



# Procurement Strategies for Construction Services

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# Three Basic Methods

1. Design-Bid-Build
2. Design-Build
3. Construction Manager/General Contractor (CM/GC)

# Explanation of Process

## Design-Bid-Build

- Owner establishes budget and building criteria
- Owner selects the design team
- Design is completed
- Design is advertised for bid to open market \*
- Project is awarded to the lowest responsive, responsible bidder for construction

*\*Participation can be limited to a pre-qualified list of bidders or based on a predetermined list of criteria to be used in selecting the most responsive, responsible bidder.*

## Design-Build

- Owner established budget and building criteria
- Design and construction firm is selected as one team based on a predetermined list of criteria
- The design and construction are both accomplished by the selected team

## CM/GC

- Owner established budget and building criteria
- Owner selects the design team
- During the design-development phase, owner advertises for and selects a construction firm based on predetermined criteria to join the owner/design team. Firm assists in completing the design and establishing a guaranteed maximum price (GMP)
- All trade work is bid competitively by the CM/GC

# Comparison

## Design-Bid-Build

- Statutes Preferred (279C.300)
- Lowest first cost
- Final cost ?
- A/E completes design
- Advertise
- Select low bid
- Owner risk

## Design Build

- Statutes allowed (279C.335)
- First cost on budget
- Final cost ?
- Design firm and contractor selected as one based on criteria
- Owner has little or no input into design
- Owner has no risk?

## CM/GC

- Statutes allowed (279C.335)
- Higher first cost
- Final cost ?
- Select contractor based on criteria
- CM assists in design
- Prepare bid package
- Shared risk

## Design-Bid-Build

### Pros

- Start with the lowest cost
- Contractor is selected on competitive basis
- Most familiar process for public
- Preferred by Oregon Statutes

### Cons

- The most adversarial of all systems
- May not be the lowest final cost
- Little control of contractor capabilities
- More change orders

## Design Build

### Pros

- Contractor/design selected as one. Therefore, design E&O not responsibility of owner
- Initial cost is within budget
- Other than owner, changes to initial design criteria is little to no risk

### Cons

- Owner has little or no input into design
- Owner is at greater risk for higher cost for owner initiated changes

## CM/GC

### Pros

- Contractor selected based on qualifications
- Contractor assists in design
- A GMP is established prior to bid
- Fewer change orders-fewer claims
- Time savings (work can start prior to design completion)
- Less adversarial

### Cons

- Requires knowledgeable and experienced owner
- Higher initial cost



# Project Characteristics

## Design-Bid-Build

- Few land use issues
- Start and complete with little or no interaction with existing functions
- Easily defined scope
- Minimum schedule constraints
- Design would result in few design errors

## Design-Build

- Specific use buildings
- Simple design criteria
- Repetitive function (open office space; hotel)
- Financed by others

## CM/GC

- High risk projects
- High level of technical complexity
- Strict budget constraints
- Complex phasing
- Significant scheduling constraints
- Complex site constraints such as unusual topography
- Value engineering that would result in substantial cost savings

