

PORTOLA VALLEY SCHOOL DISTRICT MEASURE Z CONSTRUCTION PROGRAM

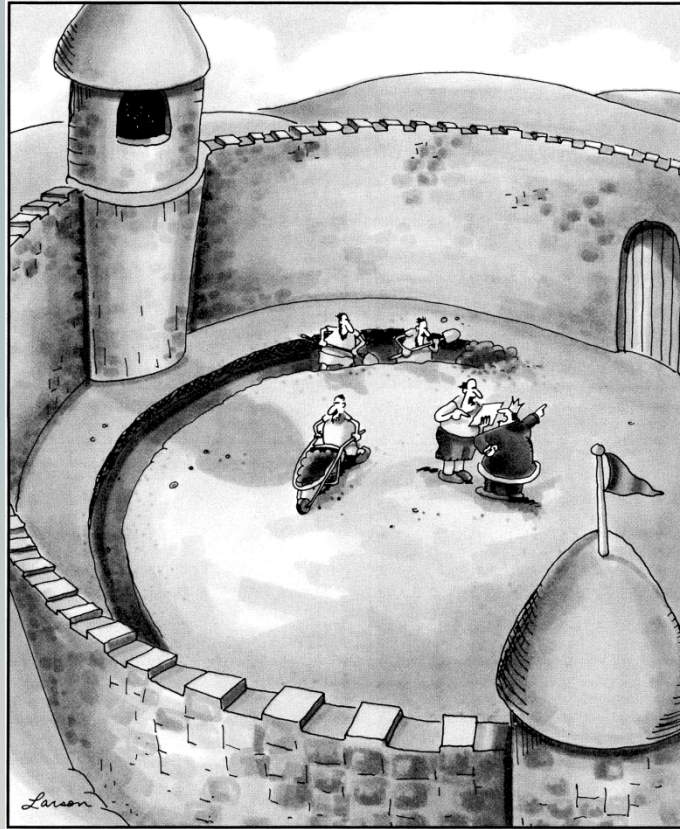
SINGLE PRIME VS MULTIPLE PRIME PROJECT DELIVERY OPTIONS

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Suddenly, a heated exchange took place between the king and the moat contractor.

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What is the Difference between Single Prime Delivery and Multiple Prime Delivery?

The premise of the multiple prime delivery method is that the more control the District exercises over the project, the better likelihood of achieving good construction quality, finishing on schedule, fewer disruptions to the school, and the reduced likelihood of construction claims, disputes and litigation.

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What is the Difference between Single Prime Delivery and Multiple Prime Delivery?

