

Nomination of the
Naval Facilities Engineering Command
For the Office of Federal Procurement
Policy's 2005 Alternative Dispute
Resolution Awards in Acquisition



DEPARTMENT OF THE NAVY
03 February 2006

CONTENTS

	<u>Page</u>
I. Facilitated Partnering Overview	2
II. History	3
III. Structure	3
A. Mindset	3
B. Commitment	4
C. Process	4
IV. Key Program Innovations	5
A. Issue Resolution	5
B. Partnering Required	6
C. Contractor Success	6
D. Facilitators	6
E. Training	7
V. NAVFAC Partnering Success Stories	7
A. Presidential Helicopter Program Support Facility	8
B. Naval Medical Center San Diego	8
C. Addition to the Defense Intelligence Analysis Center	8
D. Naval Air Station North Island	9
Conclusion	9
Nomination Attachment 1: January 12, 2006 Partnering Meeting Agenda	
Nomination Attachment 2: Addition to the Defense Intelligence Analysis Center (DIAC)	

**Nomination of the Department of the Navy's Construction Partnering
System for the Office of Federal Procurement Policy's
2005 Alternative Dispute Resolution Awards in Acquisition**

The Department of the Navy's (DON) Alternative Dispute Resolution (ADR) Program is pleased to nominate the Naval Facilities Engineering Command (NAVFAC) for its outstanding use of facilitated partnering to effectively manage construction and facilities services contracts on behalf of the DON. NAVFAC has a solid organization supporting its efforts, and training resources available to make the most of the facilitated partnering process. NAVFAC's program results in recognized successes, and makes it an ideal candidate for recognition by the Office of Federal Procurement Policy.

I. Overview of Facilitated Partnering

Most assuredly, the judges for this award are familiar with partnering as an ADR method. But for others who might read this nomination, it is appropriate to define "partnering" as a formal process that brings key project participants (stakeholders) together to communicate effectively and work as a team to define and achieve mutually beneficial goals. An effective partnering effort relies on each stakeholder understanding the communication styles, goals and organizational interests of the other members. Partnering is a "process" because it requires action, not just words. Partnering supports the DON mission by fostering open communication, proactive contract administration, integrity, and mutual trust.

"Facilitated partnering" adds the services of a facilitator to maintain the team's ground rules, the sense of commitment, and the focus on the team's joint mission. Aided by a neutral facilitator, the project partnering team uses an orderly, efficient and progressive series of steps to identify problems, implement solutions, and resolve disputes. The neutral facilitator trains the stakeholders to quickly identify and manage sources of conflict.

II. History

NAVFAC is a global organization headquartered at the historic Washington Navy Yard in Washington D.C. NAVFAC's 15,000 military, civilian, and contractor employees manage base development, capital improvements, real estate, public works support, environmental and contingency management for Navy and Marine Corps facilities around the world, with an annual volume of business in excess of \$8.5 billion.¹

NAVFAC initially provided formal partnering guidance in "A Guide to Partnering for Construction Projects," dated February 1, 1991. In a November 23, 1992 memorandum the NAVFAC Commander endorsed the use of partnering and encouraged its use when it made good business sense. A formal NAVFAC Construction Project Policy was issued on May 29, 2002, and NAVFAC issued a revised partnering policy in December 2004.²

III. Structure

The current policy stresses that partnering is the result of "mindset + commitment + process."³ These three elements, described below, are the key to NAVFAC's partnering success.

A. Mindset

The new instruction describes the mindset element, in part, as:

... working together with the other partners to remove unnecessary roadblocks that stifle success. To a great degree, this is accomplished through effective communication, proactive contract administration, mutual trust, honesty, integrity, cooperation, open-mindedness, and the courage to do the right thing.⁴

¹ See [https://portal.navy.mil/](https://portal.navy.mil/adr/1101340a.1pdf.pdf)

² NAVFACINST 11013.40A, "Naval Facilities Engineering Command (NAVFAC) Partnering Policy," 28 December 2004. This document is available to the public at <http://adr.navy.mil/adr/1101340a.1pdf.pdf>.

³ NAVFACINST 11013.40A, at enclosure (1), p. 3.

⁴ NAVFACINST 11013.40A, at enclosure (1), p. 3-4.

