



# **THE DELAWARE BROWNFIELD GRANT PROGRAM**

## **BRIDGING THE FINANCIAL GAP**

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# THE REALITY:

With \$5M available to reimburse . . .

- ~ \$1M over budget in FY08
- ~ \$1.5M over budget in FY09
- ~ \$1M over budget in FY10

**GO TEAM !**



## THE RESPONSE:

A review of the Brownfield Grant Eligible Expense Guidance document in order to:

- Identify where most money was being spent;
- Identify areas that don't directly relate to contamination investigation and cleanup;
- Evaluate where cost saving measures could be implemented;
- Utilize the opportunity to edit small items noted since the guidance was last revised;
- Introduce ideas for improving the program overall;



## THE INTENT:

Continue to promote contaminated site redevelopment and associated economic benefit by maximizing our funding resources.

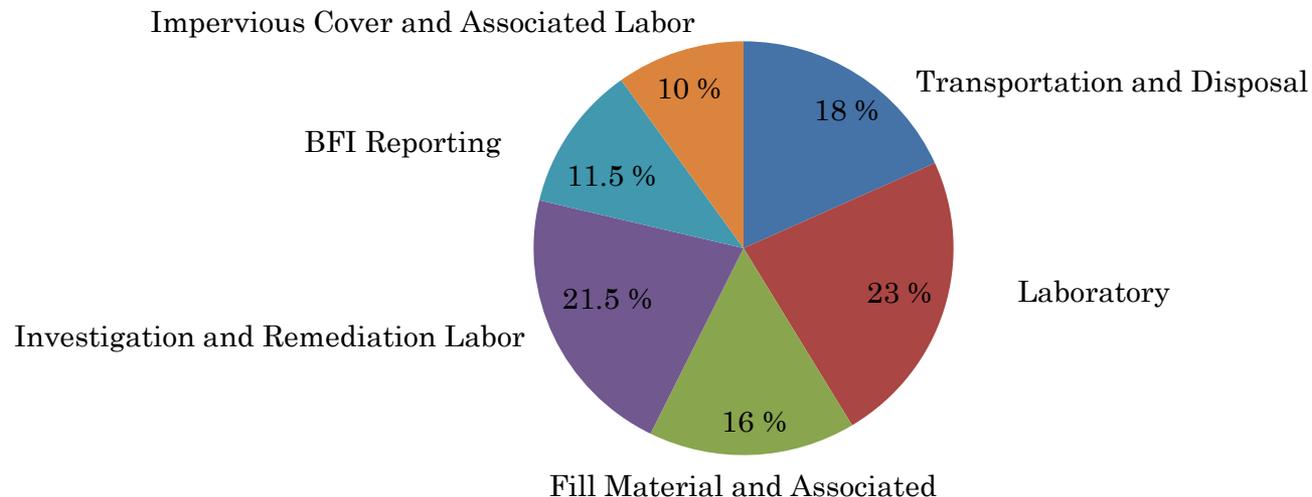
## HOW:

By optimizing the Brownfield Grant Eligible Expenses Guidance and associated policies and agreements.



# WHERE DOES THE BIG MONEY GO ?

1. Laboratory Costs
2. Investigation and Remediation Labor Costs
3. Transportation and Disposal Costs
4. Fill Material and Associated Labor Costs
5. BFI Reporting Costs
6. Impervious Cover and Associated Labor Cost



*Percentages of \$10,915,484.55 spent over 3½ year period, or approximately 63% of total Brownfield budget for the same time period.*

# WHAT DOESN'T DIRECTLY RELATE TO INVESTIGATION OR CLEANUP ?

- Prior Assessment Activities
- E&S Controls after Remediation
- Site Worker Training
- Public Relations
- Reimbursement Package Prep and Review



# WHERE IS THERE OPPORTUNITY TO SAVE ?

## BIG Opportunities:

- Place a Cap/Limits on Prior Assessment Reimbursement . . .
- Reduce Allowable Markups . . .
- Reduce Laboratory Analytical Costs . . .

## Small Opportunities:

- Copy Costs/Email Usage . . .
- Reimbursement Package Limits . . .
- Reimbursement Package Meetings . . .
- E&S Inspections . . .
- Site Worker Training . . .



LETS TALK DOLLARS . . .



# PRIOR ASSESSMENT REIMBURSEMENT

- Includes Phase I's, Phase II's, interviews, etc. with intent of assisting with BFI Workplan development.
- Total charges: \$373,555.82 for 43 sites
- Cost range for prior assessment charges is between \$160 and \$28,729.50 .
- The average cost per site is \$8,687.34.
- The median cost is \$5,893.83.

