



# Capital Project Administration Handbook

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**ACKNOWLEDGEMENTS**

Thanks to the Bond Reimbursement and Grant Review Committee members who reviewed the publication in its final form and to those in the Department of Education & Early Development who were responsible for the predecessors to this document.

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Department of Education & Early Development  
Juneau, Alaska

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# Introduction

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## Overview

Alaska statutes provide for state aid—through debt reimbursement and grants—for construction, rehabilitation, and improvement of schools and education-related facilities. While the state maintains the resources to responsibly execute such projects when awarded or approved, statutes provide for this responsibility to be transferred to local governments or regional school boards. Statutes require that an agreement be used to document the transfer and authorize the department to adopt regulations establishing the requirements for the agreement.

This document was developed to assist the parties who are, or will be, responsible for the execution of capital improvement projects that include state aid through the Alaska Department of Education and Early Development (DEED). Entities eligible to assume this responsibility include school districts and municipal governments with education oversight.

The goal of this handbook is to provide an outline of the department’s requirements for capital improvement project administration and to ensure that the implementation of the project is in compliance with school construction statutes and the regulations which implement them. From the initiation of the project agreement to the final execution of the termination agreement, the DEED Facilities Section is also available to assist the recipient in executing their capital improvement project in an efficient and timely manner. The handbook provides direction in three major areas: project initiation through the project agreement, submittal requirements, and project closeout. It also touches on the related issues of procurement and project delivery.

In this document, the term “department” will be used to identify the Alaska Department of Education and Early Development. Other State of Alaska departments identified in this handbook will be referred to by their appropriate departmental designations.

Lastly, this handbook provides information on the administration of capital projects from the focused perspective of the department’s statutes and regulations. For a more general overview of construction management concepts and procedures, the Construction Management Association of America publishes a document entitled [An Owners Guide to Construction Management](http://cmaanet.org/sites/default/files/files/inline-files/Owners%20Guide.pdf) ([cmaanet.org/sites/default/files/files/inline-files/Owners%20Guide.pdf](http://cmaanet.org/sites/default/files/files/inline-files/Owners%20Guide.pdf)).

### Authority

#### AS 14.11.17(a)

(a) The department shall require in the **grant agreement** that a municipality that is a school district or a regional educational attendance area . . .

#### AS 14.11.020(a)

(a) The assembly or council of a municipality that is a school district or a regional school board may, by resolution or majority vote of the body, assume the responsibilities relating to the planning, design, and construction of a school or an education-related facility located within the boundaries or operating area of the municipality or regional educational attendance area. After receipt of a request by an assembly or council under this subsection, the department shall provide for the assumption of the responsibilities requested. After receipt of a request by a regional school board under this subsection, the department may provide for the assumption of the responsibilities requested.

#### AS 14.11.020(d)

(d) The commissioner shall adopt necessary regulations implementing this section, and setting out the requirements for agreements between the department and a municipality or regional educational attendance area relating to the assumption by the municipality or regional educational attendance area of responsibilities for the planning, design, and construction of a project.

#### 4 AAC 31.023(c)

(c) The department will, before the disbursement of grant or allocations of other financial assistance money to a school district, require the execution of a grant or other financial assistance agreement, on a form prescribed by the commissioner, that contains the following conditions:

(1) the project will be constructed and equipped under the requirements of 4 AAC 31.020(a), within the project budget determined under 4 AAC 31.022(e);

(2) money will be disbursed as the parties agree to allow the accomplishment of stages in the project, such as site acquisition; design and construction; and to reimburse the district for money actually and necessarily spent, before the award of the grant or allocation of other financial assistance,

(A) for planning costs, design costs, and construction costs incurred not more than 36 months before the submission of the grant application; and

(B) site acquisition costs incurred not more than 120 months before the grant or other financial assistance application for which the department has given its approval under 4 AAC 31.025;

(3) the district's performance under the grant or other financial assistance is subject to financial audit at any time; the cost of an audit required by the state is an allowable cost of school construction;

(4) the site for the school facility is approved under 4 AAC 31.025;

(5) designers of the facility shall be selected under 4 AAC 31.065; and

(6) construction shall be performed by contracts awarded under 4 AAC 31.080.

# School Capital Project Funding

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## **Background**

The Department of Education and Early Development administers state aid for school capital improvement projects (CIP) under two basic funding mechanisms, grants and debt reimbursement. Either of these mechanisms may be used to fund projects in two categories, school construction and major maintenance. The school construction program is designed for construction of new facilities, rehabilitation of facilities to improve instructional programs, or for adding square-footage to existing school facilities. The major maintenance program is designed for maintenance, repair, and rehabilitation of existing school facilities. The minimum project amount for a grant is \$50,000,<sup>1</sup> and for debt under the current program, the minimum project amount is \$200,000.<sup>2</sup>

## **Grant Projects**

The grant program is available to all school districts in Alaska, and consists of an annual application and prioritization process. Districts applying for grant funding need to submit applications to the department by the beginning of September of each year. Applications are then reviewed for eligibility and then ranked by department staff. Initial priority lists are transmitted to the Governor and made available to the public at the beginning of November. Districts have the opportunity to ask for reconsideration of the department's determination once the initial priority lists are published and, if not satisfied, may continue an appeal to the State Board of Education & Early Development. The department publishes final priority lists after appeals are settled. The timing of the grant program is designed to allow the legislature adequate time to consider the project priority lists (one for school construction and one for major maintenance) as they deliberate the budget for the following fiscal year. Grant awards are allocated based on the priority lists when funds are appropriated in the budget signed into law.

For more information on the grant application process, visit the [department's CIP website](http://education.alaska.gov/Facilities/FacilitiesCIP.html) (education.alaska.gov/Facilities/FacilitiesCIP.html)

## **Debt Projects**

The debt program is available to districts in municipalities or boroughs with the ability to sell bonds to finance local public works projects. Districts applying for state aid through the debt reimbursement program do so on the same application form as the grant program. However, debt applications do not have a prescribed annual cycle. Instead, a variety of factors including legislative allocations and local election cycles establish opportunity for debt reimbursement funding. Over the history of debt reimbursement funding, there have been periods of time where allocations of debt for school projects were unrestricted, periods when limits on the allocations were made based on timeframes and district size, and periods, such as from 2015 – 2025, when the debt program was closed. Once the department receives and approves an application for debt reimbursement, the Recipient's next step is to provide the department with verification of a successful ballot initiative authorizing the sale of bonds for the project. Certified election results and a copy of the bond ballot language are adequate to serve this purpose.

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<sup>1</sup> 4 AAC 31.900(21)

<sup>2</sup> AS 14.11.100(a)

### **Fund Sources**

A primary difference between grant and debt projects lies in the source of funding. Under AS 14.11, funding for grant projects is to be appropriated by the legislature into the School Construction Grant Fund, Major Maintenance Grant Fund, or Regional Educational Attendance Area and Small Municipality Grant Fund and is to be used to fund projects from the department's priority lists that are prepared annually based on the submitted grant applications. The funds are part of the state's operating and capital budgets. Funds for debt projects are 100% local. All project funding for debt projects is locally available at the time the municipality sells the bonds and receives the proceeds. State funding for the debt program is appropriated by the legislature in each year's operating budget and is allocated to each municipality based on its anticipated debt service payments for the subsequent fiscal year.<sup>3</sup>

### **Payment Milestones**

Another major difference between grant and debt projects is in the processing of payments. Payments under the grant program are based on completion of certain milestones that are evidenced in the form of submittals to the department. Each submittal or series of submittals provides the department with verification on the progress of the project. Once the department confirms the adequacy of a submittal, a payment to the Recipient is processed. Additional description of the standard payment milestones is included as part of this handbook.

Payment for debt projects is based on an annual submittal from the Recipient that provides a projection of the expected municipal obligations for bond repayment. These reports are due to the department by October 15<sup>th</sup> of each year.<sup>4</sup> For debt projects, payment to a municipality is not tied to the project submittals; however, a Recipient is still required by law to provide the department with submittals as described in this handbook.

### **Demonstration of Participating Share**

In addition to complying with submittal requirements, Recipients of grant funding are required to provide a participating share in order to secure the state aid. The participating share amount for municipal districts varies between 5% and 35% in five stepped increments. The percentage is indexed to a ratio of taxable property valuations and district enrollments. All regional educational attendance areas—those in unincorporated areas of the state—have a 2% participating share. As a result of the participating share requirement, all grant projects have funds from at least two sources, state and local.<sup>5</sup> Participating share requirements are discussed further under the payment section of this handbook.

