

# JOINT TRANSPORTATION RESEARCH PROGRAM

INDIANA DEPARTMENT OF TRANSPORTATION  
AND PURDUE UNIVERSITY



## INDOT-JTRP LPA Process Improvement



**Jon Padfield, Ted Boehm, Jim Handy**

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## AUTHORS

### **Jon Padfield, PhD**

Technical Assistance Program  
Purdue University

### **Ted Boehm**

Technical Assistance Program  
Purdue University

### **Jim Handy**

Principal Investigator  
Technical Assistance Program  
Purdue University  
(317) 275-6813  
[jhandy@purdue.edu](mailto:jhandy@purdue.edu)  
*Corresponding Author*

## JOINT TRANSPORTATION RESEARCH PROGRAM

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<b>16. Abstract</b> <p>The Indiana Department of Transportation (INDOT) administers the INDOT Local Public Agency Program (LPA Program) to provide funds to local public agencies for transportation related improvement projects. The funds distributed through this program are federal funds and they are provided on a reimbursement basis (i.e., LPAs spend their own money on project related expenses then submit an LPA invoice-voucher for reimbursement). LPAs typically receive 80% reimbursement of allowable expenses.</p> <p>This project ran concurrent with a number of changes already taking place within INDOT to improve the LPA Program. The purpose of this project was to take a systematic look at all the factors impacting the overall length of projects and to find additional recommendations to shorten the time from Call for Projects to Letting. In addition, the project also collected feedback from numerous stakeholders around Indiana in an attempt to get an early indication on the effectiveness of changes already underway within the LPA Program.</p> <p>During the initial phase of this project, a series of people with first hand LPA experience were interviewed about specific "good projects" (ones that finished on time or nearly on time) and "bad projects" (ones that were cancelled or finished well beyond their originally scheduled completion date). Following those initial interviews, a series of interviews were scheduled with LPA stakeholders around the state to look for common themes, "pain points," and improvement ideas.</p> <p>This report documents those common themes and lists a series of recommendations to address the pain points shared by the stakeholders. The recommendations are a combination of many ideas suggested by the people interviewed as a part of this project and discussions of "pain points" analyzed by the interviewers, principal investigator, business owner, and project advisor.</p>		<b>13. Type of Report and Period Covered</b> Final Report	
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## EXECUTIVE SUMMARY

### INDOT-JTRP LPA PROCESS IMPROVEMENT

#### Introduction

In FY 2014 and 2015, the Indiana Department of Transportation's Local Public Agency Program let a total of 339 contracts worth \$437,000,000 (an average of \$1.3 million per contract). In FY 2016, the program is expected to let an additional 167 contracts worth \$207,000,000.

The projects funded through the LPA Program were selected from all the projects submitted in response to a Call for Projects. The Employee in Responsible Charge (ERC) who works for the local public agency oversees the projects locally. Depending upon the complexity of the project and the resources of the local public agency, certified LPA Consultant Project Managers are often hired by the LPA to manage their project(s).

Small local public agencies may have only one LPA Program funded project every few years often. In contrast, large metropolitan planning organizations (MPOs), which consist of multiple adjacent local public agencies, often have multiple LPA Program funded projects running concurrently.

Nearly all transportation construction projects involve a number of time-consuming tasks such as environmental impact studies, right-of-way acquisition, and moving utilities. In addition, some projects also involve complicating factors such as railroads, rivers, and state parks, which require additional tasks, studies, and/or approvals.

This project was launched in an attempt to find the common causes of project delays and recommendations for dealing with those delays in order to get projects to letting on time. When projects miss their letting date, they sometimes slip into a subsequent fiscal year, which causes a ripple effect due to money allocated in one budget year not being spent and unplanned expenses appearing in the following budget year.

#### Findings

Based on the input from 57 LPA Program stakeholders and an analysis of the LPA Program value stream map (Figures 5.1 through 5.6), there appear to be two major opportunities for significant improvement and several additional areas for minor improvements.

The first major area is in helping small LPAs to hire a well-qualified consultant earlier in the process. This will help ensure that small LPAs (who may only do 1 LPA project every 2–4 years) and who have less experienced ERCs are not at such a disadvantage when running their projects.

The second major area is making the entire LPA Program scalable based upon the specifics of the project and the expertise of the LPA/MPO.

The recommendation section of this report outlines several ideas to address these two major areas and offers several other ideas to make incremental improvements in other areas of the LPA Program.

#### Implementation

##### *Hiring Consultants Earlier in the Process*

The State of Kentucky has three different options for LPAs to hire a consultant. The first method is similar to the way the INDOT LPA Program Guidance Document instructs LPAs to

advertise, score, and select consultants. However, Kentucky also allows LPAs to use consultants who have a statewide contract with KDOT. In addition, for projects where fees for professional services are expected to be below \$50,000, Kentucky allows LPAs to enter into price contracts with consulting firms.

Appendix B contains more detail on the Kentucky Statewide Contracts Model. According to Pam Drach, who has experience with Kentucky projects in her role with the Evansville MPO, this option can save as much as 6 months off a project timeline.

##### *Scalability*

One of the most requested changes to the LPA Program was to make it scalable or flexible to better fit the size of the project and the expertise of the LPA/MPO. Several LPA stakeholders said that paying 100% of the project as a local project was cheaper than paying 20% of the cost of a Federal-aid project. Figure 8.1 shows a suggested "Pathways model" that would allow different approaches for different projects based upon the project details and the experience/comfort level of the LPA/MPO.

Under the Pathways model, qualifying projects could use Option 1, which is a federal funds exchange authorized by Indiana law (see Appendix C). Under this option, INDOT would in essence "buy back" federal transportation dollars from LPAs for "not less than \$0.75 per dollar." This would greatly reduce the burden on small projects and LPAs by removing federal requirements from the project.

This law was passed in 2013, but according to several stakeholders interviewed, to date this option has only been used on rare occasion.

Option 2A under the Pathways model would be to continue using the current LPA Program with a few of the minor improvements recommended in this section (i.e., planning tools, consultant selection and negotiation training, etc.)

Options 2B and 2C would also continue to use the current LPA Program with minor improvements, with the exception of how consultants are selected and hired. Option 2B would use statewide contracts like Kentucky, and Option 2C would use price contracts (see Appendix B for more details).

Option 3 would largely remove INDOT from the LPA Program and turn the administration of the project over to the LPA/MPO. Appendix A shows how Kentucky has already implemented this option, and Appendix D shows a form letter used by the State of Washington to assign administration responsibility to LPAs. Additionally, Appendix E contains a PowerPoint presentation created by FHWA regarding a study it conducted on LPA-administered projects. This study highlights some areas for concern as well and lists resources for best practices when states opt to allow LPAs to administer their own projects.

##### *Other Recommendations*

The stakeholders interviewed made several other incremental suggestions for INDOT:

- Host an annual district meeting for LPAs to give feedback on what is and is not working well in the LPA Program.
- Allow LPAs to hire a contract ERC.
- Assist LPAs/MPOs in driving accountability for unresponsive utilities "like they do for state projects."
- Create and deliver consultant selection training (including contract negotiation training) for LPAs.
- Create a project planning tool (like a Gantt chart) that lists all project tasks, the estimated durations, and their dependencies so the overall timeline can be better understood and shared among all stakeholders.

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## 1. INTRODUCTION

In FY 2014 and 2015, the Indiana Department of Transportation's Local Public Agency Program let a total of 339 contracts worth \$437,000,000 (an average of \$1.3 million per contract). In FY 2016, the program is expected to let an additional 167 contracts worth \$207,000,000.

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Small local public agencies may only have one LPA Program funded project every few years often. In contrast, large Metropolitan Planning Organizations (MPOs) which consist of multiple, adjacent local public agencies, often have multiple LPA Program funded projects running concurrently.

Nearly all transportation construction projects involve a number of time consuming tasks such as environmental impact studies, right-of-way acquisition, and moving utilities. In addition, some projects also involve complicating factors such as railroads, rivers, and State Parks, which require additional tasks, studies and/or approvals.

This project was launched in an attempt to find the common causes of project delays and recommendations for dealing with those delays in order to get projects to letting on time. When projects miss their letting date, they sometimes slip into a subsequent fiscal year which causes a ripple effect due to money allocated in one budget year not being spent and unplanned expenses appearing in the following budget year.

## 2. PROBLEM STATEMENT

Projects funded through the LPA Program have historically taken longer to get from Call for Projects to Letting than both INDOT and the LPAs have expected and desired. These delays sometimes have a cascading effect where one missed deadline can push a project back to the next fiscal year or construction season. This causes additional problems and delays because the

money allocated for a given project might not be spent in the annual budget in which it was approved.

## 3. OBJECTIVES

1. Identify bottlenecks in the current LPA Program that cause delays between Call for Projects and Letting
2. Identify recommendations/best practices from around the state that can be incorporated into the LPA Program
3. Collect initial feedback on LPA Program changes already underway

## 4. WORK PLAN

This project relied heavily on interviews with LPA Program stakeholders across Indiana. Figure 4.1 summarizes the stakeholders interviewed for this project. However, all interviewees were informed their comments and examples would be aggregated and anonymized to encourage everyone to speak freely about what was working well and where improvements were needed to the LPA Program.

In total, 37 interviews were conducted with 57 participants. The roles of the 57 interviewees are summarized in Figure 4.2.

