

# BEST VALUE CONTRACTING PROGRAM



PREPARED BY:  
GERARD M. WAITES  
O'DONOGHUE & O'DONOGHUE



FOR THE "COUNT" ORGANIZATION  
CONTRACTORS & UNIONS WORKING  
TOGETHER

# Table of Contents

<b>I. Who to Review: Parties Subject to BVC Screening &amp; Evaluation</b>	<b>1</b>
<b>II. What to Review: Key Qualification &amp; Performance Factors</b>	<b>1</b>
<b>III. How to Review: Guidelines/Procedures for Contractor Screening</b>	<b>1</b>
<b>IV. Key Rules &amp; Procedures for BVC Contracting Program</b>	<b>2</b>
<b>V. Sample Best Value Rating Scheme &amp; Source Selection Formula</b>	<b>4</b>
<b>Basic Rating Scheme</b>	<b>4</b>
<b>Key Performance Evaluation Criteria</b>	<b>4</b>
<b>BVC Source Selection Formula</b>	<b>5</b>
<b>Example of BVC Source Selection Formula Applied</b>	<b>5</b>
<b>Appendix</b>	<b>6</b>

## **I. Who to Review: Parties Subject to BVC Screening & Evaluation**

1. All General Contractors & Construction Managers Subject to Screening
2. Pre-Award Listing and Screening of All Major/Specialty Subcontractors, Including Electrical/Mechanical/Plumbing/Sprinkler/Asbestos/Lead
3. Mandatory Disclosure of Related Companies/Key Persons (e.g., Officers, Owners, Managers); Additional Screening on Same When Needed

## **II. What to Review: Key Qualification & Performance Factors**

1. Bonding Capacity/Bonding Company/ Applicable State Licenses
2. Insurance Coverage: General Liability/Workers/Unemployment Comp.
3. Financial Status & Capabilities of Firm/Claims/Tax Liabilities/Liens
4. Experience & Technical Expertise: Projects of Similar Size/Scope
5. Past Performance: All Projects/Relevant Quality, Schedule & Cost Data
6. Law Compliance/Business Integrity: All Areas, e.g., Criminal, Insurance, Tax, Environmental, Labor, Employment
7. Qualifications/Experience of Management & Professional Staff
8. Craft Personnel: Labor Sources; Staffing Plans, Apprentice & Journey-Person Training Programs, Training Investments
9. Quality Control Programs & Safety Programs
10. Equal Employment Programs: Minority/Women/Small Business Programs
11. Equipment, Technical Resources & Information Technology
12. Subcontracting Plan/Subcontractor Qualifications: Per Above Factors

## **III. How to Review: Guidelines/Procedures for Contractor Screening**

1. Contractor Qualification Statements
  - ▶ Certified Financial Statements/Proof of Licenses, Bonding, Insurance
  - ▶ Detailed Submission per Financial Resources, Equipment, Facilities, Experience/Capabilities of Management & Craft Labor Resources
2. Certified Contractor Questionnaires (Cover 5-Years All Projects)
  - ▶ Examines Record of Law/Public Policy Compliance, All Areas
  - ▶ Examines Record of Contract Performance, All Areas, Including Debarments, Defaults, Liens, Terminations, Liquidated Damages
3. Mandatory Disclosure of All Contractor Performance Evaluations
  - ▶ All Projects, Public & Private, 5 Years Minimum
  - ▶ Includes Data on Quality/Cost/Schedule/Law Compliance
4. Independent Qualification Review by Contracting Agency
  - ▶ Check Public Data Bases/Random Customer Survey

#### **IV. Key Rules & Procedures for BVC Contracting Program**

1. Public Notice of Projects Issued Per Standard Notice Requirements.
2. Solicitation Explicitly Labeled "Best Value" Request for Proposals (RPF).
3. RPF to Specify Major Evaluation Factors, Award Methodology, BVC Formula to be Used & Relative Weights Assigned to Price & Non-Price Factors (Weights Set Per Project, e.g., for Routine Jobs, Price set at 70%).
4. All RFPs/Solicitations to Consider: (a) Price; (b) Past Performance; (c) Firm Resources; and (d) Qualifications.
5. Additional Evaluation Factors Set In Accordance With Project Needs, e.g., Specialized Experience, Proposed Schedule, Warranties.
6. Separate Sealed Proposals: Price Proposal & Qualifications Proposal.
7. Qualifications Scored by 3-Member Technical Review Team; One Team Member Not Employed by Facility Owner.
8. Threshold Qualification Issues Reviewed First, e.g., Licensing, Bonding, Financial Resources, Business Integrity.
9. All Bidders Required to Pre-List Major Subcontractors & Specialty Subcontractors; BVC Evaluation of Contractor Covers Whole Team.
10. Each Non-Price Evaluation Factor Listed in RFP Given Quantitative Rating; All Factors Added for Total Qualification Score.
11. Final Qualification Score Based on Average of Individual Scores Given by Each Team Member.
12. Discussion Among Team of Contractor's Qualifications/Performance Record Permitted, but Scores Given Independently/Confidentially by Each Team Member.
13. Written Justification of Each Team Member's Total Qualification Score for Each Contractor Recorded in Project File.
14. If Total Qualifications Score of One Team Member is 15% Higher or Lower Than Average of Other Two Members, That Score is Not Counted.

