

Gentlemen; attached is a brief write-up of a new concept being investigated by the department. The idea initially started with the Performance Contracting Initiative and is being singled out now in an effort to increase the efficiency of our operations and to save funds during these times of growing demands and declining revenues.

Please review the concept and provide me with your suggestions, comments and additions by February 3rd. There are several details to be finalized for which the district's input will be vital if this initiative is to go forward for approval by senior management and be to successful if implemented.

If you have any questions please call. (OPTION ...call Greg Schiess or myself).

New Concept: Post Award Cost Saving Initiative (CSI) Workshop

January 25, 2010

The goal of the Post Award Cost Saving Initiative (CSI) Workshop is to create an opportunity for the awarded contractor and the department personnel involved in the day-to-day construction of a project to examine the contract and plans prior to construction beginning. The thought is that by providing time and incentives, those ideas which normally fall in the category of "if we had more time," or "I wished I'd known that was in the contract" to be discovered in advance of the crews being mobilized and the contract time clock ticking. The concept could work on any size project but is envisioned to have its niche for the smaller, short duration projects where the scope involves the typical work accomplished by the department. It is presumed that for the larger, more complex projects where there are potentially greater opportunities for Value Engineering Change Proposals (VECP) and substantially larger financial incentives, the present VECP process already affords sufficient incentives.

The idea of the workshop approach is to allow real time feedback on ideas presented by either the contractor or department project personnel in an effort to discover areas to be addressed and to expedite the process of developing and approving the modifications. This will also foster the rapid implementation of concepts recently discovered on other projects trying this concept.

The concept would fundamentally follow the VECP process. However, to encourage participation and to foster the development of additional cost saving proposals with this initiative, the following concepts and/or incentives are being considered:

1. The District would determine which projects to include the option of allowing the CSI Workshop.
2. The decision to have the workshop is at the contractor's sole discretion.
3. If elected by the contractor, the workshop would be held after the preconstruction conference and before contract time would begin on the project. The parameters involved with issuing the

notice to proceed and contract time would be handled contractually in a manner similar to the Flexible Start methodology.

4. If the workshop results in a bona fide concept, the department at its sole discretion may postpone the charging of contract time an additional limited amount of time to develop and obtain approval of the modification if the proposed change is determined by the department to be a time critical issue.
5. For a contractor initiated modification the contractor's share of the saving would be increased from the present 50% when the savings are below a given threshold. The percentage and threshold values have not been determined at this time.
6. For a department initiated modification the department would receive the majority of the savings after the contractor is compensated for its development costs, if any. Also, department employees that initiate a proposal that is subsequently adopted would be eligible to receive recognition and a monetary award from the district.
7. The cost of developing the cost savings proposal could be shared by the contractor and the department if it was a contractor initiated proposal. The department portion would be based on the cost of the development and the statewide implications for savings on other projects.