Single Prime Characteristics

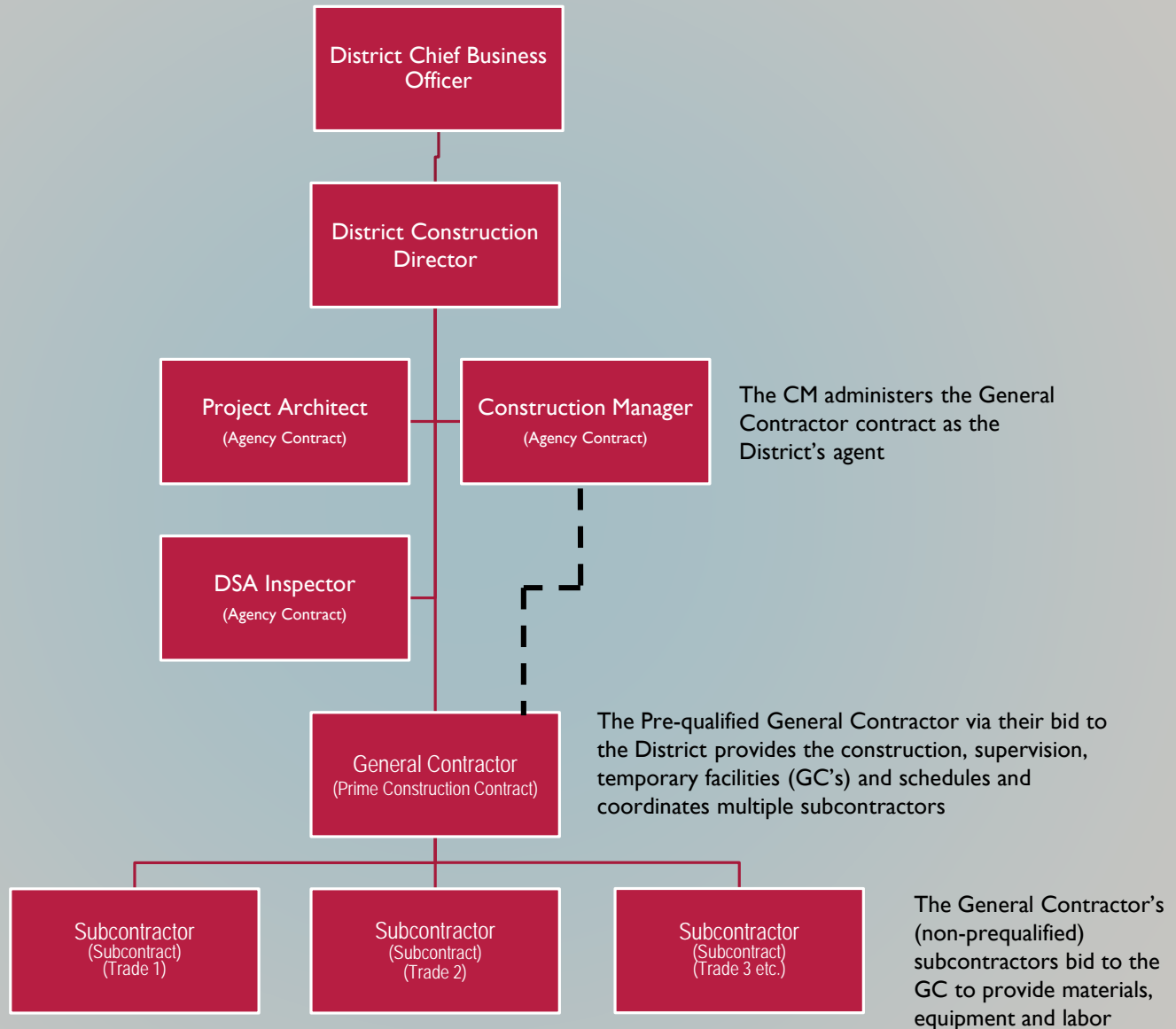
- Prequalify the General Contractors only
- One contract with one general contractor
- The general contractor provides for full time supervisory control of the project site for quality and safety and full control of the project schedule.
- The Construction Manager (CM) as the District's agent administers the general contractors contract.

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Single Prime Characteristics (Cont.)

- Single prime contracts can be sealed bid or lease-leaseback (LLB).
- Prequalified sealed bidding – prequalify multiple general contractors with a proven track record. Competitive bids ensure fair pricing.
- Lease-leaseback (LLB) – Select a single prime general contractor based on detailed statutory criteria. Via a site and facilities lease, a Guaranteed Maximum Price (GMP) contract is negotiated using the contractor’s preferred subcontractors and possible self performed work through negotiated allowances. A contractor controlled contingency is also established. LLB provides for high quality work, but is more expensive and less transparent than delivery methods utilizing sealed bidding. AB 566 triggered by Davis vs Fresno. LLB is now subject to onerous selection criteria and “skilled and trained workforce” requirements.

