

**SECTION 01254
PAYMENT FOR CHANGES AND EXTRA WORK**

1.1 CHANGES INITIATED BY THE AGENCY

A. General

1. The CITY may change the Plans, Specifications, character of the Work, or quantity of Work provided the total arithmetic dollar value of all such changes, both additive and deductive, does not exceed 25 percent (25%) of the Contract Price. Should it become necessary to exceed this limitation, the change shall be by written Supplemental Agreement between the CONTRACTOR and CITY, unless both parties agree to proceed with the change by Change Order.
2. Change Orders shall be in writing and state the dollar value of the change or established method of payment, any adjustment in contract time, and when negotiated prices are involved, shall provide for the CONTRACTOR'S signature indicating acceptance.

B. Payment

1. Contract Unit Prices
 - a. If a change is ordered in any item covered by a Contract Unit Price, and such change does not involve a substantial change in character of the Work from that shown on the Plans or included in the Specifications, then an adjustment in payment will be made. This adjustment will be based on the increase or decrease in quantity and the Contract Unit Price. The basis for the adjustment of payment will be limited to that portion of the change, which together with all previous changes to that items, is not more than 25 percent (25%) of the total cost of the item's original quantity and Contract Price.
 - b. If a change is ordered in an item of Work covered by a Contract Unit Price, and such change does involve an increase or decrease greater than 25 percent (25%) of the Bid Item quantity shown on the bid sheet or a substantial change in the character of the Work from that shown on the Plans or included in the Specifications, an adjustment in payment will be made in accordance with the Agreed Prices.
 - c. Should any Contract item be deleted in its entirety, payment will be made only for actual costs incurred prior to notification of such deletion.
2. Stipulated Unit Prices: Stipulated unit prices are those established by the CITY in the Contract Documents, as distinguished from Contract Unit Prices submitted by the CONTRACTOR. Stipulated unit prices may be used for the adjustment of Contract changes.
3. Agreed Prices: Adjustments in payments for changes, other than those set forth in Stipulated Unit Prices, will be determined by agreement

between CONTRACTOR and CITY. Agreed prices shall be negotiated before commencement of the Work. If unable to reach agreement, the CITY may direct the CONTRACTOR to proceed on the basis of Extra Work in accordance with the requirements listed below.

C. Extra Work

1. General: New or unforeseen Work will be classified as "Extra Work" when the ENGINEER determines that it is not covered by Contract Unit Prices or Stipulated unit prices.
2. Payment
 - a. General: When the price for the Extra Work cannot be agreed upon, the CITY will pay for the Extra Work based on the accumulation of costs as provided herein.
3. Basis for Establishing Costs
 - a. Labor
 - (1) The costs of labor will be the actual cost for wages of workers performing the Extra Work at the time the Extra Work is done, plus employer payment of payroll taxes, workers compensation insurance, liability insurance, health and welfare, pension, vacation, apprenticeship funds, and other direct costs, resulting from Federal, State, or local laws, as well as assessments or benefits required by lawful collective bargaining agreements.
 - (2) The use of a labor classification which would increase the Extra Work cost will not be permitted unless the CONTRACTOR establishes the necessity for such additional costs. Labor costs for equipment operators and helpers shall be reported only when such costs are not included in the invoice for equipment rental. The labor cost for foreman shall be proportioned to all of their assigned work and only that applicable to Extra Work will be paid.
 - (3) Nondirect labor costs, including superintendence, shall be considered part of the Markup.
 - b. Materials
 - (1) The cost of materials reported shall be at invoice or lowest current price at which such materials are locally available and delivered to the Jobsite in the quantities involved, plus sales tax, freight, and delivery.
 - (2) The CITY reserves the right to approve materials and sources of supply, or to supply materials to the CONTRACTOR if necessary for the progress of the Work. No markup shall be applied to any material provided by the CITY.