# CM/GC Contracting

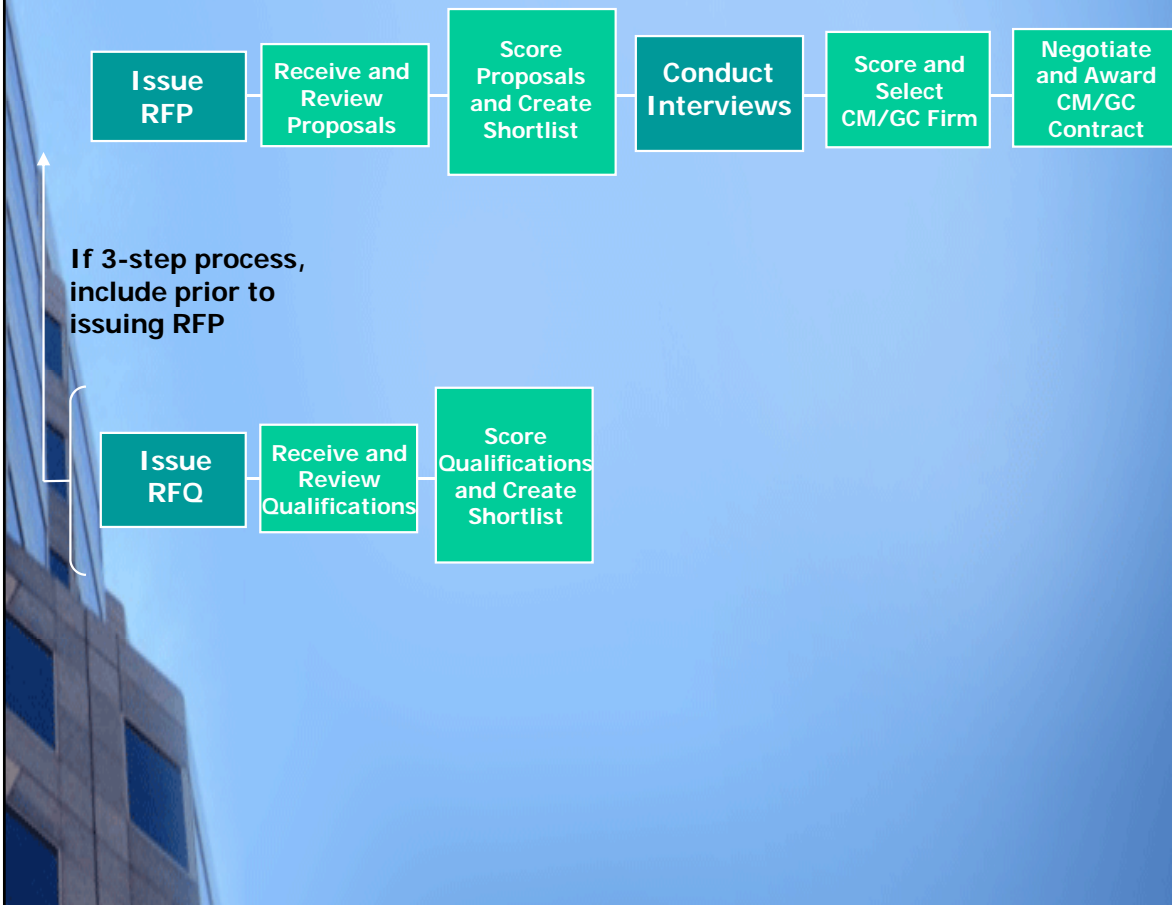
Owner



CM/GC

A/E

# 2-Step Solicitation Process



# FINDINGS

In order to exempt a project from the use of competitive bidding, the Contracting Agency must adopt findings that support their resolution to exempt the project. The following is a list of the "Findings" that must be addressed:

- 1) The exemption will not encourage favoritism
- 2) The exemption will result in substantial savings to the Agency
- 3) The effect on the Operational Budget
- 4) The effect on Public Safety
- 5) Is there a Public Benefit
- 6) Will Value Engineering be done
- 7) What effect do Market Conditions have
- 8) The effect on Public Safety
- 9) The Technical Complexity
- 10) What is the Funding Source and what effect will the exemption have

## Jerry W. Milstead Principal

- Bachelor of Science in Mechanical Engineering, University of Tennessee
- Founder and Current President of Milstead & Associates, Inc. 1980 – current
- Over 36 years experience in Construction/Project Management & Facilities Management
- Former Facilities/Construction Manager for Reynolds Metals, principally in charge of bringing the Longview, Washington cable plant on line
- Owner's Representative on construction projects ranging from Tenant Improvements to a \$132-million corporate headquarters
- Former Chairman, Multnomah County Building Code Board of Appeals
- Active member of Public Contract Coalition of Oregon
- Assisted in writing the Standards for Contracting under Oregon Contracting Laws

M&A was founded by Jerry Milstead in 1980 to assist health care owners with the expansion of their facilities. The first contracts were with Providence Portland and Kaiser Sunnyside Hospital. With over 36 years of project management experience, Jerry's projects benefit from his experience, knowledge and past project diversity with project types that reflect a variety of facility uses, both new construction and renovation. Jerry Milstead is one of the six original members of the Public Contract Coalition and has served on the committee that developed the CM/GC White Paper and Best Practices Guide for CM/GC. These documents have been used by most agencies throughout the State as a guide to the CM/GC process.

Milstead & Associates has been in business for 27 years and has been serving the Northwest out of their main headquarters in Clackamas, Oregon. Milstead & Associates has served projects as far north as Seattle, Washington and as far south as Anaheim, California. Milstead & Associates has managed more K-12 projects in Oregon than any other Oregon firm.

Milstead & Associates prides itself on providing management services to Owners on various projects including educational institutions, local, county and State public facilities, sports complexes, office towers, research facilities, correctional facilities, performing arts centers, multi-building corporate campuses, and more. Typically the project load is 90% public, of which 80% is **educational**.