



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

KIRK T. STEUDLE  
DIRECTOR

November 18, 2011

Mr. John Niemela, Director  
County Road Association of Michigan  
P.O. Box 120767  
Lansing, Michigan 48901-2067

Mr. Matt Bach, Director of Communications  
Michigan Municipal League  
208 North Capitol Avenue, 1<sup>st</sup> Floor  
Lansing, Michigan 48933-1354

Re: Approval of Justifications Letters for Local Agency Projects and Subsequent Awards

Dear Mr. Niemela and Mr. Bach:

Regarding the above subject matter the following information is a synopsis of the process:

A typical local agency project let through the Michigan Department of Transportation (MDOT) is advertised for approximately four to five weeks. Once the bids are taken, MDOT reviews all bids received to determine which projects require a justification; i.e., when the low bid exceeds the engineer's estimate by more than 10 percent. The following procedures are followed to complete the justification process:

- The bid opening usually takes place on a Friday.
- The bid review is held the following Monday afternoon, and projects identified that low bid exceeds engineer's estimate by 10 percent or more.
- By Wednesday of that same week, the bid tabulations for the projects that exceed ten percent of the engineer's estimate are sent to the MDOT Local Agency Program (LAP) staff engineer.
- The LAP staff engineer will forward the bid tabulations to the local agency to review and determine whether a justification for the project is warranted.
- The local agency reviews the bid tabulations and forwards its decision to the LAP staff engineer, who in turn, forwards the decision to MDOT Bureau of Development; the bureau reviews the local agency's decision. The local agency should respond to the LAP staff engineer within seven days after receiving the bid tabulations from the LAP staff engineer.

- If the local agency has justified the bids and decides they want to proceed with the project at the low bid amount, the Bureau of Development forwards the justification on to MDOT Bureau of Finance, where the decision is added to the agenda for the upcoming MDOT Transportation Committee meeting.
- If the local agency's decision is to reject all bids, MDOT will proceed with the bid rejection without the need for Transportation Commission approval. Once the bids are rejected, the local agency must revise the bid documents and work with the LAP staff engineer to prepare a new bid proposal and schedule the project for another letting or the funds will be deobligated.

The Transportation Commission must approve the project prior to the award. The timing of these events becomes critical to the actual awarding of the project.

The Transportation Commission must approve all construction projects in which the low bid exceeds \$500,000. The Bureau of Development has a limited timeframe to provide the justification information to the Bureau of Finance, where the information is then submitted to be added to the agenda for the next upcoming Transportation Commission meeting. The bid lettings are typically held on the first Friday of the month. The Transportation Commission meeting is generally held on the fourth Thursday of the month. In months where the first Friday occurs nearly one week into the month, the turnaround time for the material to be submitted for the Transportation Commission agenda is limited, requiring the Local Agency to make a prompt decision.

When the bid tabulations are forwarded to the local agency, the agency must respond to the LAP staff engineer within seven calendar days to ensure that the project will proceed to award on time. In some cases the local agency must get approval of its governing board for the cost increase and must wait for that item to be acted upon at its next board meeting. In these cases the local agency may not be able to provide the justification within the required time frame; that means the project will not be acted upon at the normally scheduled Transportation Commission meeting. This may result in a delay of up to one month in the awarding of the project.

We appreciate the local agency's assistance in expediting the justification process when it is possible. This letter is meant to inform local agencies of the delays which may affect their projects if they cannot provide the justification approval in a minimal time frame.

Mr. John Niemela  
Mr. Matt Bach  
Page 3 of 3  
November 18, 2011

If you have any questions on these procedures, please contact me at 517-335-2233 or [cadenar@michigan.gov](mailto:cadenar@michigan.gov).

Sincerely,



Rudolph S. Cadena  
Local Agency Programs Engineer

cc: B. Wieferich  
M. Harbison  
B. Kadzban  
K. Cooper  
M. Shulick