State of California
DEPARTMENT OF TRANSPORTATION

Business, Transportation and Housing Agency

Memorandum

Flex your power!
Be energy efficient!

To: CHIEF DEPUTY DIRECTOR
DISTRICT DIRECTORS
DEPUTY DIRECTORS
DIVISION CHIEFS

Date: December 14, 2005

From: **RICHARD D. LAND**
Chief Engineer

Subject: Certification of Project Cost Estimate

Historically the Department has been very successful in forecasting project cost estimates that are within a reasonable range of the contractor's low bid. This success has allowed the Department to maximize the number of projects planned, programmed and delivered within given budget constraints. Recent market trends have seen escalating costs of key construction commodities used in transportation projects, making it difficult even at Construction Contract Ready to accurately forecast bid item costs. The California Transportation Commission (CTC) holds the Department accountable for project cost increases, whether they be at time of funds vote, award, or during construction.

It is imperative that the funds voted and allocated by the CTC are based on current and accurate project cost estimates developed using the Department's best forecasting capabilities. To drive accountability at the District level for those estimates, the District Director will be required, for all projects with an Engineer's Estimate over $5 million, to certify that the contract cost estimate is complete and accurate, reflecting the true scope of the work to be performed and representative of the most current market trends. This District Director certification will be required to achieve Ready to List (RTL) beginning January 1, 2006. The RTL Certification form has been revised to include this signature and is available from the District Office Engineers. Also, contract estimates must be updated and re-certified by the District Director for these projects with an Engineer's Estimate more than three months old. Updating estimates due solely to item cost increases will not change the District RTL certification date if it has already been achieved.

The Division of Engineering Services-Office Engineers will monitor the success of these measures, tracking the Engineer's Estimate relative to the low bids. These measures may be relaxed, strengthened or eliminated depending on the lessons learned from this new requirement.

Your continued efforts to accurately forecast the costs of our transportation improvement projects is greatly appreciated. Please contact John McMillan, Deputy Division Chief, Office Engineer, Division of Engineering Services at 916-227-6300 if you have questions.