

# **Construction Services Branch**

## **Buildings Division - DTI**

# **CHANGE ORDER & LABOUR RATE PRESENTATION**

May 2018

# DTI Construction Services

## Overview:

- DTI Construction Services is responsible for managing construction projects for provincially owned building stock
- We deliver over 400 projects annually totaling \$350M to \$400M for client depts including Education, Health, Tourism, Colleges, DTI, Agriculture, Fisheries, Social Development, etc.

# Overview (Con't)

- Construction Services consists of 5 Regions – Fredericton, Moncton, Saint John, Bathurst, Grand Falls with each headed by a Regional Construction Manager reporting to the Director of Construction
- Staff of 13 project managers (incl Regional Construction managers), 7 site reps and 5 admin assistants

# Eligible Change Order Expenditures:

- The CCCA (Standard Construction Contract, clause 45, General Conditions “B”) addresses eligible expenditures for change orders as follows:
  - payments to subs agreed to by Owner
  - Wages and traveling expenses of employees engaged on the work, except employees that work at contractor’s head or general office
  - Payments for materials used in the work or necessary to perform the work
  - Payments for consumable tools

- Payments for the preparation, inspection, delivery of material necessary for the work
- Payments for site offices, storage sheds used by contractor to execute the work
- Assessment related to the work payable under statutory requirements or other agreements relating to payroll burdens
- Payments for renting plant, or allowances for plant owned by contractor, provided they do not exceed the rates published in Machine Rental Regulation
- payment for inspection delivery, installation and removal of plant necessary for the work
- Other payment made with approval of E-A

➤ **payments to subs agreed to by  
Owner:**

- Eligible payments made by general contractors to subcontractors, and subcontractors to their subs.

## ➤ **Wages and traveling expenses:**

- Base rate and eligible payroll burden (Labour Rate Template, discussion to follow), plus traveling expenses for employees engaged on the work **(excepting Head Office employees)**
- Traveling expenses can include mileage to site reimbursed at **\$0.50/km for service vehicles (or @ MRR if higher)**
- Living expenses, if applicable, are reimbursed at current DTI Room and Board Allowance of \$90/day unless CA dictates higher rate
- Note: must choose least expensive option between daily travel and R&B (100km/1hr rule?)

## ➤ **Payments for materials used in or for the work:**

- Payments for all materials forming part of the change order work
- Payments for materials used in the execution of the work but not necessarily forming part of the work. For example, temporary bracing, single use concrete forms, silt fencing, etc.



## ➤ Payments for consumable tools

- Term “consumable tools” is often used interchangeably with “small tools” but is intended to cover such consumable items as drill bits, grinding discs, saw blades, sandpaper, fuel for soldering torches, dust masks, etc.
- Contractors will be reimbursed at **4% of trade labour** for these items without receipts/**backup**.
- For change orders where the 4% allowance will not cover the actual expenditure, receipts for consumables will be accepted

## ➤ **Payment for the prep, inspection, delivery of material reqd for work:**

- Delivery charges for material to be shipped to contractor's facility or site are eligible. Receipts should be provided.
- Charges for the preparation of material and inspection are also eligible. Most obvious example is structural steel fabrication but could also include pressure vessels, etc.

## ➤ **Payments for site offices, storage sheds, etc.**

- Payments for site offices, on site storage sheds/containers, etc. will be accepted provided the E-A has accepted the CO has extended the critical path schedule
- In such cases, contractor provided rental invoices will be prorated for the length of the schedule extension, or an agreement will be negotiated for contractor owned facilities

## ➤ **Assessments/stat reg's, agreements for payroll burden**

- All statutory requirements, assessments and agreements related to payroll burdens are eligible for payment.
- Base rate and eligible burden information to follow

## ➤ Renting of plant (machinery, equipment, vehicles, tools):

- Charges for contractor owned equipment and machinery will be accepted provided the charges **do not** exceed rates in the MRR
- Note that rates in MRR include mark-up
- The lower of the hourly, weekly, monthly rate will be used as applicable
- For equipment not included in MRR, the Ontario regs will be used (scissor lift, telehandler, etc)
- For rented equipment, actual invoice cost will be accepted. Must submit receipt.

## ➤ **Associated plant charges:**

- Payments for the inspection, delivery, installation and removal of plant necessary for the execution of the work
- These could include charges for a crane erected at the site of the work, lifts, temporary weigh scales etc.

## ➤ Other payments approved by E-A:

- Any other charges incurred by contractor in executing the change to the work that has been approved by the Engineer-Architect
- Additional Bonding and Insurance Costs will be reimbursed at conclusion of project. Submit project specific invoice clearly indicating additional premium/charge.



# Change Order Mark-ups

- DTI Buildings will make a concession to the Crown Act to allow subs whose portion of work is \$2,500 or less to apply a 20% mark-up, regardless of total value of the Change Order.
- Change to be effective immediately and applies only to DTI Buildings Construction projects.
- Note that in the case of multiple layers of subs, the 20%/10% mark-ups will apply until the value of the preceding work crosses the \$2,500 threshold at which point the 15%/5% mark-ups apply.



# Mark-up Example 1

- Total CO value of \$5,000. Mechanical sub's portion of the work is \$1,800 but they also have an insulator sub under them whose portion is \$400. General entitled to 5% on total of all subs and 15% on own forces. Mech sub entitled to 20% on own forces and 10% on insulator. Insulator entitled to 20% on own forces.

## Mark-up Example 2

- Total CO value of \$5,000. Mechanical sub's portion of the work is \$1,800 but they also have an insulator sub under them whose portion is \$800. General entitled to 5% on all subs and 15% on own forces. Mech sub entitled to 15% on own forces and 5% on insulator. Insulator entitled to 20% on own forces.

# Labour Rates

- Labour rates will be established each year with all contractors performing DTI Buildings Division construction work and will apply for that calendar year
- Contractors will be required to complete a labour rate worksheet template annually and submit to DTI for approval [Request that forms be completed and submitted by June 1<sup>st</sup>]

# Labour Rate Template

[Insert Template]

# Items Not to be Included in Labour Rate, nor Eligible on Change Order

- Overhead, Head Office Expenses, **including Head Office Employees**, and General Administration costs, including finance and interest charges (all captured in Mark-up)
- Communication and IT Equipment
- LEED/ Green Building
- Warranty
- As-Builts
- Paid Breaks

# Items Not to be Included in Labour Rate, but Eligible to be Charged on CO:

- **Mark-up** (Overhead and Profit)
- **Supervision** costs (hours of site employee spent supervising CO work to be included as separate line item on CO)
- **Vehicles** (@ prevailing MRR rate)
- **Travel and Living Expenses**
- **Tools & Consumables**
- **Cleanup/Disposal Costs**
- **Permits/licenses**

# Summary of Changes

- Mark-ups of 20% for own forces and 10% for subs allowed for all contractors whose portion of the CO is \$2,500 or less before mark-up.
- Mileage rate for service vehicles increased to \$0.50/km
- Allowance for consumables/small tools increased to 4% of trade labour.

Questions??