Alternative Delivery Methods

Council Presentation

May 21, 2013

Alternative Delivery Methods

Governed by:

- Chapter 271 Texas Local Government Code
  - Alternative Delivery Methods first authorized in 2001
- Chapter 2267 Texas Government Code
  - Added by Legislature in 2011
  - Repealed & Replaced most Alternative Delivery Sections of Chapter 271
- Seven Procurement Methods:
  - ✓ Competitive Bidding Method (Design/Bid/Build)
  - Competitive Sealed Proposal Method
  - Construction Manager-Agent Method
  - Construction Manager-at-Risk Method
  - Design-Build Method
  - Design-Build Method for Certain Civil Works Projects
  - ✓ Job Order Contract Method

Why Consider Alternative Delivery?

- Attainment of benefits:
  - Faster delivery time
  - Better price certainty
  - More cost effective final price; potential for cost savings (capital and O&M)
  - Enhanced risk with guarantees contractually bound by one responsible party
  - Greater control over scope, quality, price and schedule
  - Creates lifecycle focus
  - Increased collaboration and not confrontation
  - Proper long term asset protection

Alternative Delivery Vs. Traditional

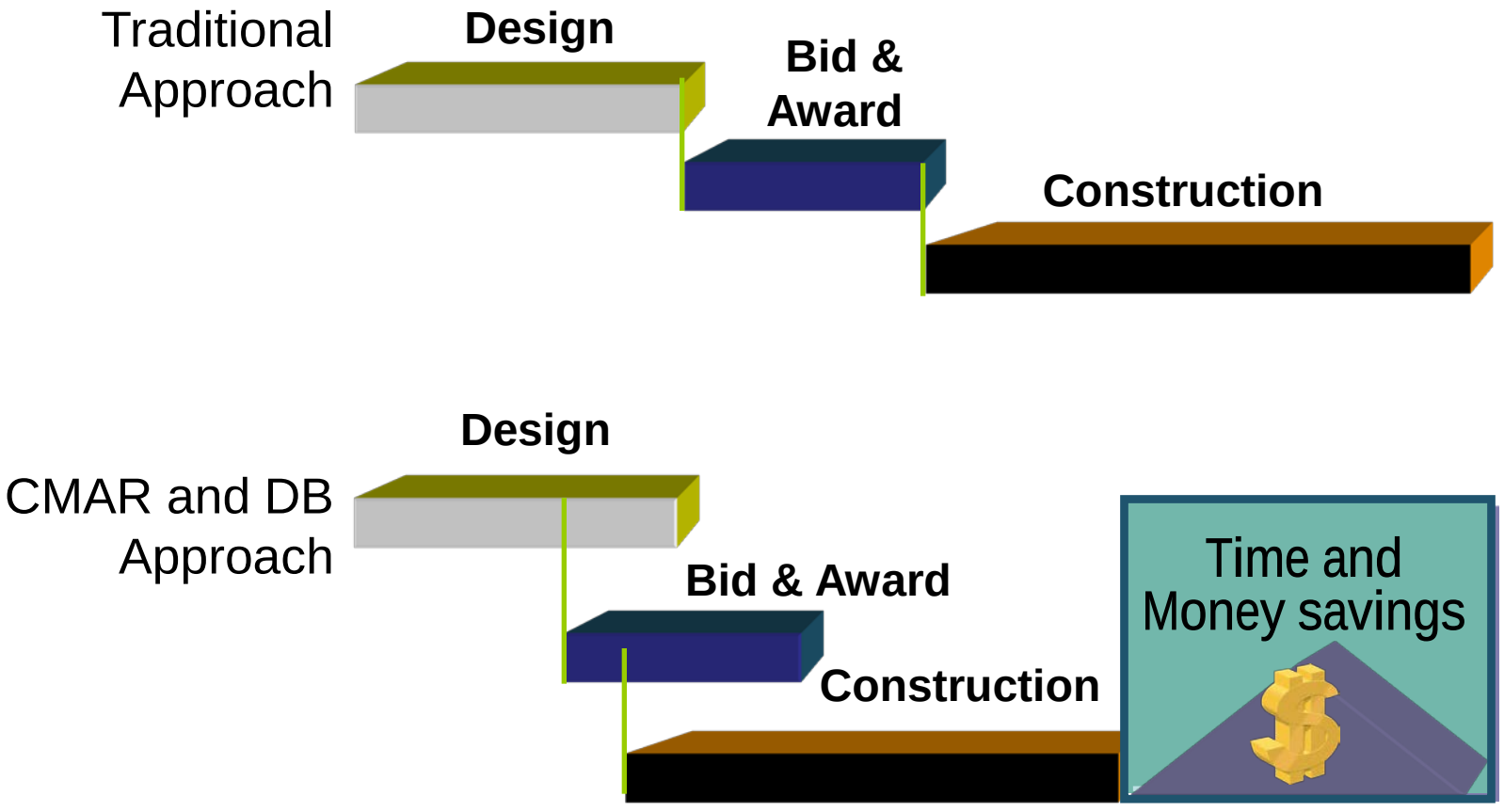
	TRADITIONAL	ALTERNATIVE DELIVERY					
	Multiple Contracts		Single Contract				
	Design Bid-Build	Construction Management At Risk (CMR)*	DB*	DBO	DBOF	DBOOF	Asset Purchase
Design	✓	✓	✓	✓	✓	✓	
Construction	✓	✓	✓	✓	✓	✓	
O&M				✓	✓	✓	✓
Finance					✓	✓	✓
Ownership						✓	✓

