



L.F. JENNINGS, INC.

How To Write An Approvable Change Order

March 16, 2023





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- Preparing your change order
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- Questions





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Project Manager
L.F. Jennings, Inc.



- 4 years with L.F. Jennings
- Worked for 5 years in heavy civil/highway construction before moving into building construction
- Assisted on and managed projects including school playgrounds, bridge restoration, full depth roadway reconstruction, multifamily developments
- Processed millions of dollars in change orders on those projects



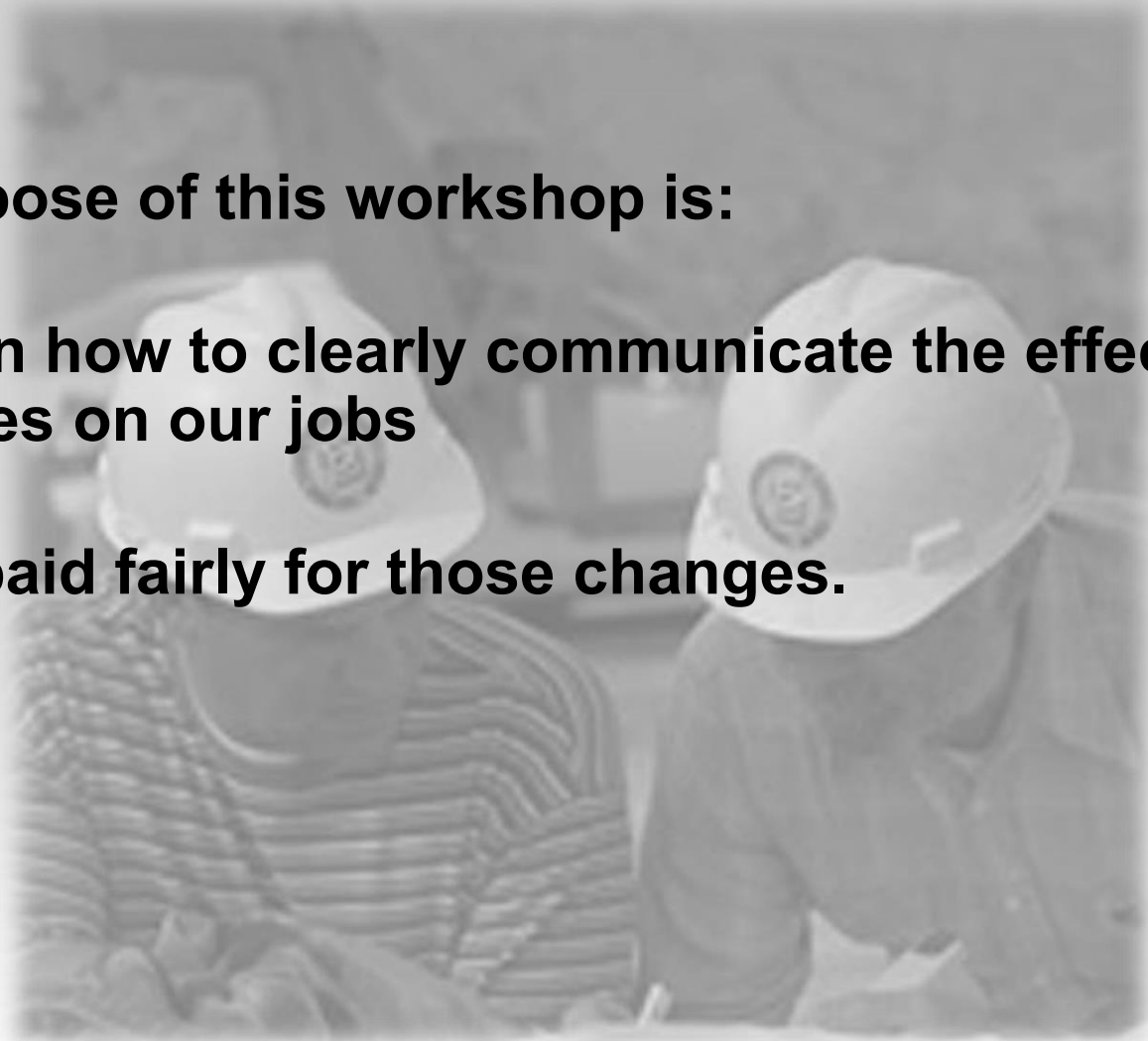
The purpose of this workshop

- **Who likes change orders?**
- **Who expects that there will be change orders on their projects?**
- **Change orders are a fact of life in construction.**
- **When we can communicate the need for the change order and accurately portray the costs for the changes, companies are compensated fairly for the changed work.**





- **The purpose of this workshop is:**
 - **to learn how to clearly communicate the effects of changes on our jobs**
 - **to be paid fairly for those changes.**





- **What does the GC's contract with the Owner say?**

§ 13.2 Adjustments in the Contract Sum and Contract Time resulting from a change in the Work shall be determined by mutual agreement of the parties or, in the case of a Construction Change Directive signed only by the Owner and Architect, by the Contractor's cost of labor, material, equipment, and reasonable overhead and profit, unless the parties agree on another method for determining the cost or credit. Pending final determination of the total cost of a Construction Change Directive, the Contractor may request payment for Work completed pursuant to the Construction Change Directive. The Architect will make an interim determination of the amount of payment due for purposes of certifying the Contractor's monthly Application for Payment. When the Owner and Contractor agree on adjustments to the Contract Sum and Contract Time arising from a Construction Change Directive, the Architect will prepare a Change Order.



