The Best-Value Business Model

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Arizona State University

June 2014

20 Years | 210+ Publications | 550+ Presentations

2,000+ Projects | $4.6 Billion Procured

BEST VALUE

PROJECT PARTNERS AND PARTICIPANTS:

- U.S. General Services Administration (GSA)
- US Army Medical Command
- Arizona State University
- Canon
- State of Oklahoma
- City of Phoenix, AZ
- University of Minnesota
- State of Alaska
- Rijkswaterstaat (Dutch public works & water management)
- Aramark
- State of Oregon
- State of Idaho
- University of Alberta
- Boise State University
- United Airlines
- Neogard / Jones-Blair
- Tremco
- Bank of Botswana
- General Dynamics C4 Systems
- Salt River Project (SRP)
- US Air Force Logistics Command
- US Coast Guard
- US Embassy (Botswana)
- US Army Corps of Engineers
- Federal Aviation Administration
- IBM
- Brunsfield
- Qwest
- Honeywell
- City of Peoria, AZ
- University of Idaho
- University of Hawaii
- University of New Mexico
- Entergy
- Sodexo
- Chartwells
- Dallas Independent School Dist.
- Olmstead County, MN
- City of Roseville, MN
- Hennepin County, MN
- Scenter
- Abengoa Solar
- City of Sitka, Alaska
- US Solar
- Rochester Public Utilities
- Harvard University
- Denver Health & Hospital Authority
- State of Missouri
- State of Washington
- Idaho Transportation Department
- State of Georgia
- Arizona State Parks
- United Excel
- East Valley Institute of Technology
- Arizona Public Service (APS)
- Rochester School District
- Fann Environmental
- Idaho State University
- On Semiconductor
- Pearson
- State of Wyoming
- Idaho Department of Corrections
- City of Miami Beach, FL
- Lewis & Clark State College
- Hawaii Department of Transportation
- Baptist Health
- City of Columbia, SC
- PECO Energy
- Intermediate District 287

Information Technology

networking
data centers
hardware
COTS software
ERP systems
help desk services
eProcurement

Facility Management

maintenance
landscaping
security service
building systems
industrial moving
waste management
energy management
custodial
conveyance
pest control

Health Insurance/ Medical Services

Manufacturing

Business / Municipal / University Services

dining
multi-media rights
fitness equipment
online education
document management
property management
audiovisual
communications systems
emergency response systems
laundry
material recycling
bookstores
furniture

Construction / Design / Engineering

large gc
infrastructure
municipal
laboratory
education
hospital
financial
large specialty
small gc
renovation
repair
maintenance
roofing
demolition
development
supply chain
DBB
CMAR
DB
IDIQ
JOC
Low Bid
IPD

Current Canadian Efforts

- University of Alberta
- University of Ottawa
- University of Manitoba
- Wilfrid Laurier University
- Queen's University
- University of Waterloo
- Western University
- Dalhousie University
- Simon Fraser University
- City of Spruce Grove
- Alberta Infrastructure
- Workers Comp (NS)

Western University · Canada

uOttawa

University of Waterloo

Wilfrid Laurier University

University of Alberta

Queen's University

University of Manitoba

The City of Spruce Grove

Alberta Infrastructure

Dalhousie University — Inspiring Minds

SFU Simon Fraser University

ASU

Why Are We Looking For Alternates?

What is the most important factor for a successful project?

There Is A Fundamental Problem With Our Traditional Approach To Procurement

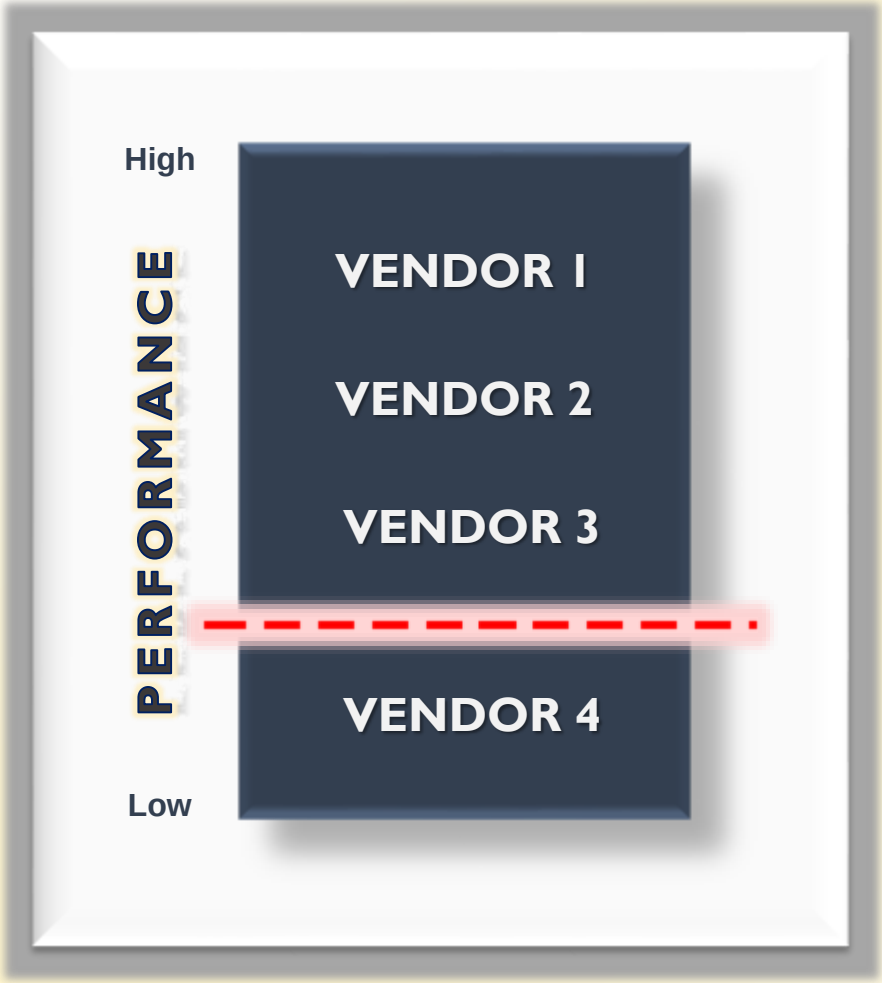
The Traditional Approach To Hiring An Expert

OBJECTIVE: Hire a brain surgeon to perform surgery on a loved one

TRADITIONAL APPROACH:

