

SAVE Conference
Government Meeting
Thursday
May 10, 2007

Dave Wilson – President of SAVE opened the session.

Kathy Bethany recognized:

- Brandy Alexander
- Jill Woller
- Michael Holt
- Steve Kirk

When asked for a show of hands of what agencies were represented in audience:

- DoD (majority)
- Other US Federal Government employees (few)
- International (few)
- Municipality or State (1 NYC)
- Consultants (several)
- Contractors (several)

Attendees were asked to select a partner they did not know and determine:

- 3 things they have in common
- Name
- Where they work
- How they practice VE/VA/VM

“What’s Happening with VM in the Federal Sector and Update on A-131” given by
Kathy Bethany, US Dept of State and Mary Ann Lewis, Lewis and Zimmerman

- A-131 requires VE to be performed on all Government work (over \$1M) - <http://www.whitehouse.gov/omb/circulars/a131/a131.html>
- OFPP Administrator advised A-131 could not occur until President’s agenda was completed
- Last statistical information from OMB was presented at SAVE 2001 conference.
- June 2002: Gov’t DoD said no longer would provide VE statistics to OMB
- Refining A-131 through 2005
- Paul Dennet now in charge of OMB since Aug 2006.
- Determined the only way to obtain respect is to get senatorial attention.
- McCain wrote letter to OMB
- Pat Corrigan is the new VE coordinator for OFPP as of Jan 2007. Ms. Corrigan has been appointed by OMB to work with Government VE managers. She understands why it is important to update A-131 & is working to update it.

- Note that the Office of Federal Procurement Policy (OFPP) is in the Office of Management and Budget (OMB)
- DoD can submit annual reports to OMB.
- Congressional Education Reception – DoD to participate
- Gov't employee Lobbying Congress and Senate is not allowed.
- As an exhibitor at congressional education reception, however, we can inform.
- Golden Shears award – given to upper management – gets recognition for work done in VE arena
- Lee Evey: DBA representative previously described a triangle with one side being VE, another being D/B
- Question raised as to where VE fits within the Design-Build process
- Dave Wilson: He performed VE with D/B contractors. Not specifically function focused, best opportunity in D/B development of RFP, develop clear expectations, provide succinct RFP – no rework.
- It was noted D/B should be included as topic next year.

“Revitalizing Value Engineering (VE) in the DoD” given by Dr. Danny Reed, Institute for Defense Analysis (dreed@ida.org , 817-439-5861) and Nan Ramsey (not present)

- VE Management Advisory Group (MAG)
- Held workshop to revitalize VE in DoD in Fall 2006
- Nan Ramsey – 2 day workshop facilitated via teleconference; included many SES'ers
- September Engineering Forum – AT&L
- OFPP ACT 41 USC 431, Title 41 Section 432: VE Statute (http://www.law.cornell.edu/uscode/41/uscode_sec_41_00000432---000-.html)
- DoD is not abiding by OFPP ACT; most not completing annual plans; not enforcing VE strategic plan; little training; little encouragement; no budget; not meeting annual goal of 1.5%; Problem is lack of agency focus
- Started keeping records in 1980
- VECs virtually 0 now
- VECs are win/win for contractor
- Raytheon- working all kinds of VECs
- Uptake in amount of VECs in 2006 due to Michael Holt (COE)
- Army/DLA/AF/Navy were contributors (AF almost \$0)
- AF believes performance based contracts don't need VE.
- Problem: VE gets lost in mix of newer cost-reduction in initiatives
- Problem: lack of service/agency focus on savings.
- AT&L: Lean/6 Sigma/Theory of constraints – no VE. Why not? AT&L didn't want.
- Mary Ann Lewis: Congressional liaison for SAVE needed.
- Noted that agencies should also be paying attention to OMB Circular A-11 which refers to both Value Management (17 citations) and Earned Value Management (32 citations) (OMB Circular A-11, Preparation, Submission and Execution of the Budget - www.whitehouse.gov/omb/circulars/a11/current_year/a11_toc.html)

- Mary Ann Lewis: Pat Corrigan adding more VE information into A-11 guidance for evaluation. VECP definition needs to be clarified to encourage use on Design-Build contracts too
- EPA – no guidance, no information from. VPM at EPA has contacted Michael Holt to ask about a year ago. No time or resources to follow up.
- DAG – Chapter 4 – VE included?
- Need VE training. 3 hr DAU course on basic principles.
- Cost Avoidance and Savings Running less than 0.5% of TOA – need 1.5% of TOA.
- Web references to Contractor’s guide to VE, VECPs in Supplies or Services Contracts including guidance on VECPs, and VE Handbook at <http://ve.ida.org>

“New Orleans & Vicinity 100-year Integrated Hurricane Protection Plan, New Orleans, Louisiana” given by Frank Vicidomina of USACE, New Orleans District and Ron Tannenbaum of GeoVal, Inc.

- Outbriefing of results from several VE studies which have been performed over the past year on East Orleans and Bayou Sauvage, pumping stations, MRGO and GIWW, Harvey and Algiers South Sector Gate, and several ideas for barriers at Lake Borgne entrance to MRGO.
- Areas severely damaged. Little work in restoring.
- Uncertain as to HP level have or going to have.
- Goal is 100-year level of protection.
- Large Integrated VE System workshop
- Project Location (PRO/HPO): ring levee system 200 miles worth. Not consistent in elevation of protection level currently. Plan to revise to 0.01 by September 2010.
- Studying Cat 5 HP level.
- \$5.7B authorization
- \$10-\$13B expected in 2 year time frame
- Eastern Part HPO (Charlie Rome – New VEO)
- Immediately restore to pre-Katrina protection authorized protection levels. Wetlands restoration part of authorization.
- Initially – no VE. Can’t impact schedule.
- Plan to use VE as tool now.
- VE 15% design or sooner
- VE draft RFP for D/B
- Waiver <\$10M
- Focus on big picture. Faster execution, less emphasis on cost avoidance. HQ asking where are the “savings”?
- 20 to 30 workshops over 18 month period.
- Recommendations from 8 workshops: Identify Implementation Measures; How to achieve goals by 2010; limited funds, prioritize ideas; performance attributes in addition to cost savings. Reduction of risk, schedule, cost

- Primary objective: save lives; expedite protection reduce risk were guiding functions used in VA.
- Maintaining schedule is preempting use of VE during design. Lost of cost avoidance falling through holes.
- We have reactive risk management.
- Significant changes in building codes to address HP issues.
- Studying 500 year; ¼ chance in 30 years.
- How to quantify schedule/time savings has been an issue.

