

Eureka County School District

Board Presentation

9/11/12

CMAR (Construction Management at Risk) vs. Traditional Design/Bid/Build

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The traditional method for building a construction project in the public sector has always been based on a process called design/bid/build or hard bidding. This method is where the public entities (Eureka School District in this case) – hires the architectural and engineering consultants, directs the project design/scope, completes the drawings and permit process and then advertises in the regional paper for General Contractors to bid the project. The project then is awarded to the lowest, most responsive bidder.

For at least 30 years, the private sector has been using various methods of construction procurement where the contractor is based on past experience, qualifications and price on a negotiated basis. There are various names/relationships – including Design Assist, Design Build, and Construction Manager as Agent or Construction Manager at Risk – all with different relationships and benefits – but generally it is the owner selecting the most qualified contractor for their project. These processes have been used in a variety of forms in public construction over the last 20 years or so, but most recently – Nevada Revised Statutes (NRS) have adopted the use of Construction Manager at Risk (CMAR) as in NRS 338.169. This is a process where the Contractor (CMAR) is hired based on Qualifications thru a multi-step process. Usually this process includes hiring the CMAR during the schematic design process, but can be done at any time while the construction documents are being prepared. ***The process for hiring a CMAR takes several weeks and is broken down into the following process:***

1. Advertise in Regional paper for CMAR – Request for Qualifications
2. Hold pre-submittal meeting before qualifications are due
3. Submittal of RFQ by interested CMAR firms
4. Review of RFQ's by ECSD selection team, assign points and rank applicants – then narrow field down to 3-5 firms for Request for Proposal
5. Receive Request for Proposals from short listed firms – review/rank RFP's
6. Interview the finalists – ranking the interview
7. Total the points received on the RFP and Interview – select the firm with the highest ranking
8. CMAR – now part of the team – scheduling, value engineering, constructability review, buy into the design process, pre-qualifies subcontractors and suppliers, handles the “bidding” to the subcontractors and suppliers, develops a Guaranteed Maximum Price (GMP)

See the next document for pros' and cons' of CMAR vs. Design/Bid/Build

CMAR (Pro's and Cons) – for ECSD

Pro's

- CMAR firm is a partner not adversary
- Owner does not get stuck with a low bid, low quality, high maintenance general contractor that doesn't have the proper background, experience or management team
- CMAR provides budgeting, scheduling, value engineering and constructability reviews during the design process and as changes develop before/during construction.
- CMAR is selected based on qualifications, experience with similar projects, fees/general requirements, and will propose a management team that has experience in similar projects
- Fee and General Conditions are known up front and all sub-trades are competitively bid
- Sub-trades and suppliers over 1% of contract amount are pre-qualified, must attend mandatory job meetings and selection of low bidder is not necessarily required.
- Contract amount can be a GPM (Guaranteed Maximum Price), with built in contingency's so unless owner changes the "scope of work", allowances are exceeded or "un-known" conditions are presented – the contract maximum limit is known.
- CMAR is partner in ensuring subcontractors don't gouge the owner on change orders
- CMAR can "globally" help solve the housing shortage for workers coming to work on the gym project – in lieu of leaving it to the individual subcontractors to figure out living/housing (which should result in cost savings)
- All subcontractors/suppliers are given detailed scopes of work, schedule, bonding/license requirements so there should be no surprises or trades bidding beyond their limits, qualifications or knowledge base.
- Project can be "phased" into site, shell and tenant improvement packages, so project can start earlier and finish quicker as once a GMP is negotiated, project construction can start on site and/or shell while final improvement drawings are being completed.
- If for some reason after we have selected the CMAR, gone thru the "pre-construction" and gone out for sub bidding, if the GMP comes in higher than expected or Owner and CMAR can't come to final terms – the project can then go out for "traditional bid"
- "open book" as it relates to bidding, paperwork, change orders, etc...
- Easier to price large alternates for cost saving measures during the bidding process (i.e. – might get an alternate quotes from multiple subs to change various finish materials/levels to ensure the project remains on budget
- Flexibility – since the CMAR is a partner, even though GMP is established, design is complete – there will be some re-thinking of spaces, materials, finishes, etc... - and the CMAR will help ensure these changes are vetted, priced appropriately and they will provide valuable cost, schedule and quality input.

Cons

- Harder to evaluate respondents/qualified CMAR firms (as there is multiple criteria), so the decision isn't totally clear cut as there might be 3-4 highly qualified firms that all rank very close.
- Because only one CMAR (GC firm) is selected, there might not be as good subcontractor coverage, as when you bid to multiple GC's – all GC's bring in some of their "own" subs potentially making the subcontractor bidding more competitive (hard to quantify)

Traditional Design/Bid/Build

Pretty much complete opposite of CMAR – pros/cons