

Quality in Construction (QIC)

Tn. Board of Regents – Rooms 341, 343, and 344

August 21, 2019

9:00 am - 12:00 pm

Attendees:

- Leslie Gower, AGC ET
- Michelle Crowder, UT
- Jim Prillaman, ACEC
- Paul Marshall, THEC
- Dick Tracy, TBR
- Jim Cobb, TBR
- Chris Byerly, OSA
- Bill Rasnick, ETSU
- Jason Medeiros, AGC
- Greg Campbell, AIA
- Marty Gibbs, AGC
- Ashley Cates, AIA
- Kurt Boyd, ACEC
- Chloe Shafer, OSA
- Trey Wheeler, AIA
- Bill Waits, MTSU
- John Gromos, AGC
- Ted Hayden, STREAM
- Bob Pitts, ABC
- Bryan Hay, ABC
- Rich McNeil, AIA
- Alan Robertson, OSA
- Ann McGauran, OSA
- Mark Longfellow, UoM
- John Kenny, ACEC
- Allan Cox, ABC
- Jennifer Murphy, STREAM
- Marc Brunner, APSU

Discussion:

- I. All members were introduced.
- II. BIM Update – Chris Byerly (OSA)
 - a. Chris Byerly stated that the BIM Task Force meeting will be occurring the afternoon of August 21st. The agenda will be to review proposed changes in the language of the standards and to address workflow. Another meeting is expected in the future to finalize and gain consensus.
 - b. Ann McGauran noted that most of the discussion has been around COBie and that Jim Prillaman, with the Task Force, has developed a test model which will be reviewed with the Task Force at the meeting.
 - c. Ann McGauran asked the SPAs, if they are expecting any RFQs for BIM projects?
 1. Michelle Crowder mentioned that UT has been coordinating with Chris Byerly on the BIM Standards and discussing LODs (Level of Development).
 2. It was noted that STREAM is executing a BIM project for Tn. School for the Deaf – Cottages in Knoxville.
 - d. Ann McGauran said that OSA can work with the SPAs with any specific BIM needs. These standards are still a work in progress and expected to be tweaked during the coming years. She stated that anyone is welcome to attend this BIM Task Force meeting and listen in.
- III. Budget Planning – Alan Robertson (OSA)
 - a. Estimating Services - Ted Hayden stated that STREAM has issued an RFQ for estimators. Jen Murphy added that these estimators will be under contract by October 2019. This does not preclude project designers from performing their contractual obligation to estimate project costs.
 1. Bryan Hay asked whether every project would be estimated by these consultants?
 - i. Jen Murphy said not every project but that future, proposed budget submissions would be reviewed.
 2. Bryan Hay asked whether any contractors would be precluded from bidding on STREAM projects that are under contract as an estimator for STREAM?

- i. Jen Murphy said that there would be enough of a pool of estimators where if a contractor wanted to bid the work later, they could refrain from estimating a particular project. Also, STREAM can work with a contractor regarding this issue through mitigation of a conflict of interest.
 - ii. Ann McGauran said she does not see any conflicts of interest if a contractor was estimating during the budgeting phase since there would be a number of reviews by STREAM and the designer prior to actual bidding.
 3. Marty Gibbs asked, if this estimating service would occur after a CM/GC is hired on a project?
 - i. Jen stated that this is a possibility. Some higher risk and cost projects may deserve another opinion of cost estimating.
 - ii. STREAM will review possible conflicts of interest and propose any needed mitigation plans.
- b. Programing Services- Michelle Crowder said that UT has a pool of programmers which is structured around their 7 project types. UT will request submittals from this pool to perform the service.
 1. Ann McGauran said that Higher Ed has done programming early on for projects and independent of the SBC. Since a “match” requirement has been initiated, most SPAs bring this scope to the SBC so that this spend can be included in the “match”.
 2. **Note: After this QIC meeting it was confirmed through THEC that project programming is a requirement for funding outlay projects.**
 3. Ann McGauran said the intent is not experience “scope creep” and for the project to stay within budget.
 4. Alan Robertson said he has noticed that project programs get revised intermittently through changes in administration.
 - i. Michelle Crowder noted that they will go back to the programmer if administrative program changes occur.
 5. Bill Rasnick said that for ETSU it is a funding problem to secure programmers.
 6. Dick Tracy noted that campuses have conceptual renderings performed for notable and larger building projects early on. This rendering can be much different than what gets programmed.
 7. Jim Cobb said TTU is now developing a RFQ for master planners. This is required in order to go forward with a project and have found masterplans to be a good resource.
- c. Escalation - Paul Marshall asked if an escalation factor gets applied to an estimate by a SPA to account for project timing and gaps in funding.
 1. Michelle Crowder said UT has been known for applying an escalation factor.
 2. Dick Tracy said TBR has a set of escalation factors that they use.

IV. CM/GC

- a. RFP Cost Weight - John Gromos said that some contractors would like to see if the qualifications/cost ratio for CM/GC proposals could be adjusted, while others would not. John said that he is not suggesting that this be changed.
 1. Chloe Shafer said that the SPAs would be the ones that should review this ratio for possible adjustments. A 60/40 (qualifications/cost) could adjust to 70/30.
 2. Ann McGauran said the State, currently, will not go any lower than 30% on cost. If SPAs felt this needs to be adjusted, that could be reviewed with SBC members and staff.
 3. Dick Tracy stated that the concept for CM/GC is based on getting “quality in construction”. The cost includes general conditions and fee with some contractors in the industry “gaming” general conditions costs in order to get a project awarded. Dick

said the contracting industry needs to be asked the question of what criteria should the State be evaluating in order to get the best CM/GC? Dick said he has heard comments from some contractors at Pre-Proposal meeting say they would not submit because of attendance by some contractors who will “game” the system.