Similar to the participating share requirement for grant projects, debt projects also have a shared funding structure between the state and the local entity. The debt reimbursement mechanism establishes a percentage for each debt project at which the municipality's scheduled debt service payment will be reimbursed. The percentage of reimbursement offered by the state has varied over time from 90% to 60%, depending on project type, and could decline even further if reinstated.

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<sup>3</sup> AS 14.11.100(a)

<sup>4</sup> AS 14.11.102

<sup>5</sup> AS 14.11.008

# Project Agreement

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## Introduction

All capital improvement projects, whether funded the grant program or through the debt reimbursement program, begin with the execution of a Project Agreement between DEED and the school district or municipality that is receiving the financial aid. In the Project Agreement, the entity receiving the state aid is referred to as the Recipient; this term will be used for the remainder of this handbook. The Project Agreement transfers the responsibility for execution of the project from DEED to the Recipient. The Project Agreement also establishes the terms and conditions by which the capital improvement project is to be executed. Requirements in the Project Agreement come from state statute, regulation, and state-adopted building codes. Other requirements come from adopted policies and guidelines produced by the department.

Soon after budget approval for a capital improvement project grant award, or receipt of voter approval documentation for debt reimbursement projects, a Recipient will receive a draft Project Agreement. The draft Project Agreement contains two parts: the standardized body of the agreement and either four or five appendices (for debt or grant projects respectively).

The body of the agreement identifies the name of the project, the DEED project number, and the Recipient entity. **All correspondence with the department regarding a project should include the DEED project number.** The first page of the Project Agreement body also defines two important pieces of information: the effective date of the agreement, and the name of the Recipient's project coordinator. For grant projects, the effective date of the agreement establishes the practical starting point of the three-year period in which the Recipient is required to provide evidence of the district's participating share in accordance with AS 14.11.008(a)(2). Participating share requirements, and the technical aspects of the beginning date, will be discussed in greater detail later in this handbook. The project coordinator is the individual working for the Recipient entity that will be responsible for the day-to-day management of the capital improvement project. The project coordinator does not have to be the same individual who signs the Project Agreement for the Recipient.

The body of the agreement incorporates the appendices by reference, and defines a number of standard contract clauses or provisions governing the transfer of responsibility between the two parties. The contract provisions are an integral part of the agreement, and modification is not generally considered. The standard provisions identify procedural requirements for the Recipient, cite statute, regulation and guidelines applicable to the project, and clarify important terms for the implementation of the Project Agreement. It is important for the Recipient to read and understand the Project Agreement in its entirety. Department staff is available to help explain the importance of language in the Project Agreement.

The final page of the main Project Agreement contains the signature line. The signatory individual must be a person with the authority to accept the terms and conditions of the agreement on behalf of the Recipient.

# Project Agreement

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## **Contract Clauses**

A Project Agreement contains clauses that govern all aspects of project administration. Select clauses within the full listing below have additional information highlights; however, Recipients should review the specific language in the agreement.

### Assumption of Responsibility / Project Responsibility

This clause assigns the responsibility for planning, design, construction, including procurement of professional services and construction contracts from the state departments (DEED and Department of Transportation and Public Facilities) to the Recipient.

### Project Coordinator

### Governing Provisions

### Grant Funds / Debt Reimbursement (Bonds) Funds

### Project Document Reviews

This clause identifies the planning and design documents, and in what formats, that are submitted to the department for review.

### Approvals and Permits

### Safety Precautions and Programs

### Project Scope Review

This clause states that the Recipient is responsible for ensuring that the project conforms to the approved scope of work and any scope modification will be reviewed under the Additional Work section of this publication and submitted to the department for approval. Also states that payments may be suspended if final bid documents do not conform to the approved scope.

### Value Engineering

This clause states that the Recipient and its consultants will incorporate value based design efforts appropriate to the size of the project.

### Final Inspection and Acceptance

### Project Audit

This clause states that the Recipient's performance is subject to financial audit at any time and that project records must be kept for three years after project completion.

### Project Accounting

This clause specifies that all revenues and expenditures will be included in the project accounting, which will conform to Governmental Accounting and Financial Reporting Standards. Also states that any proposed change must be approved by amendment.

### Project Close-out

### Maintenance, Operation, Ownership of the Completed Project

### Termination of Contract for Cause / Convenience of the State / Withdrawal of Debt Project Approval

### Contracting

### Percent for Art

This clause identifies when a percent for art expenditure is required and provides direction on membership of a selection committee.

# Project Agreement

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## State Held Harmless

This clause provides protection for the State and DEED from liabilities that might arise from improper actions of the Recipient in accomplishing the project.

## Reporting Requirements

## In-House Requests

## Alternative Procurement

## Project Schedule / Funding Expiration

This clause identifies a five-year window to complete the project, unless the Recipient requests and is granted an extension.

## Facility Disposal (grant only)

## Participating Share (grant only)

## **Appendices**

The Project Agreement appendices provide supporting information important for the implementation of the Project Agreement.

## **Project Scope and Budget (Appx A)**

Appendix A consists of four parts, and serves a similar purpose for both grant and debt reimbursement projects. It defines the project's scope of work and establishes the project budget by which the work will be executed and accounted. Appendix A is the most important part of the Project Agreement for the Recipient to review because this is one of the few parts of the Project Agreement that is flexible and can be modified.

The first section of Appendix A contains the scope of work. The scope of work specifically defines the project's eligibility for the construction of new space, and provides a brief description of the work to be accomplished by the project. For debt reimbursement projects, the scope also identifies the appropriate debt reimbursement rate. The Recipient should review this part of the Project Agreement carefully to verify that the department's description of the project matches the Recipient's understanding of the work to be completed.

The next section of Appendix A contains special provisions that apply to the project. This section is utilized to specify special or unique circumstances, conditions, or limitations relating to the project. Generally, this section contains standard language regarding the relationship between the municipality and the school district according to AS 14.14.060 for boroughs and AS 14.14.065 for cities. This relationship is clearly defined in statute and will not be covered in this handbook.

The third section of Appendix A details the project budget and funding available for the project. This section contains the name of the project and the source of funding. Total funding is identified by funding source. Some projects may be funded from a combination of state, local, or federal funds with state funding in the form of capital grants or debt reimbursement.

# Project Agreement

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The final section of Appendix A provides a breakdown of the total project budget into nine categories. The budget categories provide the department with a method of accounting for various project costs. Descriptions of the budget categories are included in Appendix E of the grant Project Agreement and Appendix D of the debt reimbursement Project Agreement. Construction Management by Consultant is limited by AS 14.11.020(c)<sup>6</sup>. Expenditures beyond the budgeted amounts in any category require the approval of the department and may require, at the department's discretion, an amendment to the agreement.

## **Payment Schedule (Grant Appx B)**

Appendix B of the Project Agreement varies for debt reimbursement and grant projects. Appendix B defines the payment schedule and associated submittal items for grant projects. Debt projects do not have a payment schedule but rather are paid on an annual basis, so the remainder of this paragraph only applies to grant projects. Appendix B identifies the required project submittals and payment amounts by percentage of total grant funds, for each progress payment. The Recipient should carefully review the payment schedule to ensure that the schedule and specific submittals are applicable to the proposed project.

## **Applicable Codes (Grant Appx C; Debt Appx B)**

Appendix C of the grant Project Agreement and Appendix B of the debt reimbursement agreement contain the applicable statutes, codes, regulations, standards, and guidelines that govern the implementation of the project. Some of the governing provisions are federal requirements, others are state requirements, and others are department requirements. Not all of the provisions apply to every project.

## **Required Submittals (Grant Appx D; Debt Appx C)**

Appendix D of the grant Project Agreement and Appendix C of the debt reimbursement agreement are also identical and identify the submittal requirements and required approvals for the project. The requirements identified in this appendix duplicate the submittal requirements identified in the Appendix B Payment Schedule for grant projects. Again, not all submittal items are required for every project. For instance, a Site Selection Report is not required for a roof replacement project. The Recipient should review the required submittal items and discuss any questions or issues regarding the required items with the department prior to signing the Project Agreement.

