

CITY COUNCIL REPORT  
PUBLIC

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TO: Mayor and Council Members

FROM: Rick Compau, Purchasing Director

CC: Josh Copley, Barbara Goodrich, Shane Dille, Leadership Team

SUBJECT: Local Preference Points, Design-Build vs. CMAR

This CCR is in response to a council member's questions regarding how local preference points work for both Design-Build and CMAR, and the difference between Design-Build and CMAR as a construction project delivery method.

DISCUSSION

**1. What is the difference between Design-Build and CMAR?**

- Both are construction project delivery methods for City public works projects as allowed by Title 34, Arizona Revised Statutes. When using either a Design-Build or CMAR project delivery method, the City hires a contractor based on its qualifications and experience with similar project(s) that meet the needs of the City. The City issues a Request for Statement of Qualifications (RSOQ) with evaluative criteria to elicit the contractor's qualifications and experience. When using a Design-Build or CMAR project delivery method, Arizona law requires the City to select a contractor solely on qualifications and experience. Pricing is negotiated for a Guaranteed Maximum Price (GMP) only after a contractor has been selected as the most qualified and experienced for the specific project. If the City is unsuccessful in negotiating a GMP with the most qualified contractor, the City may negotiate with the next most qualified contractor.
- **Design-Build**: The City contracts with a contractor to design and build a project. This project delivery method that combines architectural and engineering design services with construction performance under one contract. The contractor typically subcontracts with a professional design firm.

- **CMAR:** (Construction Manager at Risk) A project delivery method in which the contractor acts as a consultant to the project owner (the City) in the development and design phases, and assumes the risk for construction performance. Typically, there are two (2) contracts, where the City contracts with a contractor for construction services and a separate contract with a professional design firm for architectural/ engineering services. It is possible for the City to enter into a third contract for construction management services.
- The formal procurement process for professional design services, capital improvements/construction and construction services are outlined in the City's Procurement Code manual, under Article 12. Article 12 incorporates requirements of Title 34, Arizona Revised Statutes. Most cities including the City of Flagstaff favor Design-Build and CMAR over the traditional project delivery method (low bid) because these newer delivery methods are more collaborative in nature, result in selection of the most qualified contractor, and help limit cost overruns.

**2. When the City builds roads, why do we use CMAR; and, when we build buildings, why do we use Design-Build?**

- Design of the project plays a large part in deciding which project delivery method to use.
  - **CMAR:** In this project delivery method, the City retains a professional design firm (architect/engineer) to prepare preliminary plans, details and specifications (estimated 60%+ completion). The City also retains a general contractor. The general contractor and design firm do not have a contractual relationship for the project. The contractor is required to work with the design firm to complete the design.

The advantage of a CMAR is that the contractor holds the risk of construction performance and guarantees completion of the project for a negotiated price which is usually established when the design is somewhere between 60 percent and 90 percent developed.

A CMAR is typically used as the project delivery method for horizontal or "flat work" construction, such as road repair and maintenance, water and sewer line improvements, as well as curb and gutter where all of these types of projects are relatively straight forward with regard to specifications.

A CMAR does not have any significant cost advantage in relation to other project delivery methods. However, there is a construction scheduling efficiency in project delivery due to

construction starting when the details, plans and specification are at 60% rather than 100% complete. For large roadway projects, this is ideal given the short construction season in Flagstaff.

- **Design-Build:** In this project delivery method, the City retains a contractor to design and build the project. Although the City may have a conceptual plan/design for the project, the selected contractor is responsible for preparing the details or specifications for the project during the design phase of the contract.

As an advantage, the contractor has input during the design phase eliminating possible changes during the project later on during the construction phase. Typically the general contractor enters into a subcontract with a design firm for design.

A Design-Build is typically used as the project delivery method for vertical construction, such as new buildings, big remodel and renovation projects where all of these types of projects generally will have some kind of conceptual design, but as mentioned above, there are no plans, details or specifications established for the project.

With regard to cost effectiveness and efficiency, a Design-Build project delivery method allows for better value engineering in an effort to reduce a project's cost and efficiencies are gained because the contractor works with the professional design team from the very beginning when specifications are being developed.

- The procurement process for professional design services, capital improvements/construction and construction services are outlined in the City's Procurement Code manual, under Article 12. Article 12 incorporates requirements of Arizona Revised Statutes, Title 34 for public works projects.

### **3. How local preference (local experience) points work for both Design Build and CMAR?**

- The City Procurement Division uses the same Value Added Knowledge and Experience evaluation criteria for a Design-Build and CMAR project delivery method when a Request for Statements of Qualifications (RSOQ) solicitation is issued. The City seeks to determine the contractor's knowledge and experience working in the City of Flagstaff or similar environmental/geological conditions, Flagstaff city codes and site conditions; as well as historical challenges, response time to staff and citizen's needs. These criteria help the City to hire the most qualified contractor for the job, and the

City recognizes that a contractor with local experience is valuable. The City worked with the Chamber of Commerce to develop these criteria, and the criteria have been in place for several years.

- Points are accessed the same in either the Design-Build or CMAR RSOQ solicitation, 10 points or 10% of the total possible aggregated score for all criteria. A copy of the criteria is attached.

**4. What is the definition of “local” as used in the Value Added Knowledge and Experience criteria?**

*“Local” is not defined in for purposes of the Value Added Knowledge and Experience, but generally is applied to mean Flagstaff and Coconino County.<sup>1</sup>*

**RECOMMENDATION / CONCLUSION**

This report is for information only.

Attachment: Value Added Knowledge and Experience (Section 14.2)

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<sup>1</sup> *The City Procurement Code Manual defines “Local Vendor” as the following:*

- Local Vendor means any individual or company, with a valid business license, issued by the City of Flagstaff and a business location within the City limits of Flagstaff, for a period of six (6) months.

The City does not require a Local Vendor in either a Design Build or CMAR project delivery method. The City Procurement Code Manual requires the Purchasing Division to make good faith efforts to make purchases of goods and services from Local Vendors for purchases less than \$5,000, and solicit quotes and or proposals from Local Vendors for purchases of \$5,001 to \$49,999. See Article 7 of the Procurement Code Manual. The City may not utilize Article 7 for public works projects which are governed by Arizona Revised Statutes, Title 34.