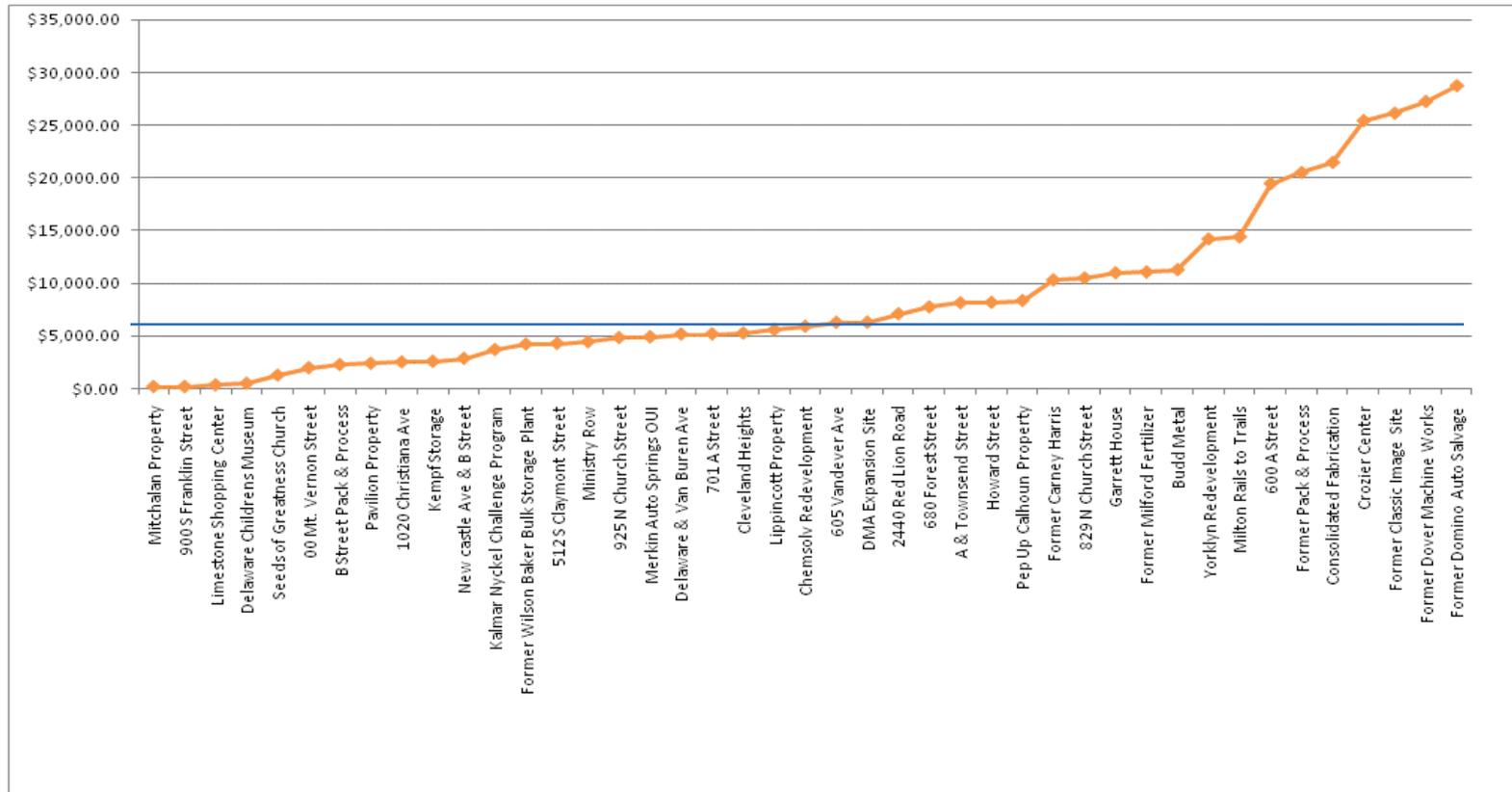


# PROPOSED CHANGE TO GUIDANCE

- Remove Phase I's as a reimbursable item.
- Cap the reimbursable amount of other useful prior assessment information to \$6,000.00, if less than 180 days old (i.e. Phase II's).
- Information older than 180 days is presumed non-reimbursable but can be proposed for reimbursement in writing, with justification for reasonable usefulness.
- Approval to go above the cap can still be available for special circumstances.



# PRIOR ASSESSMENT COST ANALYSIS



	Total Savings	Annual Savings
Average (~\$8,600)	\$129,859.01	\$43,286.34
Median (~\$6,000)	\$177,452.72	\$59,150.90



# REDUCING SUBCONTRACTOR MARKUPS

- Currently a 10% markup is allowed on all subcontract services.
- In 3 years, the cost to the Brownfield Grant has been \$674,571.94 .
- A 1% reduction to 9% would save the state:
  - Over the past 3 years: \$67,457.19
  - Annually: \$22,485.73



# POTENTIAL MARKUP SAVINGS

		Total Savings	Annual Savings
\$7,420,291.33	Total with 10% Markup		
\$6,745,719.39	Total without Markup		
\$7,083,005.36	With 5% Markup	\$337,285.97	\$112,428.66
\$7,150,462.55	With 6% Markup	\$269,828.78	\$89,942.93
\$7,217,919.75	With 7% Markup	\$202,371.58	\$67,457.19
\$7,285,376.94	With 8% Markup	\$134,914.39	\$44,971.46
\$7,352,834.14	With 9% Markup	\$67,457.19	\$22,485.73
\$7,420,291.33	With 10% Markup	\$0.00	\$0.00

Note: Data from three year period between 2007 and 2010

**Question:** Should the Brownfield Grant pay for ALL markup charges ?

If no, consultants can charge whatever markup is necessary to meet their needs, and the Brownfield Grant will reimburse a portion.