## **Budget Definitions (Grant Appx E; Debt Appx D)**

Appendix E of the grant Project Agreement and Appendix D of the debt reimbursement agreement are also identical. This appendix provides definitions for the nine budget categories itemized in the Appendix A budget and also provides financial coding to be used when accounting for expenditures in a particular budget category. This standard appendix is included with the Project Agreement to facilitate proper categorization and accounting of the project costs. The definitions provided will help the Recipient when reviewing the proposed budget for the project (definitions are provided as an appendix to this publication).

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<sup>6</sup> 4% for projects less than \$500,000; 3% for projects over \$500,000, but less than \$5,000,000; and 2% for projects over \$5,000,000

# Project Agreement

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## **Project Agreement Amendments**

As a project progresses, the Recipient may encounter situations where a change to the project agreement's scope or budget is necessary to achieve a successful outcome. Common examples include: new design solution for more cost-effective construction, budget allocation adjustments, or an addition of Recipient funding to meet cost overruns. Any amendment proposed by the Recipient will require a written request and justification for the department to evaluate.

## **Summary**

The reading and understanding of the Project Agreement used to transfer responsibility for the execution of the project from the department to the Recipient is a very important step in understanding the Recipient's relationship with the department. If a Recipient does not fully understand the department's expectations and requirements, administration of the project will be more difficult.

## **Project Submittals**

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Department regulations and project agreements are set up to mirror industry best practices in project performance and administration. As such, the submittal requirements flow with a standard design-bid-build construction project process. The required submittals provide the department with information to verify both project progress and conformance with the scope identified in Appendix A. A listing of the submittals and required review and approvals can be found in Appendix C of the debt reimbursement Project Agreement and Appendix D of the grant Project Agreement.

The submittals listed in the Appendix constitute the actual deliverables required for each Project Agreement. These submittals are required for both grant and debt projects; however, depending on the project, all submittals may not be required. Other submittals may be included as additional requirements for payment milestones in the grant project agreement payment schedule. The department will work with the Recipient in development of the Project Agreement to clearly identify which project submittals a Recipient will be required to submit.

Except as provided for in 4 AAC 31.040 for construction and bid documents, the department will process submittal reviews within a week of receipt, or will notify the Recipient if a longer time period is required.

### **Project Administration**

It is important to ensure that each party has a firm understanding of the project scope, the allocated revenue, the project budget, and the reporting requirements. Clear communication between the department and the Recipient should occur throughout the administration of the project.

#### **Executed Project Agreement**

As described above, the Project Agreement transfers the responsibility for execution of the project from DEED to the Recipient and establishes the terms and conditions by which the capital improvement project is to be executed. This contract ensures that both parties are on the same page when it comes what is needed for a successful completion of a project. Receipt of an executed Project Agreement authorizes the encumbrance of funds and subsequent issuance of payments.

#### **Financial Structure**

In order to ensure that the project's financial reporting is consistent with the Project Agreement, documentation showing the financial structure established in the Recipient's accounting system is required. The budget categories and allocations should conform to the Project Budget in Appendix A. The accounting structure detail may vary by Recipient but should conform to the current version of the [DEED Chart of Accounts](http://education.alaska.gov/publications/chart_of_accounts.pdf) (education.alaska.gov/publications/chart\_of\_accounts.pdf); pertinent sections are provided as an appendix to the Project Agreement.

#### **Participating Share (Grants)**

Each district is required by law to provide evidence of participation in the project. A district's participating share "...may be satisfied by money from federal, local, or other sources, or with locally contributed labor, material, or equipment".<sup>7</sup> A district's participating share is based on percentages

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<sup>7</sup> AS 14.11.008(c)

codified in statute.<sup>8</sup> A district has three years from the passage date of the bill funding the project to satisfy the participating share requirement. For ease of implementation, the department normally uses the effective date of the funding bill, which typically aligns with the start of the fiscal year. In certain instances, the department has authority to grant an extension of the three-year requirement<sup>9</sup> if requested by the district; however, it is a rare circumstance.

The submittal can take the form of a resolution that directs a commitment of funding for the project in an appropriate amount, or in the form of a letter identifying appropriate in-kind contributions that a district or borough will be directing towards the project. A report from the accounting system documenting the transfer to the capital project account will also be accepted.

If a district plans on using an in-kind contribution of land, the land needs to be provided as a budget item in the project application and in the project agreement. If a district plans on using other local contributions, such as labor or equipment, the department needs to be notified within 30 days of signature of the project agreement.<sup>10</sup>

### **In-House Work Request**

In-house work or “force account” is an alternative project delivery method that must be approved in advance by the department. For additional information, see [In-House Services](#).

#### **Project Delivery Methods**

Determination of an alternative project delivery method, should happen as early as possible and requires department approval. See the *Project Delivery Methods Handbook* for more information.

### **1) Annual Report**

Annual reports are required for all active capital improvement projects funded through the Department of Education and Early Development. There are separate annual report forms for debt reimbursement projects and for grant projects. Annual report forms are available on the [department's Forms website](http://education.alaska.gov/forms) (education.alaska.gov/forms).

The “Annual Report for Grant Capital Improvement Project” form is used for grant projects and it is due on or before July 31 each year that a project is active. The report consists of a two-page form requiring updated financial information for the project, and a narrative description of the progress on the project. The “Annual Project Summary for Debt Retirement” form is used for debt projects and is due on or before October 15 each year a project is active.

Much of the budget information required on the forms is available from Appendix A of the Project Agreement, or from any subsequent budget amendments to the Project Agreement. The forms include two columns for project budget information, the Original Budget and the Current Budget. The current budget should be the same as the original budget unless the Recipient and the department have agreed to modify the original budget by an amendment to the Project Agreement. The

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<sup>8</sup> AS 14.11.008(b)

<sup>9</sup> AS 14.11.008(g)

<sup>10</sup> 4 AAC 31.023(d)

Expenditures to Date column should reflect the total project expenditures from inception through the end of the reporting period, for each budget category. The Encumbrances column should track all committed future expenses (balance of professional services contracts, construction contract, etc.).

In addition to the financial information, the forms also require descriptions of the work performed in the current reporting period, the work planned for the next reporting period, and reasons or explanations for any project-related delays that might have occurred.

### Who Can Sign Annual Reports?

Whoever has authority from the Recipient to certify to the report's accuracy. Common persons include:

- Signor of the agreement
- Named project coordinator
- Chief finance officer

For debt projects, and in accordance with state law,<sup>11</sup> by October 15<sup>th</sup> of each year, all municipal school districts are required to submit to the department the amount of funds they will need in order to meet their anticipated debt service payments on DEED-approved debt projects for the following fiscal year. This request will also need to include anticipated debt reimbursement on unsold bonds requiring payment during the subsequent fiscal year.

Projects that do not submit an annual report by the required deadline will have payments withheld until the report is received.

## **Planning & Pre-Design**

Project planning lays important groundwork for successful completion of a project. Work at this stage is focused on gathering, both information and personnel. Obtaining accurate information regarding facility conditions and owner/Recipient needs and expectations ensures that the design solution meets the current and future needs. Getting the right team of professional services personnel will help the project achieve the intended goals. Review and request for approval of alternative project delivery methods may also occur during this phase.

Many aspects of planning and pre-design often occur prior to approval of funding and execution of the Project Agreement; projects that anticipate applying for state aid should follow the identified requirements to ensure that the project will be eligible for funding and reimbursement.

### **2) Site Selection Report**

Projects that require the acquisition of land are required to provide a report detailing the site selection process. The department's publication entitled [Site Selection Criteria and Evaluation Handbook](http://education.alaska.gov/Facilities/publications/SiteSelection.pdf) (education.alaska.gov/Facilities/publications/SiteSelection.pdf) summarizes the department's suggested process for evaluating and selecting potential school sites. A district is not required to utilize the department's procedure for selecting a site, but this process has been identified by the department as a comprehensive and objective method of site selection.

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<sup>11</sup> AS 14.11.102

Selection of a school site is complex and difficult decision not to be taken lightly by a district. The department’s handbook provides general guidelines that will assist a district in identifying and acquiring an appropriate site.

In order to receive funding or reimbursement for the costs of site acquisition, the site needs to be approved by the department.<sup>12</sup> The value of land eligible for funding or reimbursement is fair market value as determined by appraisal, not to exceed the amount identified in the project agreement.<sup>13</sup> If a district intends on using the purchase or exchange of land as part of the district’s participating share, the department will need to be notified within 30 days of signing the grant agreement<sup>14</sup>. It is important to note that only land purchased within the 120 months preceding the application will be determined eligible for reimbursement by the department.<sup>15</sup>

### **3) Soils Investigation Report**

A site or soils investigation report, also known as a geotechnical report, provides important data to design and construction personnel on the type and quality of the subsurface material under a proposed construction site. This information is used by designers and engineers to properly design foundations and any site earthwork that may be needed.