B. Commitment

The “commitment” element requires the signing of a “Partnering Charter” at the initial partnering meeting. The charter is collaboratively drafted statement of the team’s goals and mission. This signed charter becomes a visible symbol of each team member’s personal commitment to the group. The charter focuses on delivering the product consistent with the contractual requirements and budget. It stresses building trust, protecting the environment, and resolving problems quickly.

C. Process

There are three separate process levels, and two of these require the use of a facilitator. For construction contracts, as an example, the levels are generally defined as:

- Level A Process
 - Projects that are high risk, high visibility, compressed performance period, complex or over \$5M.
 - Requires the use of private facilitators acceptable to both the contractor and the government.
 - Initial one-day session at neutral off-site location, with follow-on sessions recommended every three months.
- Level B Process
 - Average risk projects, non-compressed schedule, and between \$3M and \$5M.
 - A neutral from either a Government source or the private sector may be used.
- Level C Process
 - Generally for projects less than \$3M.
 - Not facilitated.
 - Partnering discussion at the preconstruction conference.

Effective partnering processes require follow-on meetings after the charter meeting to promote the mindset and commitment. Some of the many keys to successful partnering include finding the right people, strong facilitators and open communication. Partnering teams require the participation of all stakeholders, including NAVFAC’s client command, the

major subcontractors, the Designer-of-Record, NAVFAC local and regional offices, and of course, the contractor. All partnering process levels require a periodic review of the contractor's performance, an assessment of NAVFAC's performance of its responsibilities, timely submission of project progress information to the client, and rapid identification and resolution of concerns.

The detailed elements of the NAVFAC Partnering System are contained in enclosure (1) to the current NAVFAC Instruction. In the interest of brevity, the judges are invited to carefully examine the instruction. It is, after all, the best description of the Partnering System. More importantly, it demonstrates that NAVFAC has carefully devised a method that can achieve timely contract completion while making conscientious efforts to maintain quality, function and budget.

IV. Key Program Innovations

The current NAVFAC system has several innovations that improve the DON's contract administration for construction and facility services contracts.

A. Issue Resolution

The OFPP ADR Award, of course, focuses on the disputes mechanism used by a program. NAVFAC's Partnering System emphasizes the importance of signing the partnering agreement, or "charter," "as early as possible so issues arising, even before work begins, can be resolved using the issues resolution process."⁵ NAVFAC's Partnering System provides Problem Resolution/Escalation Process⁶ guidelines and an Issue Resolution Ladder.⁷ The Issue Resolution Ladder, completed at the initial partnering session, specifies who is responsible at each level in each organization for either resolving an issue or sending it up the ladder to be resolved. Partnering team members closest to the problem are expected to attempt issue resolution first, and ignoring a problem is unacceptable. Team

⁵ NAVFACINST 11013.40A, at enclosure (1), p. 9.

⁶ NAVFACINST 11013.40A, at enclosure (1), p. 14, Attachment A

⁷ NAVFACINST 11013.40A, at enclosure (1), p. 19, Attachment E

members are expected to follow the ladder and not "jump" rungs of authority.⁸

B. Partnering is Required

NAVFAC requires all construction⁹ and facilities support¹⁰ contracts to include one of three partnering contract provisions appropriate for the project in the solicitation. The contractor must bid the partnering requirement and pay all costs associated with the partnering effort.¹¹ These costs include the facilitator for level A contracts, the cost of the meeting room, and incidental items including audio-visual equipment, easels, flipchart paper, and other items necessary to conduct the partnering sessions. The participant organizations bear their own costs for meals, lodging, and transportation associated with the partnering meetings.

C. Contractor Success

NAVFAC uses partnering to facilitate project success for the client and the contractor within the confines of the contract. The Partnering System recognizes NAVFAC's responsibility to fairly treat, evaluate, and compensate the contractor. "We believe our Contractor partners should make a reasonable profit and be successful so that they can help us achieve Client success now and in the future."¹² NAVFAC understands that partnering does not mean a contractor must perform new work for free, and at the same time, the use of partnering does not replace the need for proper contractual documentation or compliance.

