

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES  
DIVISION OF PUBLIC WORKS

OCT 27 2006

Ltr. No. (P)1265.6

MEMORANDUM

TO: Mr. Ernest Y. W. Lau  
Public Works Administrator

FROM: Ralph Morita  
Chief, Planning Branch



SUBJECT: Updated Basis for "Liquidated Damages (LD)"

As requested, Planning Branch updated the basis of LD charge computations for CIP funded work. The following comments and attachments are provided for your review and approval:

A. It is assumed that LD charges are associated with:

1. Calendar days or working days past the authorized construction completion date (i.e., after adjustment for DAGS approved project time extensions related to additional work days).
2. Compensatory costs related to "time sensitive" issues, such as:
  - a. DAGS direct operational costs for typical "CIP fund" related work is **about \$168 per calendar day or about \$240 per working day**, average cost per project (refer to attachment Staff Services Branch computations).

NOTE: Staff Services Branch computed "average yearly CIP expenditures" over the last five (5) fiscal years (converted to an "average daily cost per CIP funded project" based on Public Works Division staff working on about 150 CIP funded projects each year) is about \$240 per working day. Planning Branch converted the cost per working day to cost per calendar based on "21 working days = 30 calendar days" or "1 work day = 1.4 calendar day" or "1 calendar day = 0.7 work day."

- b. Public Works Division in-direct operational cost for typical "general fund" related administrative work for all DAGS projects is **about \$21 per calendar day or about \$30 per working day**, average cost per project (refer to attachment Staff Services Branch computations).

- c. Miscellaneous and/or related “user agency” operational costs resulting from delays in scheduled completion of required construction work, which includes (but is not limited to):
- (1) “Loss of revenue” because a scheduled event or function had to be delayed/cancelled/postponed.
  - (2) “Unanticipated incurred costs” because a scheduled event or function had to be delayed/canceled/postponed, such as: monetary penalties for delay/cancellation/postponement; upfront guarantees; new public notices or advertisements; relocation of a scheduled event or function to another location; additional site security considerations; and interim provisions or accommodations for continued ongoing operations (i.e. temporary fencing or barricades; temporary lights; portable generators; portable water tank; portable restrooms; etc.).
  - (3) “User agency” direct costs (staff time charges) and indirect costs (related administrative work).

NOTE: Public Works Division has the discretion to include this charge on a “project by project” basis or to exclude this charge in entirety (i.e., as deemed appropriate and/or necessary by Project Management Branch and/or Quality Control Branch staff with the “user agency”).

- d. “Lost opportunity” for building space utilization (i.e., equivalent lease rental costs computed on the daily cost over 30-calendar days per month), such as:
- (1) About \$3.00 (average; includes common area maintenance) per gross square feet (gsf) of lease rental space per month for building spaces that can readily accommodate the functional requirements for (but not limited to) the following “typical” operations:
    - (a) Offices, conference rooms, etc.;
    - (b) Classrooms, computer labs, etc.;
    - (c) Office equipment rooms, office storage areas (not warehouse spaces), etc.; OR
  - (2) About \$4.00 (average; includes common area maintenance)/gsf/month for building spaces that can readily accommodate the functional requirements for (but not limited to) the following “specialized operational requirements”:

NOTE: It is assumed the building spaces will need extensive plumbing, ventilation, acoustical treatment, other accommodations, etc. for these types of "specialized operations".

- (a) Special education classrooms, science classrooms, medical or health center facilities, libraries, computer centers, etc.
- (b) Cafeteria/kitchen/cooking facilities, dining rooms, etc.
- (c) Workshop areas for industrial, graphic arts, electronics, technology, etc.
- (d) Auditorium and/or performance spaces for musicals/concerts, dancing, singing, acting, filming, etc.

NOTE: For conversion of lease rental cost per calendar day to lease rental cost per working day, assume "1 calendar day = 0.7 work day."

NOTE: Staff Services Branch computed "average yearly operating budget expenditure" over the last five (5) fiscal years (converted to an "average daily cost per DAGS project based on Public Works Division staff working on about 150 DAGS projects each year) is about \$30 per working day. Planning Branch converted cost per working day to cost per calendar day based on "1 work day = 1.4 calendar day."

- B. Accordingly, Planning Branch (based on discussions with Jack Rosenzweig, AG office) recommends LD charges be computed by Public Works Division staff, as coordinated with the "user agency" (including project file documentation on the coordination efforts), as follows:

LD = DAGS direct operational CIP costs per calendar day (or working day) + DAGS in-direct administrative costs per calendar day (or working day) + miscellaneous "user agency" costs per calendar day (or working day), as applicable + estimated "lost opportunity" lease rental costs per calendar day (or working day), as applicable.

Example: UHM Hawaii Hall Renovations  
DAGS Job No. 12-31-4077

LD = \$168/calendar day for the DAGS direct operational CIP costs + \$21/calendar day for the DAGS in-direct operational administrative costs + any miscellaneous "user

Mr. Ernest Y. W. Lau  
Ltr. No. (P)1265.6  
Page 4

agency" costs (if deemed applicable or necessary by the "user agency") + [say 37,000 gsf (based on the total size of the building) x \$3/gsf/month]/30 calendar days per month].

LD = \$168 + \$21 + \$3,700 = about \$3,890 per calendar day.

If you concur with this Planning Branch's recommendation, please sign and return a copy of this letter for distribution to the Project Management Branch for use and further handling. It is also understood lease rental costs (average; includes common area maintenance) + Staff Services Branch computation worksheet + basis for calculating LD charges should be reviewed and updated about every two (2) years, if needed.

Should you have further questions, please call me at 586-0500.

CONCURRENCE (Proposed update of LD charge computations):

  
Public Works Administrator

11/2/06  
Date