- **What does the GC's contract with the Owner say?**

§ 13.4 If concealed or unknown physical conditions are encountered at the site that differ materially from those indicated in the Contract Documents or from those conditions ordinarily found to exist, the Contract Sum and Contract Time shall be equitably adjusted as mutually agreed between the Owner and Contractor; provided that the Contractor provides notice to the Owner and Architect promptly and before conditions are disturbed.



- **What does the GC's contract with the Owner say?**

§ 14.5 If the Contractor is delayed at any time in the commencement or progress of the Work by changes ordered in the Work, by labor disputes, fire, unusual delay in deliveries, abnormal adverse weather conditions not reasonably anticipatable, unavoidable casualties or any causes beyond the Contractor's control, or by other causes which the Architect determines may justify delay, then the Contract Time shall be extended by Change Order for such reasonable time as the Architect may determine, subject to the provisions of Article 21.



- **What does the Subcontractor's contract with the GC say?**

Contractor may, at any time, unilaterally or by agreement with Subcontractor, make changes in the Work covered by this Subcontract. Any unilateral order or agreement under this article shall be in writing, and the Subcontractor shall proceed without delay when directed to do so in writing by Contractor. Subcontractor shall submit an itemized written proposal as indicated below within the time frame outlined within the Contract Documents but not later than five (5) days after receipt of Contractor's change request. If the Subcontractor does not respond within five (5) days, Contractor shall provide an estimated cost for the change, and the Subcontractor shall accept that amount, or the amount approved by the Owner. If a time extension is required for the change, then the Subcontractor must submit the request for time extension with the estimated cost proposal or no time extension shall be considered. A proposed change request in no way invalidates this Subcontract. The following items shall be included within the estimated cost proposal:



- **What does the Subcontractor's contract with the GC say?**

1. Reference to Project name.
2. Reference specific change request or RFP issued by the Contractor.
3. Itemized description of each change.
4. Itemized quantity for each itemized description
5. Itemized unit cost for each itemized description
6. Maximum mark-up inclusive of overhead and profit in accordance with Exhibit "A".
7. Total proposal cost.
8. Time extension request.
9. All Subcontractor's proposed changes which must be submitted on Contractor's "Subcontract Proposal Change Summary Form" included in Exhibit "A".



- **What does the Subcontractor's contract with the GC say?**

Field Work Orders must be signed by the Contractor's superintendent or project manager on the day the work is performed. A cost proposal for the Field Work Orders must be submitted to Contractor within five (5) days of the date the work is performed. The proposal shall be itemized with quantities, unit costs and a clear description of the work performed, as indicated above. Unit costs must be in accordance with the Subcontract unit cost amounts when applicable. If no unit costs are outlined within the Subcontract, then the unit cost must be acceptable to the Contractor and Owner. In addition to the other conditions of payments set forth in this Agreement, payment of Field Work Orders shall be subject to approval by Contractor's Project Manager.



- **What does the Subcontractor's contract with the GC say?**

G. ALLOWABLE MARK-UP FOR OVERHEAD & PROFIT FOR CHANGES IN WORK:

1. For Work Performed by Subcontractor, the cost of the changes shall be sum of the following: Materials, supplies, equipment or rental costs, incorporated or consumed into the changed work at Subcontractor's actual cost including applicable taxes, sustained by verifiable invoices or data.
2. Labor at Subcontractor's "out-of-pocket" cost sustained by employee-hour computations at the wage scale paid the worker actually performing the labor plus a percentage to cover labor overhead (social security, Federal and State taxes, insurance and health benefits) not to exceed (40%) Forty percent.
3. Subcontractor's overhead, supervision and profit charges, not to exceed Ten percent (10%) of the above items 1 and 2.
4. For each Subcontractor, for changed Work performed by its Sub-subcontractors, Five percent (5%) of the amount due the Sub-subcontractor (no additional general conditions expenses allowed as a separate item for such Subcontractor or Sub-subcontractor).



- **There are many subcontractors on any given job**
- **There are many changes on any given job**
- **The GC needs to manage the change process to keep the job moving and get the subs paid**
- **The GC needs to be able to clearly communicate changes and cost/time impacts to the Owner**
- **Failure to provide timely change order information:**
 - **Slows the project**
 - **Prevents subs from being paid in a timely fashion**
 - **May prevent you from being paid or paid fully for work that you will be obligated to perform**



- **Step one: Read the directions (Know your contract)**
- **Step two: Evaluate the change and perform your takeoff**
- **Step three: Spell out the change (Labor, material, equipment costs)**
- **Step four: Apply the correct markups**
- **Step five: Indicate whether a time extension is required**
- **Step six: Submit the change in a timely fashion**



What about time?