- i. Ann McGauran responded that the reason that CM/GC is important is their fee and overhead is a fraction of the total cost of the work and the focus should be on bringing the entire project within budget. When she was employed at Vanderbilt, a proposing CM had the highest fee but cut the project schedule by 6 months resulting in significantly lower overhead even with a larger fee. At a recent “round table” discussion she attended with construction owners across the country, the consensus was why are not all projects using the CM/GC procurement method at a minimum? Some States are asking why all projects are not using Integrated Project Delivery?
4. Marty Gibbs asked how are the 70% and/or the 30% categories being scored? This is where the contractor “low balling” occurs.
 - i. Ann McGauran asked, if evaluators needing additional training?
 - ii. Dick Tracy agreed that evaluators need to be trained and careful during evaluations.
 - iii. Chloe Shafer asked, if certain appropriate things or incentives are being considered? Let OSA know if there are misunderstandings in cost scoring.
 - iv. John Gromos said industry can help with this.
5. Greg Campbell stated that more qualified CM/GCs can sometimes cost more.
6. Jim Cobb asked, if a SPA could evaluate the qualifications and experience section and then open the cost proposal?
 - i. Ann McGauran said as long as the intent and scoring is clear in the RFP.
 - ii. Chloe Shafer said that STREAM has a minimum score threshold established before being allowed to open cost proposal.
7. Jason Medeiros said in order to change the criteria, the owner will have to reassess the value of the cost proposal.
8. Greg Campbell said cost needs to be balanced with life cycle costs.
 - i. Ann McGauran agreed that upfront costs need to be considered in relation to the total cost of ownership.
9. Dick Tracy said that the accepted cost proposal was not always the lowest some years ago. Industry has changed this to a cost issue.
10. Trey Wheeler said he has learned that the state is not using the designers as advisors on these RFP/Qs and they can add value to the process.
- b. Preconstruction - Dick Tracy said preconstruction services proposals are based on time and cost. This total cost can be added up easily. Are costs in proposals being “shifted”? Do not believe preconstruction services should be a part of the cost proposal. It can impact the score.
 1. Marty Gibbs said the state of North Carolina has a fee schedule established for preconstruction services
- c. Ann McGauran said the State is looking at CM and BV in an effort to have a consolidated format. Would like to set up a task force to see if the State is achieving its goals. If we take Preconstruction Services out of the scoring than how does this affect the value? The industry was asked to provide names for those willing to serve as a task force for this.
 1. Allan Cox asked what the timing is to have a task force evaluate the CM and BV?
 - i. Ann McGauran stated this Fall.
 - ii. It was requested that AGC and ABC offer 5-6 names of individuals willing to serve on the task force.

V. Market Update – John Gromos (AGC)

- a. John Gromos said construction cost escalation in the state has peaked during the 2nd quarter of 2018. The national level peaked at 6% escalation in 2018, with the current level now at 5.5. The escalation for Middle Tennessee construction costs is above this national average at 20%.
 1. Steel costs are now less than \$4,000/ton.
 2. Cement and glass/glazing costs have risen.
 3. Mechanical, drywall, and masonry costs are higher due to the impact of commodity costs and labor which is affecting project schedules.
- b. Marty Gibbs said the Nashville market costs are higher than east Tennessee. This has hurt contractors in east Tn. Steel is the first commodity to drop in cost.
- c. Allan Cox mentioned that Bell Construction is turning down work in Nashville due to the need to hire qualified labor. They are also hiring subs up front for budgeting.
 1. John Gromos confirmed that this is a subcontractor driven market now. Subcontractors will not work for GC unless they are paid on time and the work is profitable.
 2. Marty Gibbs said that subcontractors continue to evaluate clients and GCs.
 3. Michelle Crowder stated that labor rates are very high.
- d. Bryan Hay stated that,
 1. Steel costs are down over 8% annually.
 2. Electrical is very high now. Skanska has been missing their electrical estimates before bid by 10% which is being accounted to the labor market.
- e. Ann McGauran said there has been a push with the current administration to extend construction services in the rural counties.
 1. Bob Pitts said it is difficult to get construction services in West Tn. Williamson, Rutherford, and Wilson counties are busy with construction.
 2. John Gromos said there is a premium cost for rural work.
 3. Greg Campbell said a lot of contractors cannot bond \$2 million projects in rural counties.

VI. Open Discussion

- a. Allan Cox asked how the 360 evaluations are going?
 1. Alan Robertson said OSA has just begun getting a few of these deliverables in and hopes to share our insights with industry later on.
- b. Ann McGauran stated the need for the SPAs to provide the HPBr deliverables to OSA.
- c. Trey Wheeler asked is STREAM could provide a presentation to the group regarding e-Builder?
 1. Jen Murphy said that Brian Wilson can assist with this.

Action Items:

1. AGC and ABC to offer names to serve on CM/GC and BV Task Force
2. Brian Wilson to be confirmed for presentation to members on e-Builder.

Next Meeting: November 20, 2019
At TN Board of Regents