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BUDGET AND FINANCE COMMISSION MEETING JANUARY 8, 2026

J.2 CIP SUBCOMMITTEE QUESTIONS

CONTACT: STEPHANIE MEYER, FINANCE DIRECTOR

- LETTER FROM JAMES R. MUELLER RE: CIP SUBCOMMITTEE QUESTIONS

Jim Mueller
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To: Chairman, Budget & Finance Commission
City Hall
Redondo Beach, CA

RE: Agenda Item J2 CIP Sub-Committee Questions

Dear Mr. Chairman:

Your commission has been investigating the cost of change orders on current FY CIP projects, ten projects out of the 22 scheduled for the year.

I have done some analysis and investigation related to that matter using the spreadsheet of project estimates and actual YTD that is part of the Commission's public record..

My investigation shows the Commission is right to be concerned about the level of change orders on these contracts. YTD change order \$ as a percent of the Engineer's estimate is 19% which is a level considered in municipal construction contracting to be a "problematic/high risk level".

This level suggests (but does not prove) one or more of the following:

- Poor pre-bid investigation
- Change orders used to "fix" design errors
- Scope "creep" after contract award

There is considerable variance among individual contracts. But, only two of the ten contracts for which there are numbers, are under 10% change orders to estimate,

Contract award to estimate is 128% and the award to final cost is 118% which I believe justifies a serious investigation into the CIP estimating budgeting process.

It should be noted that many of these projects are paving projects which are not "one-off" municipal projects. Street paving would seem to be a project type done many times in a city's history.

Speculating on the possible causes of variance besides poor estimating, might be volatile materials prices, shortages of labor, weather problems, unforeseen problems with the environment around the project causing extensions.

I hope this information is of value to the Commission.

Sincerely,
(Signed)
James R. Mueller