

FREE Webinar Series!

3rd Thursdays every month
@ 12pm Central

AGENDA

15min Teaching Moment

(learn a new tip, trick, or tool)

30min Virtual Peer Group

(network with professionals)

Office Hours

(open Q&A until the questions run out!)



center4procurement.org/rfp-doctor

Capital Projects & Alternative Delivery Methods

Definition: Project Delivery Method

- A project delivery method, or system, considers the arrangement, hierarchy, and sequencing of the parties engaged in the ownership, design, and construction of a project.
- It is how the project is “delivered” or taken from a “need or investment” into a physical edifice.

Three Primary Delivery Methods

- **Design-Bid-Build (DBB)**
- **Design-Build (DB)**
- **CM at Risk (CM@R)**

Delivery Method vs Contract vs Procurement

- Delivery methods are often associated and confused with specific contract types and procurement methodologies
- For example, Low Bid, Design-Bid-Build, and Lump Sum are often used interchangeably, but these are three distinct decisions
 - Low Bid = Procurement/Selection method
 - Design-Bid-Build = Delivery method
 - Lump Sum = Contract type

Procurement vs Delivery vs Contract

Procurement Methods

- Low Bid
- QBS
- Best Value
- Phased
- Prequalified Low-Bid
- Multi-factor
- Etc.

Delivery Methods

- Design-Bid-Build
- JOC
- Design-Build
- Design-Build Lump Sum
- Progressive Design Build
- Design Assist
- DBO, DBOOT, DBOM, DBOF, etc.
- CM
- CM as Agent
- CM at Risk
- IPD
- EPC
- Etc.

Contract Types

- Lump Sum/Fixed Price
- Unit Price
- GMP / MAC / MACC
- Phased GMP
- Cost Plus
- T&M
- EMP/TC
- Shared Profit
- PPP/P3
- Etc.

Contract Types vs. Delivery System

Contract Types/Cost Structure

- payment / cost agreement between the contractor & owner
- Could be... fixed price, guaranteed maximum price, cost + fee, time & material

Delivery System

- who the contract is with (owner and _____)
- time at which different entities engage varies

The “selection process” is something different!

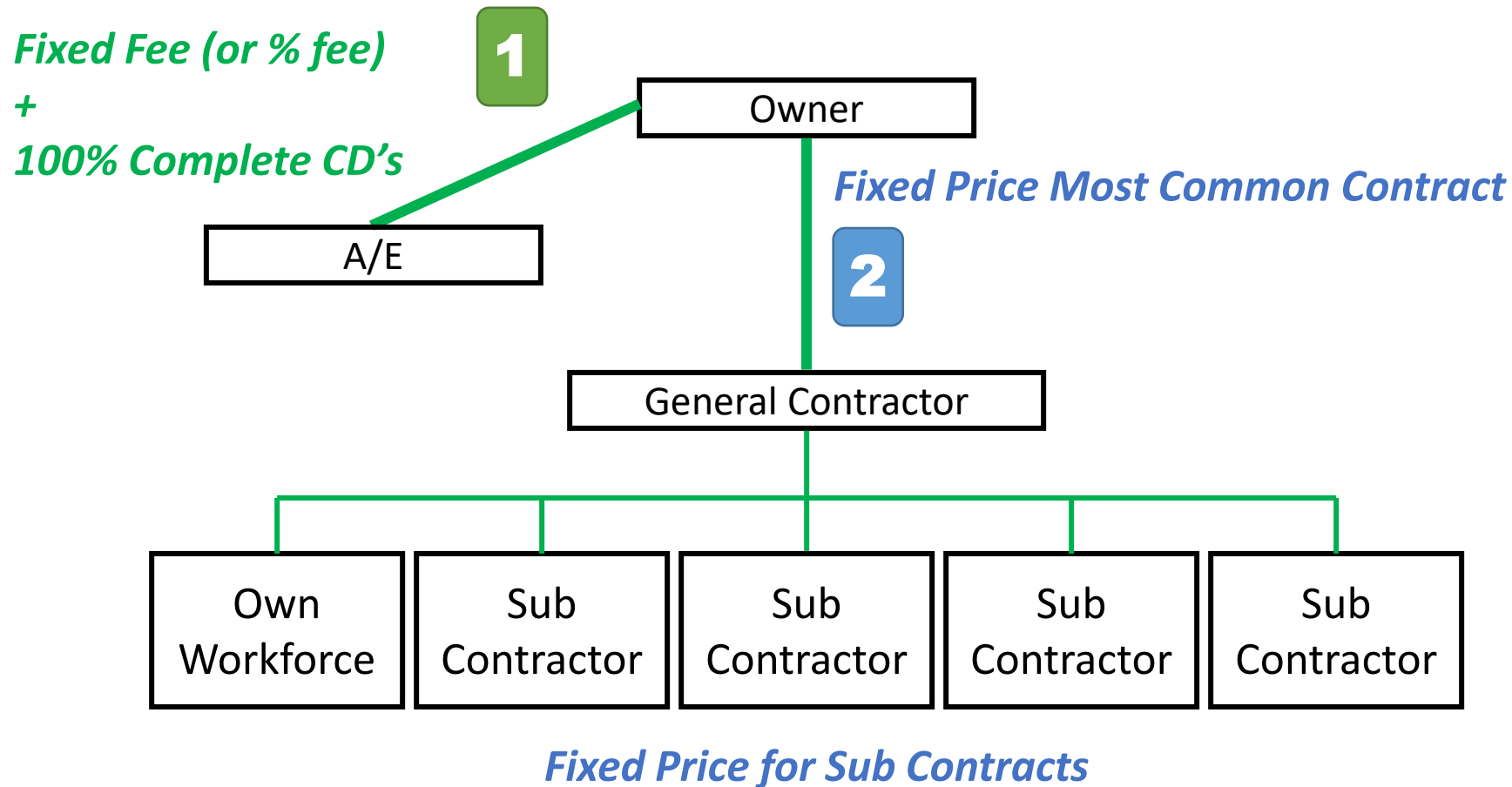
Design-Bid-Build

DBB Overview

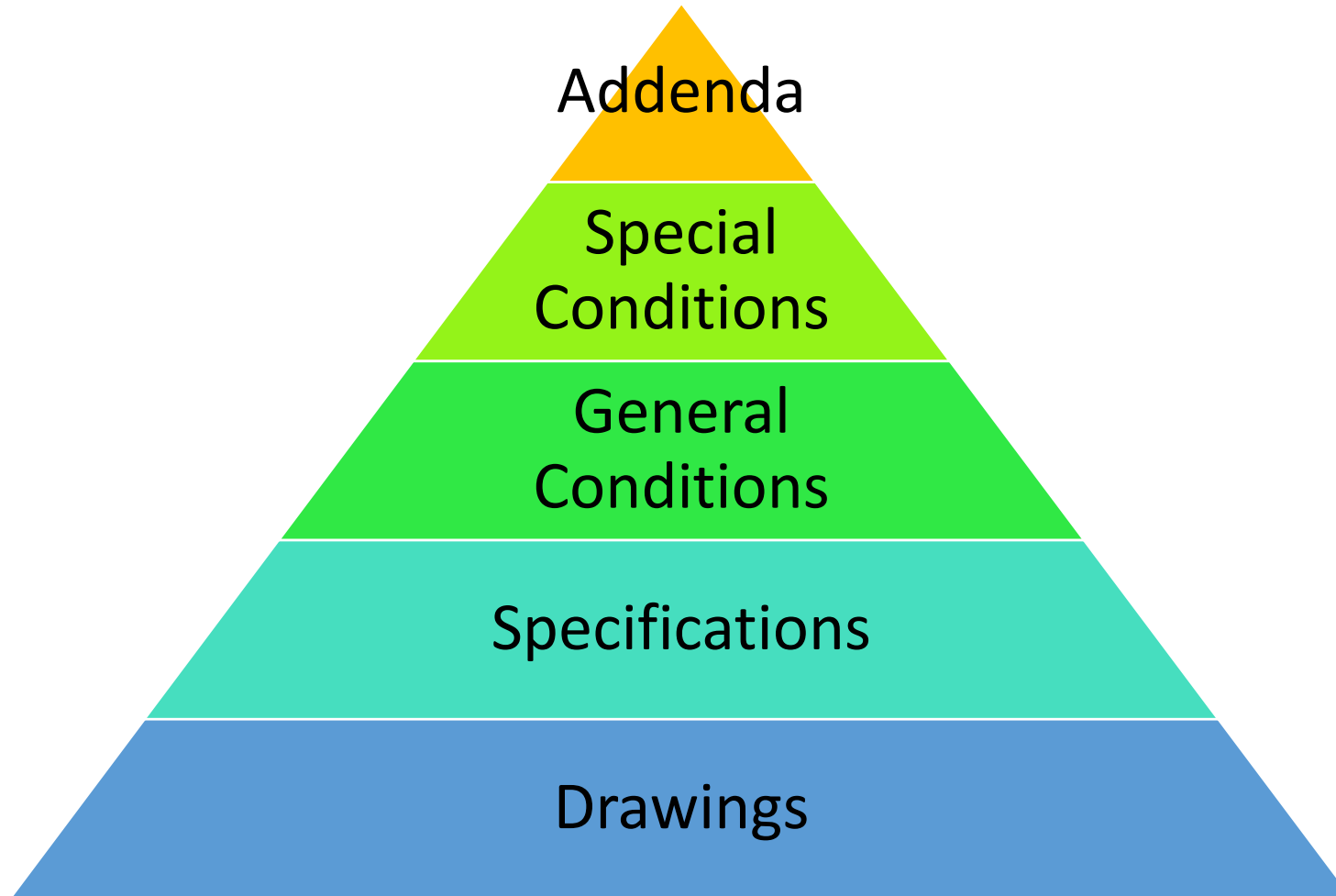
- Also known as... hard bid, competitively bid, plan & spec, three bids an a buy, quote work, etc.
- Three phases:



