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From: Anderson, Stuart [DOT]**Sent:** Wednesday, May 13, 2009 11:10 AM

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Subject: Adjustment of Recovery Act Project Obligations

To: Iowa Metropolitan Planning Organizations
and Regional Planning Affiliations

Date: May 13, 2009

From: Stuart Anderson, Director
Planning, Programming and Modal Division
Iowa Department of Transportation

Subject: Adjustment of Recovery Act Project Obligations

During the month of April, the first lettings were held for local agency projects funded by the American Recovery and Reinvestment Act of 2009 (Recovery Act). The April letting results indicate there are some Recovery Act projects for which the low bids are less than the Recovery Act funds programmed for the project, as shown in the approved Statewide Transportation Improvement Program (STIP). This increases the possibility that not all of the Recovery Act funds provided to the Regional Planning Affiliations (RPAs) and Metropolitan Planning Organizations (MPOs) will be expended or obligated within required timeframes.

To prevent this from happening, and to maximize the ability of RPAs and MPOs to keep Recovery Act funding within the region, the Iowa Department of Transportation (Iowa DOT) will implement the procedures outlined in this memo. These procedures will only be used for those projects where the awarded bid amount plus any other

previously obligated Recovery Act funds (i.e., preliminary engineering, right-of-way acquisition or construction engineering) are less than the amount of Recovery Act funds programmed for the project.

After a local agency has taken action to award a contract to the lowest responsive bidder and provided the Iowa DOT with a copy of the executed contract, the amount of Recovery Act funds obligated for the project will be adjusted to match the awarded low bid amount plus any other previously obligated Recovery Act funds. After this adjustment, the amount of Recovery Act funds available for the project will be permanently fixed.

For such projects, the difference between the adjusted obligation and the programmed amount may be reprogrammed by the respective RPA or MPO. First, the excess funds may be moved to another Recovery Act project where the estimated eligible costs are in excess of the Recovery Act funds currently programmed. Second, if enough excess funds become available, a planning agency may add a new Recovery Act project to its program. However, because of the limited time available to program and develop a new project, and because of the significant reporting requirements associated with Recovery Act projects, the Iowa DOT recommends that planning agencies exercise the first option. Please remember that in order to meet the deadline to fully obligate the Recovery Act funding, local agency construction projects must be let for bids no later than January 20, 2010. Any Recovery Act funds not let by that time will be transferred to the Iowa DOT for programming. This will be done to assure that the Recovery Act funding is not lost to the state of Iowa. We are implementing these provisions to avoid this situation.

We realize that some projects for which the amount of obligated Recovery Act funds are adjusted downward may later have change orders that increase the amount of eligible costs. In such cases, this will increase the amount of project costs that must be paid for with other sources. Even though this may not be desirable from the standpoint of an individual local agency, we think the procedure outlined above is the best method to ensure that as a whole, local agencies are able to fully utilize all of the Recovery Act funds that have been provided to them.

Planning agencies that have questions may contact Shawn Majors at 515-239-1288 or shawn.majors@dot.iowa.gov. Local agencies that have questions may contact Charlie Purcell at 515-239-1532 or charlie.purcell@dot.iowa.gov.

cc: Counties

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