* Financing options for CMAR and DB – municipal financing backed by take or pay contracts and private finance options

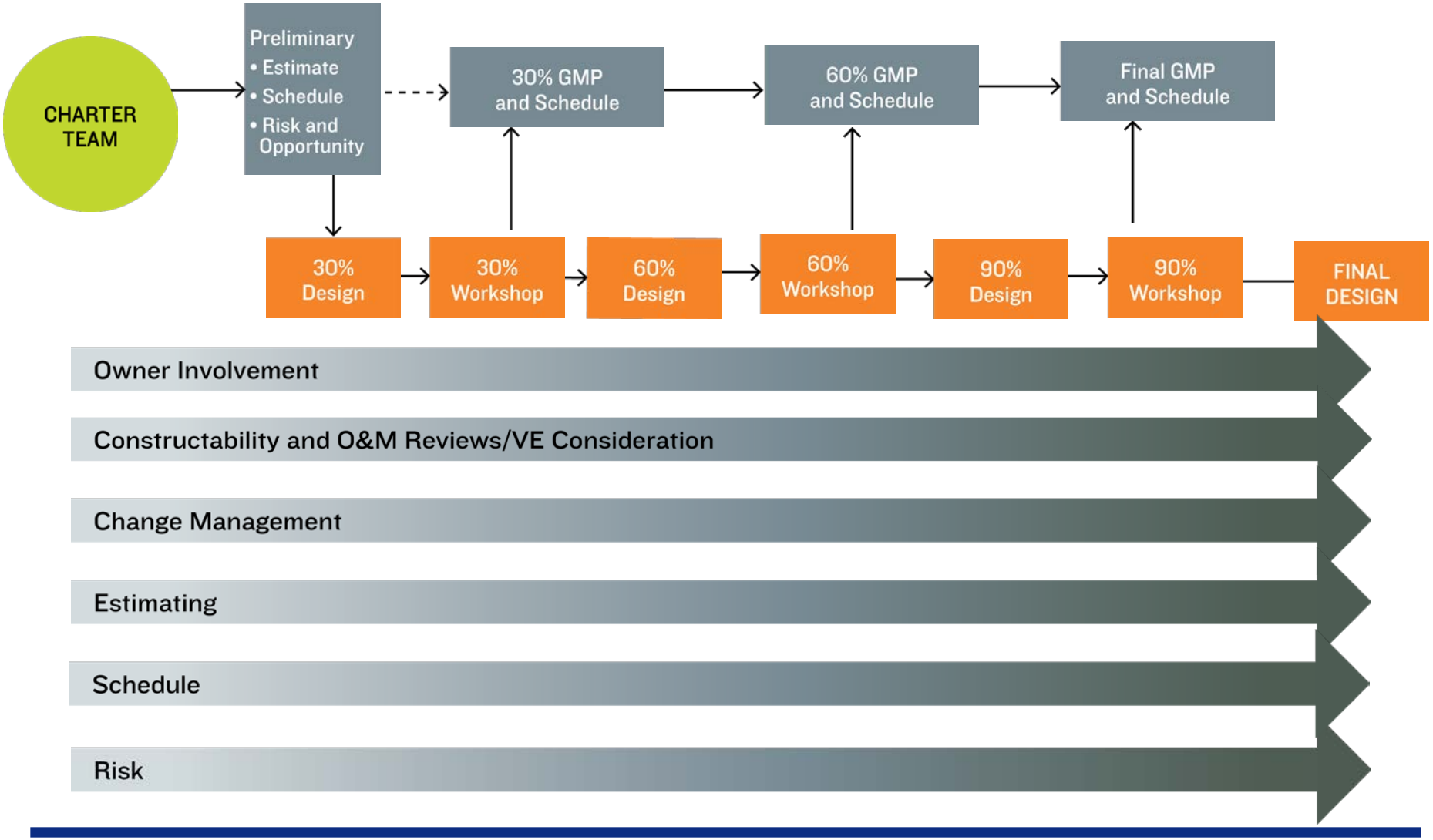
2012 Municipal Owners Customer Satisfaction Survey

