

SECTION 01135

MODIFICATION PROCEDURES

PART 1 - GENERAL

1.01 CHANGES IN CONTRACT PRICE

This section provides supplementary procedures for the administration of changes to the Contract as specified in Section 00700-Article 7, **CHANGES IN THE WORK**. Whenever corrections, alterations, or modifications of the Work under this Contract are ordered by the Construction Manager and approved by the City and increase the amount of work to be done, such added work shall be known as extra work; and when such corrections, alterations, or modifications decrease the amount of work to be done, such subtracted work shall be known as omitted work.

The difference in cost of the work affected by such change will be added to or deducted from the amount of said Contract price, as the case may be, by a fair and reasonable valuation, which shall be determined in one or more of the following ways as directed by the Construction Manager:

- A. Where applicable, by unit prices accepted by the City and stated in the Contract Documents;
- B. By unit prices subsequently fixed by agreement between the parties;
- C. By an acceptable lump sum proposal from the Contractor; or
- D. By Force Account (as described in Section 01135-1.03, **FORCE ACCOUNT PAYMENT**), when directed in writing and administered by the City through its agents or representatives.

The prices agreed upon and any agreed upon adjustment in Contract Time shall be incorporated in the written order issued by the City, which shall be written so as to indicate an acceptance on the part of the Contractor as evidenced by its signature. By signature of the Change Order, the Contractor acknowledges that the adjustments to cost and time contained in the Change Order are in full satisfaction and accord, payment in full, and so waives any right to claim any further cost and time impacts at any time during and after completion of the Contract for the changes encompassed by the Change Order.

1.02 NEGOTIATED CHANGE ORDERS

Under the methods described in Sections 01135-1.01B and 01135-1.01C, the Contractor shall submit substantiating documentation with an itemized breakdown of Contractor and subcontractor direct costs, including labor, material, equipment rentals, and approved services, pertaining to such ordered work in the form and detail acceptable to the

Construction Manager. The direct costs shall include only costs as described in Section 01135-1.04, **DIRECT COST CATEGORIES**.

The Construction Manager will review the Contractor's proposal for the change and negotiate an equitable adjustment with the Contractor. After there is an agreement the Construction Manager will prepare and process the Change Order and make a recommendation for action by the City. All Change Orders must be approved by the City in writing before the work can be authorized and the Change Order executed.

1.03 FORCE ACCOUNT PAYMENT

If either the amount of work or payment for a Change Order cannot be determined or agreed upon beforehand, the City may direct by written Change Order or Field Order that the work be done on a force account basis. The term "force account" shall be understood to mean that payment for the work will be done on a time and expense basis, that is, on an accounting of the Contractor's forces, materials, equipment, and other items of cost as required and used to do the work. For the work performed, payment will be made for the documented actual cost of the work as described in Section 01135-1.04, **DIRECT COST CATEGORIES**.

Prior to the commencement of force account work, the Contractor shall notify the Construction Manager of its intent to begin work. Labor, equipment and materials furnished on force account work shall be recorded daily by the Contractor upon report sheets acceptable to the Construction Manager. The reports, if found to be correct, shall be signed by both the Contractor and Construction Manager, or inspector, and a copy of which shall be furnished to the Construction Manager no later than the working day following the performance of said work. The daily report sheet shall thereafter be considered the true record of force account work provided. If the Construction Manager, or inspector, do not agree with the labor, equipment and/or materials listed on the Contractor's daily force account report, the Contractor and Construction Manager, or inspector, shall sign-off on the items on which they are in agreement. The Construction Manager shall then review the items of disagreement and will advise the Contractor, in writing, of its determination. If the Contractor disagrees with this determination, it shall have the right to file a claim notice as provided in Section 00700-7.03A, **Notice**.

The Contractor shall maintain its records in such a manner as to provide a clear distinction between the direct costs of work paid for on a force account basis and the costs of other operations.

To receive partial payments and final payment for force account work, the Contractor shall submit, in a manner approved by the Construction Manager, detailed and complete documented verification of the Contractor's and any of its subcontractor's actual costs involved in the force account pursuant to the pertinent Change Order or Field Order. Such costs shall be submitted within thirty (30) days after said work has been performed. No payments will be made for work billed and submitted to the Construction Manager after the thirty (30) day period has expired.

The force account invoice shall itemize the materials used and shall cover the direct costs of labor and the charges for equipment rental, whether furnished by the Contractor, subcontractor, or other forces. The invoice shall be in a form acceptable to the Construction Manager and shall provide names or identifications and classifications of workers, the hourly rate of pay and hours worked, and also the size, type, and identification number of equipment and hours operated. Material charges shall be substantiated by valid copies of vendor's invoices.

