



NORTHEAST OHIO AREAWIDE COORDINATING AGENCY

MEMORANDUM

TO: NOACA Board of Directors

FROM: Grace Gallucci, Executive Director

DATE: June 5, 2015

RE: Resolution 2015-033 – Management of Cost Increases Policy

ACTION REQUESTED

The Board of Directors is asked to approve the Management of Cost Increases Policy to guide the management of future cost increase requests submitted for funding consideration by project sponsors.

BACKGROUND/JUSTIFICATION FOR CURRENT ACTION

At their September 2014 meeting, the Finance and Audit Committee discussed the need for sufficient policies and controls to effectively manage requests by local sponsors for additional funds due to project cost increases. Since 1992, the Regional Transportation Investment Policy (RTIP) has served as the agency's policy for federal-aid transportation investments for the region, including management of funding increase requests. Although the RTIP describes the actions that the committee may take when presented with funding increase requests, it does not establish a specific policy to guide when requests are considered and how requests are evaluated to best direct and control agency resources.

Staff indicated at the meeting that it would work with the committee to review the parameters contained within the RTIP for how and when projects receive additional funding. At the February 27, 2015 Finance and Audit Committee meeting, staff presented policy scenarios for input to best guide the development of new policy recommendations. Staff utilized committee input to develop a draft policy (attached) that was recommended for approval by the Finance and Audit Committee at their May 8, 2015 meeting.

FINANCIAL IMPACT

There is no financial impact.

CONCLUSION/NEXT STEPS

Upon Board approval, the RTIP will be revised to incorporate the Management of Cost Increases Policy. The revised RTIP will be posted to the NOACA website and dispersed to local government sponsors.

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Attachment 1

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.

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- 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 attached NOACA Funds Management Request Form and submit electronically to projects@mpo.noaca.org. 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.

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**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE
NORTHEAST OHIO AREAWIDE COORDINATING AGENCY**

WHEREAS, the Northeast Ohio Areawide Coordinating Agency (NOACA) is the Metropolitan Planning Organization (MPO) for the counties of Cuyahoga, Geauga, Lake, Lorain, and Medina, and the areawide water quality management agency for the same region; and

WHEREAS, NOACA is allocated federal funding through the federal Surface Transportation Program (STP) and Transportation Alternatives Program (TAP) Transportation Improvement Program (TIP) for regional transportation projects; and

WHEREAS, the NOACA is responsible for the administration of program funding allocations, including project selection, establishing project funding commitments, and management of cost commitments through project development and implementation; and

WHEREAS, the NOACA Regional Transportation Investment Policy (RTIP) serves as the agency's policy for federal-aid transportation investments for the region, including management of funding increase requests; and

WHEREAS, although the RTIP describes the actions that the committee may take when presented with funding increase requests, it does not establish sufficient policy to guide when requests are considered and how requests are evaluated to best direct and control agency resources; and

WHEREAS, at its September, 2014 meeting the Finance and Audit Committee discussed the need for more sufficient policies and controls to effectively manage requests by local sponsors for additional funds due to project cost increases

WHEREAS, a Management of Cost Increases Policy was developed with Finance and Audit Committee input; and

WHEREAS, the policy contains parameters for project cost increase eligibility, participation thresholds, times for evaluation of requests, and other conditions for approval; and

WHEREAS, the proposed policy has been reviewed and recommended for approval by the Finance and Audit Committee.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Northeast Ohio Areawide Coordinating Agency, consisting of 45 principal officials serving general purpose local governments throughout and within the counties of Cuyahoga, Geauga, Lake, Lorain, and Medina that:

Section 1: The Management of Cost Increases Policy (attached) is approved for amendment to the NOACA RTIP.

Section 2: The Executive Director is authorized to transmit certified copies of this resolution to appropriate federal, state, and local agencies.

Certified to be a true copy of a Resolution of the Board of
Directors of the Northeast Ohio Areawide Coordinating

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INCREASES POLICY)**

Agency adopted this 12th day of June 2015.

Secretary: *Michael P. Summer*

Date Signed: *June 12, 2015*