



Cost Estimating Potential Guidelines

- a. All project-related costs will be expressed as a Total Project Cost Estimate (TPCE), regardless of project development phase. The Total Project Cost Estimate consists of a Base Estimate and a Contingency. The Base Estimate includes all known project costs at the time the estimate is made. Contingency is the cost that reflects risk and uncertainty associated with the Base Estimate for pre-Letting phases, or risk and uncertainty associated with the Construction Phase (post-Letting). At Letting, when the Base Estimate costs are known, the Contingency cost is zero (see *Technical Resource Manual*).
- b. The Base Estimate consists of a number of cost elements that vary depending on project type and complexity. Construction Contingency consists of Supplemental Agreements (Change Orders and Cost Overruns) and Incentives (see *Technical Resource Manual*).
- c. Year-of-construction cost for each project development phase will be based on annual inflation adjustment guidelines provided periodically by OIM (see *Technical Resource Manual*). Inflation factors will reflect the midpoint of year of construction for projects that span more than one year.
- d. Cost estimates for each phase will be documented and include: Description of what the project is and what it is not, as defined in the Draft Planning Report or Scoping Report; assumptions used; extent to which various estimate inputs are developed; basis of the estimate; the base estimate; a separate contingency amount with a description of associated risks; and incentives, if included in the contract. Accelerated project incentives should not be designated as cost escalation or overages later on, if the incentive provisions are part of the contract at the time of letting.
- e. A Project Estimate File will be established that is maintained for the life of the project, from Planning to Letting (see *Technical Resource Manual*). The planning cost estimate is developed as part of the Planning Report, and when the project enters the PPMS.
- f. Districts will have a dedicated estimating function with the primary responsibility of preparing and refining cost estimates for all phases of project development: Planning through Letting. District estimators with local knowledge will be responsible for all initial cost estimates, including quantities, prior to coordinating the estimate with the State Estimating Office.

- g. Project cost estimators will be independent, to prevent internal and external pressures from having undue influence on the estimates. This includes estimates done internally and estimates by consultants. The basis of the estimate and the inputs to cost estimating will be documented every time a cost estimate is updated.
- h. To ensure statewide consistency of cost estimates, a State Estimating Office will provide cost estimating direction, support and resources, including training opportunities, to Districts. The State Estimating Office will also review major District project estimates for completeness and conformance with established cost estimating processes, and sign-off on final cost estimates upon completion of each of the phases for major projects.
- i. To achieve consistent and accurate cost estimates, project cost reviews will be conducted at critical points (“gates”) during the project development phases. These gates will be described in the *Technical Resource Manual*.
- j. Resources for training and certification, continuing education, data development and tools for cost estimating and cost management will be provided to the estimators, project managers, program managers and consultants as appropriate, by joint determination of the State Estimating Office and District Management. Consultants must receive the same training and tools to achieve similar levels of accuracy and consistency with Mn/DOT.
- l. Project cost estimators will follow the cost estimating guidelines and processes outlined in the *Technical Resource Manual*.