

# Contingency Planning Guide

Preparing for the Unexpected in Infrastructure Projects

## What is Contingency Planning?

Contingency planning is deciding ahead of time what you will do if something goes wrong. It is your "Plan B" for when risks become real problems. Good contingency planning helps you respond quickly and effectively when issues arise, rather than scrambling to figure out what to do in a crisis.

*For federally funded projects, having documented contingency plans shows grant administrators that you are managing their investment responsibly.*

## Key Contingency Planning Concepts

### Contingency Reserve vs. Management Reserve

Contingency Reserve	Management Reserve
Set aside for identified risks (the "known unknowns")	Set aside for unidentified risks (the "unknown unknowns")
Controlled by Project Manager	Controlled by Senior Management/Sponsor
Part of project baseline	Outside project baseline
<i>Example: Budget for potential soil remediation if contamination is found</i>	<i>Example: Additional funds held at organization level for major unforeseen events</i>

### Trigger Events

A trigger event is a sign that a risk is about to occur or has occurred. Identifying triggers in advance helps you know when to put your contingency plan into action.

**Example:** If your risk is "environmental review may be delayed," a trigger might be "no response from reviewing agency within 30 days of submission."

## Recommended Contingency Reserve Amounts

The amount of contingency you need depends on project complexity and your risk assessment. Here are typical guidelines for infrastructure projects:

Project Type	Budget Reserve	Schedule Reserve
Simple/Routine Project	5-10% of budget	10-15% of timeline
Moderate Complexity	10-15% of budget	15-20% of timeline
High Complexity/Many Unknowns	15-25% of budget	20-30% of timeline

**Note:** Check your grant terms - some programs limit contingency amounts or require prior approval to use contingency funds.



# Common Contingency Scenarios for Infrastructure Projects

## Scenario 1: Environmental Review Delays

<b>Risk:</b>	<b>Environmental review takes longer than expected</b>
<b>Trigger:</b>	No response from reviewing agency within 30 days of submission
<b>Contingency Actions:</b>	<ol style="list-style-type: none"> <li>1. Contact reviewing agency to request status and estimated completion</li> <li>2. Adjust procurement timeline to delay bid advertisement</li> <li>3. Notify grant manager of potential delay</li> <li>4. Identify non-construction activities that can proceed</li> </ol>

## Scenario 2: Bids Exceed Budget

<b>Risk:</b>	<b>Lowest responsible bid exceeds available construction budget</b>
<b>Trigger:</b>	Bid opening reveals all bids more than 10% over engineer's estimate
<b>Contingency Actions:</b>	<ol style="list-style-type: none"> <li>1. Review bids with engineer to identify cost drivers</li> <li>2. Conduct value engineering session to identify potential scope reductions</li> <li>3. Contact grant manager to discuss options (budget amendment, scope change, rebid)</li> <li>4. Identify potential matching fund sources or additional grants</li> <li>5. Consider phasing project if full scope cannot be funded</li> </ol>

## Scenario 3: Contractor Performance Issues

<b>Risk:</b>	<b>Contractor falls significantly behind schedule or produces substandard work</b>
<b>Trigger:</b>	Work is more than 15% behind schedule or inspector flags repeated quality issues
<b>Contingency Actions:</b>	<ol style="list-style-type: none"> <li>1. Document all issues in writing with specific concerns</li> <li>2. Hold formal meeting with contractor to discuss corrective action</li> <li>3. Issue cure notice per contract terms</li> <li>4. Increase inspection frequency</li> <li>5. Contact surety company if situation does not improve</li> <li>6. Consult with legal counsel about contract remedies</li> </ol>

## Scenario 4: Key Staff Departure

<b>Risk:</b>	<b>Project manager or other key staff member leaves during project execution</b>
<b>Trigger:</b>	Key staff member submits resignation or extended leave request
<b>Contingency Actions:</b>	<ol style="list-style-type: none"> <li>1. Ensure thorough project documentation is current</li> <li>2. Request knowledge transfer sessions during notice period</li> <li>3. Assign interim responsibilities to existing staff</li> <li>4. Contact grant manager to discuss potential use of grant funds for temporary staffing</li> <li>5. Consider hiring consultant for specialized functions</li> </ol>

# Contingency Plan Checklist

Use this checklist to ensure your contingency plans are complete:

- Identified trigger events for each high-priority risk
- Documented specific actions to take if risk occurs
- Assigned responsibility for executing contingency actions
- Calculated contingency reserve needs (budget and schedule)
- Identified escalation path for major issues
- Communicated contingency plans to project team
- Verified contingency reserves are approved and available
- Established monitoring process to watch for triggers
- Filed contingency plans in project documentation

## FEDERAL COMPLIANCE REMINDER

**For federally funded projects:**

- Any use of contingency funds may require prior approval from your grant manager
- Document decisions to use contingency reserves and maintain records of what the funds were used for
- Scope changes triggered by contingency events may require a formal grant amendment
- Contact your grant manager early if you anticipate needing to use contingency plans

## GRANT OPPORTUNITIES FOR CAPACITY BUILDING

- **USDA Rural Community Development Initiative (RCDI)** - \$50,000-\$500,000 grants for capacity building through intermediary organizations (FY2025: ~\$5 million available)
- **USDA Rural Economic Development Loan and Grant Program** - Quarterly deadlines through June 2026; ~\$60 million available for FY2026
- **EDA Public Works and Economic Adjustment Assistance** - Rolling applications for planning, technical assistance, and infrastructure
- **EDA Disaster Supplemental - Readiness Path** - ~\$1.45 billion for disaster recovery capacity building; rolling applications
- **Business Oregon Technical Assistance** - State-level support for Oregon community infrastructure projects