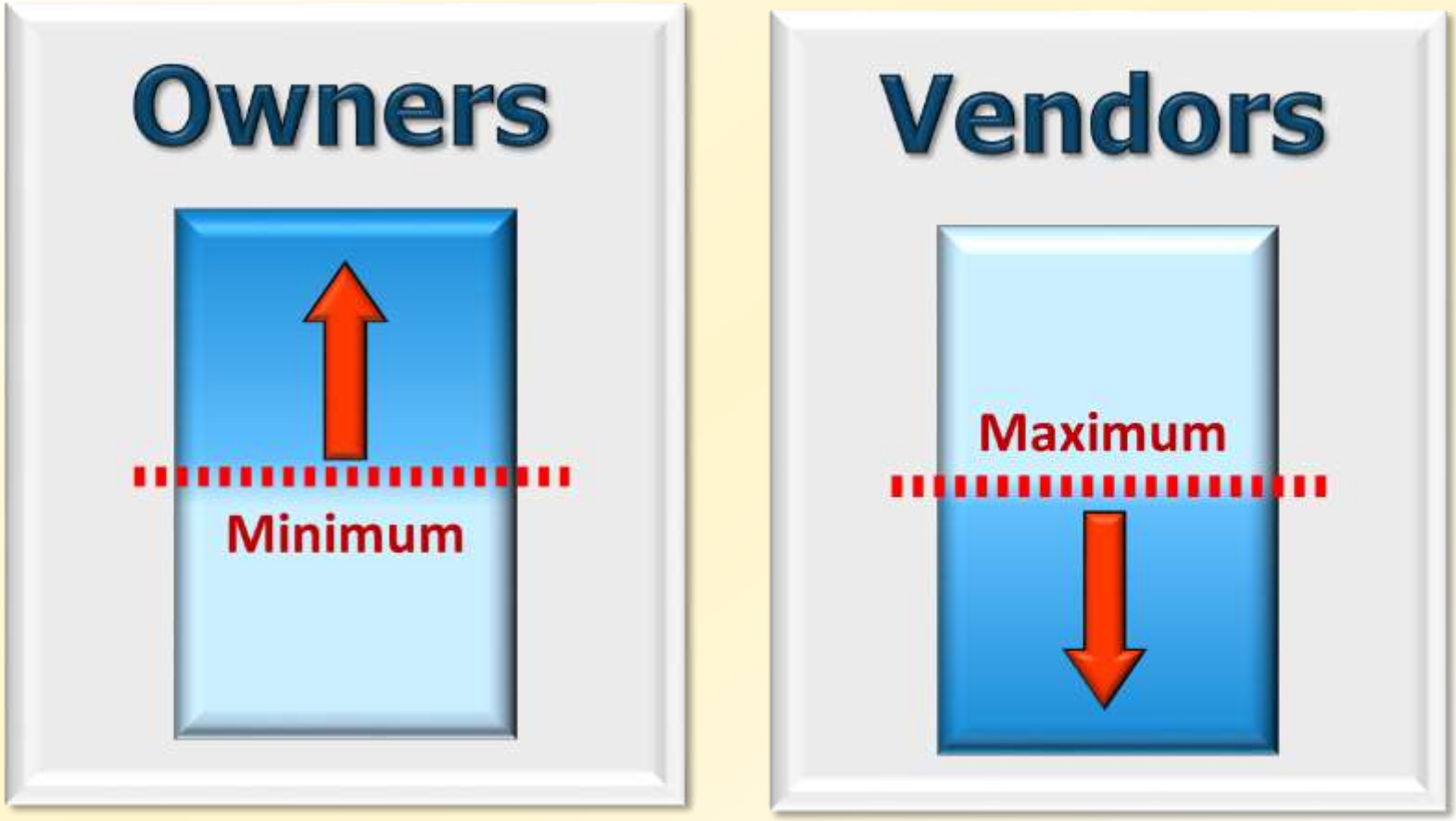
- **First Step** = Hire the cheapest surgeon
- **Second Step** = "Negotiate" their proposal:
  - Ask that surgeon to find ways to lower their price some more
  - Request that the surgeon completes the surgery faster
  - Request that they follow your instructions on performing brain surgery
  - Identify what tools they are allowed to use
  - Direct them on which nurses/doctors they can use
  - Hire other individuals to tell the surgeon how to do the surgery?
- **Third Step** = Act completely surprised when the surgery is not successful!

Objective of Minimum Standards



Who Will Be Selected?

Perception on Standards



Detailed Instructions

3.1 EXAMINATION

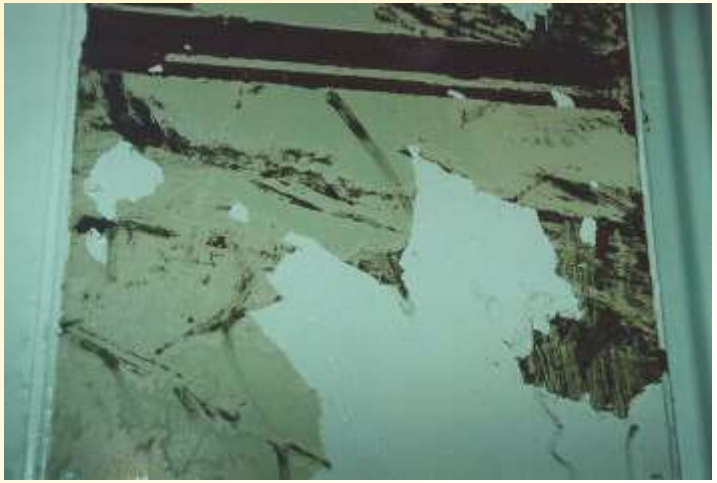
A. Verify that site environmental conditions are appropriate for application of coatings specified.
B. Immediately prior to coating application, ensure that surfaces to receive coatings are dry.
C. Ensure that moisture-retaining substrates to receive coatings have moisture content within tolerances allowed by coating manufacturer, using moisture measurement techniques recommended by coating manufacturer.
D. Immediately prior to coating application, examine surfaces to receive coatings for surface imperfections and for contaminants which could impair performance or appearance of coatings, including but not limited to, loose primer, rust, scale, oil grease, mildew, algae, or fungus, stains or marks, cracks, indentations, or abrasions.
E. Correct the above conditions and any other conditions which could impair performance or appearance of coatings in accordance with specified surface preparation procedures before proceeding with coating application.

3.2 PREPARATION

A. Do not start work until surfaces to be finished are in proper condition to produce finished surfaces of uniform, satisfactory appearance.
B. Stains and Marks: Remove completely, if possible, using materials and methods recommended by coating manufacturer; seal with shellac or other coating acceptable to paint manufacturer stains and marks that might bleed through paint finishes which cannot be completely removed.
C. Remove or protect hardware, electrical plates, mechanical grilles and louvers, lighting fixture trim, and other items not indicated to receive coatings which are adjacent to surfaces to receive coatings.
D. Remove mildew from impervious surfaces by scrubbing with solution of trisodium phosphate and bleach. Rinse with clean water and allow substrate to thoroughly dry.
E. For specific substrate preparation, see individual specifications.

3.3 APPLICATION

A. Apply paint products in accordance with manufacturer's printed instructions. Do not apply coatings to surfaces that are not dry.
B. Apply each coat to uniform thickness and finish in accordance with manufacturer's instructions, with each coat slightly darker than preceding coat. Allow each coat to dry thoroughly before applying next coat.
C. Remove dust and other foreign materials from substrate immediately prior to applying each coat.



Value of Technical Information

Property	Test Method	Values	Units
Thickness		0.048	Inches
Tensile Strength	ASTM D-638	>2130	PSI
Ultimate Elongation	ASTM D-638	>300	Percent
Tear Strength (lbs/in)	ASTM D-1004	>312	Lbs.
Heat Aging(160/ 60^0 C of membrane)			
A. Tensile Strength	ASTM D-638	>2130	PSI
B. Ultimate Elongation	ASTM D-638	>300	Percent
Linear Dimensional Changes	ASTM D-1042	<2	Percent
Cold Brittleness Temperature	ASTM D-1790	-30	^{0} C
Cold Brittleness Temperature	1/2" Mandrel Test	-30	^{0} C
Water Vapor Permeability	ASTM E-96 Proc. A	0.005	Perms
Shore "A" Hardness	ASTM D-2240	76	-

Property	Test Method	Results
Ultraviolet Resistance (Weatherometer Exposure of 10,000 hr. using a Xeno 1200 Xenon Light Source)	ASTM D-2565 / DIN 53387	No Visible Effects Under15x
Ozone Resistance	ASTM D-1149	No Visible Effects
Carbon Extraction Test	ASTM D-1203	<1% Weight Loss

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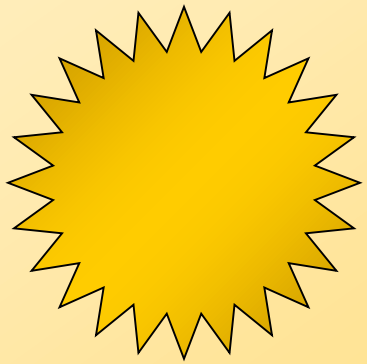
Hold On…The Warranty Will Protect Us!!!

Warranty

The only roof system you'll need for the next 30 years.

MANUFACTURER X

Backed by the industry's most resilient guarantee – an unsurpassed 30-year warranty against whatever the future brings.



Warranty Exclusions / Fine Print

- **Warranty exclusions (fine print) are rules that protect the manufacturer if any problems arise.**

- **Exclusions will limit the manufacturers liability.**

Can We Create an RFP That is 100% Accurate?

Expertise

What the Owner Described

What the Consultant Specified

What the Contractors Installed

What the Owner Really Needed

How Much Resources Are Spent Responding To An RFP?

Who Prepares The RFP?

