



Construction Policy Bulletin

CPB 09-9 Rental Invoice Reimbursement for Equipment on the Jobsite

References: *Standard Specifications* Section 9-1.03A(3a), "Equipment on the Work"
Section 9-1.03A(3b), "Equipment Not on the Work"
Construction Manual Section 3-904B(5a), "Approval of Equipment"
Section 3-904B(5b), "Equipment Rental Rates"
Section 3-904B(5c), "Equipment Not on the Work"

Effective Date: July 8, 2009

Approved: 
MARK LEJA
Chief
Division of Construction

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Background

Equipment used on an extra work at force account contract change order is classified as either "Equipment on the Work" or "Equipment Not on the Work." A new contract amendment revises these titles to "Equipment on the Job Site" and "Equipment Not on the Job Site." Equipment located onsite that has been or will be used on contract item work is known as "Equipment on the Job Site." Compensation to the contractor for this equipment, when used on extra work at force account contract change orders, is limited to the rates provided in the *Labor Surcharge and Equipment Rental Rates (Cost of Equipment Ownership)* book, also known as the rental rate book. This occurs even when the actual rental costs exceed those rates. The contract amendment to *Standard Specifications*, Section 9-1.03A (3a), "Equipment on the Work," allows the resident engineer to compensate the contractor the actual costs for rented onsite equipment and the fuel consumed by that equipment.

Existing Procedure

The contractor schedules extra work to be paid for on a force account basis. The resident engineer must approve equipment for use on force account work. Before giving approval, the resident engineer determines whether available and suitable equipment is already at the jobsite or whether equipment not presently at the jobsite is required. When suitable equipment onsite is available, compensation for the equipment, regardless of ownership, is limited to the rates in the rental rate book, except equipment with a rental rate of \$10 per hour or less. If the equipment is onsite and obtained from an independent equipment rental agency, the invoiced rental rate is not allowed to be compensated. A contract change order must be approved for equipment not on the work before rates above those listed in rental rates book may be compensated.

New Procedure

For extra work to be paid for on a force account basis the contractor is still responsible for scheduling the work and the resident engineer must approve the contractor's choice of equipment. The resident engineer has the authority to determine the most suitable, efficient and economic equipment to be used.

The determination to use onsite equipment is based on several factors such as suitability for the extra work at force account, availability, mobilization costs, delays, or other impacts to contract item work. A determination may be necessary to use either rented or contractor-owned equipment that is located onsite. When contractor-owned equipment is available for use, compensation is limited to the rental rates book rates. When use of the equipment on the extra work at force account could delay or cause other impacts to contract item work, it is to be considered unavailable for use on the force account work. When there is no contractor-owned onsite equipment available for use and only rented onsite equipment is available, the engineer may approve the use of the onsite rented equipment at the rental invoice price, provided the contractor satisfies all of the criteria in *Standard Specifications*, Section 9-1.03A(3a). The amended section requires the contractor to:

- Submit a written request for permission to use rental equipment.
- Show that suitable contractor-owned equipment is not available.
- Demonstrate that suitable equipment cannot be obtained from contractor fleets or from subcontractor-owned fleets.
- Demonstrate that the invoiced equipment rental rates and fuel costs for rented equipment are reasonable for the anticipated period of use.
- Receive written approval for the equipment source and rental rate from the engineer before extra work begins.

Availability of onsite equipment is to be determined by using daily diaries and the current progress schedule or other contractor-provided information. Daily diaries are used to examine trends of onsite equipment used for various construction activities as shown on the current progress schedule. The progress schedule is used to examine construction activities planned for the anticipated period of the extra work at force account.

If both contractor-owned and rented equipment located onsite is suitable and available for use and that use will not impact contract item work, as evidenced by the daily diaries and the current progress schedule, the contractor-owned equipment should be used on the extra work at force account. Compensation for the equipment is limited to the equipment approved for use by the resident engineer. The contractor may disregard the resident engineer's determination of appropriate use of contractor-owned equipment and use onsite rented equipment if it is suitable but the rental agency invoice is not compensated in this case. Compensation must be limited to the rental rate book rates.

Equipment used on extra work paid at force account that is designated on the plans or in the contract specifications is considered "Equipment on the Job Site," but is limited to reimbursement at the rental rate book rates because the extra work was originally contemplated in the contract.

If the contractor has satisfactorily demonstrated that rented equipment is the best option to complete extra work at force account, provide the contractor with written notification of the authorization to use that equipment.

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When onsite rented equipment is authorized for use, any additional fuel consumed is also reimbursed by receipt. Fuel costs included in the rental agency invoice are not separately reimbursed. Section 3-904B(5b), "Equipment Rental Rates," of the *Construction Manual* still applies except that a separate contract change order is no longer needed to provide compensation of the rental agency invoice at a higher rate than the rental rate book rates. Invoices for the rented equipment and for the fuel consumed by the rented equipment should be included with billings for the extra work at force account work.

This policy applies to all projects. Ongoing contracts without the amendment are effective with an approved contractor-requested contract change order. The Division of Construction's approval for this change is not required.

A sample contract change order and contract change order memorandum are attached.

If you have any questions please contact Perry Mayer, Division of Construction, at (916) 653-2032.

Attachments:

CEM-4900, "Contract Change Order"

CEM-4903, "Contract Change Order Memorandum"