

Value Engineering in a Design Build Finance Maintain Contract

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Real Value Cost Management

- “Cost Cutting” not an option
- “Whole – life” must be considered
- Reliability / availability - key

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Traditional Capital Procurement

- Creates a focus on construction costs after tender period - reactive
- Does not always bring best value to the long term operation
- Focus on capital can cause operations and life cycle replacement to suffer \$\$\$\$

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Building Management Focus on Capital Costs

- Reliability of plant
- Redundancy in systems
- Maintainability of plant

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Balance cost allocations

- Don't over build to satisfy operations
- Don't sacrifice operations costs to solve capital cost overruns
- Analyze the cost of capital vs. operating costs on a NPV basis by modeling

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Reality of the DBFM model

- Traditional VE – post tender - TOO LATE
- Seek private sector solutions to facility requirements including affordability in the RFP
- Set realistic expectations – obtain accurate cost data for the affordability model

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Reality of the DBFM model cont'd

- Prioritize facility requirements including both capital and operations
- Plan within this priority, areas that could be developed in future
- Develop an Output Specification that gives Private sector bidders the ability to achieve the affordability target

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Experience in a DBFM model

- Cutting capital costs without affecting the operating costs – very challenging
- Savings available in capital, suggests original specifications extravagant
- Facility area reduction – best saving value

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Examples from Experience

- Flooring – sheet vinyl vs. linoleum
- Base – rubber vs. cove
- Roofing – built-up vs. Modified Bit.
- Parking Garage – quality of topping
- Millwork – plastic laminate vs. solid surfaces
- Mechanical Plant – reliability and warranty key drivers

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Examples cont'd

- BMS – reliability, service and warranty key drivers
- Fire Alarm – reliability, service and warranty key drivers
- Elevators – reliability, service and life cycle contract

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DBFM Contract Transfers Risk

- Balancing original and replacement capital costs with operating costs
- Life Cycle of major equipment
- Therefore any Value Engineering in this model will preserve this

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