The early interviews with INDOT District personnel help to generate a list of additional stakeholders to interview for this project. These interviews also described "pain points" with the LPA Program from INDOT's perspective. The subsequent interviews with ERCs, Consultants and elected officials provided insights on "pain points" from other perspectives to create a holistic assessment of the LPA Program.

The scope of this project was intentionally limited to focus on the activities that take place between the Call for Projects and Letting. A conscious effort was made during each interview to ask open ended, objective questions about the stakeholders experiences (both positive and negative) with the LPA Program. The "takeaways" from those interviews are summarized in the Analysis of Data section of this report.

Some of the stakeholders shared their knowledge about how other states administer their LPA Program. Research was conducted into these alternative approaches used outside of Indiana and some key documents from that research are included in Appendices A and B of this report.

Date	Location	Interviewee(s)
06/19/14	Crawfordsville District Office	Mike Wink
06/24/14	Fort Wayne District Office	David Armstrong, Greg Smith
06/27/14	Crawfordsville District Office	Susan Kemp
07/01/14	Indianapolis MPO	Kristyn Campbell, Steve Cunningham
07/17/14	Indianapolis Dept of Public Works	Jason Koch, Angela Nicholson, Larry Jones, Andy Lutes
09/19/14	Danville	John Ayers, Luke Mastin
10/06/14	Greenfield District Office	Britni Saunders
10/06/14	Federal Building Indianapolis	Leslie Landht
10/09/14	Brownsburg	Todd Barker, John Blake
10/17/14	Federal Building Indianapolis	Leslie Landht, Rick Marquis, Janice Osadczuk
10/17/14	Delphi	Randy Strasser
10/23/14	West Lafayette	Dave Buck
10/27/14	Avon	Ryan Cannon
10/27/14	Crossroads Consulting (Indianapolis)	Trent Newport
11/06/14	Lebannon	Tom Kouns
11/25/14	Danville	Brad Davis, John Ayers, Luke Mastin
11/26/14	Crawfordsville District Office	Bert Herron
11/26/14	Bloomington	Bill Williams
12/01/14	Grant County	Dave White
12/08/14	Lafayette City Building	Jennifer Miller Leshney
01/09/15	CHA Consultant	Dave Henkel, Angela DeWees, Susan Al-Abbas
01/23/15	Tippecanoe County Building	Sallie Fahey, Opal Kuhl
02/18/15	West Lafayette LTAP Building	Bob McCollough
02/19/15	United Consulting (Indianapolis)	Chris Pope, Chris Hammond, Jon Clodfelter
03/18/15	Crawfordsville District Office	Travis Kohl, Mike Eubank
03/19/15	Daviess County	Jason Heile
03/25/15	Seymour	Craig Luedeman, Nathan Frey
04/13/15	Tippecanoe County Office Building	Tom Murtaugh, Tracy Brown
04/13/15	INDOT Central Office	Louis Feagans
04/14/15	Evansville MPO	Pam Drach
04/15/15	INDOT Central Office	Brenda Fox
04/20/15	Noblesville	Jim Helman, Andrew Rodewald, John Beery
04/22/15	Purdue WL campus	John Haddock
05/19/15	Goshen (Elkhart County Hwy Dept)	Jay Grossman
05/20/15	DLZ Consulting (Ft. Wayne)	Jody Coblentz
06/02/15	Danville Town Hall	Gary Eakin, Rob Roberts, Julie Cooney, Eric Wathen
06/10/15	Evansville MPO	Pam Drach

Figure 4.1 LPA Program stakeholders interviewed for this project.

INDOT Central Office	INDOT District	MPO	LPA (MPO)	LPA (Non-MPO)	Mayor	Consultant	LTAP	FHWA
3	7	3	25	3	2	6	5	3

Figure 4.2 Roles of the 57 LPA Program stakeholders interviewed.



## 5. ANALYSIS OF DATA

A value stream map (VSM) was created to visually represent the steps involved in moving an LPA Program project from Call for Projects to Letting. Due to the physical length of a printed VSM, they are often printed on a roll of paper and posted on a wall to make them easier to read and follow. Due to space limitations the VSM for this report was divided into six figures (see Figures 5.1 through 5.6).

It is important to note that Figures 5.1 through 5.4 show the work that is performed prior to a consultant being hired by an LPA. Over half of the steps involved in an LPA Program project are completed prior to a consultant being hired to manage the remainder of the project. Several crucial steps, such as the preparation of the project proposal and requesting an early coordination meeting may not be completed properly or on time if the LPA does not have an experienced ERC to initiate the project.

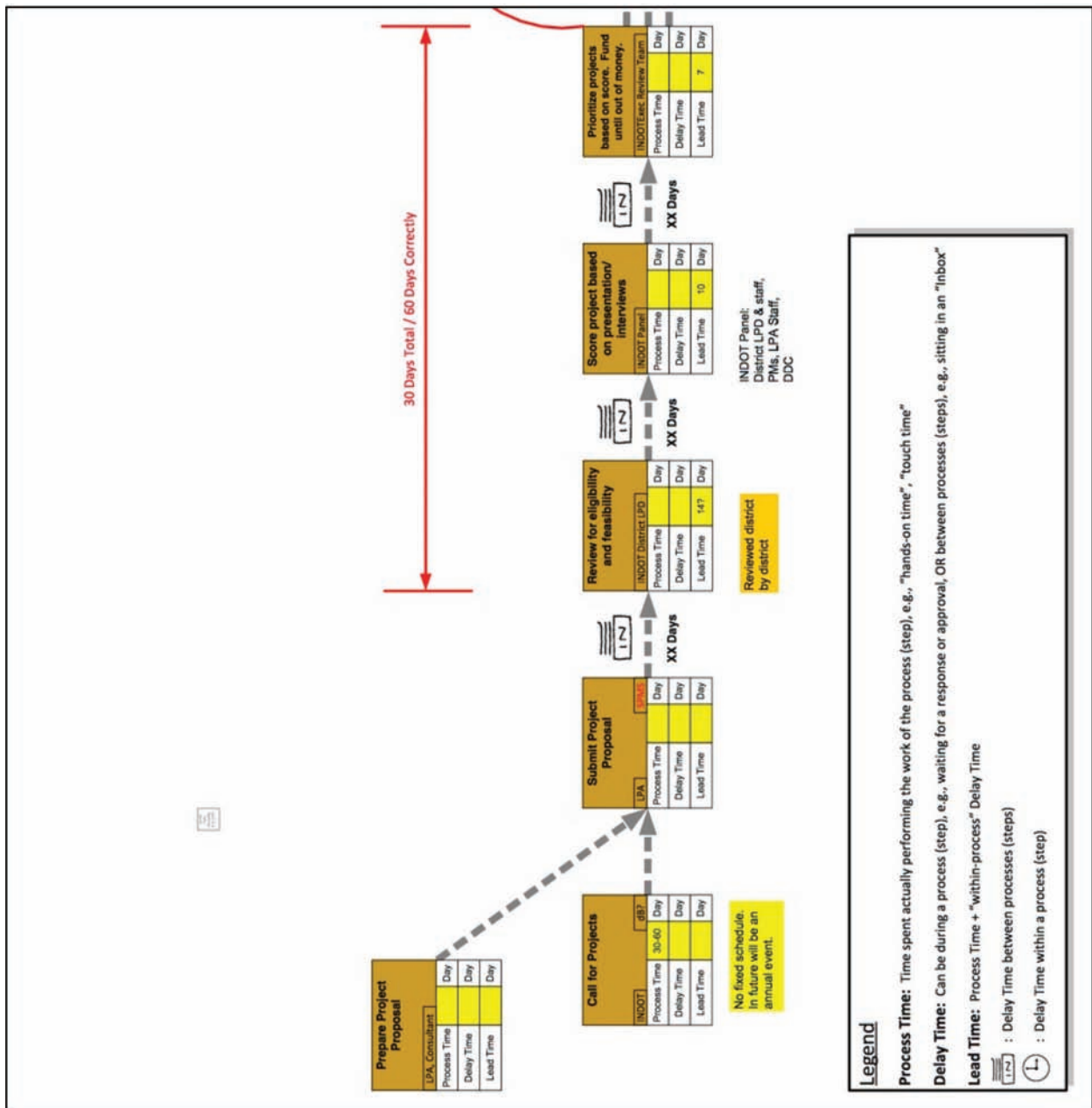


Figure 5.1 VSM (section 1 of 6).

