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The JOC CONSTRUCTION SERVICES Request for Proposal – WHITE PAPER

JOC Construction Services RFP Considerations for Real Property Owners

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INTRODUCTION

A Job Order Contract is a competitively bid, open ended, indefinite-delivery indefinite-quantity contract (IDIQ), providing for firm fixed pricing based on a detailed joint scope of work, a JOC unit price book, and a pre-determined coefficient for the purpose of managing and completing complex multi-trade renovation, repair, rehabilitation, and minor construction projects.

Originally conceived in the early 1980's by the U.S. Army Corps of Engineering for NATO operations; Job Order Contracting has evolved into a LEAN collaborative construction delivery method that has proven to deliver a significantly higher percentage of construction project on-time, on-budget, on-demand, at the quality level required, and with shorter overall project delivery times.

In addition to all sectors of the Department of Defence, many other Federal Government entities, State, County, and Local Government, Education, Healthcare, and Transportation, among other sectors, now implement Job Order Contracts.

This white paper introduces some of the basic considerations real property owners should consider when developing an RFP for Job Order Contract Construction Services.

KEY CONSIDERATIONS¹

The following general guidelines are applicable when preparing a Request for Proposal for Job Order Contract construction services.

JOC is a best value, versus low bid, procurement. The primary consideration is the contractor's ability to perform. Also, the total cost of the activity over time should be considered, not simply "first costs".

A request for JOC construction services is not an IT procurement. While JOC-specific software, appropriate to the specific JOC program, should be used versus spreadsheet or paper-based methods, JOC is a construction project delivery and procurement solution to enable real property owners to obtain quality, on-demand construction services. Based upon the owner location and type of organization, JOC software may be specified within the RFP as well as number of licenses for the contractor and the owner, and who is responsible for payment.

¹ Note: This document is not intended as any type of legal advice, nor should it be used in the direct creation of a formal request for proposal. It is intended simply as an outline of some of the considerations that real property owners need to address when preparing an RFP. Specific regulatory mandates may be applicable based upon location and/or type of owner organization.



Internal knowledge, resources, and capabilities, as well as organizational “buy in” are required for a successful JOC program. Solicit input during the planning stages from potential participants, key individuals, as well as peer organizations and professional associations. Attend JOC introductory training programs and share the information internally. Take advantage of no cost web-based learning sessions provided by JOC solution thought leaders and other training opportunities.

Create reasonable expectations for your JOC program. JOC generally involves a culture change for owners as they will, in many cases, be working more collaboratively and transparently with JOC construction contractors than they have worked in more traditional construction delivery environments. It will take time for this change to occur.

Set a realistic budget, timeline, and scope for your JOC program. Owner-managed JOC programs generally require an annual JOC construction volume of approximately \$2Million annually to be cost effective. The term of a JOC program is one year with additional option years. The total JOC duration is generally three (3) or five (5) years. Consult with applicable statutes, laws, and/or regulations that may be applicable to your specific situation and/or local.

Consider your JOC program implementation process and review those of JOC solution providers. Remember that developing a long term, mutually beneficial relationship with your awarded JOC contractors and JOC solutions/tools/technology provider is critical to long term success. As an owner you are seeking JOC service and solution providers that deliver the best possible combination of demonstrated experience and/or qualifications, performance, and price. Both cost and non-cost considerations are involved in the decision-making process.

CONTRACTOR REQUIREMENTS

While a great deal of emphasis is put upon successful past performance in many JOC RFPs. In some instances this can be detrimental. First, as the adage goes, prior success does not a guarantee of future performance. Certainly, if a contractor has demonstrated prior performance AND will have the same personnel working on your JOC, prior performance is a good indicator. That said, resumes of persons to be assigned specifically to your JOC should be an RFP requirement. Secondly, a benefit provided by JOC is the use of LOCAL contractors that are familiar with local construction variables and can provide timely, on-demand, quality service. Using a nationally experienced JOC contractor that may subcontract to an unknown party could present issues. Thus, assure your JOC RFP has appropriate clauses regarding the use of subcontractors. Thirdly, JOC presents an excellent opportunity for MBE and/or small business construction firms. Requiring a specific amount JOC experience may limit the pool of available contractors in this pool.

JOC projects generally to not require full A/E designs, unless mandated by permitting regulations or other factors. The RFP should note the specific type and level of design services allowed and required of the JOC contractor as well as other applicable documentation and formatting requirements. A JOC Contractor must have the ability to handle the stipulated level of design work and associated value engineering for the type of projects to be normally encountered.

As a JOC unit price book is central to a JOC program, the JOC contractor must be experienced and/or demonstrate capability relative to detailed line item estimating.

Sustainability is important to all owners, thus assuring your awarded JOC contractors are experienced in “green” construction techniques may also be of value.

