

# **2ND to 3RD NOTE DATA ANALYSIS**

2014 - PRESENT

**ACEC / ODOT Liaison Meeting  
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Joe Squire, P.E.  
ODOT State Construction & Materials Engineer  
[Joe.squire@odot.state.or.us](mailto:Joe.squire@odot.state.or.us)

## 2<sup>ND</sup> to 3<sup>RD</sup> NOTE - BACKGROUND

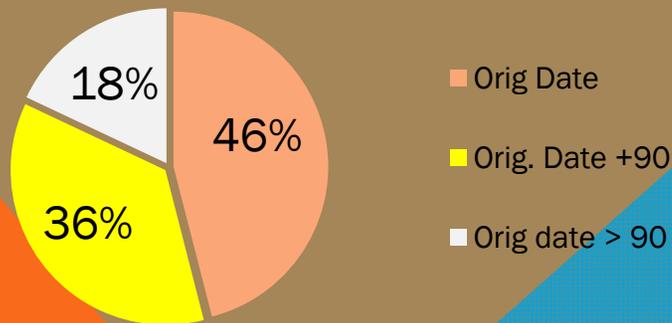
- Status reports show that the average time between 2<sup>nd</sup> to 3<sup>rd</sup> Note is 300+ days since at least 2002 through 2014.
- Historic data analysis focused on days not dollars.
- FHWA May 2014 Stewardship Oversight Committee comment “*...there appears to be a lot of dollars on hand during the 2<sup>nd</sup> to 3<sup>rd</sup> Note project phase*”.
- November 2014 data was analyzed to determine how much money was actually on hand.

# 2<sup>ND</sup> to 3<sup>RD</sup> NOTE – EARLY THOUGHTS

**OLD** Second Note >>>> Final Payment = DAYS

**NEW** Tie \$\$\$ to Days

## On-Time Completion 2014



### Breakdowns

- Region
- PM, CPM, LAL
- Project Type
  - Enhance, Fix-it
  - Road, Bridge, etc...

### Items Considered

- Q&Q reflected in DRR
- Labor Compliance
- Plant Establishment
- OCR reflected in Audit

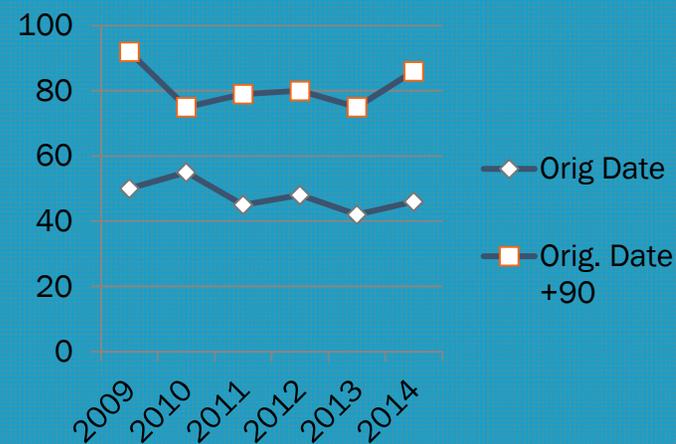
### Benefits

- Cash back to Region Financial Plan
- CE reduces, no more burn
- Improves Contractor Bonding Capacity
- Accountability for All with AR/AP

### Remedies

- Decrease Authorization
- LD for delinquent reports

Graphically show Annual Completion with Multi-year Trend-line vs Simple Bar Chart



## **2<sup>ND</sup> to 3<sup>RD</sup> NOTE - CULTURE CHANGE**

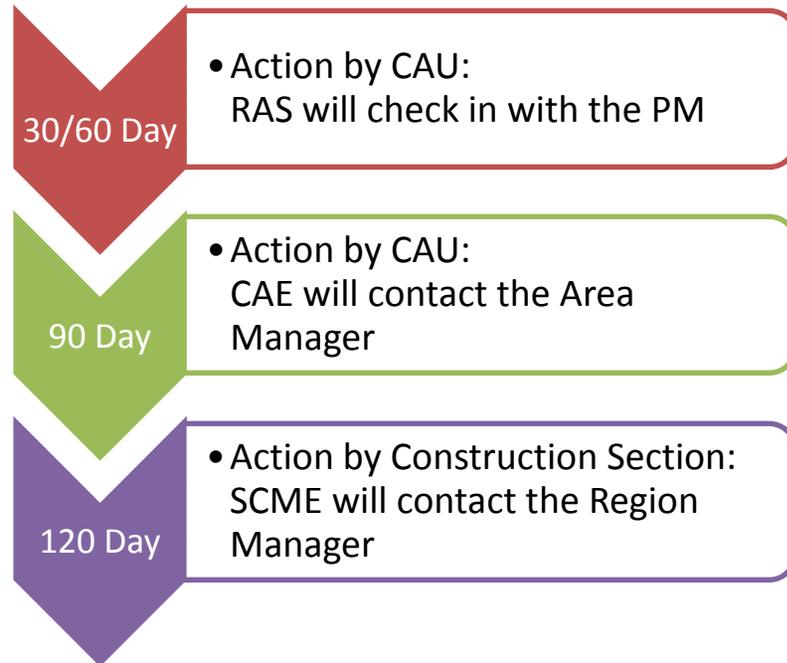
- **Developed Action Plan for resolution of issues.**
- **Contract Services met with each PM Office to roll-out 2<sup>nd</sup> to 3<sup>rd</sup> Note Initiative.**
- **Routine encouragement to reinforce a cultural change and team efforts.**
- **PMs have proactively responded extremely well to the culture change.**