### **4) Condition Surveys**

A condition survey of the facility or building systems is a critical part of documenting the need for a project. It informs and supports the scope of a project in the planning stage to ensure that the project is complete in addressing any deficiencies. Department has published a [Guide for School Condition Surveys](http://education.alaska.gov/facilities/publications/ConditionSurvey.pdf) (education.alaska.gov/facilities/publications/ConditionSurvey.pdf) and a template; however, other formats are acceptable.

Any needed hazardous material assessments or surveys may also be included under this submittal requirement.

### **5) Educational Specifications**

The department requires submittal of an Educational Specification for “all new public elementary and secondary schools, and additions to and rehabilitations of existing facilities.”<sup>16</sup>

Educational Specifications (“Ed Specs”) describe the general educational goals of a proposed school construction project. The document is intended to communicate the facility owner or user’s spatial and functional requirements of a project to the design team. The design team will then develop project constraints and requirements that ultimately guide the design solution for the project.

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<sup>12</sup> 4 AAC 31.025(a)

<sup>13</sup> 4 AAC 31.025(e)

<sup>14</sup> 4 AAC 31.023(d)

<sup>15</sup> 4 AAC 31.023(c)(2)(B)

<sup>16</sup> 4 AAC 31.010

A more detailed description of the Educational Specifications and guidelines for its development is located in the department's [A Handbook to Writing Educational Specifications](#) (education.alaska.gov/Facilities/publications/EdSpec.pdf).

### 6) Cultural Resources Review

All state-funded or authorized public construction or improvement projects are required to get an archeological clearance from the state's Office of History and Archaeology (OHA) within the Department of Natural Resources.<sup>17</sup> The OHA is also known as the "SHPO" (State Historical Preservation Office). All projects, including major maintenance projects, need to be reviewed by OHA whether ground disturbance is included in the project or not. An OHA review ensures that culturally significant resources are not affected by the project. Please note a review by OHA can take up to 30 days and that a cultural resource survey may be necessary to provide information about cultural resources in the project area.

Review [OHA's website](#) (dnr.alaska.gov/parks/oha/shpo/sec106.htm) for more information on the review process or for a project review request form (dnr.alaska.gov/parks/oha/pdf/106application.pdf).

### 7) A/E Services Agreement

Submittal of an A/E Services Agreement provides the department with verification that the Recipient has entered into a contractual arrangement with a design professional for development of the project design. The department will also use this opportunity to review the design contract amount and verify that it does not exceed the amount budgeted in the project agreement for design services. The Recipient can use the AIA standard form B101-2007 as a model agreement between the Recipient and design consultant.

#### **DEED CostFormat**

Ensure the solicitation for any design or cost estimating services specifies that the cost estimate conforms to the [DEED CostFormat](#) (education.alaska.gov/facilities/facilitiescostformat)

The department will review the A/E Agreement, and may solicit additional information from the Recipient regarding the design services selection process in cases where the estimated consultant contract fee is in excess of \$50,000.<sup>18</sup> In these cases, consultant selection needs to be accomplished by:

- soliciting written proposals;
- advertising at least 21 days in advance of the proposal due date in a newspaper of general circulation, or by an alternate means of notice through publication on the Internet if approved by the department;
- awarding the contract to the most qualified offeror; and
- providing a 10-day administrative review process for aggrieved offerors.

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<sup>17</sup> AS 41.35.070

<sup>18</sup> 4 AAC 31.065

Nothing in the A/E selection requirements “precludes a school district from retaining the services of a consultant on an as needed basis under a multi-year contract, if the term of the contract is not more than five years.”<sup>19</sup>

Design fees should not exceed 10% of the construction cost of a project unless additional services are required over and above standard architectural and engineering services, such as a facility condition survey, site survey, geotechnical investigation, or an educational specification. In cases where the design fee exceeds 10%, the Recipient should be prepared to provide a detailed explanation of the additional services or costs that resulted in the increased design fee.

Additional information on the selection and contracting of professional services, including A/E, construction management, and commissioning agent, is provided in the department’s [Professional Services for School Capital Projects](#) (education.alaska.gov/facilities/publications/ProfessionalServices.pdf).

### **Commissioning Agent Services Agreement**

Commissioning, as defined in regulation, is the functional testing activities for a mechanical, electrical, fuel oil, controls, or building envelope system to ensure that a facility or a system operates as the owner and designers intended and that prepares an owner to efficiently operate its systems and equipment. Commissioning and use of a commissioning agent (CxA) is required for projects constructing or adding over 5,000 square feet or rehabilitating an education-related facility over 10,000 square feet, as set out in regulation.<sup>20</sup> The commissioning agent must be certified by a DEED-approved program;<sup>21</sup> a list of approved certifications is available on the department’s website (education.alaska.gov/facilities/publications/DEED-Approved-CxA.pdf)

Commissioning and commissioning agent services must be procured under 4 AAC 31.065(a), see the above-referenced *Professional Services for School Capital Projects* publication.

Commissioning is permitted and encouraged on systems impacted by the project but not substantially upgraded in the rehabilitation.

## **Design**

During the design phase, the Recipient’s design team takes the original conceptual design or general scope and refines and defines it into a concrete biddable solution. Along the way, different approaches to accomplish the project may be evaluated to determine the most appropriate and cost-effective solution.

### **8) Schematic Design Documents**

The schematic design documents are sometimes referred to as the 35% documents, and they provide the department with a milestone review of progress on the project. The department will review the documents for compliance with state statute and regulation regarding development of educational

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<sup>19</sup> 4 AAC 31.065(b)

<sup>20</sup> 4 AAC 31.080(j)

<sup>21</sup> 4 AAC 31.900(32)

facilities.<sup>22</sup> The documents will be compared with the direction provided in the Educational Specifications, and the budget will be compared with the Project Agreement and any associated project amendments. The review should not be considered as a code compliance review, or a value engineering review; however, if the department identifies a design issue, comments will be offered for consideration to the project designer.

At this stage of the project, the department will also review the square-footage of the facility and compare it with the amount of square-footage authorized in the Project Agreement in order to verify compliance with the department's space requirements, so a summary table of square footage is helpful.

Schematic design documents should include the following components:

- Site Civil Drawings (including utility information)
- Architectural Drawings
- Structural Drawings
- Mechanical Drawings
- Electrical Drawings
- Project Specifications

Along with the schematic design documents, the Recipient will also need to submit a schematic level cost estimate for the project. A checklist establishing design compliance with the adopted energy efficiency standards will need to be completed and submitted by the Recipient (see submittal #9).

At this stage of the project, the Recipient should also submit any preliminary reports that were produced during the early stages of the design process such as a site survey, geotechnical investigation, value analysis, and any additional reports that have a bearing on the design of the project.

In the case where a district is utilizing in-house procedures, or where alternative procurement methods are used, submittal requirements will be worked out on an individual basis between the department and the Recipient.

### **9) ASHRAE Compliance Checklist**

An ASHRAE Compliance Checklist should be initially completed by the design team during the schematic design phase for review and approval by the department. This checklist will be reviewed and updated at each stage as the design progresses; this will form a final checklist for use at substantial completion. The [Excel ASHRAE 90.1-2016 compliance checklist template](#) is available on the Facilities' publication webpage.

### **10) Value Analysis**

The value analysis process will vary based on the scope of the project and should occur prior to a design being fully developed. Straightforward component replacement projects may have only a few options evaluated by the project team. New construction or renovation projects should anticipate

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<sup>22</sup> 4 AAC 31.030

soliciting the services of a value analyst consultant for a 1-3 day evaluation process. Depending on the complexity of the project, different levels of analysis and reporting may be required:

Level 1: Lead: Self-performed by the design team.

Participants: Design Team, Recipient, DEED

Process: Documents a range of value alternatives and evaluates each on a life-cycle cost basis and proposes the implementation of successful alternatives into the project.

Product: Report that identifies the items considered, individual cost analysis, and basis for inclusion or exclusion in the project.

Level 2: Lead: Independent entity (not associated with the design team) with experience in developing and assessing cost-effective design and construction alternatives.