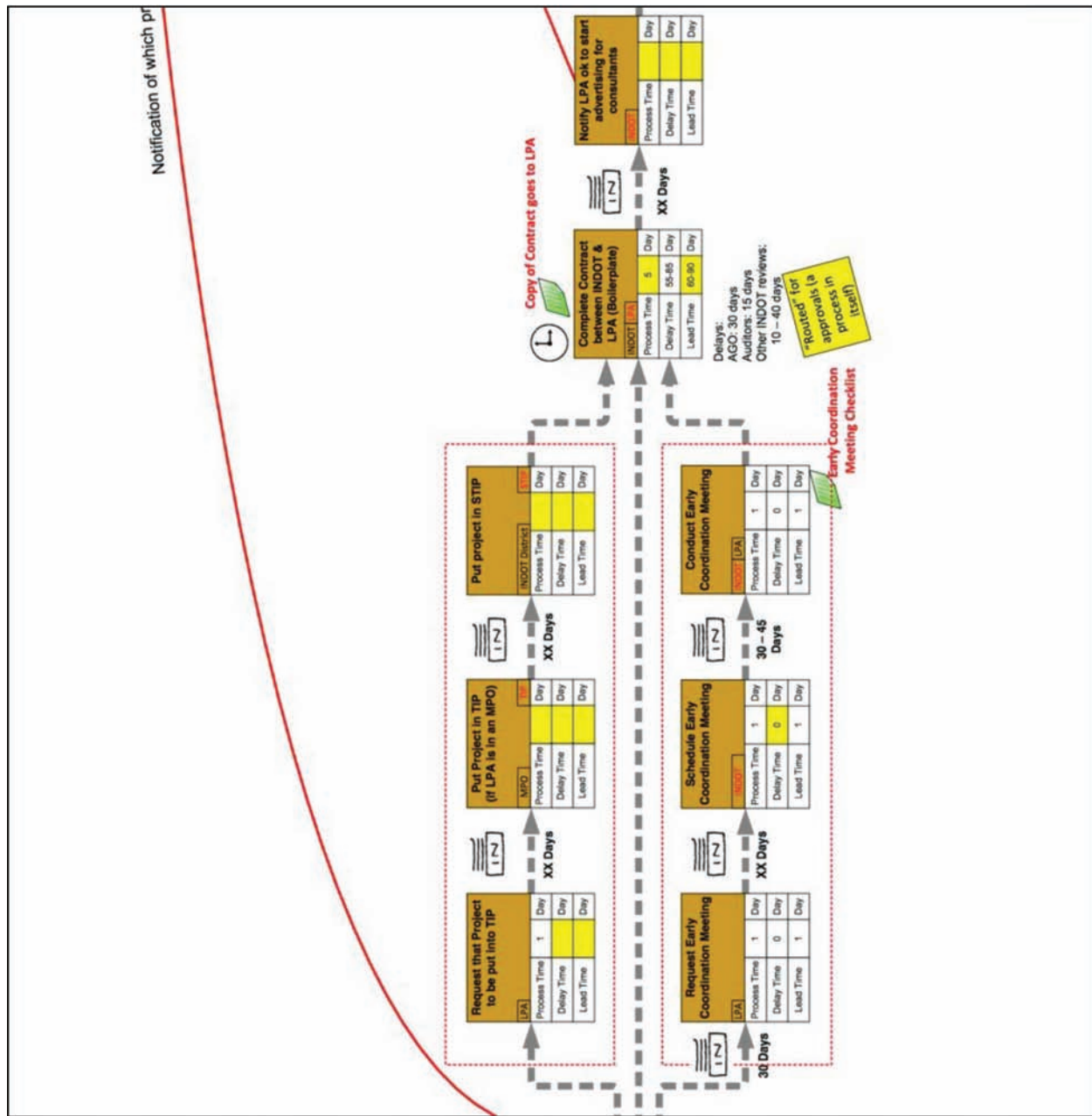


Figure 5.2 VSM (section 2 of 6).

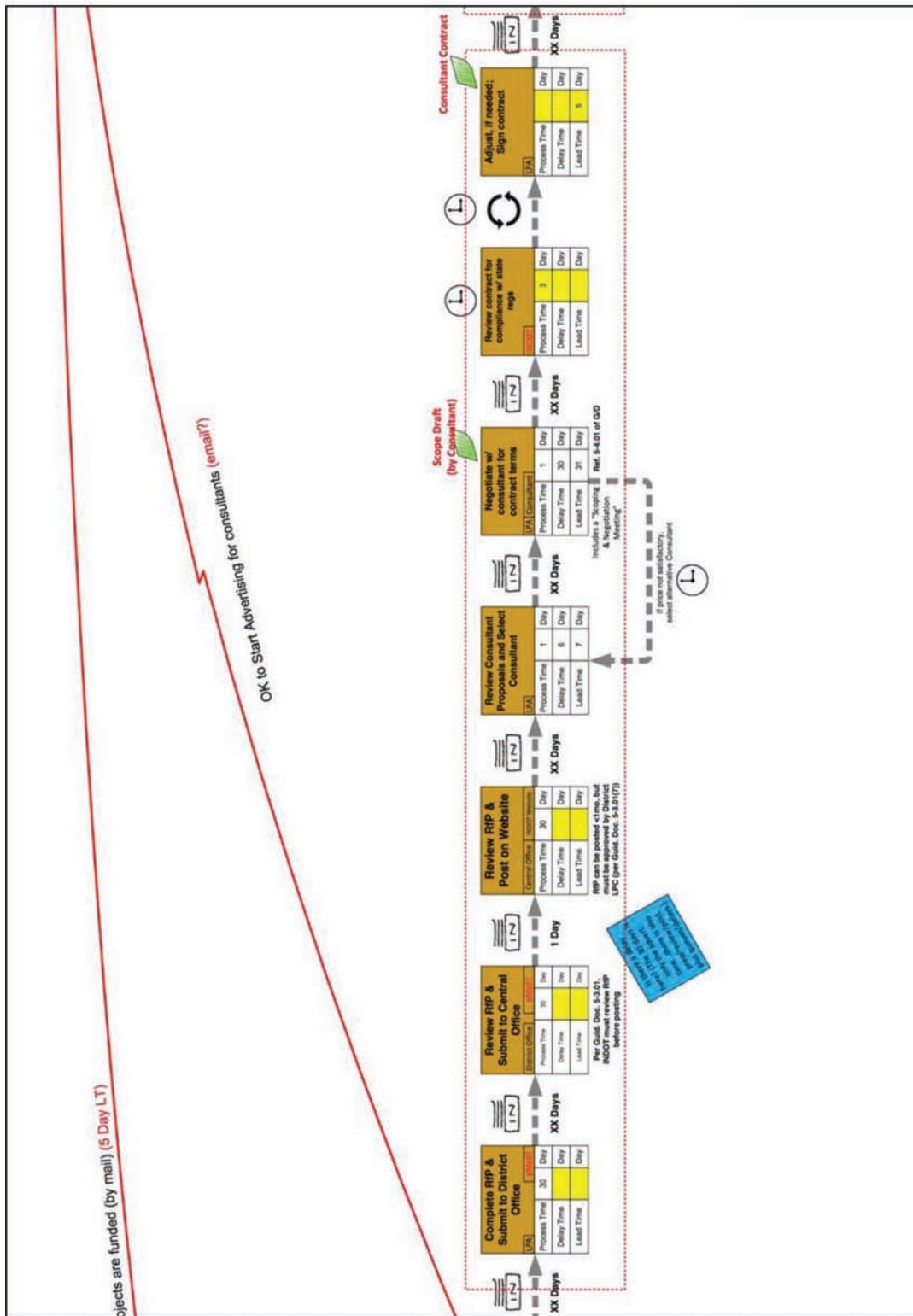


Figure 5.3 VSM (section 3 of 6).

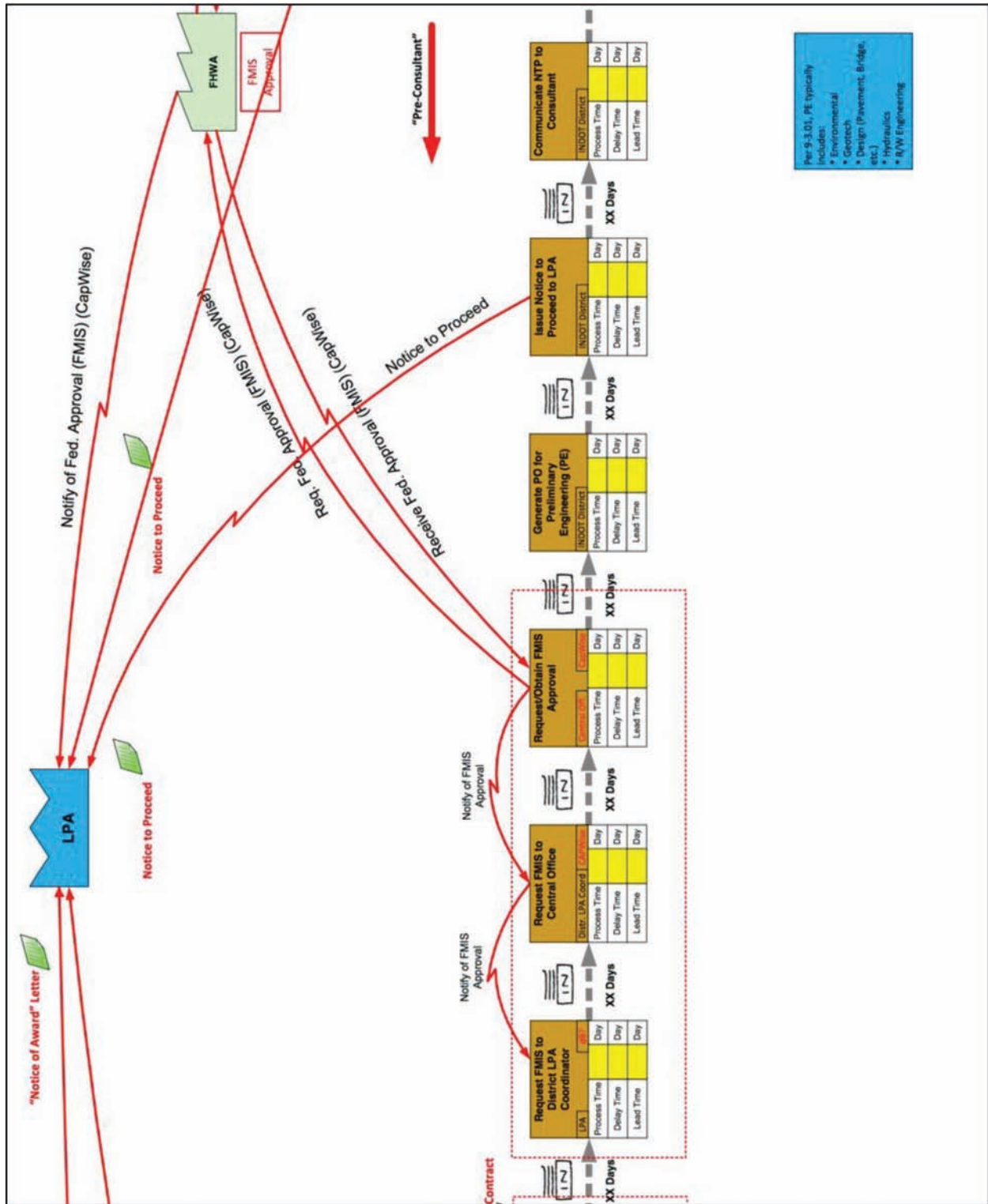


Figure 5.4 VSM (section 4 of 6).