## 2<sup>ND</sup> to 3<sup>RD</sup> NOTE - EXECUTION of ACTION PLAN

- **Data analyzed on a regular basis**
  - Typically 3 times per year - before construction, after construction, & mid-winter;
  - As needed if positive trends reverse.
- **Work to change culture regarding finalizing projects.**
- **Data analysis has evolved over time to better capture trends and improvement opportunities.**

## 2<sup>ND</sup> to 3<sup>RD</sup> NOTE - ACTION PLAN MADE SIMPLE

- Communicate, communicate, communicate.
- Timeline of reviews/escalation.
- Evaluation and completion.
- Local training and implementation.



# 2<sup>ND</sup> to 3<sup>RD</sup> NOTE - STRATEGY & ACTION PLAN



## CONSTRUCTION CONTRACT COMPLETION STRATEGY AND ACTION PLAN

PROJECT NAME (SECTION) Coos County Signal Upgrades		KEY NO. 17475	REGION 3	CONTRACT NO. C14783	
HIGHWAY Various Highways	PROJECT MANAGER Petr Lovasik	AGENCY PROJECT MANAGER N/A		2nd Note 1/27/2016	
CONTRACTOR Knife River Materials		REGION ASSURANCE SPECIALIST Scott Aker			
BID ITEM	UNRESOLVED DETAILS	ASSIGNED TO	METHOD OF RESOLUTION	DATE RESOLVED	REVIEWED BY RAS
6002	N2a/E4 reverse withholding not documented in Quantity Book	PH	Correct paynote document to match ledger.		
2	Latest TCIR on file is 11/2/15	JMP	Request required TCIR's from contractor		
21, 22	Need ADA Ramp inspection form 734-5020(11-3-15) for all ramps constructed on project.	JMP	File required reports in Quality book under applicable bid item.		
30	Missing "Q" for Aluminum hardware. (ASTM B alloys 2024-T4 & 6061-T6 as applicable)	JMP	Request required quality compliance cert for hardware from contractor.		
33-36	Submitted "Q" for hardware does not meet 00165.35(B)	JMP	Request acceptable quality compliance cert from contractor.		
4001C	Credit to Agency setup as negative LS item in CPS.	PH	Waiting for response from CAU on method of resolution.(revised CCO or 6000 series adj?)		
Various	Open Bid Items: 10, 19, 22, 23, 25, 30, 39, 4002A, 4003A, 4003B, 4004A	PH	Final Q & Q documentation needs verified and CPS updated.		

30 Days \_\_\_\_\_ 60 Days     X     90 Days \_\_\_\_\_ 120 Days \_\_\_\_\_

- Initiated at 2<sup>nd</sup> Note
- Identification of unresolved DRR items
- Identify responsible parties for completion
- Distribution of plan

## **2<sup>ND</sup> to 3<sup>RD</sup> NOTE - EVOLUTION**

- **Data reviewed to determine reasons for not closing .**
  - Clean Document Review Report.
  - Plant Establishment taken into account.
  - Certified Payrolls.
  - Quality & Quantity.
- **Unified effort amongst PMs, Contractors, & HQ.**
- **Quarterly release of retainage has positively influenced 2<sup>nd</sup> to 3<sup>rd</sup> Note reduction of time.**

