



**Washington State  
Department of Transportation**

# **Cost Estimating Manual for Projects**

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Development Division

# Foreword

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WSDOT's vision is to be the best at providing a sustainable and integrated multimodal transportation system. Its mission is to provide and support safe, reliable, and cost-effective transportation options to improve livable communities and economic vitality for people and businesses.

Estimators should be shielded from pressures to keep estimates within desired amounts.

This update to the WSDOT Cost Estimating Guide is part of an ongoing process to keep technical information relevant and current, as well as provide consistency with the department's vision.

More of an art than a science, cost estimating requires a thorough understanding of project scope, past price history, and current market conditions, as well as a generous application of human judgment.

Key goals of the estimating process described in this manual include:

1. Department wide priority on estimating, managing, and controlling costs:
  - Fully developed and integrated policies, processes, and tools for cost estimation, management, and control
  - Baseline estimates that align with early project scope development and include an initial assessment of uncertainty
  - Clearly defined and documented cost management endorsement processes to authorize changes in scope and cost after the baseline estimate is established
  - Dedicated resources that are focused on effective scoping, project cost estimating, and cost management
2. Reliable and accurate estimates:
  - Documented and complete cost estimates that include costs for Preliminary Engineering (PE), Right of way (RW), and Construction (CN).
  - Clearly spelled-out assumptions, risks, and uncertainties that can be easily communicated
3. Statewide uniformity and consistency:
  - Uniform application and consistent statewide use of well-documented processes, tools, and templates
  - Use of processes and tools during the planning, scoping, design, and letting phases
4. Improved communication and credibility with external stakeholders:
  - Consistent and clear communication of cost estimate range to external stakeholders at milestone points
  - The ability to communicate cost estimates with confidence, leading to stronger relationships with external stakeholders, greater possibility for collaboration, and increased funding support of transportation initiatives
5. Clear accountability:
  - Accountability for cost estimating and cost management at all levels of the agency
  - Defined roles and responsibilities for every person involved
  - Accountability that is tracked at key milestones in the process

This manual is intended as a guide for developing and managing project cost. It provides policies, rules, procedures, and tools to aid WSDOT staff in preparing project cost estimates and managing cost throughout WSDOT's project development process. Although the manual is primarily written for project managers and

estimators, it is strongly recommended that others involved in WSDOT's project delivery activities familiarize themselves with this information.

The term "project cost estimate," as used during the project development process, includes all direct capital outlay costs, including right of way, structures, and landscaping, but does not normally include indirect capital outlay support costs.

Project cost estimates should be as accurate as possible. Estimates should never be artificially reduced to stay within the funding limits, nor should they be reduced to make available more funding for region projects. Likewise, project cost estimates should not be artificially raised beyond the contingency percentages provided for in this manual unless adequately justified.

### **Important Notice**

The detailed estimate of any phase of an estimate shall not be disclosed to the public and will be kept confidential until the end of the bid opening.

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Cost estimating is the predictive process used to quantify, cost, and price the resources required to develop and deliver projects.

The need to solidify the estimation process can be seen in four areas:

1. Financial plan – cost estimates are used to obtain and allocate funding for projects.
2. Public trust – relies in large part on our ability to deliver transportation projects in a timely manner and within budget. Public declaration of project cost estimate ranges need to be thoughtfully provided using a well-documented, quality estimate.
3. Project controls – rely on cost estimates to help keep projects within the appropriate fiscal boundaries. The baseline project cost estimate helps keep the project from growing and expanding beyond spending limits.
4. Project resilience – as projects encounter problems, estimates are scrutinized. The quality of the estimate and the documentation provide critical support to project success.

The reliability of project cost estimates at every stage in the project development process is necessary for responsible fiscal management. Unreliable cost estimates result in severe problems in programming and budgeting. Estimates affect staffing and budget decisions that could impair effective use of department resources. Communication with decision makers on critical budget issues is also adversely affected.

This document offers guidance and instruction to design staff and project managers for a consistent approach to cost estimating, including:

- How to treat common and recurring challenges encountered in the estimating process.
- Considerations, tips, and cautions for different estimate phases.
- Resources.

Note: Guidance for calculating quantities of a proposed design is found in the WSDOT [Design Manual](#).





[2-1 Introduction](#)

[2-2 Project Information](#)

[2-3 Determine the Basis of Estimate](#)

[2-4 Prepare Cost Estimate](#)

[2-5 Review Estimate](#)

[2-6 Perform a Risk Assessment](#)

[2-7 Determine Communication Approach](#)

[2-8 Obtain Management Endorsement](#)

[Exhibit 2-1 Estimating Process](#)

[Exhibit 2-2 Components of Project Cost Estimates](#)

The most common question asked of any project, at any stage of design is “How much is it going to cost?” followed by “How long is it going to take?” and finally “Why?” The next few pages describe how to prepare an estimate so these questions can be answered confidently. Good estimating requires a professional and deliberate approach. Information is at the heart of the cost estimating process.

The cost estimating process can be organized into 7 steps:

1	2	3	4	5	6	7
Project Information	Basis of Estimate	Prepare Estimate	Review Estimate	Risk Assessment	Determine Communication	Endorsement

### 2.01 Introduction

Take the necessary steps to gather project information and organize to estimate project cost. [Exhibit 2-1](#) illustrates WSDOT’s cost estimating process. This process is applied to all phases of project development, from the planning through Plans, Specifications, and Estimates (PS&E).

Each project phase, Preliminary Engineering (PE), Right of way (RW), and Construction (CN) may require different estimating inputs, methods, techniques, and tools. The task of cost estimating, by its very nature, requires the application of prudent judgment. Following is a short description of each step in the cost estimating process.

### 2.02 Project Information

Make estimating a priority and utilize appropriate time and resources. A good deal of project information typically available from various sources, including: the [Basis of Design](#), the [Context and Modal Accommodation Report](#), the [Intersection Control Evaluation](#), and a variety of other reports or studies. The information should describe the project need, schedule, scope, and context. Review the cost estimating process and outline a reasonable schedule to prepare the cost estimate commensurate with the level of project development. Consider the following questions may in getting organized for the cost estimating effort: Why do we need information? Where does the information come from? What type of information is needed? Review and transform the information into an easily used and communicated product.

### 2.03 Determine the Basis of Estimate

Documentation to enable the agency to easily track changes to project scope, cost, and schedule. This document provides a trail about what is known about the project. This allows project “knowns” as well as “unknowns” to be clearly identified. This documentation is important because multiple estimators may be involved on the project; complex projects take years to develop and are periodically updated.

## 2.04 Prepare Cost Estimate

Now that we have readied ourselves via the basis of estimate and assembled project information, preparation of the project cost estimate can be conducted in earnest. To the extent known, based on the project scope and limits, items can be identified and quantified for estimating, they standard bid items using quantities and unit prices, or for earlier cost estimating efforts parametric estimates can be prepared. Each item in the estimate should have a calculation sheet that includes information about the quantities and costs used. For example, explain how quantities and costs are determined and any specifics used to make a judgment about costs, including approach to rounding.

For some items an overall construction cost estimate is prepared and then percentages are used. See the table in [Exhibit 7-1](#) for a markup summary. Items that can be calculated using percentages include Design Allowance, Preliminary Engineering, Mobilization, Sales Tax, Contingency, and Construction Engineering. For project cost estimating recognize that you are not alone, if you are estimating a project type that you do not have experience with be sure to ask colleagues, supervisors, and pertinent specialty group experts about the project and items that need to be included.

The cost estimate is determined in current year dollars and is often prepared using a variety of different techniques—depending on the level of scope definition, project size, and complexity of the project. As the design progresses and more details are known, project components become more detailed. Inputs include project scope details, historical databases, and other cost databases (such as [Bid Tabs Pro](#), [WSDOT Unit Bid Analysis](#), RS Means Cost Data). WSDOT specialty groups relevant to the project, should be consulted when preparing base cost estimates.

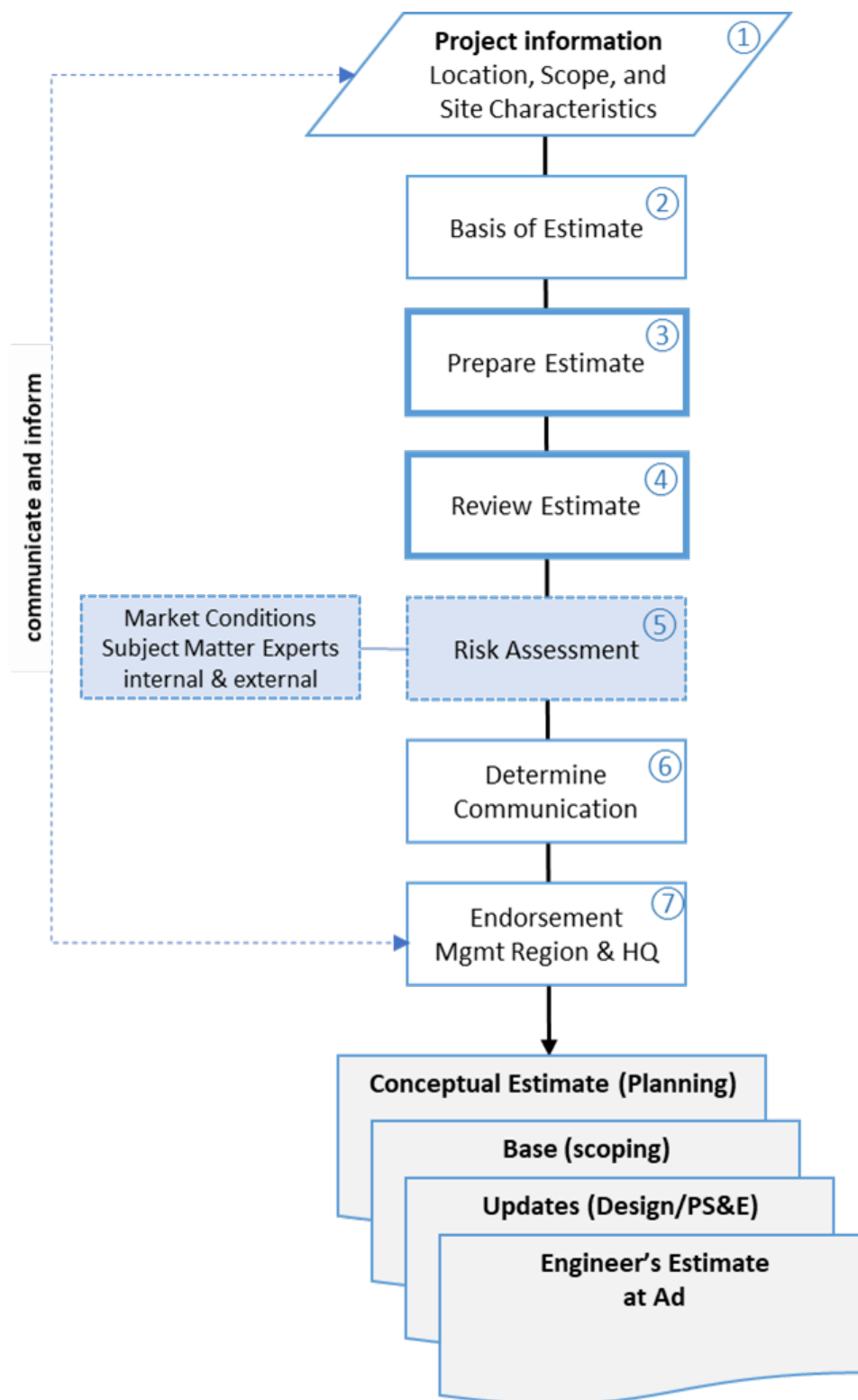
The estimate is also dependent on the project schedule. A high-level summary of the estimated schedule should be attached to the Basis of Estimate. At a minimum, schedules developed in the early stages of project development should include the major milestones that WSDOT uses to measure performance and progress on projects. An early schedule should include major milestones but may only include a few activities equal with the level of development the project has reached. Typically, at a minimum, an early project schedule should include estimated durations for the environmental, design, ROW, ad/bid/award, and construction phases.

Per the [Program Management Manual, PMM, Chapter 10, section 10-5.3](#) (Only available to WSDOT employees) there are six reportable milestones for line-item projects, indicated via bold text and asterisk in the milestone list below.

<b>Project Definition Complete*</b>	<b>Right of Way Certification*</b>
<b>Begin Preliminary Engineering* (PE)</b>	<b>Advertisement Date*</b>
<b>Environmental Documentation Complete*</b>	Award
Right of Way (RW) Plan Approved	Right of Way (RW) Phase End
Right of Way Phase Start	Construction Work Start
Preliminary Engineering (PE) Phase End	<b>Operationally Complete Date*</b>
Environmental Permits Received	Construction (CN) Phase End

[Exhibit 2-1](#) provides a flowchart of the Cost Estimating Process.

Exhibit 2-1 Estimating Process



## 2.05 Review Estimate

This activity confirms that:

1. Project and estimate assumptions, as documented in the Basis of Estimate, are appropriate for the project
2. The base cost estimate is an accurate reflection of the project's scope of work
3. Scope, schedule, and cost items are calculated properly, and required components are not missing or double counted
4. Historical and other data used was realistic in applicability of costing time frame and quantities, and that it reflects project scope and site conditions. Internal specialty groups and/or subject matter experts (SMEs) must participate in the base estimate review.

The estimate review plays an important role in ensuring the quality of estimate and contributes to the overall quality of the PS&E package.

## 2.06 Perform a Risk Assessment

This activity captures the effect of uncertainties on project cost and schedule using a structured and documented approach. Secretary's Executive Order [E 1053](#) Project Risk Management and Risk-Based Estimating provides instructions on how and when a risk assessment must be performed. E1053 also provides Instructions for establishing and adjusting project budgets that incorporate project uncertainty and risk treatment planning, based on information provided in project cost and risk assessment efforts. The WSDOT [Project Risk Management Guide](#) provides the needed detail of how risk assessment is employed.

## 2.07 Determine Communication Approach

In general, the following guidance is provided when making public declarations of costs estimates:

1. An estimate is a range, not a single number.
2. An estimate for a project should include everything: PE, RW, and CN.
3. An estimate should be communicated in Year of Expenditure dollars.

Regardless of whether qualitative or quantitative risk assessment is employed, project cost estimate data normally needs to be communicated to both internal and external constituencies.

The communication approach determines what estimate information should be shared, who should receive this information, and how and when the information should be communicated.

Cost estimate information should be included when the communication plan is developed as part of the project management process. Often the words are as important as the numbers. The Basis of Estimate document is useful in documenting and monitoring key information about the project.

## 2.08 Obtain Management Endorsement

Estimates are key products of the project management process and are fundamental documents upon which management decisions are based. Given their importance, all estimates should be reviewed by an independent party, and then be reconciled and revised as needed to respond to independent reviewers' comments. Once the independent review comments have been addressed, estimates should be presented to management staff for their endorsement.

