

Assuring Best Value in Progressive Design-Build

The prevalence of Progressive DB, which utilizes qualifications as the basis for selection, has greatly increased in the water and wastewater industry in recent years. This delivery method offers many significant benefits to an owner over traditional delivery methods, such as design-bid-build, which include:

- ▶ A simplified design-build procurement process, saving the owner time and money
- ▶ Lower practitioner proposal costs resulting in an increased level of industry interest and competition
- ▶ A procurement process that allows an owner to select the service provider that best supports their community and not just the “low bidder”
- ▶ Early cost certainty and ability to work to a budget, ensuring appropriate funding is available and not exceeded
- ▶ Creates a collaborative environment that encourages innovation and produces a thoughtful, tailored, solution to all of the owner’s specific project challenges
- ▶ Allows for the highest degree of owner interaction and control, ensuring all owner direction and intent is addressed during design and construction
- ▶ Provides a transparent price development process that includes an off ramp to the owner should they decide not to proceed

The one concern owners express concerning the use of Progressive DB is how they can be assured they have not overpaid and have received best value when price is not a selection consideration.

Transparency

The key to an owner knowing that they have received the highest level of value on every aspect of their project is transparency. Transparency can best be accomplished through the use of an open-book approach. The open-book process provides the owner with complete documentation for all project related costs including labor, materials, equipment, and subcontracts.

Additionally, the owner is able to receive a full accounting of all other project related costs including any contingencies, overhead and profit.

Documentation

To better understand the open-book process it is important to understand how the owner is provided complete documentation. During the preconstruction phase of the project the DB team will collaboratively develop a Guaranteed Maximum Price (GMP). The GMP will be developed from prequalified subcontractors who bid on the project. The owner will protect their rate payers through competition at every possible level, and the DB team will secure high-quality subcontractors through an extensive pre-qualification process. This process will guarantee accurate GMP development that will contribute to cost control. The GMP process is outlined in Figure 1.

Figure 1: GMP Development Process



The open book process does not conclude with the approval of the GMP. With the progress payment application every month, the DB team will provide the owner complete backup for all project related expenditures in the format that best suits the owner's representatives.

Before the owner agrees to the GMP they will be presented GMP binders with all of the back-up documentation that details how pricing has been determined. This pricing information will be broken down to the lowest practical level by division, scope of work or subcontract. For each pricing category a minimum of three prices will be provided. The owner will be able to provide their input into key selection choice ranging from specific makes and models of equipment to preferred subcontractors.

With this level of documentation, owners will be able to clearly understand where every project dollar is expended and will know that any item incorporated into their project was selected with their input and not solely on a lowest price basis.

Self Performance

There are two methods for assuring transparency on work the DB team would like to perform with their own labor forces. The highest level of transparency can be accomplished by requiring the DB team to compete for each of the construction packages they would like to self-perform. By submitting a date and time certain bid along with the other potential subcontractors, the Owner can be certain that the DB will provide the designated scope of service for the lowest price.

Many owners understand the benefits of having a DB team self-perform critical scopes of work. These benefits include quality, schedule and safety. If the owner is desirous to have the DB team self-perform scopes of work without being required to competitively bid each scope, the DB team should provide documentable back up for all labor rates and production. This can be as simple as a general rate sheet with an agreed upon multiplier or as complex as precise hourly rates with burden for every project worker.

The key factor to remember with regard to self-performance is that labor comprises approximately 10-15% of the cost of self-performance. The remaining 85-90% of the cost of self-performance includes materials and equipment – items in which competition can be demonstrated.

Owners should feel confident that moving forward with their Progressive DB project will not cause them to question if they received the best price. The open-book process as outlined will ensure that they always have ample documentation to ensure that they procured the right price.

About the Author

Bryan Bedell has over 16 years of industry experience, which includes integrated delivery projects ranging from \$2-250 million. Over the course of his career, he has helped countless owners realize the benefits of integrated project delivery. As Director of Business Development for the Water Division, he is responsible for development of opportunities, capture plans, engineering partnerships, and teaming. He oversees the customer relationship management (CRM) system, forecasts revenue, and aids in crafting the business plan. Upon award, he maintains a high level of client interaction to ensure satisfaction with the project.

Mr. Bedell is the alternate member representative of Haskell to the Water Design-Build Council Board of Directors. WDDB is an organization established in 2006 to create a vocal and effective industry advocate for the value of alternative approaches to delivering water and wastewater infrastructure projects and to promote best practices in design-build and CMAR procurement and implementation through education and outreach.