- 91% stated they will use CMAR and DB again
- 82% agree that use of CMAR and DB delivery results in fewer claims and disputes
- Among top reasons given for using CMAR and DB are keeping projects on schedule, achieving better quality and controlling costs
- Significant satisfaction with transition to operations at end of project with CMAR and DB

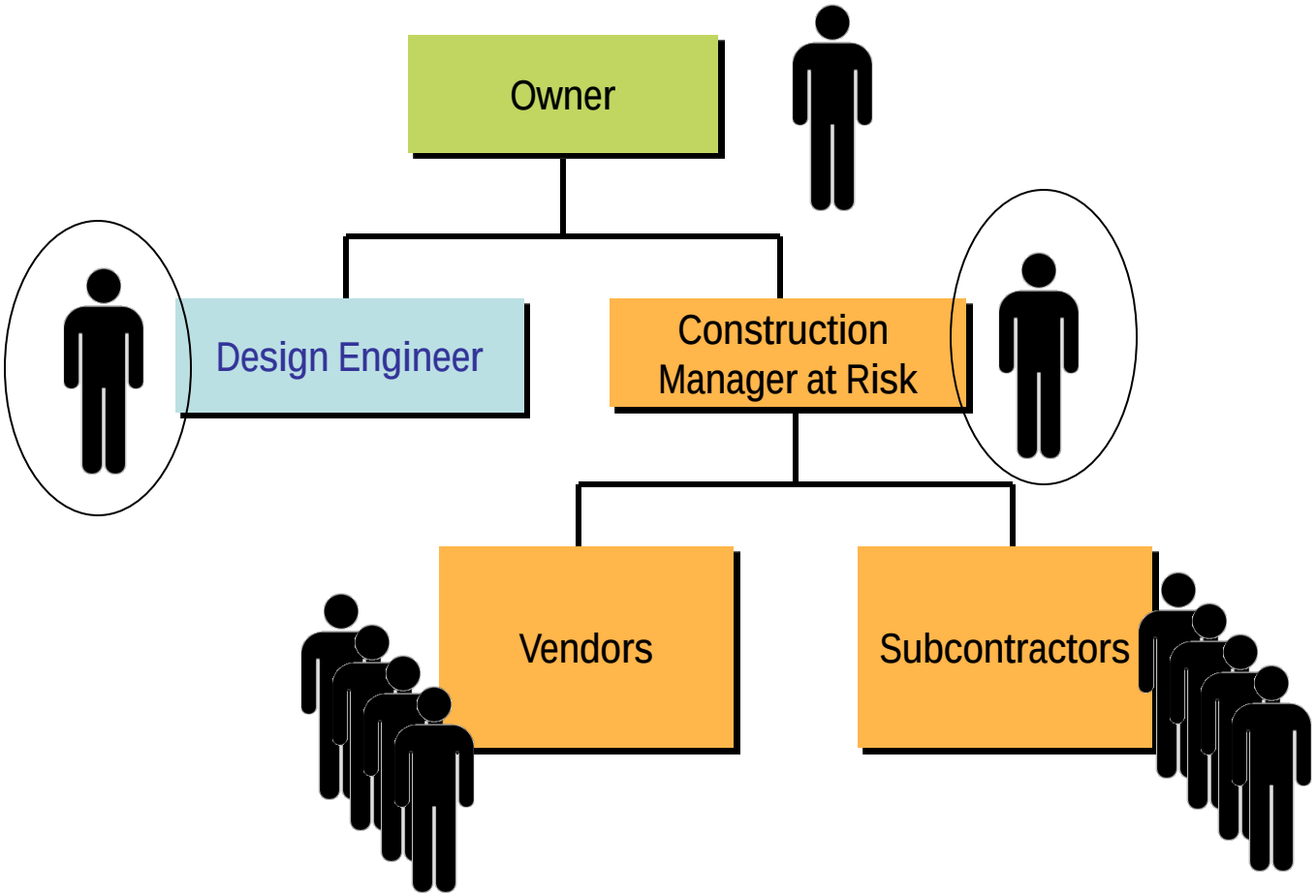
Overlapping Activities Reduces Total Project Time



CMAR and DB sequencing



Construction Management at Risk (CMAR)



