



MINNESOTA DEPARTMENT OF TRANSPORTATION
State Aid for Local Transportation Division
Technical Memorandum No: 04-State Aid-06
November 1, 2004, 2004

To: County Engineers (Distribution 618)
City Engineers (Distribution 650)
District State Aid Engineers

From: 
Julie Skallman, Division Director
State Aid for Local Transportation

Subject: Liquidated damages on Federal Aid projects: When Construction Engineering is a Non-Cost Participating Item

Expiration

This Technical Memorandum (TM) will continue in force and until it is superseded or included in the State Aid Manual.

Implementation

This Technical Memorandum will go into effect immediately.

Introduction

Liquidated damages are assessed when a Contractor fails to complete a project within the specified contract time. Standard Specification for Construction 1807.1 provides for the assessment of liquidated damages. Table 1807-1, Schedule of Liquidated Damages, outlines the amount of damages to be assessed per calendar day after the contract time has expired. The underlying basis for the values in Table 1807-1 is additional Construction Engineering costs incurred.

On Federal Aid projects Construction Engineering may or may not be a cost participating item depending on the decision made by the project manager when establishing the financial framework for the project. When Construction Engineering **is not** a Fed-aid cost participation item on a project and liquidated damages are assessed, no Fed-aid cost reduction needs to be made.

Purpose

The purpose of this tech memo is to give administrative direction when liquidated damages are assessed on a project per Standard Specification for Construction 1807.1 and Fed-aid is non-participating in Construction Engineering costs. **It is not intended to give direction on the assessment of liquidated damages when Construction Engineering costs are Fed-aid participating. Nor is it intended to give direction when liquidated damages are established for other reasons, (such as traffic delays or other public inconvenience), which typically supercede the standard specifications. In these**

situations cost reduction due to the assessment of liquidated damages is shared between financial contributors to the project proportionate to their contributions.

Guidelines

Liquidated damage cost reductions shall be realized 100% by the local contributor if Construction Engineering costs are non-Fed-aid participating. For example:

Project cost is \$1,500,000

80% Federal Aid, 20% Local Match

20 calendar days of liquidated damages @ \$1,250 per day = \$25,000 (see Table 1807-1 of the Standard Specifications).

	<u>Cost \$</u>	<u>Federal \$</u>	<u>Local Match \$</u>
Cost of work at bid prices	1,500,000	1,200,000	300,000
<u>Less liquidated damages</u>	<u>(25,000)</u>	<u>-----</u>	<u>(25,000)</u>
Final cost	1,475,000	1,200,000	275,000

The Federal Aid Unit in SALT will establish the correct application of liquidated damages on the initial payment spreadsheet based on information provided by counties and cities in the engineers cost estimate.

Questions

Questions on this memorandum can be directed to:

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