

## **SECTION 111 — VALUE ENGINEERING CHANGE PROPOSAL**

**111.01 DESCRIPTION.** A Value Engineering Change Proposal (VECP) is a cost reduction plan that is initiated, developed, and submitted by the Contractor to the Department for modifying the plans, specifications, or other contract requirements. These provisions do not apply to a proposal unless it is identified as a VECP when it is submitted.

A VECP requires changes in the contract that result in savings to the Department without impairing essential functions and characteristics of the facility while maintaining and meeting all design and Cabinet policies, environmental requirements, and project commitments. Essential functions and characteristics include but are not limited to service life, reliability, economy of operation, ease of maintenance, standardized features, safety, satisfaction of customer needs, desired ability, and special design requirements.

VECP's proposing a total savings of less than \$25,000 (twenty-five thousand dollars) will normally not be considered unless there are additional non-monetary savings to the Department. The Department reserves the right not to consider any VECP.

**111.02 CONCEPTUAL VALUE ENGINEERING CHANGE PROPOSAL (CVECP).** The Contractor may submit for review a CVECP provided that it contains enough information to clearly define the work involved and the benefits to be realized. Written notification by the Department that the review has been completed and that the CVECP appears favorable merely indicates that the engineering and plan development may continue for submittal of the formal VECP and is not authorization for any construction work to begin. Should the Contractor continue with the development of the formal VECP, the Department may reject the VECP if the expected benefits are not realized once the formal proposal is complete. The approval of the CVECP and the Department's decision to reject the formal VECP that is submitted shall be final and will not be subject to the provisions of Subsection 105.13.

### **111.03 VALUE ENGINEERING CHANGE PROPOSAL (VECP)**

**111.03.01 Documentation.** VECP's will be processed in the same manner as prescribed for any other alteration of the Contract requiring a Supplemental Agreement. As a minimum, the following information shall be submitted by the Contractor with each VECP:

- 1) A detailed description of the difference between the existing Contract requirements and the proposed changes and the comparative advantages and disadvantages of each.
- 2) A complete set of Plans and construction details when necessary, showing proposed revisions to the original Contract.
- 3) A detailed cost estimate for performing the work under the existing Contract and under the proposed change. Include pay items, pay units, quantities, and unit prices. Include in the unit prices all costs for labor, materials, supplies, equipment, tools, and all incidentals required for the complete incorporation of the option into the work. Present the net savings as the difference between the costs of performing the work according to the existing Contract and the costs of performing the work according to the proposed changes.
- 4) A statement of the deadline for adopting the VECP in order to obtain the maximum cost reduction during the remainder of the Contract, noting any effect on the Completion Date or any specified Milestone Date(s) and any other schedule impacts.
- 5) A prediction of any effects the proposed changes would have on Department costs other than construction, such as maintenance and operating costs and life cycle costs.
- 6) A statement of the effect the proposal would have on the time for completion of the Contract.

**111.03.02 Submission and Review.** VECP's submitted by the Contractor will be processed as expeditiously as possible; however, the Department will not be liable for any delay in acting upon proposals submitted. The Contractor may withdraw, wholly or in part, any VECP not accepted by the Department within the time specified in Subsection 111.03.01 (4).

The Department will determine the acceptability of a VECP and the estimated net cost savings to be realized from adoption of all or any part of the proposal. After receipt of the required minimum information, as specified in Subsection 111.03.01, the Department will review and provide notification of whether the VECP is accepted or rejected.

The Department may reject a VECP for the following criteria:

- Inconsistent with established Department policies
- Inconsistent with project design policies or criteria
- Corrects a contract omission or plan error
- Excessive review time is required
- The project is a Design-Build project.

The Contractor must understand the following:

- The Contractor has no claim to additional costs or delays, including development costs; loss of anticipated profits; or increased material or labor costs if the VECP is rejected.
- The Department has sole authority in determining the acceptance of any VECP.
- The Department reserves the right to reject all unacceptable work resulting from an approved VECP and can require that rejected work be removed and re-constructed under the original contract.
- The proposal will be disqualified if requests for additional information are not immediately met.

**111.03.03 Acceptance.** The decision of the Department to accept or reject a VECP shall be final and will not be subject to the provisions of Subsection 105.13. The Department reserves the right not to consider any VECP. The Director of Construction will make the decision on the acceptance of the VECP. An informal meeting with the Director of Construction may be requested.

**111.03.04 Notification.** The Contractor will be notified in writing of the Department's decision to accept or reject each VECP submitted under these provisions. If a proposal is accepted in whole or in part, such acceptance will be by letter from the Director of Construction. If the approval is conditional, the letter will note those conditions. If a VECP is accepted, the Department will execute a Supplemental Agreement that incorporates the necessary Contract modifications. The Department reserves the right to include in the supplemental agreement any conditions it deems appropriate for consideration, approval, and implementation of the VECP. Perform all work according to the terms of the existing Contract until the Department executes a supplemental agreement.

The Department's approval of a VECP voids any restrictions that the Contractor had imposed on the use or disclosure of the information that the Contractor included in the VECP, and the Department then has the right to use, duplicate, and disclose, in whole or in part, any data necessary to implement any portion of the proposal on this project and all other Department projects.

**111.03.05 Contract Time.** The Department will adjust the Contract completion time for any time savings realized by implementing a VECP. The Department may not provide any incentive pay for early completion days resulting from time savings related to an approved VECP. The Department will grant additional contract time when specified in the supplemental agreement.

**111.04 MEASUREMENT.** The Department will measure the quantities for all revised work specified in the supplemental agreement according to Section 109.

The Department will measure the gross savings in cost by subtracting the estimated construction costs of the proposed and accepted option from the estimated construction costs in the original Contract. Third party engineering and development costs incurred by the Contractor when substantiated by invoice, shall be subtracted from the computed gross savings of the VECP. Third party engineering and in-house review costs shall be subtracted from the computed gross savings of the VECP. The Department's labor costs will be calculated at the fixed amount of \$50.00 per hour per employee. Project personnel assigned to the field office or who work on the project on a regular basis shall not be included in this portion of the cost.

Gross Savings = (Estimated Construction Cost of Original Contract) – (Estimated Construction Cost of Proposed Work)

Net Savings = (Gross Savings) – (Contractor's Engineering Costs) – (Department's Engineering Costs)

Value Engineering = (Net Savings)/2

**111.05 PAYMENT.** The Department will make payment directly for all completed and accepted revised work specified in the change order or supplemental agreement according to Subsection 109.04.

The Department will make payment for 50 percent of the net savings in cost for the approved VECP.

The Department will consider payment as full compensation for all work required under this section.

<u>Item Code</u>	<u>Description</u>	<u>Unit</u>
10121NX	Value Engineering	Dollar