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

GSA Public Buildings Service
Client Enrichment Series
Cost Management Principles

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

Eric Fulton
National Program Manager, Customer Outreach and Communications
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
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

1) Project Identification
- Program Planning
- Project Feasibility
- RWA Work Request

2) Project Initiation
- Team Formation
- Kick-Off Meetings

3) Project Planning
- Requirements Development
- RWA Acceptance
- Development of Project Mgt Plan

4) Project Execution
- Construction Procurement/Award
- Design
- Construction
- Substantial Completion

5) Project Close-Out
- Contract & Financials
- Close-Out Meeting
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.

<table>
<thead>
<tr>
<th>1) Project Identification</th>
<th>2) Project Initiation</th>
<th>3) Project Planning</th>
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<td>Program Planning</td>
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- **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

4) Project Execution
- Construction Procurement/Award
- Design
- Construction
- Substantial Completion

5) Project Close-Out
- Contract & Financials
- Close-Out Meeting

- Create inclusive project team
- Share draft & final documents
- Discuss project decisions
## Estimate Types (RWA) - Accuracy Increases as Details Increase

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

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.
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 are 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**
  - 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
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

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