Obtaining The Right Information At The Right Time

- Purchasing a new SUV
  - How many full-size people can fit?
  - Engine power?
  - The fuel economy / MPG?
  - Size of gas tank / driving range?
  - The type of safety equipment?
  - The type of headlights we getting?
  - Rearview/backup camera?
  - Full size spare tire?
  - Removable back seats?
  - Type and size of tires?

Our Goal Is To Obtain the Least Amount of Information

Value-Based Business Model

What is Best-Value?

- Win-Win

- Client:
  - Outsource to experts
  - Higher performance
  - Less management and resources

- Vendor
  - Control of project/service
  - Ability to increase profit by maximizing their efficiency

Factors For Success

- **Fair (state/follow rules)**
- **Open**
- **Impartial and Transparent (minimize evaluator bias / provide debriefing)**
- **Efficient (minimize efforts)**
- **Award based on value**

Best Value System

Best Value System

High Level Overview

Details

- Proposal ($)
- Schedule
- Past Performance
- Risk Assessment
- Value Assessment
- Interviews

- Clarification
- Pre-Planning

- Award
- Weekly Reporting
- Post Award Metrics
- Final Documentation
- Update PPI

Best-Value RFP

- Best-Value does ***not*** mean:
  - Eliminate the specification
  - Eliminate the standards
  - Eliminate the requirements

- Vendors must now understand that these are the clients best attempt at identifying what they need. The vendors must review and identify what the client really needs

- The RFP will still contain:
  - Goals, expectations, desired outcomes, requirements
  - Current conditions

Best Value System

1

Proposal Package
(Attachments)

1

- Attachment A – Proposal Form
- Attachment B – Risk Assessment Plan
- Attachment C – Value Assessment Plan
- Attachment D – Reference List
- Attachment E – Survey Questionnaires
- Attachment F – Past Performance Information Scores
- Attachment G – Project Plan
- Attachment H – Cost Proposal Form

Criteria and Weights

1

No	Criteria	Weights
1	Interviews	300
2	Cost	250
3	Risk Assessment Plan	200
4	Value Assessment Plan	100
5	Past Performance Information – Firm	50
6	Past Performance Information – Project Manager	50
7	Past Performance Information – Critical Consultants	50
	Total Points:	**1,000 Points**

Keep In Mind…

1

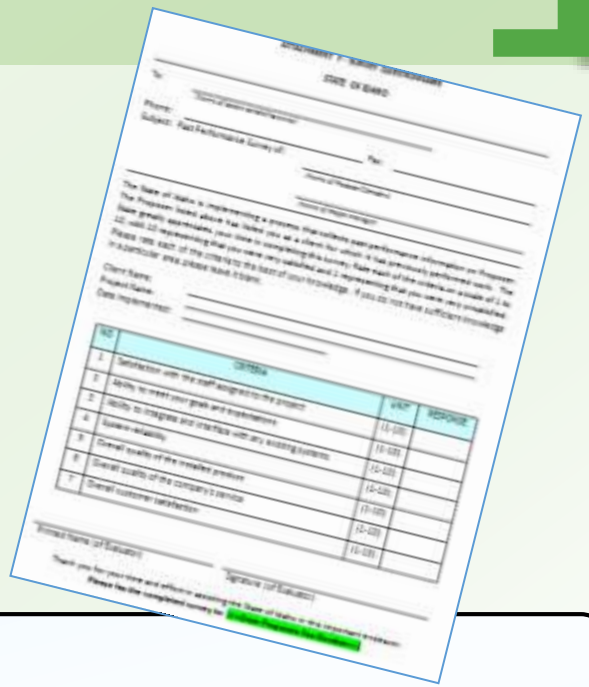
Past Performance Information

1

Past Performance Information

1

- **PPI will be collected on the following Entities:**
  - **The Firm**
  - **Project Manager (Individual)**
  - **Critical Sub Contractors, Consultants, Suppliers**



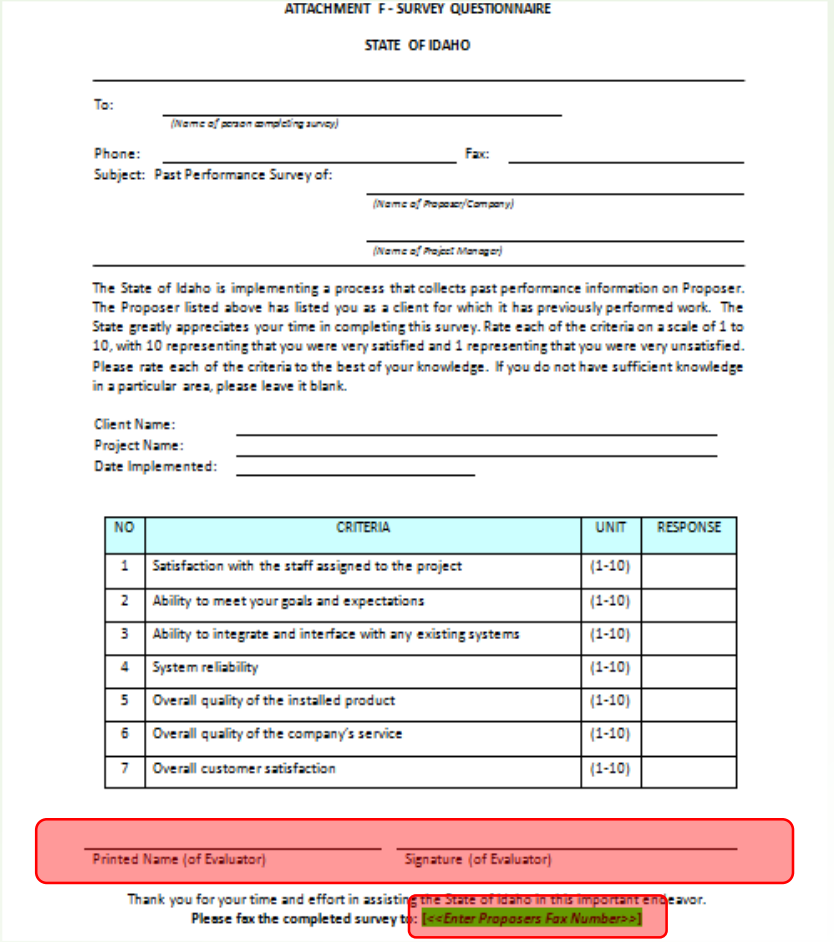
ENTITY

Step 1	Prepare **Reference List**
Step 2	Prepare and Send **Survey Questionnaires** to Past Clients
Step 3	Collect/Receive **Completed Surveys**
Step 4	**Enter data** into Reference List
Step 5	**Package all material** (Reference List and Surveys) and **Submit**

Survey Questionnaire

1

- For <u>each Entity</u>, Proposer must prepare, send out, and collect survey questionnaires to each individual listed on the Reference List.
- <u>Proposer</u> must modify so that the surveys are returned back to the Proposer.
- All returned surveys MUST be evaluated AND signed by the client.
- Returned surveys must be packaged together and submitted with Proposer's proposal (Proposer should keep a copy of all returned surveys for Proposer's records).



ATTACHMENT F - SURVEY QUESTIONNAIRE

STATE OF IDAHO

To: _____
(Name of person completing survey)

Phone: _____ Fax: _____

Subject: Past Performance Survey of:

_____
(Name of Proposer/Company)

_____
(Name of Project Manager)

The State of Idaho is implementing a process that collects past performance information on Proposer. The Proposer listed above has listed you as a client for which it has previously performed work. The State greatly appreciates your time in completing this survey. Rate each of the criteria on a scale of 1 to 10, with 10 representing that you were very satisfied and 1 representing that you were very unsatisfied. Please rate each of the criteria to the best of your knowledge. If you do not have sufficient knowledge in a particular area, please leave it blank.