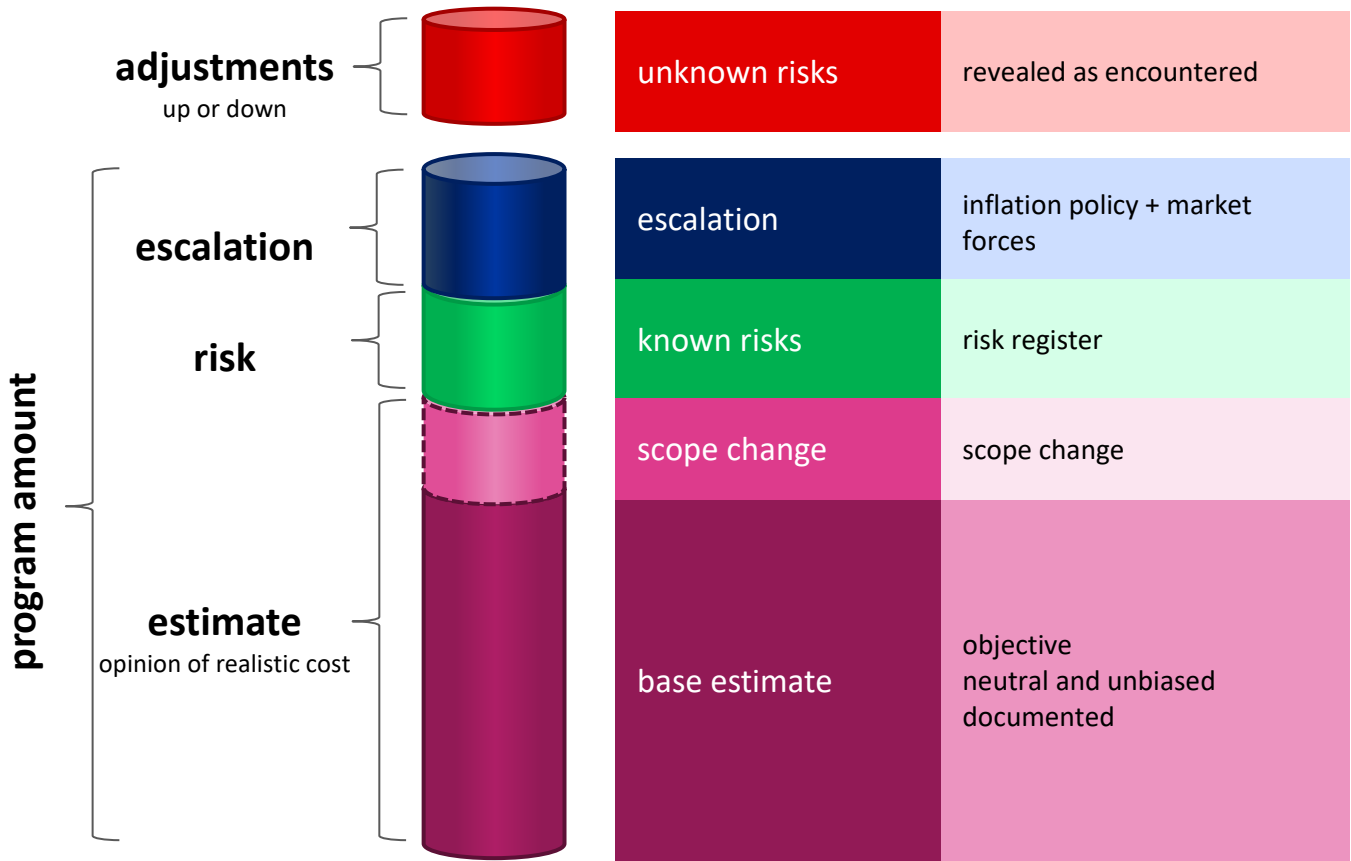
Management endorsement of estimates developed for initial budgeting or base definition is defined as a step in the project management process. Revised estimates typically developed if project requirements change, or as design is developed, should also be reviewed by management staff, revised as necessary to reflect management comments, and endorsed. Revised estimates are incorporated into project cost estimates through the project change management process.

Estimates are not altered to fit a predetermined budget outside of the formal estimating process. In the event that management endorsement of an estimate cannot be obtained, revisit the estimating process starting with the project definition step (project information, project scope, project location, and site characteristics) in [Exhibit 2-1](#).

Communication and management endorsement are closely linked. There are at least two aspects of communication that are very important to consider. The first is internal communication, this involves communication of the project costs among the project team and project manager and also the specialty groups that may have helped in developing the estimate. In many cases the project cost estimate is a compilation of estimates from a number of sources. Secondly the project costs are communicated publicly. This should be done only after an endorsed communication plan has been prepared. It is our duty to communicate project elements such as cost and schedule in a clear and coherent matter and to ensure the information provided is accurate and of high quality.

Management may be interested in better understanding the estimating and how the opinion of cost was developed. In addition, management may desire to know the components of the estimate and how the final figures are developed. [Exhibit 2-2](#) offers an at-glance view of the components of a project cost estimate.

**Exhibit 2-2 Components of Project Cost Estimates**





[3.01 Introduction](#)  
[3.02 Specialty Items](#)  
[3.03 Parametric](#)

[3.04 Historical Bid Based](#)  
[3.05 Cost Based](#)  
[3.06 Risk Based](#)

### 3.01 Introduction

Estimating methodologies that may be applied to projects at various stages of project development include:

1. parametric
2. historical bid-based
3. cost based
4. risk based

Each method offers techniques and tools to aid the estimator. A combination of methods may be found in any given estimate.

### 3.02 Specialty Items

There are a number of specialty items in WSDOT projects that are estimated by designated offices. These items include bridges and non-standard retaining walls, traffic items, right of way and other properties, environmental features, and utilities. The procedures to estimate these items are covered in [Chapter 5](#), Specialty Groups.

### 3.03 Parametric

Parametric methods are applied to projects in the planning, scoping, or early design stage. These methods involve techniques that use historical data to define the cost of the typical transportation facility using measurements that are easily determined, such as cost per lane mile, cost per interchange, cost per square foot, and cost per intersection.

Two techniques are commonly used in parametric estimating:

1. analogous (similar) projects, and
2. historical percentages.

WSDOT uses an Access database estimating program to support parametric estimating: Planning-Level Project Cost Estimating (PLCE)

This tool is only available to WSDOT personnel on the following site:

[Planning-Level Project Cost Estimating \(PLCE\)](#)

### 3.04 Historical Bid Based

Historical bid-based methods are commonly used to develop WSDOT construction cost estimates and are appropriate when design definition has advanced to the point where detailed quantification of bid items is possible. The unit cost prices used are collected and stored from prior projects. They should be modified or adjusted to reflect current prices and project-specific conditions such as geographic location, quantity of item(s) needed, and the scheduled timing of project advertisement. Techniques such as historical bid pricing, historical percentage, and cost-based estimating are also used to determine unit prices.



Estimating data sources include:

- [EBASE](#) – Bid History
- [Oman Systems BidTabs Professional \(BTP\)](#) – Bid History
- [WSDOT Unit Bid Analysis \(UBA\)](#) – Bid History
- RS Means Cost Data – Cost Based, when WSDOT-specific unit costs are not available (this tool can be used for both historic bid-based and cost-based methods)
- [Risk Modeling](#) – WSDOT Project Risk Analysis Model, PRAM tool, risk-based project cost estimating

### 3.05 Cost Based

Cost-based estimate methods are based on estimating the contractor's cost for materials, equipment, and labor for an item or a set of items. Estimated contractor overhead and profit are added. This may be appropriate in situations where historical unit prices are not available, or where historical bid-based information is not suitable for the project under consideration.

Contractors also generally utilize a cost-based estimating approach to prepare their bids. This method can be used to support the decision for contract award/rejection and to support any future price negotiations with the contractor after contract award.

Cost-based estimates frequently focus on those items that comprise the largest dollar value of the project, typically 20% of items of work that account for 80% of project cost. The cost of the remainder of estimate line items can be determined using historical bid-based estimate methods. This approach provides for a more efficient use of estimating resources and reduces the total time and cost of preparing cost-based estimates. Cost-based estimating is also a good way to check a few large items of work in a historical bid-based estimate to ensure the historical prices are still valid.

### 3.06 Risk Based

Risk-based estimate methods use the probabilistic relationships between base cost, base durations, and risks related to the project. This approach may incorporate a variety of techniques, including historical data, cost-based estimating, and the best judgment of subject matter experts for given types of work, to develop the base cost (the cost of the project if all goes as planned). Risks (opportunities or threats) are then defined and applied to the base cost through modeling (Monte Carlo simulation) to provide a probable range for both project cost and schedule. The schedule and cost are integrated into the same model.

For more information about risk-based estimates, please see the links provided in Section [2.06](#).

# Chapter 4 **Cost Estimating and Project Development Phases**

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[4-1 Introduction](#)

[4-6 PS&E](#)

[4-2 Preconstruction General Guidance](#)

[4-3 Planning](#)

[Exhibit 4-1 Gantt Diagram of Preconstruction Phases](#)

[4-4 Scoping](#)

[Exhibit 4-2 Cost Estimating Matrix](#)

[4-5 Design](#)

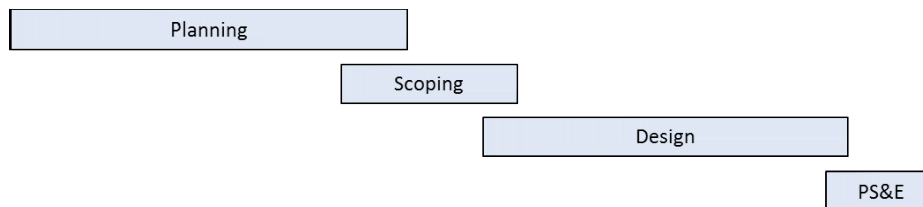
## **4.01 Introduction**

Typical phases of project development in the preconstruction phase are:

1. Planning
2. Scoping
3. Design
4. Plans, Specifications, and Estimates (PS&E)

[Exhibit 4-1](#) illustrates how the preconstruction phases overlap and succeed each other.

### **Exhibit 4-1 Gantt Diagram of Preconstruction Phases**



Blending art and science, cost estimating requires a thorough understanding of project scope, past price history, and current market conditions, along with a generous application of human judgment. While the science part is relatively easy to master, the art part can take much longer to develop. The following section is intended to provide information and insight into the art and science of the estimating process.

- Basis Of Design & Pre-Design Implementation See [Design Manual Chapter 1100](#)
- This memorandum the process for completing the Basis of Design (BOD) earlier in the process, prior to identification and programming of capital projects.

## **4.02 Preconstruction General Guidance**

WSDOT provides a number of useful tools and resources, including the documents listed in the following section, which are accessible at: [Cost Risk Assessment](#)

### **4.02(1) WSDOT Estimating Documents and Steps**

Estimating Documents:

- Cost Estimating Manual for WSDOT Projects
- Basis of Estimate Form
- Estimate Order of Calculations, Tax Rates, & 700 & 800 Items
- Design Analysis - Estimating Template
- Estimate Checklist

## 4.02(2) Estimating Steps

Regardless of the project development phase of an estimate, a good estimator must consider the following:

- Review the “[Estimating Template](#)” (which includes the “Estimate Summary”) and “Estimate Order of Calculations, Tax Rates, & 700 & 800 Items” forms, and seek clarification if necessary. Also review the other resources at “Estimating Forms”: [Cost Risk Assessment](#)
- When determining a project’s Basis of Estimate, see the [Basis of Estimate form](#) and complete the following:
  - Visit the project site in person. See Tips in Section [4.03\(2\)](#).
  - Review all available documents and design parameters relating to project definition.
  - Account for unique project location characteristics, such as land use context, travel modes, remoteness of location and construction challenges.
  - Review aerial photos and/or video logs. [SRView](#) can be a useful tool.
  - Document initial estimating assumptions, including factors that will need further investigation.
  - Establish an estimate file in which estimate calculations will be placed over the life of the project.
  - Use an [estimate checklist](#) to ensure all essential estimate elements have been reviewed and captured.

When preparing the cost estimate, document the level of preconstruction phase (see [Exhibit 4-1](#)). Document the baseline estimate in each account (PE, ROW, and CN) and the contingency amount separately to facilitate tracking of deviations.

1. When reviewing the total estimate, engage knowledgeable and experienced individuals who are independent from the project. Perform reviews in each project development phase.
2. Use the tools and documents that have been prepared by others to your advantage. Review estimates from similar projects and use as a starting point for items and costs. Use spreadsheets and databases others have developed as templates for building your estimate.
3. Use the expertise of specialty groups at WSDOT to provide input to your estimate. Special items may have a significant effect on a project’s cost. The information obtained from specialists can greatly increase the accuracy of an estimate. Be sure to inform the specialty groups about any unique issues or uncertainties that you think might affect their estimates.
4. Ask specialty groups about what kind of contingency they recommend for the specialty work and justification of it.
5. Economy of scale plays a large factor in estimating projects. When using a previous project’s data to determine unit prices, be sure both projects are similar in size for the given item.
6. Have someone check your work. One of the easiest and most often overlooked ways to eliminate errors is simply to have your estimate reviewed by an experienced co-worker. Have the person look at the spreadsheets as well as your backup calculations.
7. Become familiar with the region in which the project will be constructed and any unique local policies. Market conditions may be different across the state, which will affect the cost of construction and/or materials. Knowing the general locations where materials might be obtained could be beneficial. Even a basic familiarity with contractors and their past practices can help you understand how they may bid on your project.
8. Use checklists throughout the estimating process to make sure no basic items are left out of an estimate.
9. Make sure the appropriate human and technical resources are dedicated to the estimating process.
10. Allow adequate time to estimate the costliest items; in most cases, they have the most important influence on overall cost.

### 4.02(3) Cost Management

Regarding cost management, it is wise to consider the following procedures:

1. Obtain endorsements at milestone points during project development. Consider using peer reviews prior to key milestones. If an endorsement is not indicated, the project team may also see value in a peer review involving knowledgeable and experienced individuals from outside the project team.
2. Establish good communication practices within the team and with management about the estimate, including assumptions, uncertainty, and other issues that may influence decisions about the project.
3. Protect estimators from internal and external pressures to deviate from established estimating guidelines, in order to foster and promote objectivity and impartiality.
4. Document updates to the base estimate and the use of miscellaneous items in each project development phase (planning, scoping, preliminary design (30%, 60%, 90%, ad ready), with reference to the scope, cost, and schedule that correspond to the prior endorsed estimate.
5. Contingencies identified in the planning or scoping phases that are not needed at the design or advertising phases should not be used to increase project scope. Return any unused contingency to region program management.
6. Keep region program management and HQ Capital Program Development and Management informed about project changes and external impacts that affect the baseline/project budget. Provide procedures that require endorsements prior to budget changes.

Each project development phase is inherently different from the others; therefore, they all have unique challenges to overcome during the estimating phases. In the following pages, techniques and considerations related to the best estimating practices are presented for each phase. The considerations include: (1) general advice, (2) tips, and (3) cautions.

Each consideration can be used to either increase the quality of the estimate or reduce the time spent on the estimate. The cautions focus on situations that can be detrimental to the quality of an estimate. They generally include warnings about improper use of information, external factors that can affect an estimate, or even common pitfalls the estimators have encountered in the past.

While the list of considerations is a good compilation of pointers and warnings, the best advice will come from an experienced estimator who has worked on similar projects.

## 4.03 Planning

The planning phase estimate is used to estimate the funding needs for long-range planning and to prioritize needs for the Highway System Plan. These estimates are typically prepared with limited project information.

### 4.03(1) Techniques

**Parametric** estimating techniques are commonly used for planning estimates. Lane mile and square foot are two examples of parametric estimating techniques. Historical bid prices and historical percentages can also be used to generate planning level costs estimates. Analogous project estimating, using similar project to establish costs, is another approach that can be used at the planning phase. Analogous estimating is used if there is limited information about the project

## 4.03(2) Considerations

### General Advice

**Analogous projects:** The chosen historical project must be truly comparable. Determine the similarities and differences between the historical project(s) and the current project before using historical data.

**Older projects:** Project data from older projects is less reliable due to variations in prices, standards, inflation, construction technology, and work methods. The analogous method is best used as a tool to determine broad price ranges for simple, straightforward projects or as a check to verify estimates prepared using another method.

**Communication:** Care should be taken to properly communicate with project stakeholders regarding the range of possible cost and schedule changes as the project becomes more defined.

**Assumptions:** Given the large-scale assumptions inherent in parametric estimating methods, the estimator must document all assumptions clearly.

**Uncertainty:** Provide an adequate range of cost that reflects the unknowns in the project (see [Exhibit 4-2](#)).

**Maintenance:** Keep the estimate current as the project waits to move into scoping phase.

### Tips

1. **Project scope:** Although the project has not been fully defined, do your best to determine the full scope of the project before putting an estimate together. Develop a comprehensive list of all the components that will be required in the project (within the time and resources allowed).
2. **Field review:** “Walking the job” is an excellent way to begin the process of obtaining good quality, factual data to back up the cost estimates and establish confidence in the process. To be confident that the project is adequately planned, perform a systematic field review. Coordinate with the area Maintenance office to have them accompany you on this field review. Many times, maintenance is aware of conditions and issues that may not be readily apparent.
3. A project field review provides an important perspective that supplements the mapping, photos, survey data, and other sources of information about the project that are used in the office. Seeing the proposed project site first-hand minimizes the possibility of overlooking significant design features.
4. While in the field, project personnel should be looking for potential high-cost items (costs of mitigating hazardous waste and other environmental impacts; utility relocation; noise barriers; retaining walls; major storm drains; need for a transportation management plan; traffic handling, etc.). Document where high-cost items may be present on the project so they can be considered in more detail during project scoping. A strip map and proposed typical sections are very useful in the field to document the occurrence of project features of special interest.
5. **Worst probable case:** Determine and assess in the field the “worse probable case” scenario, particularly on reconstruction projects. Existing facilities previously thought to be adequate may have become inadequate because of changes to standards, new data, etc. Design feature decisions, project constructability, construction staging, etc., can often be evaluated and documented in the field in preparation for further study later.

