Introduction

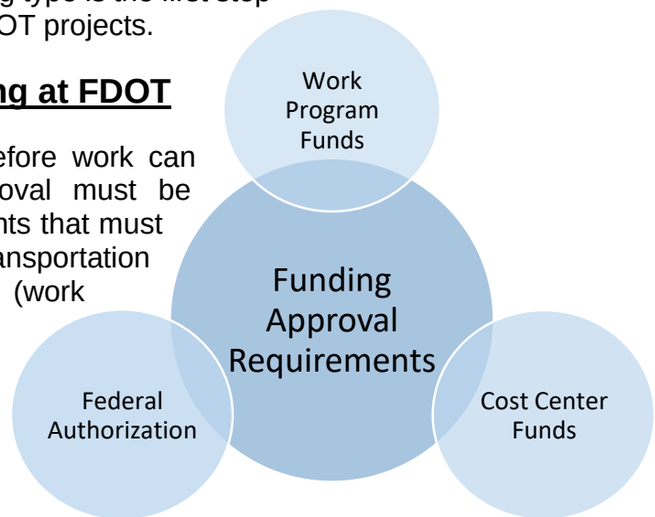
Cost management is a key component to successfully managing projects; however, to effectively manage Florida Department of Transportation (FDOT) projects, project managers (PM) should first have a basic understanding of how project funding works at FDOT.

FDOT is unique when it comes to project funding. It is the only State of Florida agency that receives both operating and work program funding for projects. Furthermore, State and Federal funding sources can both be broken down even further to additional varieties of state funding and federal funding. These funding nuances can be complex and can even impact how cost management is communicated, monitored, and tracked on projects.

Having a basic understanding of project funding sources and how projects should be managed depending on the funding type is the first step in successfully managing cost for FDOT projects.

Understanding Project Funding at FDOT

It is important to remember that before work can begin on a project, funding approval must be received. There are three requirements that must be met for funding approval. All Transportation projects must have funds approval (work program), budget approval, and federal authorization (only applies to federal projects). If any of the three requirements have not been met, then project work should not begin.



In addition, every Transportation project has a Long-Range Estimate (LRE) when initially programmed for funding. The LRE provides an itemized list of pay items needed to construct the project. The LRE list can be grouped into component sections such as roadway, lighting, drainage, or traffic. When developing a cost management plan for an FDOT project, project managers should review the LRE and compare it against the intent of the project.

Although a project manager should understand the project funding process for state and federal funding, FDOT Project Managers are not normally involved in the process of developing the work program. However, the PM must know what is in the work program that pertains to their projects and the implications of that information. The project must be in the Adopted Work Program to be undertaken. If federally funded, the project must be included in the State Transportation Improvement Program (STIP). If the project is in a Metropolitan Planning Organization (MPO) area, it must also be included in the MPO's Transportation Improvement Program (TIP). For more information on understanding FDOT's work program, please visit ***PMG 210 Understanding Work Program***.

Cost Management

Cost management is the process of estimating, budgeting, and controlling project costs. The cost management process begins during the planning phase and continues throughout the duration of the project as project managers continue to review, monitor, and adjust expenditures to ensure the project does not go over the approved budget. FDOT Project Managers are responsible for the successful progression of a transportation improvement project through all project phases. The PM must ensure that the work program estimate for each phase is valid and that the planned improvements can be produced as scheduled. If circumstances make it impossible to complete the planned improvements within the work program estimate or schedule, the PM must take the appropriate steps to revise the project scope, estimate, or budget and coordinate these changes with the Work Program Office. It is the PM's responsibility to keep the work program data current.

Cost Management – FDOT Best Practices

Managing costs on FDOT projects can be very complex. There are many cost variables that project managers must consider. These factors include work program, funding types, and contract types.

Below are some best practices that project managers should consider when managing the various cost variables on FDOT projects.

- **Follow Federal Guidelines for All Projects:** Even just one dollar of federal funds used on a project in any phase will "federalize" an FDOT project. On projects that are state funded, it is a good practice to follow federal guidelines to avoid precluding the use of federal funds in a subsequent project phase. Note: Projects that are federalized must meet additional federal requirements.

- **Manage Risks and Hidden Costs:** There are many factors related to the cost of a project that is outside of the project manager's control. FDOT Project Managers should strive to consistently communicate a clear vision of the project scope which can help to mitigate potential scope creep as stakeholders change over the life of the project. The PM should also ensure that the project scope aligns with the project estimate. There are times when the intent of the project can cause one to think that a project element is not being impacted when it actually is impacted. Conducting a risk analysis is a way to identify some of those hidden costs and minimize (or budget for) the impact on the project. A formal risk analysis is required on some projects, but some form of risk analysis is recommended on all projects. See ***PMG 240*** for more information on Risk Management.

- **Staff Hour Negotiations:** When negotiating staff hours, project managers and their subject matter experts should focus on the hours it takes to do the tasks and the distribution of those hours. The individual hourly rate is established by the Professional Services Unit (PSU) and the overall funding source is established by the work program.

- **Contract Types:** There are several types of contracts a project manager may encounter on an FDOT project. There are stand-alone contracts and task work orders. Stand-alone contracts are used to secure engineering services for one project. For contracts where engineering services are procured to perform services for an unknown grouping of projects, continuing services contracts or task work order-based contracts can be used.