PROJECT CM DELIVERY MODEL – SINGLE PRIME



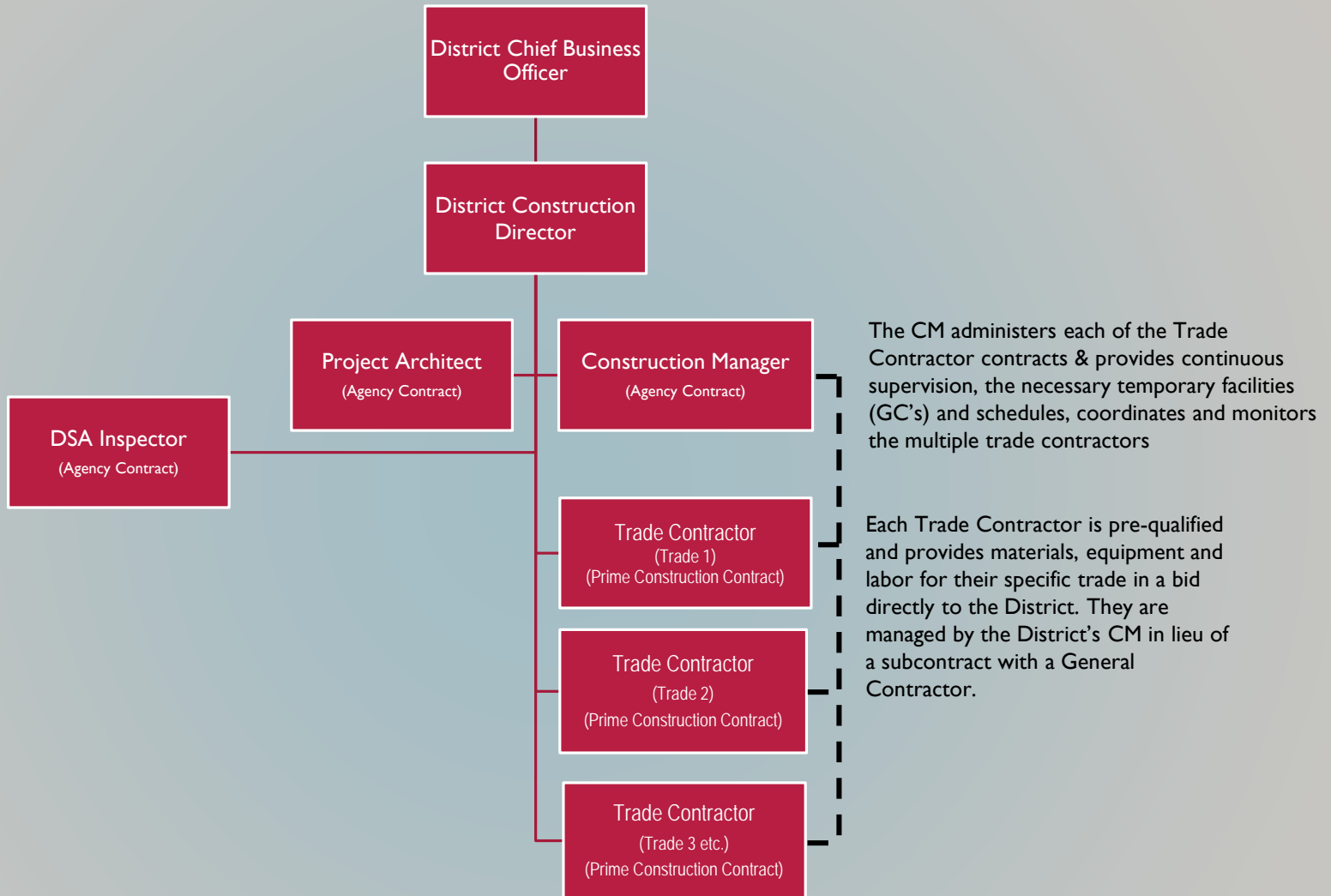
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What is the Difference between Single Prime Delivery and Multiple Prime Delivery?

Multiple Prime Characteristics

- Prequalify and bond all of the critical trade contractors
- Bid 7-10 separate contracts through sealed bidding for the most critical trades who are then managed by the builder CM
- The CM as the District's agent schedules and coordinates the work and administers the critical trade contracts.
- The District via the agent CM has full time supervisory control of the project site, full control of the project schedule, and daily coordination with the School, Architect, District staff and outside vendors.

PROJECT CM DELIVERY MODEL – MULTIPLE PRIME



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In Single Prime Delivery - The general contractor provides:

- Quality control and safety oversight for the entire project
- Creates, manages and updates the project schedule
- Controls all sub-trade contractor communication and work coordination
- Coordinates and schedules the special inspection and testing
- Provides all temporary facilities, surveying, utility locating, continual cleanup and final cleanup

In Single Prime Delivery - The general contractor: Provides the cost of the above services (General Conditions) in their bid.

