



Design Review Committee Briefing #44

Subject: Project Group F Guaranteed Price Approach

Date: April 27, 2021

The Issue

The progressive design-build delivery approach allows the City to reach an agreement with the design-builder on the construction price during the design phase. This agreement, called the guaranteed maximum price (GMP), establishes the maximum price for the construction portion of the project. This price agreement can also be reached in phases, with an early works package agreed to before the main works package. This design review committee (DRC) briefing reviews potential approaches for the GMP for Project Group F.

Background and Analysis

The Design-Build Agreement, states that the “Owner and Design-Builder **may** reach agreement on the Contract Price Amendment for Phase 2 **at any point following Design-Builder’s completion of the 30 percent** design, including incorporation of any Owner comments thereon.” More typically, the Contract Price Amendment is executed following 60 percent design; but Nampa’s contract with Jacobs **allows but does not require** this to occur earlier.

Jacobs has reached the 30 percent design milestone. The City and Jacobs have worked to develop several approaches for the GMP for the DRC and City Council to consider. The attached figure (from Jacobs) visually summarizes the two approaches under consideration by the City. These include:

- **Approach #1: Early Works Package Approach.** Under this approach, the City would negotiate and enter into an Early Works Package (EWP) amendment roughly in October 2021, followed by a Contract Price Amendment for the majority of Project Group F approximately in March 2022, effectively the GMP. In this approach the construction value for PGF would not be fully established until late 2021 or early 2022.
- **Approach #2: Comprehensive GMP Approach.** Under this approach, there would be no EWP but the Contract Price Amendment establishing a GMP for the bulk of Project Group F by roughly October 2021. This would provide earlier price certainty.

Potential Consequences

Both options would allow the City to establish a GMP relatively early in the design process. The table below summarizes the pros and cons for each approach.

	Approach #1	Approach #2
Pros	<ul style="list-style-type: none"> Allows construction work to start about 2 months earlier than Approach #2. 	<ul style="list-style-type: none"> Provides price certainty by October 2021. Establishes a single price for the construction of Project Group F so that the City can better understand the full implications of authorizing construction. Eliminates the need to go to the market twice for bid pricing (once for the EWP and once for the Contract Price Amendment)
Cons	<ul style="list-style-type: none"> Provides price certainty in early 2022, about 3 to 4 months later than Approach #2 since the bidding on about 80% of Project Group F work would occur later. Commits the City to the EWP work before understanding the total cost of construction, GMP. This may limit the City's negotiating leverage. Requires Jacobs to go the market for bidding two times (once for the EWP and once for work under the Contract Price Amendment). Similarly requires the City to obtain two approvals and manage work under two amendments. 	<ul style="list-style-type: none"> 2-month delay in the start of construction relative to Approach #1; however, this is unlikely to adversely affect Jacobs ability to meet the target dates for the Project.

Recommendation

Given the limited advantage of Approach #1, it is recommended that the City proceed with Approach #2. Approach #2 has the decided advantage of not committing the City to construction without understanding the cost commitments that will be required to complete the bulk of the Project. It also provides full price certainty earlier, which is beneficial in the current bidding environment.