

Construction Contract Claims / Cost Analysis

A Public Works Budget in Trouble

The Problem

The project was the modernization and expansion of a Community Center that was still under construction. The original 5,000 square foot building, built in 1981, was being doubled in size. Plus they were adding a concrete courtyard, a basketball court, and a modernized playground. The base contract for the work was \$3.2 million, but the projected cost was now over budget by more than \$2 million (a more than 80% increase). And no one had an adequate answer for what went wrong.

The Solution

Pete Fowler Construction was hired to investigate why the project was going so poorly, what they should do to complete this project, and what they might do on future projects to avoid similar struggles. We collected, organized, and indexed a large number of documents including plans, specifications, RFIs, contracts, schedules of value, change orders, and more. We performed an on-site investigation and identified defective work. We analyzed and summarized the documents, photographs, and our findings in a report detailing our conclusions, and delivered the summary analysis documents that supported how we developed our conclusions.

64% of the total cost overrun was due to design errors, and 29% was due to owner directed additions to the scope of work that were not in the plans. The basis for these change orders was legitimate; there were serious design errors and owner directed changes. But the change order costs were certainly inflated. The exact value of the changes was beyond the scope of our assignment, but we estimated the value was more than 25% high.

In the end, we presented our findings to city council, including recommendations to increase the professional construction contracting discipline of the city personnel in charge of hiring designers and contractors. The city used our report to negotiate with the contractor to finish the project, and the city began implementing process improvements and quality control hold points within the public works department so they could avoid similar problems in the future.



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