Forum held on “Achieving Government Sustainability Goals with Value Engineering” including Steve Kirk of Steve Kirk & Associates, Greg Knoop of Oudnes & Knoop, and Jill Woller of NYC Office of Management and Budget

Mr. Steve Kirk discussed guiding philosophy behind going green through his presentation “Achieving Sustainability & VE”

- Continuous learning effort
- Owners looking for sustainable projects
- Sustainability: not using resources of next generation
- Treat the earth and all that dwell
- Life Cycle costs identify “green within green”
- USGBC: US Green Bldg Council
- LEED – way to measure sustainability of a project: Homes, Healthcare, Schools, New Construction, Existing Bldgs, Commercial Interiors, Core and Shell, Neighborhood Development
- Certified 26-31; Silver 32-38, Gold 39-51, Platinum 52-69
- Post Occupancy Evaluation – AAR of implementation of LEED features for project
- LEED Pareto analysis – look at top half incorporated, tend to be the most cost effective.
- New Construction: Silver adds approx. 4.4% or \$9.57 GSF
- Renovation: Silver adds +4.2%
- Approx. \$26K for LEED Silver preparation of certification documents

Mr. Greg Knoop reiterated the LEED checklist and discussed how environmental concerns are balanced with economic and societal philosophies through his presentation “Role of Design Professional in Sustainability”

- Most effective role: technical or leader?
- Leader: knowledge/wisdom/creativity/courage/communication
- NYC is greenest city: most people/smaller footprint/using less resources
- Water is becoming a commodity
- Rating VE ideas: initial cost, LCC, quality, performance, LEED
- NYC just passed law for LEED silver projects >\$2M. For instance, LEED process yielded 39 ideas at a cost of \$1.5M; VE of LEED yielded 38 ideas <\$0.5M added cost.

- Need a LEED professional on VE team.
- MOU EO 13423 Jan 2006
- VE in LEAN environment: Value = Function (VE)/Cost (LEAN)
- 6 Sigma (production) related to statistical process control
- SAVE should offer 6 Sigma certification (working on it)

Ms. Jill Woller discussed the wide range of projects in NYC requiring green design including the warehouse project which she had discussed during the SAVE conference. This project included natural day lighting and green vegetated roof.

Group Exercise on “Sustainability and Value Engineering”

- Assignment was to put together a sustainable program for a 5-star ecologically friendly hotel.
- Each team was assigned a different city.
- Each sustainable design was then reviewed by another team as the VE team.
- Results were presented

“Value Engineering in the Lean Environment” given by David Love, VE Coordinator, Naval Surface Warfare Center, Crane, IN

Mr. David Love showed how he used VE techniques in Lean engineering effort to achieve success in highlighting specific products which were causing an inordinate number of problems, and then brainstorming ways to correct these problems.

“Selecting Government Consultants Using VM-Based Criteria” given by John Kelly and Kristy Hunter (not present), Glasgow Caledonian University

- Reminded about D/B key-not speaker Lee Evey’s words
 - Old days are gone forever
 - USA has diverse innovative teams
 - D/B difference and advantage is integration of entire team
- How to use VM in selecting consultants; reference his talk from the SAVE conference on using VM for best value tendering
- Discussed Value Lever
- 20% design concept – 80% of cost is committed.
- Methodology for Evaluation procedure must be explicitly clear in bid documents
- Classification of quality – Kano?
- Value Based Approach to Selection needs to have a VM Strategic Brief to decide issues
 - Value equation
 - Primary function

“Military Transformation Update” given by Howard Moy (not present), HQ-USACE and Jack Shelton, Southwest Division, USACE

Mr. Jack Shelton showed a concept of a typical brigade setup with barracks in a row separated from the admin and operational areas by parking areas, with brigade HQ in the middle of everything. He then showed how this concept fits into the installation master plan at Fort Bliss.

Conference Feedback & Closing Remarks

Topics for next year:

- More involvement of other agencies
i.e. EPA/DOE/DOT/FHWA/FAA, etc.
- Design-Build
- General Status of VE training
- Program Management of VE
i.e. VE bookkeeping/savings and implementation of results tracking/Ensuring implementation of results
- Integration of other Value Improvement Processes
i.e. Lean/6 Sigma, etc.
- Construction Management at Risk
- Army Transformation with BRAC update

Question about holding a separate day conference for government or including government as a separate track in the conference.

- Answers were about 30% keep as a separate day, and 60% separate track.
- Concerns include higher conference fee of separate track may deter some government attendees.
- Other concern of separate track was that some industry and academic lectures may be missed by government attendees having “divided” attention.
- Separate day allows for more focused room of government attendee interactions
- If separate track chosen, then do not have tracks for Mod I and Mod II.

Proposed improvement for next year:

- No long introductions; have a list of attendees with agenda
- Large print name tags
- Printed biographies and synopses of presentations with agenda
- Some want and some do not want interactive group exercise; make it more relevant to all attendees
- Do not work though lunch break