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In Single Prime Delivery - The District's CM provides:

- Plan reviews, bid documents, bidding and contracting
- Support District in decision making
- Coordination with architect, inspector and other vendors
- Administration of the general contractor's contract
- Project documentation

In Single Prime Delivery - The construction manager provides the cost of the above services in their fee.

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In Multiple Prime Delivery - The trade contractors provide:

- The construction and safety oversight for their own contract work as defined in their scope statement and detailed CM construction schedule.

In Multiple Prime Delivery - The trade contractors provide the cost of these services in their bids.

In Multiple Prime Delivery - The District's builder CM provides:

- Plan reviews, bid documents, bidding and contracting
- Support District in decision making
- Full time supervisory control over the entire project.
- Quality control oversight for the entire project
- Creates, manages and updates the project schedule
- Administration of trade contractor contracts

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- Controls trade contractor communication and work coordination
- Oversees safety for the school occupants
- Coordination of special inspection and testing
- Temporary facilities, surveying, utility locating, cleanup
- Coordination with architect, inspector and other vendors
- Administration of the multiple trade contracts
- Project documentation

In Multiple Prime Delivery – In addition to the fee, the CM provides full time supervision and temporary facilities for the on-site general conditions on an open book T&M basis. (This is in lieu of a single prime general contractor including the cost for general conditions in its hard bid.)

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Pro's and Cons of Multiple Prime vs Single Prime

Pro's of Multiple-prime

- The district has more control. The full time on-site CM is the District's agent coordinating the construction, always looking out for the District's interests. The qualifications of the on-site CM are verified in advance and the CM is always on the District's side. This is not the case with a General Contractor's supervisory staff.
- A good on-site CM knows the job better than a GC superintendent via pre construction plan reviews, detailed scope statement development, site layout planning and detailed construction schedule management.
- Typically a cleaner and safer site and surrounding school vicinity by an agency CM
- Better control of quality via prequalified sub-trade contractors, direct communication with the sub-trade contractors and full time supervision and coordination by an agency CM

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Multiple Prime Delivery – Pro's & Cons

Pro's (continued)

- Better likelihood of finishing on schedule via full management and control of the construction schedule
- Less disruption to school mission due to more schedule control by District's CM
- No incentive to cut corners on site supervision. GC's try to minimize overhead and supervisory costs to increase their profit. No matter how reputable your general contractor is, the fact is that less expense = more profit.
- Better chance to prevent defective construction before it happens due to direct trade coordination and full time supervision by District's agent CM.
- Reduced likelihood of costly construction defects, claims and litigation by preventing problems before they occur.

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Multiple Prime Delivery – Pro's & Cons

Con's

- It is sometimes difficult to pin any unobserved trade damage on one of the trade contractors. Requires diligence in construction observation by the CM.
- Gaps can occur in trade contracts if an item of work shown on plans was not captured in a specific trade scope statement. These gaps need to be added via change order and change orders cost more than scope that was competitively bid. Under single prime the GC can be forced to perform missed scope at no cost to the District.
- District assumes more schedule risk. More difficult to blame a single trade contractor for delays.
- Most CM's are not very good at Multiple prime delivery.

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District staff recommends utilizing the multiple-prime delivery approach over single prime for our CMS and ORM new classroom projects.

- We have verified that our builder CM has a strong track record of successfully managing this approach for school districts.**
- Better control of risk. The District maintains firm control of the construction project via our CM agent builder CM. Managing school site safety, construction schedule and construction quality risk are the fiduciary duty of the CM. A single prime General Contractor's primary focus is maximizing profit margin.**

