

SECTION 012600
CONTRACT MODIFICATION PROCEDURES

PART 1 - GENERAL

1.01 CONTRACT CHANGE ORDERS

Changes to the Work, consisting of additions, deletions, or other revisions within the general scope of the Contract, involving an adjustment to the contract price and/or the contract time, will be issued on the System's Construction Change Order Form, or on another form acceptable to, or prescribed by, the University.

1.02 CHANGE ORDER PROCEDURES

- A. Changes may be proposed or directed by the University. In doing so, the University will provide to the Contractor a detailed description of the proposed change and supplemental or revised drawings and specifications, as necessary. The University also will request from the Contractor a proposal for any change in the contract price and time. Unless otherwise indicated, the Contractor shall have seven (7) days from receipt of the University's request to submit his proposal for price and time.
- B. Changes may be proposed or requested by the Contractor. If the Contractor encounters a condition or situation which he believes requires adjustment to the contract price or time, he may notify the University and submit a recommended detailed description of the proposed change. The Contractor shall also submit a proposal for change in the contract price and time. The Contractor's notification and proposal shall be submitted within seven (7) days of encountering the condition or situation. Unless otherwise requested, the University will have seven (7) days from receipt of the Contractor's request to respond, by either accepting the request and initiating a Change Order, rejecting the request and stating the reasons for such rejection, or revising the proposed change and requesting from the Contractor a proposal for that revised change.
- C. All Change Orders shall address contract price, the contract time, and impacts.
- D. All Change Orders shall contain a release statement, with both parties waiving any and all future claims relative to price, time, and impacts relating to the Change Order and work under it, unless otherwise agreed upon by the parties, in which case the Change Order shall contain a statement defining any waivers and/or stipulations.
- E. Change Orders will be signed by the Contractor first, and then will be signed by the Contracting Officer, or by the Contracting Officer's authorized representative.
- F. When a Change Order is sent to the Contractor to sign, the Contractor shall sign and return it to the University within seven (7) days.
- G. A Change Order shall not be effective until signed by the Contracting Officer or their authorized representative. The Contractor should not stop work in progress, or initiate work on a change, until a Change Order is signed by the Contracting Officer or their authorized representative.
- H. The signature of the Contracting Officer or their authorized representative on the Change Order constitutes a notice to proceed, unless the Change Order designates otherwise.

1.03 CONTRACTOR PROPOSALS

- A. Any proposal submitted by the Contractor in relation to a Change Order shall address change in

the contract price, change in the contract time, and any impacts.

- B. Unless the price is properly covered in the Unit Price Schedule or as an Item in the Schedule of Values, the Contractor's proposal shall adequately document and address in detail the costs of labor, materials, equipment, overhead, profit, bond, and any other costs associated with the change. The proposal shall be broken down to contain separate sections detailing labor, materials, equipment, and subcontractors.

[---In lieu of the following detailed narrative descriptions, the University may elect to use, and include in this Section 012600, the Cost Breakdown spreadsheet promulgated by DGS in their Administrative Procedure No. 8, Changes in Contract Work (Field Orders/Change Orders). However, in doing so, the rest of this Section 1.03 may need to be edited, and any conflicts between this Section 1.03 and the DGS spreadsheet will need to be addressed and resolved.---]

1. Labor.

- a. For each labor classification listed, the breakdown shall include the classification description, the number of workers in that classification, the total labor hours (H) for all workers in that classification, the hourly base wage rate (BR) for each classification, the hourly total wage rate (WR) for each classification, the base wage rate cost (H x BR) for each classification, and the total wage rate cost (H x WR) for each classification.
- b. The hourly base wage rate (BR) is defined as the rate of wages paid by the employer directly to the employee. The hourly total wage rate (WR) is defined as the total rate of wages paid by the employer including wages paid on behalf of the employee. It is acknowledged that in certain situations, the base wage rate (BR) and the total wage rate (WR) may be equivalent.
- c. The breakdown shall also include the total of all base wage rate costs for all classifications (TBR), and the total of all total wage rate costs for all classifications (TWR).
- d. The Contractor may include a labor burden markup. Labor burden may include Social Security, Medicare, Federal unemployment insurance, state unemployment insurance, workmen's compensation insurance, and public liability insurance, as appropriate. Labor burden shall be calculated on the total of all of the base wage rate costs (TBR), and not on the total of all of the total wage rate costs (TWR).
- e. The total of all of the total wage rate costs (TWR), plus the labor burden amount, is the pre-markup cost total for labor.

