC 150/5370-10G) must normally be accomplished through a supplemental agreement (SA)
- ❑ SA's cover work not within the general scope of the existing contract and which the contractor is not obligated to perform under the terms of the contract
- ❑ SA's are separate contracts requiring execution by both parties with the same formality as any other contract. Prior coordination with the FAA is required.

❖ SA's are outside the scope of this presentation



SOP for AIP Change Order Approval

➤ FAA Approval

- ❑ Sponsors must get **prior** approval from the FAA for any change orders (and supplemental agreements) that will result in a grant amendment
 - i.e. if work item(s) eliminated from a contract are of such magnitude as to change the scope of the project, as described in the grant agreement, there must be a formal amendment of the grant agreement **prior** to issuance of the change order

- ❑ In other cases, including emergency situations, the sponsor is NOT required to obtain prior approval from the FAA for proposed change orders (unless specifically requested by the ADO)

- ❑ All change orders and contract modifications are eventually reviewed by the ADO (i.e. grant closeout process)
 - ❖ We **strongly** encourage sponsors to coordinate with the ADO prior to approving change orders on AIP projects to avoid possible eligibility issues after the fact



SOP for AIP Change Order Approval

➤ FAA Approval - Limitations

- ❑ The ADO cannot approve costs determined to be the result of errors & omissions in the plans and specifications that were foreseeable during the project design
- ❑ The ADO can only approve costs that are directly **necessary** to accomplish the project (i.e. useable unit)



SOP for AIP Change Order Approval

- New Standard Operating Procedure for Construction Project Change Order Approval
 - ❑ Still under final review, but should be effective October 1, 2014
 - ❑ Addresses actions necessary for complying with existing FAA policy regarding the review & approval of AIP project change orders
 - ❑ SOP does NOT establish or modify FAA policy
 - ❑ SOP is not applicable to the review & concurrence of supplemental agreements



SOP for AIP Change Order Approval

➤ Sponsor Responsibilities for Change Orders

- Perform some form of cost or price analysis for all contract modifications
- Prepare an independent cost estimate **PRIOR** to receiving a change order proposal from a contractor
- Ensure the change order is necessary and within scope
- Maintain records that detail significant history of procurement actions and change orders
- Document technical requirements of the material, equipment or service procured
- Make all required and support documentation available to the ADO



SOP for AIP Change Order Approval

➤ **FAA Review of Change Order Proposals**

☐ The ADO will review each change order proposal for AIP eligibility based upon:

- Allowable
- Justification
- Reasonableness of Price



SOP for AIP Change Order Approval

□ Preparation of Change Order Proposals

- Sponsors should reference the *SOP for AIP Construction Project Change Order Approval, Table 1, Types of Change Orders*
- Table-1 provides useful information specific to each type of change order regarding how the ADO will determine allowablilty, justification and reasonableness in price of the proposed change order



SOP for AIP Change Order Approval

☐ Change Order Proposal – Contents

▪ Basic Information

- General description of the change order
- Airport Name
- AIP Grant Number
- Project Description (as shown on the grant offer)
- Contract Identifier (if multiple contracts under single grant)

▪ Justification

- What makes the change order necessary?
 - i.e. unforeseen site condition
- Provide enough information to determine if the change is the result of errors & omissions



SOP for AIP Change Order Approval

☐ Change Order Proposal – Contents

- Justification – continued
 - Time Extensions: address the circumstances and need
 - i.e. Abnormal conditions

- Allowability
 - FAA Order 5100.38, AIP Handbook
 - Work/equipment conforms to FAA standards
 - Change order complies with Design, Procurement, Buy American and DBE requirements



SOP for AIP Change Order Approval

☐ Change Order Proposal – Contents

- Reasonableness of Cost
 - Sponsor must perform some form of Price or Cost analysis
 - Address the type of analysis used
 - Recommend FAA acceptance of the analysis as evidence of reasonableness of cost

- Consequences of Change Order
 - Address effect to Federal share, contract time, other related services, etc...
 - Attach and itemized cost breakdown
 - If contract time changes, attach original schedule with proposed changes



SOP for AIP Change Order Approval

Change Order Proposal – Contents

- Provide supporting documentation, drawings, cut sheets, etc...
- Revised CSPP, if applicable



SOP for AIP Change Order Approval

□ Review Process

- Standard Process – non emergency
 - Sponsor defines scope of change order
 - Negotiates a firm-fixed, fair and equitable price with the contractor
 - Sponsor submits the proposal and supporting documentation to the ADO – Project Manager
 - ADO will review the proposal for eligibility (allowability, justification and reasonableness of cost)
 - ADO will respond to the sponsor, in writing, regarding the approval, partial approval or disapproval of the change order



SOP for AIP Change Order Approval

□ Review Process

▪ Emergency Circumstances

○ Initial coordination will likely be verbal or email communication

- What happened?
- What are the immediate consequences? (i.e. safety)
- Discuss allowability and justification (i.e. stabilize poor subgrade)
- Discuss conversations sponsor/consultant had with contractor for corrective action
- Discuss how change order costs will be established (i.e. contract bid prices, other relevant an recent AIP project costs, time & materials)
- After emergency, follow-up with standard written C.O.



Questions??



