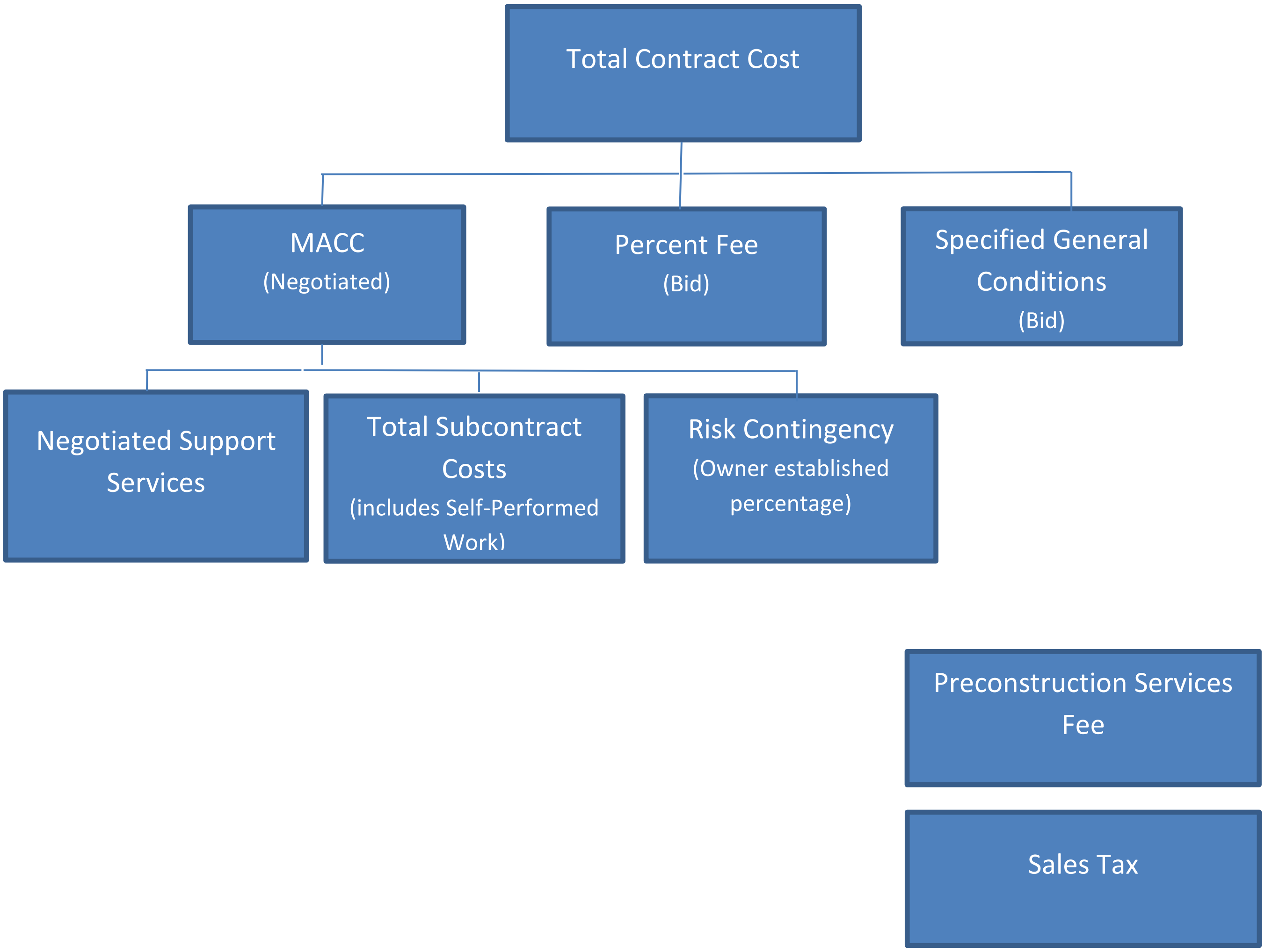
GCCM Best Practice – Total Contract Cost Chapter

I. Total Contract Cost – (21) "Total contract cost" means the fixed amount for the detailed specified general conditions work, the negotiated maximum allowable construction cost, and the percent fee on the negotiated maximum allowable construction cost.