Most Common Method for DBB



Hierarchy of Contract Documents



DBB: Pros and Cons

Pros

- Only Method with 100% Design before signing construction contract
- Process is very well known
- Clear delineation between responsibilities
- “Apple-to-apples” comparison in price

Cons

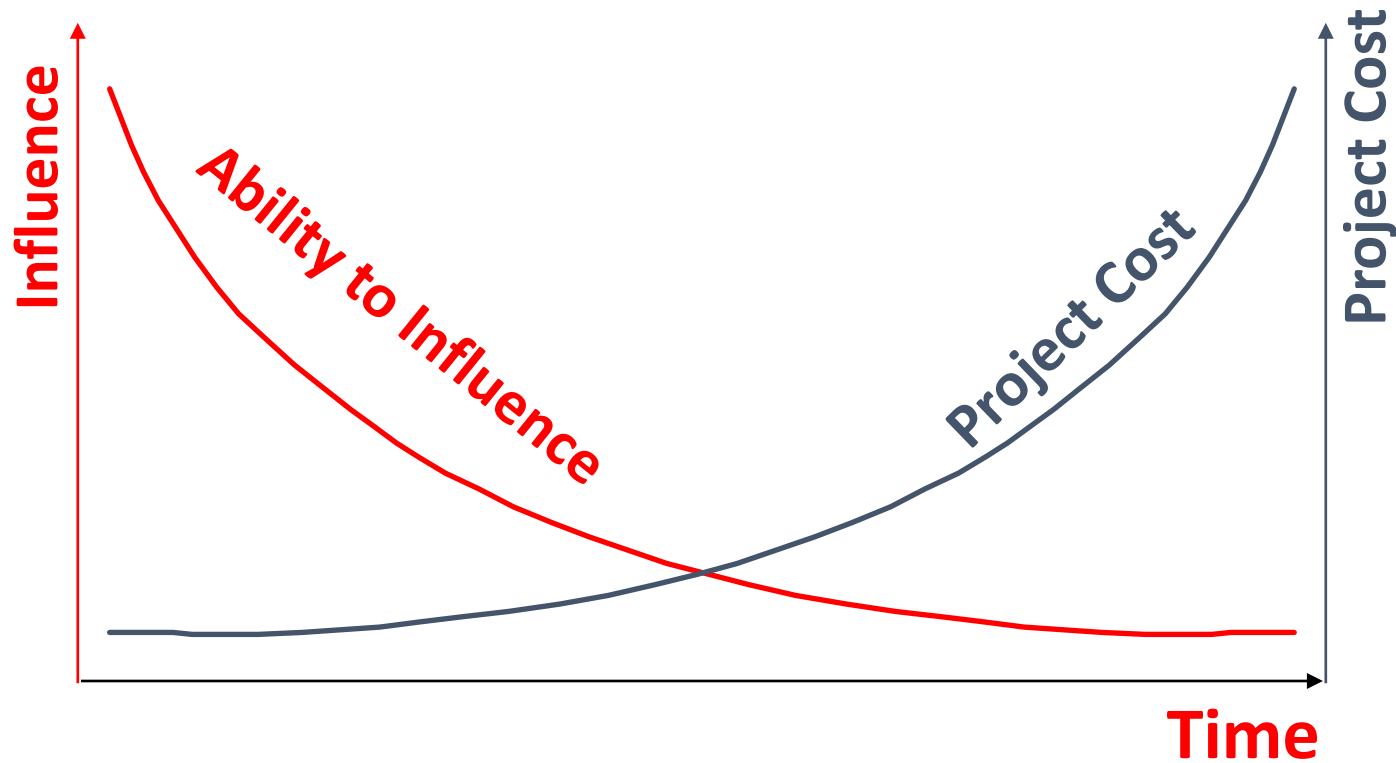
- Very low performance predictability as it usually is using Low Bid procurement
- Can lead to finger pointing
- Minimal opportunity for schedule savings
- No contractor involvement in design
- No cost scoping during design
- Requires a good design

When Should Owners Use DBB

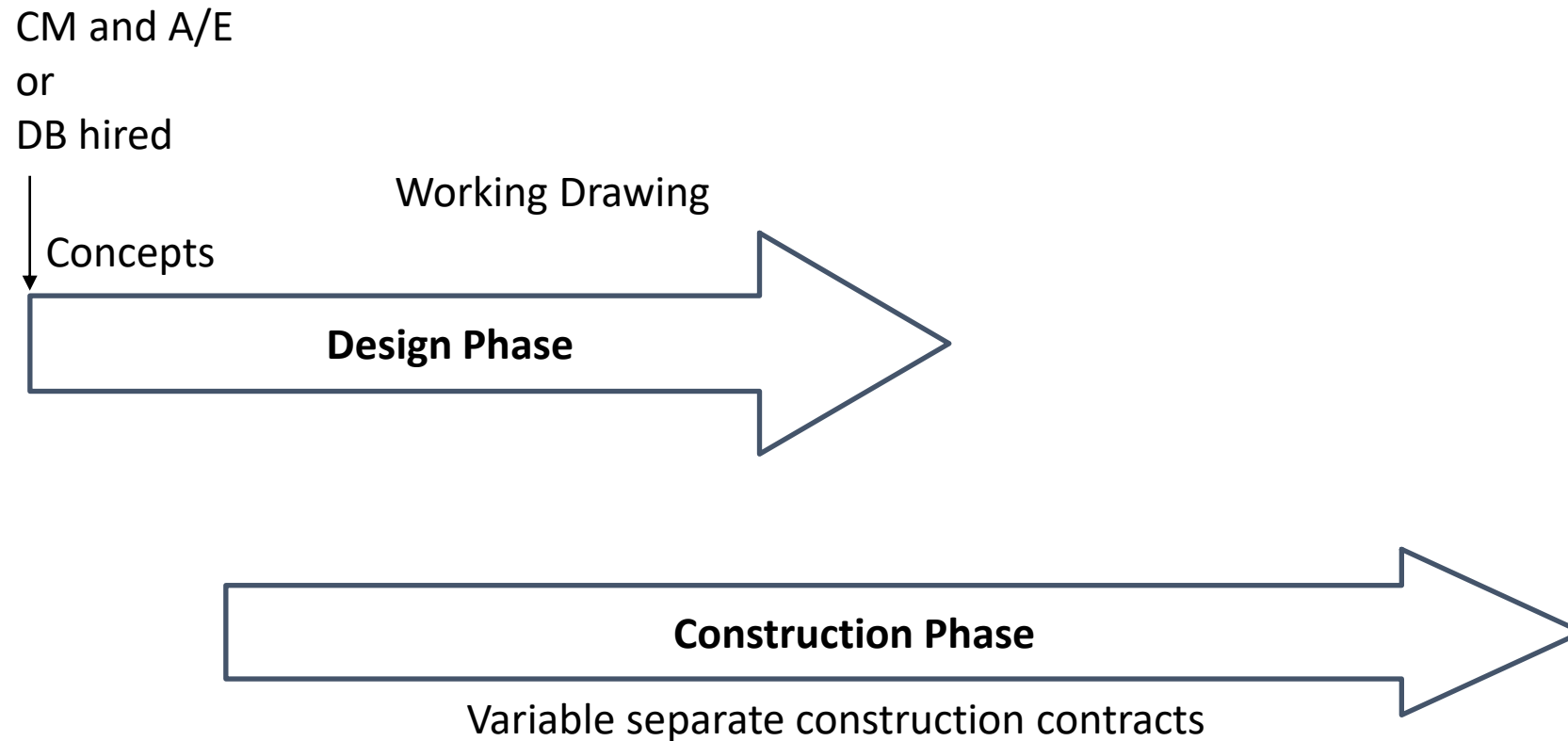
- **Schedule is not as critical**
- **Simplicity**
- **May be legally required**

