

COST MANAGEMENT PLAN

Since the project will be financed by the selected contractor under Design-Build-Finance-Operate-Maintain contract, the Project Manager is not directly responsible for managing on the project's cost during the execution of the project until the completion of Phase 2 . The Operation and maintenance part will be a different scheme of cost management which will be detailed on a separate contract and is not explored under this Project Management Plan. It is the Contractor's obligation to manage their finance towards achieving the project deliverables. Even though, the contractor is still obliged to report the summary of project's cost performance which will be measured using earned value in a monthly status meeting. The purpose of getting information from the contractor's cost performance is to assure the sponsors that the project is going well and will not be disrupted due to cost related issues, or doing a mitigation to get back to track if there is a cost deviation.

Cost Management Approach

Details on how the contractor manage the project cost will not be discuss under this plan, rather will focus on how and what they need to report and how the Project Manager will monitor and control the project cost.

For measuring the Cost Performance, variances of +/- 0.1 in the cost and schedule performance indexes will change the status of the cost to cautionary; as such, those values will be changed to yellow in the project status reports. Cost variances of +/- 0.2 in the cost and schedule performance indexes will change the status of the cost to an alert stage; as such, those values will be changed to red in the project status reports. This will require corrective action from the Contractor in order to bring the cost and/or schedule performance indexes below the alert level. Corrective actions will require a project change request and be must approved by the Change Control Board before it can become within the scope of the project.

Measuring Project Costs

Performance of the project will be measured using Earned Value Management. The following four Earned Value metrics will be used to measure to projects cost performance:

- Schedule Variance (SV)

- Cost Variance (CV)
- Schedule Performance Index (SPI)
- Cost Performance Index (CPI)

If the Schedule Performance Index or Cost Performance Index has a variance of between 0.1 and 0.2 the Contractor must report the reason for the exception. If the SPI or CPI has a variance of greater than 0.2 the Contractor must report the reason for the exception and provide the Project Manager a detailed corrective plan to bring the projects performance back to acceptable levels.

Performance Measure	Yellow	Red
Schedule Performance Index (SPI)	Between 0.9 and 0.8 or Between 1.1 and 1.2	Less Than 0.8 or Greater than 1.2
Cost Performance Index (CPI)	Between 0.9 and 0.8 or Between 1.1 and 1.2	Less Than 0.8 or Greater than 1.2

Cost Variance Response Process

The Control Thresholds for this project is a CPI or SPI of less than 0.8 or greater than 1.2. If the project reaches one of these Control Thresholds a Cost Variance Corrective Action Plan is required from the Contractor. The Contractor will present the Project Manager with options for corrective actions, while the Project Manager will closely monitor how the contractor execute their corrective actions. The Cost Variance Corrective Action Plan will detail the actions necessary to bring the project back within budget and the means by which the effectiveness of the actions in the plan will be measured.