Client Name: _____
Project Name: _____
Date Implemented: _____

NO	CRITERIA	UNIT	RESPONSE
1	Satisfaction with the staff assigned to the project	(1-10)	
2	Ability to meet your goals and expectations	(1-10)	
3	Ability to integrate and interface with any existing systems	(1-10)	
4	System reliability	(1-10)	
5	Overall quality of the installed product	(1-10)	
6	Overall quality of the company's service	(1-10)	
7	Overall customer satisfaction	(1-10)	

Printed Name (of Evaluator) _____ Signature (of Evaluator) _____

Thank you for your time and effort in assisting the State of Idaho in this important endeavor.
Please fax the completed survey to: *[<<Enter Proposers Fax Number>>]*

Survey Questionnaire

1

ATTACHMENT G - PAST PERFORMANCE SURVEY

Western – Retirement Income Fund Service Providers Questionnaire

To: _____

Phone: _____ Email: _____

Past Performance Survey of: _____

Name of Company (and/or) Name of Account Executive

Western is analyzing past performance information on suppliers and their key personnel. The firm/individual listed above has identified you as a client for which they have previously performed work on. Western greatly appreciates your time in completing this survey. Rate each of the criteria on a scale of 1-10, with 10 representing that you were very satisfied and 1 representing that you were very unsatisfied. Please rate each of the criteria to the best of your knowledge. If you do not have sufficient knowledge in a particular area, please leave it blank.

Client Name: _____ Contract Dates: _____

Project Name: _____

NO	CRITERIA	UNIT	RATING
1	Ability to manage costs	(1-10)	
2	Ability to maintain schedule and respond to requests in a timely manner	(1-10)	
3	Quality of service	(1-10)	
4	Professionalism and ability to manage	(1-10)	
5	Ability to meet client expectations and to respond to user complaints	(1-10)	
6	Ability to document the service and provide performance metrics	(1-10)	
7	Ability to follow the user's rules, regulations, and requirements	(1-10)	
8	Overall customer satisfaction	(1-10)	

Please identify the greatest risks/issues/challenges encountered during this installation or service:

Printed Name (of Evaluator) Signature (of Evaluator)

Thank you for assisting Western University in this important endeavor.

Please fax the completed survey to: xxxxxxxxx

No	Criteria	Survey 1	Survey 2	Survey 3	Survey 4	Survey 5	Average
1	Satisfaction with the staff assigned to the project	10	9	8	9	10	9.2
2	Ability to meet your goals and expectations	7	10	9	9	10	9.0
3	Ability to integrate and interface with any existing systems	6	9	10	9	10	8.8
		10	9	10	8	10	9.4
		9	9	10	10	9	9.4
6	Overall quality of the company's service	8	9	8	10	6	8.2
7	Overall customer satisfaction	9	10	9	9	10	9.4
						Overall Average Score:	**9.1**
						Total Number of Surveys Returned:	**5**

Written Proposal

1

Written Approach

1

- Goal is to minimize work / keep process efficient
- Minimize marketing material or general information
- Only focus on the specific project
- Only look at Risks and Value Added Ideas

Critical Formatting Requirements 1

- In order to minimize any bias, the evaluated proposal documents MUST NOT contain any names that can be used to identify who Proposer is (such as company names, personnel names, project names, or product names).

- Fair | Non-Biased | Impartial

Risk Assessment Plan

1

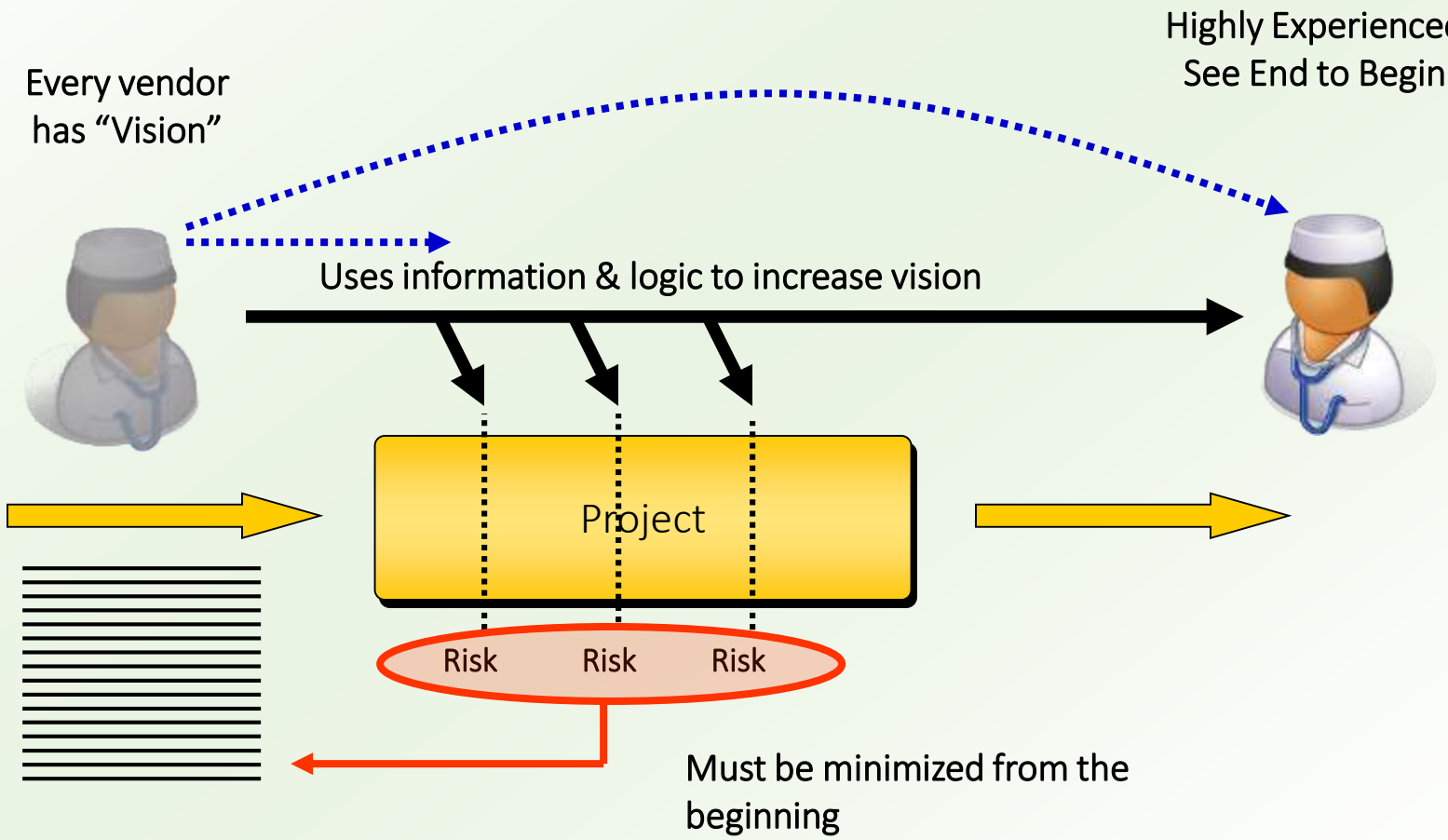
- **Identify and prioritize all major risks (applicable to this project) that may impact a successful delivery of the project.**

- **Risk = not completing on time, not finished within budget, generating change orders, or sources of dissatisfaction to the owner.**

- **The risk should be described in non-technical terms and should contain enough information to understand why the risk is a valid risk. Proposer must also explain how it will avoid or minimize the risks from occurring.**

Vision and Expertise

1



IT System

1

- **RISK:** The State will be risk at hiring small software firms or integrators due to their limited resources, vague long-term plans, and struggles with technology changes.

- **SOLUTION:** Our company has over 30,000 employees and has annual revenues of more than $4 Billion. We and our partners invest hundreds of millions of dollars into our technology, our roadmap, and resources available to our clients. This significantly reduces risk to the State for the project and years to come.

Risk Assessment Example

Controllable Risk

- **VENDOR 1**
  - **RISK: Noise from our demolition may result in student/staff complaints (since we will be doing demo in an in-operational library during finals week).**
  - **SOLUTION: Partnering is a key to success on any project. We will work with the user to develop the best strategies that can be implemented to minimize the impact of noise from demolition.**
- **VENDOR 2**
  - **RISK: Noise from our demolition may result in student/staff complaints (since we will be doing demo in an in-operational library during finals week).**
  - **SOLUTION: To minimize this risk, we have planned to demolition during off hours and weekends. We will also install rubber sheets on the floors to diminish noise and vibrations.**

Risk Assessment Example

Controllable Risk

RISK:

A poor roofing system can result in roof leaks, which may inconvenience building occupants, increase complaints, increase maintenance, damage building contents, and be a source of mold issues.