Design Build (DB)

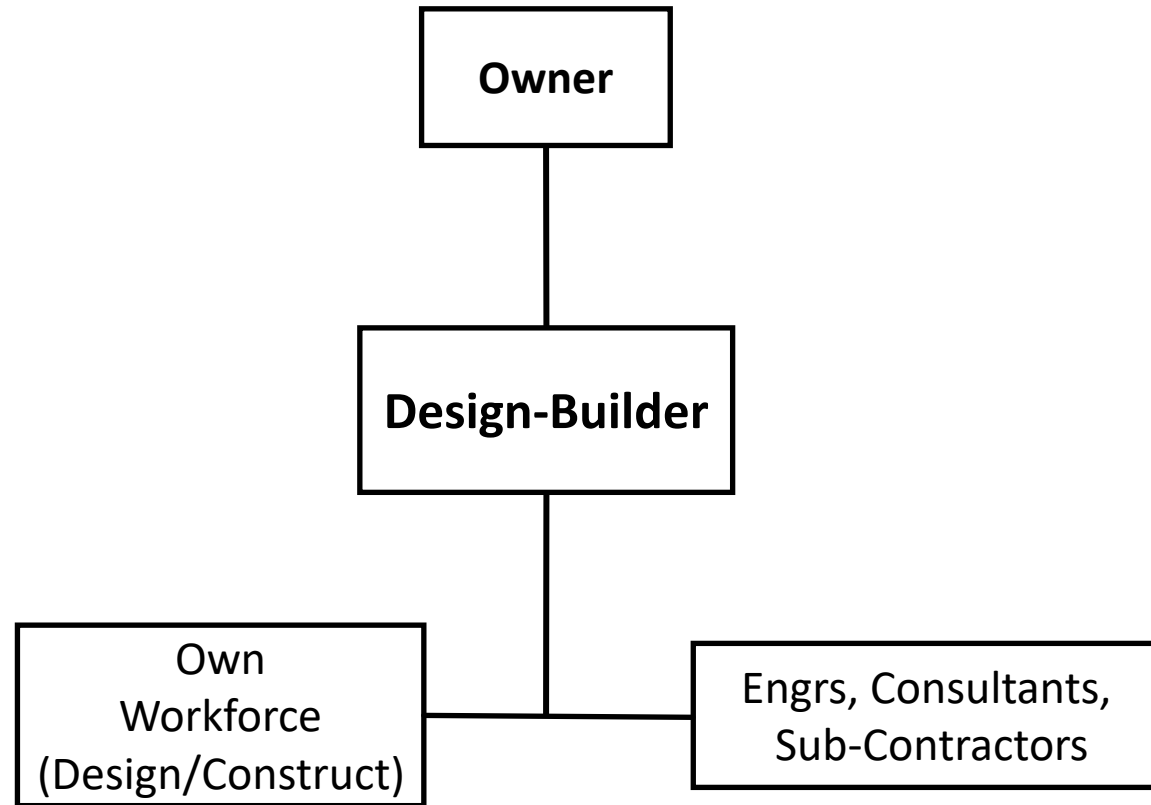
Level of Influence



Fast Track or Phased Construction Method

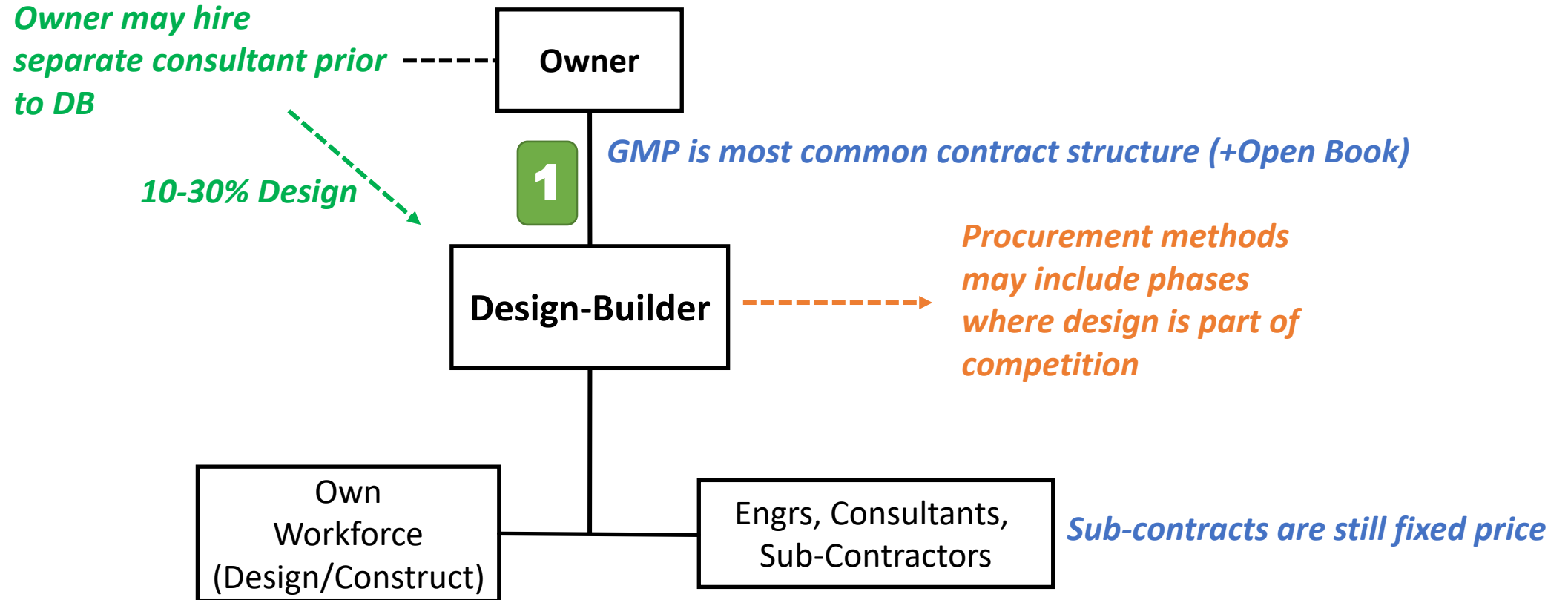


Design Build Delivery Method



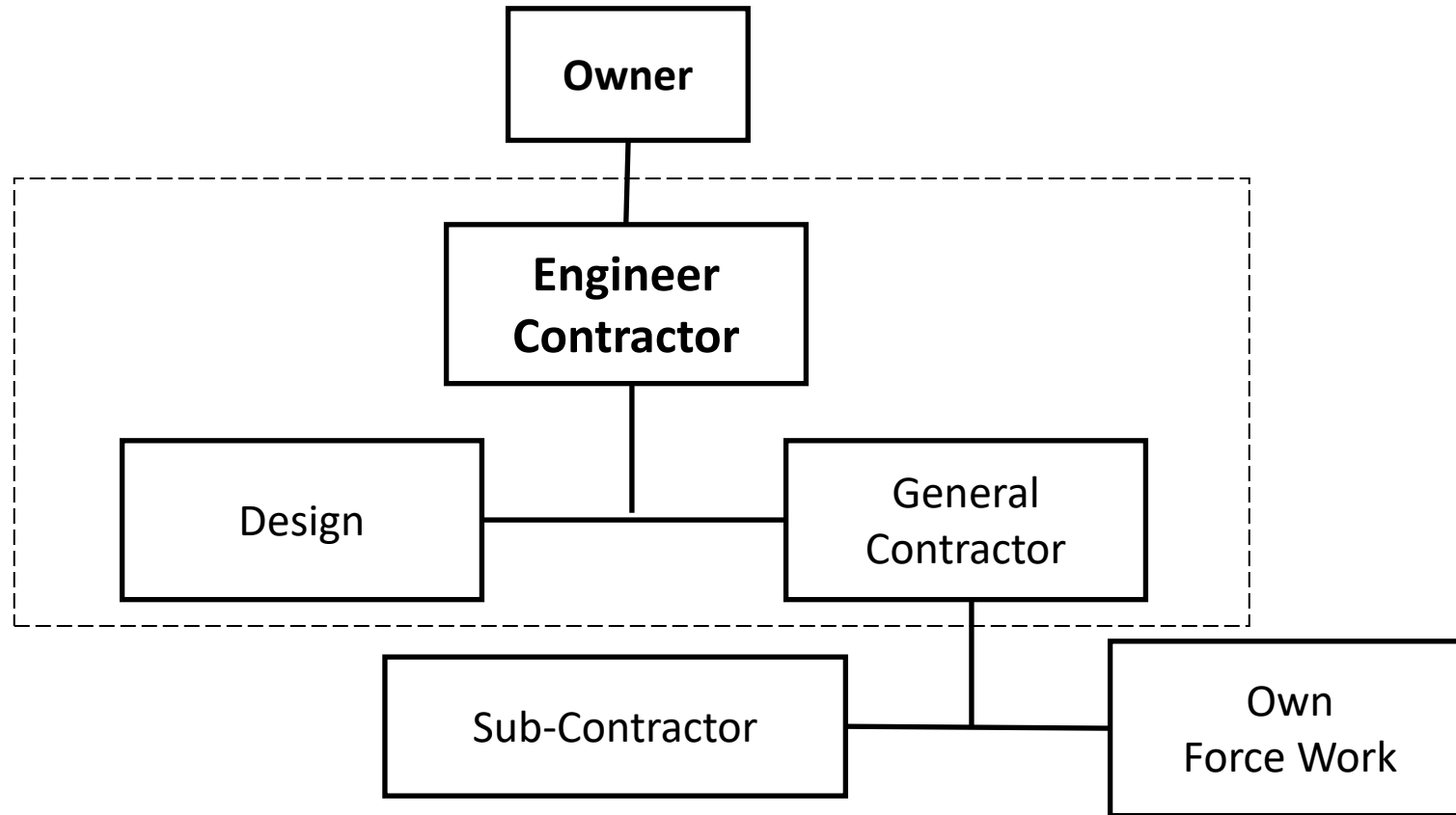
Single contract responsible for both design and construction.