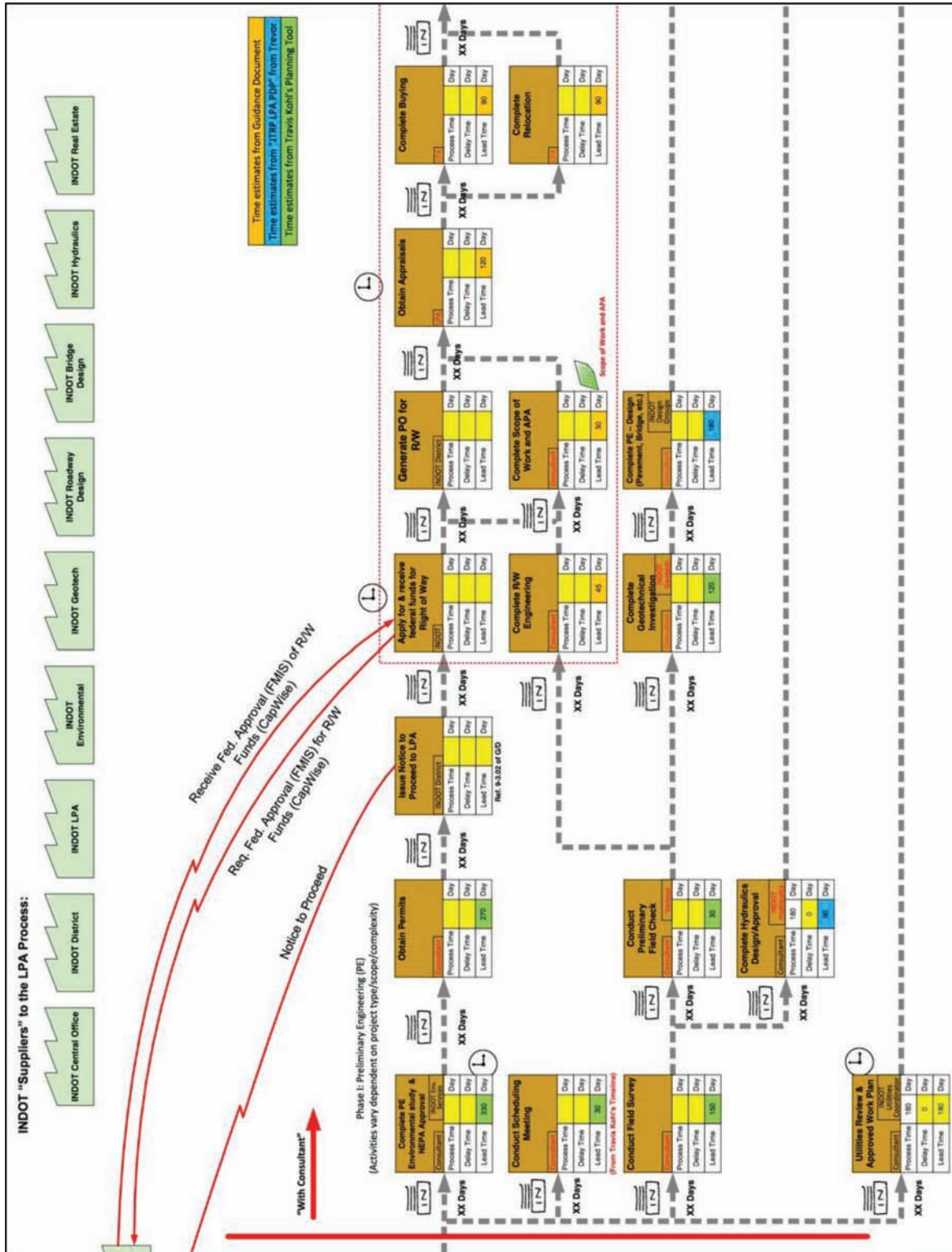


Figure 5.5 VSM (section 5 of 6).

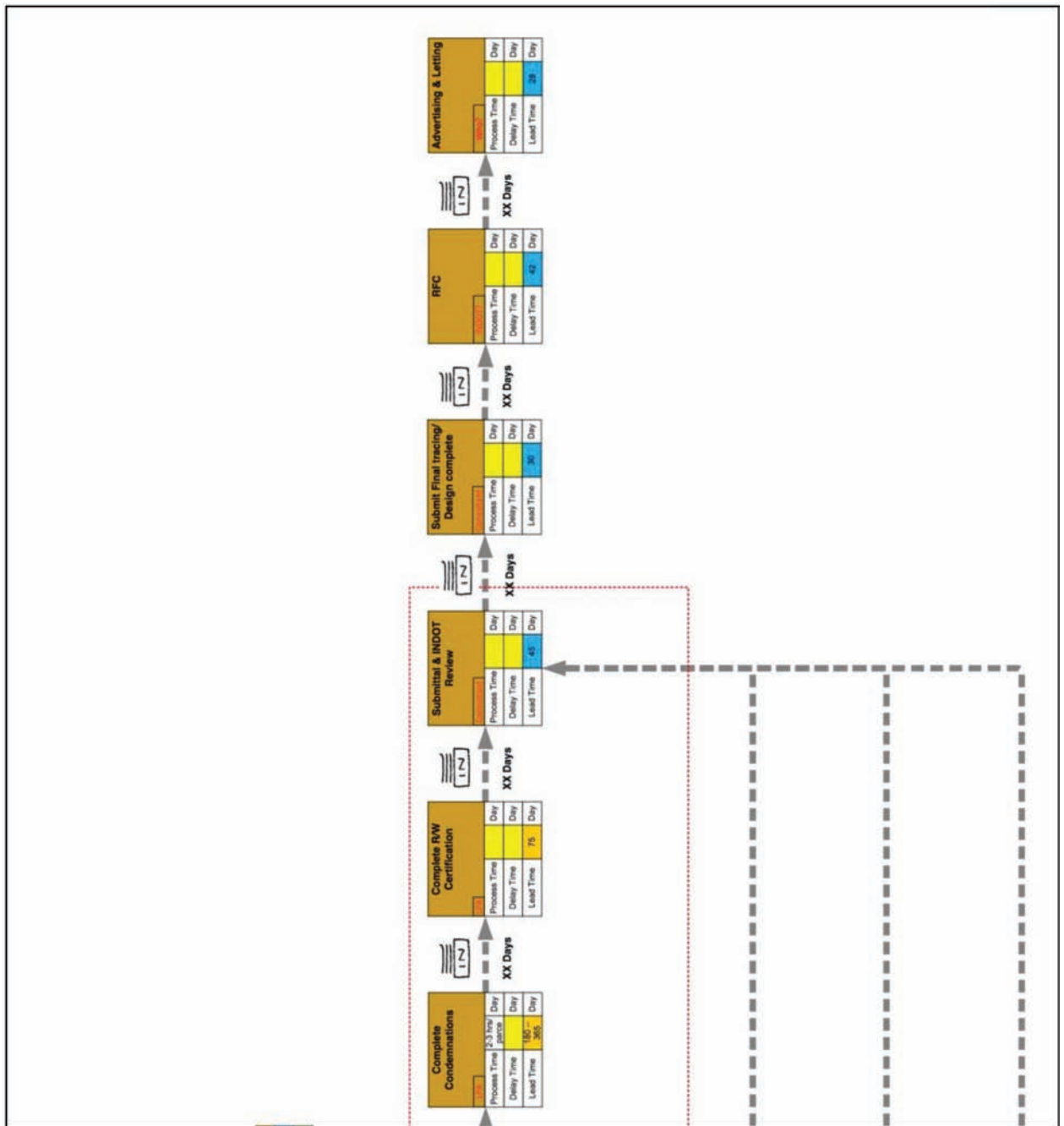


Figure 5.6 VSM (section 6 of 6).

## 6. COMMON THEMES AND “PAIN POINTS”

It is important to note the interviews were conducted between June of 2014 and June of 2015. The opinions shared by the stakeholders were based upon their experience on both previously completed projects and projects that were still in process. Due to the number of changes taking place within the INDOT LPA Program during this time period, some of these comments were likely directed at issues that had already been addressed but that may not yet have been observed by all of the stakeholders interviewed.

