

Transportation Advisory Board
of the Metropolitan Council of the Twin Cities

ACTION TRANSMITTAL

No. 2010-63

DATE: October 6, 2010
TO: Transportation Advisory Board
FROM: Technical Advisory Committee
SUBJECT: 2011 Regional Solicitation: Cost Estimating in Regional Solicitation

MOTION: That the TAB requires a more detailed breakdown of project elements and costs for projects submitted for STP funding.

DISCUSSION: There was no support on the TAC Funding and Programming Committee for including standard unit costs when developing cost estimates. Instead, members recommended an approach that would use a method similar to the Mn/DOT scoping report for projects. This method would involve a checklist of procedures and elements necessary for most highway and trail projects. Members felt that this kind of method would add a layer of transparency to the inner workings of project development by each applicant. Requiring completion of this checklist may help applicants to better scope their projects and would also make it possible to review an applicant's cost estimate without relying on conjecture.

The committee did not want to make this method onerous for applicants so the checklist would need to be a bit shorter than the Mn/DOT scoping report. Some members of the TAC thought using a scoping checklist would substantially increase the cost of preparing an application and create a hardship for small cities.

There was a suggestion to have a separate scorer evaluate cost estimates using the new checklist as a guide.

ROUTING

TO	ACTION REQUESTED	DATE COMPLETED
TAC Funding and Programming Committee	Review and Recommend	September 16, 2010
Technical Advisory Committee	Review & Recommend	October 6, 2010
TAB Programming Committee	Review & Recommend	
Transportation Advisory Board	Review & Approve	

Improving Cost Estimating

The region strives to fund cost-effective projects. We have cost-effectiveness criteria in the applications for STP that reward projects that can deliver higher benefits in air quality, congestion relief and safety per dollar spent. The problem with this method of evaluating cost-effectiveness is that costs are not always known in the early scoping stages of a project, which is where most projects are in the planning process when an application is submitted.

Pros:

- There have been numerous cases where project costs have increased significantly after more careful analysis is completed further in the design process. While this situation does not affect the federal funds since all cost increases are borne by the applicant, these projects sometimes may have received higher scores because of good cost-effectiveness when they were in fact not as cost-effective as or any more cost-effective than other projects they competed with. There likely have been cases where a project would not have been selected if its true cost were reflected in the application. What does it take to get better estimating without making it onerous for applicants?

Cons:

- In some ways, we already penalize applicants for inaccurately calculating costs because local applicants end up having to pay for all increases on their own.
- Requiring more detailed cost estimates and projects scopes might be onerous for applicants.

Issues to Consider:

- Most mistakes in cost estimating are the result of immature projects. Projects that have not been adequately scoped will likely have high margins of error in their cost estimates; project maturity is a different but related issue to improving cost estimates.
- We should not make project elements the same because the costs can be so different depending on the context.
- We could use MnDOT's LWD and break it up by area to get at costs per project element.