Design Build Delivery Method



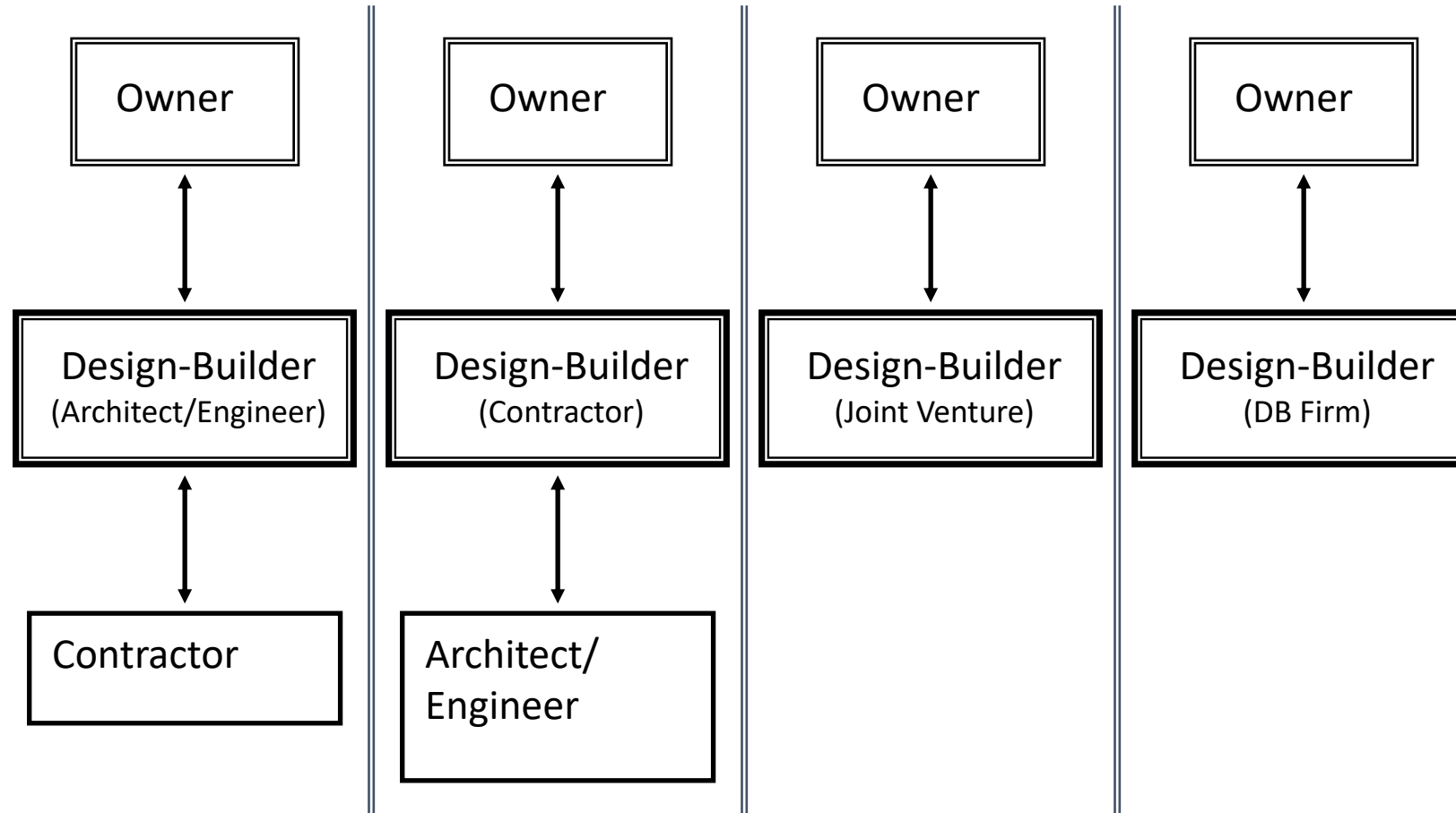
Single contract responsible for both design and construction.

Design-Build Contract Structure



Single firm responsible for both design and construction.

Form of Design-Build Organization



Advantages of Design & Build for Owners

- Owner only has to communicate with one entity for the entire project
- Total project duration can be reduced because phased construction is easier to implement,(Fast tracking)
- Integration of construction planning and design phases
- Claims reduction (reduction of adversarial relationships)
- Innovation in design and construction can be encouraged
- Risk assigned to party best able to manage that risk
- Reduce change orders

Disadvantages of DB for Owners

- Fewer checks and balances, owner must rely on integrity of the design-build firm
- Reduced owner involvement in the design process may result in less than expected results
- All your eggs in one basket

Advantages to a Design-Build organization

- Improved constructability through design/construction integration
- A specialized organization can be developed that has a specific expertise which will be attractive to specific market areas
- Reduction of negligence claims between the Architect/Engineer and the construction contractor since they are under one umbrella firm
- Ability to react rapidly to change in scope

Disadvantages for the Design-Build firm

- **Acceptance of additional project risk**
- **Possible premature release of bid packages (when using fast track) which can lead to increased errors in the plans and extras**
- **Scope of work changes can be difficult to identify under DB/ fast track construction**
- **Heavy overhead due to large multi-disciplined staff requirements**