## 2<sup>ND</sup> to 3<sup>RD</sup> NOTE - NEAR-TERM FUTURE

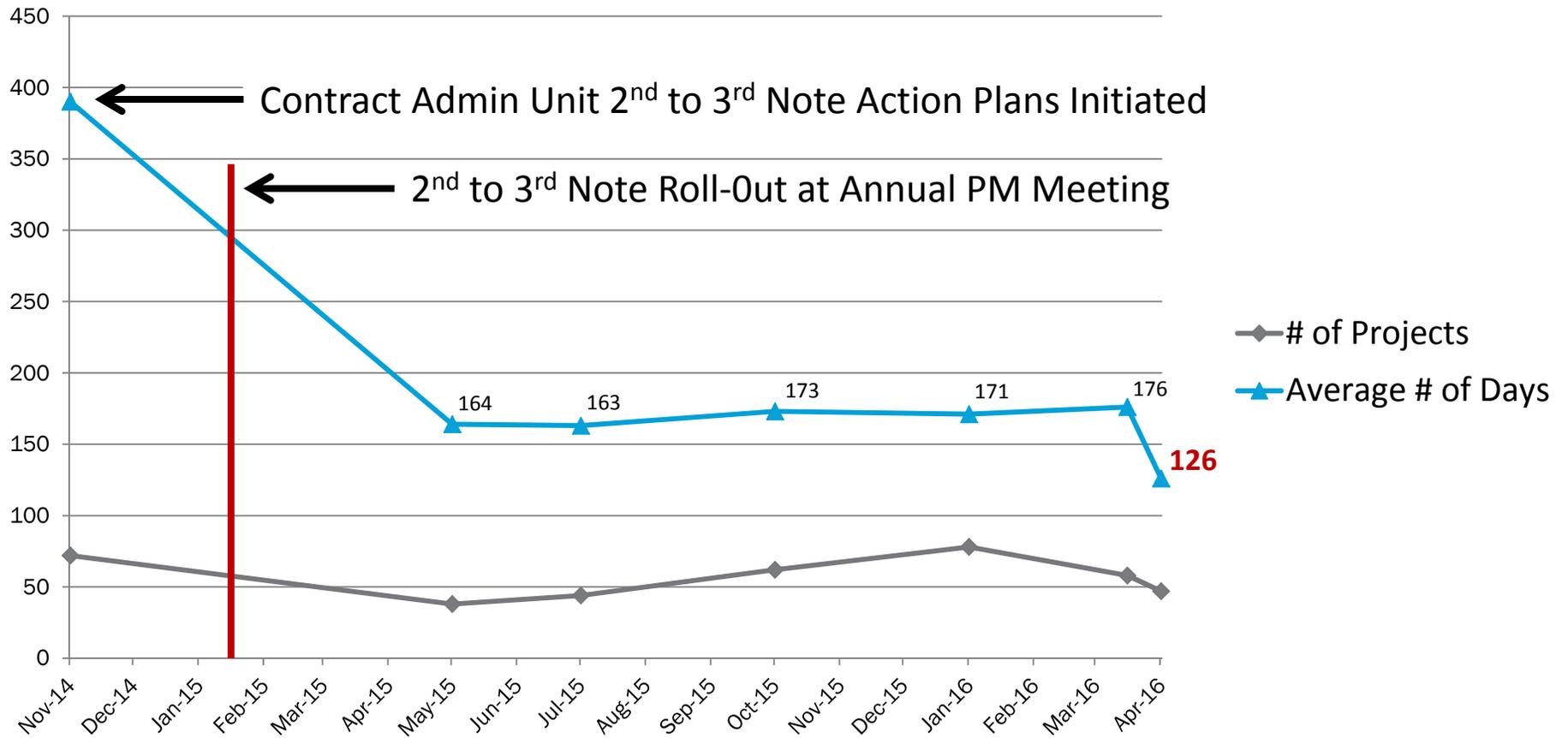
- **Add and encourage de-authorizing dollars methodology as routine.**
- **Plants.**
  - Eliminate plant establishment, case by case.
  - Plant Work as a stand-alone project, case by case.
    - Potential benefit to ESB and DBE.
    - ODOT HQ Environmental Unit Agreement.
    - FHWA Agreement in concept.
    - Project Development Update needed for decision tree.

## 2<sup>ND</sup> to 3<sup>RD</sup> NOTE - DATA ANALYSIS

- Periodic data analyses since initiation

2nd to 3rd Note Data Analysis -- All Projects							
	Nov-14	May-15	Jul-15	Oct-15	Jan-16	Mar-16	Apr-16
No of Projects	72	38	44	62	78	58	47
No of Projects Remaining from Previous Analysis		10	32	34	42	48	42
Average No of Days	390	164	163	173	171	176	126
Average Dollars (Balance)	\$194,000	\$155,446	\$183,213	\$175,733	\$245,132	\$481,817	\$366,325
Total Dollars (Balance)	\$14,208,919	\$5,906,946	\$8,061,393	\$10,895,458	\$19,120,279	\$20,694,410	\$17,217,270
Current Authorizations	\$262,721,503	\$175,323,237	\$201,917,974	\$231,538,304	\$319,213,916	\$363,602,374	\$261,040,041

# 2<sup>ND</sup> to 3<sup>RD</sup> NOTE - DATA ANALYSIS



Data Date April 26, 2016

## 2<sup>ND</sup> to 3<sup>RD</sup> NOTE – TAKE MONEY OFF THE TABLE?

0.7% = Approximate Value of Plant Work in Contracts

x \$262M = April 2016 Active Contract Authorizations

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\$1.8M = Plant Work

\$13.3M = April 2016 Active Contract Balance w/ Plants

- \$1.8M = Plant Work if 100% failed in establishment

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\$11.5M = Money off the Table if Only Plant  
Establishment remains until 3<sup>rd</sup> Note

Thank you  
Questions?