

To: Cost Review Sub-Committee
From: Sotoria Montanari, Program Manager
c: CRCOG Transportation Committee
Mr. Rob Aloise, Director of Planning
Ms. Cara Radzins, Transportation Deputy

Date: October 11, 2022

Subject: *DRAFT Inflation-Based Funding Adjustments/Funding Hard Caps*

At the September Transportation Committee meeting, the Committee discussed significant recently observed LOTCIP project cost escalations. According to CTDOT and the Federal Highway Administration, construction costs have risen over 20% since a year ago. Because the FY2022 applications were submitted almost a year ago, the Committee requested that staff review possible funding adjustments strategies for approved projects and present recommendations for potential approval at the October Transportation Committee meeting. Below are DRAFT recommendations:

1) CRCOG Approved Projects Currently in the Application Phase

The FY2022 LOTCIP Solicitation applications are currently being reviewed by CRCOG consultants, and their unit prices will need to be adjusted for recent inflation. Under current LOTCIP guidelines, project cost increases of 20% or more would need Committee approval prior to receipt of a CTDOT Commitment to Fund (CTF) letter. Instead of presenting individual project application increases for Committee approval, **staff recommends a blanket 25% increase in cost estimates for all Committee-approved LOTCIP projects currently in the application phase.** The total increased approval amount for the FY2022 applications would be approximately \$9M.

2) Projects Currently in the Design Phase

Staff met with CTDOT on September 29, 2022 to discuss unit cost increases and funding increase requests during the design phase. Currently, any increases 20% or over need both CRCOG Committee and CTDOT approval. Since this policy is written in the CTDOT LOTCIP guidelines and CRCOG guidelines, **staff recommends maintaining current procedures.**

3) Projects Currently in the Bidding Phase

The September 25, 2017 Transportation Committee meeting minutes reflected the following:

- *If a bid is up to 20% over the engineer's estimate, a municipality will comply with CTDOT's policy, but it will not be necessary to request the Cost Review Sub-Committee's approval.*
- *If a bid is 20%-25% over the engineer's estimate, CRCOG staff will work with the municipality to help mitigate costs. CRCOG staff will make a decision in the best interest of the town and the LOTCIP program. **Staff recommends revising this from "between 20% and 25%" to "between 20% and 40%".***
- *If the bid is 25% or more over the engineer's estimate, the Cost Review Sub-Committee will review and act on the overage, if substantial, as it may affect the overall program. **Staff recommends revising this percentage to 40%.***

4) Projects with Approved Funding Hard-Caps

Historically, substantial LOTCIP funding increases reaching \$3.9M or more have been approved with the caveat of implementing a Hard-Cap on funding at that approved level. This has resulted in different cap levels for the few projects that have reached these levels. With the current inflationary environment it is anticipated that many additional projects may exceed \$3.9M. In recognition of the current environment, and to resolve the current CRCOG funding cap inconsistency **staff recommends increasing current Hard-Caps to a consistent \$5.5M, while striving to maintain this hard-cap for future projects seeking funding approvals beyond this level.**