

Project Estimates
Volatility of Material Costs
California Transportation Commission
Tab 60, Reference # 4.12
Action Item

Presentation by:
California Department of Transportation
September 29, 2005



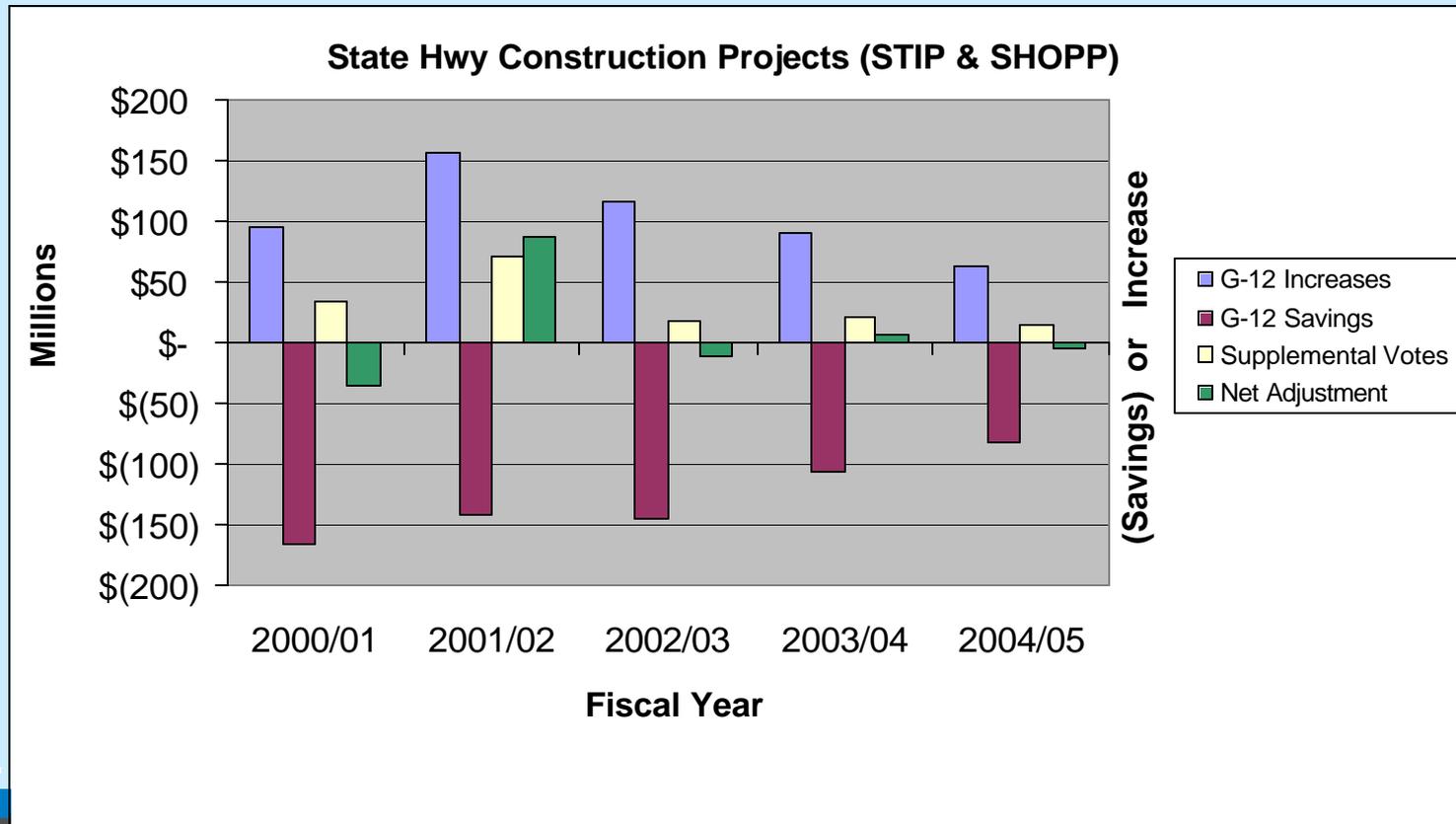
Objectives

- Improve Department's Estimating Practices to Better Forecast Costs at time of Bid Opening
 - Outcome: Engineer's Estimate at time of Vote Within 10% of Low Bid.
- Improve Contractor Confidence that Reasonable Low Bids will be Awarded.
 - Outcome: More Bidders, Greater Competition, and Lower Prices.



