

Estimate Review and Cost Validation

Application of Management techniques and skills - irrespective of the level of sophistication and intensity of effort - become meaningless if not managing to 'the right number'! A Project Estimate serves as the basis for Project Funding Approvals as well for performance and success measures - and must be both Adequate and Accurate.

Saybrook professionals can develop or validate estimates to establish the "right" number. We rely on industry standards, combining our proprietary database with an in-depth knowledge of industries and local conditions, to increase your confidence in all cost estimates, from concept to detail.

What	How
Conceptual Estimates	Provide a basis for project funding and capital appropriations.
Project Development Estimates	Develop quantity and scope during design stage to mimic the work-breakdown structure and schedule, and provide cash flow curves and resource-need histograms.
Validation Estimates	Audit construction managers' estimates to validate costs, and assure you of an accurate budget. Authenticate change requests or disputed costs.
Value Engineering Quantification	Capture the full and true value of value engineering recommendations.
Contingency Analysis	Quantify risks to determine the appropriate contingency levels.
Benchmarking	Develop a customized database of your past projects to establish criteria for future projects and validate against industry standards.
Success Platform	Start with, and manage to the "right number".

Benefits to You and Your Organization

Managed Expectations	Ensures that stakeholder expectations are met by establishing a realistic budget.
Improved Cash Management	Optimal use of capital — no stranded capital due to estimate errors.
Benchmarks	Creates a rolling database that captures and categorizes cost information for your future projects.
Objectivity	Conduct independent estimates that are not skewed by contractual incentives.

CASE STUDY >

An owner of a fast-track project could not procure construction services under a guaranteed lump sum contract, and because the design process would be concurrent with construction, a detailed estimate was impossible at the outset. This meant that the construction manager could only consider a cost-plus contract with a target price, with both parties sharing in the risk.

We were asked to validate and ensure the equity of the target price and help the project manager perform due diligence in reviewing and approving that price. So we analyzed the proposed target estimate, considering industry standards and benchmarks, as well as assumptions, quantity projections, and pricing for commodities and services. Using a proprietary database with

costing factors for similar facilities in other global locations, we modeled site-specific productivity and cost adjustment factors.

The result? Our review and validation process established that the estimate was reasonable.

However, we did identify significant amounts included for yet-to-be realized or, in some cases, yet to-be identified events, actions, or risks. We recommended that these costs be managed separately as contingencies. Had they been included in the target price, the construction manager would have been unjustly rewarded with a percentage of the amount not expended. In fact, the owner's **savings** exceeded our fees by a factor of 12.