

6. COST OVERRUN POLICY UPDATE

BACKGROUND

Historically, the Transportation Policy Council considers cost increases to projects as they are presented. The funding share of the approved cost increases have been a 50/50 share (federal/local match) or 80/20 (federal/local match). The need to establish a policy for handling cost increases to provide clarity to project sponsors, H-GAC staff, and the Transportation Policy Council.

CURRENT SITUATION

In June 2022, H-GAC staff began discussions with the TIP Subcommittee regarding cost overruns brought to the Transportation Policy Council for consideration. Additionally, project sponsors are facing higher costs due to ongoing supply chain issues, higher unit costs, and increased costs due to drainage requirements. In effort to provide some guidance to local project sponsors, staff has identified some parameters for considering cost overruns at an 80/20 funding share as well as the 50/50 funding share.

Staff will update the Committee on the final draft cost overrun policy as attached in the packet.

ACTION REQUESTED

Recommendation for TPC approval of Resolution 2022-37



Resolution

NO. 2022-37

AUTHORIZING THE ADOPTION OF A COST OVERRUN POLICY.

WHEREAS, the Houston-Galveston Area Council (H-GAC) is designated as the Metropolitan Planning Organization (MPO) for the Houston - Galveston Transportation Management Area by the Governor of Texas in accordance with federal law, and;

WHEREAS, the Transportation Policy Council (TPC) is the regional transportation policy body, and;

WHEREAS, the Transportation Policy Council awards surface transportation funding to projects that provide greater mobility and access across all modes of transportation, and;

WHEREAS, the Transportation Policy Council establishes a cost overrun policy to frame the consideration of cost overruns and increases to projects selected for funding.

NOW, THEREFORE, BE IT RESOLVED BY THE TRANSPORTATION POLICY COUNCIL (TPC) FOR THE HOUSTON-GALVESTON TRANSPORTATION MANAGEMENT AREA HAS ESTABLISHED A COST OVERRUN POLICY AS IDENTIFIED IN THE ATTACHMENT.

PASSED AND APPROVED this 28th day of October 2022, at a regularly called meeting of the Transportation Policy Council.

APPROVED:

ATTEST:

Hon. David Robinson, Chairman
Transportation Policy Council

Hon. Nancy Arnold, Secretary
Transportation Policy Council

Cost Overrun Policy

Historically, the Transportation Policy Council (TPC) considered cost increases to projects as they are presented on a project-by-project basis. The funding share of the approved cost increases have typically been a 50/50 share (federal/local match) or 80/20 (federal/local match). Establishing a policy for handling cost increases is needed to provide clarity to project sponsors, H-GAC staff, and the Transportation Policy Council.

Evaluation

Cost overruns are based on the total estimated cost of approved phases (e.g., engineering, right-of-way, and/or construction) and are evaluated once the cost of approved phases has exceeded the original TPC-approved funding. The table below provides some examples of cost increase and cost overrun considerations. Cost increases that requested for generally unforeseeable circumstances be considered at an 80/20 federal/match funding share. This can include additional project development standards that have been enacted since the project was funded by the TPC. Cost overruns that are generally foreseeable will be considered at for a 50/50 federal/match funding share.

As these considerations may change over time, staff will continually review requests and data gathered through meetings with project sponsors to periodically re-assess these considerations.

Cost Increase/Cost Overrun Considerations	Match Policy (Federal/Match)	
	80/20	50/50
Generally Unforeseeable	X	
Cost increases due to inflation. (e.g., higher unit costs or increased right-of-way costs).	X	
Cost increases to accommodate new regulations or design standards	X	
Generally Foreseeable		X
Cost overrun associated with a change in project scope.		X
Cost overrun due to general schedule delays.		X

How to Request a Cost Increase/Cost Overrun

Project sponsors should contact H-GAC staff at a minimum of 9-12 months before the anticipated letting of the project. This will allow time for TPC consideration and, if approved, the needed adjustments to the Transportation Improvement Program and the Statewide Transportation Improvement Program.

Project sponsors should provide supporting documentation that demonstrates the need for additional funding. This should include a brief narrative explaining the circumstance of the change in cost, an updated cost estimate, and a table showing the increase in cost by approved phase of work.

Project cost increase requests must also be accompanied by an updated project schedule that accounts for TAC, TPC and Texas Transportation Commission actions to effect approval of an amended budget (TIP / STIP approval), followed by the local sponsor, TxDOT and FHWA actions to amend agreements and gain the approvals granting authority to expend those appropriated funds according to the amended budget. The full sequence can take 9 months or more. H-GAC staff can assist the project sponsor with the development of an appropriate schedule.

Project Monitoring and Data Gathering

Project sponsors will provide updated project cost information as part of the ongoing quarterly review of TPC-funded projects. H-GAC staff will gather feedback on the primary reasons for cost overruns and develop solutions to help avoid cost overruns in the future.