



Client Enrichment Series

Welcome to today's presentation on

Cost Management Principles

October 18, 2018

The presentation will start at 1PM eastern time

Note: Phones are automatically muted during the presentation.

You can send questions and comments to the host and presenters via the “Chat” pane - we will answer as many questions as possible during the presentation.

All questions will be captured, and a formal Q&A document will be posted on our website, along with this slide deck and session recording - www.gsa.gov/ces



Client Enrichment Series

Cost Management Principles

Presented by
PBS Office of Design and Construction

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Hosted by
***PBS Office of Portfolio Management
and Customer Engagement***

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Agenda



- *What is Cost Management (CM)?*
- *What is the Project Life Cycle, and How Does CM Fit In?*
- *What is Needed for Good Cost Estimating?*
- *Why do Estimates Vary?*
- *What Resources are Available to Support Cost Management?*
- *Q&A*

What is Cost Management?

Cost Management is concerned with the process of planning and controlling the project development to remain in scope and budget.

- **Cost Estimating** is the approximation of resources needed to complete project activities.
- **Project Budgeting** is the aggregation of all estimated costs to establish the baseline for measuring performance and constitutes the funds authorized to execute the project.
- **Cost Control** is the managing of changes to the project that impact time and scope.

What is Needed for a Reliable Estimate?

- ***A clearly articulated vision of a successful project outcome***
 - What is the mission impact you hope to achieve with your project?
- ***A well defined scope***
 - The greater the level of detail you can provide - the greater the ability of the Cost Estimator to create a reliable estimate
- ***Clear parameters/expectations on constraints***
 - A must-have move in date? After hours work? Custom finishings?
All of these elements can greatly drive the estimate
- ***Continuous communication and partnership as needs evolve***
 - Equips project team to anticipate/respond to changes in project constraints

Why Do Estimates Vary?

All PBS estimates are prepared in accordance with industry and professional standards and methodologies, but estimates **do** vary...

- ***Project Scope and Scale***

- Large, capital projects require more elaborate and lengthy analysis that feed the estimating process.
- Small projects may be developed based upon general discussions depending on project complexity

- ***Granularity of the Scope of Work***

- More variables, less definition equals a greater inaccuracy of the estimate.

- ***Timing to Market and Prevailing Conditions***

- Supply and Demand for labor, materials, etc when your project is ready to bid can greatly swing costs

- ***Location of Project***

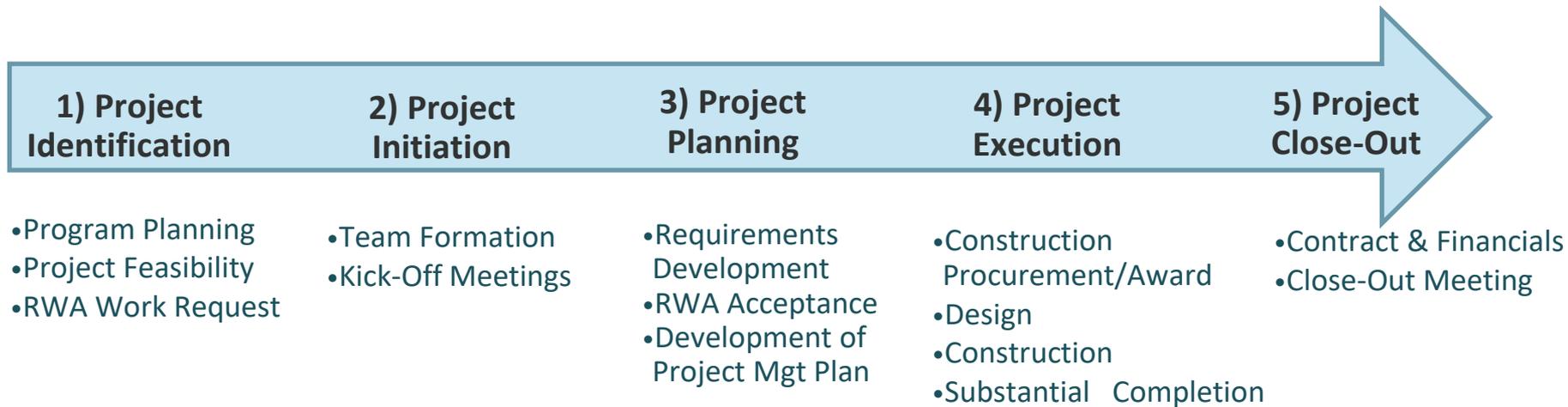
- Real estate markets, and micro-markets, drive costs

Large Capital vs. Small Projects

Size matters...significant differences in...

