

Memorandum

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To: DISTRICT DIRECTORS

Date: March 13, 2007

From: RICHARD D. LAND
Chief Engineer


CINDY MC KIM
Chief Financial Officer

Subject: Project Cost Escalation for State Highway Operation and Protection Program

The Project Development Procedures Manual and other programming guidance state that the District shall provide project cost estimates escalated to "January 1 of the first calendar year of the first fiscal year to be programmed in the programming document" (e.g. January 1, 2008 for the 2008 State Highway Operation and Protection Plan (SHOPP)). This guidance also states that Headquarters Division of Programming (Programming) will escalate this estimate at established escalation rates to the actual programmed fiscal year. Lacking better information, Programming has been using the Department of Finance rates, currently three percent, to escalate cost estimates. This rate does not always reflect the growth in construction costs or current market conditions. Effective March 30, 2007, Districts will be responsible for providing escalated project costs to Programming. Programming will no longer be adjusting cost estimates.

For each candidate SHOPP project, the District will provide to Programming an estimated cost to award the project in the current fiscal year and escalated costs to award for each of the fiscal years where SHOPP capacity is available per directions from Programming. When programmed projects are moved within an existing programming document (i.e. moved from one fiscal year to another), Districts are to provide an updated cost to award escalated to the new programming year.

In an effort to provide assistance to the Districts, the Division of Design will be publishing various indices and recommended statewide escalation rates. The indices and statewide escalation rates can be viewed at <http://www.dot.ca.gov/hq/oppd/costest.htm>. Districts will be responsible for developing their own project specific escalation rates based on regional data and local market conditions.

If you have any questions please contact Ray Tritt, Chief, Special Projects, Division of Design, at (916) 653-3348.

c: Design Management Board
Project Management Board
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