# 1.3 ENCUMBRANCES AND CONTRACT CHANGE ORDERS

## 1.3.1 Introduction

The regional Real Estate office will make an estimate of the project's land interest costs on the PCA (Project Cost Allocation) form (RE1532). The PCA serves as the basis for encumbrance and/or release of funds.

Approval of the TPP (Transportation Project Plat), or the R/W Plat together with the Relocation Order (RE1708), as explained in Section 1.6 of this manual authorizes expenditure of land acquisition costs to be charged to account code 8700161 (previously object/class code 5550). An approved TPP or Plat and Relocation Order is not required to encumber funds. It is only required prior to making an offer to a property owner and expending 8700161 acquisition costs.

Some pre-acquisition costs, such as delivery costs associated with the appraisal contracting process and time charged to appraisal review, may be charged to the Real Estate project ID prior to approval of the TPP or Plat and Relocation Order. For an explanation of acceptable charges, see Section 1.4 of this manual outlining procedures to encumber funds for pre-acquisition costs.

## 1.3.2 Encumbrance Process

The following process is used to encumber funds for a new Real Estate project, to add or release funds during the life of a Real Estate project, to close out a Real Estate project ID, and to add funds specifically for Litigation costs on a Real Estate project (Litigation costs = account code 8700231).

1.  Regional Real Estate will estimate funding required for a highway project, to include:

    *   Costs of contracts (title, appraisal, negotiation, relocation, razing)
    *   Costs of parcels and relocation assistance
    *   Litigation costs are encumbered separately with a separate PCA
    *   Staff days needed to complete acquisitions, multiplied by daily rate

2.  Regional Real Estate generates PCA in READS, signs approval, forwards to regional Planning/FIIPS coordinator.  If releasing excess funds, indicate in comments on PCA whether to leave the project open or to close the project.
3.  Regional Planning/FIIPS coordinator updates estimate and schedule in FIIPS (Financial Integrated Improvement Programming System), signs PCA and forwards to BSHP (Bureau of State Highway Programs).
4.  BSHP checks FIIPS to ensure information on PCA matches related information, signs PCA and forwards to BTS-RE Finance.
5.  BTS-RE Finance adds appropriation code and department code to PCA, saves and uploads PCA to READS cost allocation log.  BTS-RE Finance notifies regional Real Estate and regional Planning/FIIPS that PCA has been approved and uploaded to READS.  If the purpose of a PCA is to close the Real Estate project ID, BTS-RE Finance notifies regional

Planning/FIIPS when the closing encumbrance has been uploaded to PeopleSoft so regional Planning/FIIPS can move the Real Estate project ID to L in FIIPS.

### 1.3.2.1 Project Cost Allocation Instructions

The Project Cost Allocation (RE1532) is to be filled out by regional Real Estate unless indicated otherwise.

Top left corner:  Fill in BSHP Program Finance section, room number and appropriate regional number.

Subject:  Fill in Project ID and Project Name in title block (upper right corner of project's right of way plat or plan's title sheet).

Check-off boxes (below subject block):  Check box for Original, Revised or Phased project. Also indicate State, County, or Local project.

Early Charging Estimate (Labor & Contracts lines):  If Real Estate project ID was authorized for early charging of delivery costs (non-5550 costs), indicate estimated or actual delivery costs charged to project prior to Relocation Order (RE1708) approval.  See Section 1.4 of this manual for more detail.

Item 1:  For original submittals, indicate estimated amount determined to acquire all parcels on project (does not include delivery cost or contract fees).  A breakdown of parcel-by-parcel costs will be shown on R/W Parcel Cost Estimate (RE1778).  For revised plats, where parcels have been added or deleted, it is up to region's discretion if costs of parcels added or deleted warrant changing original submittal amount.  In such cases, R/W Parcel Cost Estimate must show parcels added or deleted even though monies are not shown on Project Cost Allocation (RE1532).  If monies are added, follow contract change order process.

Item 2:  On original submittals, indicate total estimated relocation assistance and moving costs for families and individuals of parcels shown on original plat.  On revisions of plat, show only costs of additions or deletions.

Item 3:  Show total of Items 1 and 2.  On subsequent submittals, show net changes.

Item 4a (Labor):  Enter estimated amount to complete acquisition using matrix system, multiplied by average Real Estate man-day rate.

Item 4b (Contracts):  Enter estimated amount for title contracts and/or appraisal contracts.

Item 4c (Total):  Combine total of 4a and 4b, as a plus or minus calculation.

Item 4d (Percent):  Show percent of labor and other contracts from total cost (4c divided by line 3).

Item 5:  On original transmittal, show total estimated site clearance costs for entire project. On revisions of plat, show only additions or deletions.

Item 6:  Combine totals for Items 3, 4c and 5 and enter total estimated acquisition cost.

Item 7:  On original submittal, show total number of parcels on project.  On revisions involving addition or deletion of parcels, show net change as a plus or minus adjustment.

Item 8 (Project Concepts):  Give brief overview of project, such as:  type of facility proposed, proposed access, unusual problems anticipated and other relevant information.  Region should also indicate if project is being acquired via Transportation Project Plat (TPP) or R/W Plat filed with county clerk.  Information should be on original submittal and on all revisions, since information of this type is needed when a revised Relocation Order and R/W plat are approved.  For revised plat submittals, list number of each sheet revised, parcel number (when applicable), and type of revision; shown under Item 8, Project Concepts.

## 1.3.3 Contract Change Order Process

Used to increase the cost of parcel acquisition or relocation assistance.

1.  Regional Real Estate completes Real Estate Encumbrance-Contract Change Order (RE1597) in accordance with instructions.  The following contract change order numbering system must be followed:

    *   01-48.  Change orders requesting changes to original contract.
    *   50-64.  Special orders or adjustments to contract that do not change original contract agreement (i.e., transferring contract balances from one project ID to another, cancel/liquidate encumbrance, other special adjustments).
    *   65-68.  Fiscal phases, use Real Estate Encumbrance-Contract Change Order form.

2.  Regional Real Estate forwards completed Real Estate Encumbrance-Contract Change Order to regional Planning.
3.  Regional Planning verifies contract increase and forwards form to BSHP.
4.  BSHP verifies change in cost and forwards form to BTS-RE/Finance.
5.  BTS-RE/Finance makes necessary adjustments to computer contract file and forwards copy of Real Estate Encumbrance-Contract Change Order to BBS/Fiscal Services Section - Expenditure Accounting.