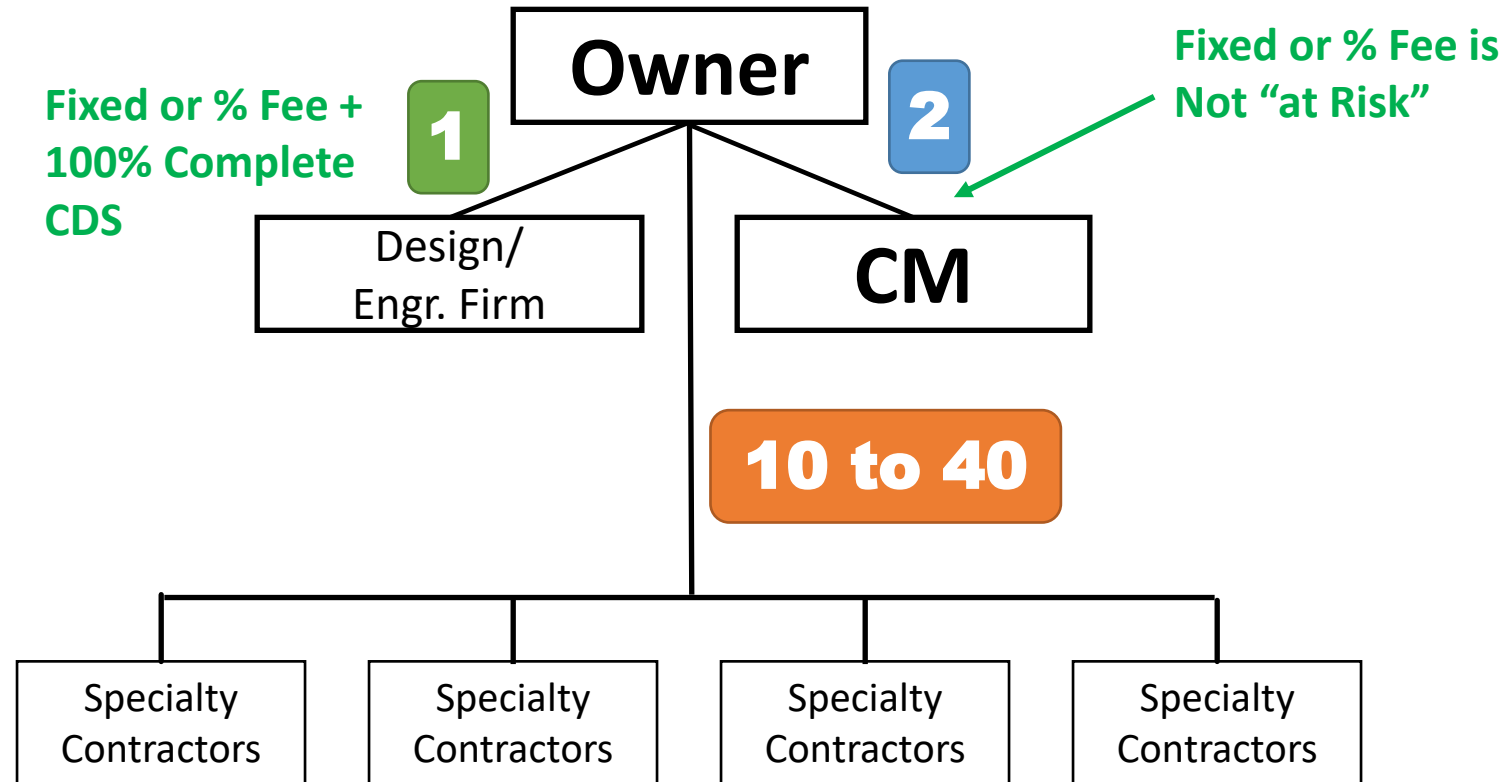
When Should Owners Use DB

- **Complex, risky projects**
- **But also... simple projects where significant design work not needed [i.e., roofing]**

CM at Risk (CM@R or CMAR or CM/GC)

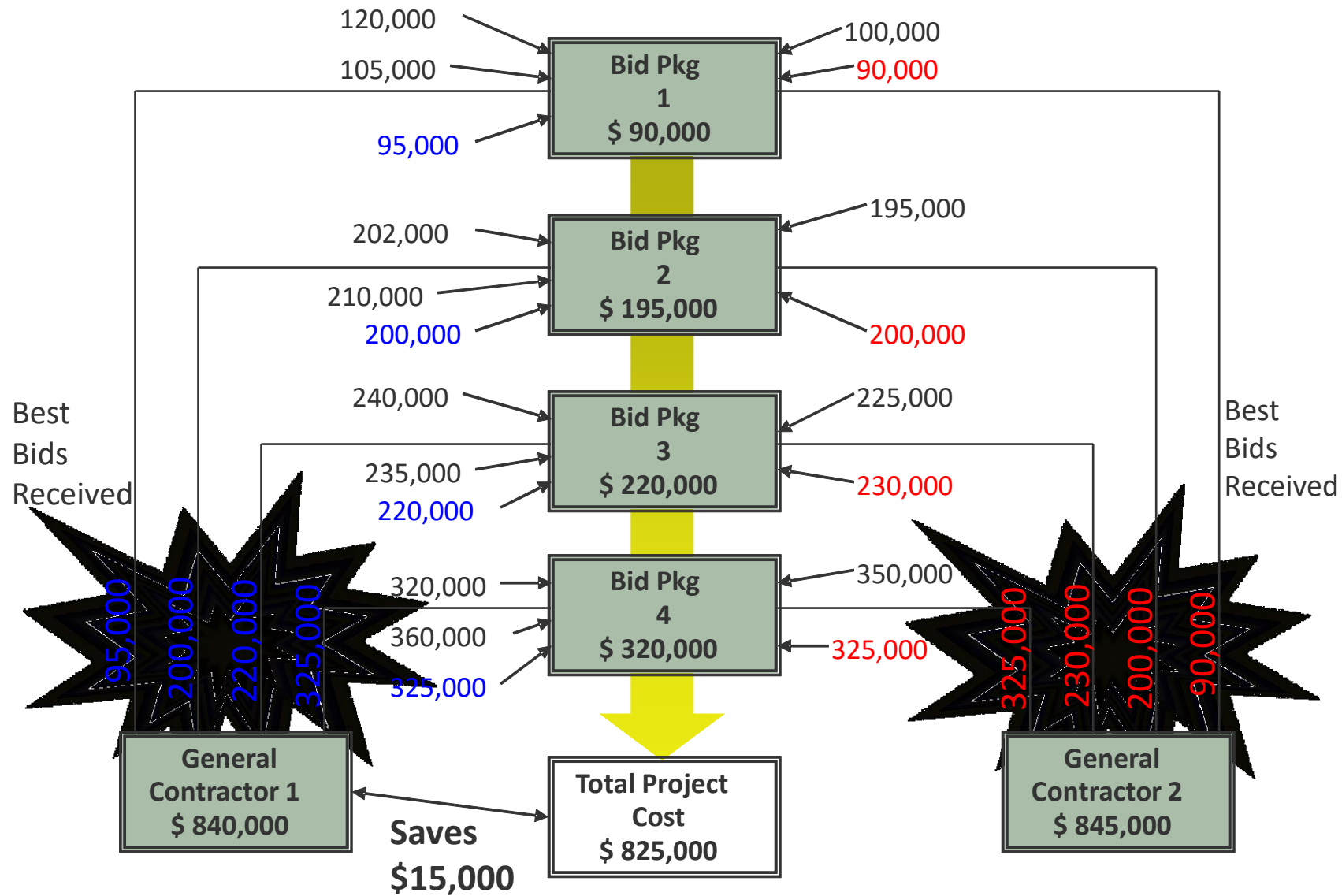
Evolution of CMAR

Pure CM



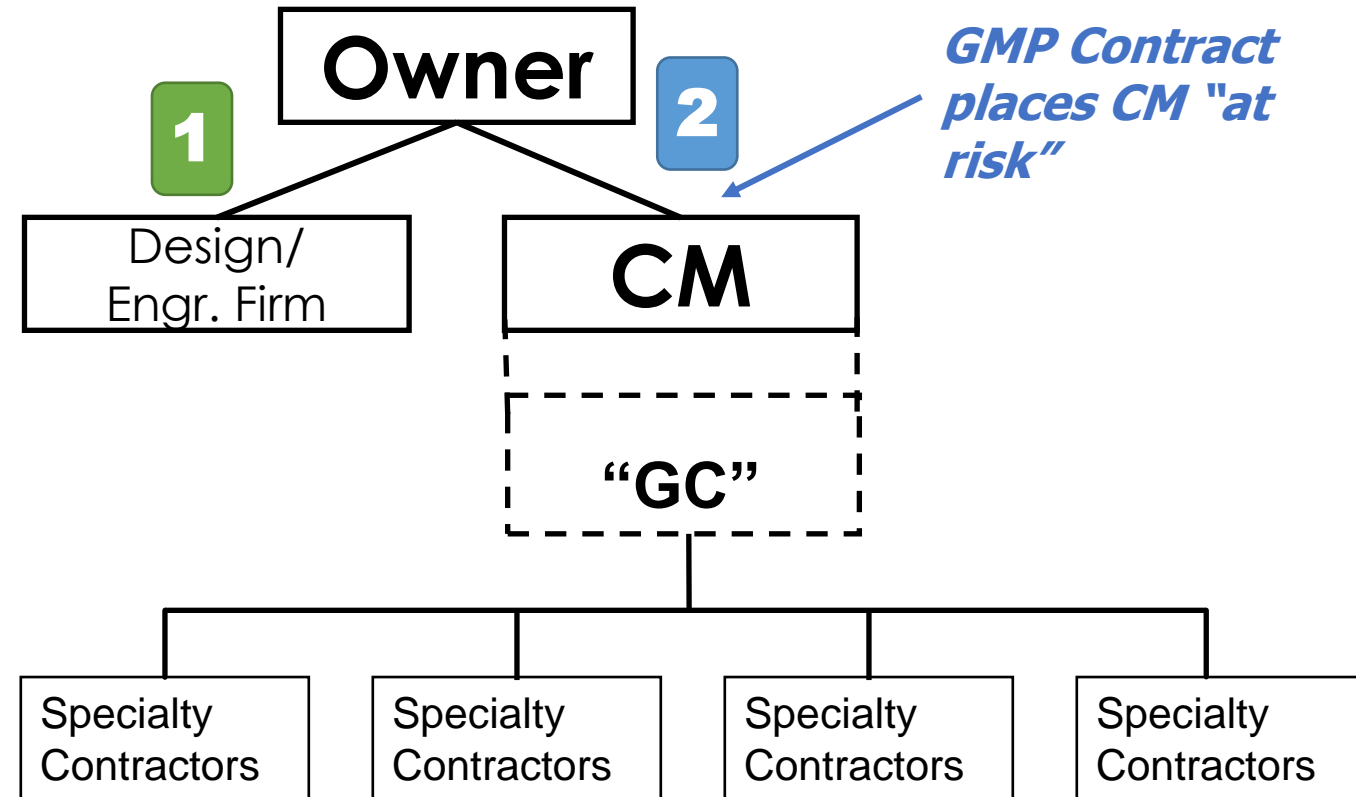
Original Intent: Cost Savings due to Competitive Bidding