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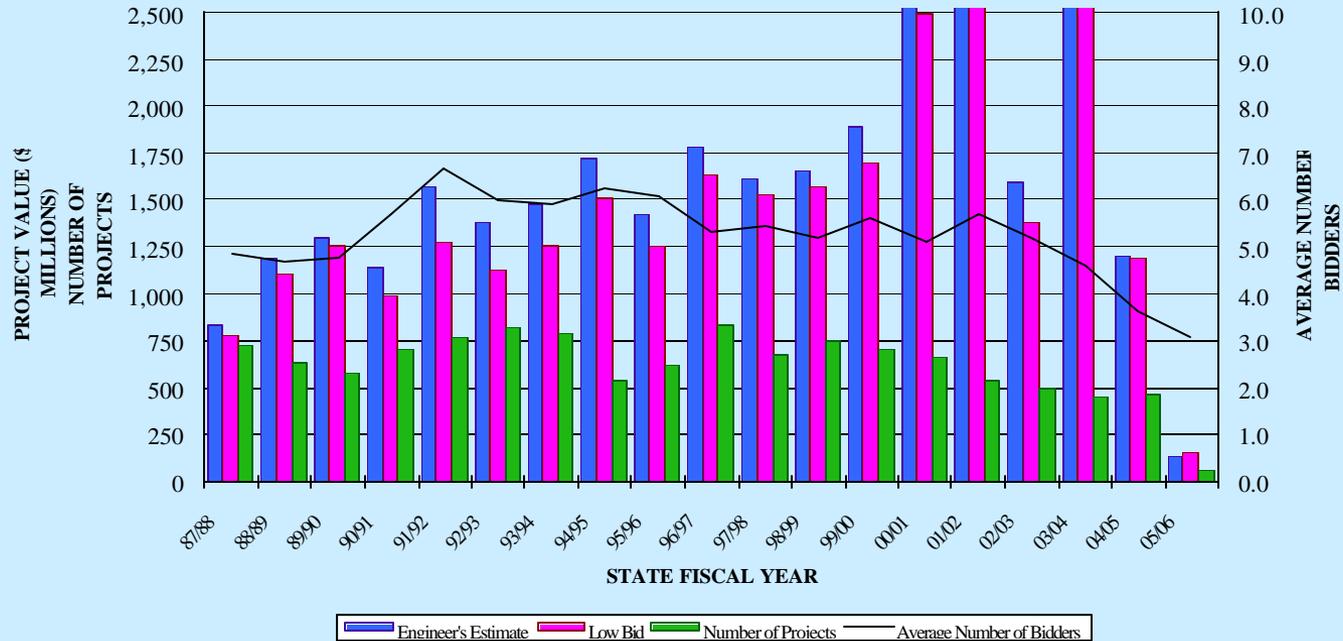
Post Allocation Cost Adjustments G-12 and Supplemental Funds



September 27, 2005

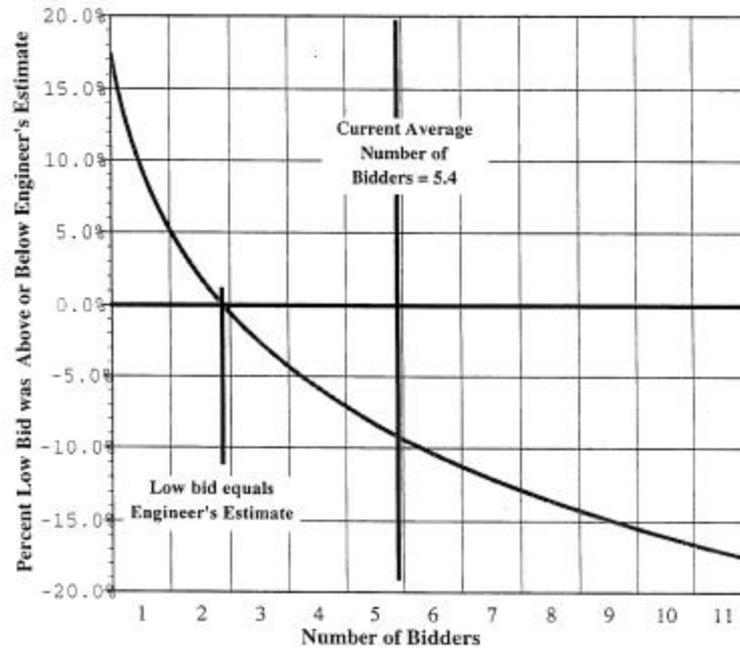


**DIVISION OF ENGINEERING SERVICES - EXECUTIVE SUMMARY
 LOW BID VS ENGINEER'S ESTIMATE
 NUMBER OF PROJECTS & AVERAGE NUMBER OF BIDDERS
 87/88 STATE FY THRU 8/05**



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Price Impact/Number of Bidders



Source: OE Data base 1993-94 FY through 1999-00 FY, all projects. 4,565 projects evaluated.