Participants: Independent Entity, Design Team, Recipient, DEED

Process: Provides service that generally conforms with ASTM E1699. Support for value analysis is provided by the design team who assists in documenting and analyzing value alternatives on a life-cycle cost basis.

Product: Report that documents the process and proposes the implementation of successful alternatives into the project; identifies the items considered, individual cost analysis, and basis for inclusion or exclusion in the project.

Level 3: Lead: Independent entity or firm with credentials as a Certified Value Specialist (CVS) by SAVE International (may also be VMA certified in some cases).

Participants: Independent Entity, Design Team, Recipient, DEED, Specialists

Process: Duration is 1-3 days depending on project size and complexity. Support for the value analysis is provided by the design team with the addition of specialists as needed in construction/ constructability, energy analysis, and cost analysis if not represented.

Product: Report conforming to SAVE International standards.

Level 4: Equal to Level 3, except that an independent team of design professionals is used in addition to the design team.

### 11) Design Development Documents

The design development submittal is sometimes referred to as the 65% submittal, and provides the department with a milestone review that helps track progress on the project. Like the schematic review, this submittal should include the following components:

- Site Civil Drawings (including utility information)
- Architectural Drawings
- Structural Drawings
- Mechanical Drawings
- Electrical Drawings
- Project Specifications

Along with the design development documents, the Recipient will also need to submit a design development level cost estimate for the project.

The department's review of the design development documents will focus on a verification of issues identified during the schematic design review. The department will also verify eligible space, and compare the cost estimate with previous estimates and the original project budget.

In the case where a district is utilizing in-house resources, or where alternative procurement methods are used, submittal requirements will be worked out on an individual basis between the department and the district.

### **12) Energy Consumption and Cost Report**

In accordance with AS 14.07.020(a)(11), the district is required to provide an Energy Consumption and Cost Report. This report will not be required for all projects. Projects that will require an Energy Consumption and Cost Report include new construction projects, major renovation projects where multiple buildings systems are being renovated or replaced, or renovation/addition projects where space is being added to an existing building and existing building systems are being renovated or replaced. This report will provide an annual estimate of energy consumption and cost for both electricity and heating.

### **13) Construction Documents**

The Construction Document submittal is sometimes referred to as the 95% submittal. At this stage of project development, the drawings and specifications should be virtually complete.

The department has several roles and requirements when it comes to the review of the construction documents.

The 95% documents need to be submitted to the department at least 20 working days before a bid invitation is made.<sup>23</sup> This provides the department with adequate time to review the documents for compliance with DEED statutes and regulations.

If construction bids are to be invited, the Recipient needs to supply the department with fully stamped and signed construction documents at least five working days before bid invitation. The exception is if the 95% documents submitted to the department were stamped and signed.<sup>24</sup>

If the Recipient is not planning to invite bids, stamped and signed drawings need to be submitted to the department no less than 15 working days prior to the start of each construction phase.<sup>25</sup>

A Recipient may request a waiver to the construction document submittal requirements identified above if the district or municipality is able to demonstrate the capacity to provide a "through and complete independent review."<sup>26</sup>

The approval of construction documents submitted for review is void after two years unless construction is started.<sup>27</sup>

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<sup>23</sup> 4 AAC 31.040(a)(1)

<sup>24</sup> 4 AAC 31.040(a)(2)

<sup>25</sup> 4 AAC 31.040(a)(3)

<sup>26</sup> 4 AAC 31.040(a)(4)

<sup>27</sup> 4 AAC 31.040(b)

In addition to the previously mentioned requirements, the department will review the documents to verify that the Recipient has addressed issues identified during the Design Development review, to verify square-footage, and to verify that the construction cost estimate is below the available construction budget as identified in the project agreement and associated project amendments.

### **Why Cost Estimates?**

Regular costs estimates at design milestones help the Recipient gain an understanding of the potential construction costs and helps keep the project scope within the approved budget. The final costs estimate provides a basis for what a contractor should be able to do the work for and provides help in evaluating the bids.

In the case where a district is utilizing in-house procedures, or where alternative procurement methods are used, submittal requirements will be worked out on an individual basis between the department and the district.

A Recipient with a project incorporating work that requires Alaska Department of Environmental Conservation (ADEC) review (e.g. contaminated soils, sewage lagoons, etc.) must ensure that all necessary approvals are received and ADEC approval letters are submitted to the department.

### **14) Bid Documents**

The department reviews bid documents for compliance with state statute and regulation. Bid documents need to be submitted to the department at least five working days prior to invitation to bid.<sup>28</sup>

The Recipient is required to select a contractor on the “basis of competitive sealed bids”.<sup>29</sup> The Recipient is also required to advertise the invitation to bid in accordance with 4 AAC 31.080(b), which is included here for reference:

The school district shall publish the first notice of its solicitation at least 21 days before the opening of the offers. The department may approve a solicitation period shorter than 21 days when written justification submitted by the school district demonstrates that a shorter solicitation period is advantageous for a particular project and will result in an adequate number of responses. A school district may provide additional notice by mailing its solicitation to contractors on any list it maintains, and any other means reasonably calculated to provide notice to prospective offerors. The district shall provide notice of its solicitation by publication at least three times in a newspaper of general circulation in the state. The department may approve an alternate means of notice through publication on the Internet if the website has the express purpose of advertising similar solicitations, has unrestricted public access, and is equally likely to reach prospective offerors.

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<sup>28</sup> 4 AAC 31.040(a)(2)

<sup>29</sup> 4 AAC 31.040(a)

The Recipient is must provide for the “administrative review of a complaint filed by an aggrieved offeror that allows the offeror to file a bid protest, within 10 days after notice is provided of intent to award the contract”.<sup>30</sup>

Under no circumstances should the Recipient require a local contractor preference,<sup>31</sup> or include provisions in a bid request that requires or requests local hire as a criterion for contractor selection.

The department may deny or limit its participation in the costs of construction if a district does not comply with department’s requirements for competitively selected contracts.<sup>32</sup>

In the case where a district is utilizing in-house procedures, or where alternative procurement methods are used, submittal requirements will be worked out on an individual basis between the department and the district.

### **15) Building Permit**

The Division of Fire and Life Safety is the State Building Official. Construction, repair, remodel, addition, or change of occupancy of any building/structure, or installation or change of fuel tanks must be approved by the Division of Fire and Life Safety unless that review authority is delegated to specific community jurisdictions. Delegated jurisdictions typically provide a building permit following their approval. The Division of Fire and Life Safety issues a plan review certificate.

The building permit submittal provides verification that the appropriate building officials have reviewed the plans and that they are in compliance with state and local requirements.

Many cities and boroughs also have zoning or site plan permits that are needed and which fall under the general designation of building permit for the purposes of the Project Agreement. Project Coordinators should become familiar with these requirements and, when necessary, secure these additional permits and submit them to the department.

### **Construction**

The construction phase is an amalgam of physical activity and administrative checks and balances. The core of these administrative processes—which happen both within each party and between the parties—are coordination meetings, submittals, and construction observation. This phase begins with ‘paperwork’ and, if successful, also ends with ‘paperwork’—though much of this documentation is now accomplished using electronic platforms.

Unlike the design phase, where the Recipient and DEED may be in regular communication during the development of the project scope, it is not uncommon for very little correspondence to occur during construction after the bid is awarded. The three scheduled touch-points include: any requests for change orders that may require department approval (see [Additional Work](#) section), 50% completion with A/E certification and change order logs to date, and notification to DEED when the substantial completion inspection is scheduled.

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<sup>30</sup> 4 AAC 31.080(c)

<sup>31</sup> 4 AAC 31.080(d)

<sup>32</sup> 4 AAC 31.080(e)

### **16) Bid Tabulation**

Once a Recipient receives and opens bids for a project, the department requires submittal of the bid tabulation. This document provides verification to the department that the lowest responsive bid is from the contractor selected to perform the work. This submittal document is typically in the form of a table that provides a list of bidders, base bids, additive or deductive alternates, and architect or engineers estimate for the work.

In the case where a district is utilizing in-house procedures, or where alternative procurement methods are used, submittal requirements will be worked out on an individual basis between the department and the district.

If no bids are received that are within the amount budgeted in the project agreement for construction, contact the department to discuss the options available. These options can include discussion of value engineering options with the low bidder, a budget amendment to the project agreement to add additional funds from Recipient or to shift allocations from other budget categories, an amendment to the project scope identified in the project agreement, or the need to re-design and re-bid the project.

