



Potential Uncertainty, Risk, and Contingency Potential Guidelines

- a. Uncertainty, risk and associated contingencies will be acknowledged early for all projects in the project development process, starting with the planning phase, and updated in subsequent phases.
- b. There will be no program contingency. Unexpected increases in inflation or unexpected events or conditions will be addressed by managing District programs, as done currently. Funding shortages caused by overestimation of revenues will be addressed through the Fund Balance, contingent on fund availability, or by managing District programs.
- c. With the exception of the Letting Phase cost estimate, where project contingency is zeroed out, contingency will not be incorporated in individual line item costs; instead, contingency will be maintained in a separate category. As more is known about the project, the amount of estimated contingency and the Base Estimate would change (contingency resolution).
- d. As a consequence of improved cost estimates and risk assessment, a number of project costs that in the past were estimated and managed from set-asides will, in the future, be estimated and managed as described next.
 - **The cost is estimated and managed at the project level:** These are typically costs for stand-alone projects that are part of the bid package or contract; or
 - **The cost is estimated at the project level and managed from a set-aside:** These costs are in set-aside accounts, but are tied back to a project cost; or
 - **The cost is estimated and managed at a program level from a set-aside:** These are stand-alone set-aside accounts managed from the STIP.

This discussion is limited to the disposition of set-asides for projects in the first year of the STIP. Disposition of set-asides for remaining STIP years will be addressed during the implementation of the *Technical Reference Manual*.

- e. A contingency estimate based on a risk analysis will be developed for all projects. The level of risk analysis, including the possible use of a specialized risk-estimation unit or review panel, will be determined by each unique project's complexity, local impacts, or political interest.

