

Construction Projects On-Budget

Construction Projects On-Budget: The percentage of state administered projects for which total construction expenditures do not exceed the original construction authorization by more than 10%

Our strategy

Our goal for any given construction project is to ensure that total construction costs do not exceed the project's original construction authorization (i.e. budget) by more than 10%. We achieve this through accurate schedule and budget development and effective contract and risk management throughout the life of the project.

ODOT has redefined how we categorize contract change orders (CCO) that affect project expenditures, allowing us to determine which changes were avoidable, unavoidable, or elective. By doing so and reporting on the frequency of and reasons

for different CCO types, ODOT can provide greater transparency of its change management practices and take actions to reduce the number of avoidable contract change orders that can negatively impact project expenses and schedules.

About the target

The target is set at 80% of projects. This was established for consistency with peer DOTs, but will be revised as our capability increases to reduce avoidable contract changes.

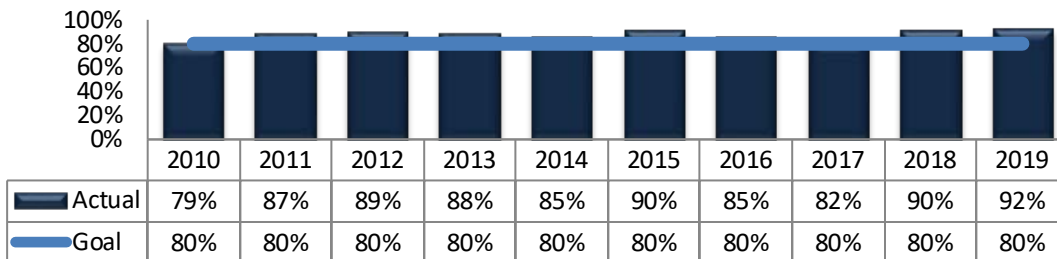
How we are doing and how we compare?

For state fiscal year 2019, performance is at 92% of projects on-budget. No projects were re-baselined for budget in state fiscal year 2019. Performance has exceeded the target of 80% since 2011.

In response to an ODOT management assessment (McKinsey & Co. 2017), ODOT revised its construction on-budget measure to be more consistent with peer DOTs and to also account for the appropriate cost accounting of CCOs for on-budget measurement.

Any project on-budget measure must have a final expense figure to compare to a

Construction Projects on Budget - Percentage of state administered projects for which total construction expenditures are within 10% of its baselined construction authorization



Fact

Since 2010, performance has fluctuated around an average of 87% projects on budget. No trends are evident at this yearly level view.

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baselined budget. For Construction Projects On-Budget, this baselined budget is the Net Construction Authorization set at contract award.

For most projects total construction expenses are used to determine on-budget performance; however, there are circumstances, described below, where ODOT would adjust this figure based on the type of expenses incurred.



Factors affecting results and what needs to be done

Final construction costs can incorporate a number of components not included in the original authorization amount. These cost components can include variance between actual and planned quantities, contract change orders, extra work orders, force accounts, pay factors, escalation/de-escalation, and anticipated items. These components can result in positive or negative cost adjustments in the contract.

While such components are estimated when project budgets are established, uncertainties are inherent in any complex

construction project. For example, market trends such as higher than expected inflation and rises in steel, oil, and asphalt prices can contribute to cost increases. Unanticipated geological features, archeological finds, or environmental impacts can also lead to unanticipated costs.

Not all unanticipated costs are a bad thing, however. The expansion of a project's scope in construction, for example, can meet agency goals and regional needs despite increasing overall project costs. ODOT's new on-budget measure accounts for this by adjusting the final expense figure in the case of elective actions and unavoidable contract changes.

For this on-budget measure, circumstances allowing for the adjustment of the final expense figure include:

- Elective expansion of project scope by ODOT
- New requirements or interpretations from regulatory agencies, including FHWA, affecting the construction contract
- Unavoidable budget impacts due to natural events

Circumstances that would not result in adjusting the final expense figure include:

- Errors in plans, specifications, and/or design
- Unacceptable traffic impacts
- Construction engineering errors

About the measure

When determining projects on budget, all state administered projects that have issued final payment are considered. Total construction expenses (adjusted to account for elective and unavoidable change orders) for each project are compared to the project's original authorization (also known as the net construction authorization). If the adjusted total expense figure does not exceed the original authorization by more than 10%, the project is considered on-budget. Performance is reported as a percentage of projects that are on budget in any given state fiscal year.

Data source

ODOT CService

Contact information

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