

A handwritten signature in black ink, appearing to read "J. Edwards", located in the top right corner of the page.

Sheerah Edwards

Phases of a Contract

Public Works & Engineering

School-to-Work Program

Resource Management Division

July 25, 2008

Sheerah Edwards
July 25, 2008

PHASES OF A CONTRACT

The City of Houston Resource Management Division is solely based on managing, monitoring, and controlling the department's finances. It has a big responsibility to take special care of Houston's capital projects and is swamped with construction jobs that are too much for the city to handle. Therefore, the City of Houston hires contractors to complete the work through their company with the help of subcontractors.

Not all contractors are awarded the job, so they have to go through a bid process to see who can do the job for the same cost the city can or close in that price range. Before the bid meeting is scheduled the job is advertised, whether through the newspaper, television, emails or billboards. This advertisement informs the contractors to bring in bid tabs for review and the three contractors with the lowest bids will be ideal to qualify for the job. Some contractors who are granted the contract based on having the less expensive bids are sometimes not able to do the job because they do not have the proper equipment or proof of a Consent of Surety. Therefore, the contractor next in line is

awarded requiring they have the correct equipment, liability insurance or Consent of Surety and agree upon the contract terms.

There after the contractor is awarded the job, a pre-construction conference is scheduled. The representatives invited to this meeting consist of the Contractor, on the city side, the Project Manager and Manager Engineer and on the finance side, Resource Management. Affirmative Action and a representative from Soil Testing are also invited. Consequently, before the meeting begins a Pre-construction packet is issued to the representatives, which include the Notice to Proceed, RCA (Request for Council Action), Ordinance, Pre-Construction sign-in sheet, the bid tab and contract book. Along with the contract book, the MWDBE which is from Affirmative Action is on pg. 800, must have proper signatures and insurance. The packet then briefly discuss the following; Work Orders, Inspection, Monthly Pay Estimates, Final Payment, Submittals, Flagman and Soil Delivery Reports, Correspondence, Emergency Telephone, Numbers, Utility Coordination, Construction Notice, Daily Schedule, Laboratory and Quality Control, Drug Policy Compliance, Insurance Coverage, Trench Safety System, Street Cut Permit, Identification Badges, Pay or Play

Program (POP), and finally Compliance and Enforcement of POP. For the Resource Management Division the Monthly Pay Estimate is the most significant section. It informs the contractor of the last day for all work to be finished during the month, which is the last day of every month. Also if the cut off date falls on a weekend or holiday, the work for those days must be pre-approved by the Inspectors and must be submitted no later than Thursday to the Construction Manager. Also TV and Inspections should be submitted by the twenty-sixth of each month and no payment will be processed until the Inspector receives the Daily Construction Report. Also, during the Pre-Construction meeting, the total amount of the contract is announced and the full amount not be paid at one time, it is broken off in several payments with retainages taken out. The retainage is five percent of the amount specified for that particular estimate and is returned once the contract is complete.

Furthermore, once the Pre-Construction meeting is over, the contractors are given a specific date to start their work. Throughout the entire construction process, they must keep in mind the regulations from the Pre-construction meeting that are required to ensure they do a good job and receive

their payments on time. As the Contractors do work day to day, they are instructed to complete Daily Reports. Daily Reports are evidence that work is being done each day the Contractors are scheduled to work, while the Inspectors are responsible for entering in information on the Daily Reports. The Senior Inspector is then responsible for making sure the information is correct, followed by the signature of the Contractor. On the other hand, work orders consist of daily reports for the whole month and the Project Manager assigns them along with drawings to ensure efficient progress throughout the contract. Each day a Daily Report is completed for a work order and once the Daily Reports for the whole month are complete, the work order is complete. Most Contractors have several work orders and once all work orders for the month are in and finalized, an estimate is processed. The estimate is processed and submitted by the Capital Improvement Plan Accounting Group and then sent to the Project Manager of either the Utility Maintenance Branch on 2700 Dalton or Wastewater Operations located at 4545 Groveway. They then review the estimate to ensure all the information that was provide is correct and sign off on the estimate. Wastewater Operations requires four signatures, including the

Submitter, Project Manager, Inspector and the Assistant Director. The Utility Maintenance Branch requires five signatures, which include the Submitter, Inspector, Project Manager, Deputy Assistant Director and the Senior Assistant Director. Once all the required persons have signed off on the estimate, it is sent back to the Capital Improvement Plan Accounting Group and rechecked for accuracy and then sent to Project Accounting, where they are responsible for generating the payment for the contractor and making sure they receive it. This process is continued every month until the construction is complete. Every month the daily reports have to be in to complete the work order and to receive payment at the end of each month. It continues with a minimum of twelve months to normally twenty-four months. Some contracts may last longer only with a change order from the Project Manager or Manager Engineer due to not being able to finish the project in time, based on the specified amount of time in the contract.

Furthermore, once the contractor comes upon completion of the entire project, the First Retainage will be submitted. The first step in completing the First Partial Retainage will be for the Contractor to notify either Dalton or Groveway, depending on the area that they have completed

the project. Next, a request for reduction, in writing, on letterhead stationery and a notarized Consent of Surety to reduce retainage from five to four percent or five to three percent form with a Power of Attorney attached will need to be submitted to the CIP Accounting Group. Once they have received these documents, they have the ok to continue with the first retainage. When the first retainage is drawn up, it is sent to Groveway or Dalton to be signed by the designated authorities and sent back to the CIP Accounting Group. Then, when they receive the signed first retainage, it is sent to Project Accounting to process the payment for the contractor.

Following the First Partial Retainage, is the Second Partial Retainage and this retainage reduces the percent from four or three to one. To begin the Second Retainage the punch list items must be complete, all as-built drawings and post-repair TV tapes must be submitted for approval, a request for reduction must be submitted in writing on a letterhead and also the Consent of Surety to reduce retainage from four/three to one percent form with the Power of Attorney must be attached and sent to the CIP Accounting Group. As soon as the information is submitted the Second Retainage will be generated and sent to the

proper authorities for signatures. When the Second Retainage obtains all the required signatures, it is sent back to the CIP Accounting Group to be rechecked and ensure all significant signatures are there and finally sent to Project Accounting to generate payment to the contractor for the Second Partial Retainage.

Finally, the last estimate of the contract is the Final Retainage. To complete the Final Retainage the following must be completed with the proper signatures to the CIP Accounting Group; request for reduction, in writing, on letterhead stationery, notarized Consent of Surety for final payment form with Power of Attorney, signed and notarized Certification of Payment to Subcontractors and Suppliers known as a 641-1, signed and notarized Certification of Final Completion from the Contractor, known as the 642-1. The Performance Evaluation must also be complete for the Final Retinage with page one going to the Project Manager, Assistant Director, Deputy Assistant Director or the Senior Assistant Director for signatures then to Affirmative Action to create the appropriate letter. Then page two-four goes to either Wastewater Operations or the Utility Maintenance Branch depending on

the area of the contract. Once this information has been complete the Final Retainage will be generated and sent from the CIP Accounting Group to receive the proper signatures. When all the information is returned, the Request for Council Action and the Motion will be developed by the Utility Maintenance Branch or Wastewater Operations, depending on the area to be submitted to the CIP Accounting Group. Never the less, when all required information is acquired the Final Retainage is sent to Project Accounting to process final payment and then closed out by the CIP Accounting Group.

In concluding, the City of Houston Resource Management Division has a big responsibility for the contracts of Capital Projects. This process continues year out and the selected contractors have opportunities to do future work for the City of Houston requiring that their previous project with the city was complete to the specified percentage.