



**STANDARD CONSTRUCTION OPERATING PROCEDURE**

**NEW YORK CITY DEPARTMENT OF  
DESIGN + CONSTRUCTION**  
Division of Infrastructure  
Bureau of Construction

**SUBJECT: UNIT PRICE VERIFICATION  
FOR OVERRUNS**

**SCOP..... : 08- 006G**

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**APPROVED:** \_\_\_\_\_ **ORIGINAL SIGNED BY**  
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Attached are the guidelines for acceptable justification for Unit Price Verification for overrun change orders. These guidelines must be followed to avoid delays associated with inadequate justification for additional funding request for unit price overruns.

Please ensure that all field staff and Consultants are informed of these guidelines and that they are reviewed prior to all contractor payment submittals.

Attachments: Unit Price Verification for Overrun guidelines

Various oversight entities have on occasion delayed processing some additional funding requests submitted as Overrun Change Orders due to the lack of acceptable information verifying unit prices that were unchanged or re-negotiated.

### **Background**

According to Article 26 of the City of New York's Standard Construction Contract (April 2006), the City reserves the right to re-negotiate a unit bid price when an overrun of a bid quantity occurs. *"An overrun is defined as any quantity of a unit price item which the Contractor is directed to provide which is in excess of one hundred twenty-five percent (125%) of the estimated quantity for that item set forth in the bid schedule."* Furthermore, *"if the City and the Contractor cannot agree on a new unit price, then the City shall order the Contractor and the Contractor agrees to provide additional quantities of the item on a time and material (T&M) basis for the actual and reasonable cost as determined under Article 26.2, but in no event at a unit price exceeding the unit bid price."*

Overruns occurring early in the project are typically handled within a budget line (WM-1, SE200, etc.) in the contract. Partial payment requests that include an overrun payment require the submission of a completed "125% Overrun Justification Report" form. Prior to exceeding the budget line amount, an Overrun Change Order must be submitted to secure additional funding. The level of unit price verification may vary when additional funding requests exceed pre-set limits requiring additional oversight reviews and approvals. Outside oversight entities may not recognize some of the DDC established reason codes provided in "125% Overrun Justification Report" form, particularly: <=EE, <AVG2 & INC (less than or equal to Engineer's Estimate, less than the average of the next two bidders & incidental).

### **Acceptable Forms of Unit Price Verification**

As per the Standard Construction Contract, outside oversight entities will accept a fair and reasonable **T&M** analysis (estimate or actual) prepared in accordance with section 26.2 of Article 26. Labor rates to perform such an analysis can be obtained from Labor Law 220 - Prevailing Wage schedules which are typically included in the contract book's addenda section or from a certified payroll. If the prevailing wage schedule is out of date, current wages schedules can be obtained from the NYC.gov website or DDC's ACCO. Equipment rates are modified monthly rental rates published by Primedia in their "Green Book". Sections 26.2.4, 26.2.5 & 26.2.6 of the April 2006 Standard Construction Contract provides greater detail in how to compute the pro-rated equipment rates and associated fuel costs. Material costs can be obtained by contacting the manufacturer or their local vendor. The "Cost Proposal for Unit Price" form located in DDC's - Construction Change Orders and Overruns package can be utilized to perform the calculations.

DDC also maintains an extensive database of unit bid price histories known as Bid Scope. The program allows the user to query and sort data to generate a more accurate unit price. This program provides a price range and weighted average unit price. Since the information is based on bid contracts, some of the items may not be current to market trends (fuel, concrete, asphalt, stone, stainless & carbon have recently far exceeded the 5% annual increases we have grown accustomed to). In addition to the market fluctuations, unit prices bid have been adjusted due to bid quantity accuracy, cash flow needs, project phasing, scheduling, etc.

### **Recommendation**

When submitting an Overrun Change Order request, it is prudent to provide more detailed information when verifying unit prices. In addition, more detailed cost information is required if the pre-established price acceptance guidelines (i.e.: <=EE, <AVG2 & INC) results in a price that is believed not to be fair and reasonable. Also, this will improve understanding of bidding practices, sharpen estimating skills and help prevent construction delays associated with additional funding procurement delays.