### Cautions

1. **Market conditions:** Unit prices can vary greatly over time based on market conditions. Petroleum products, concrete, and steel prices have probably been the most volatile recently. It is important to review the unit prices, especially for larger-cost items on a project, to reflect current trends. Market conditions are important in all phases, but most prominently in planning since the construction date is so far into the future.
2. **Ongoing maintenance:** Planning estimates may sit on the shelf for many years before moving to scoping, design, and construction. Planning estimates should be reviewed and refreshed regularly to reflect potential changes in scope, unit prices, regulatory requirements, etc. This is also a good time to review the assumptions and revise as necessary.
3. **Precision:** The total cost may be displayed by computer estimating tools to the nearest dollar, sometimes even to the penny. When these estimates are shared within the organization, or even outside the organization, they may give the impression that the estimate is very precise. Round planning phase estimates up to the nearest thousand, ten thousand, or hundred thousand dollars, depending on the magnitude of the estimated cost.

## 4.04 Scoping

Scoping estimates set the baseline cost for the project. A project is programmed when it is entered into the Capital Improvement and Preservation Program (CIPP) and the Biennial Transportation Program. The scoping estimate is important because it is the baseline used by the Legislature to set the budget; future estimates will be compared against it. Clearly document assumptions and scope definitions in the Basis of Estimate document so that changes can be accurately compared to this estimate.

### 4.04(1) Techniques

Historical bid-based and parametric techniques have been described previously, and both may be used in the scoping phase.

Cost-based estimating uses the same process as historical bid-based estimating, except that the costs applied during estimating are based on analysis of items other than bid research. Historical bid-based and cost-based approaches both utilize quantities estimated for items such as asphalt, concrete pavement, structures, and roadway excavation.

Other items that are not yet quantified may be estimated parametrically or through the use of historical percentages. At this time, risks associated with the calculation of item quantities should be identified, and a Risk Management Plan should be developed and included in the estimating file for future reference.

### 4.04(2) Considerations

#### 4.04(2)(a) General Advice

**Create/Update Basis of Estimate:** Clearly document all changes, assumptions, and data sources in the Basis of Estimate. This documentation is crucial because future estimates will reference this work to justify any changes in the cost of the project.

**False precision:** Do not assume a level of precision that is not warranted to the phase of the estimate. A properly developed estimate will include well-documented assumptions; many of the details that impact project cost are not defined at the time a scoping estimate is prepared. Miscellaneous item allowances at this phase of design typically range from 20% to 30% and may be higher for nonstandard projects (see [Exhibit 7-3](#)).

Ensure costs and quantities are rounded to the appropriate significant figure (See [Plans Preparation Manual 400.06\(5\)\(f\)](#)).

**Unit costs:** Choose the correct unit costs for items in current dollars.

**Major risks:** Ensure major risks to the project are identified and documented.

#### Tips

1. When preparing the baseline estimate in the scoping phase, recognize complexity and the work that needs to be done to minimize uncertainty, such as stakeholder involvement and permits to be documented. If appropriate, call suppliers or specialists to get ideas about cost. Contact city/county engineers to discuss local issues, such as utility work and coordination, and use the expertise of offices within the agency, such as right of way, materials, traffic, environment, and bridge.
2. Once again, a site visit and investigation can be quite valuable. The more familiar an estimator is with the site, the more likely it will be that the estimator will not miss anything while estimating the project. During scoping, all existing structures, utilities, and any other potential obstructions should be noted and quantified. (Look for: costs of mitigating hazardous waste and other environmental impacts; utility relocation; noise barriers; retaining walls; major storm drains; need for a transportation management plan; traffic handling, etc.) Keep in mind that operations and maintenance personnel are aware of problems that are not apparent from a cursory site review.
3. Understand the current design standards and their project impacts. Anticipating potential design changes by staying actively engaged in design development can help while performing a scoping estimate.
4. Define the work as completely as possible. What work will be included in the project? What work is excluded?
5. Identify the major items of work for the type of project being scoped. Focus the efforts on these major items. For example, on a paving project, hitting the cost of striping to the exact penny of the final cost means nothing if the paving quantities are misestimated or the unit cost is way off.
6. Review the project constructability and make sure you are comfortable with constructing the project. Can the project be constructed as planned? Will there be adequate time to complete the project without carrying it into another season beyond what is planned? Are there local contractors who can perform the work? Is there an adequate staging area in the area?

#### Cautions

1. Watch out for traffic problems that will be caused by construction. If detour routes are necessary or available, will the estimate include addressing damage done to the detour route by the added traffic? If detour routes are not available, will daytime lane closures be allowed? If night work is necessary, address it in the estimate.
2. What utility impacts are there? Utility impacts can be direct costs to a project and may result in change orders due to delays when the utility work is concurrent with the highway construction. This holds true for both public and private utilities.
3. Watch out for areas within the project limits with a high number of accidents. These areas may need safety improvements that weren't initially identified.
4. The same personnel who originally scoped the project should not be the only ones estimating it. More people and fresh perspectives should always be welcomed.
5. Not including enough risk on major improvement projects can be a problem during scoping. What cannot be seen poses a significantly higher risk than what can be seen. There may be much more work than what is initially apparent.

## 4.05 Design

Estimates prepared at various design phases, including Geometric Review, General Plans Review, and Preliminary Contract Review, are used to track changes in the estimated cost to complete the project in relation to the current budget (legislative budget). Each time the estimate is updated, the cost estimating process detailed in [Exhibit 2-1](#) should be followed. Compare the current budget for the project cost and schedule to the new estimate.

Document each update and provide a written explanation of any significant changes to include in the estimate file. If the budget or scope of the project is to be updated, fill out and submit a Project Change Request Form. The final Engineer's Estimate, along with supporting documents, is required to be filed in the Design Documentation Summary (DDS).

At design approval, the scope of work is better defined, and many items are increasingly known. These include right of way needs, permit conditions, environmental mitigation, quantities of major items, and stakeholder needs. As the scope of work becomes stable, confidence in the estimate should improve.

### 4.05(1) Techniques

Historical bid-based estimating methodologies are typically used for standard bid items known to be included in the project.

Cost-based estimating methodologies can be used for items where there is little or no WSDOT bid history. Cost-based estimating may also be used for major items of work that are known project "cost drivers." Cost-based key resources are suppliers and other individuals knowledgeable about current prices for the subject items, typical construction methodology and production rates, and equipment used. The estimator should contact these resources to develop basic cost data for materials, labor, and equipment.

Risk-based estimating is used to capture the effect of a project's uncertainties on the project cost and schedule. Review risks identified earlier in the project development process and update the Risk Management Plan to reflect the current design phase and risks.

### 4.05(2) Considerations

#### General Advice

Guard the estimate against false precision. We often do not know as much about the project as we think we do, particularly early in design. Project definition continues to be refined until the project is ready for advertisement. Use appropriate item allowances for estimates (see [Exhibit 7-3](#)).

If cost-based estimating techniques are used, pay special attention to documenting assumptions such as crew size, crew make up, production rates, and equipment mix and type. The costs assumed for contractor overhead and profit as well as for subcontractor work should also be documented. It is important to remember that these assumptions may not reflect the decisions of the individual contractors that will bid the job, thus introducing elements of uncertainty into the estimate.



**Tips**

1. Early in the project, get rights of entry for all properties adjacent to the project, not only those that seem to be necessary. Repeatedly sending a real estate services employee to obtain these documents is costly and can impact the schedule.
2. Understand the staging needed to construct the project. Work with the proper functional groups to verify traffic control strategy. (A functional or specialty group is a team that has authority in a particular area and profound knowledge or skills in a particular area of endeavor).
3. Do your research. If there are materials sources near your project site, you can often get a better price. If you need fill, and another project has excavation to waste, maybe their excavation can be stockpiled for your fill needs (results in haul and placement costs only). Do not forget your local agency projects. Develop a good relationship with the cities and counties you work in.
4. Consider the timing of your advertisement. If you advertise in late fall or winter, your estimate may be lower. Demand is typically lower in these months, resulting in lower prices. Contractors usually have more crews free during this time, and you may end up with their best or most experienced crew for off-season work.
5. Ask the experts. Do not be afraid to call suppliers, specialists, or contractors to get an idea about cost. And do not be afraid to change their numbers to fit your situation (remoteness, limitations, working days, work hours).
6. Consider accessibility to the work zone. How easy is it for the contractor and construction workers to get to and from the work site?

**Cautions**

- Assuming the scoping estimate and project definitions are correct is not a good way to begin an estimate. When you start an estimate, look with fresh eyes, and identify all substandard conditions. Coordinate with the appropriate entities to determine whether deviations will be approved.
- Not enough contact with functional groups will lead to less accurate estimates. Do not be afraid to ask questions. Spend time getting to know those in functional groups who will be reviewing the project.
- Be sure to pay enough attention to lump sum items. These have the greatest potential for cost overruns.
- Be aware of structures. Work with the functional groups to confirm the estimate for any structures. Reconfirm structure estimate after the geotechnical report is complete.
- Do not take the historical bid data at face value and simply average the prices shown. There are always circumstances that should be taken into account.
- Avoid dictating the methods the contractor is to use on items that do not require it. It limits the contractor's flexibility and raises your cost. The contractor will find the least expensive way to perform the work since the lowest bidder will be awarded the project.

**4.06 PS&E**

The Engineer's Estimate is prepared for the Final Contract Review in preparation for advertisement. It is used to obligate construction funds and to evaluate contractors' bids.

### 4.06(1) Techniques

Historical bid-based, cost-based, and risk-based estimates are the same as Section 4.05. Pay attention to the miscellaneous item allowances (see Exhibit 7-3). At the PS&E phase (letting) the allowances are omitted because the estimator should have all the data needed for the projects. The project data used at this phase shall be identical to the project data provided to potential bidders.

### 4.06(2) Considerations

#### General Advice

Carry out the final independent QA/QC checks of calculations, prices, and assumptions during the estimate review. Review the Basis of Estimate for completeness, accuracy, and clarity, and ensure all figures, from detailed backup to summary phases, are traceable.

- Double-check quantities of major items and cost drivers.
- Review specialty group estimates for scope and cost.
- Review Contract Special Provisions.

#### Tips

1. Do not use any documents for the PS&E (letting) estimate that the contractor will not have. If you need additional documentation to complete an estimate, it may be an indication that the plans and specifications are not complete.
2. If possible, use historical data from the region the project will be performed in. These historical bids are probably from the same contractors who will bid on this project.
3. Construction staff can help evaluate the potential impact of staging, materials storage, hauling of materials, location of batch plants, and other constructability-related issues. The information in this step is exceedingly important since the estimate at this phase is completed as though the bidders prepared it.

#### Cautions

1. Recent drastic changes in material costs or availability may cause a knee-jerk reaction with the contractors while preparing their bids. The WSDOT estimator should think like a contractor.
2. Previous estimates using elements and categories should now all be reduced to items. Be sure you know everything that was included in the aggregations before splitting them into items. Not doing so is an easy way to miss some items.

Exhibit 4-2 Cost Estimating Matrix

Project Development Phase	Percentage of Design Completed	Purpose of Estimate	Methodology	Tools	Estimate Range
Planning Washington Transportation Plan Highway System Plan Design Studies Route Dev. Plans  Pre-Design	0% to 2%	Screening or Feasibility WTP/HSP (20-Year Plan) WTP – Washington Transportation Plan HSP – Highway Systems Plan	Parametric	PLCE and/orMP3	-50% to +200%
	1% to 15%	Concept Study or Feasibility Implementation Plan (10 Yr. Plan)	Parametric Risk-Based	PLCE and/orMPE Risk assessment models	-40% to 100%
Scoping Project Summary (PD, DDS)	10% to 30%	Budget Authorization or Control Capital Improvement & Preservation Plan (CIPP)	Parametric Historical Bid- Based Risk-Based	PLCE and/orMP3 UBA, BidTabsPro Risk assessment models	-30% to +50%
Design Design Documentation I/S Plans for Approval Design Approval	30% to 90%	Design Estimates (Project Control of Scope Schedule Budget)	Historical Bid - Based Cost-Based Risk-Based	UBA, BidTabsPro, Risk assessment models	-10% to +25%
PS&E Plans, Specs, Estimate (R/W Plans approved)	90% to 100%	Engineer's Estimate (prior to bid)	Historical Bid - Based Cost-Based Risk-Based	EBASE, UBA, BidTabs Pro, Risk assessment models	-5% to +10%

[5-1 Training \(courses with a \\$ may have a cost associated\)](#)

[5-2 Resources](#)

### 5.01 Training

**The links provided below are training sites both within WSDOT and others that provide pertinent training. These links will be updated with available training. Be sure to get supervisor approval before attending training classes.**

[Cost Risk Assessment](#) – Find guidance and resources on estimating and project risk management.

[Development Division Technical Training](#) – Includes Access Control, Contract Plans Review, Practical Design and other topics

[Workforce Development](#) – Professional Development, Technical Training, Telework Resources and Wellbeing and Workforce Culture and Diversity, Equity and Inclusion.

[Project Management Training](#) – Training on Change Management, Negotiation Essentials, Risk Management, Cost Management and scheduling using Primavera Scheduler.

[Training for Fish Passage](#) – Learn how to get involved with fish passage projects, applicable standards and guidance, and view training opportunities

[Washington State Learning Center](#) – Training and development tools are also offered through Department of Enterprise Services.

[Practical Solutions Training](#) – Training program summarizes WSDOT’s planning and project development process and explains the Practical Solutions approach.

[Skill Soft](#) – Training includes interactive videos and practical simulations

[National Highway Institute \(NHI\)](#) – Enroll in training from this link.

[American Association of State Highway Officials \(AASHTO\)](#) – Offers a variety of training opportunities as a service to members and the broader transportation industry. From online training and continuing education opportunities to middle-management and senior executive training, AASHTO offers challenging programs that help prepare today’s workforce – whether in the hearing room or at the job site. The online AASHTO training is free for WSDOT employees. To sign up, create an AASHTO account (use your WSDOT email address for the username). After creating your AASHTO account, navigate to the technical training and add the desired training to your cart. After that, follow the instructions that are emailed to you.

[AASHTO – Practical Guide to Cost Estimating](#)

[Association for the Advancement of Cost Engineering International \(ACEI\)](#) – Access effective online professional development and training on a wide variety of topics.

[Direct Link to Online Courses.](#)

[RS MEANS](#) – Comprehensive construction training courses that fit every schedule and learning style.

[University of Washington, Construction Management Certificate](#) – Includes cost estimating course work.

[International Cost Estimating and Analysis Association \(ICEAA\)](#) – Certifications provide professional credentials that set the standard for the entire cost estimating and analysis community.

- [Link to ICEAA Certificate Program](#)
- [Link to ICEAA Workshops](#)

[American Society of Professional Estimators \(ASPE\)](#) – Serves residential, commercial, and civil construction estimators by providing education, fellowship, and the opportunity for professional development. [Direct Link to online courses.](#)

[Coursera](#) – Construction Cost Estimating and Cost Control Course.

[Management Concepts Project - Cost Estimating Course](#) – This course is intended for intermediate level program and project managers.

WSDOT employees can check with HR to learn more about supported training opportunities.

## 5.02 Resources

[EBASE \(Estimates and Bid Analysis System\)](#) – Application to provide WSDOT users with a quick, reliable, flexible, and effective way to manage estimates and contract bid information.

[Bridge Design Manual](#) (Chapter 12, Appendix 12-A) – Provides WSDOT bridge design engineers with a guide to the design criteria, analysis methods, and detailing procedures for the preparation of highway bridge and structure construction plans, specifications, and estimates.

[Policy Statement P 2047](#) Estimating Project Budget and Uncertainty - Capital Program Management Systems (CPMS) Tables:

- [Construction Cost Index](#)
- [PE Inflation Tables](#)
- [RW Inflation Table](#)

The above tables are only available to WSDOT personnel.

[Federal Highway Administration \(FHWA\) Major Project Delivery Guidance](#) - Includes Cost Estimating, Financial Plans and Project Management Plans.

[Association for the Advancement of Cost Engineering International, AACE International](#) - Provides technical guidance, educational products, events and eight professional certifications to address the diverse need of members and customers.

[National Cooperative Highway Research Program \(NCHRP\) Report 574](#) - Guidance for Cost Estimation and Management for Highway Projects during Planning, Programming, and Preconstruction

[AASHTO](#) Technical Committee on Cost Estimating, A Practical Guide to Estimating.

[Oman Systems BidTabs Professional](#) (see your IT to set up) - Bid Tabs Pro is software provided by a private company using Bid Tabulation data from EBASE. It will analyze all Standard Bid Item and contractor bid data for contracts let by WSDOT. It makes this data available with a multitude of predefined query areas and creates reports.