Hyper Low Bid



Evolution of CMAR

CM acting as a GC = CM at risk



Basics of CMAR

1. **GC/CM not selected solely on price**
 - And with Guaranteed Maximum Price (GMP) Contract
 - Phased GMP's and Sharing GMP's

2. **GC/CM brought in prior to design completion**
 - Anywhere from 0%-99% Complete Drawings
 - More common 15%-30%, 60%, 99%
 - Also see some subs earlier – 65%, 80%

3. **GC/CM Functions include:**
 - Budget & Schedule development/analysis
 - Constructability/Value Engineering
 - Selection and Coordination of subcontractors
 - Long lead item purchasing
 - Other traditional GC functions

Basics of CMAR

4. Can contract twice (but not always)
 - Once as CM – with Fee
 - Once as GC – with OH & Fee (usually no “extra profit”)
5. Many varieties/parties can act as CM
 - GC (most common)
 - Separate CM firm/consultant
 - A/E
 - Owner entity
6. There is no one “CMAR” definition of structure

DBB

vs

CMAR

- Design-Bid-Build

- 100% Complete Documents
- Low-Bid Award
- No GC involvement in Design
- Known owner requirements
- Clear differentiation based on price

- CM at Risk

- 30%-99% Complete Docs
- Performance and Price Award
 - GMP Contract
- GC Involvement in Design
 - Budget
 - Schedule
 - Constructability/VE
- Owner has intent
- Fuzzy differentiation

Realities of CMAR

- Delivery method (project organizational chart)
- Relies upon vendors understanding the intent of the client with incomplete project documents and information
- Like all delivery methods, it can work well or it can work poorly
- Key Risks
 - Selection based on marketing and price
 - GMP is for “assumed” scope – all deviations are change orders
 - Relationships can become more important than performance
 - CM often acts as a traditional GC
 - Preplanning is critical – clear expectations & risk minimization

When Should Owners Use CMAR

- Detailed scope is not known
- Concerns about constructability
- Cost uncertainty / Escalation / Supply Chain

Schedule Impact

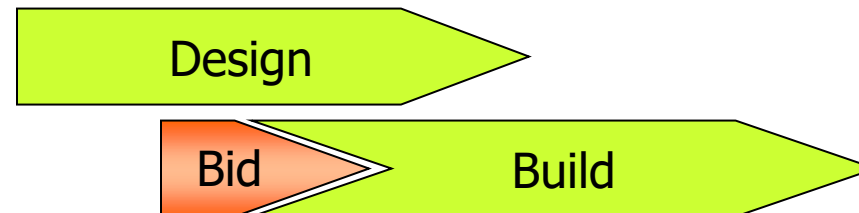
Design-Bid-Build (DBB)



Design-Build (DB)



Construction Manager At Risk (CMAR)

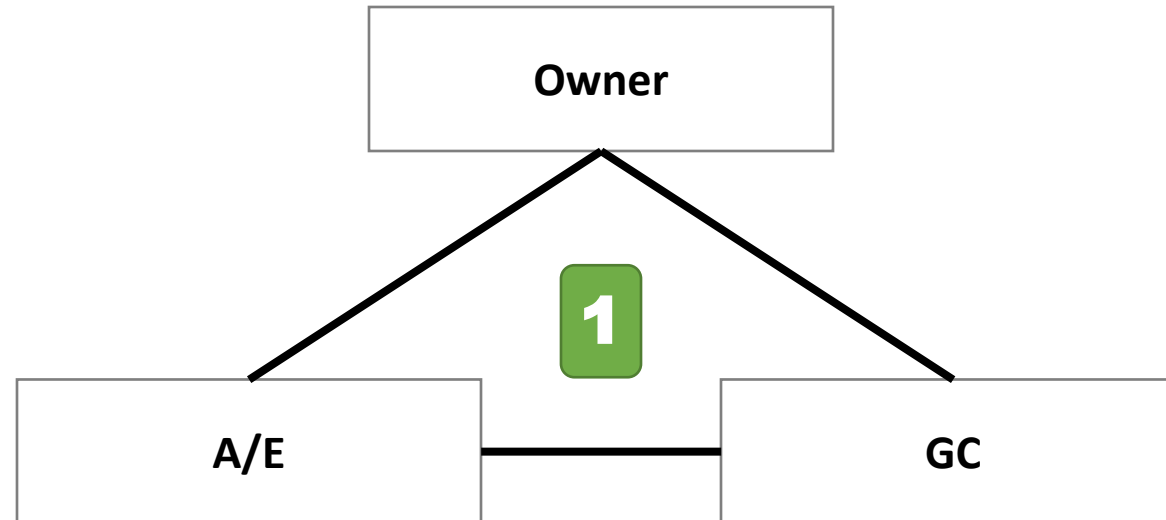


Integrated Project Delivery (IPD)