### **17) Construction Contract**

Once the Recipient has selected the Contractor, the next submittal is the actual construction contract. The department reviews the construction contract to verify that it is consistent with the bid, and that it adequately protects the state interests in regard to project funding.

After the contract is awarded, the district must register the project with the Department of Labor and Workforce Development, per AS 36.05.035. This will allow the contractor to file a Notice of Work with that department. This filing should be confirmed by the district to ensure that submittal #29 Notice of Completion will be available.

### **18) Construction Schedule**

The schedule for mobilization, completion of construction phases, substantial completion, final completion, and demobilization is agreed to as part of the construction contract. Small single-scope projects may have a commencement date and substantial completion date noted in the construction contract and not need further documentation. Larger new construction and renovation project may have multi-page documents with intricate overlapping timelines.

### **19) Contractor's Payment/Performance Bond**

Along with the construction contract, the Recipient needs to provide evidence that the Contractor has obtained payment and performance bonds.<sup>33</sup> This demonstration provides the department with the assurance that the project can be completed if the Contractor fails to meet its obligations under the contract.

### **20) Substantial Completion Certificate/Occupancy Permit**

Once construction is complete, the Recipient is required to submit documentation that the project is substantially complete. Typically, a completed AIA form G704 will satisfy this submittal

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<sup>33</sup> AS 36.25.010

requirement. If the document references a list of items to be completed or corrected that list should be provided to the department with the submittal.

### **Pre-Inspection Walkthrough**

Recipient may consider requesting the general contractor do their own pre-inspection walk-through prior to the substantial completion inspection, in order to clean up and spot the more obvious issues.

If a certificate of occupancy is required by the local jurisdiction, it should be supplied to the department at this time.

### **21) Change Order Log**

In order for the department to verify that the work completed is the work specified in the project agreement scope, the Recipient is required to submit a change order log that lists all approved change orders for the project. The change order log can be in the form of an Excel spreadsheet listing the change order description, date requested, date completed, and associated increase or decrease in the project cost associated with the change. In addition to the log, documents providing supporting detail for each change order may be requested for review. Department review of change orders may find scope and associated costs not eligible within the project. Review the Additional Work section to determine whether department pre-approval may be needed for a particular change order.

### **Construction Closeout**

As construction wraps to a close the Recipient should take steps to ensure that the contractor has met the scope and terms of the contract have been meet. Prior to final payment, the contractor should also provide assurances that there are no outstanding liens, subcontractor payments, or state taxes due.

### **“Redline” and Record Documents**

Include 'redline' mark-ups in your construction contract and record documents in your A/E contract to ensure you have an accurate record of the work at the end of the project. To make sure it doesn't get missed, put it on the agenda of your weekly/monthly progress meetings.

### **22) Release of Liens**

The Release of Liens submittal assures the department that the Contractor has no pending financial obligations in regard to the project. The Recipient can have the Contractor complete AIA form G706A to satisfy this submittal. Submittal of individual release of liens from all subcontractors can be accepted; this list is cross-checked to the Department of Labor Notice of Completion of Public Works (#29 submittal).

### **23) Release from Contract**

The Release from Contract provides the department with the assurance that the Contractor has completed the work on the project, and that there are no outstanding obligations expected by the

Contractor of the Recipient. The Recipient can have Contractor complete AIA document G707 in order to satisfy the submittal requirement.

Alaska statutes require the clearances in submittals #28 – #30 to be obtained prior to the Recipient issuing final payment to the contractor.

### **24) Commissioning Report**

The commissioning report will be a written document that addresses each system commissioned under the services provided in the CxA agreement. The report will describe the function tests applied to the systems, their performance, corrective actions taken at the time of commissioning, and any recommendations for continued monitoring or final adjustments.

### **Project Closeout**

The following final Recipient actions on a project allow the department to close a project. These actions assure the department that the final project funding can be released without concern of encumbrance by any of the involved parties and that the Recipient is in a position to adequately operate and maintain the facility.

### **25) Preventive Maintenance and Facility Management Documents**

The preventive maintenance and facility management submittal provides the department with the assurance that the improvements have been integrated into the Recipient's preventive maintenance program. Documentation updated with the project-specific information can be supplied in the form of reports from the district's maintenance management system listing preventive maintenance components by building system and preventive maintenance schedules, a copy of the district's custodial care plan, certification of training on installed building systems, and an updated renewal and replacement schedule. The reports should clearly identify the inclusion of the improvements made by the project.

In addition, the Recipient should provide the department with verification that equipment purchased as a part of the project has been added to the district's fixed asset inventory system.

### **26) Recorded Building Title**

In the case of a replacement school project in a Regional Educational Attendance Area, the department will provide a quitclaim deed relinquishing any state interest in the new facility.

### **27) Final Project Accounting**

The final project accounting provides the department with the ability to reconcile the original project budget with actual project expenditures. In general, the agreement provides for an independent project audit to be submitted by the district; however, when acceptable to the department, the requirement may be satisfied with the submittal of a project closeout worksheet that includes a certification of funds expended consistent with the project agreement. The Microsoft Excel workbooks for grant and debt projects are available on the department's website ([education.alaska.gov/Facilities/publications.html](http://education.alaska.gov/Facilities/publications.html)). The closeout worksheet includes a certification by the Recipient that the funds were expended consistent with the project agreement; provides the

department with verification that the funds paid to the recipient were spent to complete the project scope as identified in the Project Agreement. The department will review the submitted transactions and may ask for detailed backup to support any particular transaction.

### **Percent for Art Expenditure**

A project requires an art allocation if it involves construction of a new facility or a remodel or renovation of an existing facility.<sup>34</sup> If a project requires art, the amount is identified in the project agreement and may be adjusted by amendment if necessary. The Recipient needs to confirm, through final project accounting, that the amount allocated for art has been expended. Assistance is available from the Alaska State Council on the Arts in completing the requirements for expenditures on art.

### **28) Corporate Income Tax Clearance**

The corporate income tax clearance is requested by the Recipient from the State of Alaska, Department of Revenue (DOR), Tax Division for the Contractor. The Recipient provides DOR with the Contractor's name, address and tax ID number, and the DOR will provide the department with the requested clearance. Clearance should be received by the Recipient prior to final payment to the contractor.

### **29) Employment Security Tax Clearance**

The Recipient requests an employment security tax payment clearance from the State of Alaska, Department of Labor & Workforce Development (DOLWD), Employment Security Tax Division. Clearance should be received by the Recipient prior to final payment to the contractor. The clearance is then submitted to the department; no payroll documents should be provided to DEED as a submittal.

### **30) Notice of Completion of Public Works**

The Contractor requests a Notice of Completion of Public Works through DOLWD, Labor Standards and Safety Division, [Wage and Hour Administration website](http://labor.alaska.gov/lss/home.htm) (labor.alaska.gov/lss/home.htm). This provides verification that the contractor paid the prevailing wage rates to its employees. The agency will issue the document to the Contractor. Required for public construction contracts exceeding \$25,000.<sup>35</sup>

### **Termination Agreement**

Once all of the required submittals have been received, and the department verifies the accuracy of the final project accounting, the department will have the Recipient sign a Termination Agreement. This document terminates the relationship between the department and Recipient for a particular Project Agreement.

A Recipient should verify the total amount referenced in the agreement and the amount received.

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<sup>35</sup> AS 36.05.005

# **Additional Work**

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## **Managing Changes in Scope**

It would be extremely rare for a project to move from the award of a construction contract to completion of work without any changes in the scope of work contained in the Construction Documents. The purpose of this section is to define when changes in scope are allowed as Additional Work and when they become new work, and are not permitted. The following establishes the department's guidelines for managing changes in scope. The guidelines are based on four principles:

- 1) grants and approval for debt reimbursement are made to a specific, defined project,
- 2) funding for those projects is based on reasonable estimates and includes contingencies for unknowns,
- 3) it should be the norm for successful projects to have funds remaining at completion, and
- 4) those funds are reserved to the state as established within the provisions of AS 14.11 and 4 AAC 31 for use on subsequent department-approved projects.