[Project Management Guide](#) – WSDOT is committed to project management best practices, this guide offers resources for good practice.

[RS Means](#) – Detailed cost tracking for equipment, material, and labor.

[Project Risk Analysis Model, PRAM workbook](#) – The Project Risk Analysis Model (PRAM) uses Monte Carlo simulation to generate cost and schedule probability distributions from user input cost, schedule, risk and uncertainty information.

[WSDOT Glossary for Cost Risk Estimating Management](#)

[WSDOT Contract Ad and Award](#) – Advertisement and Award information for WSDOT projects.

[WSDOT Unit Bid Analysis](#) – The Unit Bid Analysis (UBA) contains the bid history for [Standard Bid Items](#) used in WSDOT projects.

[WSDOT Training Contacts](#) – Find contact information for WSDOT trainers based on the topic of training.

[AASHTO Publication Catalog](#)



### 6-1 Introduction

### 6-2 Estimate Quality

### 6-3 Purpose of the Basis of Estimate

### 6-4 Basis of Estimate

#### 6.01 Introduction

An estimate without documentation is not an estimate. The estimate file should be a well-organized, easy-to-follow history from the first estimate through preparation of the final estimate. The documentation should track changes as the estimate evolves, including updating the scope; assumptions; quantity and price calculations; and risks from the previous estimate.

A well-documented estimate enhances credibility and contributes to transparency and confidence in project estimates. Clear documentation is particularly important as the project passes from one group to another, or as team membership changes. The project estimate file should follow the project through the various stages so that each new estimate can be easily tied to the previous one.

The basis of estimate is submitted, along with the estimate and quality management plan, to the plans review office for each plans review.

#### 6.02 Estimate Quality

Estimating time should be scheduled into the project management plan for each phase of the project. This will ensure adequate time and resources are allotted for performing cost estimating.

As part of the estimate review process, external estimate reviews are performed. To ensure the quality of the estimate, someone external to the project team should perform a review of the estimate file. This external review will help ensure the estimator has clearly recorded the assumptions and decisions made in the estimating process.

#### 6.03 Purpose of the Basis of Estimate

The [basis of estimate](#) concisely documents all critical aspects of the project cost estimate. This document is used by the project team and management to convey that the estimator has a clear understanding of the purpose of the project and how it addresses the defined needs as the proposed solution to the problem. It also conveys a clear message that all issues have been taken under consideration in the estimated cost of that solution.

#### 6.04 Basis of Estimate

A well-written Basis of Estimate (BOE) clearly and concisely states the purpose of the prepared estimate (cost study, project options, benefit/cost study, funding, etc.); project scope; pricing basis; allowances; assumptions; exclusions; cost and schedule; threats and opportunities; and any deviations from standard practices. The BOE is a documented record of pertinent communications with, and agreements made between the estimator and other project stakeholders.

A well-prepared Basis of Estimate will:

- Document the overall project scope.
- Document the items that are excluded in the project scope.



- Document the key project assumptions.
- Communicate the estimator's knowledge of the project by demonstrating an understanding of scope and schedule as it relates to cost.
- Alert the project team to potential cost and schedule risks (threats and opportunities).
- Provide a record of key communications made during estimate preparation.
- Provide a record of all documents used to prepare the estimate.
- Act as a source of support during dispute resolutions and for bid analysis.
- Establish the initial baseline for scope, quantities, and cost for use in cost trend evaluations throughout the project.
- Provide the historical relationships between estimates throughout the project lifecycle.
- Facilitate the review and validation of the cost estimate.
- Concisely and completely describe the facts.
- Support facts and findings.
- Identify estimating team members and their roles (including Specialty Groups).
- Describe the tools, techniques, estimating methodology, and data used to develop the cost estimate.
- Identify other projects that were referenced or benchmarked during estimate preparation.
- Establish the context of the estimate, and support review and validation.
- Be supported by backup documentation
- Qualify any rates or factors that are referenced either in the estimate or BOE; e.g., productivity can be expressed as either units/time (linear feet/hours) or time/units (hours/linear feet).
- Checklist for Estimate Quality.

# Chapter 7

## Estimate Data, Composition and Markups

7-1 Introduction	Exhibit 7-1 Costs included in the Programmed Amount
7-2 Programmed amount	Exhibit 7-2 Identified and Quantified Items vs. Miscellaneous Item Allowance in Design
7-3 Base Cost Estimate	Exhibit 7-3 Markups Summary
7-4 Base Cost Estimate Markups	Exhibit 7-4 Base Cost Estimate Components (Current Year Dollars, CY\$)
7-5 Base Cost Estimate Order of Calculation	Exhibit 7-5 Order of Calculation for Base Cost Estimate

### 7.01 Introduction

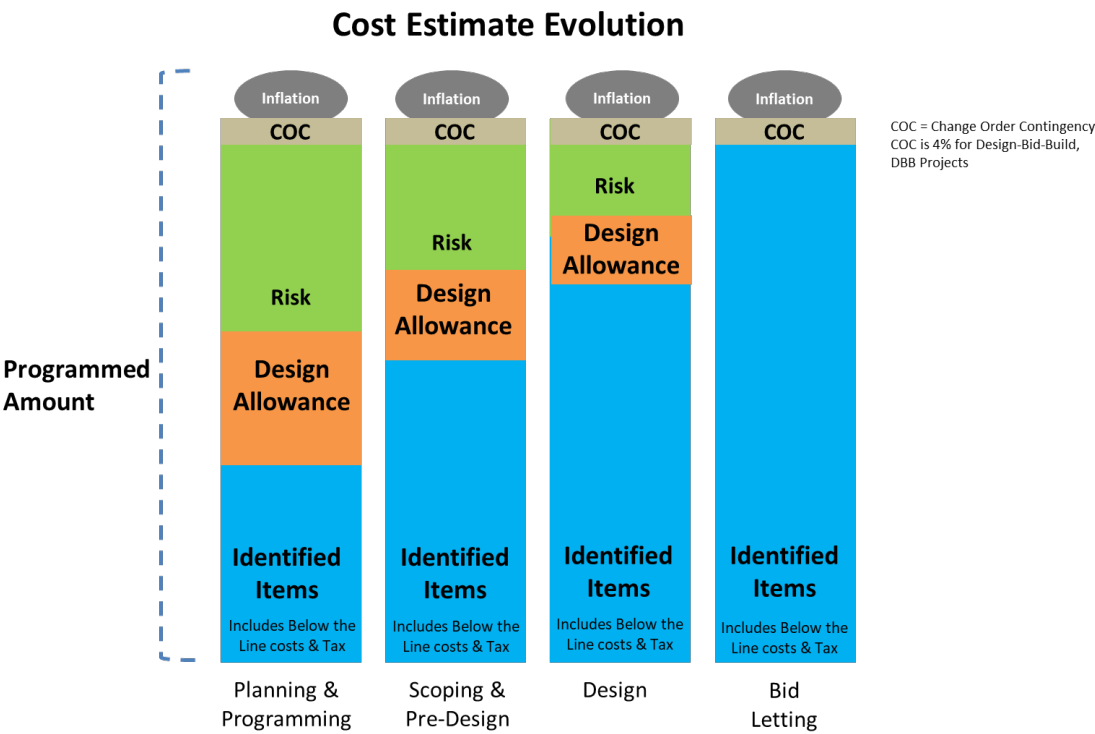
What does a project cost?

There is no single “right” answer for this question. Often it depends on the person asking the question and why they want the information. The amount programmed will be significantly different from the base cost estimate or the construction cost estimate.

### 7.02 Programmed amount

The programmed amount is based on the estimated total dollars required to complete all work associated with the project. This includes all phases of the project; preliminary engineering, right of way and construction as well as project risks, escalation and change orders. See [Exhibit 7-1](#) for a detailed breakdown of the programmed amount estimate.

Exhibit 7-1 Costs included in the Programmed Amount



**Unknown Risks** - Events that are unforeseen, unidentified, and undetermined. these risks reveal themselves as the project unfolds. Contingency may cover some or all of this.

**Escalation** - Persistent rise in cost of commodities, goods, or services due to a combination of inflation, supply/demand, and other effects such as environmental and engineering changes, technological changes, environmental effects, political and other effects.

**Known Risks** - Identified events that are described and include a risk trigger; in addition, these risks are characterized via probability and impact – often this information is produced through formal risk management processes such as project cost risk workshops.

**Base Cost Estimate** - Total estimated cost of all the project phases: preliminary engineering (design), right-of-way (land that needs to be purchased for the project), construction. An appropriate base cost estimate includes an accompanying basis of estimate, and it has been reviewed for quality and completeness. A project base cost estimate is updated as the project design progresses. It includes known project features, elements, and components. The base cost estimate does not include amounts for risks or uncertainty.

### 7.03 Base Cost Estimate

The base cost represents the opinion of cost that can reasonably be expected if the project materializes as planned, this includes the total estimated cost of all the project phases: preliminary engineering (design), right-of-way (land that needs to be purchased for the project) and construction. An appropriate base cost estimate includes an accompanying basis of estimate, and it has been reviewed for quality and completeness.

### 7.04 Base Cost Estimate Markups

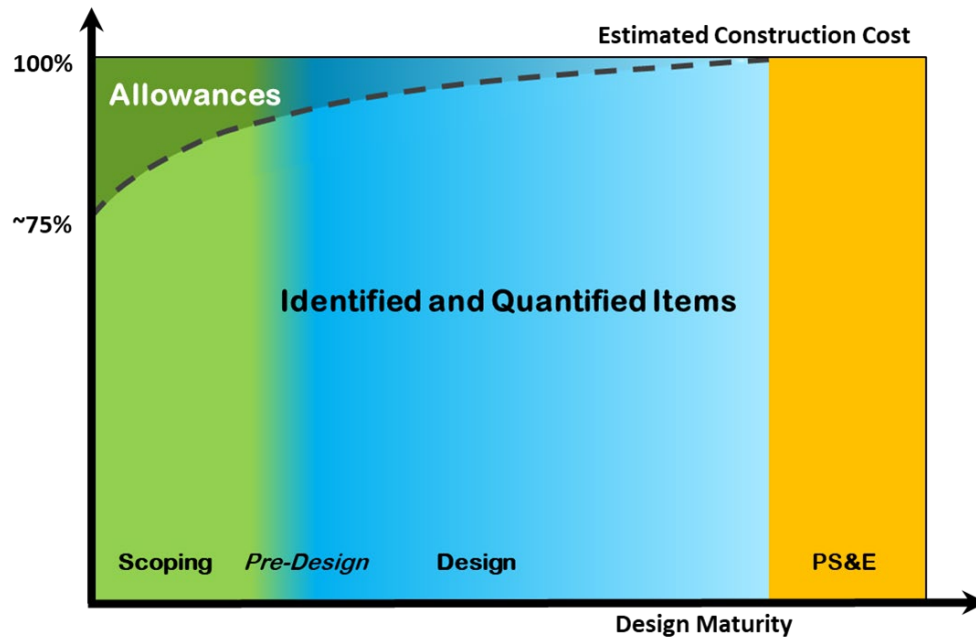
Estimate Mark-ups are percentages applied to the estimated project cost. Mark-ups are generally based on

- Project size
- Location
- Type and complexity of work performed
- Percentage of design complete

WSDOT typically applies six forms of markups in creating the design estimate of cost for a project.

**Design Miscellaneous Item Allowance** – This markup is included as a line item in the design estimate. An early planning level estimate when very little is known about final work items or quantities, may include this item at as much as 50% of the estimated item cost. However, for design-bid-build projects at 100% design (PS&E complete and ad-ready), this markup is reduced to zero. See [Exhibit 7-2](#).

Exhibit 7-2 Identified and Quantified Items vs. Miscellaneous Item Allowance in Design



Miscellaneous Item Allowance in Design accounts for lack of scope definition and those items too small to be identified at the stage of project design. This allowance is eliminated for final PS&E estimates on design-bid-build projects because the scope and estimate for all items should be identified at that point. Accounts for known but unquantified items.

Miscellaneous Item Allowance in Design will vary along with advances on design. [Exhibit 7-2](#) illustrates the ideal situation: as items are Identified and Quantified during the Scoping and Design phases, Miscellaneous Item Allowance should correspondingly decrease.

**Mobilization** - Are the costs for preparatory work and operation including tasks necessary for the movement of personnel, equipment, supplies, and incidentals to the project site, and for all other work and operations which must be performed where costs are incurred prior to beginning work at the project site.

**Sales Tax** – This markup is based on project location, facility ownership and facility access designation (e.g., managed access, limited access etc.). On WSDOT projects, Control Sections are assigned to various highway segments that govern the application of sales tax.

**Change Order Contingency (COC)** – This markup represents the construction change order contingency. It is an allowance for unexpected conditions or circumstances encountered post award of the project during construction. Typically, 4% is allowed for all projects regardless of type or size.

**Construction Engineering (CE)** – This markup is the allowance for construction administration of WSDOT projects. It represents a sum to allow for quality assurance activities of construction personnel such as field inspection, submittal review, etc.

**Preliminary Engineering (PE)** – Not included in the cost estimate but is based on the estimated construction cost of the project for allocation. See [Exhibit 9-1](#).

**The base cost estimate is unbiased and neutral** – it is neither optimistic nor conservative. It does not include any risks but does include the WSDOT standard construction contingency of 4%.

## Exhibit 7-3 Markups Summary

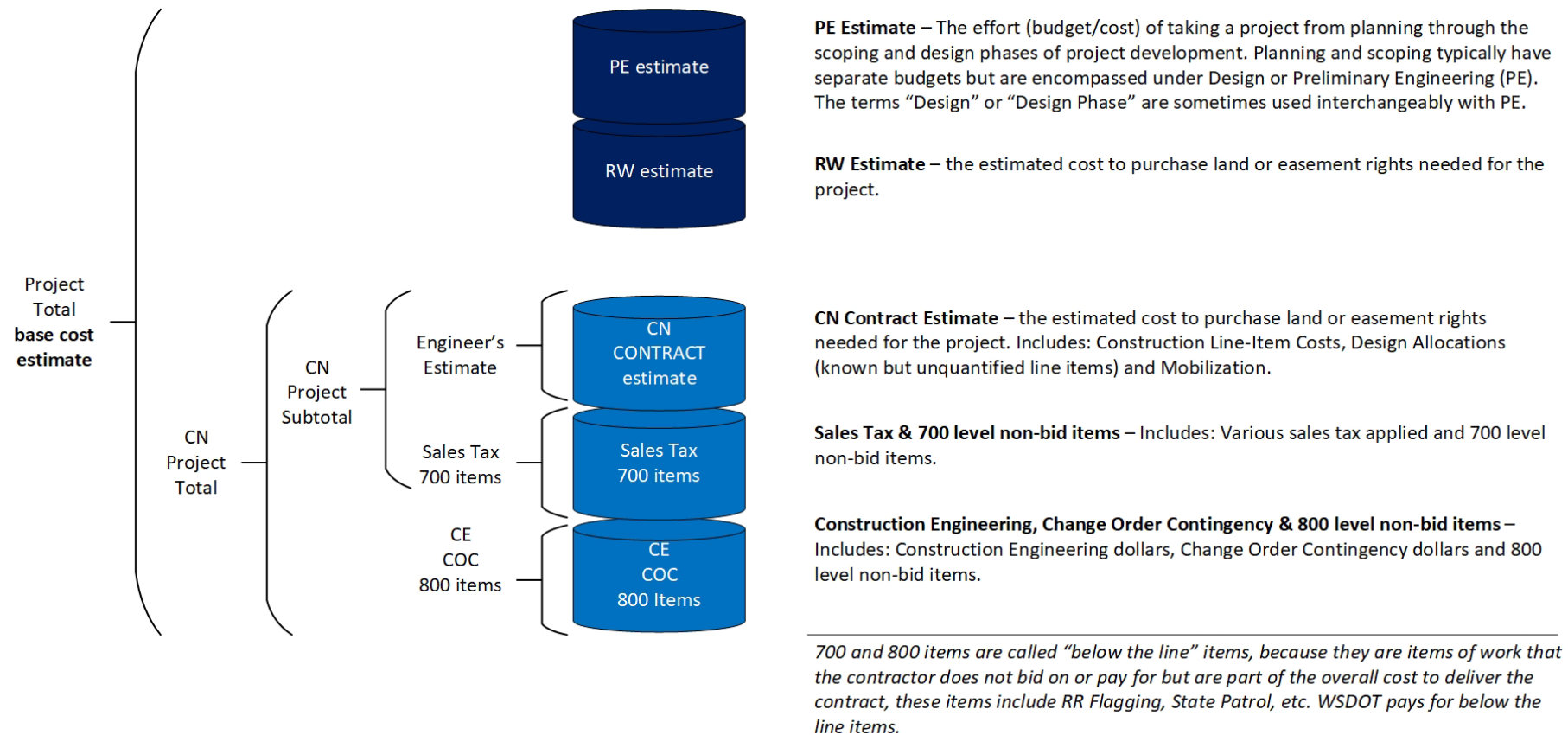
Cost Estimating Elements <sup>[1]</sup>	Planning	Scoping	Design	PS&E
Miscellaneous Item Allowance in Design	30% to 50%	20% to 30%	10% to 20%	0% (all items should be defined)
Preliminary Engineering	See <a href="#">Exhibit 9-1</a>		PM's Workplan + Actuals to Date	Actual
Mobilization	Use Guidance Table Per EBASE may be found at: <a href="#">Design - Project Development - EBASE</a>			
Sales Tax	Site-specific, based on Control Section. Data can be found in TRIPS or EBASE. Specific direction is found in Standard Specification 1-07.2. <a href="#">Standard Specifications Division 1 or Application of Retail Sales Tax</a>			
Contingency	Applies to parametric, historical bid-based, and cost-based estimates only. Per EBASE <a href="#">Construction Engineering Percentages &amp; Contingencies</a>			
Construction Engineering	Use Guidance Tables Per EBASE may be found at: <a href="#">Construction Engineering Percentages &amp; Contingencies</a>			

## Notes:

- [1] Round to appropriate significant digit; for example, \$196,526,918.00 is rounded to \$197 million.
- [2] Report cost estimates in current dollars to program management. The Construction Cost Index (CCI) will be used to inflate the estimate to midpoint of construction by program management. Note: Public declarations of estimated project costs should be presented in the form of a range in Year-Of-Expenditure (YOE) dollars.