**JOC UNIT PRICE BOOK REQUIREMENTS**

Financial transparency is a requisite element of any JOC program. This is provided through the use of a line item JOC unit price book (JOC UPB)². Selection of a JOC UPB appropriate for your specific JOC program is CRITICAL. Overall considerations when selecting a JOC UPB include:

1. Locally researched labor, material, and equipment line items/tasks³
2. Clear line item descriptions written using industry standard terms, with minimal use of abbreviations, in plain easily understood English.
3. CSI MasterFormat data architecture
4. Number and type of line items that are required for ninety percent (90%) of the tasks required for your JOC during each annual term.⁴
5. Demolition line items
6. Line item “modifiers”⁵
7. Update frequency⁶
8. Independence, Objectivity⁷
9. Davis-Bacon Labor Rates⁸
10. “

Thus in summary, a JOC UPB should be easy-to-use and easy to understand and enable the owner and contractor to create unit price detailed line item cost estimates that reflect the owner’s project requirements in terms of scope of work and quality.

JOB ORDER CONTRACT OPERATIONS MANUAL / EXECUTION MANUAL

A JOC Operations Manual and/or JOC Execution Manual is an essential component of any best practice Job Order Contract and should be included within the JOC RFP and part of the subsequent Job Order Contract award documentation. The JOC Operations Manual clearly defines roles, responsibilities, deliverables, timelines, as well as reporting and administrative requirements applicable to all parties throughout the term of the JOC program.

A diagram of a typical JOC workflow and associated project stages is provided below.

² A JOC unit price book is not to be confused with a unit price book (UPB), also known as a unit price guide (UPG).

³ The use of national unit price book or unit price guide and associated application of location factors is subject to wide variation in costs, and therefore is not recommended.

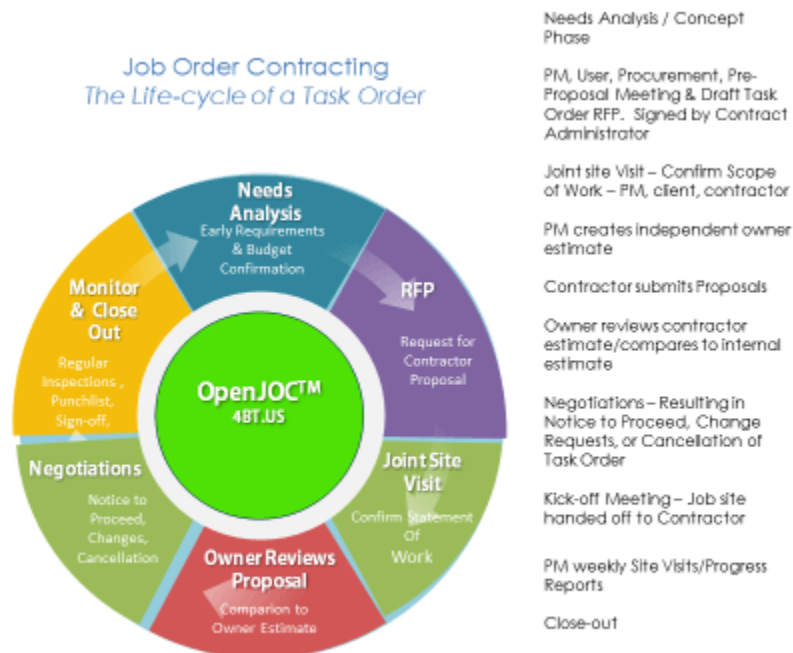
⁴ Some JOC UPB vendors advertise JOC UPBs including hundreds of thousands of line items. In general, this high number of line items is NOT required and can be a detriment to a JOC program. For example, confusion can be created and there can be problems in easily and rapidly finding and selecting appropriate line items. Most JOC programs can be accomplished using thirty thousand (30,000) line items or less.

⁵ Line item modifiers are individual line items associated with a “parent” line item that account for variables such as... assembly/construction, pattern matching, size of area, quantity, location of work, etc.

⁶ In general, JOC UPB’s should be updated annually. This frequency allows for pricing variances without imposing undue confusion or possibility for error.

⁷ JOC UPB used should be from an independent and objective source

⁸ Federal government contracts and a growing number of other public sectors are requiring the use of Davis-Bacon labor rates.



Within a JOC framework joint project scoping is generally employed. An owner discovers a need for a project appropriate for the JOC and develops approximate budgetary and timing requirements. The owner requests a joint owner/contractor/client site visit/walk. Within a specified period of time the contractor provides a detailed line item estimate. Once received, the owner reviews the contractor's detailed proposal/estimate and discusses it as needed with the JOC Contractor. Mutually agreed upon changes are made until each party fully understands detailed project requirements. The final detailed line item estimate is either approved or denied within a timeline defined in the JOC Operations Manual. Timelines should be dependent upon project size and complexity.

Exclusive of unforeseen circumstances, 98% of change orders are owner generated. A key benefit of JOC, however, is the significant reduction of change orders. This is accomplished through the process of a joint site visit, detailed scope of work, detailed line item cost estimating, and associated negotiation process enabled via the JOC unit price book and required JOC workflow.

The JOC Operations Manual defines timelines for the JOC Contractor's first site visit, Scope of Work due date, detailed estimate date, and project start date.