### 6.1 General Comments about the LPA Program

One of the most striking observations as interviews were conducted around the state was the amount of variation in LPAs, MPOs and individual projects. Many of the MPO stakeholders had multiple, full-time, experienced engineers to serve as ERCs. These engineers are fully capable of navigating the LPA Program process. However, small LPAs sometimes struggle to find anyone to serve as an ERC because ERCs must be employees of the LPA and they cannot be elected or appointed officials.

This observation was reflected in a commonly heard complaint about the LPA Program needing to be more “flexible” or “scalable” to give greater latitude to MPOs/LPAs who have highly qualified/experienced ERCs and more structure to the smaller LPAs who struggle with ERC selection. This issue was so commonly mentioned that it became a focal point in the recommendations section.

Other commonly repeated statements from interviewees included:

1. The need for stability in the LPA Program (the perception is that it is constantly changing with changes that are “effective immediately”)
2. Need for a change control process for LPA Program changes
3. Confusion about what is a federal requirement vs an INDOT requirement
4. Pavement design changes “slowed things down”
5. Need for some type of a scoping and “red flag” review of LPA projects (i.e., to catch issues that experienced ERCs would likely know to look out for but less experienced ERCs at small LPAs might not recognize as potential problems)
6. Early coordination meeting doesn’t have a standard agenda – done differently in different districts
7. Lack of communication on changes to guidance documents and forms
8. Slow response from INDOT PMs, “they don’t respond to emails”

### 6.2 Consultant Selection

Nearly every stakeholder emphasized the importance of selecting a good consultant. Many stakeholders also stated that the consultant selection process takes too long and is too vague and subjective (i.e., the flashiest

presentation often wins). Many stakeholders also stated there needs to be better accountability for consultants.

### 6.3 Training

Several stakeholders stated that the ERC training really doesn’t address project planning and that it was “boring and over the LPAs heads.” A few stakeholders also commented that the INDOT LPA website was not user-friendly to the LPAs. A suggestion was also made to create training specifically for consultant selection and contract negotiation. Several stakeholders stated that Britni Saunders had made substantial improvements to the training in early 2014.

### 6.4 Contracts, Finance, and FMIS

Several issues were brought up regarding contracts and finance such as:

1. LPAs not getting invoices in time from INDOT
2. Too much “back and forth” on formatting for contracts reviewed by INDOT
3. General confusion around the role of INDOT regarding contracts (some stated INDOT used to review contracts for LPAs, others stated they had just begun reviewing contracts and consultant scoring documents with INDOT)
4. FMIS process takes too long (i.e., “1-5 months when it should take 2 weeks”)
5. Need for better accountability in INDOT/FHWA for getting FMIS approval on time

### 6.5 Pavement Design

INDOT stakeholders commented that INDOT has been working with Design to allow LPAs more flexibility to develop their projects by using local standards where appropriate. However, several LPAs commented how the pavement design guidelines had changed and did not make sense to them. Several interviewees mentioned pavement design had been a significant enough for them in the past but it seems this issue has improved over the past few years.

Other LPAs and MPOs mentioned delays caused by Pavement design because the review will not take place until “x” months before letting. It was not clear if this was an actual policy or if pavement design had a backlog and this was a temporary situation.

### 6.6 Scheduling/Timing

Several MPO and LPA stakeholders commented that INDOT not allowing lettings in April, May or June was creating a problem for them. It basically moves the deadline much earlier in the year and if they miss the deadline to schedule their letting by March they will miss a significant portion of the construction season. They also commented that different fiscal years confounded their planning process (i.e., ERCs in small LPAs are not accustomed to thinking of July 1 as the

beginning of a new fiscal year so it creates some confusion when discussing what is planned in “2016”).

Experienced ERCs seem to consistently keep an eye on details such as the scheduling of the early coordination meeting. However, less experienced ERCs have many opportunities to miss a key step or date and thus incur a project delay. Some LPAs requested an online “critical steps list” they could use to ensure they are not missing any important steps or deadlines.

### 6.7 Environmentals

One of the first INDOT stakeholders interviewed for this project predicted three of the most commonly raised issues by the MPOs and LPAs would be “environmentals” (all activities associated with environmental studies, environmental project constraints, environmental remediation plans, etc.), “Right of Way” (acquisition), and “Utilities” (moving infrastructure). That prediction was accurate.

Delays related to environmental issues were the most frequently cited “pain points” across nearly all stakeholders. The specific issues varied from project to project but included items such as having to schedule work around migratory patterns or reproductive seasons of certain wildlife.

Stakeholders asked if there was any way to verify with FHWA up front which level of environmentals are required or if the environmentals could be split into two parts.

### 6.8 Right-of-Way Acquisition

Right-of-way acquisition was the second most commented upon “pain point.” The specific issues included having to re-buy ROW where records were not properly documented, needing clarification on what constituted acceptable evidence of ROW, needing a ROW checklist (now included in the guidance document), and needing clarification about early (pre-negotiation) discussions with property owners early in the project. Overall, there was consensus that moving ROW to the Central Office was a good move.

### 6.9 Utilities

Many stakeholders mentioned utility companies being understaffed and unresponsive which makes coordination with them difficult and time consuming. They also mentioned that moving utilities was “always on the critical path.”

A couple of stakeholders asked if INDOT could help drive accountability with utilities “like they do for state projects.” Those stakeholders did not elaborate on exactly how INDOT dealt with the utility companies but it was their belief that the companies are much more responsive to INDOT than they are to small LPAs.

It was also mentioned that the INDOT Utilities Coordinator left and “created a black hole” in the

process. The exact timing of the coordinator’s departure was unknown but their absence was felt in additional delays in communications. This is another issue that created problems for a while a few years ago but appears to have been corrected.

## 7. CONCLUSIONS

Based on the input from 57 LPA Program Stakeholder and an analysis of the LPA program value stream map (Figures 5.1 through 5.6), there appears to be two major opportunities for significant improvement and several additional areas for minor improvements.

The first major area is in helping small LPAs to hire a well-qualified consultant earlier in the process. This will help ensure that small LPAs (who may only do 1 LPA project every 2–4 years) and who have less experienced ERCs are not at such a disadvantage when running their projects.

The second major area is making the entire LPA Program “scalable” based upon the specifics of the project and the expertise of the LPA/MPO.

The recommendation section of this report outlines several ideas to address these two major areas and offers several other ideas to make incremental improvements in other areas of the LPA Program.

## 8. RECOMMENDATIONS

### 8.1 Hiring Consultants Earlier in the Process

The State of Kentucky has three different options for LPAs to hire a consultant. The first method is similar to the way the INDOT LPA Program Guidance Document instructs LPAs to advertise, score and select consultants. However, Kentucky also allows LPAs to use consultants who have a statewide contract with KYTC. In addition, for projects where fees for professional services are expected to be below \$50,000, Kentucky allows LPAs to enter into price contracts with consulting firms.

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### 8.2 Scalability

One of the most requested changes to the LPA Program was to make it “scalable” or “flexible” to better fit the size of the project and the expertise of the LPA/MPO. Several LPA stakeholders said that paying 100% of the project as a local project was cheaper than paying 20% of the cost of a Federal-aid project.

Specific examples were cited during interviews where the additional cost of compliance with federal requirements exceeded the financial benefit of the Federal-aid offered. However, those examples were intentionally omitted from this report due to a commitment to the



