

Construction Oversight & Review Comment
Potential Cost Saving Options
Draft – July 17, 2006

| No. | Title/Description | Pros | Cons |
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| 1 | Group Projects and Award to a Single Contractor | One construction manager would have lower cost per project if they have a project team that can manage multiple projects simultaneously. If projects are similar the CM can more easily apply lessons learned. | Does not work for subcontractors because contract sizes get too big and we would reduce the numbers of bidder thus driving up cost. Doing too many projects at one time also reduces the number of bidders and increases costs. Bigger projects also reduce opportunities for smaller firms. |
| 2 | Increase Direct Purchases of Materials - The District currently purchases many materials and equipment directly to save on sales taxes, however, we may be able to save more on sales taxes as well as reduce markup on materials by purchasing more materials directly. | Save the 6.5% sales tax plus whatever markup there is on materials. | Administrative costs which offset some of the savings. Risk associated with delays. Finger pointing if materials are late or defective. |
| 3 | Bulk Purchases - Purchase large quantities of items that are commonly used in schools such as ceiling tiles, floor tiles, light fixtures, etc. | The District could potentially realize savings by taking advantage of volume discounts. | Additional savings may be minimal since we are already purchasing items in large quantities for individual schools. There is a point below which the vendors can not lower their price and still make a profit. There are also administrative costs, storage and insurance costs which the District would incur. |
| 4 | Increase Standardization - Standardize on such items as furniture, flooring, lighting and equipment. | Less variety could potentially result savings. This is similar to what is done by major retail chains. | Schools want to have some variety in terms of the "personality" of the school. There are some limitations in terms of single source purchases. |
| 5 | Increase Value Engineering – Identify less expensive options that do not sacrifice quality or life-cycle costs. | Done right VE will add or retain value without sacrificing life-cycle costs. | Done incorrectly we could sacrifice quality, increase life-cycle costs and alienate others such as other governmental agencies, neighbors and building occupants. |
| 6 | Shared Savings Incentives – Provide incentives to the designers and/or contractors to save money. | Could motivate firms to find innovative ways to save the District money. | Some firms already do this to some extent because it gives them a leg up on their competition; this would only split the savings whereas the District gets all of the savings now. |
| 7 | Reduce Sizes of Spaces – Examples may include decreasing the size of offices, classrooms, hallways, mechanical rooms, etc. | Less square footage will result in lower costs. | Could create equity problems. Users do not want smaller spaces for offices and classrooms so there will be resistance. Narrower hallways could lead to more fights. Smaller mechanical spaces could lead to poorer maintenance. |
| 8 | Eliminate Certain Facilities – Examples may include football stadiums, gymnasiums and auditoriums. | Eliminating facilities would save money. | Could result in equity issues as some schools would have them and some would not. The District looked at regional stadiums and auditoriums, but decided to include these at all high schools instead. |
| 9 | Use Less Expensive Materials – Eliminate preferences for certain types of equipment and/or use less expensive materials like latex instead of epoxy paint or bare concrete instead of quarry tile. | The District could save money up front. Some less expensive materials may be able to be used in some applications without sacrificing quality or life-cycle costs. | Typically less expensive materials result in poorer quality, less serviceability, and/or higher repair and operating costs. |
| 10 | Delete Requirements Above the Building Code – This is similar to #9, but also includes things such as building commissioning. | There may be some requirements that the District has a "preferences" that are above Code requirements. Eliminating or modifying these could save money. | There "preferences" have generally come about as a result of experience. Eliminating some may result in increased costs over the long-term. |
| 11 | Use More Prototype Designs – Use the same design multiple times. | Repeated use of designs results in lower costs for the design and can also result in savings because contractors are familiar with the design. There may also be opportunities for bulk purchases. | Communities like to have their own identities and some times frown on cookie cutter designs. Prototype designs are difficult to use on modernizations due to site constraints. The DOE has issued a very restrictive interpretation of what is considered a reuse of a prototype. |
| 12 | Reduce the Requirements for Designers and Contractors – This could be characterized as reducing "red tape" by eliminating unnecessary policies, procedures and paperwork. | This could result in attracting more contractors and increased competition could produce better pricing. Current firms could also save the District money because their costs for doing business with the District would be lower. | Many things that are considered "red tape" are there to protect the District or the public and eliminating them could expose the District to greater risks. |

