

DEPARTMENT OF TRANSPORTATION STATE OF GEORGIA

INTER-DEPARTMENT CORRESPONDENCE

DATE: April 30, 2014

FROM: Russell R. McMurry, P.E. 

TO: Distribution

SUBJECT: Risk Based Cost Estimation

Accurate and dependable cost estimates are crucial to the development of fiscally balanced programs as well as communication to our internal and external stakeholders. Cost estimates are prepared minimally at the milestone points of Concept Report, PFPR and FFPR. At each of these milestones, the level of unknowns or risk to the project is reduced, resulting in a more assured cost estimate. In order to compensate for these varying levels of risk, the contingencies below will be added to the construction cost estimate of each project type listed at the identified milestones as well as the annual updates occurring between each milestone.

Contingencies have been identified by project type with the most complex or highest risk projects having the highest contingency and the least complex or lowest risk projects having the least contingency. The effectiveness of these contingencies will be monitored and reviewed at the completion of FY 2016 to identify where and if adjustments are needed.

This memo is effective June 1, 2014 and supersedes all other guidance as updates to policies 3A-9 are performed. Questions regarding this memo should be forwarded to myself or Andrew Heath.

Project Type	Risk	Contingency		
		Concept	PFPR	FFPR
Enhancement/Bicycle/Pedestrian Facility/Safety	Low	5% to 10%	0% to 5%	0% to 5%
Reconstruction/Rehabilitation No Added Capacity	Low	5% to 10%	0% to 5%	0% to 5%
Maintenance-Restoration and Rehabilitation	Medium	5% to 15%	0% to 7%	0% to 5%
Bridge New/Replacement	Medium/High	10% to 15%	0% to 7%	0% to 5%
New Construction	High	10% to 20%	5% to 10%	0% to 5%
Reconstruction/Rehabilitation Added Capacity	High	10% to 20%	5% to 10%	0% to 5%

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