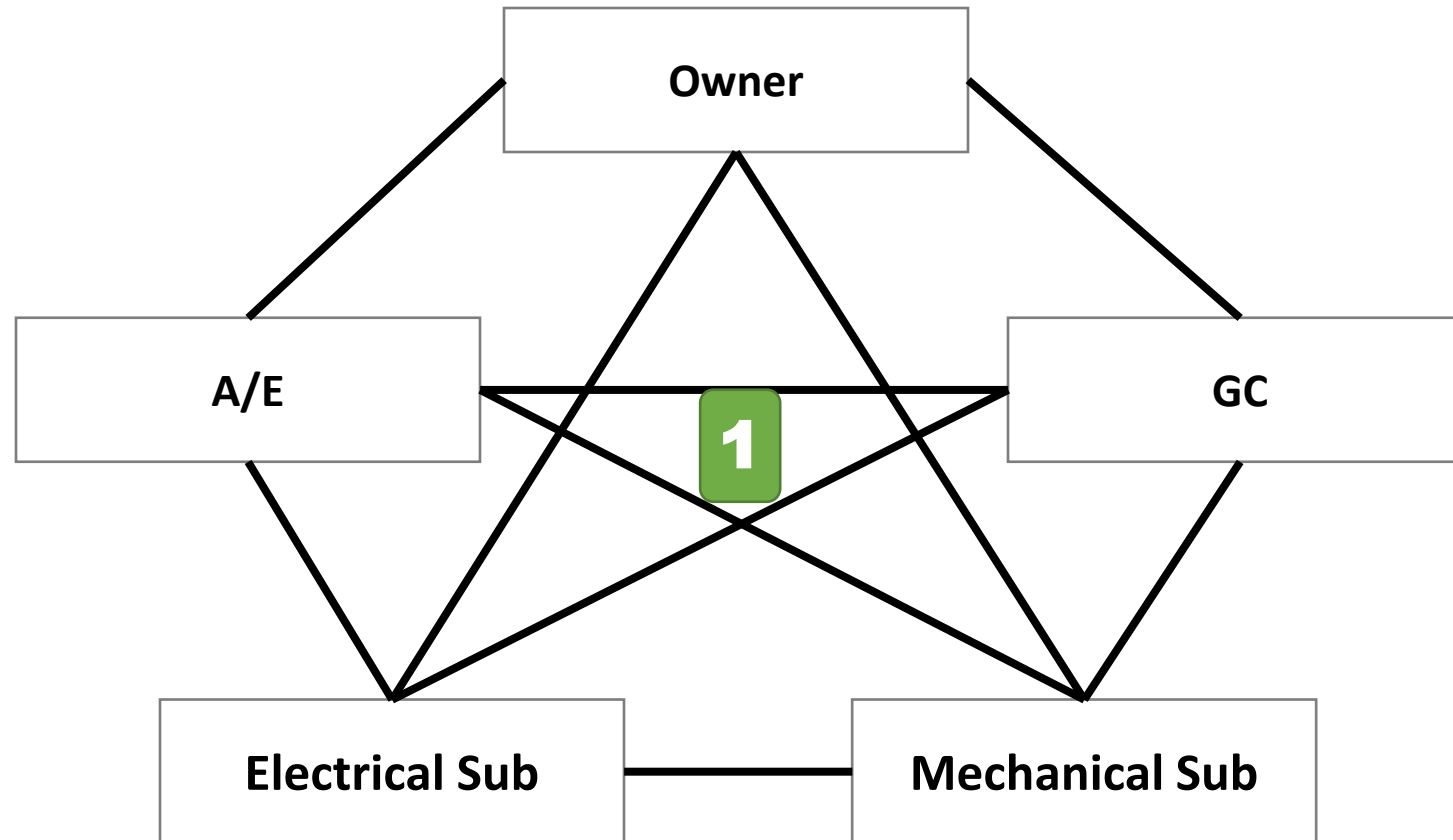
Integrated Project Delivery

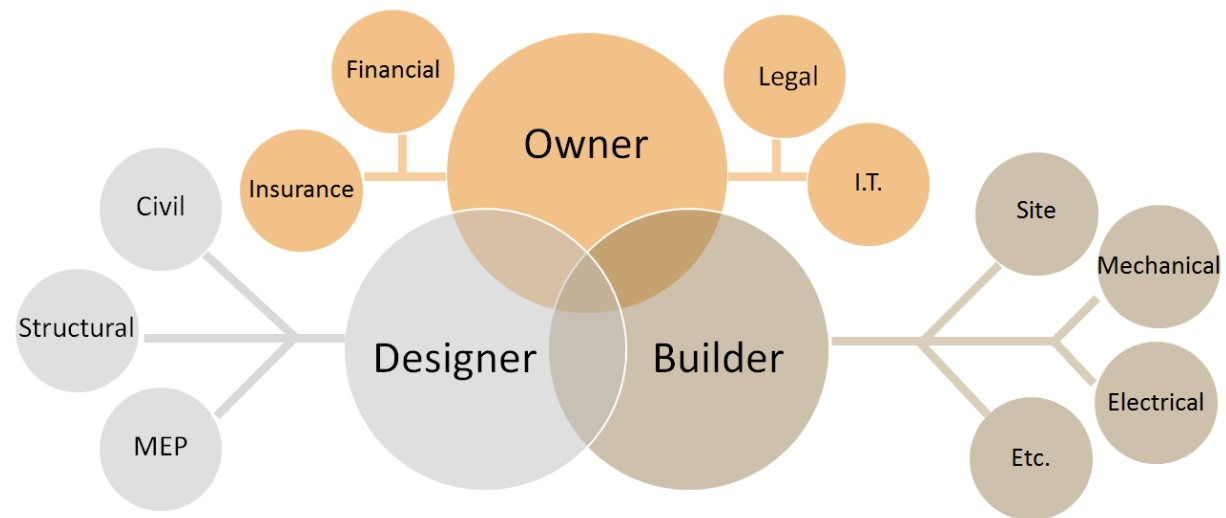
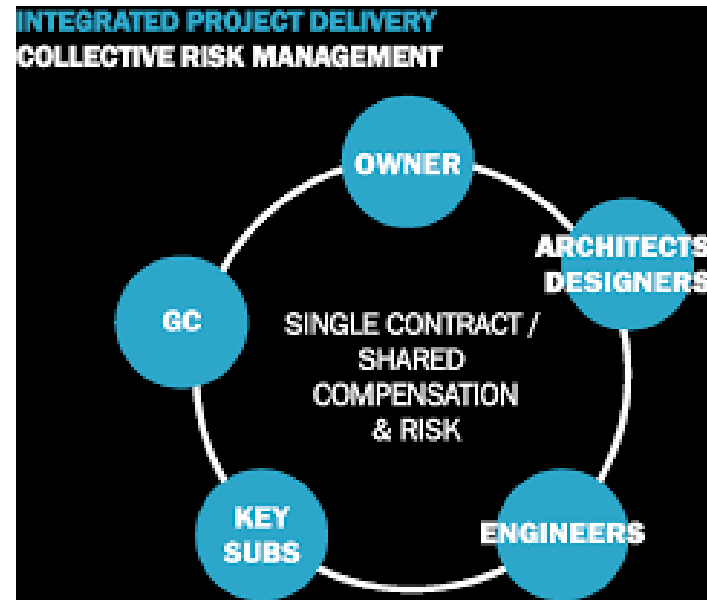
- **IPD**
- **Integrated Project Team**
- **Continuous owner involvement**
- **One Contract/Joint Control**
- **Shared Profit/Joint Risk**
- **Highly Modeled**
- **Fast Tracked**

IPD



IPD





Other Considerations

**Just because something is
written in a contract
does not make it so**

Built Environment Project Performance Research

- **Only 2.5%** of projects defined as successful (scope, cost, schedule, & business)
 - *PricewaterhouseCoopers, 2009*
- **Only 30%** of projects completed **within 10%** of the planned cost & schedule
 - *Construction Industry Institute Performance Assessment Committee, 2015 edition*
- **24%** growth in owner's construction indirect costs since 1995 (net of inflation and escalation)
 - *Construction Industry Institute Performance Assessment Committee, 2015 edition*

Delivery Methods Update

- CII and Charles Pankow Foundation joint research effort to update CII 133 on project delivery performance

Criteria	Design-Build vs. Design-Bid-Build	CM@R vs. Design-Bid-Build	Design-Build vs. CM@R vs.	Level of Certainty
Unit Cost	6.1% lower	1.6% lower	4.5% lower	99%
Construction Speed	12% faster	5.8% faster	7% faster	89%
Delivery Speed	33.5% faster	13.3% faster	23.5% faster	88%
Cost Growth	5.2% less	7.8% more	12.6% less	24%
Schedule Growth	11.4% less	9.2% less	2.2% less	24%

- ✦ Few projects – not standardized
 - (so cost is apples to oranges to pears)

✦ The data shows there is no difference in performance

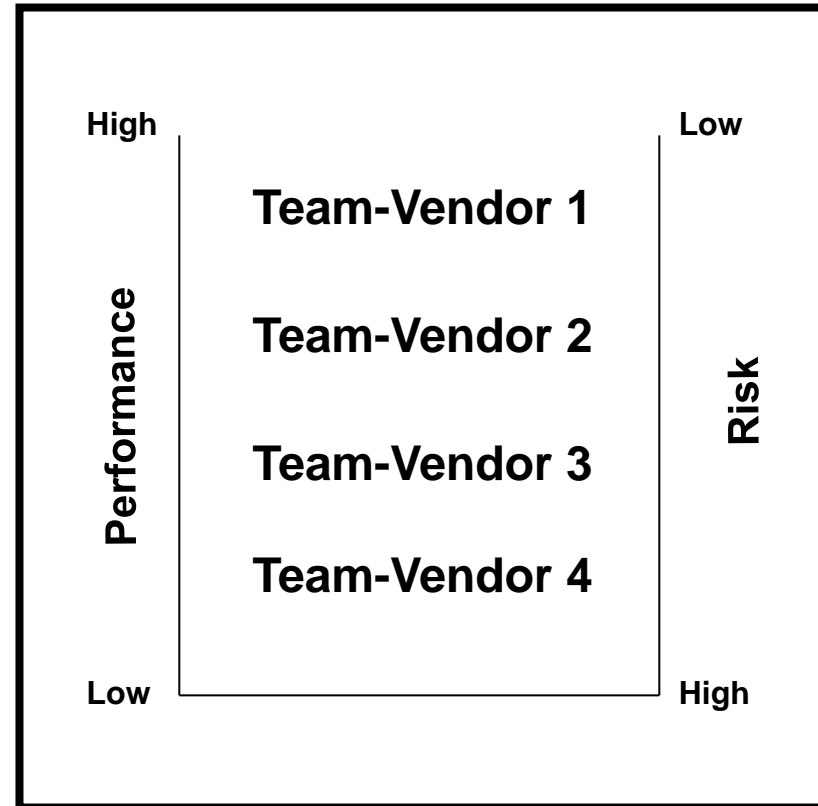
Delivery Methods: Recent Study CII & Charles Pankow Foundation

- **No significant performance difference between delivery methods (DBB, DB, CMAR, IPD)**
- **Key difference makers for project success:**
 - **Qualifications based selection of project team**
 - **Involvement of key people earlier in project**
 - **Cost transparency on the project during construction**