Base cost estimate components are illustrated in [Exhibit 7-4](#).

Exhibit 7-4 Base Cost Estimate Components (Current Year Dollars, CY\$)



Non-Bid Items, also known as “Below the line items”, or “700 and 800 level items” are included in the base cost estimate although they are not bid on by the contractor. These items are called “below the line” items because they are work that is part of the overall cost to deliver the contract. These items include RR Flagging, State Patrol, etc. WSDOT pays these items.

## 7.05 Base Cost Estimate Order of Calculation

The order of calculation is important in the base cost estimate to ensure that percentage markups such as sales tax, mobilization, construction engineering, preliminary engineering and change order contingencies are applied appropriately.

See [Exhibit 7-5](#) for order of calculation example.

### Exhibit 7-5 Order of Calculation for Base Cost Estimate

Example Project		
Bid Item Total =	\$1,000,000	
Sales Tax =	8.50%	
Construction Eng. (CE) =	20%	
C.O. Contingencies (COC) =	4%	
Preliminary Engineering (PE) =	15%	
700 level non-bid items	\$2,000	← No Tax but, CE and COC applied to these items
800 level non-bid items	\$5,000	← Tax, CE and COC NOT applied to these items
860 level non-bid items	\$10,000	
Right of Way Acquisition =	\$10,500	
To Calculate Base Cost Estimate:		
Add together:		
Bid Item Total	\$1,000,000	
Sales Tax (\$1,000,000 + 8.50%)	\$85,000	
700 level non-bid items	\$2,000	
Project Sub Total =	\$1,087,000	
Multiply Project Subtotal by CE, COC and PE percentages		
CONSTRUCTION ----- C.E. 20% X	\$1,087,000	= \$217,400
COC 4% X	\$1,087,000	= 43,000
PLANNING/SCOPING ----- PE 15% X	\$1,087,000	= 163,050
Add Together:		
Project Subtotal	\$1,087,000	
Construction Eng. (CE)	\$217,000	
C.O. Contingencies (COC)	\$43,000	
Preliminary Engineering (PE)	\$163,050	
800 level items	\$5,000	
860 level items	\$10,000	
R/W Acquisition costs	\$10,500	
<b>TOTAL BASE COST ESTIMATE</b>	<b>= \$1,536,430</b>	

[8-1 Bridges, Nonstandard Retaining Walls, and Structures](#)

[8-2 Right of Way](#)

[8-3 Environmental](#)

[8-4 Traffic Design and Operations](#)

[8-5 Utilities](#)

Specialty groups provide cost estimates for portions of the project relevant to their areas of expertise.

### 8.01 Bridges, Nonstandard Retaining Walls, and Structures

The costs to construct bridges and non-standard retaining walls and other structures are estimated by the [Headquarters \(HQ\) Bridge and Structures Office](#).

For planning and scoping phase estimates, contact the Bridge Projects Unit in the HQ Bridge and Structures Office. They will help prepare the estimate using historical bid-based methods and take into account structure type, size, and location. For Design and PS&E phase estimates, the Bridge Projects Unit will provide a detailed cost-based estimate for project structures.

Estimators must understand and document what is included and what is not included in estimates from specialty groups. Items not included by the specialty group but required for the project must be included elsewhere in the project estimate. A place to start is the WSDOT [Bridge Design Manual](#). In the WSDOT [Bridge Design Manual](#) Chapter 12 and [Appendix 12A](#) information on typical costs for many items, production rates and estimated working days are provided. Of course, collaborate with the Bridge and Structures office on your specific project.

### 8.02 Right of Way

Right of way (ROW) costs vary widely throughout Washington State. Region and/or HQ Real Estate Services should be involved early to help determine appropriate costs for the project. ROW estimates typically include administration, relocation, cleanup costs, and allowances for condemnation.

Real estate markets are best characterized by those familiar with the geographic area. In consideration of this fact, subject matter experts (SMEs) such as region Real Estate

Services and region Right of Way staff should be asked to provide this estimate. These SMEs can provide input regarding the cost of right of way and the uncertainty associated with the real estate market in the geographic area of the project. Other issues to consider include zoning changes, speculation, growth management plans, and pending comprehensive plan changes.

It is important to get Real Estate Services involved early in the design process, especially if there may be permanent or temporary right of way needs. They can work with the appropriate landowners to facilitate required agreements and acquisitions that might otherwise cause costly project delays.

### 8.03 Environmental

Region and/or environmental staff must be involved in the design and estimating process early. The costs and time durations of complying with environmental impact analysis, mitigation, permit, and public involvement requirements in environmental laws and regulations and interagency agreements can be significant and need to be included in the project estimate.



## **8.04 Traffic Design and Operations**

Traffic conditions have a significant effect on prices. Prices should be adjusted to reflect difficulties, hazards, and expenses caused by traffic conditions. Contractors are inclined to raise their prices on projects to be constructed with work sites exposed to considerable traffic.

## **8.05 Utilities**

The Utilities Office should also be involved early in the process. Subsurface and overhead utilities are located on a majority of project sites, and conflicts with these utilities can increase a project's cost dramatically. When a utility is located on an easement and WSDOT acquires the property through ROW acquisitions, WSDOT must pay all relocation costs in addition to providing the affected utility with a new easement. Also note that city-owned utilities that are impacted within the city's limits can add similar costs to a project.

Another risk that may affect project cost is triggered when utilities that are not identified during the design phase (due to insufficient engineering investigation or inaccuracy in utility as-builts) are discovered while the project is under construction. Utility conflicts not identified until the construction phase can result in costly change orders and project delays.

### 9.01 Preliminary Engineering Costs

Delivery of a quality-constructed project begins with quality design. Estimating Preliminary Engineering (PE) is an area of increasing importance and demands the same attention to detail, as do construction estimates and right-of-way estimates.

Early in project development (planning and scoping), PE costs are often estimated as a percentage of the estimated construction cost. PE percentages vary by project type and dollar size of the project. [Exhibit 9-1](#) provides percentage of cost spent on PE based on historical data. PE costs for WSDOT designed projects are about 15% of project cost; this can be used as a starting point if [Exhibit 9-1](#) does not provide a figure.

As the project moves through design, the PE cost should reflect actual costs to date plus the anticipated costs to complete the design work as determined from the project work plan. There is a reasonable minimum fixed cost for procurement, which even small projects incur. If the project cost is under \$200,000, it might be combined with another project in order to realize efficiency in contract procurement (Ad, Bid, and Award cost).

For projects that include consultant design, PE costs can be different. The cost of design by consultant is typically more than in-house WSDOT design costs. PE cost estimates should reflect the type of resources (WSDOT and consultant) involved in the design effort.

The Project Management Institute defines a project as “a temporary endeavor undertaken to create a unique product, service, or result. A project is temporary in that it has a defined beginning and end in time, and therefore defined scope and resources. A project is unique in that it is not a routine operation, but a specific set of operations designed to accomplish a singular goal.”

The information provided in [Exhibit 9-1](#) provides an average cost for preliminary engineering for WSDOT projects. The table is organized by project type and is intended as an initial reference point of cost. A determination should be made on a project-by-project basis if there is a need to increase or decrease the percent value for preliminary engineering work.

The numbers are to be applied with engineering judgment. The actual percent used may be adjusted for specific project context and considerations of project size, complexity, location, amount of specialty work, and other relevant factors.

#### Example

A Rest Area Project, with an estimated construction cost of \$3M. It is a routine project on a State Route.

Referring to [Exhibit 9-1](#), it is seen to be a Preservation Project P-3, subprogram PD.

The table suggests and estimate of 12% for Preliminary Engineering.

You have additional project information; project specific factors include:

- A similar rest area was built on this same route last year.
- The total PE for the project constructed last year was 10.8 %.
- The rest area project you are estimating now is more straightforward and has fewer environmental concerns and no utilities to deal with.

Hence, in your judgment an estimate of 10% PE is appropriate for the rest area project being evaluated.

Be sure to document the estimate and the reasoning for the choice of 10% for estimating PE costs in the Basis of Estimate.

Exhibit 9-1 Preliminary Engineering Percentage for Improvement Projects

Improvement Program PE as % of CN		I1 MOBILITY				I2 SAFETY			I3 ECONOMIC INITIATIVE			I4 ENVIRONMENTAL RETROFIT
Subprogram		IA	IB	IC	IQ	ID	IE	IF	IG	IH	II	IK
		Urban	Rural	Urban Bike Connection	HOV Lane	Collision Reduction	Collision Prevention	All- Weather Highway	Trunk System Completion	New Safety Rest Area	Bridge Restriction	Storm Water Runoff
\$ 0	\$ 500,000	27%	23%	15%	33%	39%	30%	23%	30%	ND	ND	105%
\$ 500,000	\$ 1,000,000	36%	23%	15%	30%	38%	30%	20%	30%	ND	ND	80%
\$ 1,000,000	\$ 2,000,000	38%	23%	15%	30%	38%	15%	20%	25%	ND	ND	50%
\$ 2,000,000	\$ 5,000,000	34%	20%	15%	25%	25%	12%	20%	25%	ND	ND	30%
\$ 5,000,000	\$ 10,000,000	21%	20%	10%	20%	10%	10%	15%	20%	ND	ND	20%
\$ 10,000,000	+++	20%	16%	10%	15%	15%	15%	15%	15%	ND	ND	15%
Notes about the source data % shown is an average of projects within the subprogram; D-B and Emergency projects not included									Number of projects the % is based on.			
<ul style="list-style-type: none"><li>• 2009 - 2019 projects with a completion date</li><li>• Cost range is based on final Engineer’s Estimate</li></ul> Data Treatment – extreme outliers were eliminated									more than 10			
									4 to 9			
									1 to 3			
Improvement Program PE as % of CN		I4 ENVIRONMENTAL RETROFIT										
Subprogram		IL										
		Fish Barrier Removal										
\$ 0	\$ 1,000,000	71%										
\$ 1,000,000	\$ 2,000,000	46%										
\$ 2,000,000	\$ 5,000,000	31%										
\$ 5,000,000	\$ 10,000,000	16%										
\$ 10,000,000	+++	10%										
Notes about the source data % shown is an average of projects within the subprogram; D-B and Emergency projectsnot included				Number of projectsthe % is based on.								
<ul style="list-style-type: none"><li>• 2012 - 2022 projects with a completion date</li><li>• Cost range is based on final Engineer’s Estimate</li></ul>				more than 10								
				4 to 9								
				1 to 3								

Exhibit 9-2 Preliminary Engineering Percentage for Preservation Projects

Preservation Program PE as % of CN		P1 ROADWAY	P2 STRUCTURES		P3 OTHER FACILITIES				
Subprogram		PA	PB	PC	PD	PE	PF	PG	PH
		Paving Safety Restoration	Structure Preservation	Catastrophic Reduction	Rest Area	Unstable Slope	Weigh Station	Program Support	Major Drainage Electrical
\$0	\$ 500,000	25%	30%	40%	20%	25%	30%	20%	40%
\$ 500,000	\$ 1,000,000	17%	21%	28%	20%	25%	17%	17%	31%
\$ 1,000,000	\$ 2,000,000	14%	14%	24%	15%	15%	15%	14%	26%
\$ 2,000,000	\$ 5,000,000	9%	14%	14%	12%	12%	12%	9%	23%
\$ 5,000,000	\$ 10,000,000	5%	14%	15%	12%	11%	12%	5%	18%
\$ 10,000,000	+++	3%	8%	14%	12%	3%	12%	3%	18%
Notes about the source data percent shown is an average of projects within the subprogram; D-B and Emergency projects not included								Number of projects the % is based on.	
<ul style="list-style-type: none"> <li>• 2009 - 2019 projects with a completion date</li> <li>• Cost range is based on final Engineer's Estimate</li> <li>• Data Treatment – extreme outliers were eliminated</li> </ul>								more than 10	
								4 to 9	
								1 to 3	
No specific data available, percentages were estimated from projects having similar type of construction activities or elements.								similar	



10-1 Geographic Considerations	10-13 Specialty Work
10-2 Restrictive Work Hours or Method of Work	10-14 Material Shortages
10-3 Quantity Considerations	10-15 Standard Items vs. Nonstandard Items
10-4 Item Availability	10-16 First-Time-Use Items
10-5 Scheduling/Lead Time	10-17 Soil Conditions
10-6 Difficult Construction/Site Constraints	10-18 Permit Conditions
10-7 Estimating Lump Sum Items	10-19 Allowances
10-8 Force Account	10-20 Construction Change Order Contingencies
10-9 Timing of Advertisement	10-21 Other Funding Sources / Agreement Work for Others
10-10 Inflation	
10-11 Expected Competition/Contractor Availability	
10-12 Other Contracts	Exhibit 10-1 Past Inflation (PI) and Future Inflation (FI)

Major factors are various items associated with a project that can have an impact, either minimally or significantly, in the construction cost estimate development.

The estimator must accurately understand and document the impacts that these Major factors are anticipated to have on the construction cost estimate.

The following are common Major factors that must be examined to determine whether they influence a project's construction cost estimate.

The Major factors that may affect the project cost and schedule estimated number are described in this chapter.

### 10.01 Geographic Considerations

Geographic considerations are powerful project characteristics that may substantially affect the selection of unit bid prices. The project's location, whether in an urban, suburban, or rural setting, should be considered in establishing bid prices. Some of the cost considerations relating to a project's location may be accounted for in the mobilization bid item, dependent on the restrictions of [Standard Specification 1-09.7](#).

A project in an urban setting generally has to contend with construction operations occurring in more confined workspaces and limited equipment staging, with greater volumes of traffic, limited hours of operation, nighttime work, etc. Some of these factors may be offset by the availability of local contractors, materials, equipment, and labor.

Projects located in rural settings have factors that affect the establishment of unit bid prices different from the projects located in urban settings. Construction operations may have less restricted work areas, less traffic to contend with, and additional hours to complete the work—all factors that increase productivity. On the other hand, materials, equipment, and labor may have to be brought in from out of the area, which may increase costs related to transportation, support, wages, per diem, etc.

For projects that utilize large quantities of aggregate, whether for base, surfacing, or earthwork, the location of material sources and disposal sites may have a large impact on costs. Nearby material sources or disposal sites reduce hauling costs. On rural projects, the cost of bringing in a concrete batch plant, hot mix asphalt plant, or similar facility, may increase unit bid prices. Again, dependent on the restrictions of [Standard Specification 1-09.7](#), those costs may be directly attributed to and reflected in the mobilization bid item.

Terrain may also be a consideration in establishing an item's cost. Mountainous terrain and steep grades cause production rates to fall, whereas level terrain and straight roadways generally have the opposite effect.

Groundwater conditions can vary greatly and need to be investigated to determine the extent of dewatering required for foundations and other structures such as stormwater retention ponds. Varying geotechnical conditions are covered in Section 10.17, Soil Conditions.