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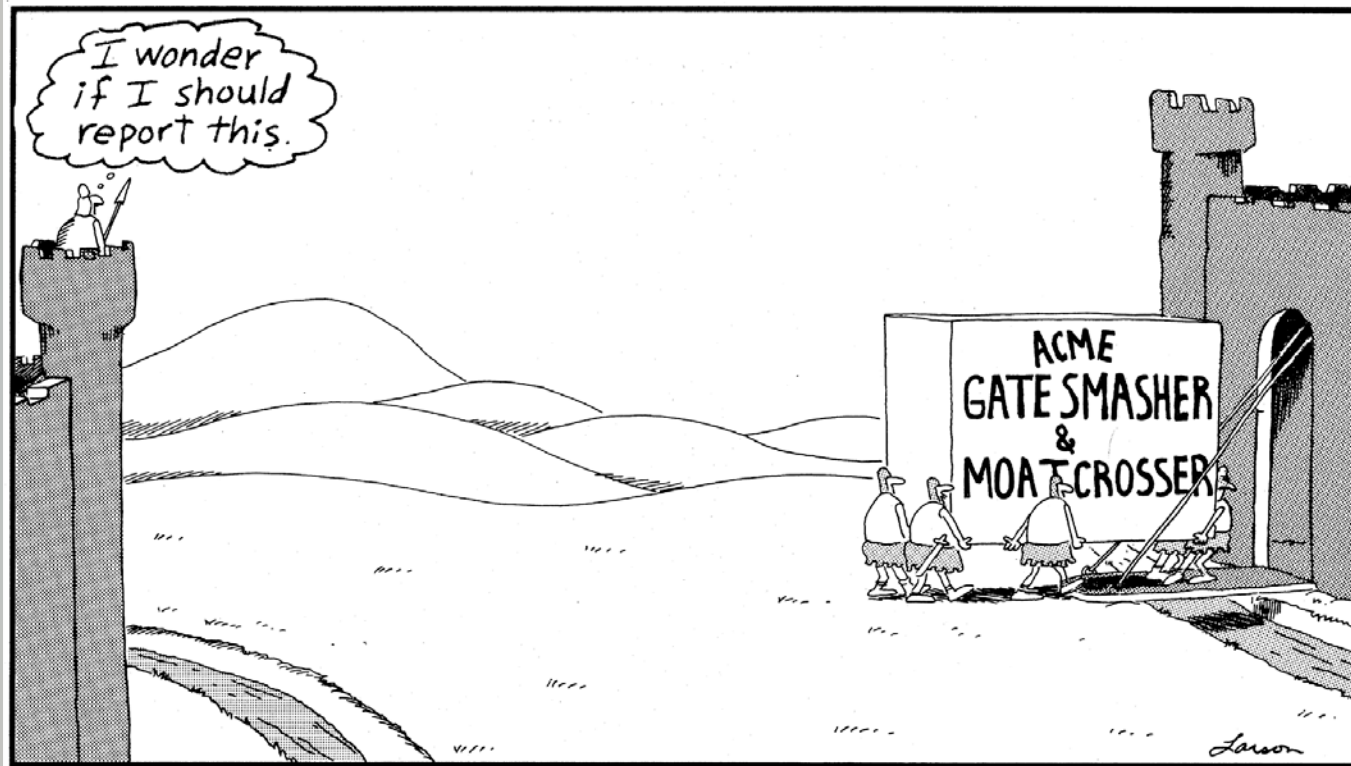
- Improves the quality of the trade contractors. In single prime, we only prequalify the General Contractors and are at the GC's mercy of the quality of subcontractors they utilize. In multiple prime we prequalify all of the prime trade contractors thus ensuring they are reputable.
- Multiple prime is a more cost effective approach than single prime. Under single prime, we contract with our CM to ensure the General Contractor's performance. Under multiple prime, we contract with the CM to perform the services of the General Contractor, thus eliminating a single prime General Contractor's 6-10% markup on all trade costs. Potentially catastrophic costs of defective construction, claims and litigation are effectively eliminated as well.

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- We can maintain maximum transparency through:
 - Sealed bidding directly to reputable prequalified trade contractors under Public Contract Code statutes. This provides for a sensible and defensible balance between fair pricing and quality construction.
 - The CM's fee is a well established standardized sliding scale percentage of the construction trade costs that the CM manages on our behalf.
 - The CM's construction phase general conditions are open book T&M as opposed to a General Contractors general conditions which are baked into their bid.
 - The District maintains full control of all expenditures from budget allowances and contingencies.
 - Our builder CM is always in our corner.

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Who is supervising your project?



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QUESTIONS?