

# PIPELINE

From the organization assuring clean water for a Greater Cleveland  
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## Protecting Cleveland's water and wallets

### Media attention questions our project spending, but facts show District better than national average

*This information was compiled in response to recent inquiries regarding our change order process.*

Over the last 23 years, we have undertaken more than \$1 billion in construction projects to maintain and improve our ability to protect Cleveland's water and have done so while carefully managing public funds.

#### Limited ability to foresee challenges when working underground:

Much of our construction takes place underground, repairing decades-old sewers or constructing new tunnels. Because the work is underground, contractors regularly face challenges that are difficult to anticipate.

In some cases, there is no way to tell the extent of the repairs that are needed until the contractor has broken ground. In others, contractors must overcome challenges with the rock they are digging through, or face potentially dangerous problems, like methane gas.

Despite our limited ability to predict every challenge underground, many of our contracts are completed under budget. But when contractors face unanticipated problems on projects requiring more money to solve than was originally contracted, District staff must request Board-Approved Contract Revisions we call change orders.

Despite unpredictable challenges, good project management has saved Clevelanders near \$91 million since '84

### A MESSAGE FROM THE EXECUTIVE DIRECTOR

#### Dear Reader:

For 35 years, the Northeast Ohio Regional Sewer District has practiced critical uncompromising integrity for clean water. We constantly demonstrate ongoing fiscal responsibility through our environmental service to the community and clean water construction projects.

Since 1984, we have invested over one billion of our customers' dollars in projects designed to protect the environment. With efficient project management by our committed and experienced staff, our change order rate falls well under the national average of ten-percent. Although we are always looking for methods to improve our change order process, I am proud of the fiscal accomplishments we have achieved, including exceptional management of our customers' dollars.

In an effort to ensure this message is conveyed to employees, media and our customers, the District respectfully presents this response to all. *Our clean water message is simple: We take our obligation — to protect our customers' wallets by being fiscally responsible — seriously.* The facts provided on this sheet, including our impressive change order rate, exemplify our position.

I am proud of our tremendous contributions to the region. In closing, I ask that you continue supporting the District's clean water message for the environment and future of Greater Cleveland.

Erwin J. Odeal  
Executive Director

**Our clean water message is simple: We take our obligation — to protect our customers' wallets by being fiscally responsible — seriously.**

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## MONEY MATTERS A closer look at Sewer District contract revisions since 1984

Period	Original Contract Amount	Board-Approved Contract Revisions	Final Contract Amount	Percentage Increase
1984-2007	\$1.151 billion	\$41 million	\$1.192 billion	3.5%
2000-2007	\$276.6 million	\$18.3 million	\$294.9 million	6.6%

CONTINUED from reverse

### Two examples of Sewer District construction projects:

Project completed under budget

#### Breakwater Repair

- o Original Contract Bid: \$6.34 million
- o Final Cost: \$5.07 million
- o Savings: \$1.27 million
- o Percent Under: -20%

Project requiring Board-Approved Contract Revision

#### Easterly District Interceptor Service Agreement Contract

- o Original Contract Bid: \$2.1 million
- o Total Cost To Date: \$ 3.63 million
- o Overage: \$1.53 million
- o Percent Over: +72.98%
- o Reason for Overage: Work was underground and wastewater continued to flow, hiding the full extent of the damage until sewers could be drained and cleaned. Once this occurred, the contractor realized that repairs, far greater than originally anticipated, were necessary and requested a Board-Approved Contract Revision. Failure to complete repairs at this point would have cost substantially more in the future; if the project were rebid, the sewers would have to be cleaned again for any repairs to be made.

#### Board-Approved Contract Revisions protect public dollars:

Instead of building a contingency figure into our construction contracts to pay for unexpected problems, we require contract revisions. When contractors face unexpected issues that would increase the cost of a project, those changes must be presented for a contract revision to our Board of Trustees, which considers these contract revisions on a case-by-case basis. This allows the Board to keep a tight reign on contract revisions. EVERY contract revision requires the approval of the District's Board.

#### National average for sewer contract revisions:

While comparisons for this kind of construction are sometimes difficult, the California Multi-Agency Benchmarking Study (2006) reports in our industry, contract revisions range between 8 percent and 12 percent. As you'll see, the District performs much better than this accepted average.

#### We save Northeast Ohioans millions by managing contract revisions:

Since 1984, our contract revisions have averaged 3.5 percent, more than 50 percent better than the national average.

#### From 2000-2007, we saved Clevelanders the additional \$3.8-\$14.9 million

it would have had to spend if its contract revisions met the national average of 8-12 percent.

#### Since 1984, we have saved Northeast Ohioans between \$51-\$97 million

by keeping our contract revisions so far below the national average.

#### We continually work to improve how we manage construction contracts:

Our method of managing construction costs works well and has allowed the District to save tens of millions of dollars for Northeast Ohioans by performing at a level that is more than 50 percent better than the national average for more than two decades.

Nonetheless, our Board has requested that staff develop a set of recommendations, due in June 2007, for improving the agency's contracting practices so the District can continue protecting Cleveland's water while saving residents even more money.