- ***How your agency and GSA have to budget for the project***
 - Appropriation Cycle (Congressional Authorization, Working Capital Funds)
 - Program Timing -- 5 year planning
- ***Pre-project analysis, including feasibility studies, are required for projects***
 - What are your needs, mission, timing
- ***Life cycle of the project***
 - Additional iterations of estimates are developed for customers (parametric and detailed estimate) as studies and designs are completed

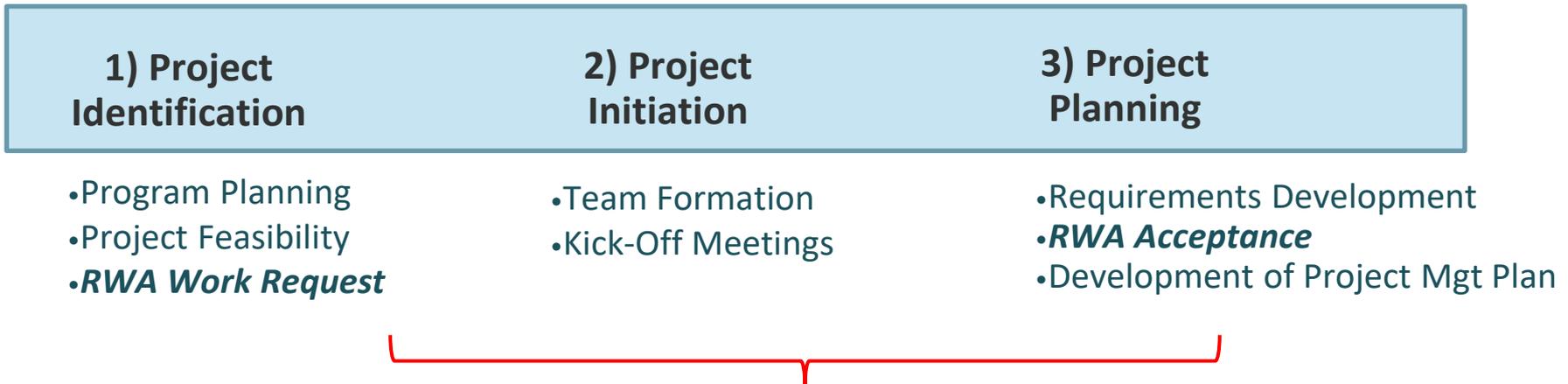
Cost Management and the Project Lifecycle



Cost Management and the Project Lifecycle

Phases 1-3

- **Work Requests (eRETA)** early in Project formation
- Work with GSA Project Manager to complete requirements development
- Cost Management - Develop cost estimates at various phases of the project and manage costs within scope.



- **Project Initiation - Order of Magnitude Estimate**
- **Project Planning - Budget Estimate**

Cost Management and the Project Lifecycle

Phases 4-5

Cost Estimates: Project Execution- Construction, Change Order



Estimate Types (RWA) - Accuracy Increases as Details Increase

Type of Estimate (Tier)	Purpose	Information Available	Accuracy
Order of Magnitude	To assist client with initial budgeting in order to vet work items and properly scope project	Very little information may be available at this stage. Requirements may be undefined	+75%, -40%
Budgetary	To establish a project budget after the Scope of Work is defined.	Scope-of-Work finalized, blocking plans, existing building conditions verified.	± 30%
Conceptual Design	To check the current project costs against initial budget, scope, design elements	Design Development drawings and project documents typically 25% to 40% complete.	± 20%
Construction Estimate	Final detailed requirements - To be used for construction procurement.	100% complete drawings and specifications and all relevant project information.	+10%, -5%
Contractor Bid/Proposal	To award construction contract	Bids are based on drawings and specifications	Varies based on contractor and market conditions
Change Order Cost Evaluation	To verify costs are fair and reasonable and to verify proper Shell/IT allocation	Varies depending on scope of the change.	+10%, -5%

Each RWA Has a Summary Cost Estimate (SCE)



Summary Cost Estimate (SCE)

RWA Number:	
Project Name:	
Project Number:	
OA Number:	
ASA Number:	
Building:	
City / State:	
Tenant (If Applicable):	
Prepared By:	
Initial Estimate Date:	

(*See Directions Tab for Definitions of TI Scenarios, Project Phases, and Estimate Types*)

Choose Appropriate TI Scenario
Click Here To Select Scenario
Project Phase
Click Here to Select Project Phase
Estimate Type (Range of Accuracy)
Click here to select estimate type (Range of Accuracy)
Revision Date: 6/19/2017

The **SCE** worksheet is required for all RWAs.

Updated **SCEs**, with tighter ranges of accuracy, are sent to customers as cost estimates are refined during the project lifecycle.

