

## Minutes

### RTA Committee of the Whole Meeting

9:11 a.m., Tuesday, September 12, 2023

**Committee Members:** Lucas (Chair), Moss (Vice Chair), Joyce, Koomar, Mersmann, Sleasman, Weiss, Welch

**Not present:** Biasiotta

**Staff/Other:** Bailey, Becker, Birdsong Terry, Caver, Dangelo, Davidson, Ferraro, Fields, Fleig, Freilich, Garofoli, Gautam, Hale, Hlavacs, Jenkins, Jupina, Kirkland, Marquit Renwald, Miller, Peganoff, Shaffer, Sulik, Talley, Walker Minor, Woodford

**Public:** Gibbons, Loh

The meeting was called to order at 9:11 a.m. There were eight (8) committee members present.

#### Code Book Updates

Anna Hlavacs, Senior Counsel, Contracts, Real Estate and Administrator Law, gave the presentation. The Board policies were codified in 1989 (Resolution 1989-176). Staff have been updating the policies to bring them in line with current operations. The policies are subject to review and revision every 3 years. Today's review is on two provisions.

#### *Private Sector Participation*

- Recommend removing Chapter 462
- Authorizes contracting with public sector to provide public transportation services
- Contracting authority is already located elsewhere in the Code Book

#### *Safety Policy*

- Recommend removing Section 648.07 and amending Personnel Policy 600.07
- Impacted by review of Public Transportation Agency Safety Plan ("PTASP")
- Conform language of Personnel Policy 600.07 to PTASP

#### *Environmental Policy*

- Recommend amending Chapter 1098 Commitment on Environmental Policy
- Impacted by review of PTASP
- Conform language of Chapter 1098 to PTASP

Staff requests that the Committee of the Whole recommend these provisions to the Board of Trustees for approval. It was moved by Ms. Moss, seconded by Ms. Welch and approved to move these to the full Board.

#### Change Order Authority for Rail Car Replacement Program

Anthony Garofoli, Executive Director, Internal Audit, Floun'say R. Caver, Chief Operating Officer, Operations Division, Rajan D. Gautam, Deputy General Manager, Finance and Secretary-Treasurer and Melinda Dangelo, Director, Procurement gave the presentation.

Mr. Garofoli said that GM/CEO Ms. Terry sent a Sept. 7 memo to the Committee of the Whole (COW) describing the August 15, 2023 Audit Committee Meeting presentation on the Change Order (C/O) Authority for the Railcar Replacement Program. Mayor Koomar and the Audit Committee recommended this information be presented to the COW. The discussion included lessons learned from managing the contract for the Euclid Corridor Improvement Project, including project delays and increased cost. To minimize the impact of change orders, it is necessary to develop a positive change order strategy including anticipating unlikely causes and risk mitigations.

Railcar Replacement Program – approved by the Board in April 2023

- Contract No. 2021-125 with Siemens Mobility, Inc.
- Contract Scope: Engineering, Manufacturing, Testing, Delivery and Commissioning of 24 S200 Light Rail Vehicles (LRVs), Manuals and Training, Spare Parts and Special Tools
- Contract Amount: \$163,920,115
- Notice to Proceed - issued June 26, 2023
- Contract Options - 36 Option LRVs

Board Policy – Change Order Authority

- GCRTA Board Policy 410.01 (8): Delegation of Authority:
  - The Board hereby delegates to the General Manager, Chief Executive Officer of the Authority the following responsibilities:
    - “...approve change orders on contracts in a net amount not to exceed five hundred thousand (\$500,000) for contracts over five million dollars (\$5,000,000). The Board may, by resolution, vary these limits for particular contracts or projects...”

Mr. Garofoli consulted with Hatch LTD (engineering services contractor) and the Internal Audit Department for the Calvary Transit on the reasons for change orders. Calvary purchased 260 light rail vehicles from Siemens Mobility over the last four decades.

