

NOACA Project Cost Increase Management Policy (June 2015)

NOACA receives an allocation of federal Surface Transportation Program (STP) and Transportation Alternatives Program (TAP) funds for the implementation of transportation projects in the region. The NOACA Finance and Audit Committee establishes the following policies to guide the management of these funds as directed to projects by the Board of Directors.

By agreeing to the Board approved TIP funding maximum and schedule for their project, project sponsors are acknowledging their firm commitment to helping manage project cost increases. Because unforeseen events can occur, a project sponsor may submit a request for additional funds needed to implement the project.

All requests for additional funds will be contingent upon the availability of funding in the current NOACA TIP. Policies governing the requests for additional funds:

Non-Eligible Requests:

1. Costs resulting from increased scope not needed to complete the original project.
2. Projects that have been delayed by the sponsor more than one fiscal year outside of the original TIP program year.
3. Covering a shortfall resulting from the project bids coming in higher than estimate, without justification of unforeseen conditions.
4. Costs associated with construction engineering and inspection activities or annual inflation above the percentages established in the ODOT Construction Engineering and Inspection Guidelines and SFY Business Plan Inflation Calculator. Both of these tools can be found on the ODOT Office of Estimating website.
5. Costs incurred during construction that were caused by engineering or design errors and omissions.
6. Covering a shortfall in funding from other sources (i.e. local, state, private, or other federal).
7. Contingencies or requests to reserve funding for potential change orders.
8. Overruns incurred as the result of contractor or project sponsor negligence.

Eligible Requests:

1. Costs identified due to unforeseen conditions during the engineering or right of way acquisition phase.
2. Change orders during construction that are necessary to:
 - o Complete the project as approved by the NOACA Board without additional scope or project changes
 - o Meet federal or state requirements and standards that are new or were unforeseen at the time preliminary development was initiated.
 - o Cover conditions not reasonably discoverable in the engineering phase

Additional policies governing eligible requests:

- Requests are limited to no more than 15% of the original Board commitment. Costs in excess of 15% will be the responsibility of the project sponsor. Projects that cannot be implemented without significant cost increase would be withdrawn from the TIP and compete with other priority projects in a later year to obtain a higher NOACA commitment.
- The project must have received Stage 3 design plan approval consistent with the ODOT Project Development Process prior to cost increase consideration.
- All other funding committed to the project is being utilized to capacity.

Procedures for Reviewing Requests:

Project sponsors will complete the online NOACA Funds Management Request Form located on the [NOACA website](#). Staff will investigate the causes of the request submitted for consideration and present the finding of justification to the Finance and Audit Committee. If the request is eligible in accordance with the stated policies, the Finance and Audit Committee will evaluate and make recommendation to the Board of Directors consistent with the following alternatives:

1. Deny the request
2. Approve the request in full
3. Approve the request under one or more of the following conditions:
 - Partially accept the request and request additional local funds to be used for the remainder
 - Reduce future NOACA commitments to the project sponsor by the amount of the request. Those future NOACA commitments would not be eligible for increase to restore funds.
 - Reschedule the project to a future year with adequate available funds

If multiple project increase requests are being evaluated concurrently, priority for limited funding will be determined by the Finance and Audit Committee. Approved cost increases later determined not to be needed, such as in the case where bids come in under estimate, will first be credited back to the NOACA funding program prior to the local sponsor or other funding program realizing a savings.

Staff will retain records of all project cost increase decisions and report back to the Finance and Audit Committee any changes in project increase status.