

COMPARISON OF PERFORMANCE CONTRACTING WITH CONVENTIONAL PROCUREMENT PROCEDURES

STANDARD PROCUREMENT
SPEC AND BID EVERY PHASE
OF IMPLEMENTATION

PERFORMANCE CONTRACT
COMPETITIVE NEGOTIATIONS
FOR PROFESSIONAL SERVICES

1. Usually requires a capital budget authorization.	1. Utilizes existing appropriated utility budget line item to pay all project costs.
2. Extended completion time due to need to obtain budgetary approvals. Time for completion can vary from 2.5 years to 6 years. Increased costs can vary from 3-15% due to inflation.	2. Third party financing is available, which allows the public building owner to initiate projects sooner. Time for completion for an average project will be 6-12 months from project conception. No increased costs due to inflation.
3. Project is funded by bonds which are repaid over a 30 year period using tax exempt financing.	3. Project is funded by lease-purchase financing or Municipal Lease (tax exempt or capital) financing which is repaid over a 10 year period.
4. These projects seldom qualify for utility rebates since the programs are normally over before the projects are funded.	4. Performance contracting maximizes financial participation in the project. This reduces the amount to be financed or allows additional conservation projects to be implemented.
5. Long term savings are rarely, if ever guaranteed. Staff turnover, lack of ongoing training, lack of expectations, and maintenance failures often kill project performance.	5. A guarantee of performance is part of the contract. Savings are guaranteed.
6. Performance standards are seldom a part of any construction contract with a hardware vendor.	6. Performance contract will contain a performance definition and guarantee of comfort conditions.
7. Change Orders are common practice because of misinterpretation or funding availability and scope of project do not match.	7. No change orders unless Owner elects to increase project scope within cost effectiveness criteria.
8. Separate phases of project implementation diffuses the source of responsibility for effective performance and often results in disputes over liability for non-performance.	8. A single point of financial and technical accountability for total project performance is standard.
9. Equipment is guaranteed to be free from defects for one year from substantial completion.	9. Performance contract guarantees the project functions as designed, maintains specific comfort conditions and saves dollars over the life of the Agreement.
10. Incremental project implementation often leads to eliminating cost effective retrofits due to inadequate funds, limited staff time, and overly narrow or biased project specifications.	10. Performance contractors consider all cost effective retrofits and secure financing for all feasible improvements. The costs of other needed capital improvements may be underwritten from any additional savings generated by the project.
11. Most public institutions cannot afford to pay for top notch technical energy staff nor can they afford to train existing staff.	11. We provide the technical expertise in order to guarantee project performance.
12. Capital projects must compete with other capital priorities in an environment of limited budget resources.	12. PCs are not financed through a capital process. Funding is available from various lenders. Performance guarantees are designed to cover the costs of project financing, ongoing guarantees, and monitoring and verification of savings.
13. New project responsibilities can bring risks of non-performance and technical errors due to lack of internal technical expertise.	13. Willingness to accept technical responsibilities and risks is tied to direct financial rewards which are based on project performance.
14. The operations and maintenance budgets of public institutions are usually underfunded resulting in comfort problems, equipment breakdowns, lack of staff training, and wasted energy.	14. Under a PC, we cannot afford to underfund any functions critical to protecting your investment and meeting the performance guarantees contained in the contract.
15. When project construction is accepted by staff, there is no guarantee that future improvements will be made to respond to changing conditions.	15. We have a strong incentive to respond to changes in technology and building requirements to maintain the guarantee of project performance over the term of the contract.