Material hauling that must be accomplished by entering and exiting only on interchange ramps, hauling uphill rather than downhill, working on the top of slopes or retaining walls, etc., is always more expensive to construct than work that is easy to accomplish on level or gentle slopes. The ease of accessibility to the work will affect the cost to do the work.

### **10.02 Restrictive Work Hours or Method of Work**

Restricting the contractor's working hours or the method of work on a project may have major effects on prices. The prices for work that is limited to short shifts, or required to be completed in long shifts, or limited to nighttime operations should be increased to reflect the cost of premium wages required for such work and for the general inefficiencies and decreased productivity that may result. Night work for plant operations (e.g., asphalt concrete production) can be especially expensive when small quantities are involved. Plants usually do not operate at night and may require special production runs at much higher-than-normal operating costs.

### **10.03 Quantity Considerations**

The quantity of a given material on a project impacts the unit cost of constructing and/or supplying that item. This is not simply a supply and demand issue, but also one of production efficiency and economy of scale.

- On one hand, the unit price for larger quantities of a given material will be less than for smaller quantities. Larger quantities may give rise to efficiency by gained experience and the expertise of the contractor's personnel in completing the work.
- On the other hand, for some projects, very large quantities of certain materials may cause an increase to the unit bid price. For example, a project with numerous or large structures may affect the market for a particular type of steel or the availability of cement or may even tie up a region's labor resources.

Small quantities of items of work are often less cost-effective to construct and lead to higher unit prices. Supplier's charge more for smaller purchases, and in some instances the minimum amount that has to be purchased is greater than needed for the project. Smaller- quantity items may be subcontracted out; this increases a contractor's overhead and usually results in a markup being applied to those items.

#### **10.03(1) Separate Operations**

Separate operations will usually increase item costs, especially if the order of work or the work unit is to be constructed in scattered locations throughout the project (each requiring move-in and move-out costs). If this is the case, unit prices should be based upon the smaller unit sizes and should not be based upon the entire quantity for the total project.

#### **10.03(2) Handwork and Inefficient Operations**

Handwork and small or inefficient operations (even though equipment may be used) will have higher unit costs than work that is able to be mass produced or constructed by using techniques that result in higher production rates.

### **10.04 Item Availability**

Materials that are readily available, or ones that are commonly used, are generally less expensive to purchase and install/construct. Materials that are in short supply are more expensive. This should be considered in establishing the unit price.

Large quantities of materials required in a short period of time may result in a temporary shortfall in product availability and potential cost increases or delays to a project.

### **10.05 Scheduling/Lead Time**

To be efficient, a contractor needs to optimize the scheduling of resources, including labor, equipment, and materials. The ability to plan for and maximize resources allows contractors to be more competitive in bidding. Lead times need to be considered in estimating the project based upon when it is expected to be built. For example, a project that is two seasons long may have the majority of its paving in either the first or the second year.

### **10.06 Difficult Construction/Site Constraints**

Difficult construction and site constraints will increase the cost of construction for a contractor. Examples of site constraints that should be considered include: placing piles under water; working near active railroads or nearby historical buildings (possibly fragile); constructing on or near culturally important or environmentally hazardous sites; and working in areas with limited room to construct an item.

### **10.07 Estimating Lump Sum Items**

Lump sum bid items can be more difficult to estimate. They can reduce administrative costs in contract administration, as well as allow a contractor a bit more freedom to be innovative with regard to work means and methods. Lump sum items transfer the risk of performance and quantities to the contractor. If the work to be performed can be quantified, then a payment method that includes a quantity should be used.

Lump sum bid items may also be used when an item of work can only be defined in general terms, such as when the finished product can be defined but not all the components or details can be easily determined. This can make estimating lump sum items difficult for the estimator. It is recommended that the lump sum item be defined as detailed as feasible in order to accomplish a reasonable lump sum estimate.

An estimator should define a lump sum item in terms of its simplest, most basic components and should also consider other factors that may not be easily estimated. By breaking out a lump sum item into smaller items of work that have historical data, and then applying reasonable estimated prices to those subunits, the estimator can calculate the overall lump sum item.

Using lump sum items typically transfers risk to a contractor, and the contractor may adjust the price upward to take on this risk. Contractors cannot necessarily rely on overruns to cover work that they did not foresee.

Lump sum items are typically bid at higher costs than component costs due to the transfer of risk from the owner to the contractor. Therefore, the use of lump sum items should be used with great care.

In some situations, as may be the case for a time-based lump sum bid item such as project temporary traffic control, the lump sum payment may provide the incentive to perform the work more quickly. In such situations, hourly pay items offer no incentive, and may result in the contractor remaining in the work zone for a longer period of time.



In many cases, lump sum bid items can lead to higher contractor bids. Therefore, lump sum items should only be used when the following conditions apply:

1. The lump sum item is a standard item with no appropriate alternative non-lump sum standard item available for use.
2. The work is not easily defined. In other words, the final product is known, but the construction techniques or other components are difficult to determine.
3. The project has complex items with many components (although the designer is encouraged to break down constituent items if possible).
4. The lump sum payment may be justified as incentive to complete the work in a more timely or efficient manner than if other units of measure were used.
5. The lump sum item may be justified as less expensive than a force account item (see below) or where the risk assumed by the contractor is low.

The use of a lump sum item must be justified, and the work breakdown documented in the estimate file. Use of earned value techniques may aid in determining the performance of the contractor on lump sum bid items.

### **10.08 Force Account**

Force account is a method of payment that pays the contractor the actual expenses for all labor, materials, and equipment to complete the work. Markups for material costs, labor surcharges, overhead, and profit are usually added to this figure. This method of payment is used primarily for “extra work” (i.e., work that is unforeseen at the time a project is let or advertised and is discovered during construction) or for items of work that are poorly defined and may or may not be used during construction.

The case of poorly defined items of work is the one most frequently encountered by the estimator. Since the contractor does not usually bid on this work, there is little incentive to reduce costs or execute the work diligently. Because of this, the force account method of payment should only be used when necessary.

When a reasonable cost estimate for a force account item is required, the estimator should try to establish the scope of work to be accomplished. Once the scope is developed, it can be compared to historical bid price data for similar items of work.

If no comparable history exists, the force account item should be broken out into its anticipated core components. The estimator can then rely on historical bid data for those items and the given limitations to come up with a reasonable force account estimate. If no such data exists, the estimator may need to estimate the amount and costs of materials, equipment, and labor to execute the work.

Force account may also be considered as a tool for transferring risk from the contractor to the owner. If the work is properly directed by the project inspector, force account may actually cost less than an equivalent lump sum item.

Use of force account items and their estimated costs must be documented and justified in the project estimate file.

### **10.09 Timing of Advertisement**

The timing of a project advertisement can influence bid prices. Contractors can have a time of year that is busier than others. This relates to weather and construction windows; for example, asphalt paving is not done during cold, wet weather. The appropriate timing of advertisement can also be affected by other items like fish and HMA paving windows or other outside constraints.

The peak season for most highway projects is April through October. The peak season for marine work is November through March. The best time to advertise a project is several months before the work season for that type of work, to allow time for contract execution and for contractors to mobilize their resources in time to take advantage of the full work season.

If contractors have fully allocated resources for the upcoming season, they are less likely to bid on a project and, if they do bid, it is in a less competitive environment.

For this reason, there is a benefit to WSDOT to advertise a project as soon as possible prior to the peak season, to allow contractors time to plan, schedule, and seek as many opportunities as possible to find efficiencies in their work plans. Hopefully, this promotes a more competitive bidding environment.

The estimator preparing the final Engineer's Estimate needs to be aware of the timing of the advertisement. The estimator should account for any expected fluctuations in bid prices due to the season, such as lower production during temperature extremes, additional protections for weather-sensitive materials, and so forth.

It is important to know if the work can be accomplished before winter weather causes the project to shut down. If the job cannot be finished before the end of the construction season, and the project needs to be suspended, contractors will increase their bid prices to cover their overhead during the winter and repair any damage that may occur. Even if contractors reasonably expect to finish before the winter, they may protect themselves to allow for an early winter.

## 10.10 Inflation

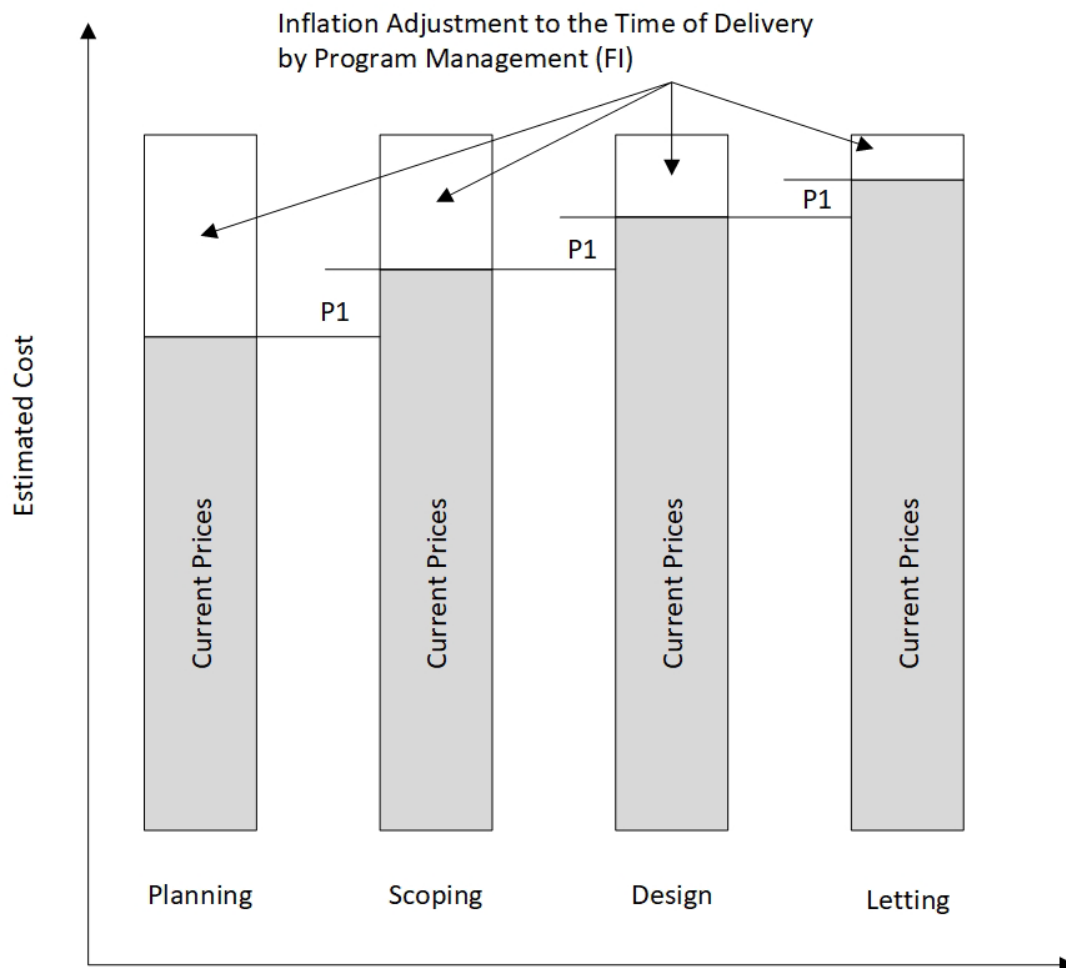
The estimate represents the probable cost at the time of estimate. Any time an estimate is created or updated; the unit prices must reflect the cost at the time the estimate is done. It may require the estimator to go back to the unit price database and get the latest information.

The estimator must always adjust the unit price for inflation considering the interval of time from when the price was used and the estimating time.

[Exhibit 10-1](#) illustrates the ideal situation, when the current prices representing the cost at the time of estimate increase because of the Past Inflation (PI) applied to the prior prices. Simultaneously, the figure shows that the estimated amount created by Future Inflation (FI) (what program management does) decreases since the time span decreases. WSDOT CCI, RWI, and PEI inflation tables are found at: [CPMS Tables - All Links](#)

The above tables are only available to WSDOT employees.

Exhibit 10-1 Past Inflation (PI) and Future Inflation (FI)



### 10.11 Expected Competition/Contractor Availability

Projects that are advertised for bids late in the season or after contractors have scheduled their work for the year, can expect higher bid prices. This is due to the lack of competition or contractor availability. Projects that are bid during a period of time when a large number of contractors are available may be bid more competitively. Competition could be a major factor of the cost of the construction. When the estimator expects just one bidder, then the project cost may be much higher than otherwise. On the other hand, if there are many bids, the project cost may be significantly lower than the estimate.

### 10.12 Other Contracts

Multiple projects being advertised at the same time can influence bid prices in much the same way as lack of competition and availability. The contractors only have so many resources available to develop bids for projects. In the case of large projects, a contractor may not have the resources to develop bids for more than one project at a time.

The most prudent course of action in this case is to manage the program of projects to ensure this does not become an influencing factor on the bids. If this cannot be prevented, then the estimate needs to reflect that multiple bids will be developed at the same time.

The estimator should consider to what extent the reduction below the normal number of bidders will influence the bid amount. As competition decreases, prices increase—hence if the number of anticipated bidders is lower than normal, the bid amounts are expected to increase.

The probability of the occurrence of this risk should be evaluated by the estimator. Common mitigation strategies include timing of the advertisement and work packaging. On the other hand, in extremely competitive bidding environments, with large numbers of contractors bidding, the bids may actually come in lower than expected.

Another factor to consider is that multiple active projects can create conflicts in an area. For example, multiple large-scale bridge projects in a given area may create a shortage in structural steel or skilled labor. In these cases, the estimator must be aware of the ability of the market to support multiple projects.

Other conflicts could include traffic control, labor issues, and direct coordination issues, among others. These conflicts need to be considered in the calculation of production rates and subsequent bid item prices. Project managers should be aware of adjoining projects and nearby work (even from other regions or local agencies). There may be opportunities for collaboration and coordination that will result in more competitive bids and better maintenance of traffic.

### 10.13 Specialty Work

Specialty items are not necessarily new items or new construction methods. Rather, they are items that are somehow different than the majority of the work on a given project. For example, on a pavement rehabilitation project, the signal work may be classified as specialty work, although it would not be classified as such on a project that was predominantly signal and lighting work. Estimating the cost of specialty work requires a thorough understanding of the work involved and the resources required for accomplishing it.

When estimating specialty work you are not familiar with, seek the advice of experts who can help. Consider the number of qualified contractors capable of doing the project or elements of work.

### 10.14 Material Shortages

Material shortages will have a major effect on prices since prices are directly affected by supply and demand. Where a shortage is especially acute, a change in design might be considered rather than increasing prices.

### 10.15 Standard Items vs. Nonstandard Items

Standard items, as listed on the [WSDOT Standard Item Table](#), are familiar to both WSDOT and the contractors. These items of work typically represent a known quantity and quality to both WSDOT and the contractor, and bid history tends to reflect that. When an item is changed in some way to become a nonstandard item, then uncertainty is introduced. This uncertainty typically results in an increased price for the item, especially the first-time contractors see it in a contract. Typical practice should be to use standard items whenever possible. When a standard item is changed and becomes a nonstandard item, the estimator should recognize that the price may differ from the historical prices.

### 10.16 First-Time-Use Items

On occasion, items of work are included in a project for which WSDOT has little or no historical data to establish unit prices. In these instances, similar items may provide some guidance, but additional investigative work may be necessary.

If the item is thought to be of minor significance, there may be little benefit in spending much time in determining a reasonable bid price. If the item is considered major or is likely to be significant to the overall project bid, research should be conducted to establish a cost. Contacting others who are familiar with use of the item can usually help in determining a cost.

Suppliers, other state departments of transportation, the HQ Engineering Analysis Office (EAO), Regional Transportation Commissions, Port Authorities, Consultant Letting, RS Means Publications, and contractors can be valuable resources in establishing costs. Be wary of relying on estimates from a single contractor or source. Multiple sources should be utilized in developing an estimate for first time use items.

If the item in question is unique in some manner (innovative, new, or experimental), or it is considered a specialty item, costs may need to be adjusted to account for the contractor's lack of experience with it and the potential increased risk in construction. If the work is likely to be subcontracted out, then the prime contractor may also add a markup to the subcontractor's price.

### 10.17 Soil Conditions

General assumptions about soil conditions may be made early in the estimating process, but they may turn out to be wrong. As the estimate progresses, geotechnical data may help improve the information and prevent costly change orders and claims. In the early estimates, the assumptions regarding soil conditions and the potential effects of unknown soil conditions should be clearly documented.

