

MICHIGAN
DEPARTMENT OF TRANSPORTATION

SPECIAL PROVISION
FOR
VALUE ENGINEERING CHANGE PROPOSAL

COS:MRB

1 of 4

APPR:CJB:JJG:04-30-20
FHWA:APPR:05-06-20

a. Description. A value engineering change proposal (VECP) modifying plans, specifications, or other contract requirements may be submitted for this project if the proposed change results in reduced construction cost, a higher quality product, improved safety, or a shorter contract time. The estimated cost savings must be quantifiable in relation to the contract cost. No work can begin before written authorization. The proposed change must not alter the essential functions or characteristics of the project or significantly delay the completion of the project. A VECP or conceptual VECP will only be considered after project award. Essential functions and characteristics include, but are not limited to, service life, operating costs, ease of maintenance, desired appearance, impact on utilities and right-of-way, mobility and safety of the motorist, bicyclist and pedestrian; safety of all onsite workers (construction, inspection, testing, etc.) in the progress of the work, design standards, and safety standards. This special provision does not restrict the Contractor from proposing improvements to the project that may not result in net cost savings. A conceptual VECP stating the basic concept and approximate cost savings may be submitted for preliminary consideration.

b. Submittal of Conceptual VECP. Submit a conceptual proposal for the preliminary evaluation. Upon review by the Engineer, one of the following actions will be taken:

- Conceptual approval and a request for the Contractor to submit a VECP.
- Request for additional information.
- Denial of the VECP.

Preliminary review of a conceptual proposal reduces the Contractor risk of subsequent denial and does not commit the Department to eventual approval. Submit the following information for each conceptual VECP using the Value Engineering Change Proposal Form (Form # 1962) marked Conceptual VECP.

1. A description of the difference between the existing pay items and the proposed changes, and expected benefits.
2. A set of conceptual plans and a description of proposed changes to the pay items.
3. An estimate of the anticipated cost savings or increase.
4. A date by which the Department must make a decision to avoid delays to the existing contract and obtain the cost savings. Also include information on the amount of time necessary to develop the full proposal and impacts to the progress schedule.
5. If impacting maintenance of traffic provisions, identify proposed changes and impacts to the Special Provision for Maintaining Traffic.

After approval of conceptual VECP, the Contractor must follow section c of this special provision for the final VECP.

c. Submittal of Final VECP. Submit the following information for each VECP using Value Engineering Change Proposal Form (Form # 1962) marked Final VECP.

1. A description of the difference between the existing contract and the proposed change, and the advantages and disadvantages of each, including effects on service life, operating costs, ease of maintenance, desired appearance, impact on utilities and right of way, mobility and safety of the motorist, bicyclist and pedestrian; design standards, and safety standards.
2. A complete set of plans, if necessary, and specifications showing the revisions relative to the original contract. This portion of the submittal must include design notes and construction details. If the proposal has plans, these must be signed and sealed by the Contractor's Professional Engineer licensed in the State of Michigan.
3. All costs and proposed unit prices must be documented by the Contractor and must include a cost comparison summarizing all the items the VECP replaces, reduces, eliminates, adds, or otherwise changes from the original contract on a spreadsheet.
4. A date by which the Department must make a decision to avoid delays to the existing contract and to obtain the proposed cost savings.
5. If impacting maintenance of traffic provisions, identify proposed changes and impacts to the Special Provision for Maintaining Traffic. If the submitted revisions to the maintaining traffic provision are approved and require any corrections, the Contractor is responsible for all additional costs related to corrective measures.
6. A statement detailing the affect the proposal will have on the time for completing the contract and impacts to the critical path and progress schedule.
7. A description of any known uses or testing of the proposed changes and the conditions and the results.
8. If the VECP submittal includes pay items associated with a warranty, include the latest version of the warranty specification.

d. Evaluation. By submitting the VECP, the Contractor agrees not to hold the Department liable for its decision or for any delays to the work attributable to the VECP. Decisions on VECP's are not subject to appeal. Work on the project will continue in accordance with the requirements of the contract until a work order is issued which incorporates the VECP changes. The Department has final authority of the acceptability of a VECP and of the estimated net savings attributable to the adoption of all or any part of the VECP. If, in the judgment of the Engineer, contract prices do not represent a fair measure of the value of work to be performed or to be deleted, the Engineer will use other means to determine the estimated net savings.

The Department may modify a VECP, with the concurrence of the Contractor, in order to make it acceptable. The Contractor's share of the savings will be based on the modified VECP.