2. Materials.

- a. For each material item used, the breakdown shall include the material description, the unit used to detail the quantity, the quantity showing the total number of units, the unit cost, and the total cost for that individual material item.
- b. State sales taxes, in accordance with the provisions of PA Act 45 of 1998, may be included with applicable materials items.
- c. Any freight charges for specific materials listed shall be included in the unit cost for that material. The University will not acknowledge or honor any separate line items for freight charges.
- d. The breakdown shall also include the total of all total costs for all individual material items. This total is the pre-markup cost total for materials.

3. Equipment.
 - a. For each type of equipment used, the breakdown shall include the description of that type of equipment, the quantity of that type of equipment, the duration (hours, days, etc.) of work for that type of equipment, the rental rate for that type of equipment for a unit of the duration, and the total cost for that type of equipment.
 - b. State sales taxes paid on rental equipment may be included, if documented.
 - c. The breakdown shall also include the total of all total costs for all individual types of equipment. This total is the pre-markup cost total for equipment.
 - d. The University expects the Contractor to procure/provide the most economical rental rate available over the duration of the work performed.
 - e. The University will not pay equipment costs for any piece of equipment not specifically identified, or for any tools, such as hand tools, used in the everyday performance of work.
4. Subcontractors' proposals supporting the Contractor's proposal shall contain similar detail. In some cases, a subcontractor's lump sum cost quotation may be acceptable, if it appears on the subcontractor's letterhead and contains a detailed description of the scope of work it represents.
5. Markups.
 - a. Standard Markups. For Contracts up to \$6,000,000, the Contractor will be allowed maximum markups (combined overhead and profit) for Change Orders per the following:
 - i. 15% on labor costs (see 1.03 B. 1.)
 - ii. 10% on materials costs (see 1.03 B. 2.)
 - iii. 10% on equipment costs (see 1.03 B. 3.)
 - iv. 10% on subcontractor costs (see 1.03 B. 4.)
 - b. Negotiated Markup. For Contracts exceeding \$6,000,000, the University may elect to use the following procedure.
 - i. The Contractor shall submit information supporting a general and administrative overhead rate, which, when accepted by the University, shall be used for all Change Orders.
 - ii. Profit shall be negotiated for each Change Order, with a maximum of 6% for Change Orders involving significant in-house costs, difficult work, and/or higher risk, and a minimum of 3% for Change Orders involving primarily subcontracted work, easy work, and/or low-risk work. The final determination of profit shall be at the sole discretion of the University.
 - iii. Separate overhead and profit percent markup calculations shall be sequential, in that order.
 - iv. In any event, the total/cumulative markup shall not exceed the markups identified in 1.03 B.5.a.

- v. The Contractor must use the negotiated markup method for all cost components (labor, materials, equipment, and subcontractors). The Contractor may not use a mix of the standard markup and the negotiated markup on different cost components.
 - c. Overhead markups shall represent general and administrative overhead costs, and shall not include general conditions costs.
 - d. Project management shall be part of general and administrative overhead costs. Project management hours shall not be itemized on Change Orders. However, on significant Change Orders, a limited number of project management hours may be negotiated.
 - e. The method of application of markups shall be consistent for all Change Orders throughout the duration of the Contract.
6. Bond.
- a. A markup for bond will not be applied to each individual Change Order.
 - b. After Substantial Completion, and prior to Final Payment, the Contractor may submit for the total marginal bond cost accumulated for the entire Contract. Submission shall be in the form of an invoice from the surety identifying the actual marginal bond cost being paid to the surety and the basis for that cost.
- C. The Contractor's proposal shall address contract time. If the proposal includes a request for a change in the contract time, the proposal shall adequately address in detail the Project Schedule, and how the change to the Project Schedule impacts the contract time.
- D. The Contractor's proposal shall address other impacts and impact costs. If the proposal includes a request for other impacts and impact costs, the proposal shall adequately address, in detail, those impacts and impact costs.

