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Sharon Rollins

Municipal Technical Advisory Service, Sharon.Rollins@tennessee.edu

Anderson W. Jordan

Municipal Technical Advisory Service

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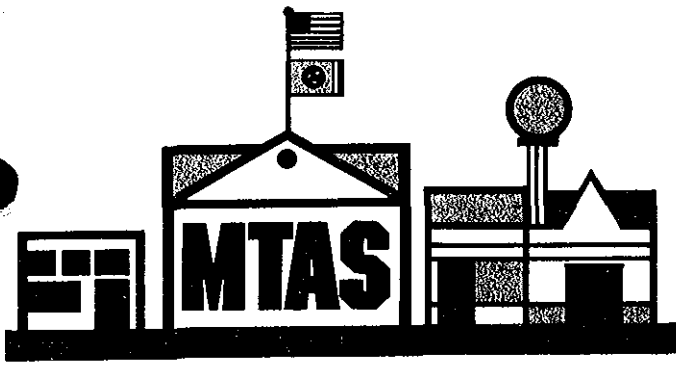
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TECHNICAL UT BULLETIN

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THE UNIVERSITY OF TENNESSEE
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NEW EPA REGULATIONS LIMIT COST OVERRUNS TO 5%

By: Sharon Rollins and Anderson W. Jordan
Utility Management Consultants

The EPA has announced that effective February 10, 1986, all Wastewater Grants will be subject to this 5% overrun rule. This means that local grant decisions resulting in cost overruns in excess of 5% will have to be paid for by the GRANTEE.

Because of this new regulation, EPA and TDHE are strongly recommending to GRANTEES that cost increases be held to a minimum. One exception to the new rule are cost increases that are related to unanticipated site conditions.

EPA has determined that cost increases for well-managed construction projects generally amount to less than 5% of the original bid price. Therefore, EPA has decided to limit grant increases to no more than 5%. Municipalities are strongly encouraged to keep cost increases at a minimum by efficient management of the entire construction project, including: (1) retaining qualified project management coordinators (PMCs); (2) maintaining schedules; (3) preparing adequate plans and specifications; and (4) resolving problems immediately.

The municipality with a GRANT may elect to retain additional PROJECT MANAGEMENT expertise. There have been two cities that have done so recently, Woodbury and Centerville. The Project Management Coordinator, if needed, works in conjunction with the Consulting Engineer. THIS POSITION IS GRANT ELIGIBLE.

In addition to the option of retaining a coordinator, the MTAS Wastewater Technical Assistance Program has initiated the Project Management Committee procedure. Since the Fall of 1985, the following cities have adopted this process by Resolution. They are: Jonesborough, Erwin, Manchester, Elizabethton, Newbern, Munford, Ripley, Rogersville, and Mount Carmel. These cities have found it very expedient to form a Management Committee composed of the essential positions, such as the mayor, council members, city attorney, consulting engineer, and/or others that might need to serve. These Committees have asked the TDHE Basin Office representative and the MTAS Area Wastewater Consultant to serve as ex-officio members of the Committee. Please feel free to contact the mayors of the cities listed above for comments or evaluations of this procedure.

This Technical Bulletin is intended to alert Municipal Officials and their agents that the EPA Regulations change as stated below is designed to penalize POOR MANAGEMENT DECISIONS.

The new EPA Regulation, 40 CRF Part 35, Subpart I has been amended and the following verbatim text from Section 35.2205 is given:

35.2205 Maximum allowable project cost.

(a) Grants awarded on or after the effective date of this regulation. Except as provided in paragraph (c) of this Section, for Step 2 + 3 or Step 3 grants awarded on or after the effective date of this regulation, the maximum allowable project cost will be the sum of:

(1) The allowable cost of the following:

(i) The initial award amount of all project subagreements between the grantee and its contractors;

(ii) The initial amounts approved for force account work to be performed on the project;

(iii) The purchase price of eligible real property; and

(iv) The initial amount approved or project costs not included under paragraphs (a)(1)(i) through (a)(1)(iii) of this Section, excluding any amounts approved for an allowance under 35.2205 and for contingencies; and

(2) Five percent of the sum of the amounts included under (a)(1)(i) through (a)(1)(iv) of this Section.

(b) Grants awarded before the effective date of the regulation. Except as provided in paragraph (c) of this Section, for Step 2 + 3 or Step 3 grants awarded before the effective date of this regulation, the maximum allowable increase in the cost for work covered by each subagreement finally advertised or, where there will be no advertisement, each subagreement awarded on or after the effective date of this regulation will be 5% of the initial award amount of the subagreement.

(c) Differing site conditions. In determining whether the maximum allowable project cost or increase in subagreement cost will be exceeded, costs of equitable adjustments for differing site conditions will be exempt, provided the requirements of 40 CFR Part 35, Subpart I, Appendix A, Paragraph A.1.g. and all other applicable laws and regulations have been met.

For additional information, contact:

TDHE, Construction Grants and Loans
150 Ninth Avenue, North
Nashville, TN 37219
(615) 741-0638; or

University of Tennessee Municipal Technical Advisory Service
Utility Management Consultants:

Andy Jordan or Anne Hawkins, Knoxville (615) 974-5301;

Sharon Rollins or Al Major, Nashville (615) 256-8141;

Ed Archer, Jackson (901) 423-3710.