LUMP SUM CCEI CONTRACTS GUIDELINES

Criterion for selection of contracts

Each of the following types of Construction Contracts lends itself to consideration for a Lump Sum CCEI Contract:

- Construction Contracts that include A+B, No-Excuse, Incentive/Disincentive and other Alternative/Innovative contracting techniques with incentives for contract completion.
- Corridor projects where there is sufficient history regarding cost and time changes.
- A construction project where the scope of the project is clearly defined and the variables are easily identifiable and quantifiable.
- Resurfacing projects are required unless exception is given by the State Construction Office (e.g. resurfacing project included in a grouping not conducive to LSCCEI).

The above list is not meant to be all-inclusive. The intent behind project selection is that the Consultant CEI should have enough historical information to determine their price proposal and thereby reduce their risk. It should be understood by all parties that construction contracts have cost and time overruns. The probability and extent of those overruns must be taken into consideration in selecting projects. For example, bascule bridge projects historically have a high probability of time and cost overruns and would therefore not be a good candidate for a Lump Sum CCEI Contract.

Negotiation guidelines for Lump Sum CCEI contracts

The advertisement for CCEI services should clearly state the intent of establishing a Lump Sum CCEI Contract. It is the District’s discretion whether or not to show the target CEI amount. In the event the targeted costs are shown in the advertisement, such costs should represent reasonable costs to provide these services.
The Department should not dictate the inspection means and methods but expect level of service in accordance with the Department's Policies and Procedures.

Prior to negotiations, the Department must have in its possession a target amount for the services provided. Such target amount can be arrived using one of the following approaches:

- By generating a man-hour estimate and quantifying the salary and other related costs as a percentage to salary.
- By using historical information for similar types of projects. The historical information shall include, as a minimum, the scope and cost and time overruns of the Construction Contract for which the historical costs are compiled, Original CCEI Contract Amount and Final paid-out CCEI amount.

The Department’s intent is to negotiate a fair and equitable cost for providing CCEI services taking into consideration that both changes and risks are normally encountered during a construction project; there should be some rewards to the Consultant for providing efficient services.

It is desirable that the cost of the CCEI contract should not be agreed upon until the construction contract, for which the CCEI services are being procured, has been let and the apparent low bidder is known. The Consultant should be provided an opportunity to discuss with the Contractor their intended means and methods, any challenges in constructing the project and any changed conditions that the Contractor anticipates.

The cost for this agreement shall be negotiated as Lump Sum, understanding that factors such as weather, changed and unforeseen conditions and other changes typical to a construction project are included in the risk. The cost is subject to re-negotiation if the original construction contract’s time changes ± 20%. The renegotiation of the cost shall be limited in case of an increase only to the extent in excess of 120% and in case of a decrease below 80% to the entire cost of the agreement. A District can request a change to the threshold of ± 20% change in the original construction contract time supported by the District’s historical data as it relates to cost and time overruns for similar type and scope of the construction projects and all
construction contracts in general. Such requests, along with supporting data, have to be submitted to the State Construction Engineer for approval prior to negotiating the subject contract.

The CCEI firm will be required to provide a Price Proposal and Audit Package to support the final negotiated amount to the District Professional Services Administrator.

**Method of Compensation for Lump Sum CCEI contracts**

Refer to the Standard Language for Method of Compensation Exhibits.

For Lump Sum CCEI contracts, the following shall be included:

For satisfactory completion of all services detailed in Exhibit 'A' (Scope of Services) of this agreement, the Department will pay the Consultant a Lump Sum Amount of ____. It is agreed that this amount will be the compensation due the Consultant for completion of the services detailed in Exhibit 'A'.

The Consultant will receive progress payments for services based on a payout curve, as approved by the Department, and the services accepted by the Department during the billing period.

The cost and method of compensation for this agreement is subject to re-negotiation if the original construction contract’s time changes ± 20 %. The re-negotiation of the cost shall be limited in case of an increase only to the extent in excess of 120 % and in case of a decrease below 80 %. In the event costs are renegotiated as a result of changes in the original construction contract time, adjustments to compensation shall be made by contractual amendment. [Note: Change the percentage if the State Construction Engineer has approved such change.]

**Post-contract completion audit and objectives and scope of such audits**

The Department’s Office of Inspector General shall perform a post-service audit of completed CCEI contracts. The scope of the audit will be jointly agreed upon by the Department and FHWA.
The audit shall also provide specific recommendations for improving this concept.