

Memorandum

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To: DEPUTY DISTRICT DIRECTORS
DESIGN
PROJECT MANAGEMENT

Date: August 21, 2007

File: 502.1

From: RICHARD D. LAND
Chief Engineer



Subject: Time Related Overhead Item

This memo revises the time-related overhead (TRO) item estimating procedure described in the May 30, 2000 memo signed by the Program Manager of the Division of Design and Local Programs, and the Ready to List (RTL) Guide dated May 2004.

The TRO item compensates the contractor for overhead costs, including field and home office overhead, that are in proportion to the time required to complete the work. TRO is included on all projects with a cost estimate of \$5 million or more. Exceptions to this policy are obtained from the Headquarters Division of Construction.

Previous guidance and the RTL Guide state that, "The TRO item will be ten percent of the sum of all contract items, Supplemental Work and Contingencies."

Districts should calculate the base TRO item by using ten percent of the sum of all contract items excluding Mobilization, Supplemental Work, State Furnished Materials and Expenses and Contingencies as the estimating factor. Other contract bid items should not be reduced to compensate for the cost of the additional TRO item if the historical data used to estimate the unit costs reflects that reduction.

This base percentage may be adjusted to reflect unique project or district circumstances. The base should be modified by using recent cost data from similar projects with TRO and by taking into consideration project conditions such as project size, duration, location and other conditions that could influence TRO.

The RTL Guide, Section 7, has been updated to reflect this change and is posted on the Office Engineer website at http://www.dot.ca.gov/hq/esc/oe/specifications/rtl_guide/.

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If you have any questions please contact Mary Beth Herritt, Chief Office of Project Development Procedures and Quality Improvement, Division of Design, at (916) 653-4166 or Carmen Shantz, Senior Transportation Engineer, Division of Design, at (916) 653-5917.

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