



Mn/DOT Cost Estimation Process Improvement and Organizational Integration Project

Baseline

Mn/DOT develops and updates estimates throughout the project development process. This fact sheet defines baseline cost estimate and provides an overview of managing costs during the design phase to the baseline cost estimate that is established at the end of the scoping phase. The fact sheet on program management will highlight the process for dealing with changes to the baseline cost estimate.

Why are estimates important?

Estimates provide documentation of project costs during all project development process phases.

The project vision states that “baseline estimates align with early project scope development and include an initial assessment of risk and uncertainty.” In addition, there will be “clearly defined and documented cost management approval processes to authorize changes in scope and cost after the baseline estimate is established.”

What is a baseline cost estimate?

The baseline cost estimate is the most likely total project cost estimate including project contingency, which constitutes the approved project budget for cost management. According to the cost estimate and cost management guiding principles, project managers will manage project costs during the design phase within the baseline cost estimate.

In addition, the following definitions are important to understanding baseline cost estimate:

Base estimate: The most likely total project cost estimate in any phase at any time, not including project contingency.

Project contingency: An estimate of costs associated with identified risks, the sum of which is added to the base estimate. Risk and contingency will be outlined in more detail in a future fact sheet.

What is the role of the scoping report?

During the scoping phase, project managers identify the elements of the project and the impact of the project with as much detail as possible. During scoping, for example, project managers will determine whether the project requires additional right of way, or whether it will impact utilities. The project manager also will identify any remaining unknown considerations that may affect the project.

The scoping report summarizes the results and provides information for the development of the baseline cost estimate. To ensure development of an accurate baseline cost estimate, the scoping report must be as accurate and complete as possible. *The cost estimate that accompanies the scoping report is the baseline cost estimate. It includes project contingency and is expressed in year-of-construction dollars.*

How are project costs managed against the baseline cost estimate?

Project managers will work with district estimators to ensure that project estimates are updated annually at a minimum. Project managers are responsible for communicating any changes that may impact the estimate to district estimators, for monitoring project costs, for managing project costs within the established baseline cost estimate, and for notifying district management about use and retirement of contingency and any potential increase in the baseline cost estimate.

The baseline cost estimate will remain unchanged unless the project's original purpose and need defined in the scoping report change. The fact sheet on program management will include information about changes to the baseline cost estimate.

Where can I find more information?

Check out the scoping and cost estimating web site at www.dot.state.mn.us/cost-estimating for more information.

The *Technical Reference Manual*, a guide for developing and managing project cost estimates, will provide procedures to aid Mn/DOT staff in preparing project cost estimates and managing costs throughout the Mn/DOT planning and project development process. The *Technical Reference Manual* will be available in the fall.