II. MACC/components of the MACC 39.10.370 - (13) "Maximum allowable construction cost" means the maximum cost of the work to construct the project including a percentage for risk contingency, negotiated support services, and approved change orders.

  a.
    i. COW – Subcontracting
      1. Includes typical public bid subcontract packages
      2. Reference alternative subcontracting – Includes SCCM trade partners, if any.
      3. Includes any self-perform scopes (heavy civil GCCM also)
    ii. Contingencies/Allowances - Often established when there are likely or known cost(s) that cannot be properly quantified at the time of MACC execution, including but not limited to:
    iii.
      1. Design Development Contingency – 90% to 100% Documents. Often GCCM's will bid the work (COW) based on 90% design documents, however the design still needs to develop to 100% Contract Documents. This contingency may be used to cover any cost changes as a result of the 90% - 100% drawing development.
      2. Market Conditions/Escalation Allowances: To cover cost increases of labor/materials over the course of the project (owner must be willing to agree to this allowance and should clearly define what this allowance covers).
      3. Buyout Contingency: For scopes of work that are publicly procured after the MACC is signed. If packages are over budget savings go back to Buyout Contingency. If over, funds can be pulled from Buyout Contingency (if available) to cover the overrun(s).
      4.
      5.
    iv. Negotiated Support Services (defined elsewhere I assume)
      1. NSS is not included in the 30% self-perform rule volume limit for the GCCM. (39.10.390 (3))
      2. Reference option to convert all or some of NSS to LS – Owner may decide to make NSS items reimbursable at actual cost or covert to LS and GCCM carries the risk/reward.
    v. Contractor Risk Contingency (MACC RISK CONTINGENCY)
      1. Often defined by owner as a percentage of the MACC (The MACC value is a percentage of the overall project cost and typically consists of all items listed above in section a.i through a. iv.) This percentage should be clearly listed in RFP documents (cross reference other Best Practice Chapters). The General Conditions should outline what GCCM can apply the MACC Risk Contingency funds towards. The Owner shall approve all MRC usage.



a. Percent Fee –

b. Percent Fee –
Percent fee is on the estimated MACC. The fee shall be renegotiated if the MACC varies more than 15% from estimated MACC. The percent fee on the MACC and the fixed amount for specified general conditions are in addition to the MACC. The selection criteria should be described in the solicitation and includes price as a consideration. Percent fee means the percentage amount to be earned by the GC/CM as overhead and profit. RCW 39.10.360(4): *A public body shall establish a committee to evaluate the proposals. After the committee has selected the most qualified finalists, at the time specified by the public body, these finalists shall submit final proposals, which must*

include sealed bids for the percent fee on the estimated maximum allowable construction cost and which may include other price-related factors identified in the request for proposal. In no event shall a price-related factor include a request for overall project budget, estimate, or bid.

Fee has two components, profit and overhead. Typical overhead items include home office overhead expenses attributed to the project, all overhead expenses for subcontractor bidding, City and State B&O tax, performance and payment bonds, insurance.

c. Specified General Conditions
The “other price-related factors” described in the RCW may be based on one or more criteria such as the fee, plus specified general conditions, and/or staffing.

SGCs are either bid as part of the selection or negotiated at MACC and covers the cost for meeting all of the requirements of the contract, General Conditions (Div 0 and 1) including items like the administration of the subcontracting plan, cost accounting, progress scheduling, project meetings, safety plan, quality control, and warranties.

SGC could be bid as either a monthly fixed not-to-exceed amount or a fixed percentage of the construction cost amount to cover the cost of the general conditions. A disadvantage of bidding the SGCs is it may be difficult to accurately bid the SGCs this early in the design as the risks are not as well know and the actual construction may not begin for many years An advantage of bidding the SGC’s is that it prevents a contractor from bidding low on the fee and trying to increase the cost of the SGC’s at MACC. The cost responsibility matrix should be mindful of the approach to when or how SGC’s will be incorporated.

SGC must be clearly defined for bidding so that all contractors bidding the same scope of work. The agency needs to review and identify each category of work. Specifically, what would be in SGC vs. NSS. Ensure the cost category reflects the scope and expectations for the project. For instance, some projects might make sense to put the site clean-up in the SGCs, while others should be part of the NSS. NSS benefits everyone on the job. Think about how that item will be paid and who will be responsible for performing it.

SGC and MASC/subcontractor bid package - It is not acceptable for the GCCM to include items in the general conditions costs (for payment by the public owner) and then subsequently charge specialty contractors for the same items. The public owner will consider such acts of “double-dipping” as a serious violation. All cost items included within the project should be properly defined within the cost allocation or responsibility matrix to avoid any overlap between various budget categories.

d. Cost Allocation Matrix

The Cost Allocation Matrix is your "road map" for understanding and managing costs throughout the life of the project. It keeps the cost category allocations clear and ensure everyone is bidding the same work. This table lists the costs that are excluded and that are included from the Percent Fee on MACC, SGCs, NSS, SC/CM and Preconstruction. This matrix should be published with the solicitation in order to clearly communicate where costs should be accounted for within the TCC and also included as an attachment to the GC/CM contract.

