

TETRA TECH

Sharpening Your Pencils

Using Independent Cost Estimates (ICE) to Drive Better Procurement Outcomes

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Why do procurement prices vary so much?

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SCENARIO

You receive three bids:

- Vendor A $180,000
- Vendor B $325,000
- Vendor C $615,000

QUESTION

Which proposal is reasonably priced?

ANSWER

You cannot know without an Independent Cost Estimate and documented assumptions.



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What is an ICE? Independent Cost Estimate

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An ICE is:

- **Developed** before solicitation release
- **Based on** market research and expected level of effort
- **Built** using documented assumptions
- **Used** as the benchmark for evaluating pricing

"The ICE isn't just a budget number. It's the story behind the budget."



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The Hidden Problem: Why Many Procurements Produce Unusable Pricing

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BID SCHEDULE	
Unit	Price
Assessment	_____
Training	_____
Report	_____

WHAT'S MISSING?

- Number of units
- Expected effort
- Complexity
- Frequency
- Performance assumptions

VENDORS MAKE THEIR OWN ASSUMPTIONS

With limited information, vendors fill in the blanks differently.

VENDOR A
Assumes **Minimal** Scope & Effort
$180,000

VENDOR B
Assumes **Moderate** Scope & Effort
$325,000

VENDOR C
Assumes **Extensive** Scope & Effort
$615,000

Same solicitation. Different assumptions. Not an apples-to-apples comparison.

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ICE Development Starts with Level of Effort

Build the ICE before Building the Pricing Form

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EXAMPLE

Housing Inspection Services

ICE ASSUMPTIONS

- **500** inspections annually
- **2** hours per inspection
- **1** hour travel/documentation
- **3** total labor hours per unit

ICE CALCULATION

500 inspections
× **3** hours (2 hrs inspection + 1 hr travel/documentation)
× **$75**/hour
= **$112,500** INDEPENDENT COST ESTIMATE (ICE)

NEXT STEP

These assumptions inform the pricing worksheet.

Comparable, defensible proposals.

A clear understanding of **level of effort** today leads to reasonable pricing tomorrow.

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The Procurement Sweet Spot

Responsive + Responsible + Reasonably Priced

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RESPONSIVE
Meets all requirements and is compliant with the solicitation.

RESPONSIBLE
Has the experience, capability, resources, and past performance to successfully perform.

SWEET SPOT

REASONABLY PRICED
Price is fair, reasonable, and supported by the Independent Cost Estimate (ICE).

AWARD
Best value is achieved when all three elements align.

KEY MESSAGE: Lowest cost does not automatically equal best value.

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Understanding Variance

Establish Acceptable Variance before Bid Opening

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EXAMPLE

ICE = **$500,000**

Acceptable Variance = **±10%**

WHY?

Provides an objective benchmark for evaluation.



WHY IT MATTERS: Defines a clear, pre-established benchmark so evaluation is consistent, fair, and defensible.

When the Lowest Bid Falls Outside the Range

Warning Sign, Not Automatic Approval

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EXAMPLE

ICE	**$500,000**
Lowest Bid	**$350,000**
Difference	**-30%**



QUESTIONS PROCUREMENT SHOULD ASK

- Did the vendor misunderstand requirements?
- Did the vendor omit scope?
- Did we underestimate effort?
- Are labor assumptions significantly different?

KEY MESSAGE

Variance triggers analysis.

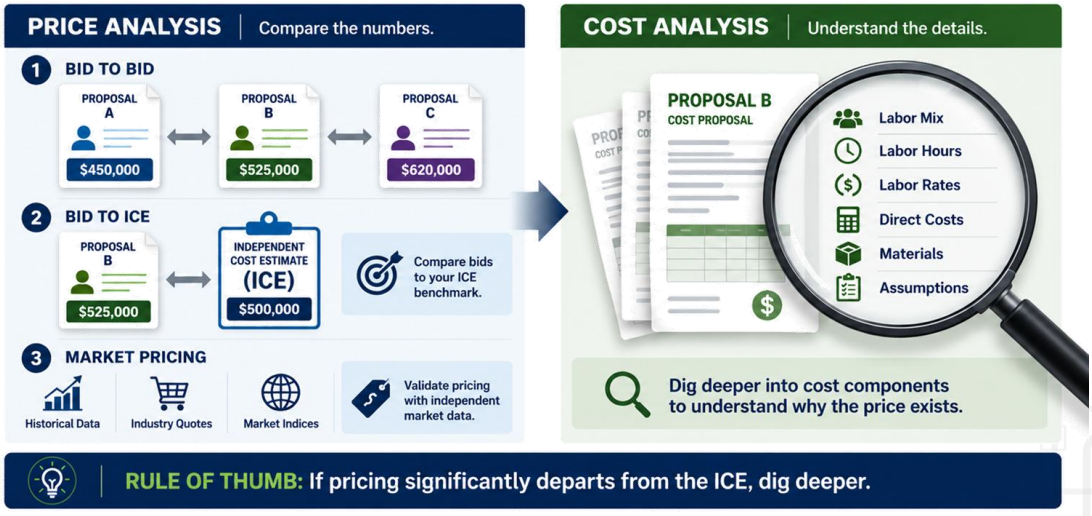
It does not automatically justify award.

A bid that falls significantly below the Independent Cost Estimate (ICE) and outside the acceptable range should be reviewed to identify potential risks and ensure the bid is complete and realistic.

Cost Analysis vs. Price Analysis

Know when Additional Review is Required

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The Procurement Lifecycle: How Everything Connects

A Strong ICE Foundation Leads to Better Outcomes

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Final Takeaways

3 Things to Remember

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01

BUILD THE ICE FIRST

A pricing form should reflect the assumptions already developed in the ICE.

02

DON'T MAKE VENDORS GUESS

Provide quantities, hours, workload expectations, and level of effort assumptions.

03

VARIANCE REQUIRES INVESTIGATION

Identify the reason for the variance. Verify scope, assumptions, and effort. May require a cost analysis before award.

The quality of your procurement pricing is determined *long before* proposals are submitted.