If yes, consultants should make a case for a justifiable amount.



# REDUCING LABORATORY COSTS

- DNREC re-negotiated subcontract laboratory prices in 2010.
- Subcontract lab prices are good for a 3-year contract term with possible 2 years of extensions.
- SIRB randomly reviewed and compared 25 lab invoices from various Brownfield sites over the past 3 years to the newly negotiated rates.
- Comparison included three different laboratories, several consulting firms, and different analytes.



# LABORATORY COSTS ANALYSIS RESULTS

	Actual Cost	Potential Cost	% Difference
Total	\$172,665.10	\$91,513.20	~47%
Total w/ markup	\$189,931.61	\$91,513.20	~52%

UTILIZING AN APPROXIMATE 50%  
REDUCTION IN LABORATORY PRICING:

	Actual Cost	Total Savings	Annual Savings
Lab Cost - All Tasks	\$2,472,289.13	\$1,236,144.57	\$412,048.19



# PROPOSED CHANGE(S) TO GUIDANCE

1. All Samples Delivered to DNREC for Lab Submittal
  - DNREC utilizes newly negotiated subcontract laboratory pricing.
  - Invoice paid directly by DNREC and applied to developer's maximum allowable reimbursement limits.

- and/or -
2. Reimbursement Limits Established for All Laboratory Analyses
  - Any HSCA certified lab can be used, but DNREC will only reimburse for the established limit, including any markup charges.
  - Invoice paid by consultant and submitted for reimbursement as usual.

- or -
3. Same scenario as #2, but no markups allowed for laboratory analytical services.
  - Allows for easier and more consistent negotiation of laboratory pricing.



## LETS DO THE MATH ...

Proposed Change	Annual Savings
Cap Prior Assessment Reimbursement at \$6,000	\$59,150.90
Reduce Allowable Markup to 5%	\$112,428.66
Cap Laboratory Pricing at DNREC rates	\$412,048.19
Total	<b>\$583,627.75</b>

**BUT WAIT . . . WE'RE NOT DONE YET !**



# SUGGESTIONS WITH A FINANCIAL IMPACT

## Proposal:

- Set a minimum dollar amount for submittal of a reimbursement package to \$2,000.00, unless it's the final submittal.
- Quarterly submittals will be allowed if the \$2,000.00 minimum has not been reached since the prior quarter.

## Result:

- Less staff time processing reimbursement packages.
- Less money charged for preparation of reimbursement packages.



# SUGGESTIONS WITH A FINANCIAL IMPACT

## Proposal:

- Don't reimburse for meetings to discuss reimbursement packages, unless requested by DNREC.
- Instead, if necessary, include a detailed narrative describing the potential issues and resulting explanations.

## Result:

- Less time charged to the project for coordination and attendance to such meetings.



# SUGGESTIONS WITH A FINANCIAL IMPACT

## Proposal:

- Don't reimburse for erosion and sediment control inspections after a remedial action has been completed and prior to site redevelopment.
- Instead, the property owner/developer should take over payment as “construction related” costs.

## Result:

- Less money charged for E&S inspections



# SUGGESTIONS WITH A FINANCIAL IMPACT

## Proposal:

- Require 1 hard copy and 1 CD for all report submittals.
- Include laboratory data on CDs only.
- Require all drafts be submitted via email instead of hard copy.

## Result:

- Overall decrease in copy charges.



# SUGGESTIONS WITH A FINANCIAL IMPACT

## Proposal:

- Don't reimburse to certify workers under OSHA for work at contaminated sites (Task 11.070).
- Only \$17,265.80 has ever been charged to this task.

## Result:

- Only **EXPERIENCED** qualified companies will be working on our contaminated properties.



GOT TIME FOR A COUPLE MORE IDEAS ?



## A PROPOSED CHANGE TO THE BDA:

- Include language to ensure that the developer will not walk away until AFTER the BFI Report has been submitted and approved by DNREC.
  - Most sites won't exceed \$125,000 dollar/dollar limit
  - The Department can complete a Proposed/Final Plan
  - Sites don't remain in limbo without a mechanism to memorialize the data collected.
- Include language to prohibit the initiation of remedial actions until after the Brownfield Developer has taken title of the property.



# A PROPOSED ADDITION TO THE BDA:

- In order to receive a COCR, require the developer to provide:
  - Proof of payment to consultants
  - Proof of payment to contractors
  - Proof of payment to the State



# FINAL THOUGHT ABOUT WHERE WE GO FROM HERE . . .

- Place hourly rate limits for labor costs . . .
- Place monetary caps on certain investigation, remediation, or reporting tasks . . .
- Remove some reimbursable tasks entirely. . .
  - I know, Boo . . . Boo . . . Boooooooooooooo !
  - Just keep it in mind for the future, and as you discuss today's proposed changes.



WHO HAS THE FIRST QUESTION ?