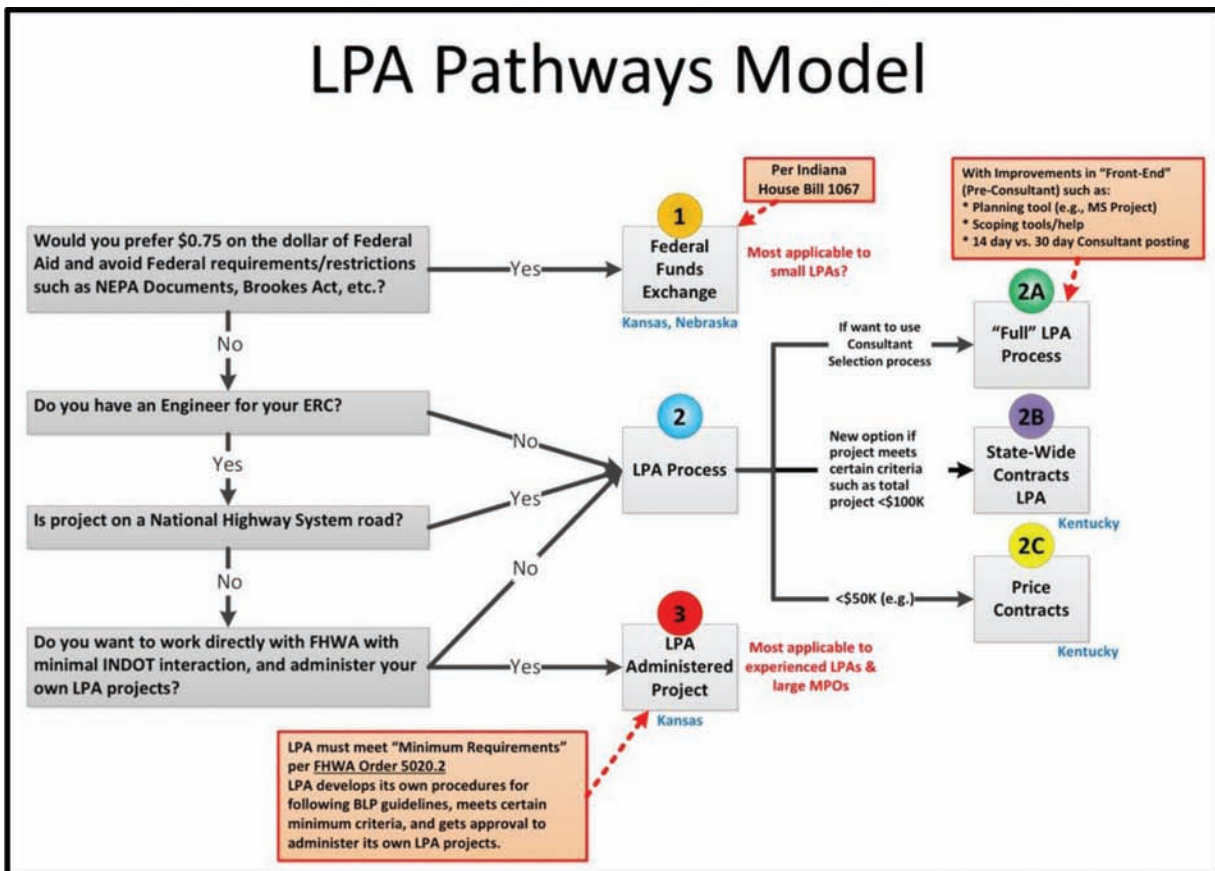


Figure 8.1 Pathways model.

interviewees that their responses would be aggregated and anonymized so as to encourage them to speak freely. In those cases, where the additional cost of compliance approached the value of the Federal-aid offered, the LPAs opted to conduct the projects using local funds.

Figure 8.1 shows a suggested “Pathways model” which would allow different approaches for different projects based upon the project details and the experience/comfort level of the LPA/MPO.

Under the “Pathways model,” qualifying projects could use “Option 1” which is a federal funds exchange authorized by Indiana Law (see Appendix C). Under this option, INDOT would in essence exchange federal transportation dollars from LPAs for “not less than \$0.75 per dollar” of state dollars. This would reduce the burden on small projects and LPAs by removing federal requirements from the project although state requirements would still apply.

This law was passed in 2013 but according to several stakeholders interviewed, to date this option has only been used on rare occasion. It was observed during the interviews that many of the interviewees knew one another and that a lot of information was shared between LPAs. Several interviewees stated they had heard very positive feedback from their peers about the projects where this option had been used (i.e., projects

moved faster in part due to fewer requirements to meet).

“Option 2A” under the “Pathways model” would be to continue using the current LPA Program with a few of the minor improvements recommended in this section (i.e., planning tools, consultant selection & negotiating training, etc.)

“Option 2B” and “Option 2C” would also continue to use the current LPA Program with minor improvements with the exception of how consultants are selected and hired. Option 2B would use Statewide Contracts like Kentucky and Option 2C would use Price Contracts (see Appendix B for more details).

“Option 3” would largely remove INDOT from approving LPA Project elements and turn the administration of the project over to the LPA/MPO. However, INDOT would still be required to “conduct oversight” of all federally funded LPA projects by performing compliance reviews. Appendix A shows how Kansas has already implemented this option and Appendix D shows a form letter used by the State of Washington to assign administration responsibility to LPAs. Additionally, Appendix E contains a PowerPoint presentation created by FHWA regarding a study they conducted on LPA administered projects. This study highlights some areas for concern as well and lists resources for best practices when states opt to allow LPAs to administer their own projects.

### 8.3 Other Recommendations

The stakeholders interviewed made several other incremental suggestions for INDOT:

1. Host an annual district meeting for LPAs to give feedback on what is and is not working well in the LPA Program.
2. Allow LPAs to hire a contract ERC.
3. Assist LPAs/MPOs in driving accountability for unresponsive utilities “like they do for state projects.”
4. Create and deliver consultant selection training (including contract negotiation training) for LPAs.
5. Create a project planning tool (like a Gantt chart) which lists all project tasks, the estimated durations and their dependencies so the overall timeline can be better understood and shared among all stakeholders.

### 9. EXPECTED BENEFITS

The goal of this project was to reduce the time from call for project proposals to letting. The recommendations listed in the recommendation section are anticipated to significantly reduce this time. However, the exact nature and magnitude of the reduction will vary from LPA to LPA and project to project. The biggest benefits come from two of the recommendations, the “Pathways model” and streamlining the consultant selection process.

Implementing the “Pathways Model” will provide more flexibility to LPAs to choose the path most appropriate for their specific project and their level of expertise in managing such projects. The “Pathways model” would better utilize existing Indiana law which allows INDOT to exchange state dollars for federal dollars. This would help streamline the projects by avoiding the use of federal funds. The “Pathways model” would also allow larger, more experienced LPAs to run their own projects with INDOT taking playing a smaller role of conducting oversight rather than serving in an advisory/approval capacity.

Allowing LPAs to use consultants who have a statewide contract with INDOT or to enter into price contracts with consulting firms (as the Kentucky Transportation Cabinet allows their LPAs to do) would benefit small LPAs by helping them get a consultant much earlier in the process. Pam Drach estimated this could save as much as 6 months off an LPA projects by avoiding the need to solicit and review proposals from consultants.

The recommendation for INDOT to hold an annual, district level feedback sessions with LPAs will allow for more timely, direct feedback about how the LPA program is working and additional opportunities for improvement.

## APPENDICES

### APPENDIX A: KANSAS LPA ADMINISTERED PROJECTS MODEL

#### **Local Public Authority (LPA) Administered Projects**

##### **KDOT Responsibilities**

The LPA administered program allows local units of government to design, let and inspect their federally funded non-NHS projects with minimum oversight from KDOT. In cooperation with the FHWA, KDOT has determined that this minimum oversight will include the following:

1. A determination that the LPA is suitably equipped and organized to discharge the duties of Title 23 and KDOT.
2. Develop and approve the Project Authorization Form (Form 883).
3. Request authorization of federal funds.
4. Authorize LPA to proceed.
5. Provide environmental oversight.
6. Review design and construction policies, manuals, standards, and specifications.
7. Confirm that adequate acceptance, independent assurance sampling and testing, and manufacturers' materials certifications are incorporated in the LPA's materials process.
8. Attend field check.
9. Review and concur in PS&E.
10. Concur in award.
11. Prepare project agreement (FHWA Form PR2 or PR2A).
12. Enter CMS information.
13. Determine participation in change orders.
14. Conduct final inspection, notice of acceptance, and final acceptance of the project.
15. Review materials certifications.
16. Oversight of non-Title 23 laws and regulations, i.e., Davis-Bacon, NEPA, Relocation Assistance Act, Buy America, Debarment, etc.

## APPENDIX B: KENTUCKY'S STATEWIDE CONTRACTS MODEL

In response to the LPA's RFQs and RFPs, firms will submit proposals. The LPA evaluates each firm's proposal according to statutorily defined criteria<sup>26</sup>. The LPA may require interviews as part of this evaluation process. The LPA shall select at least three firms on the basis of the evaluations and rank them according to their qualifications<sup>27</sup>. If fewer than three firms responded to the advertisement or if fewer than three firms are judged to be qualified then only those firms shall be ranked. The cost shall not be a factor in the evaluation of firms<sup>28</sup>.

The LPA will then attempt to negotiate a contract with the top ranked firm for a fair and reasonable value<sup>29</sup>. Fair and reasonable value is statutorily defined. If the LPA is unable to reach a contractual agreement with the highest ranked firm, it then begins negotiations with the second ranked firm, and so on. If negotiations with all of the ranked firms fail, the LPA shall reevaluate the Professional Services to be provided and begin the process again<sup>30</sup>.

### III.5. Statewide Contracts:



The second way an LPA can hire a professional services consultant is by using one of the Statewide Contracts established by KYTC. The KYTC goes through a QBS process when entering into statewide contracts for Professional Services<sup>31</sup>. KYTC has entered into statewide contracts with general service design firms. If the LPA uses a firm with which KYTC has a statewide contract, it can save a lot of time for the LPA and can also eliminate the risk of non-reimbursement. The LPA may contact its Administering Office to employ one of these general service design firms under the firm's statewide contract with KYTC. KYTC will enter into a

<sup>26</sup> KRS § 45A.745 (1). See form evaluation sheet in the Forms Library.

<sup>27</sup> KRS § 45A.745(3)

<sup>28</sup> KRS § 45A.745 (2)

<sup>29</sup> See form Professional Services Contract in the Forms Library. KRS § 45A.750(1).

<sup>30</sup> KRS § 45A.750(3)

<sup>31</sup> KRS § 45A.838

letter agreement for the LPA's specific project. The firm will act at the LPA's direction and will be paid by the LPA directly, but its contract will be with KYTC.

### III.6. Price Contracts:

The third QBS Process is available to LPAs working on smaller projects. If the LPA is procuring services for a project where the Professional Services fee will be small enough, the LPA may choose to follow the small procurement statutes<sup>32</sup>. One such statute is the Price Contract statute<sup>33</sup>. Price contracts may be awarded where the anticipated fees are less than \$50,000.00 for Professional Services<sup>34</sup>.

