



## AGENDA ITEM SUMMARY FORM

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**MEETING DATE:** January 27, 2026

**PREPARED BY:** Langford Community Management Services

**AGENDA CONTENT:** GLO Fee Cap Waiver

**AGENDA ITEM SECTION:** Regular Agenda

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**BUDGETED AMOUNT:** **FUNDS REQUESTED:**

**FUND:**

### EXECUTIVE SUMMARY:

Attached is a memorandum explaining GLO's Fee Cap Waiver and the use for it on Lift Station #8 – GLO grant contract number ending in E535.

### RECOMMENDATION:

City of Angleton utilize the fee cap waiver on Lift Station #8 project.

## **Memorandum**

Recommendation to Utilize Fee-Cap Waiver – GLO Project No. 24-065-043-E535

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### **Purpose**

The purpose of this memorandum is to recommend that City Council authorize the use of a fee-cap waiver for Texas General Land Office (GLO) Project No. 24-065-043-E535.

### **Project Context**

The City is currently in the construction phase of GLO Contract No. 24-065-043-E535 under the CDBG-MIT MOD program. Construction bids for the Lift Station #8 Sewer Rehabilitation Project were received substantially below the engineer's estimate, creating an opportunity for the City to expand the project scope and maximize the impact of available grant funds. In coordination with City staff, the project engineer has worked proactively to identify and develop additional infrastructure improvements that can be incorporated into the project to utilize the grant funds to their maximum capacity. These potential enhancements have been submitted for consideration, and the City is currently awaiting approval from the GLO to proceed with the expanded scope.

Under current GLO guidance, professional service costs are subject to fee caps that are calculated as a percentage of specific grant cost components. Engineering services are capped at 15% of the awarded construction cost, and administrative services are capped at 8% of the total grant contract value. When construction bids come in lower than anticipated, the awarded construction amount decreases, which directly reduces the allowable engineering fee. Similarly, the overall grant contract value declines, which correspondingly reduces the allowable administrative fee. This structure can create a funding gap when a significant portion of the engineering and administrative work—such as design coordination, surveying, grant compliance, reporting, and project management—has already been completed based on the original scope and anticipated construction value. While the City is currently awaiting GLO review and approval of proposed project enhancements, any increase to the construction contract remains limited by the maximum change order threshold of 25%, which continues to constrain the allowable engineering and administrative fees below the levels originally anticipated at the time of contract execution.

In the City of Angleton's case, the fee cap guidance limits the City's ability to fully compensate the engineering and administrative firms for necessary services already performed, despite those services remaining essential to successful delivery of the

expanded project scope and ongoing grant compliance. As a result, the City may be required to supplement these costs with local funds unless a fee-cap waiver is utilized.

### **Fee-Cap Waiver Background**

GLO staff have verbally indicated that each subrecipient may only be allowed one fee-cap waiver over its lifetime. Based on this verbalized statement, the City has expressed concern that using a fee-cap waiver for this project could limit flexibility for future GLO-funded projects.

However, this limitation is not supported by any documented governing authority, including:

- The GLO Implementation Manual
- HUD regulations or policy guidance
- The City's executed contract with the GLO
- Any formally adopted written GLO policy

As such, the concept of a "one lifetime waiver" has not been memorialized in writing and is not currently enforceable through contract terms or regulatory requirements.

### **Risk Assessment**

From both a practical and fiduciary perspective, Council's decision presents two distinct risk scenarios:

#### **Scenario A – Do Not Use the Fee-Cap Waiver**

If the fee-cap waiver is not used:

- The City would be required to absorb additional administrative and engineering costs using local funds; and
- The City would incur an immediate and measurable financial impact.

#### **Scenario B – Use the Fee-Cap Waiver**

If the fee-cap waiver is used:

- The City would be able to utilize available grant funds to support required administrative and engineering activities necessary to complete the project; and
- The concern regarding future waiver eligibility remains speculative, as no written policy or contractual restriction currently exists.

- There are currently no disasters, nor are any anticipated in the foreseeable future, for which a fee cap waiver would apply.

Importantly, there is no written assurance that declining a waiver now would preserve eligibility for a future waiver request, nor is there written authority confirming that using a waiver on this project would prohibit the City from requesting another waiver in the future.

**Table 1 – Financial Impact of Fee-Cap Waiver**

<b>Category</b>	<b>Original Grant Budget</b>	<b>Projected Actual Expenditure</b>	<b>Difference</b>
Construction	\$1,434,320.00	\$1,018,570.00	(\$415,570.00)
Engineering	\$215,148.00	\$215,148.00	\$0.00
Administrative / ERR	\$143,432.00	\$143,432.00	\$0.00
<b>Total Grant Award</b>	<b>\$1,792,900.00</b>	<b>\$1,385,195.00</b>	<b>(\$415,570.00)</b>

**Table 2 – Fee-Cap Impact (Administrative & Engineering)**

<b>Category</b>	<b>Fee-Cap Allowable</b>	<b>Actual Need</b>	<b>Amount Over Cap</b>
Administrative / ERR (8%)	\$101,857.00	\$143,432.00	\$41,575.00
Engineering (15%)	\$152,785.50	\$215,148.00	\$62,362.00
<b>Total Over Fee Cap</b>			<b>\$103,937.50</b>

## **Recommendation**

Based on the circumstances and analysis above, staff recommends that City Council authorize the use of a fee-cap waiver for GLO Project No. 24-065-043-E535. Authorizing the waiver will allow the City to effectively administer the current project, maximize the use of grant funds, and avoid unnecessary reliance on local resources. While future waiver eligibility has been raised as a concern, it is not supported by written policy or contract

language, whereas the benefit of utilizing the waiver for the current project is immediate, tangible, and directly tied to successful project delivery and compliance.

Respectfully submitted,

Langford Community Management Services

A handwritten signature in blue ink, appearing to read 'Judy Langford', is written over the printed name.

Judy Langford, President

A faint, illegible stamp or text is visible below the signature.