COSTS ASSOCIATED WITH CONSTRUCTION		Shell Costs (GSA funded)	TI Costs (RWA funded)
1a	Estimated Construction Costs - New Construction	\$	\$
1b	Estimated Construction Costs - Alterations, Initial Space	\$	\$
1c	Estimated Construction Costs - Alterations, Existing Space	\$	\$
1	Estimated Cost of Construction at Award (ECCA): (Sum of Lines 1a-1c)	\$ 0.00	\$ 0.00
2	Construction Contingency: Select calculation method from pull-down menu and enter the appropriate percentage or lump sum amount in line 2	\$	\$
	Choose Method	\$	\$
	Not Applicable	\$	\$
3	Estimated Construction Costs: (Line 1 + Line 2)	\$ 0.00	\$ 0.00
4	Space Planning and Studies	\$ 0.00	\$ 0.00
5	Design: Select calculation method from pull-down menu and enter the appropriate percentage, hours and hourly rate, or lump sum amount in line 5	\$	\$
	Choose Method	\$	\$
	Not Applicable	\$	\$

Project Phase
Click Here to Select Project Phase
Click Here to Select Project Phase
1 - Project Initiation
2 - Project Planning & Development
3 - Design
4 - Construction Procurement
5 - Construction
6 - Close-out

Estimate Type (Range of Accuracy)
Click Here to Select Estimate Type (Range of Accuracy)
Click Here to Select Estimate Type (Range of Accuracy)
Order of Magnitude (+75%, -40%)
Budgetary (+/- 30%)
Conceptual Design (+/- 20%)
Construction Estimate (+10%, -5%)
Change Order Estimate (+10%, -5%)



Estimate Accuracy Increase As Details Increase

Example #1 - On **Aug 25**, you submit an RWA to **completely remodel** your office... there's been **no prior discussion with GSA, no design, requirements are undefined, and there's no opportunity for a site visit before EOY**....what type of estimate should you expect?

- A) **Order of Magnitude (+75% to -40%)**
- B) **Budgetary Estimate (+ or - 30%)**
- C) **Construction Estimate (+10% to -5%)**

Example #2 - On **Nov 25**, you submit an RWA for the **design to completely remodel** your office..a **work request has been submitted into eRETA, site visit(s) have occurred, estimates developed, scope of work and requirements development finalized**.....what type of estimate should you expect?

- A) **Order of Magnitude (+75% to -40%)**
- B) **Budgetary Estimate (+ or - 30%)**
- C) **Construction Estimate (+10% to -5%)**

Express Menu of Services

- Will provide customers and GSA regions with a list of commonly requested/recurring non-construction and general building services, paired with a construction vehicle tailored to the region and or territory
- The team worked with the RWA team to identify these items (approx 260), created a pre-priced “express menu” for said items, and will be working to ensure that regional acquisition vehicles are in place to quickly procure and deliver the items
- Ultimate goal:
 - to improve the accuracy of cost estimates
 - reduce procurement & project delivery cycle time by reducing the time it takes from project initiation to award

eRETA Work Requests - Required in FY 2020

- **How does Customer Direct Data Entry work?**
 - Customers submit new project or service need (called RWA “Work Requests”) directly to GSA in under 60 seconds. **Tracking number generated.**
 - The Work Request is routed to the appropriate GSA regional office who assigns a GSA Project Manager.
 - Customer fills out remaining fields which is the equivalent of page 1 of the RWA 2957 Form
- **Digital Signatures**
 - Optional for Customer Agency Fund Certifying Official today, but required for GSA-PBS Approving Official and required for everyone starting in FY 2020.
 - Corrections to data can be made by GSA or customer before signatures requested - mitigates need for customer to sign multiple times.
 - **eRETA access is NOT needed to use digital signatures**
 - GSA will route the RWA for digital signature(s) just prior to acceptance
- **How do customers gain access to eRETA?**
 - Complete a simple application form (no PII required) and send it to your supervisor for approval and forwarding to eRETA@gsa.gov.
 - Visit www.gsa.gov/ereta for more details and information.

Summary

- Early planning helps improve scope development
- A well defined scope leads to a more accurate estimation of costs
- eRETA and future Express Menu of Services can enhance performance
- Communication through the project life cycle is key to success



Wquestions?

Questions?

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Thank you for joining us today for

Cost Management Principles



Upcoming Client Enrichment Series Sessions

eRETA Review

Tuesday, November 13th 1pm-3pm Eastern

[Register Now](#)

Back to Basics - The Leasing Process

Thursday, November 15th 1pm-2:30pm Eastern

[Register Now](#)

We're on  YouTube ! [Bookmark and binge watch all your favorite CES sessions](#)

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