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| 13 | Get Others to Pay – Examples may include joint park/school sites where the County, municipality or developer pays for the park. | This allows the District to leverage its dollars and focus spending them on the educational plants. | These deals usually come with some strings attached such as joint use which could mean increased use and increased maintenance and repair costs. |
| 14 | Provide a OCIP – A master or owner's controlled insurance program that covers the contractor and subcontractors for certain types of insurance. | These programs could save money by lowering the cost of insurance and increasing competition by allowing other subcontractors the opportunity to work on school projects who may not have otherwise because they could not get or afford the insurance. | These programs can be complicated and it is not always easy to identify the savings. Some contractors chose not to deal with an OCIP which decreases competition and increases costs. |
| 15 | Increase Online and Televised Education – Increased use of technology instead of building more classroom space. | Technology could make it possible to eliminate some classroom space which would save money. | The use of technology for this purpose at the K-12 level has been slow in developing. |
| 16 | Salvage More Items from Modernizations – Reuse more furniture, equipment and building materials. | Recycling can save money provided the cost of salvaging is less the cost of replacing. | There could be some equity issues if some schools have to keep items other schools were able to replace. There is a cost for recycling. Most of the older equipment is not energy efficient. |
| 17 | Experiment with Different Materials – Allow vendors to provide free samples and investigate different alternatives. | Free samples could save money. Keeping an open mind to new materials could result in changes to the District standards that could save money on future projects. | Hundreds, if not thousands, of new products are introduced every month. It is time consuming to go through them to see what works and doesn't. The District does not want to be a guinea pig and end up with something that could be harmful to building occupants. |
| 18 | Get Ideas from Users and Others – Ideas come from a variety of places. Focus groups, incentives, suggestion boxes and surveys are some options for gather ideas. | Opening up opportunities for people to make suggestions could result in more cost saving ideas. | Any program needs to be administered to make sure it is effective. This requires time and resources to investigate and respond to suggestions. |
| 19 | Increase Scrutiny of the GMPs – Provide more comprehensive reviews of the GMPs including the bid packages sent to bidders, the bids and the qualifications and assumptions. | More scrutiny could identify things that are costing the District money. | Requires additional resources to find those potential savings. |
| 20 | Negotiate Better with the CMs and A/Es – Reduce costs by negotiating better fees. | A professional negotiator may be able to negotiate lower fees and save the District money. | Many firms already complain that the fees are too low. Lower fees may drive away some of our best firms who can find work in other areas. |
| 21 | Hard Bid – After the designer obtains the building permit put the plans out for GC bids. | Could result in increased competition and lower cost. | Lower bids are not always best because they could result in more change orders and increased litigation. |
| 22 | Establish Standard Contracts for General Conditions and Reimbursables Items – Examples may include blueprints, delivery services, computers and software. | The District may be in a better position to negotiate better pricing than the architects and contractors who charge the District for these things. The District should also be able to get government rates if it pays directly. | If direct payment is required it will require more resources to handle the accounting. Some firms may already have contracts that they would have to break in order to use the District's vendors. |
| 23 | Reduce Paper and Increase Use of Electronic Documents – Use more email, CDs, websites and web-based databases for exchanging information. | The reduction of paper copies would save cost of paper and reproduction. | Takes time for training and requires equipment and software. |
| 24 | Revise CM Contract to Pay for Actual Time – Current contract pays based on completion of a scope of work versus attendance. | The District would save if certain personnel are not working on the project for any duration of time. | Requires additional resources to monitor attendance and review payment applications. Increases paperwork for the vendors which could increase costs and lower competition if firms elect not to work on the District's projects. |
| 25 | Revise A/E contract to pay for actual time - Current contract pays based on completion of a scope of work versus attendance. | The District would save if certain personnel are not working on the project for any duration of time. | Requires additional resources to monitor attendance and review payment applications. Increases paperwork for the vendors which could increase costs and lower competition if firms elect not to work on the District's projects. |
| 26 | Build Sooner to Avoid Inflation – Move up the construction schedule for projects. | Generally the sooner the project is built the lower the cost because the District will avoid some amount of inflation as costs continue increase over time. | Funds are not always available so this is usually not an option because projects are currently built as soon as funding is available. Putting more projects "on the street" at the same time also decreases competition and increases costs. More projects also means the District needs more resources to manage those projects simultaneously versus sequentially. |

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| 27 | Reduce Insurance Requirements – Lowering the requirements for insurance could mean eliminating certain types of insurance or lowering the coverage amounts. | Lowering the insurance requirements to the legal limits would result in lower premiums. | Lowering insurance requirements could result increased risks for the District as well as the designer or contractors. It could also result in less qualified firms doing work on District projects. Major firms may carry the higher cost insurance for their own protection and still try to pass the cost along to the District. |
| 28 | Take Advantage of Discounts on Purchases by Paying Faster – Many vendors will give a discount for early payment. | Savings could be significant with the amount the District pays to various vendors on construction projects. | Faster payment could result in less scrutiny of invoices which could result in overpayments. |
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