

CstM 460 – Construction Cost Management

Preparing a Project Budget – KEY STEPS

Step #1: Gather all Estimating Data

Plans, Specifications, Estimating Take-offs, General Conditions Estimate, Your Bid Summary

Step #2: Complete the Project Budget Set-up Checklist document (in class web)

Step #3: Post the CSI Division(s) onto the Project Budget form

Step #4: For Subcontracted Work: Enter each subcontract, by title (i.e. "Foundation Insulation", or "HVAC") into the appropriate CSI Division. Place them in the order the work will start. Enter a single cost (the subcontract amount) for each subcontract in the estimate column. Quantity is 1 LS (lump sum) for each subcontract.

Step #5: For Self Performed Work:

Insert the primary "Work Item Cluster" name (i.e. Slab on Grade, First Floor Wall Framing, etc.) as "titles" into the appropriate CSI Division. Place them in the order the work will be done.

Then further divide the primary (i.e. Slab on Grade) into the sequence of specific Work Items for that "Cluster", in the order that the work items will be performed (i.e. Fine Grade, Aggregate Base, Vapor Barrier, Formwork, Prep for Placement, Place, Finish). Each work item is a separate line item in your budget. Enter the quantity and unit (i.e. 450 SF, 2,500 LF, etc.) for each work item.

Then enter the cost you had in your estimate for the budget line item in the Original Estimate column.

If you had no money in the estimate for the specific work line item, enter \$0.

If the money for the line item was in your estimate, but it wasn't organized specifically by the work items you are using in your budget to control the cost of the work, use "proportionate budgeting" to arrive at the proportion of the estimated cost appropriate to each specific work item.

Step #6: Prepare the Estimated Budget amounts for the LMSEO elements of each line item. **(This is different than just posting the estimate). This is when you tell your company what you really think the work will cost. (The company already knows what the estimator thought). This will require some estimating on your part.**

The spreadsheet will then calculate the Total Budget, and compare that Budget to the original estimate.

- Notes:
1. Make rigorous use of what is called "the level one filter". If an estimated or budgeted cost appears to be "possible" then it passes the "Level 1 Filter". If it is not "possible" (i.e. it cannot cost \$90 to finish a 10,000 SF slab) then it fails the "Level 1 Filter", and you are getting paid the big bucks to catch the problem and enter what you think is a more correct number.
 2. Use a technique called "Proportionate Budgeting" if your estimate was not calculated in the same level of detail as your budget is organized. For instance, say your estimate only has a total cost for the Canopy Rough Carpentry Work Item Cluster (say \$5,000) ,but your budget has three separate line items (say, Framing, Trusses, and TJI's) for that Cluster. Proportionate Budget by first assigning these three line items a separate "order of cost magnitude" number. Assign a cost order of magnitude of "1" to the least expensive line item (in your opinion) (say Framing), and assign proportionate magnitude numbers (like, perhaps, "3" and "5" to Trusses and TJI's if you think Trusses will cost 3 times what the Framing will cost and TJI's will cost 5 times the Framing Cost. Then use these magnitude numbers to apportion the total \$5,000 cost to each of the 3 separate line items. The total of the order of magnitude numbers (1+3+5) is 9 so 1/9 of the \$5,000 (\$556) goes to Framing, 3/9 (\$1,667) to Trusses, and 5/9 (\$2,778) to TJI's.
- Step #7: Create unique cost codes for each budget line item. Make sure the codes are accurately CSI based and there are no duplicates.
- Step #8: **Double Check your work.** No budget is perfect (especially your first one), however, concrete does not cost \$5,798 per cubic yard, the lumber for 300 LF of 10' high wall framing will not cost \$14.50, and you will not place any foundation concrete unless you have done the necessary formwork.