Vendor A Solution:

- **To minimize this risk, our proposed roofing system has been installed on over 400 roofs and has had an average roof age of 18 years, in which 99% of the roofs don't leak and 100% of the end clients are satisfied.**

Vendor B Solution:

- **To minimize this risk, we are proposing a thermally-welded roofing system that has a tensile strength of 2,130 PSI, elongation of 300%, tear strength of 312lbs, has been tested for 10,000, and has a cold brittleness of -30°C.**

Risk Assessment Example

Controllable Risk

Vendor A Risks/Solutions:

- Risk 1 – Disruption of library staff
- We will identify the shelves we will be working on in advance

- Risk 2 – The hallways will be dark when we turn off the lights
- We will setup temporary lighting

- Risk 3 – The lamps and ballasts are hazardous materials
- We will dispose of them properly

Vendor B Risks/Solutions:

- Risk 1 – There are sprinkler heads only 12” above the light fixtures we will be retrofitting. If a head gets hit with a ladder, conduit, or lamp, it is possible the sprinkler could go off and damage the books

- Before beginning any work, we will install temporary plastic sprinkler guards in the areas we will be working on to mitigate this risk. These will be removed immediately after the work is complete.

Risk Assessment Example

Non-Controllable Risk

- **VENDOR 1**
  - **RISK: The local water company must have the water turned on by June in order for us to water the newly installed recreational fields (or the grass will die).**
  - **SOLUTION: We will coordinate and plan our schedule with the water company as soon as the award is made to make sure that we get water to the site to irrigate the fields.**
- **VENDOR 2**
  - **RISK: The local water company must have the water turned on by June in order for us to water the newly installed fields (or the grass will die). On past projects, the water company has failed to meet the schedule 90% of the time.**
  - **SOLUTION: To minimize this risk, we will coordinate our schedule with the water company as soon as we are awarded the project. If they fail to meet our schedule, we can connect temporary waterlines to the nearby fire hydrants, or we can also rent water trucks to irrigate the fields.**

Uncontrollable Risk
Food Services

- **RISK:** The University has stated that the new construction to the cafeteria can be completed on-time. Any construction delays to the main cafeteria will impact our ability to generate food/dining revenue.

- **SOLUTION:** From our experience, 30% of all major campus renovations are delayed by a minimum of three months.
  - To mitigate the loss in revenue, we will bring in sophisticated mobile trailers. These trailers can provide high-end meals, along with fast food options for students on-the-go.
  - We will place these trailers around high traffic areas, and we will install signage around campus to generate awareness.
  - At a similar University that had experienced construction delays, we were able to use these trailers to generate 5% revenue during the 4 month delay.

Value Assessment Plan

1

- Opportunity to identify any value added options or ideas that may benefit the Owner and Agency.
- This may include ideas or suggestions on alternatives in implantation strategies, timelines, project scope, equipment, goals, financing, etc.
- All value added ideas must be logical and/or based on verifiable performance metrics.
- Value added ideas must NOT be included in the cost proposal. Prior to award, the Owner will determine if the value added items will be accepted or rejected.

Example: Value Added Items

- Reroofing this building will not stop all water leaks. The majority of the leaks are caused by cracks in the parapet walls, broken/missing glass, and poor caulking. We can repair/replace all of these issues to minimize all water leaks, for a minimal impact to time/funding.

Value Added Example
IT Services

1

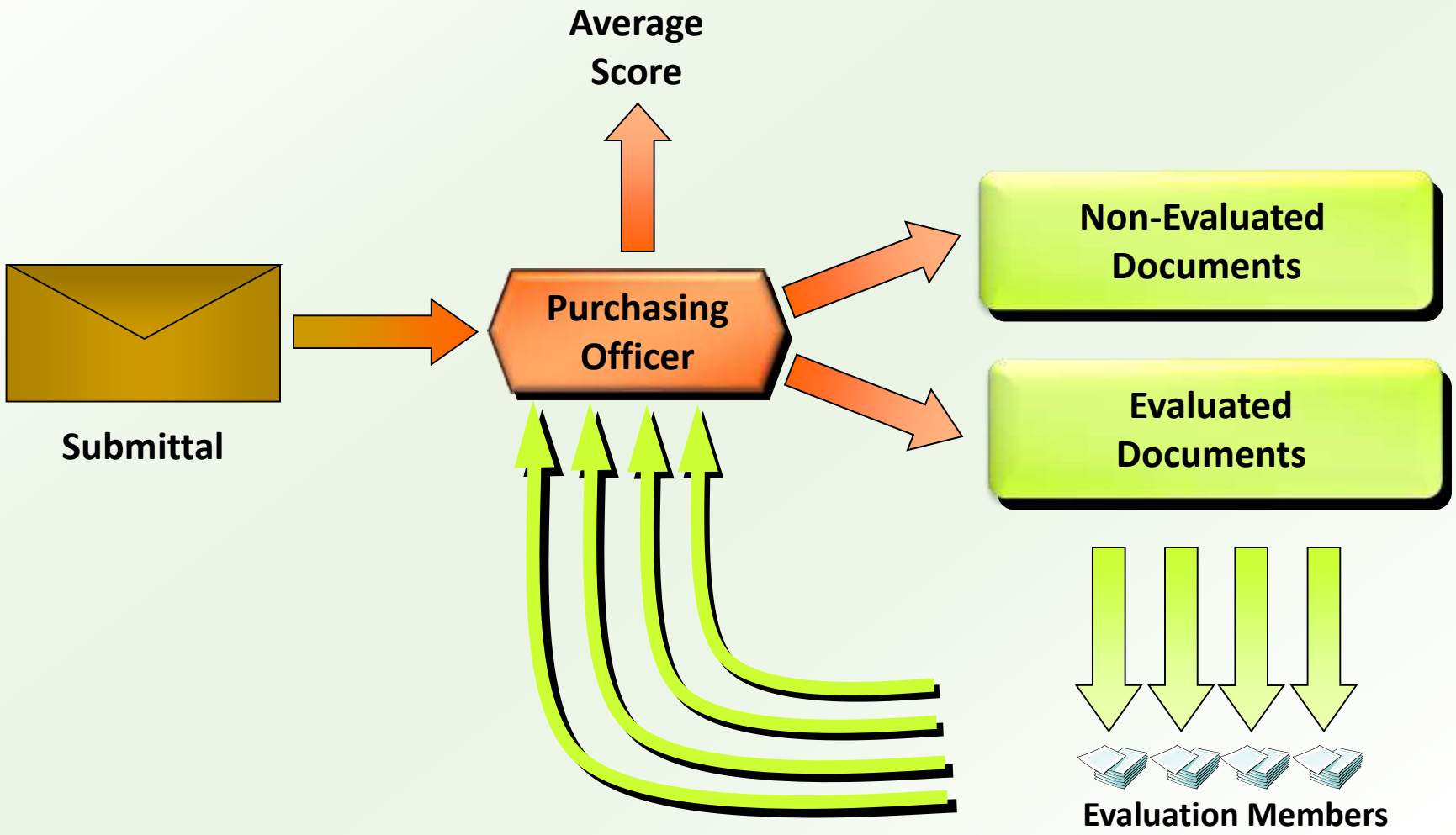
- The State may want to consider an alternate licensing structure. The current requirements are to purchase a license for every user. If the user is in meetings, on vacation, or not using the system, the license is not being utilized.
- In a concurrent licensing structure, we can provide a number of licenses that can alternate between users. This will allow the State to better utilize the system (and not overpay for licenses that are not being used).
- This alternate structure can result in approximately 25% savings in cost. We have done this on 5 similar accounts with 100% customer satisfaction.