D. Facilitators

NAVFAC project managers have access to a national facilitator roster available on an internal website, listing both consultant and in-house facilitators available in different areas around the world. Level B construction projects with a non-compressed schedule, average risk and visibility, and a value between \$3M and \$5M may choose to use an in-house facilitator at no cost to the contractor. These in-house facilitators may not be

⁸ NAVFACINST 11013.40A, at enclosure (1), p. 14, Attachment A

⁹ NAVFACINST 11013.40A, at enclosure (1), p. 5.

¹⁰ NAVFACINST 11013.40A, at enclosure (1), p. 8.

¹¹ NAVFACINST 11013.40A, at enclosure (1), p. 10.

¹² NAVFACINST 11013.40A, at enclosure (1), p. 4.

part of the project management team, and are trained in an intensive three-day course provided by a professional training contractor. This innovation is designed to reduce the cost of performance. It also benefits NAVFAC by increasing the skills and experience of the NAVFAC workforce.

E. Training

The intensive three-day training course for in-house facilitators provides a comprehensive overview of the fundamental principles of partnering and the NAVFAC Partnering System. During this course the in-house facilitator trainees work through numerous exercises to develop the skills and behaviors needed to facilitate partnering activities. The trainees learn how to identify the workshop participants, create the initial partnering session agenda, and conduct the initial partnering session and the follow-on partnering workshops. The course text is a 160-page Facilitator's Handbook for Construction Project Partnering. Facilitators use this handbook as a guide and reference before, during, and after partnering workshops.

On most NAVFAC construction projects the Resident Officer in Charge of Construction (ROICC) represents NAVFAC as the construction project manager. Partnering training has been integrated into the ROICC Office Operations course offered by the Navy's Civil Engineer Corps Officer School. Additional partnering training resources are available through the local NAVFAC field component's Construction and ROICC Support office.

V. NAVFAC Partnering Success Stories

In FY2005, NAVFAC reports that it awarded 65 contracts that required a facilitator under levels A and B of its new policy. While it is probably too early to identify successes in those contracts, NAVFAC has a history of success on many projects. This section describes a current, high visibility construction project under the new instruction to support the Presidential Helicopter Program, and three past successes.

A. Presidential Helicopter Program Support Facility, Naval Air Station Patuxent River, Maryland – A Current Project

This complex construction project is on track to support the introduction of the next generation Presidential Helicopter, the VXX.¹³ The initial partnering session was held on April 20, 2005, and the second partnering meeting was held on August 25, 2005. A recent agenda¹⁴ for the third meeting highlights a continuing team focus on issue identification and resolution using partnering processes. This \$84.4 million fast-track project is on schedule with no contract claims filed to date.

B. Pediatrics Intensive Care Unit Project, Naval Medical Center San Diego

NAVFAC and their contractor partner received the Associated General Contractors of America's Marvin M. Black Excellence in Partnering Award for 2005 for this hospital-remodeling project. This award is given to construction projects based on an objective evaluation of the partnering charter goals attained, claims filed, adherence to schedule, and the issue resolution procedure used.¹⁵ This project also received two other prestigious construction awards, and was completed in half the time required by similar projects.¹⁶

C. Addition to the Defense Intelligence Analysis Center

This \$114 Million design-bid-build construction project added a 450,000 square-foot, six-story office building to the existing Defense Intelligence Center at Bolling Air Force Base, Washington DC.¹⁷ At the three-day partnering kickoff meeting the team “created a charter, established 30 common goals, and set up communications processes.”¹⁸ According to the project's Resident Officer In Charge of Construction, partnering allowed

¹³ See

https://portal.navfac.navy.mil/pls/portal/APP_PAO.PRESS_RELEASE_FULL_DYN.show?p_arg_names=newsid&p_arg_values=944.

¹⁴ See “January 12, 2006 Partnering Meeting Agenda.” (Nomination Attachment 1)

¹⁵ See <http://adr.navy.mil/adr/2006MarvinBlackAwardForm.pdf>.

¹⁶ See

https://portal.navfac.navy.mil/pls/portal/APP_PAO.PRESS_RELEASE_FULL_DYN.show?p_arg_names=newsid&p_arg_values=1102.

¹⁷ See “Addition to the Defense Intelligence Analysis Center (DIAC), Bolling Air Force Base, Washington DC. (Nomination Attachment 2)

¹⁸ *Ibid*, at page 2.

the team to achieve an August 2005 occupancy date, with the last formal partnering meeting occurring in May 2005.

