



<p>SUPERSEDED BY EB 99-019 EFFECTIVE 7/26/99</p>		<p>ENGINEERING INSTRUCTION <i>New York State Department of Transportation</i></p>	<p>94-032 Supersedes: EI 90-41</p>
<p>Title: SAVINGS ANALYSES</p>			
<p>Distribution: <input checked="" type="checkbox"/> Main Office(30) <input type="checkbox"/> Local Gov.(31) <input checked="" type="checkbox"/> Regions(32) <input type="checkbox"/> Contractors/AGC(39) <input type="checkbox"/> Consultants(34) <input type="checkbox"/> _____ ()</p>	<p>Approved:  P. J. Clark, Deputy Chief Engineer, Facilities Design Division</p>		<p><u>8/19/94</u> Date</p>

Effective October 1, 1994 a Savings Analysis will be required for a project when the following conditions are met:

1. The low bid is significantly below the Engineers' Estimate as described below and shown in Figure 1:
 - a. For EE's up to \$0.4M, low bids more than 40% below the EE.
 - b. For EE's between \$0.4M and \$2.0M, low bids below the EE by more than a percent defined by the following equation:
$$\% = 12.5(EE - .4) - 40$$
 - c. For EE's greater than \$2.0M, low bids more than 20% below the EE.
2. The median bid is 5% or more below the Engineer's Estimate.

POINTS TO BE CONSIDERED IN A SAVINGS ANALYSIS

The following items shall be considered for a Savings Analysis and discussed in the documentation:

1. Verify quantities of the items for which there are significant unbalanced bids and determine the effects on the positions of the bidders.
2. Determine if the bids received indicate that prices for major items of work were estimated too high.
3. Determine if there is increased competition because there are few other jobs of a similar type in this general location.
4. Review lump sum items and all other items for which price analyses were prepared. Determine if pricing assumed for project is consistent with current market in the project area.

Findings from the study of above items shall be discussed in a Savings Analysis Report which will also present the actions, if any, that the region will take on future project estimates. Pricing or other changes would occur only if a pattern or trend is observed over time.

STEPS IN SAVINGS ANALYSIS PROCEDURE

Responsibility

Action

Facilities Design Division

1. Identifies projects (contracts) that need review. This will be done for each letting.
2. Obtains, from BAMS, a spreadsheet showing item price estimates and bids received (up to 12) for projects (contracts) identified in 1, above.
3. Notifies Region within 5 working days of letting of need for a Savings Analysis and provides a copy of the project (contract) spreadsheet.

Regional Design Group

1. Performs Savings Analysis for Region-designed or estimated project (contracts) or forwards request for Savings Analysis to Consultant for Consultant-designed or estimated project (contract) and ensures Consultant performs Savings Analysis.
2. Submits Savings Analysis Report to Facilities Design Division within 40 working days of letting. Report identifies actions, if any, the Region will take on future estimates.
3. Periodically reviews results of Savings Analyses, analyzes trends, and makes adjustments to estimating procedures as appropriate.

Facilities Design Division

1. Reviews Savings Analysis Reports for completeness.
2. Compiles and analyzes results of Savings Analyses for each Region. Makes suggestions on estimating procedures to the Region Design Engineer as appropriate.
3. Monitors the results of subsequent lettings to determine the effectiveness of the Regions' efforts to adjust estimating procedures relative to Savings Analyses findings. Where insufficient progress has been made, Main Office staff will work closely with the region to develop firm plans for improvement.
4. Prepares periodic reports of statewide/regional results for Executive Management and Regional Directors.
5. Prepares and distributes revised statewide estimating procedures as needed in response to Savings Analyses findings.

SAVINGS ANALYSIS TRIGGERS

(Low Bid Departure from EE)

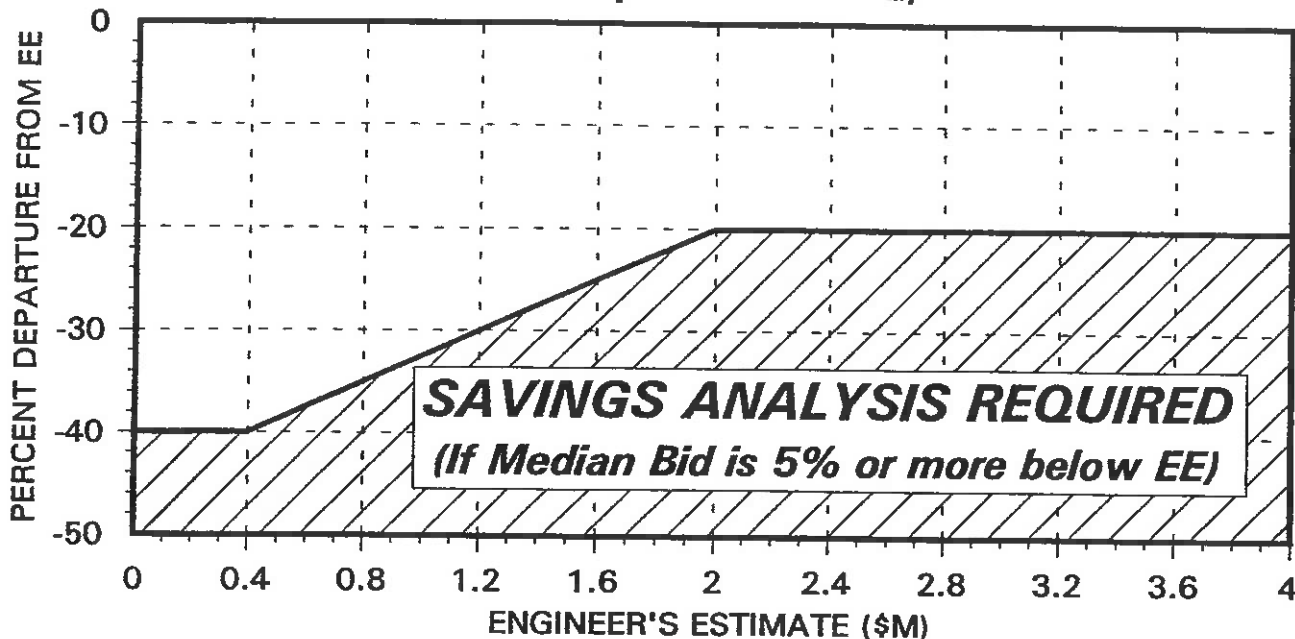


Figure 1

BACKGROUND

In May 1990 the Executive Capital Program Committee (ECPC) directed the Office of Engineering to establish and implement a system for regional and main office review of "Negative Case II" projects. This review is called a "Savings Analysis".

This "Savings Analysis" is so named to differentiate it from the more formalized analyses required for Case I and Case II contracts as described in M.A.P. 7.1-5. The Savings Analysis procedure is conducted primarily by Regional Design Staff (or Consultant Designers) and reviewed by Facilities Design Division staff. It is not the intent of this analysis to affect the award process, but rather to ensure that future Engineers' Estimates closely reflect actual market conditions.

Questions should be directed to K. C. Hahn at (518) 457-4504 or at Design Quality Assurance Bureau, 408-5.