Critical Formatting Requirements 1

- Proposal is limited to
  - 2 Pages = Assessment of Risks
  - 2 Pages = Assessment of Value Added Ideas

How The Submittal Process Works

1



Evaluation Committee

1

- 3-5 individuals
- Will be used to evaluate specific portions of the Proposal
- Evaluators will not be provided with the names of any Proposers, product names, cost, or any additional information
- Evaluators will independently (not as a group or consensus) review and score the items comparatively to one another
- Objective of the scoring is to not make a decision (looking for "dominant" differential)
- Evaluations will be scored on a 1/5/10 scale
  - "10" = Dominantly higher value than the average (clearly shows differential)
  - "5" = About average (insufficient information to make a clear decision)
  - "1" = Dominantly below the average (clearly shows differential)

Key Personnel Interviews

- **The Client may interview the following individuals:**
  - **Lead Project Manager** (overall contact / involved on the project every day)
  - **Lead Analyst**
  - **User Implementation/Training Lead**

- **All individuals must be available on the dates specified in the RFP. If a team member is not present for the interview, they will receive a 1 rating.**

- **No substitutes, proxies, phone, or electronic interviews will be allowed.**

- **Goals:**
  - **Meet the critical personnel that are being assigned to the project**
  - **Identify if personnel have experience and have thought about this project**
  - **Identify if the personnel can think ahead and minimize potential risks**

Interview Format

1

- The client will actually “interview” each individual. This is not a “presentation”.
- No other individual from the Proposer’s organization may attend
- Individuals will be interviewed separately
- The individuals cannot bring any notes or handouts.
- Interview times will be approximately 15-20 minutes per individual
- A standard set of questions will be asked to each individual. The client has the option to clarify any responses.
- Questions will be non-technical
- Evaluators will rate/score the interviews comparatively to one another on a 1-5-10 scale

Type of Questions?

1

- Interview questions should be non-technical.
- Technical details will be addressed later in the process.
- Key characteristics:
  - Responds quickly and concisely?
  - Make the service seem very simple and straightforward?
  - Take control and minimize the work of the client
  - Quickly identify risks and how the risks should be minimized?
  - Understand the major concerns of the client?
  - Explain what makes themselves different from other individuals?
  - Identify how to add more value to the project?
  - Accept responsibility and accountability for the success of the project?
  - Clearly explain what they are going to do and how they will measure their performance?

Interview Comments

Goal Is To Minimize Risk

1

"I have no idea why I am here today"…"My boss called me last night and told me to show up for this interview" - **$10 Million Project**

"I did not participate at all in preparing our proposal" - **$3 Million Project**

"You do understand that I didn't write the RA plan. The RA plan was prepared by our admin support staff."

"I was just assigned to this project. I don't know if our schedule is realistic."

"I am not currently employed by this company, but if we win this project, they will then hire me" - **$25 Million Service Project**

"I have never managed a project of this size/scope" - **$30 Million Project**

"There is no risk on this project" - **$5 Million IT Project**

"The greatest risk that I always face, is how to accomplish all of the things that our sales team promised we could do" – **$5 Million Cleanroom Design**

Final Prioritization

			RAW DATA				FINAL POINTS		
NO	CRITERIA	POINTS	FIRM A	FIRM B	FIRM C	BEST	FIRM A	FIRM B	FIRM C
1	Total Financial Contribution	300	$ 1,000,000	$ 1,020,000	$ 1,050,000	$ 1,000,000	300	294	286
2	Interview of Onsite General Manager	300	4.2	9.3	6.4	9.3	135	300	206
3	Risk Assessment Plan	150	5.2	8.6	5.1	8.6	91	150	89
4	Value Assessment Plan	100	5.0	9.2	5.0	9.2	54	100	54
5	Team Qualifications	50	5.0	5.0	5.0	5.0	50	50	50
6	PPI – Firm (1-10 Ratings)	25	9.2	9.1	9.3	9.3	25	24	25
7	PPI – Firm (# of Surveys)	25	5	5	5	5.0	25	25	25
8	PPI – General Manager (1-10 Ratings)	25	9.4	9.1	9.5	9.5	25	24	25
9	PPI – General Manager (# of Surveys)	25	3	4	5	5.0	15	20	25
						TOTAL POINTS (1,000):	720	988	785

Phase 2 - Clarification

2

What is the Clarification Period?

(Proactive vs Reactive)

2

Minimize All Surprises!!!

What Could Cause a Surprise

2

- Delivering something that doesn't work
- Delivering something that isn't what the client is expecting
- Delivering something that isn't what the client needed
- Requiring the client to do something (that they did not know they had to do)
- Requiring things from the client that they cannot provide
- Expecting that something will happen as planned
- Assuming that things are clear and understandable
- Assuming that things will be done/occur as planned
- Changes that impact cost
- Changes that impact time
- Poor satisfaction

How Can We Minimize Surprises 2

- Carefully preplan the project in detail
  - Coordinate the project/service with all critical parties
  - Prepare a detailed project plan (work plan, staffing, implementation, etc)
  - Revisit the sites to do any additional investigating
  - Prepare a detailed project schedule identifying critical milestones

- Cost Verification
  - Detailed cost breakdown
  - Identify why the cost proposal may be significantly different from competitors
  - Review big-ticket items
  - Value added options

- Identify all assumptions
  - Prepare a list of all proposal assumptions

How Can We Minimize Surprises 2

- Align expectations
  - Identify any potential deal breakers
  - Clearly identify what is included and excluded in the proposal
  - Client roles and responsibilities
  - Any contract terms and conditions
- Identify how the vendor will track and document their performance
  - Performance metrics & Weekly risk reports
- Identify and Mitigate All Risks
  - Client concerns/risks
  - Other proposers risks
  - Previous project risks
  - Uncontrollable risks

Phase 2 - Clarification

2

- Financial Summary
- Project Plan
- Assumptions
- Project Risks/Concerns
- Performance Metrics
- Contract Terms

Impact of Pre-Award
(General Services Administration)

2

No	CRITERIA	PRE AWARD (None)	PRE AWARD (10 Days)
1	Number of projects analyzed	11	6
2	Average PA duration (days)	0	22
3	Total awarded cost	$14,244,385	$7,996,954
4	Total awarded schedule	1,822	674
5	Average Overall Change Order Rate	44%	12%
6	Average Overall Project Delay Rate	92%	25%

- **The Pre-Award Period has been shown to:**
  - **Minimize cost increases by 72%**
  - **Minimize project delays by 72%**

