RISK-BASED COST ESTIMATING
enterprise Project Management Office
Outline

1. Introduction
2. Quiz
3. Risk-Based Estimating Overview
4. Process Stages
5. Goals and Benefits
6. Next Steps, Summary, and Questions
True or False: Through the use of complex tools and sophisticated modeling, an estimator can determine the bid amount.

False
True or False: Contingency is an estimate of costs associated with identified uncertainties and risks.

True
True or False: It is better to start an estimate from scratch at every new phase of work.

False
What Is the Risk-Based Cost Estimating Initiative?

- Risk identification and uncertainty analysis techniques to forecast project contingency
- Developing a *Risk-Based Cost Estimating Reference Guide*
- Pilot workshops with six districts
- Utilizing best practices from TxDOT, other DOTs, and national guidance
- Principles can be applied to other project management areas
Risk-Based Cost Estimating

STAGES

1. Determine/Update Basis of Estimate
2. Prepare/Update Base Estimate
3. Determine Risk and Set Contingency
4. Review and Approve Estimate
5. Communicate Estimate
Risk-Based Cost Estimating

**Risk-Based Cost Estimating Goals**

**Accountability**
- Estimate development
- Estimate review
- Estimate approval

**Transparency**
- Document scope
- Document assumptions
- Risk-based contingency

**Consistency**
- Estimate “matures” from phase to phase to another
- Consistency between estimators

**Continuous Improvement**
- Standard allows improvement over time
- Reconciliation process

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**Improved Cost Estimation, Risk Management, and Cost Management**
During the pre-construction phases of project development
Features and Benefits

Plan ahead

Compare “apples to apples”

Improve project management

Make your DE look good!
Next Steps

- Work with districts to test the guidance and tools on projects
- Gain feedback and train all districts on the process and tools
- Ongoing assistance from ePMO on implementation – contact your ePMO Field Agent
Summary

- Development of risk-based cost estimating guidance
  - Accountability,
  - Transparency,
  - Consistency, and
  - Continuous improvement

- Holistic process

- Contingency is calculated based on the risk and uncertainty of the project

- Additional work is planned to test the guidance and train staff