State of California
DEPARTMENT OF TRANSPORTATION

Business, Transportation and Housing Agency

Memorandum

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Be energy efficient!

To: DISTRICT DIRECTORS
DEPUTY DISTRICT DIRECTORS, PROJECT DELIVERY
DIVISION CHIEFS, PROJECT DELIVERY

Date: June 21, 2004

From: J. MIKE LEONARDO
Acting Chief Engineer

Subject: Bid Item Price Escalation

In recent months the Department has been experiencing a spike in bid item prices and a reduced number of bidders per advertised project. This has resulted in increased instances of low bids coming in over the Engineer's Estimate and numerous requests for supplemental funds. Your assistance is needed in assuring that projects that are moving forward to advertising, whether they are newly developed PS&E or have come off the shelf, have undergone a fresh review of the Engineer's estimate and that the data used to determine that estimate is the most current available.

Historically, the low bid amounts are routinely 5% to 10% under the Engineer's Estimates. During the past month, however, the low bids have been averaging 5% over the Engineer's Estimate. Driving this upward trend is the constrained fuel and steel markets. Over the last quarter, item prices for paving asphalt, roadway excavation, aggregate base, PCC pavement, structural concrete, bar reinforcing steel and structural steel have increased from 30% to 200%.

It is recognized that there is no certainty as to the duration of this trend, and as such it is increasingly important for Engineer's Estimates to reflect the most current item costs for the conditions of a specific project. Project Engineers are encouraged to use the most recent cost data available to them. Please realize that the data contained in the Contract Cost Data book is at least one year old and cannot accurately reflect price spikes. The Office Engineer web site at http://www.dot.ca.gov/hq/esc/oe/costinfo.html is the best source for this information, along with your experience within the District.

If you have any questions, please contact Tim Craggs at (916) 653-1027.