

# **Appendix A**

## **Contingencies and Supplemental Work**

### **Approval Procedures**

#### **Contingency Limitation**

The project contingency is based on 5 percent of the project's estimated total costs for contract items, supplemental work items and State-furnished materials and expenses.

#### **Contingency Adjustment Approval Process**

When the 5 percent project contingency must be increased or decreased, the project engineer must prepare a memorandum justifying the need and requested percentage for contingencies. A fully developed risk management plan with a quantitative risk register is required. A quantitative risk analysis should be prepared in accordance with PD-09 and the Project Risk Management Handbook. The risk analysis is an acceptable document to help justify an exception to the 5 percent contingency. The contingency justification memorandum must be approved by the chief of the Division of Design.

#### *Distribution*

Include copies of the approved contingency justification memorandum in:

- The Plans, Specifications, and Estimates submittal.
- The resident engineer's file.

#### **Supplemental Work Limitations**

Supplemental work is limited to 5 percent of a project's estimated total cost for contract items. Supplemental items are limited to items shown on the Pre-Approved Supplemental Work Items list in Section 7.7, "Supplemental Work," of the *Construction Contract Development Guide (CCDG)*.

For all projects, the project engineer must prepare and submit a memorandum justifying the need and cost for each supplemental work item.

The following resources are available for the project engineer to use when preparing the Justification for Supplemental Work Items Memorandum:

Attachment A—List of Items Known as Inappropriate as Supplemental Work

Attachment B—Sample Justification for Supplemental Work Items Memorandum

Attachment C—Approval Requirements for Contingencies and Supplemental Work

Attachments A, B and C are also located on the Caltrans intranet at:

<https://construction.onramp.dot.ca.gov/administrative-support/construction-standards>

### **Supplemental Work Cost Limitation**

For state and federally funded projects when the total cost of non-excluded supplemental work items is less than 5 percent of the project's estimated total cost for contract items, and the supplemental work items are on the Pre-Approved Supplemental Work Item list, approval for supplemental work is not required.

To reduce the number of projects requiring approval for exceeding the total cost limit of supplemental work items, some supplemental work items with well-defined need and cost justification can be excluded when calculating the 5 percent cost limitation. Supplemental work items that may be excluded from supplemental work cost limit are identified as, "Excluded from limitation" in Section 7.7, "Supplemental Work," of the CCDG.

### **Supplemental Work Item Limitation**

The CCDG includes updates of pre-approved supplemental work items on a continuous basis. If any of the supplemental work items for a project are not on the Pre-Approved Supplemental Items list in the CCDG, the Justification for Supplemental Items Memorandum (justification memorandum) must include the rationale for each proposed item not pre-approved, explaining why the work is necessary and cannot be included as a bid item. Explain any uncertainty regarding the quantity of the extra work that may be involved, the impracticality of fully specifying the work, or other variables that would make the work impractical to be a bid item.

The Division of Construction, working with the Federal Highway Administration, will update the Pre-Approved Supplemental Work Items list in the CCDG on an on-going basis and may include additional supplemental work items if warranted.

### **Supplemental Work Need and Cost Justification**

Caltrans requires justification for the need and cost of all supplemental work items proposed to be used in a construction project. The justification memorandum prepared by the project engineer provides the appropriate documentation for supplemental work need and cost.

Federal Highway Administration has delegated approval of supplemental work items to Caltrans for all projects including those designated as Risk Based Involvement. These projects are formerly known as Projects of Division Interest or High Profile/Full-Oversight Projects. The *Joint Stewardship & Oversight Agreement* delegates approval of supplemental work items to Caltrans.

## **Supplemental Work Limitation and Item Justification Approval Processes**

### **Supplemental Work Limitation Approval Process**

When the total cost of non-excluded supplemental work items exceeds the 5 percent limitation, the project engineer must submit the justification memorandum to the deputy district director or region division chief for recommendation and then to the district director for approval. The district director is authorized to approve cost exception requests for supplemental work up to 10 percent of the project's estimated total cost for contract items.

For projects with supplemental work cost of non-excluded items exceeding 10 percent, approval must be received from the chief of the Division of Construction. The project engineer must submit the justification memorandum to the deputy district director or region division chief for recommendation and then to the district director. The district director recommends and submits the justification memorandum by email to the chief of the Division of Construction for supplemental work cost approval.

### **Supplemental Work Item Justification Approval Process**

For projects with supplemental work items not on the Pre-Approved Supplemental Work Item list, approval must be obtained from the chief of the Division of Construction. The project engineer must submit the justification memorandum to the deputy district director or region division chief for recommendation and then to the district director. The district director recommends and submits the justification memorandum via email to the chief of the Division of Construction for project supplemental item approval.

Submit requests for approval of supplemental work costs exceeding 10 percent and for supplemental work items not on the Pre-Approved Supplemental Work Items list to the chief of the Division of Construction to email address [HQ.Construction.Engineering@dot.ca.gov](mailto:HQ.Construction.Engineering@dot.ca.gov) with the subject, "SW Approval Request, District-EA."

### **Justification for Supplemental Work Items Distribution**

#### *Distribution*

Include copies of the approved justification memorandum in:

- The Plans, Specifications, and Estimates submittal.
- The resident engineer's pending file.

Email them as PDF attachments to email address [HQ.Construction.Engineering@dot.ca.gov](mailto:HQ.Construction.Engineering@dot.ca.gov) with the subject, "FYI, Approved SW, District-EA."

Attachments:

Attachment A— List of Items Known as Inappropriate as Supplemental Work

Attachment B— Sample Justification of Supplemental Work Items Memorandum

Attachment C—Approval Requirements for Contingencies and Supplemental Work