The Cost Allocation Matrix may be displayed in a table with a column for each cost category: one for costs excluded from the percent fee and one for costs included in the percent fee. Costs can be attributed to tasks (e.g., mobilization), positions (e.g., project manager or project principal), and expenses (e.g., permit fees or rental equipment). This table serves as a reference for the GCCM when they are preparing their fee proposal during procurement and later when they are preparing invoices throughout the project. It is also a reference for agencies when they review the fee proposal and invoices.

This tool helps the GCCM and owner have a common understanding of what can be included in the GCCM percent fee. It helps avoid disagreements between the GCCM and the owner about what the GCCM can include in an invoice. Potential benefits include transparency and trust among project stakeholders, which can be beneficial in case there are disagreements down the road.

It helps establish clear expectations around costs included and excluded in the GCCM fee. Consequently, construction can later proceed smoothly and efficiently because of the reduced inquiries about invoices and what can and cannot be included.

Cost Allocation Matrix – Example: (maybe add as an appendix?)

II Owner Contingency – NOT included in the MACC

The Owner contingency, along with other owner development costs, not assigned to the GC/CM (such as Architect's fee) is not part of the MACC. The percentage of the MACC that the owner holds in reserve should reflect the perceived risks that the owner holds per the cost and risk responsibilities matrices, or whatever contract device has been used to assign risk to each party. It is recommended that that owner contingency is not less than the contractor's negotiated contingency, but in no event is less than 5% of the MACC or as defined by statute.

III Negotiations – How to establish the Maximum allowable construction cost. 39.10.370 -

vi. Timing – The RCW allows a range of options to establish the total MACC.

1. Full negotiation: Public body and GCCM negotiate the MACC and TCC based on 90% design documents or greater. The choice to do this prior to any subcontractor bidding is viable. Recognize the risk transfer process here and how this correlates to using estimates and contingencies to finalize the TCC agreement.

2. Early Bid Packages – Any subcontractor bid package can be bid out and the results of this process can be incorporated directly into the MACC being negotiated. This early bidding essentially means in advance of finalizing the MACC value. Therefore as little as one, or as many as all of the subcontractor bid packages can be bid in advance of establishing the MACC.
    a. Why – Timing – balance design completion status vs long lead procurement or phased execution scopes of work at the site.
    b. Why – Value - utilizing actual bid results for subcontractor scopes will minimize GCCM contingency funds or market risk type percentages in the TCC agreement.
    c. Best practice includes an evaluation of every individual bid package and the pros and cons associated with when is the ideal time to perform the bidding and establish a LS low responsive bidder for award.
        i. Price certainty early can be desirable, however if you have a very long total project duration and say for example the landscaping occurs at the final stage of work, this duration between bidding and execution can introduce complexity and risk to the plan.
        ii. It may be desirable to bid critical path, or major subcontract bid packages like civil, structure, mechanical, electrical and plan to adjust design scope for remaining subcontract packages in an attempt to maximize scope within the budget. In this scenario, the project team can make adjustments to un-bid work based on actual bid results for early packages.

vii. Multiple MACCs
    1. "mini-macc" – an initial or portion of the work, early bid, and this is the owners authorization for GCCM to proceed with those packages. This is a common reference to contracting a portion of a project to allow work to commence while the balance of the project remains to be negotiated or bid. Any early work (mini-macc's) shall ultimately be incorporated into the full MACC. There is a single MACC established when the TCC is established to include the full scope of work and price commitment. Any early or partial mini-macc's are incorporated into the TCC when established.
    2. Attention and planning should include recognition that billing procedures would need to support a phased integration of MACC values. I.e. processing payments with an incomplete full MACC or TCC.

viii. TCC includes the complete MACC, the specified general conditions, negotiated support services and GCCM fee. Portions or all of the negotiated support services may be converted to LS within the TCC. This simply means establishing a mutually agreed LS value for a portion or all of NSS. Any NSS scopes converted to LS would be excluded from the T&M audit process which applies to the balance of the NSS budget category.

e. Off ramp – if MACC negotiations are unsuccessful –

ix. The Owner, may choose to end the GC/CM procurement method and terminate the contract with the selected GC/CM providing compensation for work completed to date as determined by contract.
    1. If termination of the contract is elected, the owner may choose to engage with 2nd runner up during the GC/CM selection processor or
    2. Proceed with procurement with the finished design as a Design Bid Build process.

    Any work already authorized (a mini-MACC for early work for example), can limit the public body's ability to exercise the off ramp process until the limited scope is complete or negotiated terms for termination can be reached.

f. Renegotiating the fee – option to renegotiate when stated MACC value (from GCCM Procurement) changes by 15% or more.

g. Executing the contract
    x. Precon
    xi. TCC