

O&M COMMERCIAL MODELS EVALUATION CHART

	Model	Description	Pros	Cons	Data Needed	
Lower	Unit Rate /T&M Data Quality: Low Client Financial Risk: High Cost: High (Street rates)	The client pays for the actual time spent and materials used. The service provider has little incentive to control costs, and the client bears the risk of cost overruns.	<ul style="list-style-type: none"> Easy to accommodate changes in scope or unforeseen tasks. Client pays the actual time spent & materials used, providing clear visibility into costs. Straightforward billing without complex contract terms. 	<ul style="list-style-type: none"> Clients bear the risk of cost overruns due to inefficiencies or unforeseen issues. Minimum incentive for service providers to manage time and resources efficiently. Difficult for clients to budget accurately due to variable expenses. Limited collection of facility data, hindering long-term planning. 	<ul style="list-style-type: none"> Scope of work Labor categories & Rates Materials specifications Site access information 	Higher
Client Data Quality & Detail	Cost Pass-Through Mgmt. Fee Data Quality: Low to Moderate Client Financial Risk: High Cost: Higher	The service provider passes all costs to the client and pulls a management fee. There's minimal incentive for cost savings, and the client carries most of the financial risk.	<ul style="list-style-type: none"> Clients see actual costs plus a fixed management fee fostering trust. Easy to understand how fees are calculated. The management fee can be tied to performance metrics. 	<ul style="list-style-type: none"> Clients are responsible for all costs incurred. Service providers may not be motivated to reduce operational costs. Better than T&M models, but still may lack detailed facility performance data. 	<ul style="list-style-type: none"> Scope of work Detailed cost reports Management fee agreement Financial reporting template 	G E N 1
	Fixed Price Data Quality: Moderate to High Client Financial Risk: Moderate Cost: Moderate	A fixed price is set for defined services or performance levels. The service provider assumes more risk, incentivizing efficient operations.	<ul style="list-style-type: none"> Fixed price allows for accurate budgeting and financial planning. Providers are motivated to control costs to maintain profitability. Performance metrics encourage higher quality and consistent service. Requires detailed data to set pricing and measure performance. 	<ul style="list-style-type: none"> Difficult to adjust without significant renegotiations of the contract. Providers might cut corners to reduce and project margins. Misalignment on performance expectations can lead to conflicts. Requires ongoing monitoring and management to ensure provider is in compliance. 	<ul style="list-style-type: none"> Scope of work Service Level Agreements (SLAs) Historical Performance Data Facility Condition Report Detailed Asset List Accurate Facility Specifications Occupancy Data Site Service Matrix 1-3 Year Work Order Data 	G E N 2
	Guaranteed Maximum G-Max Data Quality: Moderate to High Client Financial Risk: Moderate to Lower Cost: Moderate	The client benefits from cost certainty up to the guaranteed maximum price. If costs exceed this cap, the service provider absorbs the additional expenses, reducing the client's financial risk.	<ul style="list-style-type: none"> Clients have assurance that costs will not exceed the guaranteed maximum price. Providers absorb costs exceeding the maximum, incentivizing efficiency. Motivates providers to manage resources effectively to maximize profits. Necessitates accurate data. 	<ul style="list-style-type: none"> Establishing a fair guaranteed maximum requires detailed analysis. Providers may set higher maximum prices to mitigate risk. Clients may not benefit from cost savings below the maximum price unless specified. Providers might reduce service levels to avoid exceeding the guaranteed price. 	<ul style="list-style-type: none"> Scope of work Service Level Agreements (SLAs) Historical Performance Data Facility Condition Report Detailed Asset List Accurate Facility Specifications Occupancy Data Site Service Matrix Maintenance & Repair History Capital Plans Asset Life Cycle 1-3 Year Work Order Data 	G E N 2
	Gain-Sharing Glidepath Savings Data Quality: High Client Financial Risk: Lower Cost: Lower	Both parties share in the savings achieved over time. There's a collaborative effort to reduce costs, and financial risk are more balanced.	<ul style="list-style-type: none"> Both parties benefit from cost savings, promoting collaboration. Providers are motivated to find new ways to reduce costs. Requires detailed tracking to measure and validate savings. Financial benefits and risk are shared, fostering partnership. 	<ul style="list-style-type: none"> Contracts can be complicated to structure and administer. Success depends on transparent communication and mutual confidence. Disagreements may arise over calculation & distribution of savings. Initial setup may require significant time and resources. 	<ul style="list-style-type: none"> Scope of work Service Level Agreements (SLAs) Historical Performance Data Facility Condition Report Detailed Asset List Accurate Facility Specifications Occupancy Data Site Service Matrix Maintenance & Repair History Capital Plans Asset Life Cycle 1-3 Year Work Order Data 	G E N 2
	Cost-Plus Mgmt. Fee At Risk/Gain Data Quality: High Client Financial Risk: Lower Cost: Lower	The service provider's fee is at risk based on the performance metric helping to ensure Generation 2 gains are maintained. There is a potential for gain-sharing, aligning interests towards efficiency and cost savings. This model helps assure any efficiencies and quality improvements achieved are maintained past the Generation 2 gains.	<ul style="list-style-type: none"> Providers' fees are tied to meeting or exceeding performance targets. Both parties benefit from efficiency gains and cost reduction. Necessitates comprehensive data collection for performance assessment. Providers are motivated to maintain high standards to project their fee. 	<ul style="list-style-type: none"> Requires rigorous tracking, reporting, and management oversight. Providers may lose part of their fee if performance targets are not met. Balancing cost savings with maintaining service quality can be challenging. Negotiating and understanding the contract can be more difficult. 	<ul style="list-style-type: none"> Scope of work Service Level Agreements (SLAs) Historical Performance Data Facility Condition Report Detailed Asset List Accurate Facility Specifications Occupancy Data Site Service Matrix Maintenance & Repair History Capital Plans Asset Life Cycle 1-3 Year Work Order Data 	G E N 3+
	Higher					