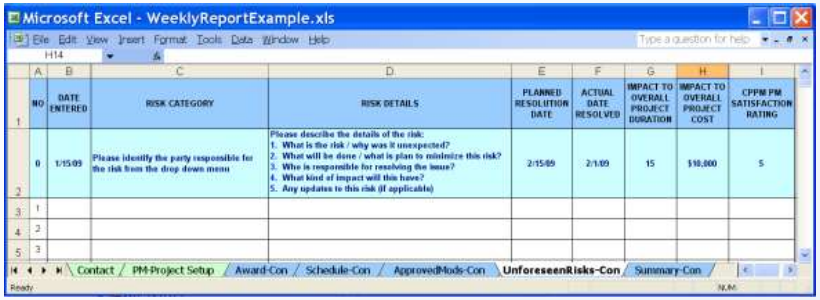
Best Value System

3

Weekly Risk Reporting System

3

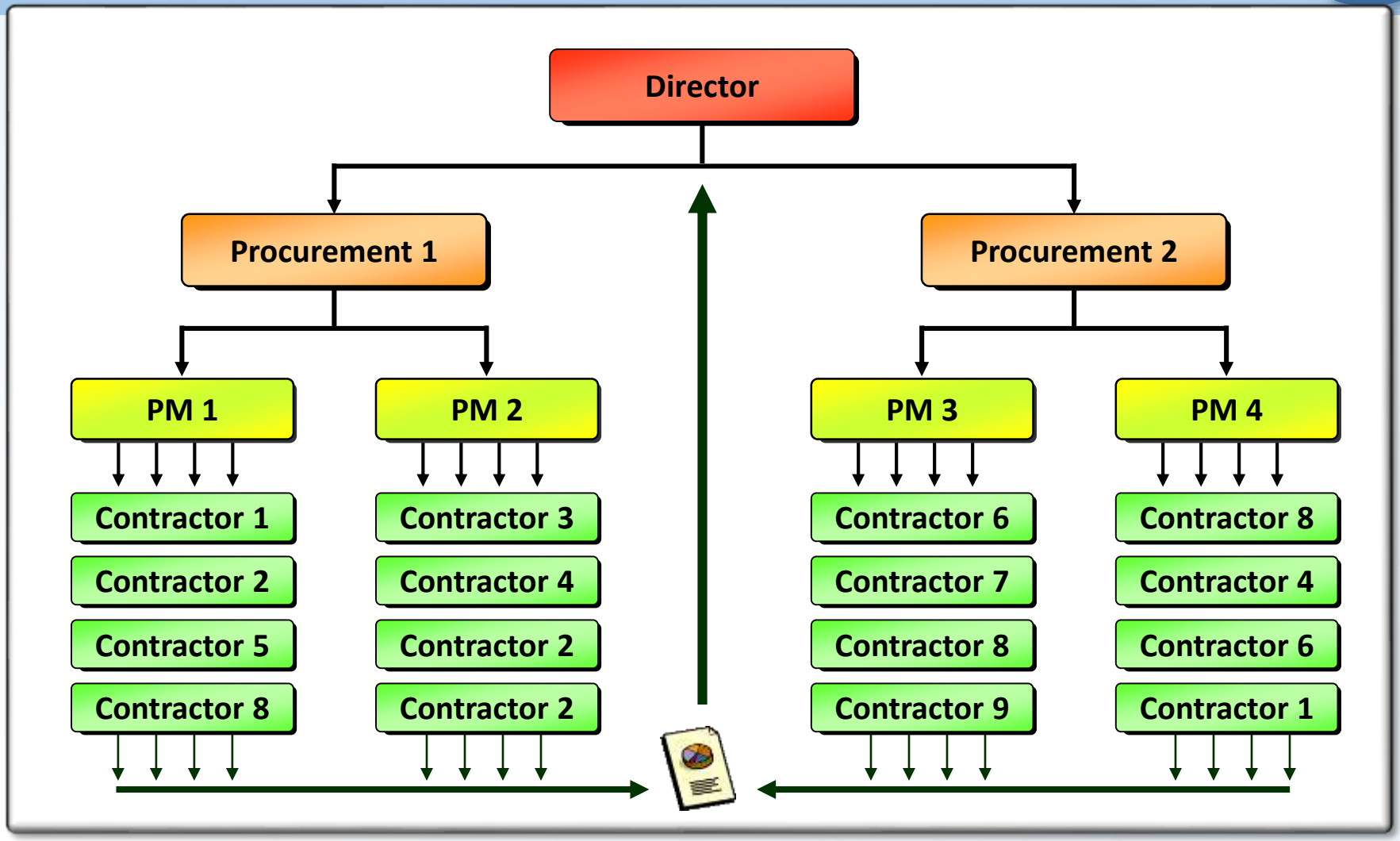
- Spreadsheet that documents all risks on the service
- Risk = Anything that may impact cost or schedule. Risks can be caused by the Offeror or the Client
- Report must be submitted on Friday of every week (until service is complete)
- The WRRS does not substitute or eliminate weekly progress reports or any other traditional reporting systems or meetings (that the Offeror may perform or may be required to perform).



Individual Project vs Organization

3

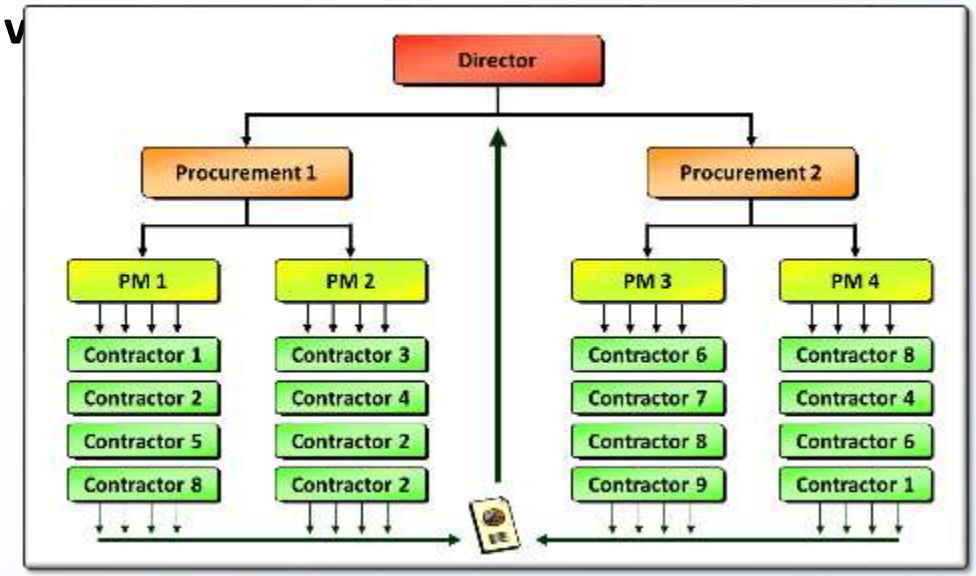
Risk Management by Contractor 3



Contractor Generated Reports

3

- 161 projects
- Reports submitted once per week via email
- System would then pull the data from each spreadsheet into a master report ("Directors Report")
- Data can be used to generate a wide v
  - Individual Projects
  - External Contractors
  - External Designers
  - Client Project Managers
  - Client Procurement Officers
  - Other Internal Staff
  - Selection Process (LB/BV)
  - Delivery Method (DBB, DB)
  - Entire organization



University of Minnesota

- 4th Largest University in U.S. (69,000 students)
- 5 major campuses
- 3.6 Million Square Feet (classroom and research space)
- Founded in 1851
- $3 Billion in Revenues (tuition, research, sales, etc)

- Partnered with Capital Planning in 2005 to increase accountability and document performance

Overall Program

3

General Overview

Total Number of Projects (Completed and In-Progress)	161
Awarded Proposal Cost:	$ 49,178,524
Approved Value Added Options:	$ 4,041,940
Total Awarded Cost:	$ 50,603,783
Average Proposal Cost:	$ 55,247,798
Percent Awarded Below Average Cost:	11%
Percent of Projects where BV had lowest cost	53%
Percent of Projects where BV was TGB Vendor	16%

Cost Increases

Overall Change Order Rate	7.0%
Client Change Order Rate	4.9%
Internal Partners Change Order Rate	1.4%
Designer Change Order Rate	0.7%
Contractor Change Order Rate	0.1%

Schedule Increases

Overall Delay Rate	45.1%
Client Delay Rate	23.8%
Internal Partners Delay Rate	12.9%
Designer Delay Rate	4.2%
Contractor Delay Rate	4.1%