1.04 CONSTRUCTION CHANGE DIRECTIVES

- A. When the University and the Contractor are not in total agreement on the terms of a Change Order, or when the amount or extent of the work related to the Change Order is not known, the Contracting Officer may issue a Construction Change Directive, directing the Contractor to proceed with a change in the work, for subsequent inclusion in a Change Order.
- B. The Construction Change Directive will be issued on the System's Construction Change Order Form, or on another form acceptable to, or prescribed by, the University. The Construction Change Directive will be signed by the Contracting Officer, and will not require acceptance, or a signature, by the Contractor. A Construction Change Directive shall not be effective until signed by the Contracting Officer. The Contracting Officer's signature on the Construction Change Directive constitutes a notice to proceed, unless the Construction Change Directive designates otherwise.
- C. The Construction Change Directive will contain a complete description of the change in the work, or of the known work, and will designate the method to be followed to determine the final change in the contract price, contract time, and/or impacts. The Construction Change Directive will also set a schedule and/or a time frame for the required actions to work toward, and achieve, that determination of final change in price, time, and/or impacts.
- D. The Construction Change Directive will designate a not-to-exceed cost for work related to the Construction Change Directive. The Contractor shall monitor his costs of doing the work, and,

before he exceeds the not-to-exceed cost, inform the University of the anticipated date that he will exceed this cost if he continues work. The Contractor shall also inform the University of how much more he anticipates it will cost to complete the work. If the University concurs that the Contractor may properly incur costs related to the work that exceeds the designated not-to-exceed cost, the Contracting Officer will either initiate a Change Order to incorporate the final price of the work, issue a subsequent Construction Change Directive to increase the not-to-exceed cost, or issue a directive to stop the work.

- E. The Contractor shall be required to maintain and submit to the University detailed documentation supporting the labor, material, and equipment used related to the Construction Change Directive. The Contractor may be required to document labor, material, and equipment used on a form or in a format prescribed by the University. When performing work under a Construction Change Directive, the Contractor is expected to prosecute the work in an expeditious and efficient manner, and the University may disallow any costs that the University determines are not reasonable and/or not necessary.
- F. When the work related to the Construction Change Directive is complete, or when the amount or extent of the work related to the Construction Change Directive is known, the University and the Contractor shall agree to the actual cost of the work, and a Change Order shall be issued that addresses any final change in the contract price, time, and/or impacts.

1.05 ADDITIONAL CONSIDERATIONS

- A. For Change Orders involving Work that is identified in the Unit Price Schedule or as an Item in the Schedule of Values, the pricing in the Unit Price Schedule or in the Schedule of Values should be used as the basis for the Change Order pricing. If that pricing does not represent a fair and reasonable price, detailed cost and pricing information shall be used to establish a fair and reasonable Change Order price.
- B. If the Schedule of Values includes an Item for General Conditions, the following shall apply.
 - 1. For a Change Order that includes a time extension, and if the Contractor is due compensation for that time extension, the basis for that compensation shall normally be based on the pricing of that Item for General Conditions.
 - 2. For a Change Order that does not include a time extension, any individual cost included in that Item for General Conditions shall not be an itemized cost in the Change Order.
- C. For a Change Order that results in an adjustment to the contract price that is a credit to the University, the following shall apply.
 - 1. The Change Order pricing shall be based on the difference in cost to the Contractor. All applicable costs of materials, labor, equipment, delivery, taxes, and other associated direct costs shall be considered.
 - 2. Standard markups for overhead and profit shall be included in the Change Order pricing, considering the following:
 - a. If the credit arises from changed work or a minor deletion of work, the Contractor shall not be entitled to lost overhead or profit.
 - b. If the credit arises from a major deletion of work, the Contractor shall be entitled to lost overhead, but not lost profit.
 - 3. The Change Order shall consider contract time, and specifically any reduction in contract time, if applicable. If the Contract time is reduced, the Change Order shall include a credit

based on the Item for General Conditions on the Schedule of Values.

4. The Change Order shall consider other impacts, if applicable, whether positive or adverse to the Contractor.

PART 2 – PRODUCTS

(Not Used)

PART 3 – EXECUTION

(Not Used)

END OF SECTION 012600