If the LPA's Professional Service needs qualify and the LPA would like to negotiate a price contract, the LPA should contact its Administering Office to obtain a list of firms eligible for price contracting as well as the list of fees that must be used when entering into price contracts. The LPA must fill out a Price Contract Selection Form indicating why it chose the Professional Service Provider that it did<sup>35</sup>. This form must be submitted for approval by the Administering Office prior to the LPA signing the price contract with the Professional Service Provider. Each LPA must keep careful track of the price contracts it awards. LPAs may only award \$100,000.00 in price contract fees to a particular Professional Service provider in each contract discipline per fiscal year<sup>36</sup>. If more is awarded to a particular Professional Service Provider, any amount paid to the Professional Service Provider over the \$100,000.00 will not be reimbursed.

<sup>32</sup> KRS § 45A.837, 23 CFR § 172.5(a)(2), 49 CFR § 18.36 (d)

<sup>33</sup> KRS § 45A.837.

<sup>34</sup> KRS § 45A.837(2)(c). See Forms Library for the LPA Price Contract Form

<sup>35</sup> See Forms Library for Price Contract Selection Form

<sup>36</sup> KRS 45A.837(2)(c). If the LPA has exceeded the Price Contract limit with a firm, but wishes to award that firm another Price Contract, the LPA must request that the Secretary of KYTC make a written determination that the award is in KYTC's best interest. This determination will only be made in rare instances with documentation showing the reasons provided.

First Regular Session 118th General Assembly (2013)

**PRINTING CODE.** Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in *this style type*, additions will appear in **this style type**, and deletions will appear in *this style type*:

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or *this style type* reconciles conflicts between statutes enacted by the 2012 Regular Session of the General Assembly.

**HOUSE ENROLLED ACT No. 1067**

AN ACT to amend the Indiana Code concerning local government.

*Be it enacted by the General Assembly of the State of Indiana:*

SOURCE: IC 36-9-42.2; (13)HE1067.1.1. -->

SECTION 1. IC 36-9-42.2 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]:

**Chapter 42.2. Federal Fund Exchange Program**

**Sec. 1.** As used in this chapter, "department" refers to the Indiana department of transportation established by IC 8-23-2-1.

**Sec. 2.** As used in this chapter, "eligible entity" means a county or municipality that receives, directly or indirectly, federal funds.

**Sec. 3.** As used in this chapter, "federal funds" means funds received by an eligible entity through the federal surface transportation program.

**Sec. 4.** As used in this chapter, "program" refers to the federal fund exchange program established by section 5 of this chapter.

**Sec. 5.** The federal fund exchange program is established to provide eligible entities and the department with greater flexibility in funding transportation projects. The department shall administer the program.

**Sec. 6.** The department shall determine the amount of state funds available for the program. In making the determination, the department shall consider the following:

(1) Whether adequate state funds are available to fund the program without putting at risk other transportation

activities or projects needing state funds.

(2) Whether the department can readily and effectively use federal funds received through the program.

**Sec. 7.** An eligible entity is eligible to participate in the program upon entering into an exchange agreement with the department. The department shall consider the following before entering into an exchange agreement with an eligible entity:

(1) The amount of federal funds the eligible entity wants to exchange and the proposed exchange rate.

(2) A brief description of each project the eligible entity wants to fund, including the estimated cost of the project.

(3) The benefit to a project described in subdivision (2) from the removal of federal funding, due to the project's size, type, location, or other features.

(4) The availability of state funds.

Subject to section 7.5 of this chapter, an eligible entity may enter into an exchange agreement with respect to a project at any time during the project development process.

**Sec. 7.5.** (a) The department may enter into an exchange agreement only if the exchange agreement is first approved by the office of management and budget and the attorney general.

(b) The executive of an eligible entity may enter into an exchange agreement on behalf of the eligible entity. However, the executive of an eligible entity may enter into an exchange agreement only if the exchange agreement is first approved by the fiscal body of the eligible entity.

**Sec. 8.** An exchange agreement must provide the following:

(1) The eligible entity may exchange only federal funds for state funds.

(2) The eligible entity may use state funds only for a capital project that will fulfill the purpose of the original federal project award and that is approved by the department.

(3) If the eligible entity uses state funds to replace local funds in order to use the local funds for purposes unrelated to transportation, the eligible entity:

(A) must repay the state funds to the department; and

(B) may not participate in the program during the succeeding fiscal year.

(4) An exchange rate of not less than seventy-five cents (\$0.75) of state funds for each one dollar (\$1) of federal funds.

(5) The eligible entity agrees to provide local matching funds equal to not less than ten percent (10%) of the estimated

project cost.

(6) The department will disburse the state funds to the eligible entity on a reimbursement basis.

**Sec. 9.** Not later than November 1 of each year, the department shall submit a report on the program to the general assembly in an electronic format under IC 5-14-6. A report submitted under this section must include:

(1) a summary of the exchange agreements entered into during the previous state fiscal year; and

(2) a status report on the implementation of projects funded through the program.

**Sec. 10.** An eligible entity that participates in the program shall comply with applicable public purchasing laws and competitive bidding requirements with respect to projects funded through the program.

**Sec. 11.** The department may adopt rules under IC 4-22-2 to implement this chapter.

**WSDOT Letter of Understanding for Project Administration**

August 1, 2014

City of \*\*\*\*\*  
 \*\*\*\* \*\*\*\*\*  
 \*\*\*\*\* , WA \*\*\*\*\*-\*\*\*\*\*

F.A. No. \*\*\*\*\*-\*\*\*\*\* (\*\*\*)  
 \*\*\*\*\*

**Letter of Understanding for Project Administration**

Attn.: \*\*\*\*\*  
 Public Works Director

Dear Sir:

Washington State Department of Transportation Local Programs (Local Programs) is to define, for projects utilizing Federal funding, the responsibilities for grant administration, consultant selection, consultant agreements, development of plans, specifications, and estimate, environmental documents, acquisition of right of way, advertisement, award and execution of contract, and construction administration including but not limited to inspection, change orders and final project documentation.

The CITY, operating under an extension of Local Programs Certification Acceptance (CA), shall administer all associated projects entirely in accordance with the Local Agency Guidelines (LAG), this Letter of Understanding (LOU) and direction as provided by the Local Programs Engineer (LPE). Failure to comply with the LAG, this LOU or the direction of the LPE may result in loss of Federal funds.

- 1) The STATE and the CITY have designated CA managers as shown below:

STATE  
 WA State Department of Transportation  
 Ed Conyers, Local Programs Engineer  
 PO Box 330310  
 15700 Dayton Avenue North, NB82-121  
 Seattle, WA 98133-9710  
 (206) 440-4734  
 FAX (206) 440-4806

CITY  
 \*  
 \*  
 \*\*\*\*\* , WA \*\*\*\*\*-\*\*\*\*\*  
 (\*\*\*) \*\*\*-\*\*\*\*\*  
 FAX (\*\*\*) \*\*\*-\*\*\*\*\*

All formal submittals outlined herein, either from the STATE or the CITY, will be sent through the designated CA Manager.

- 2) The CITY shall obtain concurrence from the Local Programs Engineer (LPE) for any Grant application that requires CA status and administered under this document prior to submittal to the appropriate Grant Program administrator.
- 3) The CITY shall submit monthly progress billings to the LPE for federal funding reimbursement. The CITY shall include copies of contract progress estimates and/or consultant billings to verify the amount of reimbursement requested in the progress bill.
- 4) The CITY shall obtain approval from the LPE in the solicitation and selection of a Consulting Engineering firm for Preliminary Engineering, Right of Way and Construction Engineering services. The CITY shall utilize qualified consultants, approved by the LPE, for contract administration, inspection, and materials testing. In addition, the CITY shall obtain the approval from the LPE of the Consulting Engineering Agreement prior to execution. (See LAG chapter 31).
- 5) Contract plans, specifications and cost estimates (PS&E) shall be prepared in accordance with the current State of Washington Standard Specifications for Road, Bridge and Municipal Construction, and amendments thereto, and



adopted design standards (see LAG chapter 44). The LPE will review the PS&E to ensure compliance with the LAG.

- 6) Any deviations to design standards must be approved and stamped by a Professional Engineer licensed in the State of Washington. The CITY shall submit the design deviation to the LPE for further processing and approval.
- 7) The CITY shall be responsible for all required environmental documentation (SEPA and NEPA) and shall submit all required NEPA documentation to the LPE for further processing and approval. (See LAG chapter 24). The CITY shall be responsible for obtaining all required permits and approvals.
- 8) No R/W action shall proceed until the CITY contacts the Local Agency Right of Way Coordinator. The CITY shall follow current Right of Way (R/W) Procedures as described in the LAG (see LAG chapter 25). The LPE shall be advised of all meetings preliminary to R/W acquisition. All acquisitions of R/W such as construction easements, donations, permits, etc. shall be certified by the CITY and the STATE.
- 9) The CITY shall forward the proposed advertisement for bids to the LPE for approval. Upon approval, the CITY may begin advertisement for bids (see LAG chapter 46). The CITY shall keep the LPE advised on any pre-award issues affecting the quality and timing of the contract. Any required addenda to the contract documents shall be approved by the LPE prior to issuance.
- 10) The CITY shall notify the LPE of the Bid Opening date and time. The CITY shall transmit to the LPE, the Engineer's Estimate and Bid Tabulations along with the complete Bid Packages of the apparent three (3) lowest bidders. Upon approval by the LPE, the CITY may Award the Contract to the lowest responsive bidder (see LAG chapter 46).
- 11) Upon the CITY's execution of the contract for construction, the CITY shall administer and inspect the Project in accordance with the contract documents, WSDOT Standard Specifications for Road Bridge and Municipal Construction, the WSDOT Construction Manual, and all applicable State and Federal laws (see LAG chapter 52). Per Item 4 in this LOU, the CITY shall utilize consultants, approved by the LPE, for this work. The CITY shall notify the LPE of the date, time, and location of the pre-construction meeting with the contractor. The LPE will conduct periodic construction documentation reviews which are typically performed at 25%, 75%, and 100% of contract completion, or as warranted.
- 12) Changes to the contract will be documented by change order as defined in the current edition of the WSDOT Standard Specifications for Road, Bridge and Municipal Construction Section 1-04.4. The CITY Project Manager shall initiate, negotiate, and document all change orders. Prior to obtaining the contractor signature the CITY Project Manager shall provide a copy of all change orders to the LPE for review. All signed Change Orders shall be sent to the LPE or the LPE's representative for final approval.
- 13) The CITY shall request the LPE to inspect the project prior to providing the final "punch list" to the Contractor (see LAG chapter 53).