15. Once Qualification Scores Finalized, Sealed Price Proposals are Opened; BVC Source Selection Formula Applied to Determine Best Value Offer.
16. Each Contractor's Price Proposal Given Quantitative Price Score; Low Bid to Receive Maximum Price Score; Other Bids Scored in Relation to Low Bid.
17. Price Score & Non-Price/Qualification Scores of Each Contractor Added for Total Combined Score; Highest Total Score Wins.
18. After Project Awarded, Prime Contractors/Key Subcontractors Subject To Project Performance Evaluations; Rated on All Relevant Areas, Including:
  - ▶ Compliance With Plans & Specifications
  - ▶ Quality of Workmanship/Safety Record
  - ▶ Compliance With Project Schedules
  - ▶ Compliance With Laws & Regulations
  - ▶ Cost-Control/Innovation & Problem-Solving
19. Post-Award Performance Evaluations Performed by Three-Member Team; All Above-Specified Rules Apply Re Performance/Qualification Scoring, Including Team Make-Up and 15% Rule.
20. Civil, Criminal Penalties for Corrupt Activities Relating to Bid Process; Discipline for Agency Personnel, Including Termination, for Violations of Contracting Rules.
21. Full Protection of Employment Rights for Agency Personnel and Protection from Retaliatory Conduct for Exposing Wrongful Conduct in Connection With BVC Solicitations or BVC Projects.

# Sample Best Value Rating Scheme & Source Selection Formula<sup>1</sup>

## Basic Rating Scheme

<b>Total Point Allocation:</b>	<b>100 Points</b>
Maximum Price Score:	70 Points
Maximum Non-Price Score:	30 Points
<b>Total Point Allocation:</b>	<b>Maximum Score</b>
Past Performance/Maximum:	15 Points
First Resources/Maximum:	10 Points
Technical Qualifications/Maximum	5 Points

### Key Performance Evaluation Criteria

**Past Performance:** Covers all available performance data on all projects, public and private, for last 5 years including cost/schedule/quality data.

**Firm Resources:** Includes financial resources, facilities and equipment, management personnel and training & staffing capabilities of craft personnel.

**Technical Qualifications:** Includes specialized expertise, safety plans, quality control/quality assurance plans; additional relevant sub-factors as identified by project owner and project A/E.

**Total Non-Price Score:** The total non-price score given to general contractors is based, in part, on the qualifications and performance records of pre-listed subcontractors; all subcontracts valued over \$50,000 must be pre-listed.

---

<sup>1</sup>**Initial Responsibility Screening:** Prior to conducting BVC evaluations, contractors should be subject to a basic responsibility screening to ensure that they have an adequate record of business integrity and law compliance, sufficient bonding, applicable licenses and other basic threshold qualifications.

**BVC Source Selection Formula  
Scoring Price Proposals**

Contractor offering lowest price is designated Company A and shall receive maximum price score of 70 points.

The next contractor, Company B, shall have its price score determined by applying the following formula to its price proposal:

Company A's price is divided by Company B's price times the available percentage points, i.e., 70:

$$\frac{\text{Co. A's Price}}{\text{Co. B's Price}} \times 70 = \text{Price Score}$$

Each contractor's price score shall be added to its non-price or performance/qualification score for a total score; the highest total score wins.

**Example of BVC Source Selection Formula Applied**

	<b>Price</b>	<b>Price Score</b>	<b>Non-Price Score</b>	<b>Total</b>
<b>Co. A:</b>	<b>\$5.0M</b>	<b>70</b>	<b>21</b>	<b>91</b>
<b>Co. B:</b>	<b>\$5.1M</b>	<b>69</b>	<b>28.5</b>	<b>97.5</b>
<b>Co. C:</b>	<b>\$5.3M</b>	<b>66</b>	<b>30</b>	<b>96</b>

\* Company B submits the Best Value proposal, price and non-price factors combined and scored per BVC formula.

## APPENDIX

### LOW BID v. BEST VALUE CONTRACTING

<b>LOW BID</b>	<b>BEST VALUE CONTRACTING</b>
Minimum qualifications screening: projects awarded solely on basis of low bid	Extensive qualifications screening: projects awarded on the basis of price, past performance & firm resources/qualifications
<b>RESULTS</b>	<b>RESULTS</b>
Poor quality/delayed schedules/cost overruns, claims, disputes & litigation	Good quality/on-time, on-budget delivery/cooperation & partnership
<i>Minimal incentive to perform</i> once contract is awarded	<i>Maximum incentive to perform</i> once contract is awarded, incentive to excel
*performance on project largely irrelevant to winning future projects	*performance on one job can determine opportunity for next job
*minimal compliance with plans & specifications	*full compliance with specifications & good quality workmanship
*least-cost interpretation of bidding documents	*quality oriented interpretation of bidding documents
<i>Marginal performance throughout life of contract; same for every job</i>	<i>Maximum performance throughout life of contract; critical for every job</i>
Expectation of only <i>minimal qualifications</i> /marginal performance	Expectation of <i>top qualifications</i> /successful project performance
*no relative weight/credit given to key performance capabilities impacting project success, such as craft training & staffing, equipment, quality control	*critical/decisive weight & credit gives to key performance capabilities
*no incentive to invest in key performance capabilities	*every incentive to invest in performance capabilities, smart business to invest
Irrelevant that bidder A has a qualification/performance package 10 times better than bidder B -- if bidder B is 2 cents lower on the bid	Bidders with marginal qualifications are weeded out, bidders with good to excellent performance capabilities win, provided their bid price is reasonable in relation to project estimate and other bids
<b>BOTTOM LINE</b>	<b>BOTTOM LINE</b>
<i>False economy of poor quality, late delivery, cost-overruns, excessive claims, hassles and headaches</i>	<i>Successful project delivery in terms of quality, cost, schedule and cooperation</i>
*virtual <i>absence of accountability</i>	* <i>greater accountability</i>
* <i>poor results</i> for contracting agency, taxpayers & quality contractors	* <i>good results</i> for contracting agency, contracting community & tax payers