c. Tool and Equipment Rental

- (1) No payment will be made for the use of tools which have a replacement value of \$200 or less.
- (2) Any Extra Work payment involving equipment, regardless of ownership, shall be based on rates established in "Labor Surcharge and Equipment Rental Rates", including miscellaneous list, of the State of California, Department of Transportation, in effect at the time of Work. The latest copy is available at cost from Caltrans Publications, 1900 royal Oaks Drive, Sacramento, CA 95815 or Caltrans website (www.dot.ca.gov/hq/construc). Rental rates for equipment not listed in the above publication shall be determined by the ENGINEER.
- (3) The rental rates paid shall include the cost of fuel, oil, lubrication, supplies, small tools, necessary attachments, repairs and maintenance of any kind, depreciation, storage, insurance, and all incidentals. Necessary loading and transportation costs for equipment used on the Extra Work shall be included.
- (4) If equipment is used intermittently and, when not in use, could be returned to its rental source at less expense to the CITY than holding it at the Worksite, it shall be returned, unless the CONTRACTOR elects to keep it at the Worksite, at no expense to the CITY.
- (5) All equipment shall be acceptable to the ENGINEER, in good working condition, and suitable for the purpose for which it is to be used. Manufacturer's ratings and approved modifications shall be used to classify equipment and it shall be powered by a unit of at least the minimum rating recommended by the manufacturer.
- (6) The reported rental time for equipment already at the Worksite shall be the duration of its use on the Extra Work. This time begins when equipment is first put into actual operation on the Extra Work, plus the time required to move it from its previous site and back, or to a closer site.

d. Other Items

- (1) The CITY may authorize other items that may be required on the Extra Work, including labor, services, material and equipment. These items must be different in their nature from those required for the Work, and be of a type not ordinarily available from the CONTRACTOR or subcontractors.

(2) Invoices covering all such items in detail shall be submitted with the request for payment.

e. Invoices

(1) Vendors' invoices for material, equipment rental and other expenditures shall be submitted with the request for payment. If the request for payment is not substantiated by invoices or other documentation, the CITY may establish the cost of the item involved at the lowest price which was current at the time of the report.

f. Markup

(1) Work by CONTRACTOR

(a) The following percentages shall be added to the CONTRACTOR'S costs and shall constitute the markup for all overhead and profits:

Labor.....	20%
Materials.....	15%
Equipment Rental.....	15%
Other Items and Expenditures.....	15%

To the sum of the costs and markups provided for in this subsection, one percent (1%) shall be added as compensation for bonding.

(2) Work by Subcontractor

(a) When all or any part of the Extra Work is preformed by a Subcontractor, of any tier, the markup established in (a), above, shall be applied to the Subcontractor's actual cost of such Work. A markup of ten percent (10%) on the first \$5,000 of the subcontracted portion of the Extra Work and a markup of five percent (5%) on Work added in excess of \$5,000 of the subcontracted portion of the Extra Work may be added by the CONTRACTOR.

The markups specified in parts (1) and (2), above, shall be considered as including, but not limited to, the CONTRACTOR'S labor costs for personnel not working directly on the "Extra Work," including the cost of any tools, equipment, and supervisors/superintendence which they may use. Such costs shall not be reported as labor or equipment costs elsewhere except when they are actually used to physically construct the "Extra Work." Labor costs shall in that case be reported for the labor classification corresponding to the type and nature of "Extra Work" done.

4. Daily Reports by CONTRACTOR

- a. The CONTRACTOR shall notify the INSPECTOR at the beginning of each day when Extra Work is in progress.
- b. When the price for the Extra Work cannot be agreed upon, the CONTRACTOR shall submit a daily report to the ENGINEER on forms approved by the CITY. Included are applicable delivery tickets, listing all labor, materials, and equipment involved for any day, and other services and expenditures when authorized. Failure to submit the daily report by the close of the next working day may waive any rights for that day. An attempt shall be made to reconcile the report daily, and it shall be signed by the ENGINEER and the CONTRACTOR. In the event of disagreement, pertinent notes shall be entered by each party to explain points which cannot be resolved immediately. Each party shall retain a signed copy of the report. Reports by Subcontractors or others shall be submitted through the CONTRACTOR.
- c. The report shall:
 - (1) Show names of workers, classifications, and hours worked;
 - (2) Describe the list quantities of materials used;
 - (3) Show type of equipment, size, identification number, and hours of operation, including lading and transportation, if applicable; and
 - (4) Describe other services and expenditures in such detail as the CITY may require.

(END OF SECTION)