Signature below constitutes concurrence with this Letter of Understanding.

CITY OF \*\*\*\*\*

STATE OF WASHINGTON  
DEPARTMENT OF TRANSPORTATION

By: \_\_\_\_\_  
\*\*\*\*\*  
\*\*\*\*\*

By: \_\_\_\_\_  
Ed Conyers, P.E.  
Local Programs Engineer

Date: \_\_\_\_\_

Date: \_\_\_\_\_

The Administration of  
Federal-aid Projects by Local  
Public Agencies

Certification Workshop  
Portland, Oregon  
June 6th  
Mike Morrow, FHWA

Applicable  
Federal Requirements

## Applicable Federal Requirements

### **49 CFR Part 18- Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments**

## Applicable Federal Requirements

- **23 U.S.C. § 106(g)(4)** [as amended by SAFETEA-LU]
  - (g) OVERSIGHT PROGRAM.-**
    - (4) RESPONSIBILITY OF THE STATES.-**
      - (A) IN GENERAL.-**The States shall be responsible for determining that subrecipients of Federal funds under this title have-
        - (i) adequate project delivery systems for projects approved under this section; and**
        - (ii) sufficient accounting controls to properly manage such Federal funds.**

## FHWA's National Review of Locally Administered Projects

### Why Local Project Administration?

- **Number 1 priority area for national review by FHWA field and program offices**
- **\$6 - \$8 Billion per year (approx. 20% of Federal-aid program)**
- **38,000 Local Governments**
- **Identified High Risk Area**
- **Proliferation of Earmarks (11,000 in 2006)**

## National Program Review Team

- FHWA Team formed in February 2006
- Team's Charge:

*“Assess the administration, oversight and stewardship of local public agency Federal-aid projects...”*

*Identify areas for improvement that will ensure the overall quality and effectiveness of local project activities along with any needed changes in the oversight requirements.”*

## National Program Review

- 7 States
- 39 projects
- 35 local jurisdictions



## Core Areas

- **Program Management**
- **Project Development**
  - Environment
  - Right-of-Way
  - Design
- **Contract Award**
- **Construction Administration**
  - Inspection
  - Billing

## Examples...

- **ROW** - (R/W indicated all clear, yet 4 of 37 parcels had not been acquired by end of construction)
- **Environmental** - (CE based on no R/W statement, project involved 30 parcels)
- **Construction**
  - Agency Personnel Coverage
  - Inspections – (only one state was performing on-site final inspections of projects)
- **Outcome of Review**

## What They Saw

- **Extreme differences in LPA project activities –The project risks vary widely – e.g., numerous compliance issues**
- **State LPA oversight activities were varied, limited or non-existent**
- **Earmark projects directed to LPAs are particularly problematic – frequently outside the STIP and under-funded**
- **Federal-aid program guidance to LPAs is lacking**
- **FHWA oversight of State’s LPA administration was inconsistent, varied and often without structure**

## What Did the Review Team Conclude?

- **High risk area that requires particular attention**
- **States must fulfill responsibilities regarding local projects**
- **Need a systematic approach to fulfill responsibilities**
- **Develop mechanisms to improve stewardship and oversight of local projects**

## Components of the Local Project Oversight Program

- Establishment of a Headquarters level Local Project Oversight Coordinator
- Action by Divisions to assess State DOT's existing processes and procedures
- Local project oversight program information
- Web site of Local project oversight program "Good Practices"
- Analysis of need for additional regulations

## Review of STA's Existing Processes and Procedures

- Conduct comprehensive review of STA's procedures, including sampling of LPA projects to validate compliance.
- Determine whether or not STA's processes and procedures reliably result in LPA projects being administered in accordance with the Federal requirements.
- Where deficiencies are found, STA must develop corrective action plans.
- Also, the Division should strongly consider imposing additional requirements on the STA and LPA to demonstrate that Federal requirements until the deficiencies are properly addressed
- If the situation warrants, consideration should be given to declaring a LPA or STA "high risk" under the authority of 49 C.F.R. 18.12.



## Components of Program Information

- **Stewardship and Oversight Agreement for locally administered projects.**
- **Dedicated Staffing**
- **Oversight and Monitoring Program**
- **Qualification Program for Local Agencies**
- **Local Agency Guidance Manual**

## Local Project Stewardship Agreement

- **Supplement to the overall Stewardship/  
Oversight agreement**
- **May take the form of an Appendix or an  
Addendum to the agreement**
- **Include such topics as monitoring,  
qualifications, staffing, and technical manuals**

## Dedicated Staffing

- Focus is on both project level oversight by the State DOT as well as program level oversight
- Include a description of the staffing dedicated to monitoring subrecipients of Federal funds
  - General description of the organization of the subrecipient monitoring staff, along with the relationship to the overall State DOT organization
  - May include number, location, titles, and duties of the State staff.

## Oversight and Monitoring Program

- Include a combination of quality assurance, project reviews, program reviews and evaluation
- State DOT provides engineering expertise, technical assistance, technology deployment, program assistance, and program delivery

## Qualification Program for Local Agencies

- Sets specific evaluation criteria that is used to determine the ability of the local agencies to adequately administer various aspects of Federal-aid program
- Should include a training component to assist local agencies in obtaining the necessary skills and knowledge

## Local Agency Guidance Manual

- Describes development requirements and outlines procedures for obtaining approval
- May be organized to reflect the flow of a project through the major phases of development and to incorporate the differing developmental needs of different projects
- Manual may be referenced in project specific agreement

## Good Practices

- **California Department of Transportation – “Local Assistance Home Page”** [www.dot.ca.gov/hq/LocalPrograms/](http://www.dot.ca.gov/hq/LocalPrograms/)
- **Colorado Department of Transportation – “CDOT 2006 Local Agency Manual”:**  
[www.dot.state.co.us/DesignSupport/Local%20Agency%20Manual/2006%20Local%20Agency%20Manual/2006%20Local%20Agency%20Manual.htm](http://www.dot.state.co.us/DesignSupport/Local%20Agency%20Manual/2006%20Local%20Agency%20Manual/2006%20Local%20Agency%20Manual.htm)
- **Florida Department of Transportation - “Local Agency Program”** [www.dot.state.fl.us/projectmanagementoffice/LAP/default.htm](http://www.dot.state.fl.us/projectmanagementoffice/LAP/default.htm)
- **Iowa Department of Transportation - Guidance on the administration of local projects**  
[www.dot.state.ia.us/local\\_systems/index.htm](http://www.dot.state.ia.us/local_systems/index.htm)
- **Ohio Department of Transportation – “Office of Local Projects Home Page”:** [www.dot.state.oh.us/local/](http://www.dot.state.oh.us/local/)
- **Washington State Department of Transportation – “Highways and Local Programs”**  
[www.wsdot.wa.gov/TA/Operations/LAG/LAGHP.htm](http://www.wsdot.wa.gov/TA/Operations/LAG/LAGHP.htm)

## Questions?

Mike Morrow, Field Operations Engineer  
Federal Highway Administration  
530 Center, St NE, Suite 100  
Salem, OR 97301  
(503) 587-4708  
[mike.morrow@FHWA.dot.gov](mailto:mike.morrow@FHWA.dot.gov)

## About the Joint Transportation Research Program (JTRP)

On March 11, 1937, the Indiana Legislature passed an act which authorized the Indiana State Highway Commission to cooperate with and assist Purdue University in developing the best methods of improving and maintaining the highways of the state and the respective counties thereof. That collaborative effort was called the Joint Highway Research Project (JHRP). In 1997 the collaborative venture was renamed as the Joint Transportation Research Program (JTRP) to reflect the state and national efforts to integrate the management and operation of various transportation modes.

The first studies of JHRP were concerned with Test Road No. 1—evaluation of the weathering characteristics of stabilized materials. After World War II, the JHRP program grew substantially and was regularly producing technical reports. Over 1,500 technical reports are now available, published as part of the JHRP and subsequently JTRP collaborative venture between Purdue University and what is now the Indiana Department of Transportation.

Free online access to all reports is provided through a unique collaboration between JTRP and Purdue Libraries. These are available at: <http://docs.lib.purdue.edu/jtrp>

Further information about JTRP and its current research program is available at: <http://www.purdue.edu/jtrp>

## About This Report

An open access version of this publication is available online. This can be most easily located using the Digital Object Identifier (doi) listed below. Pre-2011 publications that include color illustrations are available online in color but are printed only in grayscale.

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