

ITEM #:	<u>30</u>
DATE:	<u>06-23-26</u>
DEPT:	<u>W&PC</u>

COUNCIL ACTION FORM

**SUBJECT: NORTH RIVER VALLEY WELL FIELD AND PIPELINE PROJECT
CHANGE ORDER NO. 7**

BACKGROUND:

On April 11, 2023, Council awarded a contract to Keller Excavating, Inc. in the amount of \$10,200,955.80 for construction of a new well field to supply raw for the Ames Water Treatment Plant. During the course of the contract, six change orders have been processed. **A seventh change order is ready for Council authorization.**

The primary purpose of this change order is to deduct from the contract the cost to construct the planned Well #29. Preliminary testing prior to the contract award suggested the location of Well #29 would provide a high producing well. Unfortunately, when the well construction began, it was unable to yield anything close to the design projection of 1,000 gallons per minute. Staff was unable to reach an agreement with the adjacent landowner to relocate the well, and the decision was made to eliminate the well from the construction contract.

Staff and the contractor have negotiated the attached Change Order #7 over an extended period of time, including a formal mediation with an outside mediator. The parties were initially unable to reach agreement on the value of the deduction. The contractor felt that the deduction was worth approximately \$350,000, while City staff felt that the actual amount should be closer to \$658,000.

On May 4, 2026, City staff and the contractor met again informally without attorneys and mediators to attempt to find a resolution. That informal conversation turned out to be quite productive, and resulted in both sides agreeing to the terms of Change Order #7 as attached.

It is worth noting that part of the reason that staff agreed to a lesser deduction is because staff agreed to voluntarily pay the contractor for some equipment and materials that the City was not contractually obligated to pay for (these items were ordered after the stop work order was issued for Well 29). Staff determined these items would have value to the City either in a future well field project (such as the well casing pipe and the well head platform) or could be used as spare parts for existing wells (such as the control panels, transducers, and pressure gauges).

Negotiated agreements in a dispute such as this rarely leave either party feeling like they got a "fair deal." In this case, staff believes that the terms of Change Order #7 are in the best interests of the utility. It avoids the time and considerable expense of litigating a claim with an uncertain outcome. Additionally, by agreeing to purchase materials that have value but that the City was not (in staff's opinion) obligated to pay

for, the Change Order will help preserve positive, productive relationships with subcontractors who are critical partners in other aspects of the utility's operations.

Other, much smaller items contained in the change order include the cost to repair a fence due to damage by a falling tree (\$3,002) and removing approximately 15 lineal feet of a chain link gate (-\$4,139.30). Another element of Change Order #7 is that it adjusts the contract completion dates based on documented delivery dates for critical electrical components that were out of the control of the general contractor. The substantial completion date will be extended by 209 days, and the final completion date will be extended by 212 days.

The credit from the change order will be returned to the available project contingency, reducing the overall dollar amount of the SRF loan that is financing the project.

The updated project budget, including Change Order #7, is as follows.

	Funding Sources	Project Expenses
Drinking Water State Revolving Loan	12,161,000	
Test Drilling		124,005
Engineering, Admin, Legal		725,272
Land		111,038
Construction		
Original Contract		10,200,956
Change Order #1		30,125
Change Order #2		228,565
Change Order #3		(17,305)
Change Order #4		47,336
Change Order #5		5,636
Change Order #6		12,829
Change Order #7 (This Action)		(505,353)
Geotechnical Services		14,839
Programming Services		36,225
Archaeological Services		
Contract 1 Original Contract		22,773
Contract 1 Change Order 1		35,240
Contract 2		134,924
Available Contingency		953,895
Project Totals	12,161,000	12,161,000

The consultant has certified that the project achieved Substantial Completion on May 22, 2026. The general contractor is finalizing the remaining punch list items, and the project should be ready for final acceptance by the City Council in the very near future.

ALTERNATIVES:

1. Approve Change Order No. 7 with Keller Excavating, Inc. of Boone, IA, for the North River Valley Well Field and Pipeline Project, in the deduct amount of \$505,353.34, and adjusting the substantial completion date by 209 days and the final completion date by 212 days.
2. Do not approve the change order at this time, and provide direction to staff on desired changes.

CITY MANAGER'S RECOMMENDED ACTION:

Following the unsuccessful test well for Well #29, staff determined that the well should be removed from the contract. Following extended negotiations, City staff and the general contractor have agreed to the terms contained in the attached Change Order #7. Therefore, it is the recommendation of the City Manager that the City Council approve Alternative #1 as described above.

ATTACHMENT(S):

[CHANGE ORDER NO. 7 - Recommended.pdf](#)