D. Maintenance Support Facility Seawall Upgrade, Naval Air Station North Island, San Diego

This project featured seawall repair and construction of an 80,000 square-foot maintenance facility for nuclear powered aircraft carriers. Procedures developed at partnering meetings shortened submittal approval time, introduced continuous inspection, and improved project management.¹⁹ The project completed ahead of schedule, under budget, and had no claims.²⁰

Conclusion

NAVFAC's Partnering System harnesses the combined strength of the NAVFAC team and their private sector partners to efficiently resolve disputes and achieve common goals. NAVFAC's history of success, along with its new policy commitment, demonstrates that its approach is "... more efficient and timely than traditional litigation processes, while preserving the business relationships between agencies and their private sector partners."²¹ NAVFAC, in short, is an ideal candidate for the OFPP's ADR Award in Acquisition.

¹⁹ See <http://www.agc.org/page.wv?section=Best+Practices+-+Case+Studies&name=Maintenance+Support+Facility+Seawall+Upgrade+Case+Study>.

²⁰ *Ibid.*

²¹ Office of Federal Procurement Policy Memo, "2005 Alternative Dispute Resolution Awards in Acquisition," Nov. 7, 2005.

Nomination Form

**OFPP AWARDS FOR OUTSTANDING ACQUISITION-RELATED
ALTERNATIVE DISPUTE RESOLUTION PROGRAMS**

1.Nominee

Name of Agency, Department, or Company

Department of the Navy

Name of Organization Submitting Nomination

Department of the Navy, ADR Program Office

Name of Program Being Nominated

Department of the Navy, Naval Facilities Engineering Command,

Address

1322 Patterson Ave, STE 1000

Washington Navy Yard, DC 20376

2.Contact person if further information is needed

NOMINATION ATTACHMENTS

**D/B Presidential Helicopter Programs Support Facility
Partnering Meeting
January 12, 2006
(8:00 AM-3:30 PM)
Agenda**

- Welcome, Introductions, & Opening Comments (8:00 – 8:30)
- Review Project Goals (8:30 – 8:45)
- Rate Performance Towards Reaching Goals (8:45 – 9:45)
- Break (9:45 – 10:00)
- Schedule / Project Look Ahead (10:00 – 12:00)
 - ATCT Completion & Transition Plan
 - Existing ATCT Schedule
 - HANGAR- milestones look-ahead
 - Admin
 - Hangar bays
 - Site
 - Close-out Requirements
 - Commissioning
 - Punch-out plan
 - O&M's, Training, Spare Parts, As-builts
- Lunch (12:00 – 12:45)
- Identify Concerns to Address & Key Processes to Improve (12:45 – 1:00)
- Small Groups Work & Report on Priority Issues (1:00 – 3:00 including break)
- Identify How to Follow- up and Reinforce Our Partnering Efforts (3:00 – 3:30)

Addition to the Defense Intelligence Analysis Center (DIAC), Bolling Air Force Base, Washington, DC

Project Information

<p>Type: New Construction Price: \$114,000,000.00 Completion Date: February 2006 Owner: Defense Intelligence Agency (DIA)</p>	
---	---

Points of Contact:

Agency:

DIA Program Manager, [PERSONAL INFORMATION DELETED]

Construction Agent:

US Navy Resident Officer in Charge of Construction, Naval Facilities Engineering
Command Washington, [PERSONAL INFORMATION DELETED]

Contractor:

Manhattan Construction Company, Fairfax Division, [PERSONAL INFORMATION
DELETED]

Stakeholders:

Defense Intelligence Agency (Owner)

Bolling Air Force Base (Host Installation)

Naval Facilities Engineering Command (Design/Construction Agent)

SmithGroup (Designer of Record)

Manhattan Construction Company (General Contractor)

Dynalectric (Electrical Subcontractor)

J. J. Kirlin (Mechanical Subcontractor)

Harmon, Inc. (Glazing/Blast Resistant Curtain Wall Subcontractor)

Netcom (Information Technology Subcontractor)

Partnering Goals:

Created a culture of cooperation, communication, cost savings, and value engineering to allow completion within budget, on time, to the quality specified in the contract, and without mishaps.

- Used rolling wave scheduling and occupancy based objectives to finish on time while accommodating 20% scope growth due to client organizational changes.
- Used the team processes developed during formal partnering to create early focus on commissioning and occupancy transition needs.