A common estimate omission is an improper allowance for shrink and swell of material. The Region Materials Engineer should be consulted to determine the appropriate shrink or swell factor to use. Soil conditions can be a significant cost risk to a project. Risk-based estimating techniques should be utilized to quantify geotechnical risks if they pose a significant threat or opportunity.

### 10.18 Permit Conditions

Throughout the stages of planning, scoping, and design, various projections of permit conditions for construction can be obtained from region or HQ environmental offices. Engaging these groups early helps to identify specific permits or conditions that can drive up construction costs and identify opportunities to avoid costly environmental conflicts.

At the same time, the estimate must address:

- The actual out-of-pocket costs for developing and constructing transportation projects.
- The labor, material usage, equipment usage, and travel expenses of staff or consultants doing environmental analysis and documentation during project development.
- The purchase of ROW, materials, and installation labor, and additional purchases for major environmental mitigation features such as wetlands restoration and noise walls during construction.

Be aware that considerable costs may be required due to: stormwater collection and treatment; wetland protection and mitigation; hazardous materials testing; containment and treatment; and removal and disposal of underground fuel tanks, creosote timbers, and contaminated soils.

### 10.19 Allowances

Allowances cover items known to be needed for the project yet not specifically identified and/or quantified. It is different from construction contingency. Allowances account for a lack of project definition during the preparation of estimates.

In WSDOT estimates, allowances should be shown as a separate line item in the base cost estimate. Allowance amounts should be identified with an explanation as to what they are intended to cover so they can be managed and reduced appropriately as the design progresses. This will assist in review of the estimate.

[Exhibit 7-1](#) illustrates the negative correlation between the amount of allowances and the amount of identified and quantified items. Once identified and quantified items are added to the base estimate, the allowances should be reduced in order to reflect the new data available.

### 10.20 Construction Change Order Contingencies

Construction Change Order contingencies are typically meant to cover a variety of possible risks or events that are not specifically identified or quantified, such as uncertainties in quantities and minor risk events related to quantities, work elements, or other project requirements during construction. Refer to the [Plans Preparation Manual](#), Section 800.03, for guidance on estimating construction change order contingencies.

### 10.21 Other Funding Sources / Agreement Work for Others

Funding sources should be documented in the Basis of Estimate. Federal funding, participation from local agencies (e.g., participation in intersection improvements), or funding from public/private partnerships should all be documented.

[11-1 Introduction](#)

[11-2 Internal Project Team](#)

[11-3 Peer Review](#)

[11-4 Region/Headquarters Review](#)

[11-5 External](#)

[Exhibit 11-1 Activity/Responsibility Matrix](#)

### 11.01 Introduction

Each estimate should have some level of review, as indicated on the flow chart provided in [Exhibit 2-1](#). Project complexity is an important driver of the level of estimate review. The level of review should be carefully chosen by the project manager.

Estimates are key outputs of the project management process and are fundamental documents upon which key management decisions are based. It is recommended, and may become policy at a region's discretion, that all cost estimates be independently reviewed by estimating staff specialists, subject matter experts, and others as appropriate. Estimates will then be reconciled and revised as needed to respond to independent reviewer comments.

In the event of a significant difference of opinion, an estimate reconciliation meeting will be held, and the results documented. The final results of the independent review and reconciliation meeting must receive management endorsement before any project is advertised.

Independent reviews (check estimates) should be made by experienced estimators who are familiar with the type of work inherent in the project, and who have had no involvement in the development of the project estimate to date. The independent estimator consults with other independent sources such as design engineers, construction managers, or other estimators as needed on specialty items of work. Checks performed by independent estimators include:

- Reviewing the estimate file and Basis of Estimate document for completeness and readability.
- Ensuring the name(s) of estimator(s) involved in preparing the estimate are shown.
- Ensuring the estimating methodologies are noted by individual items of work.
- Reviewing the overall estimate documentation to ensure it is clear and the figures are traceable, from detailed backup to summary phases.
- Conducting a detailed check of the estimate to include:
  - Checking the development of unit rates and quantities of those items that drive the majority of the bottom-line cost (the 20% of the items that comprise 80% of the estimated project cost).
  - Making note of comments on unit rates and quantities.
  - Checking for mathematical errors.

### 11.02 Internal Project Team

The internal project team review should include a quality control check of quantities and prices. It should also include a quality assurance check that the proper procedures were followed, the documents are complete and clearly understandable, and the final costs and schedule are deemed reasonable for the project scope, size, location, and complexity. The advantages of the internal project team review are that the project team's schedule is easier to coordinate than outside resources and the reviewers have a base knowledge of the project.

The internal reviews tend to be conducted with the same vision, framework, and assumptions as the project teams and this may introduce unwanted bias. This can lead to a review that does not objectively assess all the parameters that affect the estimate.

One useful double-check is to prepare estimates in two different ways and then compare them.

For example, if a project team utilizes historical bid-based methods for preparing the project cost estimate, then consider selecting the top five to ten items in terms of cost and estimate them using a cost-based approach (materials, equipment, and labor). The comparison of the two estimates may be enlightening.

### **11.03 Peer Review**

This type of review is similar to the internal project team review, but it uses another project team or office to conduct the review. Offices can often perform reviews for each other in this way. The advantage to this type of review over the internal review is that the project gets a review with a fresh perspective on the estimate. This can provide an increased level of confidence in the estimate. This is also a good way to share lessons learned and information between project offices and serves to efficiently utilize fixed engineering resources within the department.

### **11.04 Region/Headquarters Review**

This type of review at the region and Headquarters level is typically more formal. One advantage to this type of review is that the reviewers are external to the project team and can thus provide a truly independent perspective on the project. However, the biggest advantage is that the reviewers typically have significantly more experience in performing this type of independent review. Region reviews can be coordinated with region staff.

Headquarters reviews should be coordinated with Engineering Analysis Office staff.

### **11.05 External**

In this type of review, external experts are brought in to review either specific pieces of the estimate or the entire estimate. This type of review can be combined with any of the other types of reviews to supplement knowledge of a specific item of work or to provide an outside perspective. This type of review has a wide range of costs but can provide significant confidence in the estimate that might not be otherwise attainable from internal WSDOT resources.

[Exhibit 11-1](#) is a matrix that identifies which position has responsibility for reviewing and endorsing each type of WSDOT estimate.



**Exhibit 11-1 Activity/Responsibility Matrix**

<b>Changes – Scope Changes, Schedule Changes, Budget Requests</b>	<b>PE/PM through Region PDE or EM Must Process Control Change Form through the PC&amp;R Office</b>
Planning Phase	Region Planning Manager
Scoping Phase, including: Design Documentation Package (DDP)	Region Plans Office and Programming
Design Approval Design Report Alternative Analysis	ASDE, PE/PM, PDE/EM, and Region Plans Office
Determine Contingencies	PE/PM, PDE/EM
PS&E Phase Estimates	Estimator, Designer, and PE/PM
Documentation, including: Assumptions Quantities and Adjustments Prices and Adjustments	Estimator, Designer, and PE/PM
Review Estimates	Region Plans Office and Peer Review Team
Check Estimates and Calculations	Region Plans Office
Prepare Engineer's Estimate	Estimator, Designer, and PE/PM
Independent Estimate	To be determined
ASDE – Assistant State Design Engineer PC&R – Project Control and Reporting PDE – Project Development Engineer	EM – Engineering Manager PM – Project Manager PE – Project Engineer

**Note:**

The Region Project Engineer, Project Manager, Project Development Engineer, and Engineering Manager should be informed of changes and updates to project scope, schedule, and cost estimate.



12.1 Introduction	12.15 Price Adjustment in Contract Provisions
12.2 Design – Build Estimate Considerations	12.16 Highly Specialized Designs
12.3 Preliminary Engineering	12.17 Practical Design
12.4 Construction Engineering – Owner / Design Builder	12.18 Construction Time
12.5 Construction Contingencies	12.19 Construction Incentives
12.6 Right-of-Way	12.20 Number of Concurrent Contracts and Contract
12.7 External Third Party (e.g., Utilities and Railroad Adjustments)	12.21 Transportation Management Plans for Work Zones
12.8 Transportation Demand Management and Transportation System Management	12.22 Environmental Impacts
12.9 Risk and Uncertainty	Exhibit 12-1 Costs included in the Programmed Amount, DB
12.10 Allocation of Risk	Exhibit 12-2 Average WSDOT Expenditure of CE% for Design Build in CN
12.11 Value Engineering, VE	Exhibit 12-3 Average WSDOT Expenditure of PE% for Design Build in CN
12.12 The Engineer’s Estimate for a Design Build Project	
12.13 Bidding Climate Impact	
12.14 Industry Capacity	

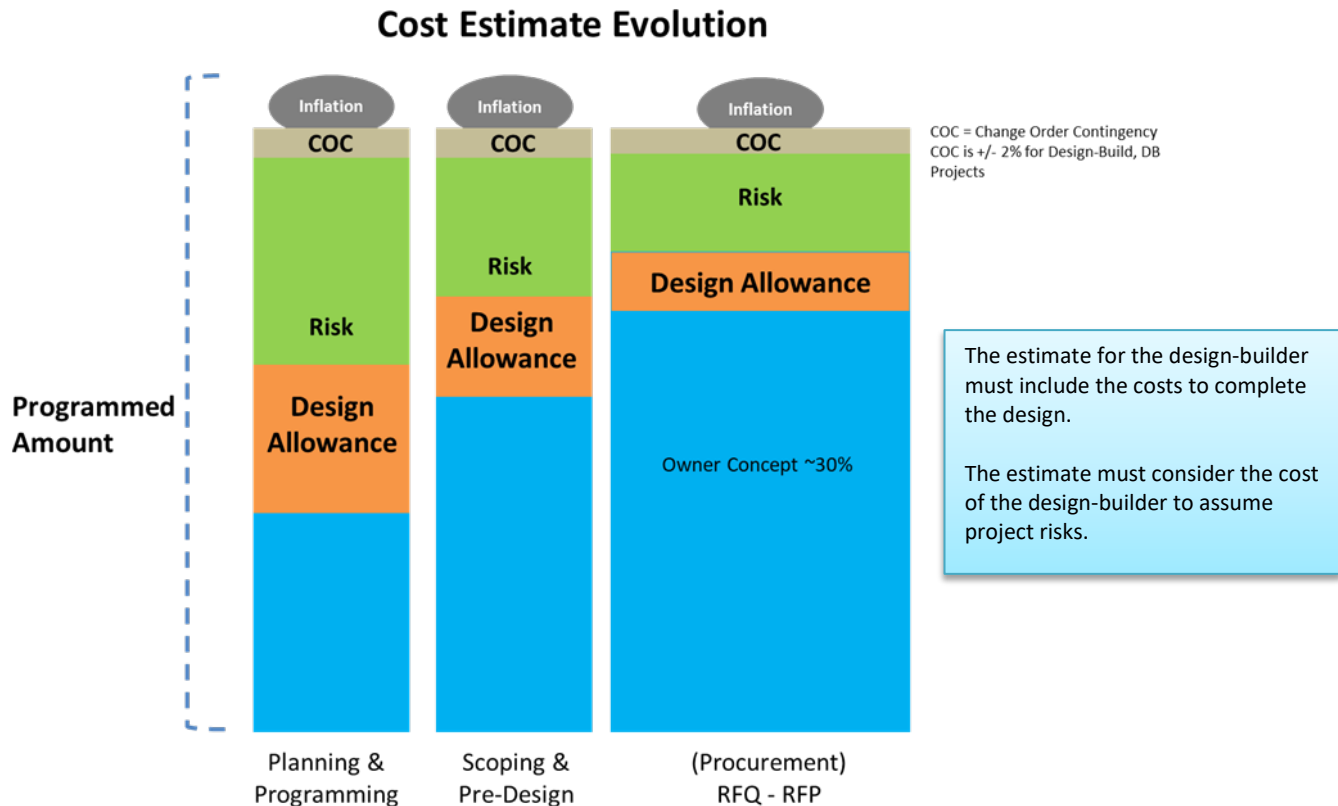
### 12.01 Introduction

Creating the Design Build estimate, in many ways is comparable to development of the Design Bid Build estimate. However special consideration must be given to ensuring preliminary engineering costs as part of the overall cost estimate.

Design Build projects typically include lump sum proposal cost items related to the application of Tax Rule 170 and 171. The Excise Tax Advisories for these are 170 and 171. These lump sum items include both design and construction costs. In addition, other costs necessary to deliver a Design Build project should also be considered. These may include, but are not limited to, utility relocation costs (for those utility relocations that are included in the Design Build scope of services), any management or technical support-related costs, engineering and inspection, Design Builder stipend fees, third party agency costs, and/or risk contingencies.

The programmed amount is based on the estimated total dollars required to complete all work associated with the design-build project. This includes all phases of the project; preliminary engineering, right of way and construction as well as project risks, escalation and change orders. The estimate for the design-builder must include the costs to complete the design. See Exhibit 12-1 for a detailed breakdown of the programmed amount estimate.

Exhibit 12-1 Costs included in the Programmed Amount, DB



**Unknown Risks** - Events that are unforeseen, unidentified, and undetermined. these risks reveal themselves as the project unfolds.

**Escalation** - Persistent rise in cost of commodities, goods, or services due to a combination of inflation, supply/demand, and other effects such as environmental and engineering changes, technological changes, environmental effects, political and other effects.

**Known Risks** - Identified events that are described and include a risk trigger; in addition, these risks are characterized via probability and impact – often this information is produced through formal risk management processes such as project cost risk workshops. [M22-01.21 Design Manual \(wa.gov\)](#)

**Allowances** - design evolution Deliverables to be produced by the project team. A project scope is provided in a project summary or project statement of scope.

**Base Cost Estimate** - Total estimated cost of all the project phases: preliminary engineering (design), right-of-way (land that needs to be purchased for the project), construction. An appropriate base cost estimate includes an accompanying basis of estimate, and it has been reviewed for quality and completeness. A project base cost estimate is updated as the project design progresses. It includes known project features, elements, and components. The base cost estimate does not include amounts for risks or uncertainty.

## 12.02 Design – Build Estimate Considerations

Creating the Design Build estimate, in many ways is comparable to development of the Design Bid Build estimate. However special consideration must be given to ensuring preliminary engineering costs as part of the overall cost estimate.

Estimates are prepared in Current Year dollars and then inflated to Year of Expenditure (midpoint of activity) by CPDM. Considerations include:

- Basis of estimate and organized documentation.
- Risk-based assessments of unknown and all uncertain costs.
- Independent validation.
- Project scope.
- Initial preliminary engineering for owner concept design.
- Design Builder costs to complete final design.
- Right-of-way and administrative costs.
- Third party (e.g., utility, railroad) costs.
- Transportation Demand Management / System Management (TDM/TSM) costs.
- (i.e. ramp metering, ATMS)
- All construction costs.
- Construction contingencies.
- Construction administration.
- Public outreach cost.
- Stipend amount (paid under the PE phase)
- Design Builder cost to maintain the roadway etc. during construction.
- Other construction costs – asphalt adjustments, incentives, payable agreements, etc.

The following sections are detailed explanations of some cost elements. These should always be included when preparing a program cost estimate for a major project.

## 12.03 Preliminary Engineering

The cost to the owner to prepare the conceptual design is estimated. It may include field investigation, geotechnical borings (depending on the project, this could be significant, with access and potentially right-of-way needs), testing and administration of the design work and contract procurement, including support offices. It also includes the cost of the NEPA and other environmental and permitting documentation.

The cost of a General Engineering Consultant (GEC), for this work, if applicable, is included here.

All Preliminary Engineering activities that must be accomplished by the owner in a traditional Design Bid Build project also need to be accomplished or completed in the Design Build contract, although it will be the Design Builder carrying the project forward from the conceptual design through final design.

Costs for the Design Builder's share of the preliminary engineering can include:

- Completion of the design
- Construction Cost Estimate
- Value Engineering and Risk Analysis
- Project related Information Analysis
- Quality Control/Quality Assurance/Quality Verification Activities
- Constructability Reviews

- Acquisition of long-lead items
- Arranging and organizing subcontractor participation

The anticipated stipend payment to the Design Builders should also be added at this phase. Any stipends or payments used to offset the cost of preliminary design for responsive proposers must be included in the estimate. The stipend is paid in the PE phase because the construction contract work order is not open in time to pay the stipends to obtain the Alternative Technical Concepts (ATC) for the best value design builder. The stipend is paid to all DB teams that are allowed to submit proposals, this allows WSDOT to own the ATCs and have the ability to use them, if we choose. A Design-Builder can refuse the stipend if they want to keep their ATC proprietary.