Cost Estimating Practice Improvements

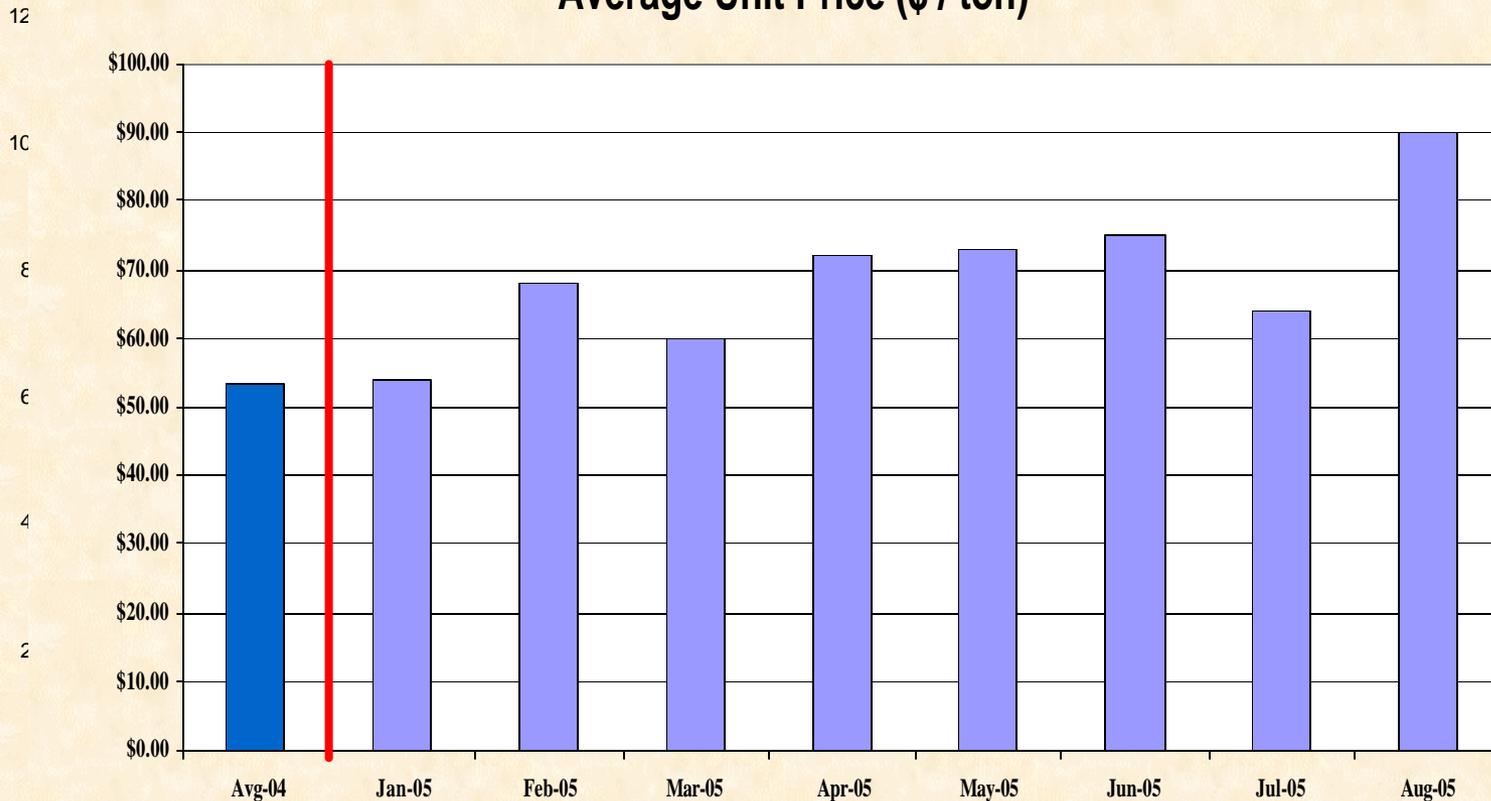
- New Instructions and Performance Expectations for Estimating.
- Industry Outreach on How to Attract Bidders.
- Establishing Economic Forecasting Group in Office Engineer.
- Materials Cost Adjustment Process



