

Progressive GMPs/Severable Work Packages

Introduction and Purpose of this Document

One of the advantages of CMGC Contracting is that it allows MnDOT the flexibility to break a project into separate (“severable”) work packages rather than wait until all components of the design plans have reached 100% completion before beginning construction. Breaking the work into separate work packages can result in schedule acceleration, risk mitigation, and/or cost savings. It can allow the contractor to procure long-lead time materials in order to accelerate the schedule or lock in pricing, reducing escalation or inflationary costs. When breaking a project into separate, stand-alone work packages, MnDOT requires the CMGC Contractor to submit a Guaranteed Maximum Price (GMP) bid for each individual work package under a process defined as Progressive GMP bidding. Upon validating the CMGC Contractor’s GMP bid for a work package, a construction contract is then awarded for that work package. The purpose of this document is to outline MnDOT’s processes for breaking a project into severable work packages and proceeding contractually with Progressive GMP bidding on CMGC projects. The processes outlined in this document will be updated periodically and may evolve over time based on lessons learned in delivering CMGC projects.

Approval Process to Use Progressive GMP Bidding

The Project Manager is responsible for obtaining approval to use a phased contracting (progressive GMP) approach on the project. This approval should occur as early as possible. In many cases the idea to use multiple work packages on a CMGC project occurs early in the project development process when the Department evaluates risks and other factors to justify the use of CMGC as the project’s contracting delivery method. As part of this approval process, the Project Manager must recommend to MnDOT’s CMGC Program Manager that the CMGC contract be separated into work packages and demonstrate that this approach is feasible and in the Department’s best interest by the following:

- 1) Demonstrate that each proposed work package is stand-alone and severable.** The Project Manager must demonstrate that the work to be performed for a work package can reasonably be completed prior to the start of work for subsequent work packages and/or the work to be performed will not conflict in any way with the work to be performed under subsequent work packages. Stated another way, MnDOT should proceed as if separate contractors are being hired to perform each work package. This approach helps ensure MnDOT receives competitive GMP bids for subsequent work packages and, in the event MnDOT and the CMGC Contractor are unable to reach agreement on the price for a work package, MnDOT may procure the construction of the remaining work packages through another procurement process.

- 2) **Document that separating the work into packages results in a benefit to MnDOT and/or our project partners.** The Project Manager must have demonstrable evidence of a benefit with using severable work packages. This may include cost savings (or reduction in risk cost savings), risk mitigation, improved scheduling and/or pricing for procuring materials, or a significant benefit to the schedule. Any documented cost savings should take into account potential increases in design and bidding costs that may result from separating the work into packages.
- 3) Document that the financial plan, if needed, can be updated to allow for the proposed severable work packages and that it is feasible to obtain necessary approvals/authorizations, such as those needed from the FHWA.

When the decision to progress the work using separate work packages is made prior to the release of the RFP, the RFP should include a description of the preliminary work packages being considered.

Project Target Price

Prior to accepting the GMP Bid and awarding a construction contract for the first work package, MnDOT's project manager consults with the CMGC Program Manager to evaluate the need to request a **Project Target Price (PTP)** from the CMGC Contractor. A PTP is a good-faith estimate of construction costs that are covered in a subsequent OPCC(s) required to complete all work packages on a project. It can be binding or non-binding depending on each project's needs and circumstances. It is used by MnDOT to confirm that the overall construction scope can be completed within the available project budget. A PTP is based on the assumptions and risks that are known at the time the estimated costs are submitted to MnDOT. The CMGC Contractor's PTP is supported by an estimating/cost model and narrative similar to OPCC estimates. When the CMGC Contractor submits a PTP, MnDOT assumes that the CMGC Contractor intends to construct the overall project at or below the PTP, subject to documentable changes in bidding assumptions or scope that affects pricing. Exact timing for requesting a PTP from the CMGC Contractor is evaluated on a project-by-project basis based on design progression and project risks. For example, a PTP may be requested at any OPCC milestone or when the GMP bid is requested for a work package.

Ideally, a PTP is requested for all work packages that will be included with the project. However, when evaluating the need to request a PTP that encompasses all work packages that will be included with the project, MnDOT's Project Manager consults with the CMGC Program Manager on how to proceed by considering such factors as:

- The level of design that is available for subsequent work packages.
- The amount of contingency that may be included in PTP pricing based on unknowns and risks, including the ability to identify risks and assign a cost to them at the time the PTP is developed.

- The degree of severability between work packages.

If MnDOT's Project Manager and the CMGC Program Manager conclude that design for subsequent work packages has not progressed sufficiently to provide accurate and biddable quantities without introducing premium contingency pricing and risk into the CMGC Contractor's PTP and estimating model, MnDOT may elect to request a PTP for only those work packages that will support accurate pricing by the CMGC Contractor.

The Project Manager and CMGC Program Manager jointly make the decision on the use of a PTP on a project, including which work packages to include in a PTP. They present their recommendations to MnDOT CMGC Executive Committee for approval prior to accepting a GMP Bid Proposal and awarding a construction contract for the first work package.

Obtaining Clearances for Severable Work Packages

The Project Manager is responsible for verifying that each work package can obtain the necessary environmental, right-of-way, and utility clearances and that breaking the work into separate work packages does not affect adjacent areas that do not have required environmental, right-of-way, or utility clearances.