If the VECP is accepted, in whole or in part, the written acceptance will be issued by a work order

and followed with a contract modification. The work order and contract modification will include the necessary changes in the plans and specifications and any conditions upon which the approval is based. Acceptance of the VECP will not extend the time of contract completion unless specifically provided for in the work order and contract modification.

A VECP will be evaluated in accordance with the following:

1. The Engineer will determine if a VECP qualifies for consideration and evaluation. The Engineer may deny any VECP that requires excessive time or costs for review, evaluation or investigation. The Engineer may deny any VECP that is not consistent with the Department's design policies and criteria for the project.

2. The Department will not accept a VECP that is similar to a change in the plans or specifications under consideration by the Department for the project at the time the proposal is submitted; nor will the Department accept a proposal based upon, or similar to, standard specifications, general use special provisions or standard drawings adopted by the Department after the advertisement for the contract. The Department reserves the right to make such changes without compensation to the Contractor under the provisions of subsection 103.02 of the Standard Specifications for Construction.

3. The Contractor will have no claim against the Department for additional costs or delays resulting from denial or untimely acceptance of a VECP. These costs include but are not limited to: development costs, loss of anticipated profits, increased material or labor costs, or untimely response.

4. A VECP will be denied if equivalent options are already provided in the contract.

5. A saving resulting solely from the elimination or reduction in quantity of a contract pay item will not be considered as a VECP. A saving resulting from the elimination or reduction in quantity of a pay item specified as part of a VECP may be considered.

6. In calculating the value of cost savings, the Department has the right to disregard the Contract bid prices, if such prices do not represent the value of the work to be performed or to be deleted, and has the right to calculate the savings based on reasonable cost for such work.

7. A VECP cannot be used to alter incentive and disincentive rates and maximum payments on A + B and/or lane rental projects.

8. A VECP will be denied if the design consultant for the contractor is also the design consultant for the Department or other apparent conflicts of interest exist.

9. A VECP may be denied if it was rejected as a Value Engineering alternative during the development phase.

e. Time Frame for VECP Evaluation. The Contractor will be notified of the Department's decision to approve or deny a conceptual or final VECP within 14 calendar days of receipt of the VECP. If a written acceptance has not been received within this time frame, and the date has not been extended by mutual agreement of both parties, the VECP is denied. The Department's decision is final and there is no appeal.

f. Future Use of VECP. The Department reserves the right to use all or any part of a VECP on other contracts without obligation or compensation to the Contractor. If the VECP is accepted, the Department may use or disclose any information necessary to incorporate the VECP on future projects.

g. Payment for Work under the VECP. The Engineer may reject all or any portion of work performed under an approved VECP if results are unsatisfactory. The Engineer will direct the removal of rejected work and construction will proceed under the original contract requirements. There will be no payment for work performed under the proposal, or for its removal.

No work related to a VECP will be performed under force account. Agreed prices must be reached for any new or modified contract pay items related to the VECP before the VECP is approved.

The changes will be incorporated into the Contract by changes in quantities of unit bid items, new agreed unit price items, lump sum or any combination, as appropriate, under the Contract. Unless there is a differing site condition as described in subsection 103.02 of the Standard Specifications for Construction, the Contractor will not receive additional compensation for quantity overruns, design errors, supplemental surveys, geotechnical investigations, additional items or other increases in cost that were not foreseen in the accepted VECP, unless otherwise approved by the Engineer.

The work order and authorization will include the price for performing all affected items of work and the estimated net savings in the cost of performing the work directly attributable to the VECP. VECP payments only involve direct savings or costs. Indirect savings or costs (time, user delay, contract delay, etc) are not included in VECP payment calculations. The calculations of VECP payments are independent from the payments or penalties for contract time related issues. The Contractor will be paid 50 percent of this net savings based on as constructed or plan quantities whichever is in the best interests of the Department. The amount specified in the work order and authorization constitutes full compensation to the Contractor for the VECP and the performance of that work.

$(\text{Cost of Deleted Work}) - (\text{Cost of Added Work}) = \text{Net Savings}$

$\text{Payment} = (\text{Net Savings})/2$

Note: Approved VECP's will be paid using the pay item code "1200000", item description of "Value Engineering" and a unique secondary descriptor differentiating each VECP with the pay unit of "Dollar" for the contract modification.

The Contractor's development costs for the proposed VECP, including all costs associated with design, are not reimbursable.