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Volatility of Material Cost

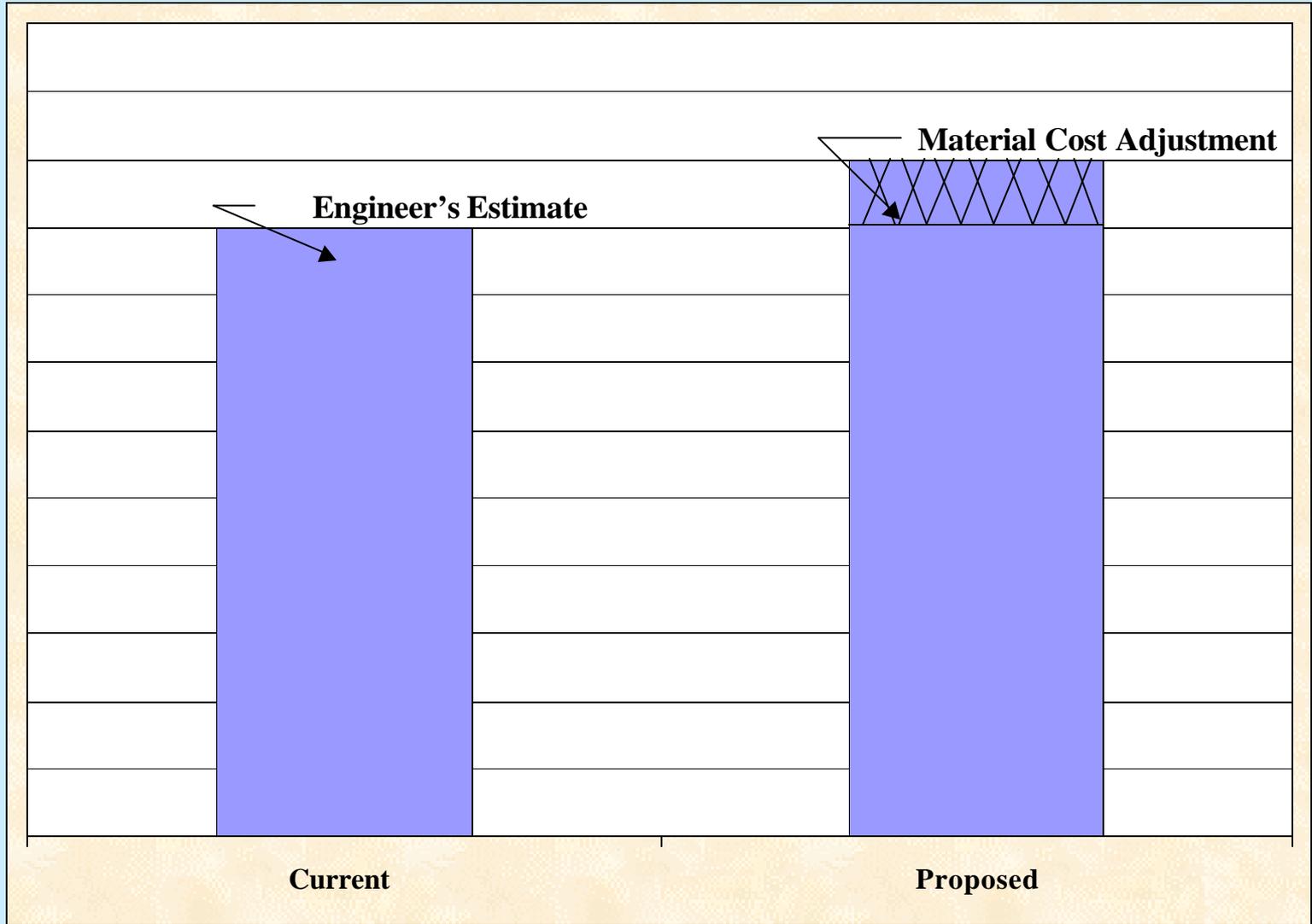
Asphalt Concrete Pavement
Average Unit Price (\$ / ton)



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Proposed Material Cost Adjustment



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Adjustment of Engineer's Estimate

Engineer's Estimate	PS&E Submittal to RTL (Weeks)	RTL to Advertise (Weeks)	Advertise to Bid Opening (Weeks)
<\$1M	8	3	3 to 4
>\$50M	14	3	8


**Update
Engineer's
Estimate
At Vote**


**Update
Engineer's
Estimate
Monthly**

September 29, 2005



Materials Cost Update Enhanced Process

- Office Engineer will Establish an Adjustment Forecast to Materials at Bid Opening.
- Apply Adjustment at Vote for Material Cost Fluctuations.
- Apply Adjustment at Advertisement.
- Apply Adjustment Monthly During Advertisement Period.
- Adjust Estimate Call Number Posted on Website.



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Actions to Restore Contractor Confidence

- Maximize the use of delegated approval of supplemental funds requests (July action).
 - Outcome: Timely award of contracts
- Expand the Department's delegated authority to update for material cost fluctuations.
 - Outcome: Faster Contract Awards
- Special Notice included in Contract notifying bidders that the Call-Out Estimate is updated the first of each month.
 - Outcome: Contractor Confidence that Reasonable Low Bid will be Awarded.



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