

BUDGET ESTIMATING

'es-ti-mate noun **1. the act of appraising or valuing 2. a rough or approximate calculation - Webster's**

Budget estimating can mean different things to different people. Terms such as conceptual estimating, engineer's estimate, consulting estimating, and contractor's estimate are often used interchangeably, leading to some confusion. Nevertheless, there are two main categories of estimates: the budget estimate and the contractor's estimate. Perhaps before discussing what a budget estimate is, one should be clear as to what it is not. It is not a contractor's estimate, which necessarily proposes the least amount of work, which satisfies the bid documents. The contractor who adds for items not explicitly drawn or specified may win points in heaven, but will not win the job here on earth! On the other hand, budget estimating, which normally takes place early, must add for items not explicitly shown or specified.

After that introduction, there are three essential parts to any good consulting estimate: take-off (or quantity survey), pricing (or unit pricing), and project review. A good conceptual estimator can manage a significant amount of take-off from very preliminary drawings. This is not only useful for pricing, but helps the client understand where the money is being spent. This part typically takes about 85% of the time involved in the estimate, and is also as close to science as the estimate gets. The second part is pricing, which takes about 10% of the time. Input can come from a variety of sources, including subcontractors, suppliers, pricing publications, and estimating software databases. The most important source of pricing, however, is the estimator's own experience: some science, and some art. Finally, the project review is simply the time the estimator takes to review all the intangibles, which can affect the project, such as bid climate, economies of scale, access to the site, and other special requirements, which can substantially affect the final cost of the project. While this only takes 5% of the time, it can have just as large an impact as take-off and pricing, and it is all art! There is no competition to be low. Indeed, the ideal position of the budget estimate is "second low bid" - a bit conservative but still accurately positioning the project with respect to the owner's budget. That is, after all, the job of the budget estimate.