

Thomas, Frances

From: Powell, Jr., Rudy
Sent: Thursday, June 23, 2011 3:20 PM
To: Schiess, Gregory; Hewitt, Richard
Cc: Thomas, Frances
Subject: RE: Request for Clarification Regarding the Cost Savings Incentive Specification

Based on the email chain below it seems the confusion is who pays for the engineering costs. Adding the sentence below should clarify.

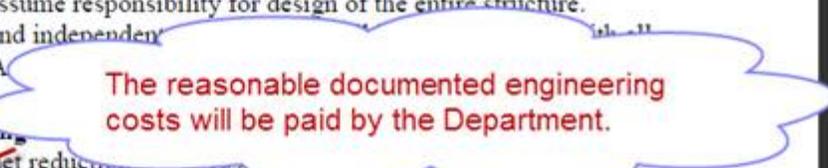
Frances: Take a look and work with Greg and Rich. This can be a minor change for 1/12 implementation. Thanks.

Contractor's Engineer of Record to assume responsibility for design of the entire structure.
New designs and independency
applicable Department, FHWA and A
ratings.

4-3.9.7 Sharing Arrang
Contractor shall receive 50% of the net reduction
determined by the final negotiated agreement between the Contractor and the Department. The
net reduction will be determined by subtracting from the savings of the construction costs the
reasonable documented engineering costs incurred by the contractor to design and develop a
Proposal. Engineering costs will be based on the consultant's certified invoice and may include
the costs of the Independent Review Engineer in 4-3.9.6. The total engineering costs to be
subtracted from the savings to determine the net reduction will be limited to 25% of the
construction savings and shall not include any markup by the Contractor or the costs for
engineering services performed by the Contractor.

**4-3.9.8 Notice of Intellectual Property Interests and Department's Future
Rights to a Proposal:**
4-3.9.8.1 Notice of Intellectual Property Interests: The Contractor's
Proposal submittal shall identify with specificity any and all forms of intellectual property rights

The reasonable documented engineering costs will be paid by the Department.



From: Schiess, Gregory
Sent: Monday, June 20, 2011 7:41 AM
To: Powell, Jr., Rudy; Hewitt, Richard
Subject: FW: Request for Clarification Regarding the Cost Savings Incentive Specification

Rudy-

After receiving more calls requesting clarification of the cost sharing and engineering cost for the new CSI spec, Rich was tasked to fix it. [see attached]

I agree with the new wording... your thoughts and comments

Rich- Thanks

From: Hewitt, Richard
Sent: Monday, June 20, 2011 7:26 AM
To: Schiess, Gregory

Cc: Sadler, David A

Subject: RE: Request for Clarification Regarding the Cost Savings Incentive Specification

Greg,

Attached is a Word document containing a first shot at modifying the Cost Savings Incentive Specification. The current Spec language and my modifications are both included in the document for easier comparison.

I took several shots at this and those are available as well, however, the challenge was discussing the general idea of the monetary split without getting into too much detail on all parameters regarding the Engineering Costs. I settled on handling this with the "Gross Cost Savings" and "Net Cost Savings" language. This allowed me to discuss the split and Engineering Costs in general, then detail the criteria and limits of the Engineering Costs.

Please take a look and let me know if you have any comments, suggestions, modifications, etc.

FYI. The Word document has "Track Changes" on, if you wish to edit the Word document and e-mail it back to me.

Richard M. Hewitt, PE

State Construction Pavement Engineer

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From: Schiess, Gregory

Sent: Monday, June 13, 2011 12:50 PM

To: Hewitt, Richard

Cc: Sadler, David A

Subject: FW: Request for Clarification Regarding the Cost Savings Incentive Specification

David and I discussed and agreed that the wording of the CSI should be readdressed. Please take a shot at it when you return.

From: Schiess, Gregory

Sent: Monday, June 13, 2011 12:49 PM

To: 'Christopher Bucknor'

Cc: Sadler, David A; Hewitt, Richard

Subject: RE: Request for Clarification Regarding the Cost Savings Incentive Specification

We will take another look at the spec and see if the section needs to be clarified.

In your example with a \$100k savings in contract items and a \$20k engineering cost, the contractor would receive the entire \$20K for engineering since it is < 25% of the construction savings. Additionally, FDOT and contractor would both receive \$40k of the CSI ($\$100k - \$20k = \$80k / 2 = \$40k$).

Please call if you have any questions.

Greg L. Schiess, P.E.

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From: Christopher Bucknor [<mailto:cbucknor@eacconsult.com>]
Sent: Friday, June 10, 2011 2:52 PM
To: Schiess, Gregory
Subject: Request for Clarification Regarding the Cost Savings Incentive Specification

Mr. Schiess:

Thank you for taking my call this afternoon. I would like a clarification on the implementation the new specification regarding the **Cost Savings Incentive** or **CSI Proposal**. This was covered under the attached DCE Memo.

The Section on Sharing Arrangements (Section 4-3.9.7) is ambiguous I am not sure of the Department's intent, but this new spec. might actually deduct money from the Contractor rather than helping him pay for design costs. For example, if construction savings are \$100K and the Contractor's design costs are \$20K, then the 50/50 split is made from \$100K - \$20K = \$80K. Hence the Contractor gets \$40K (50% of \$80K), but has to pay his designer \$20K, leaving him only \$20K in net savings.

Under the old Value Engineering spec., using the same scenario, the Contractor would receive 50% of \$100K or \$50K. If he pays his designer the same \$20K, he would realize a net savings of \$50K - \$20K = \$30K. From the DCE Memo and changes in the spec., I believe the intent is to help the Contractor pay for developmental costs, but the spec. does not calculate the split in that manner. In order for this to be a true 50/50 split (including a 50/50 split for developmental costs), the Department would have to pay for all design costs if they are going to subtract the design costs from the construction savings before calculating the 50/50 split on construction savings. My understanding from the DCE Memo however is that the design costs are still billed to the Contractor and incurred by the Contractor.

Please clarify.

Christopher Bucknor, P.E.
Director

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