Partnership establishment and implementation:

The project team (DIA, NAVFAC, Bolling AFB, Designer, Prime and major subcontractors) came together for a three-day offsite partnering kickoff seven weeks after construction award. There we created a charter, established 30 common goals, and set up communications processes. The DIA program manager set expectations high and declared the August 2005 occupancy date the most important of the Agency's requirements. During the 30 month project life, the team met formally to follow up on our initial goals on 6 occasions, conducted 7 executive breakfasts, and exchanged feedback on award fee criteria and performance 9 times formally and 18 times informally. Only very rarely were official letters exchanged to communicate concern over contractual matters, and the normal construction processes (RFI management, submittals, shop drawings, daily reports, modifications, invoices) were supplemented by almost constant dialogue through regular coordination meetings and formal partnering forums.

Project Description:

This design-bid-build project adds a 450,000sf six-story concrete and steel framed office building and two one-story classroom plinth areas to the existing DIAC. Force protection features include a one meter stone wall perimeter vehicle barrier; remote access control center; and integrated glass and aluminum blast curtain wall. Architectural features include flexible open workstation areas exposed to maximum natural light; raised access floor; spacious metal, glass and granite finished lobby entry areas from both visitor parking and existing building; multi-purpose water feature; site work and landscaping.

Project Challenges:

The project congressional budget was cut by \$10M just as the construction RFP was advertised, requiring on the fly development of bid options and necessitating post-award redesign using limited contingency funds: 1) garage became surface parking area; 2)

45,000sf of office space changed to high ceiling conference and classroom space. Continuous organizational change and growth within DIA forced the reprogramming of substantial internal spaces, which changed the Special Compartmented Information Facility (SCIF) boundaries several times during construction. With construction 95% complete, and only two months from initial occupancy, the Office of the Director of National Intelligence (ODNI) directed the redesign and reconfiguration of two floors and the penthouse for their occupancy seven months later.

- **Issue 1 – Financial Constraints:**

In order to finish within the congressional mandated budget, the stakeholders embarked upon a major effort to save money. The stakeholders identified thirty separate cost saving items in the initial round of brainstorming; the project finished with 70 credit modifications by processing more than a dozen value engineering change proposals. The savings to the government amounted to more than \$2 million; this allowed the project to finish within the original congressional budget amount. The success can be directly attributed to the shared commitment, nurtured through partnering, to bring the project to completion within budget.

- **Issue 2 – Time Constraints:**

The contractor correctly predicted that the scope of work would be modified significantly early in the contract due to both the congressional budget cut, requiring major redesign, and the rapidly changing ODNI needs in a post-9/11 world. They proposed, and the government accepted, a method by which the major activities in the schedule would be set by the original proposed sequence, with the first year's activities fleshed out in the first 90 days of construction and the remainder of the activities and logic to be defined within nine months. This "rolling wave" method of schedule development allowed buy-in by subcontractors and inclusion of early design changes. More importantly, it meant that the actual schedule used to manage the work was the same as the initial approved project schedule, further aligning expectations and cementing trust in the relationships among the project stakeholders. The partnering mindset allowed the stakeholders to respond effectively and incorporate new ODNI requirements, even after DIA occupancy, and complete the project on time.

- **Issue 3 – Quality Challenges:**

The stakeholders realized early on that meeting the contractual required quality will be a major challenge. They adopted a rigorous, prescriptive commissioning management plan to assure that all building systems (primary electrical switchgear to service new and existing buildings, interconnected cooling systems, penthouse utility plant that includes 100% emergency power generation, dual-fuel boilers, new cooling system, etc.) will perform as specified upon completion. The stakeholders decided to hold weekly commissioning meetings, that began two years before project completion, and biweekly transition coordination meetings, that began 18 months prior to occupancy of the

building. These early efforts by the stakeholders allowed the project to be completed to a high quality standard.

Successes of the Partnering process:

- On-time initial DIA occupancy even after the addition of almost 20% more scope than originally contemplated. Building systems were tested and functioned properly more than six months prior to the contract completion date.
- Completion within the original congressional program amount even after use of half of the contingency funds for planned design changes.
- Least cost integration of ODNI requirements at the eleventh hour that could have resulted in major delay claims and delay of DIA occupancy.