1.04 DIRECT COST CATEGORIES

The categories described below are defined to be direct costs. No other type of costs will be allowable as direct costs. Direct costs shall not include any labor costs pertaining to the Contractor's and subcontractors' managers or superintendents, their office and engineering staffs, the cost of their offices, facilities, vehicles, or anyone not directly employed on such work, nor small tools, and supplies. All such items are considered indirect costs which form a part of the Contractor's and subcontractors' overhead expenses.

The City reserves the right to furnish such labor, materials, and equipment as it deems expedient, and the Contractor shall have no claim for profit or added fees on the cost of such items.

A. Direct Labor

The Contractor will be paid the cost of direct craft labor for the workers and foremen (when authorized by the Construction Manager) used or proposed to be utilized in the actual and direct performance of the work.

The direct labor cost will be the actual payroll cost, including wages, subsistence and travel payments, and fringe benefits as established by negotiated labor agreements or state prevailing wages. To these actual wages, a labor surcharge in the amount of 11% of the direct labor cost will be added for all workers including Pile Drivers and Longshoremen and Harbor Workers. The labor surcharge compensates Contractor for the following statutory payroll-related costs: Workers Compensation, Social Security, Medicare, Federal Unemployment, State Unemployment, and State Training taxes. No other fixed labor burdens will be considered, unless approved in writing by the Construction Manager. Except as otherwise provided, the Contractor shall receive no additional compensation for wage premiums resulting from overtime work performed under change conditions without the prior written authorization of the Construction Manager.

B. Materials

The Contractor will be paid the cost of the materials to the purchaser, including tax and delivery if paid. If the Contractor does not furnish satisfactory evidence of the cost of such materials, it shall be deemed to be the lowest current price for the materials delivered to the job site for the applicable quantities of the materials.

No payment for small tools and supplies will be made for modifications. The Contractor's base compensation shall be deemed as full compensation for all tools and materials which are incidental to performing work including safety equipment provided by the Contractor to its employees.

C. Construction Equipment

The cost of construction machinery and equipment for changes shall be based on fair rental cost or equivalent rental cost of owned equipment. Such costs will be allowed for only those days or hours during which the equipment is in actual use. Payment shall be based on actual rental and transportation invoices but shall not exceed the rental rates listed for such equipment in the State of California Department of Transportation publication entitled "Labor Surcharge and Equipment Rental Rates" which is in effect on the date upon which the work is performed. Owner-operated equipment rates shall not exceed the rates in the aforesaid Rental Rate publication plus the labor costs as provided in Section 01135-1.04A, **Direct Labor**. The rental cost allowed for equipment will, in all cases, be understood to cover all fuel, supplies, repairs, ownership, and incidental costs and no further allowances will be made for those items, unless specific written agreement to that effect is made. Compensation for idle time of equipment through delays caused by the City will be made consistent with Section 8-1.09, **Right-of-Way Delays**, of the Caltrans Standard Specifications.

Individual items of construction equipment or small tools which have a replacement value of five hundred dollars (\$500) or less shall not be charged to the Change Order work unless it can be demonstrated that the particular item is needed solely for the completion of the Change Order work.

1.05 MARK-UP ALLOWANCES

To the total of the direct costs of labor, materials, and equipment computed as described above, Contractor may add the following markups to the direct cost of the Change Order work, as further described below. The maximum markups allowed are:

- A. For work by its own organization, the Contractor may add up to the following percentages:
1. Direct Labor
 - a. Negotiated Change Orders (Section 01135-1.02): 25 percent
 - b. Force Account Payment (Section 01135-1.03): 15 percent
 2. Materials 10 percent
 3. Equipment (owned or rented) 15 percent
- B. For all such work performed by subcontractors, such subcontractor may add the same percentages as the Contractor as listed in Section 01135-1.05A above to its actual net increase in costs for combined overhead and profit. The Contractor may add up to five (5) percent of the subcontractor's total for its combined overhead

and profit. No further compensation will be allowed for the Contractor's administration of the work performed by the subcontractor.