For a district needing a change in scope on a grant or debt project funded or approved under AS 14.11.020 or AS 14.11.100, the following procedures apply:

- a. If the proposed change in scope is the result of a clarification of the department-approved Construction Documents and is necessary for the completion of the work as awarded, that change will be considered Additional Work. Approval from the department is not required for this activity, however, the district is required to capture the change in a change order log and must provide that log for review by the department as provided for in the submittal Appendix. This review could result in disapproval of unsupported change order work and a requirement that the Recipient self-fund that change.
- b. If the proposed change in scope is for the award of an Alternate which was listed in the department-approved Construction Documents but was not awarded due to a lack of funding available to award the alternate under the original construction contract, that change will be considered Additional Work. Approval from the department is not required for this activity; however, the district is required to notify the department of this change in scope and shall provide a budget analysis demonstrating that the cost of the change is within the project's budget. [Note: a district is permitted to reduce, but shall not increase, the scope of an alternate to match the budget.]
- c. If the proposed change in scope was an element of the project in the department-approved Schematic, Design Development, or Construction Documents submittals but was removed as a result of a lack of funding available to continue including that element in the project's scope of work, that change will be considered Additional Work. Approval from the department is required prior to issuing any contract document for this work and the district shall provide both evidence as to where the work was originally included in the project and a budget analysis demonstrating that the cost of the change is within the project's budget.
- d. If, during the design phase of a project, a proposed change of scope from that identified in Appendix A of the Project Agreement is sought, that change will be considered Additional Work if: 1) it provides a different technical solution to a building system defined in the scope,

and 2) it is the result of additional information gained during the design process that was not available when the scope was defined, or 3) it is the result of a change to regulatory or code standards that were established—or should have been established—in the original scope. Approval from the department is required prior to incorporating these changes into the project and the district shall provide supporting evidence. An amendment to the Project Agreement scope will be issued by the department as needed.

- e. If, following substantial completion of the construction contract, a proposed change in scope to correct a project deficiency is sought, that change will be considered Additional Work only if all the following conditions are met: a) it is to correct a specific design or construction deficiency within the project’s approved scope, or it is to correct an unanticipated life-safety deficiency caused by the project, b) the item is not a warranty issue as defined in the contract, c) it is identified within 12 months of substantial completion.
- f. If the proposed change in scope does not meet these definitions of Additional Work, then it will be considered new work and the proposed change will be denied. New work will be subject to inclusion in a new project under the provisions of AS 14.11 and 4 AAC 31 including the specific procedures identified in 4 AAC 31.064 for redirection of bond proceeds.

**At A Glance  
Table: Allowable Scope Change**

<b>Reason for Scope Change</b>	<b>DEED Approval</b>	<b>District Action Needed</b>
<b>a</b> Changes due to clarifications, minor oversights, latent conditions	Not Required	1) include description and cost in change order log provided with submittals
<b>b</b> Award of alternate, previously DEED-approved in Construction Docs	Not Required	1) provide analysis proving change is within budget 2) provide CO log at closeout
<b>c</b> Award of scope from DEED-approved design documents, not included in bid	Required	1) demonstrate where work was previously included in approved plans 2) provide analysis proving change is within budget
<b>d</b> Changes in approach or changes necessary due to additional info or code/regulation updates	Required	1) provide supporting evidence of new or additional info or updated codes 2) provide analysis proving change is within budget 3) wait for approval of PA amendment
<b>e</b> Corrects deficiency in approved scope or life-safety issue caused by project, within 12 months of substantial completion	Required	1) provide supporting evidence of new or additional info or updated codes 2) provide analysis proving change is within budget 3) wait for approval of PA amendment
<b>f</b> Re-direction of bond proceeds	Required	1) follow procedures in 4 AAC 31.064

### **Contracting for Changes in Scope**

Additional Work will, unless otherwise approved by the department, be accomplished within the existing design and construction contracts issued for the project. However, on occasion, such contracts may no longer be available for use or may have constraints which limit their effective use. If, in contracting for changes in scope within a project, the Recipient supports the use of new project management, design, or construction contracts, and the department concurs, the provisions of 4 AAC 31.065 and 4 AAC 31.080 will apply.

## Alternative Project Delivery

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Alternative project delivery offers districts additional choices for completing school construction projects in cases where the traditional design-bid-build process will not accomplish the desired result in terms of project flexibility or schedule.

Alternative project delivery does not allow a Recipient to provide any kind or type of local preference in selecting contractors or hiring staff for a particular project.

A decision to utilize alternative project delivery is a complicated one, and the department recommends that a district interested in exploring this type of procurement work closely with the department to identify if one of the methods described in the [Project Delivery Method Handbook](https://education.alaska.gov/Facilities/publications/project_delivery_handbook.pdf) (education.alaska.gov/Facilities/publications/project\_delivery\_handbook.pdf) will accomplish the goals of the Recipient.

## In-House Services

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A Recipient may choose to accomplish a project with a combination of in-house and/or contracted services. Materials for the project may be directly procured and or included in the construction contract, as appropriate. These construction delivery methods are permissible under state guidelines when it is in the best interests of the state. Examples of situations where in-house project delivery is appropriate:

- The limited size and scope of a project makes this type of alternative project delivery appropriate.
- A Recipient has experience on particular types of work where unknown factors may exist, and where the situation does not lend itself to a competitive traditional contractor bid process.
- A Recipient's project timeline does not easily accommodate traditional construction processes.
- Small project size, and remote rural location does not provide enough incentive for general contractors to bid on the work; however, specialty and sub-contractors are available to supplement district staff and capabilities.

A Recipient may proceed with in-house services only after a request has been made with the department and has been approved. This approval may include stipulations to ensure that proper delivery is in the state's best interest. This request can be in the form of a letter and should include the following:

- A statement showing that this project is approved by the school board that in-house performance is approved for this project or as a board approved policy.
- A clear statement of the project showing the total scope of work and how it is in the best interest of both the district and to the state.
- A work plan that includes:
  - A schedule of activities;

- A listing of all in-house trades required and proof that the Recipient personnel has the required expertise; and
- A detailed take-off and budget showing all labor, materials, equipment, mobilization and delivery, contracted services, and professional services if required.
- If the project budget exceeds \$100,000, the Recipient will be required to provide a detailed explanation showing why it is in the state's interest and estimate of project costs if the project was to be contracted out.
- Discussion of design services proposed or why it is not required.
- A statement acknowledging that all procurement including professional and contracted services are competitively procured per this handbook and all statutes and regulations under AS 14.11 and 4 AAC 31.

The department has a sample letter available upon request of the Recipient and is available to work with the Recipient in preparing the letter.

Upon receipt of the Recipient's request, the department will review to determine completeness and reasonableness. The department will make a determination and either: approve as requested, approve with changes, or deny. Those projects where the Recipient may choose to apply for recovery of funds expended through the grant program should contact the department in advance so that a project file can be initiated under its Pre-CIP program to track approvals and submittals.

## Conclusion

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This handbook provides some general guidelines and describes statutory limitations that a Recipient needs to be aware of when completing a capital improvement project for school construction or major maintenance.

The department also publishes other documents that are designed to help a district with various stages or components of the department's project application and funding processes. For a list of these publications, which may be downloaded in their latest editions, refer to the department's [Facilities Publication website](http://education.alaska.gov/Facilities/publications.html) (education.alaska.gov/Facilities/publications.html).

# Appendix A – Grant Payment Schedule

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In grant projects, submittals and payments are integrated. The following section provides a discussion of the submittal requirements typically associated with each grant project payment.

In the grant Project Agreement, Appendix B contains the payment schedule the department uses for approval of payment requests. Throughout the life of most projects, there are ten milestones, each of which is more fully described below. The payment milestones provide the department with a means for tracking progress on the project. The payment schedule is structured so that the Recipient is able to receive up to 50% of the available funding prior to award of the construction contract. This allows the district to keep the project moving forward throughout the payment review process.

## **Payment #1: Financial Structure**

The requirements for processing of payment #1 include submittal of a completed, signed Project Agreement, and DEED approval of the district's financial structure. The submittal should conform to the DEED Chart of Accounts, pertinent sections are provided as an appendix to the project agreement, and budget amounts should reflect the values approved in the project agreement.

This is the time that a district should be preparing an in-house letter for the department's approval if the district intends on completing any of the work with in-house forces. A sample request letter is available that provides an example of the items to be covered when making such a request; however, all portions of the letter may not need to be completed for all projects. For more information see In-House Services.

Payment #1 submittals qualify for release of 5% of the project funding.

## **Payment #2: Participating Share**

Payment #2 documentation establishes that the Recipient has committed to provide the local participating share required by statute.

