

Capital Cost Estimates



Purpose

- Define an adequate funding scenario
- Assist in the financial comparison of alternatives
- Reasonable and defensible cost estimates are critical to advancing projects and plans



Capital Cost Estimates

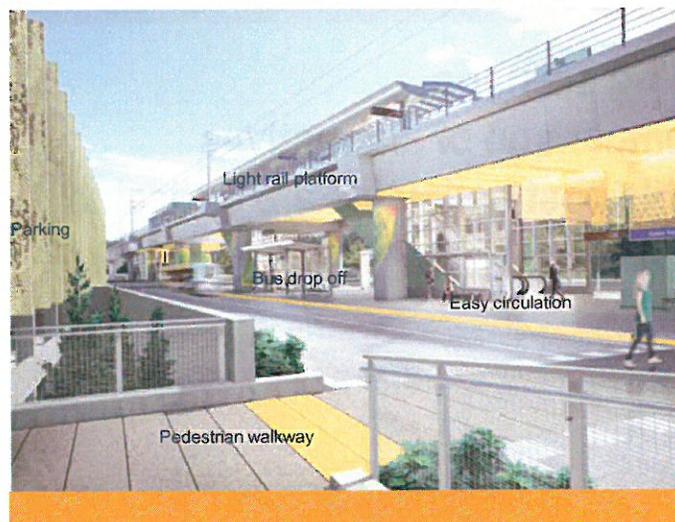


System Planning-level Lessons Learned:

- A cost estimate that provides for EVERY aspect of a project's lifecycle
- Provide adequate contingencies, appropriate to the level of eng'g
- *Consider* third-party estimates but always develop ST's own
- Don't assume "partnerships"
- Base the estimate on a clear written project scope

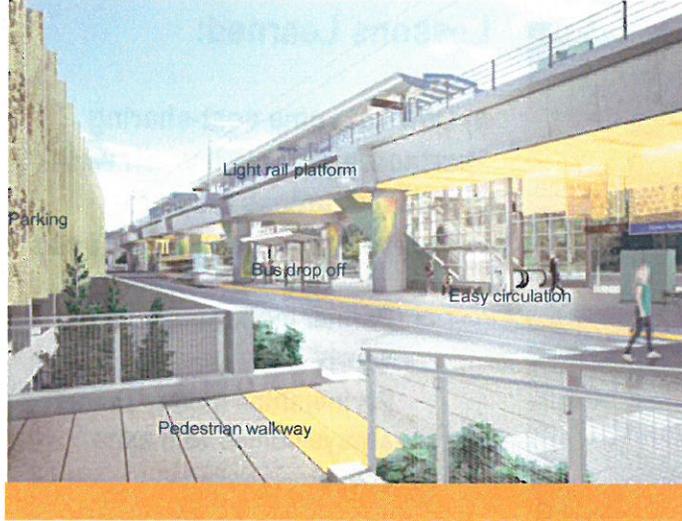


Capital Cost Estimates



Lessons Learned:

- 1) **Ensure a cost estimate that provides for EVERY aspect of a project's lifecycle**
 - Agency staff costs?
 - Environmental analysis?
 - Mitigation?
 - Real estate?
 - Contingencies?



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Capital Cost Estimates

Lessons Learned:

2) Provide adequate contingencies, appropriate to the level of project development

- Generally, contingencies decrease as design progresses, and certainty is gained



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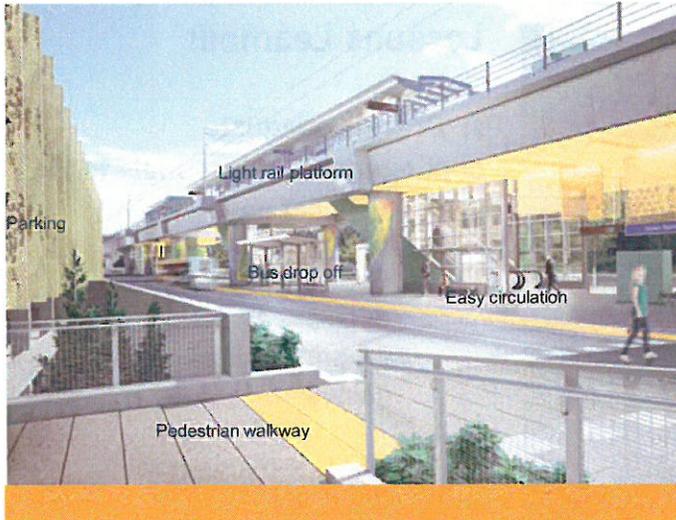
Lessons Learned:

3) *Consider* cost estimates developed by others. Always develop and rely upon ST's own:

- Other agencies are poor estimators at the truly conceptual level
- Other parties can have motivations to under-estimate costs



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Lessons Learned:

4) Don't assume cost-sharing "partnerships," even when well-discussed, unless they are written, signed and unambiguous

- Partner money materializes slowly
- Partnerships money almost always comes with extra scope



Capital Cost Estimates



Lessons Learned:

5) Base the estimate on a clear written project scope

- A cost estimate has to be for something; Not *about* something
- No such thing as an estimate that covers several alternatives

General Approach



Base every step upon the project scope

1. Define project scopes
 - Document features and assumptions
2. Generate unit costs
3. Estimate quantities
4. Calculate costs
5. Validate cost estimates
 - Compare against like projects already constructed

Philosophy



1. Aim high -- Develop a representative project that is likely in the high cost range of all reasonable alternatives
 - Cover about 85% of the cost risk
2. If scope changes, the cost estimate must also
 - When a project is in trouble, the culprit is almost always scope
 - Added scope
 - Changed scope
 - Unknown/mismanaged scope
 - Scope creep