Two separate contracts

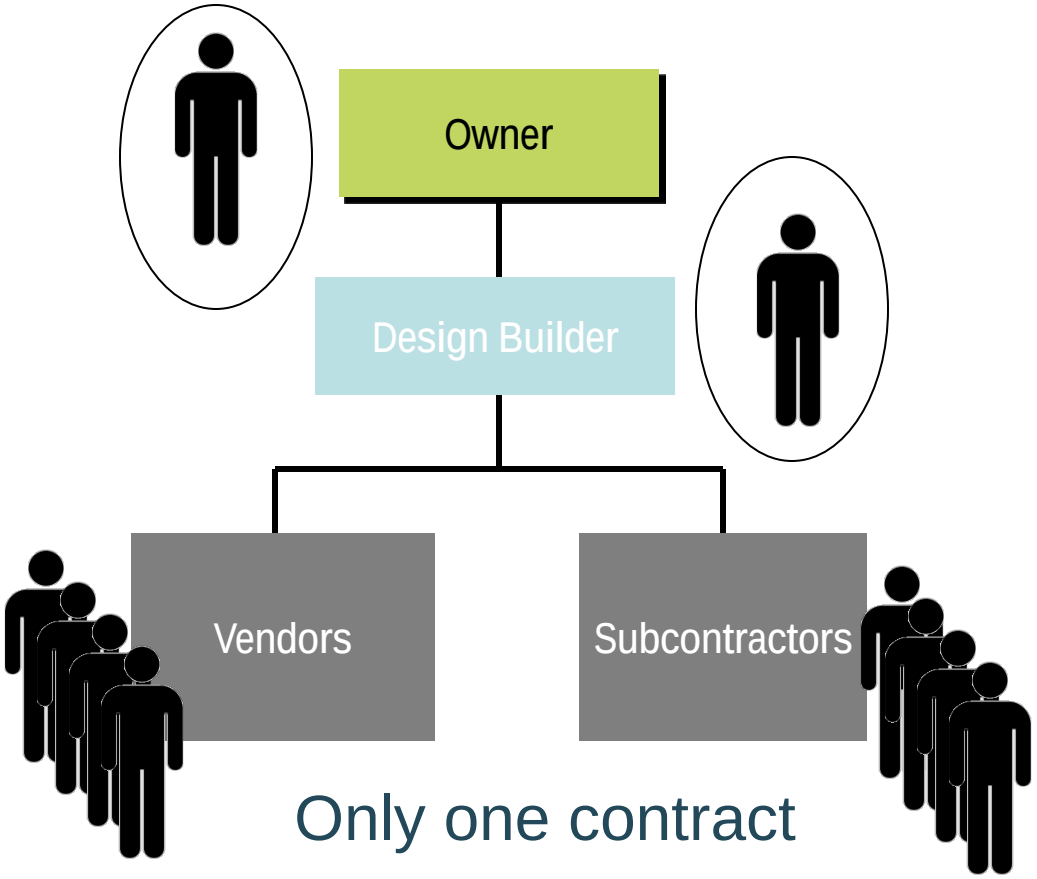
CMAR Advantages

- Maintains traditional owner-designer-engineer relationship
- CMAR acts as consultant to owner in design phase but as at risk general contractor during construction
- Flexibility in selecting the CM
- Detailed designs not required to make a selection
- The Builder and Designer start the project together, increasing change flexibility (preconstruction services)
- Fosters innovation in design and construction
- Better cost and schedule information
- CM manages material pre-purchases and vendors
- Single point of responsibility for construction
- Construction cost determined by competitive bid
- CM has early “buy-in” to project schedule
- Intimately familiar with market to assist in bid timing
- Coordinates “breaking” of project in to packages to address long lead times
- Allows contractor to see the project from designer’s perspective and vice versa

CMAR Disadvantages

- Requires more direct Owner involvement
- Requires higher level of Owner management expertise
- Selection process can take longer
- Contracts must be structured properly to provide safeguards no longer in CMAR legislation
- Cost management model (contingency and cost overruns) are more difficult to manage
- Additional costs associated with pre-design services and subcontractor markups
- Potential to limit competition by other contractors during the bid phase
- Change of CM's accountability after guaranteed maximum price is signed
- It is a variation from familiar procurement methods

Design-Build



Note: For Civil Public Works, Chapter 2267 limits us to 2 per year until September 2015, thereafter the limit is 4 per year.

Design-Build Advantages

- Single point of accountability for design and construction
- Enhanced owner risk posture
- Change orders and disputes greatly reduced
- Better cost certainty and containment
- Potential to achieve the lowest cost and shortest schedule for project
- Potential for increased owner control; higher project quality and design input

Design-Build Disadvantages

- Traditional owner design engineer relationship diminished
- More rapid and earlier decision making needed by owner regarding scope and quality
- Loss of some control by owner during design with price based procurements

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