Payment #2 submittals qualify for release of 5% of the project funding.

## **Payment #3: Pre-Design Submittals**

Payment #3 combines receipt of submittals # 2 through 7 as listed in Appendix D of the grant agreement.

- 2) Site Selection Report
- 3) Soils Investigation Report
- 4) Condition Surveys
- 5) Educational Specifications
- 6) Archeological Clearance
- 7) A/E Services Agreement  
Commissioning Agent Services Agreement

In order to qualify for Payment #3, the department needs to receive copies of the documents mentioned above. In some instances, a project may not require Educational Specifications or Site

## Appendix A: Grant Payment Schedule

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Selection report, but a project will generally always have some type of Condition Survey and A/E services agreement.

In the case of a district completing work in-house, where the above-referenced documents may not be available, the department will work individually with the district to determine the most appropriate submittals for pre-design work on a project.

Submittals for payment #3 show the department that the Recipient has made the necessary arrangements to begin a school construction project.

Payment #3 submittals qualify for release of 10% of the project funding.

### **Payment #4: Schematic Design Submittal**

The submittals for Payment #4 are the Schematic Design Documents, which are sometimes referred to as the 35% documents. For more information on the schematic design submittal, please see the discussion in the next section of this document. Payment #4 combines receipt of submittals #8, 9, and 10 as listed in Appendix D of the grant agreement.

- 8) Schematic Design Documents
- 9) ASHRAE Compliance Checklist
- 10) Value Analysis

In the case where a district is utilizing in-house procedures, or where alternative procurement methods are used, Payment #4 submittal requirements will be worked out on an individual basis between the department and the district.

Provide an Energy Consumption and Cost Report in accordance with AS 14.07.020(a)(11) and as further described under submittal #12 in the next section of this document.

Payment #4 submittals qualify for release of 10% of the project funding.

### **Payment #5: Design Development Submittal**

The submittals for Payment #5 are the Design Development Documents, which are sometimes referred to as the 65% documents. This submittal is listed as submittal #11 in Appendix D of the grant agreement.

In the case where a district is utilizing in-house procedures, or where alternative procurement methods are used, Payment #5 submittal requirements will be worked out on an individual basis between the department and the district.

In the case of a new school in a Regional Education Attendance Area, the Recipient will need to provide evidence to the department that adequate site control exists for the project. Adequate site control is demonstrated in the form of a long-term lease, or document showing adequate title interest in the property on which the project will be constructed.

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## Appendix A: Grant Payment Schedule

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Provide an Energy Consumption and Cost Report in accordance with AS 14.07.020(a)(11) and as further described under submittal #12 in the next section of this document. Submittal of this report under Payment #5 is only necessary if the report was not submitted under Payment #4.

Payment #5 submittals qualify for release of 10% of the project funding.

### **Payment #6: Construction Document Submittal**

The submittals for Payment #6 are the Construction and Bid Documents, which are sometimes referred to as the 95% documents. These submittals are listed as submittals #13 and #14 in Appendix D of the grant agreement.

In the case where a district is utilizing in-house procedures, or where alternative procurement methods are used, Payment #6 submittal requirements will be worked out on an individual basis between the department and the district.

Payment #6 submittals qualify for release of 15% of the project funding.

### **Payment #7: Contract Award Submittals**

Payment #7 submittals include the following documents:

- 15) Building Permit
- 16) Bid Tabulation
- 17) Construction Contract
- 18) Construction Schedule
- 19) Contractors Payment/Performance Bonds

This series of documents shows the department that construction start is imminent. In the case where a district is utilizing in-house procedures, or where alternative procurement methods are used, Payment #7 submittal requirements will be worked out on an individual basis between the department and the district.

Payment #7 submittals qualify for release of 10% of the project funding.

### **Payment #8: Certification of 50% Completion**

Payment #8 submittals include a letter from the Architect or Engineer signifying that the project construction is 50% complete, a copy of the current request for information (RFI) log between the contractor and the designer, the current request for proposals (RFP) log between the owner and the contractor, and the current change order log.

These submittals document the project progress and provide an opportunity for the department and Recipient to review the status of current and possible future changes and their categorization as change orders. In the case where a district is utilizing in-house procedures, or where alternative procurement methods are used, Payment #8 submittal requirements will be worked out on an individual basis between the department and the district.

Payment #8 submittals qualify for release of 20% of the project funding.

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## Appendix A: Grant Payment Schedule

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### **Payment #9: Substantial Completion Submittal**

The submittal for Payment #9 consists of a Substantial Completion Certificate or Occupancy Permit, this is listed as submittal #20 in Appendix D of the grant agreement. This submittal provides the department with verification that construction activities are complete.

**Note:** One year after the date of substantial completion the Recipient is to submit an auditable accounting of project expenditures.

Payment #9 submittals qualify for release of 10% of the project funding.

### **Payment #10: Final Audit/Project Closeout**

Payment #10 submittals consist of the following documents:

- 21) Change Order Log
- 22) Release of Liens
- 23) Release from Contract
- 24) Commissioning Report
- 25) Preventive Maintenance and Facility Management Documents
- 26) Recorded Building Title
- 27) Final Project Accounting
- 28) Corporate Income Tax Clearance
- 29) Unemployment Security Tax Clearance
- 30) Notice of Completion of Public Works

The submittals for Payment #10 provide the department with the assurance that all necessary accounting and closure procedures are complete.

In addition to the above submittals, in the case of a Regional Education Attendance Area, the Recipient will need to provide evidence to the department of building disposal or demolition of abandoned or excess buildings. Evidence can be in the form of a letter from the district assuring the department that the appropriate disposition action has taken, or will take place.

Payment #10 submittals qualify for release of 5% of the project funding.

## Appendix B – Budget Category Definitions

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The standard budget format in the project agreement includes the following budget categories, although not every project will have an allocation in each category.

**Construction Management by Consultant (CM)** includes management of the project's scope, schedule, quality, and budget during any phase of the planning, design, and construction of the facility and full-time onsite representation. Consultant CM should include all costs incurred by private consultant to perform the CM work. Refer to AS 14.11.020(c) for the limitations on consultant CM.

**Land** includes actual purchase price plus title insurance, fees and closing costs. Land cost is limited to the current fair market value, by appraisal, not to exceed the amount budgeted for land in the project agreement.

**Site Investigation** includes land survey, geotechnical investigation, environmental and cultural survey, and site selection study costs, but not site preparation costs.

**Design Services** includes all full standard architectural and engineering services as described in AIA Documents B102-2007, and B201-2007. Additional A/E services such as educational specifications, condition surveys, and post occupancy evaluations should also be categorized as Design Services, however, onsite owner representation and inspections beyond the scope of work described in AIA Documents B102-2007, and B201-2007 should be categorized as CM.

**Construction** includes the cost of all material, labor, equipment, and associated expenses required to perform the project's facility construction and site development. Construction costs can be incurred via a competitively awarded contract or, with prior department approval, via the use of in-house labor and procurement of materials per local ordinances.

**Equipment/Technology** includes all moveable furnishings and instructional devices or aids such as classroom furniture, musical instruments, science lab and physical education equipment and stage/sound equipment. It does not include installed equipment, or consumable supplies, with the exception of the initial purchase of library books. For more information see the DEED publication Guidelines for School Equipment Purchases. This item also includes Technology such as computers, 2D/3D printers/scanners, monitors, video projectors, interactive whiteboards, video cameras, digital cameras, large format displays, video recorders/players, image processors, robotics, calculators, electronic test equipment, voice over IP, digital telephone, etc. Consultant services necessary to make technology items operational may also be included.

**District Administrative Overhead** includes an allocable share of district overhead costs, such as payroll, accounts payable, procurement services, and preparation of the six-year capital improvement plan and specific project applications. The maximum for non-project specific indirect administrative costs is 3%, as defined in regulation [4 AAC 31.023(c)(7)]. It also includes In-House Construction Management (CM), which is similar to CM by Consultant, with the exception that in-house CM includes actual district/ borough staff time allocated to the project, staff travel expenses, and other direct costs of the in-house activity.

## **Appendix B: Budget Category Definitions**

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**Percent for Art** includes the statutory allowance for art in public places. This may fund selection, design/fabrication, and installation of works of art.

**Project Contingency** is a safety factor to allow for unforeseen changes. The use of contingency funds to address budget overruns should be coordinated with the department through a budget amendment. No costs shall be accounted for as Contingency expenditures.