Scope: To establish the procedure for reviewing Cost Reduction Incentive Proposals/Value Engineering Change Proposals submitted by the contractor.

The Department has been asked to establish a two-phase procedure for processing Cost Reduction Incentive/Value Engineering Change Proposals, which will allow a review of the concept, prior to the preparation of a detailed proposal. Some types of proposals require a considerable investment by the contractor for the preparation, without knowing if the proposal will be accepted. The intent of the new procedure is to promptly advise the contractor as to whether the concept is acceptable. If accepted, the contractor would proceed to prepare a detailed proposal for final submittal.

The procedure which outlines this process is enclosed.

When you submit a Change Order for a Value Engineering Proposal, it must include a new item for the contractor’s portion of the savings. Following is a suggestion for the wording of the item:

<table>
<thead>
<tr>
<th>ITEM NUMBER</th>
<th>ITEM DESCRIPTION</th>
<th>QUANTITY</th>
<th>UNITS</th>
<th>UNIT PRICE</th>
<th>UNIT TOTAL</th>
<th>DAYS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special</td>
<td>Contractor’s Portion of VE Proposal</td>
<td>1.0</td>
<td>LSum</td>
<td>$????.??</td>
<td>$????.??</td>
<td>??</td>
</tr>
</tbody>
</table>

TOTAL AMOUNT $????.??

Equal to ½ the net savings

George Raymond, P.E.
Construction Engineer