- C. For all such work done by sub-tier subcontractors, such sub-subcontractors may add the same percentages as the Contractor as listed in Section 01135-1.05A above to its actual net increase in costs for combined overhead and profit. The subcontractor may add up to five (5) percent of the sub-subcontractor's total for its combined overhead and profit. The Contractor may add up to five (5) percent of the subcontractor's total for its combined overhead and profit. No further compensation will be allowed for the Contractor's administration of the work performed by the subcontractor.
- D. For all such work performed by consultants, engineers, surveyors, etc. the combined total allowable markup for the Contractor and all subcontractors shall be five (5) percent of the fee total.
- E. To the total of the direct costs and markups allowed herein under, not more than two (2) percent shall be added for any and all additional Contractor bond and insurance, other than workers compensation insurance. (Cost for workers compensation insurance is included in the labor surcharge.) The compensable percentage for additional bonds and insurance shall be based on actual costs for the Contractor's bonds and insurance, as substantiated through documentation submitted to the Construction Manager.

When both additional and deleted work are involved in any one change, the markup allowances of this Section shall be applied to the net extra cost of the work, if any, after subtraction of the costs for the deleted work. For Change Order work which results in a net decrease in cost a minimum of five (5) percent markup shall be added to the sum of the direct labor, materials and equipment as a deduction for profit, indirect and overhead costs, and reduction in bond and insurance. The Contractor shall not be entitled to nor claim for anticipated profits on work that may be omitted.

The added mark ups shall be considered to be full compensation covering the cost of general supervision, field and home office overhead, profit, delay costs, small tools, safety equipment, incidentals, and any other items of expense not specifically designated as cost for labor, materials, and equipment, above. The above mark ups represent the maximum limits which will be allowed, and they include the Contractor's and all subcontractors' indirect field and home office expenses and all other costs for cost proposal preparation, schedule analysis and preparation, operation and maintenance manual documentation, and record documents and change order administration.

1.06 INCREASED OR DECREASED QUANTITIES

Increases or decreases in the quantity of a Contract unit price bid item of work will be determined by comparing the total pay quantity of such item of work with the Bid Schedule quantity.

If the total pay quantity of any item of work required under the Contract varies from the Bid Schedule quantity by twenty five (25) percent or less, payment will be made for the quantity of work of said item performed at the Contract unit prices therefore, unless eligible for adjustment pursuant to Section 01135-1.06D, **Changes in Character of Work**.

If the total pay quantity of any item of work required under the Contract varies from the Bid Schedule quantity by more than twenty five (25) percent in the absence of an executed Contract Change Order specifying the compensation to be paid, the compensation payable to the Contractor will be determined in accordance with Sections 01135-1.06A, 1.06B or 1.06C, as the case may be.

A. Increases of more than twenty five (25) percent

Should the total pay quantity of any item of work required under the Contract exceed the Bid Schedule quantity by more than twenty five (25) percent, the work in excess of one hundred twenty five (125) percent of the Bid Schedule quantity will be paid for by adjusting the Contract unit price, as hereinafter provided. At the option of the Construction Manager, payment for the work involved in such excess will be made on the basis of force account as provided by Section 01135-1.03, **FORCE ACCOUNT PAYMENT**.

Such adjustment of the Contract unit price will be the difference between the Contract unit prices and the actual unit costs, which will be determined as hereinafter provided, of the total pay quantity of the item. If the costs applicable to such item of work include fixed costs, such fixed costs will be deemed to have been recovered by the Contractor by the payments made for one hundred twenty five (125) percent of the Bid Schedule quantity for such item, and in computing the actual unit cost, such fixed costs will be excluded. Subject to the above provisions, such actual unit cost will be determined by the Construction Manager in the same manner as if the work were to be paid for on a force account basis as provided in Section 01135-1.03, **FORCE ACCOUNT PAYMENT** or such adjustment will be as agreed to by the Contractor and the Construction Manager.

When the compensation payable for the number of units of an item of work performed in excess of one hundred twenty five (125) percent of the Bid Schedule quantity is less than \$5,000 at the applicable Contract unit price, the Construction Manager reserves the right to make no adjustment in said price if it so elects, except that an adjustment will be further considered if requested in writing by the Contractor.

B. Decreases of more than twenty five (25) percent

Should the total pay quantity of any item of work required under the Contract be less than seventy five (75) percent of the Bid Schedule quantity, an adjustment in compensation pursuant to this Section will not be made unless the Contractor so requests in writing. If the Contractor so requests, the revised quantity will be paid for by adjusting the Contract unit price as hereinafter provided. At the option of the Construction Manager, payment for the quantity of the work of such item performed

will be made on the basis of force account as provided in Section 01135-1.03, **FORCE ACCOUNT PAYMENT**. However, in no case shall the payment for such work be less than that which would be made at the Contract unit price.

Such adjustment of the Contract unit price will be the difference between the Contract unit price and the actual unit cost of the total pay quantity of the item, including fixed costs. Such actual unit cost will be determined by the Construction Manager in the same manner as if the work were to be paid for on a force account basis as provided in Section 01135-1.03, **FORCE ACCOUNT PAYMENT**; or such adjustment will be as agreed to by the Contractor and the Construction Manager.