Common Reasons for Change Orders:

- Regulatory changes
- Design changes, omissions, or alterations
- Unforeseen conditions during final assembly, delivery, or commissioning, such as quality issues and scheduling that could not be planned for
- Materials shortages or late delivery to final assembly
- Changes to budgets and schedules
- Changes in technology or specifications by owner

Change Order Management Controls:

- Segregation of Duties (Project Management, Contract Administration)
- Procurement Policies and Procedures
- Procurement File – Contract Administrator’s Audit Checklist
- Change Order Review Committee (Grants Management, Internal Audit, Legal Affairs, Office of Business Development, Office of Management & Budget, Procurement, and Project Office)
  - The purpose of the Change Order Committee is to ensure strict compliance with procurement policies and applicable regulations prior to negotiation with the contractor. Required for all change order amounts \$50,000 and above.

- Procurement supplied several documents in the package that show the C/O process, staff direction, activity log and C/O log. Mayor Koomar requested in the last quarterly Audit Committee meeting that the C/O log be presented on a monthly basis by the Secretary Treasurer and in the Internal Audit reports/meetings.

#### Change Orders – Internal Audit Procedures

- Review quotes, invoices, and change order documents
- Site visits to observe and verify
- Contract compliance review
- Consult with appropriate stakeholders & resources
- Issue audit reports to Management and Board of Trustees

Dr. Caver restated that the CEO/GM change order authority is \$500,000 or 10% of a \$5 million contract. The rail car contract is approximately \$164 million. The complexity and size of this contract needs flexibility to minimize construction delays and costs. Staff agreed that a C/O authority increase of \$6.5 million or 4% for the rail cars was reasonable for Board oversight and to minimize delays and costs.

#### Possible Change Order Authority options:

- \$16,392,012 = 10% of the total contract amount
- \$ 8,196,006 = 5% of the total contract amount
- \$ 6,500,000 = Slightly lower than 4% of the total contract amount

In addition to the periodic audit reports provided to the Board of Trustees, Management is committed to increased communication to the Board of Trustees by:

- Monthly update on the change order activity will be included in the Secretary-Treasurer's report
- Results of change order audit activity will be included in the Internal Audit Committee meeting and the Quarterly Audit Report
- Results of change order activity will be included in the Quarterly Management Report (QMR)
- \$50,000 threshold requiring Change Order Committee review remains unchanged

Staff requests that the Committee of the Whole recommend to the Board of Trustees the increase in change order authority on Contract No. 2021-125 with Siemens Mobility, Inc. for the Design, Manufacture and Delivery of Up to Sixty High Floor Rail Vehicles, Spare Parts, Tooling and Training over the Seven Year Term, be set at \$6,500,000.

Ms. Moss asked how many C/O's does the staff anticipate based on the Euclid Corridor project and if we have contingency. Dr. Caver said that given the complexity of the program, there will be C/O's. C/O's will be brought back prior to \$6.5 million to minimize delays. The contingency is 10%. Ms. Moss asked if we are properly staffed to handle this contract. Mr. Garofoli said his staff accounted for person hours for this project. Ms. Dangelo said her staff is also adequately staffed for this project. Dr. Caver added that several members of the Engineering and Operations departments are dedicated to this project. Mayor Koomar added that there be transparency as the program moves along with reports in committee.

It was moved by Ms. Moss, seconded by Mayor Koomar and approved to move this to the full Board.

Executive Session Requested

9:39 a.m. - President Lucas asked for a motion and second to go into executive session to consider the appointment of a public official. It was moved by Ms. Welch, seconded by Mr. Sleasman. There were eight (8) ayes and none opposed.

President Lucas said they will have a recommendation after the executive session and invited the public to stay until the end of the meeting.

10:31 a.m. – It was moved by Mayor Weiss, seconded by Mayor Koomar to come out of executive session. There were eight (8) ayes and none opposed.

The Committee of the Whole will meet again prior to the September 26 Board Meeting to consider a vote on the item discussed in executive session.

The meeting was adjourned at 10:31 a.m.

  
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Rajan D. Gautam  
Secretary/Treasurer

  
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Theresa A. Burrage  
Executive Assistant