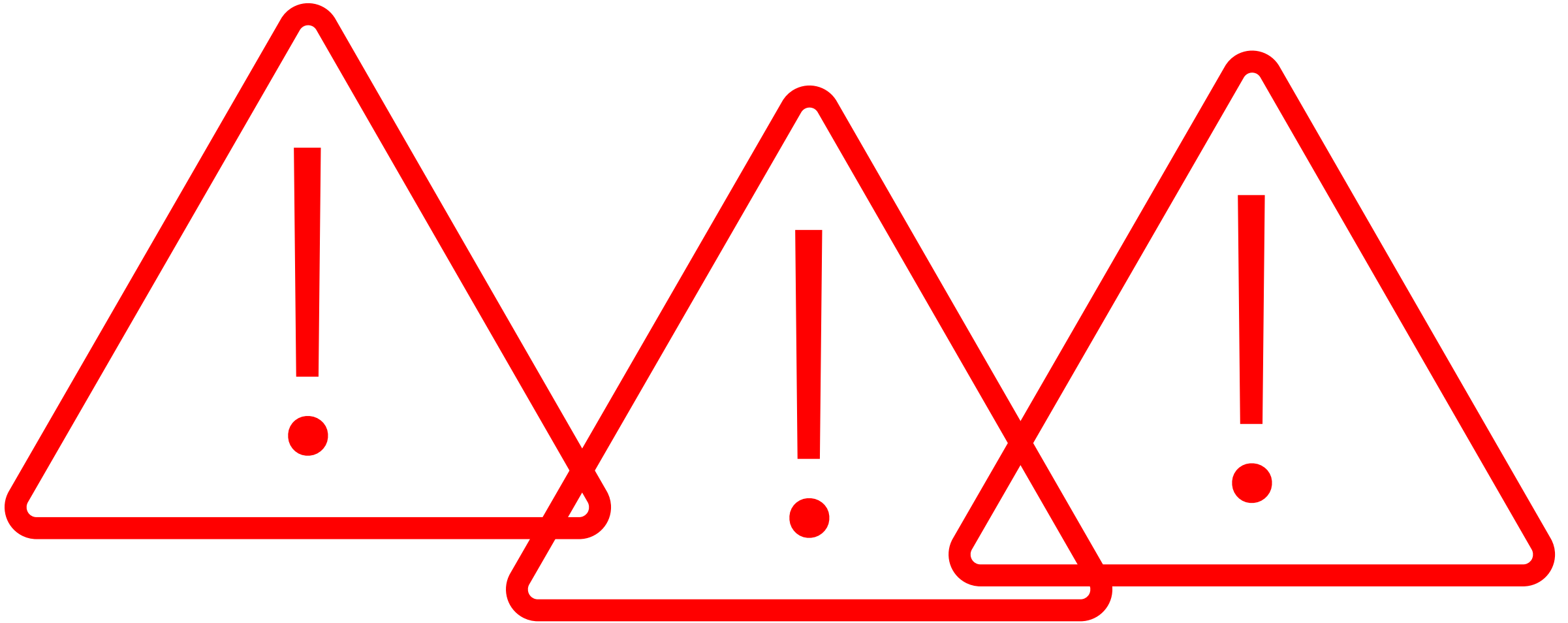


THERE WILL ALWAYS BE SOMEONE WHO
SAYS THAT THEY CAN DO IT CHEAPER...
BUT AT WHAT COST?

**Which of
these teams
brings your
project the
most risk?**



!!!!!!! Keys to Success on Alt. Delivery !!!!



Transforming & Becoming a *Client of Choice*

- **Org:** Prepare the Owner Organization (Owner Readiness)
- **Procurement:** How the owner attracts, competes and hires the right team
- **Project:** How the owner leverages the expertise within the vendor team
- **Measurement:** How the owner manages & creates accountability on projects

XPD

Expertise-Driven Project Delivery



Procurement
Fundamentals

**Open
Fair
Transparent
Value**

- **Alternative approach to traditional procurement and delivery**
- **Developed across 1000s of real procurements**
- **Maximizes: Openness, Fairness, Transparency, Value**
- **Demonstrates “Good Client” behaviors and attracts high-performers**

Summary

- **Alternative delivery systems are a great TOOL... if used correctly**
- **We need to focus on the PEOPLE we are hiring**
- **Alt. delivery is not the solution to a “low bid world”**

Research Study: IT Procurement Best Practices

How to get involved:

- Are you involved in IT procurements related to transportation?
- Or know anyone else who is?
- The Research Team is looking for...
 - Examples of IT RFPs in transportation
 - IT RFP best practices
 - Case studies & stories
 - Current or upcoming IT procurement in transportation?
 - Add the RFP Doctors to your team to assist & capture Lessons Learned!!

**Just Email the
Research Team!**

Brian.Lines@simplar.com

Subject: CPE's IT Procurement
Study

We will reach out from there!

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17

November

← Next Month!

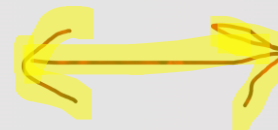
Announcing CPE's New RFP Library

Our RFP Library contains more than 3,000 RFPs & SOWs issued in the last 15 years. We'll showcase how to navigate the RFP Library, which is organized into 4 collections of IT, AEC, FM, and Business Services.

 Add to Calendar

20

October



17

November

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Our RFP Library contains more than 3,000 RFPs & SOWs issued in the last 15 years. We'll showcase how to navigate the RFP Library, which is organized into 4 collections of IT, AEC, FM, and Business Services.

 Add to Calendar

The Administrative Burdens of Reference Checks

There are many ways to perform reference checks on proposing firms... so how can we do this as efficiently as possible? We'll recommend ways to streamline your procedures.

 Add to Calendar

15

December

Document Deficiencies During the RFP Process

Research shows that contractors discover nearly two-thirds of document deficiencies during the proposal phase. Yet owners usually don't learn of these until after the contract is signed. So what can we do in the RFP phase to encourage earlier—and more transparent—feedback from our contractors?

 Add to Calendar

19

January

Can you evaluate Fee in A/E Procurements?

Architecture & engineering (A/E) professionals have traditionally been procured by QBS, yet clients are increasingly seeking to evaluate fees. Is this OK? Let's scratch the surface of this hot-button topic!

 Add to Calendar

16

February

What is Cost Worth?

Remember the joys of mathematical proofs from grade school? The RFP Doctors are whipping out their calculators to PROVE the fundamental equation of cost evaluations (Cost > 35% = LOW BID)

 Add to Calendar

16

March

What are the "Best" Evaluation Criteria?

The fundamental purpose of evaluation criteria is to differentiate between competing proposals. But which criteria do this the best? We'll breakdown a study that investigated this question across 1,850 proposals.

 Add to Calendar



Upcoming Topics!

Register at: center4procurement.org/rfp-doctor



Previous Recordings Available Online!

Handling Large IT
Hardware Buys
With Different Scope Packages

October 21, 2021



Vendor of
Record Programs

November 18, 2021



7 Most Deadly
Marketing Phrases

December 16, 2021



It's a New Year -
Ready for the
Next Level?

January 20, 2022



Best Practices for
Evaluator Training

February 17, 2022



Got RFP Soft Skills?

March 17, 2022



Best Practices for
Evaluator Training

February 17, 2022



Got RFP Soft Skills?

March 17, 2022



IT Software
Demonstrations

June 16, 2022



Amazing Pre-Proposal
Meetings

July 21, 2022



Responding to
Vendor RFIs

August 18, 2022



Human Dimensions
of Procurement
Professionals

September, 15 2022



center4procurement.org

CPE's Speakers Bureau

CPE can teach at your events!

Topics:

- Practical Leadership Skills for Procurement Professionals
- The Practical Guide to Effective Supplier Evaluations
- RFPs as Part of Procurement Excellence
- Sharing your Project Budget
- ...and many more!



center4procurement.org/speakers-bureau/

CPE Speaker's Bureau

Presentations in 2022

- Maryland Public Procurement Association MPPA (DC area)
- NIGP Copper Chapter, Tucson, AZ (Virtual)
- Richland Hills, Texas (Dallas-Forth Worth Area)
- Oklahoma (OMES) Procurement Training (Virtual)
- Rocky Mountain NIGP (Denver)
- Maryland ASBO (Ocean City, MD)
- Ontario University Professional Procurement Management Association, OUPPMA (virtual)
- Texas Public Purchasing Association (TxPPA) (Galveston, TX)
- NASPO REACH (Kansas City, MO)
- East Tennessee Purchasing Association (Johnson City, TN)
- Washington Finance Officers Association (Virtual)
- Central Ohio IFMA (Virtual)
- Iowa Public Procurement Association (Virtual)
- Washington NIGP (Virtual)
- Emerging Leaders / TX Council of Government (Dallas-Fort Worth)

Attend our other presentations!

Tuesday @ 2:30pm

- Capital Projects & Alternative Delivery
Marriott – San Carlos II
- Best Practices in Procuring Enterprise-Level Software Solutions
Marriott – San Carlos I

Tuesday @ 4:00pm

- How to Do Market Research More Effectively
Marriott – San Carlos IV

Wednesday @ 8:30am

- Stuck in a Low Bid World? Recommendations for Procurement Excellence
Marriott – San Carlos III

Wednesday @ 10:00am

- Navigating the Perilous Water of RFP Administration and Procurement
Marriott – San Carlos III

Want today's Presentation? Free white paper?