## 12.04 Construction Engineering – Owner / Design Builder

Construction engineering is inclusive with quality control and quality assurance activities conducted during construction and includes activities such as contract administration, supervision and inspection of contract activities, measurement and payments, preparation of as-built plans, and final estimates.

**Exhibit 12-2** illustrates the average WSDOT expenditure of construction engineering (CE) for design build projects by construction project size and sub-program. This information offers perspective only. Each project team must consider specific attributes of their project and the CE amount estimated to appropriately fit the project context, environment, and requirements.

The cost estimate should include two lines for Construction Engineering (CE) one for the Owner CE costs and one for the Design-Builder CE costs.

### Exhibit 12-2 Average WSDOT Expenditure of CE% for Design Build in CN

Note: This information offers perspective only. Each project team must consider specific attributes of their project and the CE amount estimated to appropriately fit the project context, environment, and requirements. These figures do not include the Design Builders' share of CE%.

Average CE %				
Project Size	Sub Program			
Final Engineers Estimate	I1	I2	I3	I4
\$0 - \$500,000	No data	14%	No data	No data
\$1,000,000 - \$2,000,000	No data	8%	No data	No data
\$2,000,000 - \$5,000,000	14%	22%	No data	No data
\$5,000,000 - \$10,000,000	19%	14%	No data	12%
>\$10,000,000	25%	8%	5%	9%

Data sources: CPMS vol. 100 and Financial Data marts as of 10/13/2021.

% shown is an average of the projects within the subprogram for Design Build projects.

Data extracted from project with operationally completion date prior to October 13, 2021

Cost range is based on final Engineer's Estimate.

## 12.05 Contract Contingencies

In accordance with RCW 39.10.320 the project budget shall ***provide contingencies not less than five percent*** of the anticipated contract value.

## 12.06 Right-of-Way

The cost of right-of-way includes the costs to research, and acquisition of right-of-way for the project, including construction or other project easements, storm water management, wetland mitigation, and other work outside the roadway prism.

This includes the contractual obligations with property owners to relocate fencing, reconstruct gates, and reconstruct road approaches, etc., if not included in the engineer's estimate. Consideration should be given to the cost of appraisals, negotiations, demo, property management, cost of GEC support or other consultant work.

Costs of any required relocation assistance and benefits for displaced individuals, families, businesses, governments, and nonprofit organizations, as well as the administration costs of all right-of-way activities must be included. If the extent of the right-of-way acquisition is not known, then a risk contingency should be added based upon historical settlements and awards for condemnation cases, which must include costs for attorneys, engineering research, witness research, survey, and staff time.

Also, the right-of-way acquisition schedule needs to be considered. Right-of-way acquisition costs can increase quickly in rapidly developing areas. Early acquisition of right-of-way based on environmental documents may save money and protect the right-of-way from development. Special acquisitions, such as those from government sites can be time consuming and costly.

[Exhibit 12-3](#) illustrates the average WSDOT expenditure of preliminary engineering (PE) for Design Build projects by construction project size and sub-program. This information offers perspective only. Each project team must take into account specific attributes of their project and the PE amount estimated to appropriately fit the project context, environment and requirements during owner concept development.

### Exhibit 12-3 Average WSDOT Expenditure of PE% for Design Build in CN

NOTE: These figures do not include the design builders share of CE%.

Average PE%	
Project Size	Sub Programs include – I1, I2, I3, I4
Final Engineers Estimate	Owner Concept Development PE% Range
> \$2,000,000	13% - 19%

Data sources: CPMS vol. 100 and Financial Data marts as of 10/13/2021.

% shown is an average of the projects within the subprogram for Design Build projects.

Data extracted from project with operationally completion date prior to October 13, 2021

Cost range is based on final Engineer's Estimate.

## 12.07 External Third Party (e.g., Utilities and Railroad Adjustments)

Third party requirements have a high potential for risk and change. Often major projects are in urban areas with a high concentration of existing utilities. It is best to locate and avoid as many utilities as possible during the design phase and establish appropriate contingencies for utility adjustments.

Cost should be included for subsurface utility engineering and construction cost for relocation. Mitigating impacts to railroads or transit lines need to be considered as well. Depending on funding availability early utility relocation should be included here, this item could be performed in the PE or CN phase.

## **12.08 Transportation Demand Management and Transportation System Management**

The program cost estimate should include the costs for the development and implementation of the transportation demand management and transportation system management (TDM/TSM) strategies along the construction corridor and in the communities in the vicinity of the project during the construction period that are related to the project. These costs could be part of maintenance of traffic during construction and/or part of the final project as completed.

## **12.09 Risk and Uncertainty**

Cost Risk Estimating Management is an integral element of project development that begins early in design. Project risks and uncertainties should be estimated using established guidance and best practices. All elements of project cost must be accounted and budgeted. Risk reserve is determined throughout the rigorous risk analysis process.

The Cost Risk Estimating Management process produces a project risk management plan. As the project is refined, the contingency should reflect the shift of these contingencies into actual cost categories. Any contingencies included in the cost estimate should be expressed in terms that can be easily presented to and understood by the public.

## **12.10 Allocation of Risk**

The allocation of risk determines who is responsible for the risk. Risk should be allocated to the party that is best able to manage, control and minimize the impact of the risk.

WSDOT can manage risk in design build projects by judiciously structuring risk allocation for owning, transferring, or sharing risk within the RFP documents.

The appropriate balance must be struck as to not have an inappropriate burden of risk placed on the Design Builder. The outcome of unbalanced risk allocation is highly likely to be poor value for the Design Builder, and a high-risk premium will be loaded into the bid price for the project.

Risks typically allocated to the Design Builder include:

- Changes between preliminary and final design
- Design errors discovered during construction
- Final product quality
- Liability for defects either in design or construction

Risks typically allocated to the Owner include:

- Owner caused delays
- Obtaining access to the site
- Environmental permitting



- Litigation against the owner that stops the project
- Funding acquisition for the project
- Force majeure events (earthquakes, major flooding, rioting/war, unexpected discovery, significant changes in law, etc.).

There are some risks that may not have an obvious party for allocation and provide an opportunity for risk sharing. The allocation and distribution of these type of risks depends on the project.

Typical risks with shared allocation:

- Site acquisition for temporary easements
- Changes in footprint of the project during design
- Negotiation or performance of utility relocations
- Changed site conditions
- Inflationary cost increases
- Any self-insured holdings or deductibles and for insured casualties

As an estimator, be aware of the assignment of risk allocation. In some cases, it may be necessary for the risk allocation to be unbalanced toward the owner or the design builder. In these cases, it may be necessary to adjust the pricing of the affected work depending on the impact of the risk and how it is accounted for in the risk register.

For additional information read [WSDOT's Design Build Manual Chapter 3](#) on Risk Management. Allocation of risks defines ownership and responsibility for each task of the design build process. Though risk management should be a continuous process through the life of the project, there needs to be an especially strong emphasis during the initial design development and Request for Proposal (RFP) development phase of the project. Risk management should drive much of those processes. Risk is identified, assigned, and then mitigated through the development of both the project design and the RFP Technical Requirements.

### **12.11 Value Engineering, VE**

Although VE is not required for Design Build, many project managers have recognized and taken advantage of the benefits that a VE study can offer. VE can be used as an engagement and team building event during owner design and focus on design issues of concern. VE can also be used as a tool for improving the procurement process for the project, examples include validating delivery method selection; and/or engaging subject matter experts in particular areas of interest

### **12.12 The Engineer's Estimate for a Design Build Project**

Developing the Engineer's Estimate for Design Build requires an understanding of the project construction costs and design costs. The Construction estimate includes the cost of materials, equipment, labor, overhead and profit. The design cost considers the remaining preliminary engineering and design that must be completed by the design-builder to bring the design from owner concept to final design.

The Engineer's Estimate is put together during owner concept and completed during the RFQ/RFP development. This means it is an estimate for a project that is in early design (say 20% to 30%). Hence the estimate accuracy and detail is commensurate with the level of design.

### **12.13 Bidding Climate Impact**

Cost estimates should consider the economics of major projects in the geographical area the project is located. For example, material manufacturers that would normally compete with one another may need to combine resources to meet the demand of the major project. Extremely large construction packages also have the potential to reduce the number of design builders that have the capacity or capability to do the work and may need to be split up into smaller contracts to attract additional competition. Also consider the ability of the Design Builders to bond the project.

Standard requirements are a bond for the full project costs. Cost estimates should consider market conditions. If the economy is experiencing a downturn and there is more competition for projects, Design Builders will bid with less profit. Conversely, if the market is healthy and more projects are advertised, Design Builders will bid projects with higher markups. In addition, the timing of the bid solicitations can also influence the cost since Design Builders may be more competitive during the winter months when trying to build some inventory.

### **12.14 Industry Capacity**

The number of potential qualified Design Builders that can bid on major projects are limited to those that have the capacity to construct the project. Design Builders who bid on major projects often bid on projects throughout the country. If other major projects are being advertised concurrently, it may have a limiting effect on competition and result in higher bids. If possible, rescheduling advertisement dates may be appropriate.

### **12.15 Price Adjustment in Contract Provisions**

The price volatility of construction materials and supplies such as asphalt, fuel, cement, and steel can result in significant problems for Design Builders in preparing bids. In some cases, prospective bidders cannot obtain firm price quotes from material suppliers for the duration of the project. This leads to price speculation and inflated bid prices to protect against possible price increases. If price adjustment provisions are used in the contract to respond to this price volatility, a portion of the risk is transferred to the contracting agency, resulting in lower bids. However, since the contracting agency may have to increase its prices paid to the Design Builder, a reserve amount must be set aside and included in the overall cost estimate.

### **12.16 Highly Specialized Designs**

Technology Cost estimates should consider the impact of any requirement to use first-of-a-kind technology, new materials, or methods of construction.

### **12.17 Practical Design**

The Washington State Department of Transportation (WSDOT) is committed to context-appropriate, multimodal, performance-based designs. WSDOT's goal is to optimize existing system capacity and safety through better interconnectivity of all transportation modes. Community engagement is an essential element.

### **12.18 Construction Time**

The impacts of construction activities (e.g., sequencing, traffic control, haul routes, accessibility, geographic locations, roads damaged by construction equipment, and ponds that may be silted as part of construction) should be considered when developing cost estimates. Also, costs associated with rush hour restrictions and night work must be considered. For longer duration projects, there is a greater risk for impacts to the construction schedule. Construction scheduled in winter or rainy seasons should be accounted for appropriately,

since there may be a higher risk in meeting construction schedules due to unforeseen weather delays. The same may be said when a major project consists of two phases by different contractors that are interdependent. Also, compressed, or accelerated construction schedules could potentially increase costs.

### **12.19 Construction Incentives**

The cost for the Design Builder to meet quality/material and performance incentives must be included in the construction cost estimate.

### **12.20 Number of Concurrent Contracts and Contract**

On projects where multiple construction contracts are underway at the same time, close coordination of construction activities and schedules may be required. The potential for one Design Builder to impact another contractor's activities is higher and may result in additional delays or coordination costs during construction.

### **12.21 Transportation Management Plans for Work Zones**

Major projects often have complex construction traffic control and may have multiple construction contracts underway at the same time. The cost of implementing the Transportation Management Plan for work zones must be included in the estimate. Costs may also include incident management, public information and communication efforts, transit demand management and improvements to the local area network, which help improve safety and traffic flow through the project during construction.

### **12.22 Environmental Impacts**

Major projects go through a thorough NEPA process. Due to the size and complexity of most major projects, there is often greater public and resource agency scrutiny during construction. This attention results in a greater likelihood that additional environmental mitigations may be required once construction begins. These additional costs should be considered when estimating preliminary engineering cost. This is from FHWA:

[https://www.fhwa.dot.gov/majorprojects/cost\\_estimating/guidance.cfm](https://www.fhwa.dot.gov/majorprojects/cost_estimating/guidance.cfm)

Although the intent of a project may be to avoid environmentally sensitive resources, some degree of environmental consideration and analysis is required for all major projects. Any additional environmental avoidance, minimization, mitigation, remediation, and enhancement costs must be included in the cost estimate. Costs to mitigate impacts to natural resources, cultural resources, neighborhoods, etc., need to be included in the estimate. Resource surveys conducted as part of the NEPA process provide valuable information for refining these costs. Additionally, some major projects may have enhancement work that is not directly related to the project. This may include other transportation modes and non-transportation related work. These costs must be captured and included in the cost estimate.

A major project that has potentially significant social or environmental impacts or has opposition from environmental or community groups or regulatory agencies, tends to include more environmental mitigation which results in higher costs than those projects with relatively little impact or oppositions. Moreover, consideration of cost should be included for projects that include Intelligent Transportation System attributes, as well as need for Context Sensitive Design.



A comprehensive glossary for cost risk estimating management is posted at: [Cost Risk Estimating Management \(CREM\) Glossary](#)

### 13.01 Key Terms

**Allowance** – Additional resources included in an estimate to cover the cost of known but undefined requirements for an activity or work item. Allowance is a base cost item.

**Base Cost Estimate** – The term “base cost estimate” was developed by WSDOT for cost risk analysis and represents the reviewed and/or validated project cost estimate to be used in the quantitative risk analysis for a project. The base cost represents the cost that can reasonably be expected if the project materializes as planned, including PE, RW, and CN costs. The base cost estimate is unbiased and neutral—it is not optimistic, nor is it conservative. It does not include any risks, but does include the WSDOT standard construction contingency, since that amount is based upon historical usage. Base costs reported to program management shall be in current-year dollars (the un-inflated estimate). Refer to the [Plans Preparation Manual 800.03\(2\)](#).

**Baseline** – The approved time-phased plan (for a project, a work breakdown structure component, work package, or schedule activity), plus or minus approved project scope, cost, schedule, and technical changes. It generally refers to the current baseline, but may refer to the original or some other baseline. Usually used with a modifier (e.g., cost baseline, schedule baseline, performance measurement baseline, technical baseline).

**Baseline Preliminary Engineering (PE)** – The effort (budget/cost) of taking a project from planning through the scoping and design phases of project development. Planning and scoping typically have separate budgets but are encompassed under Design or Preliminary Engineering (PE). The terms “Design” or “Design Phase” are sometimes used interchangeably with PE.

**Basis of Estimate (BOE)** – Documentation to enable the agency to easily track changes to project scope, cost, and schedule. A well-documented basis of estimate and documentation of assumptions used can eliminate overlap of future estimate assumptions. This document provides a trail about what is known about the project. This allows project “knowns” as well as “unknowns” to be clearly identified. This documentation is important because multiple estimators may be involved on the project; complex projects in particular take years to develop and estimates must be completed multiple times.

**Construction Contingency** – A standardized markup applied to the construction cost of a project that accounts for uncertainties in quantities, unit costs, and minor risk events that typically take place during construction. Refer to the [Plans Preparation Manual, Section 800.03](#), for guidance on estimating construction contingency.

**Construction Engineering (CE)** – The project management effort (budget/cost) applied to the contract execution and construction phases of the project. Refer to the [Plans Preparation Manual, Section 800.03](#), for guidance on estimating the CE cost.

**Cost Estimate** – A prediction of quantities, cost, and/or price of resources required by the scope of an asset investment option, activity, or project. As a prediction, an estimate must address risks and uncertainties. Estimates are used primarily as inputs for budgeting; cost or value analysis; decision making in business; asset and project planning; or for project cost and schedule control processes. Cost estimates are determined using experience and calculating and forecasting the future cost of resources, methods, and management within a scheduled time frame. (Source: Copyright 2007, AACE International, Inc., AACE International Recommended Practices, Number 10S-90)

**Estimator** – A knowledgeable professional assigned to evaluate the probable cost of projects.

**Parametric Estimate** – A method of estimating the cost of a project (or part of a project) based on one or more project-based cost factors. Historical bid data is commonly used to define parameters related to the cost of a typical transportation facility construction, such as cost per lane mile, cost per interchange or cost per square foot. Percentages can also be used to estimate the cost of project elements based on historical cost information.

Parametric methods are often used in early estimating, such as planning and scoping estimates. (Source: WSDOT working definition)

**Risk-Based Estimate** – An approach that involves simple or complex risk modeling based on inferred and probabilistic relationships among cost, schedule, and events related to the project. Risk-based estimating uses historical data and/or cost-based estimating techniques and an expert's best judgment to develop the project "base cost" (project cost if the project proceeds as planned). Risk elements (defined as opportunities or threats) are then defined and applied to the Base Cost through risk modeling to provide a probable range for both project cost and schedule. (Source: WSDOT working definition)

**Risk** – The effect of uncertainty on objectives. (Source: ISO 31000, Risk management – Principles and Guidelines)