Montana Airport Managers Association Meeting

Pre Design Conference

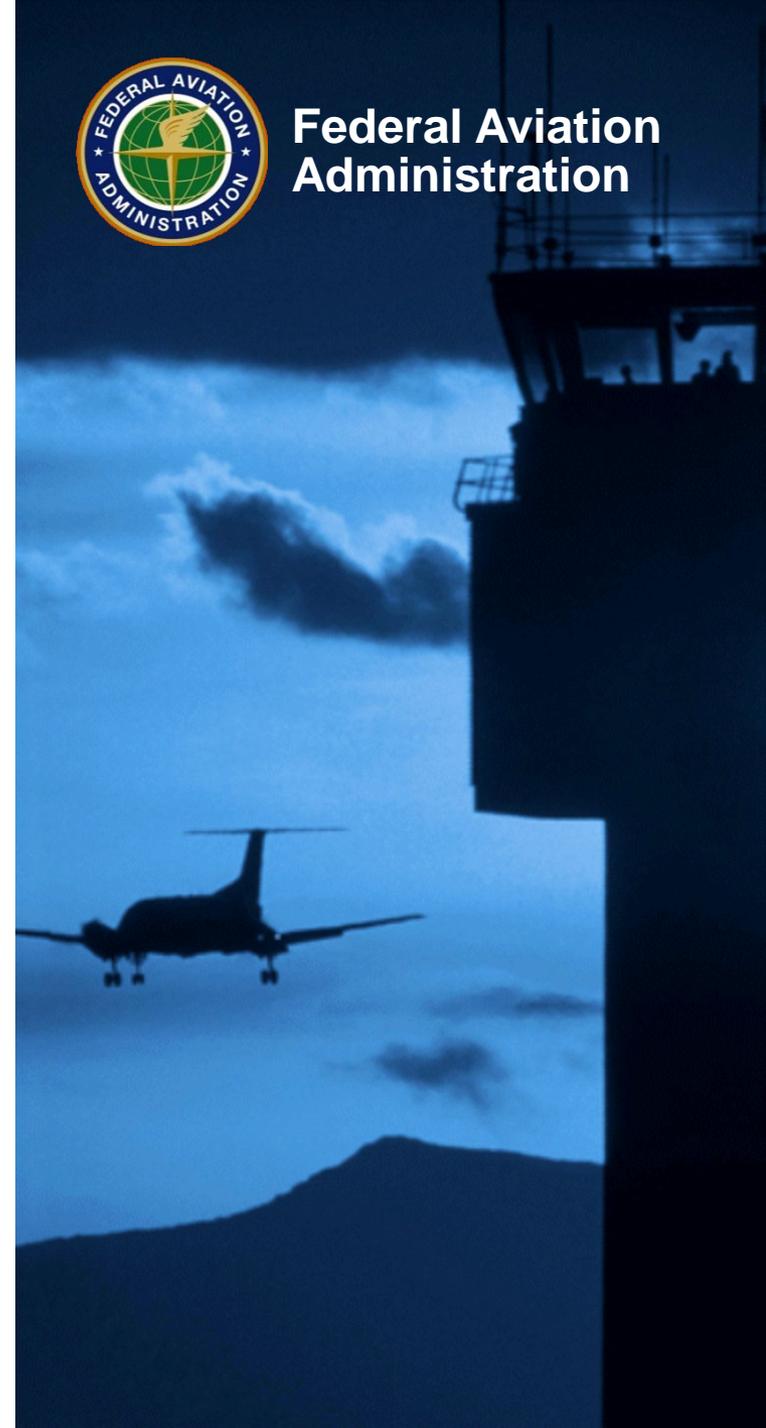
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Pre Design Conference

➤ References

- ❑ AC 150/5300-9B, Predesign, prebid and Preconstruction Conferences for Airport Grant Projects
- ❑ Engineering Guidance 2010-01, Standard Handout for Predesign Conference and Design Reports



Pre Design Conference

➤ Purpose

- Sponsors and consultants are strongly encouraged to consult with FAA prior to commencing project design
- Early coordination assists with establishing the limits of AIP participation
- Identify and start coordination with other FAA LOB's which will help prevent scheduling delays later on in the project
(i.e. identify need for Reimbursable Agreements, Flight Check, etc...)



Pre Design Conference

➤ Purpose

- ❑ Provides the opportunity to discuss:
 - Scope of Work
 - Design parameters/constraints
 - Airport Safety
 - Phasing
 - Environmental considerations
 - Design report
- ❑ Level of detail discussed at a pre design conference may vary based on project complexity – Coordinate with the ADO



Pre Design Conference

➤ Attendees

- ❑ Attendance may be based on project complexity and magnitude
 - At a minimum, the FAA - Project Manager, Airport Sponsor, Manager and Consultant should attend the conference
 - Large, complex projects may warrant inviting other FAA LOB's, maintenance staff, airline representatives, utility companies, airport tenants, etc...



Pre Design Conference

➤ Sponsor Responsibilities

- Schedule the conference prior to starting project design
- Develop an agenda and provide to attendees prior to the conference
- Develop an estimated project schedule prior to conference
- Record and distribute minutes of the conference to all attendees
- Be prepared to address all applicable sections of the Pre Design Checklist (Engineering Guidance 2010-01)



Pre Design Conference

➤ Sponsor Guide

http://www.faa.gov/airports/northwest_mountain/airports_resources/sponsor_guide/

QUESTIONS?

