

**Capital Projects Advisory Review Board
Guidelines to the Project Review Committee for
Evaluation of Design Build Operate Maintain Projects
December 10, 2009**

In this procurement model, the public owner, or agency seeks a private entity to provide design and construction for a new or renovated facility based on the agency's functional program. Design Build Operate Maintain goes beyond the standard model of design-build in requiring that entity to also operate and maintain the facility for a number of years (usually 20 - 30 years) at the proposed cost and fee schedule.

A Design Build Operate Maintain project generally includes the following characteristics:

1. Agency owns facility
2. Agency contracts with Design Build Operate Maintain entity
3. Agency determines facility use, occupants and operational performance requirements.
4. Agency assigns responsibility and risk of Operation and Maintenance to Design Build entity for contract duration (greater than three years)

Design Build Operate Maintain is a relatively new method of procurement; therefore many traditional contractors and subcontractors are not prepared to provide a bond for a 20-30 year project commitment. Consequently many firms could be excluded from responding to such a solicitation from an agency.

The goal of Design Build Operate Maintain procurement is to challenge the bidding entities to propose a facility solution that balances appropriately both the initial capital cost and the on-going long term operations and maintenance costs of that facility.

An agency seeking to outsource capital project delivery and maintenance of their facility due to staffing or other resource issues may be well-served to consider if their situation lends itself appropriately to alternative 63-20 procurement.

Project Review Committee Criteria for Approval of Agency to use Design Build Operate Maintain

Under current legislation, there are only two demonstration Design Build Operate Maintain projects allowed, for a Design Build Operate Maintain project with an Operate and Maintain period of over three years. This legislation has a 2013 sunset, and authority for any design build projects expire absent new legislation.

The following are criteria which the Project Review Committee should consider in approving the agency for one of those two pilot projects:

1. Agency must be certified in design-build
2. Agency must demonstrate that project meets existing criteria for design- build
3. Agency must demonstrate understanding of issues around the complexity of incorporating the Operate and Maintain component into design-build
4. Agency must demonstrate that it has a reasonable approach to the unique process of developing and analyzing life cycle cost proposals for the Design Build Operate Maintain project.

Specifically:

- a. How will the Agency evaluate the initial capital cost?
- b. How will the Agency structure its evaluation of the long term operating and maintenance cost?
- c. In evaluating the operations and maintenance costs, which costs are fixed and which are not? Which costs are deemed within the bidders' control, and which costs are not? How does the Agency intend to handle Operate and Maintain costs which may change over time? (ie utility costs, labor costs)
- d. How will the procurement process allow for proposers to get information and ask questions while maintaining proprietary solutions?
- e. What is the Agency's general approach to risk allocation between the Agency and the Design Build Operate Maintain entity?
- f. How does the Agency intend to make its selection of a Design Build Operate Maintain entity in evaluating the combination of initial capital versus long term capital costs?
- g. How does the agency intend to handle bonding requirements?

Resources to Aid in Deliberations by Project Review Committee Panel

Project Review Committee panel shall include a minimum of two Design Build Operate Maintain "experts" (either from within Project Review Committee or outside selected by Project Review Committee chair or approved by Project Review Committee). Design Build Operate Maintain experts are those individuals who have had experience in this procurement model and who can provide technical evaluation of Owner application and advise the Project Review Committee panel in its deliberations.