

ENGINEERING CONTRACTS

ENVIRONMENTAL IMPROVEMENT FUND

If a municipality requests financial assistance from the Environmental Improvement Fund (EIF) to cover engineering expenses, it must submit architectural/engineering (A/E) contracts to the EIF for review.

In order to be eligible for EIF funding, a municipality's A/E contracts must:

- describe the scope of the contract and costs of services provided;
- identify the contract type, i.e. lump sum, cost + fixed fee, time & expense and design/build; and
- include all appropriate signatures and the date signed by each party.

Before the EIF can disburse any funds for engineering expenses beyond those identified in the original A/E contracts, the municipality must submit for review any amendments to its A/E contracts.

SCOPE

The scope of a contract includes the following elements:

- Provide a comprehensive description of services necessary for the project.
- Break out costs for individual elements of the work to be performed, e.g. user charge preparation, soil borings.
- It is possible to place all of the proposed work into one contract or negotiate a separate contract for each step of the project--planning, design, and construction.
- Communities are encouraged to utilize minority and women business enterprises to the extent possible for both prime contracts and subcontracts.

CONTRACT TYPES

1. **Lump Sum** establishes a guaranteed price for a given scope of work.
 - Price cannot be increased unless there is an increase in the scope of the project, and the A/E and municipality negotiate an amendment to increase the costs.
 - Usually used when scope of service is clearly defined (e.g. plans/specifications work).
2. **Cost + Fixed Fee** establishes a cost ceiling and a fixed dollar profit.
 - Cost ceiling can be increased with a negotiated amendment if there is a cost overrun. (Project scope does not have to increase). However, fixed fee (profit) can only be increased if project scope is increased.
 - Municipality is only required to pay actual costs incurred.
3. **Time & Expense/Per Diem** contracts may be acceptable for loan eligibility if a reasonable cost ceiling, i.e. "not to exceed" amount, is established.

- Amendment required for any increased costs.
4. ***Design/Build*** contracts represent a partnership between design engineers and construction contractors. Unlike conventional projects where the design is completed prior to the solicitation of bids from contractors, design engineers and construction contractors merge their efforts to design and build projects under the provisions of one inclusive agreement.
- In general, because of the limitations set forth in state statute, these contracts are **not** eligible for funding through any EIF assistance programs.