Satisfaction Ratings

CPPM Post Project Evaluation of Vendor	9.6

Contractor Performance

3

No	Contractor	Total Number of Projects	Total Awarded Cost:	Owner Change Order Rate	Owner Delay Rate	Vendor Change Order Rate	Vendor Delay Rate	Percent of Late Reports	Vendor Performance
1	Contractor 118	3	$ 721,965	0.3%	18.1%	0.2%	66.8%	53%	120%
2	Contractor 119	3	$ 220,002	0.7%	10.4%	0.0%	0.0%	69%	69%
3	Contractor 120	1	$ 269,850	9.4%	303.0%	0.0%	18.2%	47%	65%
4	Contractor 104	3	$ 459,225	1.6%	2.7%	0.0%	18.8%	37%	56%
5	Contractor 121	1	$ 241,575	0.0%	21.9%	2.7%	50.0%	0%	53%
6	Contractor 105	8	$ 1,611,015	0.3%	32.9%	0.0%	16.3%	32%	49%
7	Contractor 106	9	$ 1,280,362	2.2%	31.1%	0.7%	3.2%	35%	39%
8	Contractor 122	3	$ 367,650	0.0%	79.1%	0.0%	1.4%	37%	38%
9	Contractor 107	1	$ 178,440	0.0%	0.0%	0.6%	11.4%	25%	37%
10	Contractor 123	2	$ 3,227,182	14.9%	0.0%	-0.6%	5.4%	30%	35%
11	Contractor 108	2	$ 327,295	0.0%	135.4%	0.0%	0.0%	32%	32%
12	Contractor 124	1	$ 69,218	3.5%	0.0%	0.0%	0.0%	31%	31%
13	Contractor 125	3	$ 1,150,738	1.9%	7.3%	0.0%	4.2%	26%	30%
14	Contractor 109	5	$ 534,095	2.0%	23.2%	0.0%	0.0%	29%	29%
15	Contractor 126	1	$ 323,000	3.3%	3.4%	0.0%	6.8%	22%	29%
16	Contractor 110	1	$ 308,882	1.2%	24.8%	0.0%	0.0%	27%	27%
17	Contractor 127	7	$ 1,793,355	3.8%	13.6%	0.0%	0.0%	26%	26%
18	Contractor 128	4	$ 2,956,800	1.3%	1.7%	0.0%	12.2%	11%	23%
19	Contractor 129	6	$ 1,319,789	2.2%	16.2%	0.0%	11.0%	9%	21%
20	Contractor 111	4	$ 1,096,707	0.1%	0.0%	0.0%	9.8%	10%	19%
21	Contractor 112	1	$ 446,100	0.0%	6.9%	0.0%	0.0%	15%	15%
22	Contractor 113	3	$ 552,815	5.1%	29.4%	0.0%	7.0%	8%	15%
23	Contractor 114	2	$ 1,841,157	13.0%	215.8%	0.0%	0.0%	13%	13%
24	Contractor 130	4	$ 795,791	0.8%	0.0%	0.0%	0.0%	12%	12%
25	Contractor 101	4	$ 322,400	0.0%	0.0%	0.0%	0.0%	8%	8%
26	Contractor 115	3	$ 753,660	10.9%	54.7%	0.0%	0.0%	7%	7%
27	Contractor 102	1	$ 14,150	0.0%	0.0%	0.0%	0.0%	0%	0%
28	Contractor 116	1	$ 109,710	0.0%	0.0%	0.0%	0.0%	0%	0%

Report – Analysis of Risks

3

Risk Category	Number of Risks	Impact to Cost	Impact to Schedule	Percent Impact to Cost	Percent Impact to Schedule
1) Client Impacts	**114**	**$660,369**	**1,200**	**59%**	**46%**
Client Scope Change / Decision	111	$ 660,369	976	59%	37%
Client Requested Delay	3	$ -	224	0%	9%
2) CPPM Impacts	**135**	**$329,425**	**885**	**30%**	**34%**
Design Issue	48	$ 189,876	230	17%	9%
CPPM Issue (Codes / Permits)	36	$ 46,140	170	4%	7%
CPPM Issue (Energy Mgmt)	2	$ 47,533	30	4%	1%
CPPM Issue (Hazardous / Health & Safety)	8	$ 35,407	118	3%	5%
CPPM Issue (NTS)	8	$ 10,018	64	1%	2%
CPPM Issue (Contract / Payment)	11	$ -	132	0%	5%
CPPM Issue (Other)	22	$ 451	141	0%	5%
3) Contractor Impacts	**43**	**$21,005**	**411**	**2%**	**16%**
Contractor Issue	11	$ -	101	0%	4%
Contractor Oversight of Design	9	$ 21,005	38	2%	1%
Contractor Issue with Supplier / Sub	23	$ -	272	0%	10%
4) Unforeseen Impacts	**19**	**$102,544**	**111**	**9%**	**4%**
	311	$ 1,113,343	2,607		

Testimonial

3

"We've been at this for five years. That's a research partnership relationship with ASU, where they have supported us 100% in out efforts. And through that process we've saved about $42 Million or 31% of our expected spend"

Michael Perkins
Associate Vice President
Capital Planning and Project Management
University of Minnesota

Best Value System

High Level Overview

Details

- Proposal ($)
- Schedule
- Past Performance
- Risk Assessment
- Value Assessment
- Interviews

- Clarification
- Pre-Planning

- Award
- Weekly Reporting
- Post Award Metrics
- Final Documentation
- Update PPI

UNIVERSITY OF ALBERTA

Project	Value	Cost Savings	Schedule Impacts	Satisfaction / Performance
1. Custodial Services (campus-wide)	$18M	$2M 10%	5.5% performance Improvement	10 (out of 10)
2. DB Construction (Research Facility)	$30M	$8-12M 25%	14-18 months	9.7 (out of 10)
3. Design Services (Building Redevelopment)	$4M	$500k 12%	0% Cost & Schedule CO's	$190k in Value Added Options

Ontario

MINISTRY OF TRAINING, COLLEGES AND UNIVERSITIES

Productivity and Innovation Fund

- **In November 2013, the MTCU awarded a grant to a consortium of Ontario Universities to assist in a collaborative effort to implement the ASU Best Value Business Model (BVBM).**

- **The expected outcome of this Proposal is to provide the Ontario Universities with a new tool that enhances their sourcing options by capitalizing on vendor expertise, while holding them accountable for performance and minimizing risks.**

- **The grant covers efforts to conduct up to two collaborative university projects, as well as two-three projects at each of the participating institutions.**

Western University · Canada

University of Waterloo

uOttawa

Queen's University

Wilfrid Laurier University

Current Efforts

- **Furniture Services**
  - $50,000
  - Awarded 3/12/14
  - Very tight schedule
  - Held post-award debriefing with a vendor
- **Recycling Services**
  - 3-year contract (up to 6 years with renewals)
  - $1M ($290K/year estimated)
  - Currently in Procurement (Phase 2)
  - Client is very happy thus far
- **Residence Wireless**
  - Budget = $360,000
  - Many proposals
  - Potential BV is under budget
- **Parking Management Services**
  - 5-year contract (install and maintain)
  - $2M (estimated)
  - Currently in Procurement (Phase 2)
  - Client is very happy thus far
- **Travel Management Services**
  - Consortium (6 institutions)
  - 5 year contract (up to 10 years)
  - $15M+ in travel services (estimated)
  - Currently in Procurement (Phase 2)
- **Retirement Income Fund Mgmt**
  - $248 Million
  - Currently in RFP Development
  - Pre-Proposal Conference May 7 in Toronto

Canadian Efforts

- University of Alberta
- University of Ottawa
- University of Manitoba
- Wilfrid Laurier University
- Queen's University
- University of Waterloo
- Western University
- Dalhousie University
- Simon Fraser University
- City of Spruce Grove
- Alberta Infrastructure
- Workers Comp (NS)
- City of Edmonton

FEEDBACK

Evaluator Comments

"This is a huge mindset change. In the traditional process we had all the info however it was info overload, not well presented and difficult to differentiate the vendors. The Best Value process shares that info but in a different way and at different times. I'm pleased with the results to date."

"I like the objectivity of the process and I like the brevity of the sections which are evaluated."

"I have already taken components of this process and applied them to other projects"

"I found the interview portion to be quite illuminating and useful. I have since incorporated an interview as part of another project's selection process, and see the wisdom of this dialogue and clarification."

Testimonials – End Clients

- *I found the BV evaluation to be must faster and simpler than a traditional RFP. The outcome of the clarification phase (Phase 2) was very comforting, knowing that the vendor meet our requirements and then expanded on services we did not request.*

- *My overall comment: I am very happy having taken part, and pleased with the results…I hope to incorporate the best-value process into more of our Projects.*

Vendor Survey Results

(27 Vendors| Feb 2014)

- *"I really like the suggestion of being a part of the planning process, instead of trying to accommodate a process that has been given to a vendor."*

- *"We had virtually fired them as a client in 2013 because we could not see any opportunity to add value through the existing approach and process. It is very courageous of them and a huge cultural shift to try this and I can only hope they can make it happen and stick with it."*

- *"We often feel like 'lowest price' is the law, not best quality/fit for the project. Bids feel pre-decided."*

- *I'm not usually the lowest-bidder, but I consider myself the highest quality. I wouldn't have normally bid on this project, but I saw that the University wanted to operate differently this time.*

The Center Of Excellence

Vision: Create a Nationwide Center for Best-Value Procurement in Canada

Objectives:

- Collaborate with other organizations
- Expose and educate new entities to the BV process
- Become mentors for new users
- Be the center for all of Canada (not just Ontario)
- Participate in an annual Best-Value Conference

COMMENTS / QUESTIONS