The payment for the total pay quantity of such item of work will in no case exceed the payment which would have been made for the performance of seventy five (75) percent of the Bid Schedule of the quantity for such item at the original Contract unit price.

C. Eliminated Items

In the event that a part of the Work is to be eliminated in its entirety and such Work is covered by unit price(s) contained in the Bid and/or Contract Documents, the price of the eliminated Work item shall be based on the applicable unit price(s). The Contractor shall be paid five (5) percent of the total extended amount (bid price times the Bid Schedule quantity) for the eliminated Work item in consideration of the applicable Contractor's overhead costs.

Should any Contract item of the Work be eliminated in its entirety, in the absence of an executed Contract Change Order covering such elimination, payment will be made to the Contractor for actual costs incurred in connection with such eliminated Contract item if incurred prior to the date of notification in writing by the Construction Manager of such elimination.

If acceptable material is ordered by the Contractor for the eliminated item prior to the date of notification of such elimination by the Construction Manager, and if orders for such material cannot be canceled, it will be paid for at the actual cost, including a five (5) percent mark-up, to the Contractor. In such case, the material paid for shall become the property of the City and the actual cost of any further handling will be paid for. If the material is returnable to the vendor, and if the Construction Manager so directs, the material shall be returned and the Contractor will be paid for the actual costs of charges made by the vendor for returning the material. The actual cost of handling returned material will be paid for by the City.

D. Changes in Character of Work

If an ordered change in the Plans and Specifications materially changes the character of work of a Contract unit price bid item from that on which the Contractor based its Bid price, and if the change increases or decreases the actual unit cost of such changed item as compared to the actual or estimated actual unit

cost of performing the work of said item in accordance with the Plans and Specifications originally applicable thereto, in the absence of an executed Contract Change Order specifying the compensation payable, an adjustment in compensation therefore will be made in accordance with the following:

The basis of such adjustment in compensation will be the difference between the actual unit cost to perform the work of said item or portion thereof involved in the change as originally planned and the actual unit cost of performing the work of said item or portion thereof involved in the change, as changed. Actual unit costs will be determined by the Construction Manager in the same manner as if the work were to be paid for on a force account basis as provided in Section 01135-1.03, **FORCE ACCOUNT PAYMENT**; or such adjustment will be agreed to by the Contractor and the Construction Manager. Any such adjustment will apply only to the portion of the work of said item actually changed in character. At the option of the Construction Manager, the work of said item or portion of item which is changed in character will be paid for by force account as provided in Section 01135-1.03, **FORCE ACCOUNT PAYMENT**.

If the compensation for an item of work is adjusted under this Section, the costs recognized in determining such adjustment shall be excluded from consideration in making an adjustment for such item of work under the provisions in Sections 01135-1.06A, **Increases of More Than Twenty five (25) percent** and 1.06B, **Decreases of More Than Twenty five (25) percent**.

1.07 COST PRICING DATA AND ACCESS TO RECORDS

All cost and pricing data submitted by the Contractor with respect to any change, prospective or executed, or any claim for extra compensation shall be a true, complete, accurate, and current representation of actual cost and pricing of the work. The Construction Manager may require a formal certification as to cost and pricing data submitted by the Contractor.

The City, its Construction Manager or other designated representative shall have access, upon reasonable notice during normal business hours, to any books, documents, accounting records, papers, project correspondence, project files, scheduling information, and other relevant records of the Contractor and all subcontractors directly or indirectly pertinent to the work, original as well as changes and claimed extra work, and the Contract for the purpose of making audit, examination, excerpts, and transcriptions and in order to verify or evaluate any change, prospective or executed, or any claim for which compensation has been requested or notice of potential claim has been tendered.

Such books, documents, and other records mentioned above shall include, but are not limited to all those reasonably necessary to determine the accurate amount of direct and indirect costs, job site, and delay and impact costs, however characterized, and shall include the original Bid and all documents related to the Bid and its preparation, as well as, the as-planned construction schedule and all related documents.

Such access shall include the right to examine and audit such records and make excerpts, transcriptions, and photocopies at the City's cost.

1.08 TIME EXTENSIONS FOR CHANGE ORDERS

If the Contractor requests a time extension for the extra work necessitated by a proposed Change Order, the request must comply with the applicable requirements of Section 01310-1.06, **TIME IMPACT ANALYSES**.

PART 2 - PRODUCTS (NOT USED)

PART 3 - EXECUTION (NOT USED)

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