- **Time extensions can be as important as cost changes**
- **Make sure to evaluate the time impact of additional work**
- **If you do not request time increases, you may be required to finish the additional work in the original timeframe**
- **Time is money!**





What's wrong with this picture?

- **What do they not include?**
- **What do you notice about their change order forms?**
- **What else would you need to approve these change orders?**





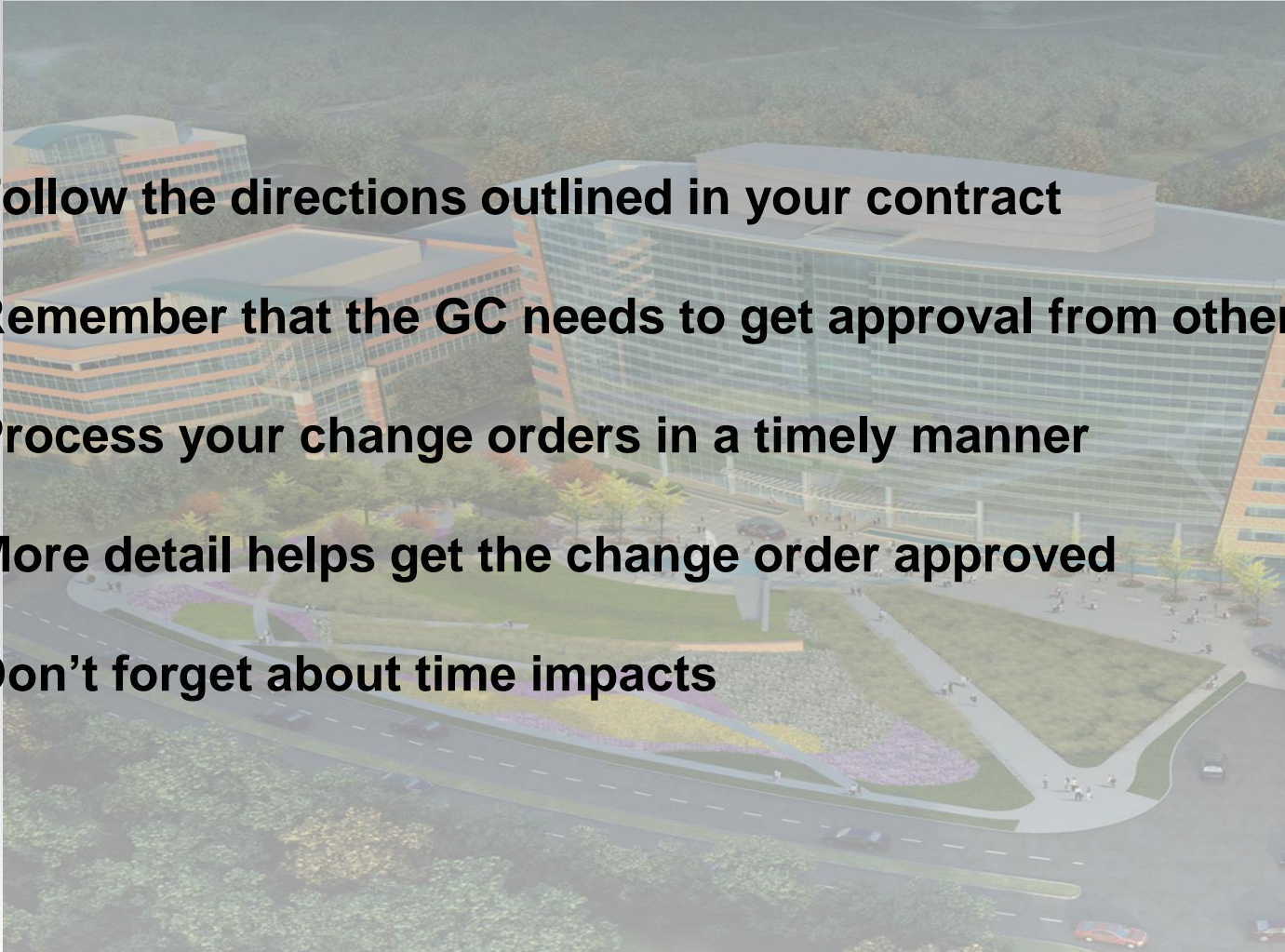
Some good examples

- **What do they include?**
- **What do you notice about their change order forms?**
- **What else would you need to approve these change orders?**





- **Follow the directions outlined in your contract**
- **Remember that the GC needs to get approval from others**
- **Process your change orders in a timely manner**
- **More detail helps get the change order approved**
- **Don't forget about time impacts**





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