TECHNOLOGY

As noted above, while JOC is not an "IT procurement", a Job Order Contract Estimating and Management System is important to any successful JOC program and also assuring associated compliance requirements. When defining your JOC specific software consider the following features, benefits, capabilities:

1. Host multiple JOC UPBs (source and year)
2. Lock the JOC UPB per contract
3. Rapid and easy JOC UPB line item Search and Selection
4. Automatically apply coefficient to associated Contract, Project, Estimate
5. Contract, Project, Estimate, Document, and Contractor Management
6. Cloud deployment

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7. Automatic reporting of Price and Nonprepriced (NPP) line items
8. Multiple coefficients
9. Ease of Use
10. Regional, On-site, and Virtual Training

BONDING

Consider financial capability of the contractor and the ability to bond the JOC project maximum value. Consider requirements for a bid bond or bid guarantee.

JOC PROGRAM SIZE

Establish the minimum and maximum for the overall JOC Program, per Year, and per awarded Contractor. Remember that JOC contractors are looking to establish a long-term collaborative relationship. It is not unusual for an awarded JOC contractor to operate with a negative cash flow for the first six (6) months due to mobilization costs and Owner ramp up. Job Order Contracts of longer duration (five years versus three years) are therefore more attractive to contractors. Establish the minimum and maximum size per project (job order/task order). Note that this may be regulated by law/statute. Individual JOC projects can vary widely in size, however, generally are in the \$50,000 to \$1,000,000 range.

TYPE OF WORK

Clearly specify the type of work to be performed. Most JOCs are multi-trade and involved renovation, repair, and minor new construction work. JOC can also be single trade, such as roofing, fencing, paving, or communications but not recommended. Note that the type of work that can be performed may be subject to regulatory restrictions.

GEOGRAPHIC AREA

Clearly specify the geographic area included within the JOC. Federal JOCs can be nationwide, or cover multiple or single states, or restricted to a single institution/site. Similarly State, County, or Local JOCs, and/or Healthcare/Educational JOCs can include one or multiple locations.

COEFFICIENTS⁹

⁹ COEFFICIENT – Construction price coefficient factor(s) generally include all prime and subcontractor profit, home office overhead, jobsite overhead, and other costs not included in the bare labor, material, and equipment costs from the JOC unit price book or in the non- prepriced items. They may include some or all of the following: Corporate, Regional, and Site offices (i.e. Office buildings, office spaces, office trailers, office management, office equipment and supplies, etc.), Profit, Performance and Payment Bonds, Insurance, Compliance with environmental laws, protection and safety, Tax Laws, Protection for moving of owner property, Submittals (i.e. preparation and distribution of Work Plans, Risk Analyses and weekly reports, as-builts, CQ Plans, Safety Plans, Accident Prevention Plans, Hazard Analyses, Test Procedures, Tests, Test Reports, Status Reports, Catalog Cut Sheets, Technical Data Sheets, Shop Drawings, Schedules, O&M Manuals, etc.), Price quotations, Contractor adjustments to Owner Unit Prices, Clean-up applicable per each task order, All waste and excess materials, Permits, licenses and fees, (Mobilization, such as heavy equipment and equipment not usually required to be delivered to jobsite, can be negotiated with each task order whereas work trucks (and lower tier work trucks) small trailers, etc. may be included in the coefficient), Bulletin Board and Project and Safety Signs “if required/applicable” should be amended to include the statement “local barricades (i.e. construction safety fence in and around work site, construction safety tape, etc.) are also be included in Contractor’s coefficient whereas more substantial signage/barricade effort (i.e. traffic safety plan and controls) can be negotiated with each task order if applicable, Principles, project management, supervision and construction supervision, Technical support staff (i.e. estimator, draftsman/CADD operator, etc.), Administrative support staff (i.e. clerks, secretaries, assistants, etc.), Quality Control and Quality Control Staff, Travel (includes all associated costs for all personnel), Marketing and Training (i.e. videos, user guides, brochures, promotions, associated travel, etc.), Collaboration/face-to-face meetings with all Program/Project stakeholders (i.e. progress reviews, negotiations, etc.), Interest associated with funding of equipment and payroll, Employee payroll taxes, insurance and fringe benefits, Risk of lower than expected contract dollar volume, Risk of high inflation costs for option periods, Risk of poor subcontractor performance and re-performance, Other risks of doing business, Business taxes, contributions, memberships, corporate headquarters support (legal, financial, etc.), Cost of using electronic payroll software, Toilet Facilities, Utility, Locations, Warranty Tag, O&M Training



Specify clearly in terms of a formula and specific examples, what may and may not be included in the contractor's JOC coefficient and what the coefficient can and cannot include. Generally a coefficient includes the contractors mark up and overhead. Not that regulations may limit what can be in a contractor's coefficient.

The JOC coefficient is a factor applied to a JOC project estimate total by the contractor. It is bid by the contractor and locked in place for the year and/or duration of the contract. There may be one or multiple coefficients. Multiple coefficients covers variables such as multiple locations, access/distance/location, and normal/after hours, etc.

Which JOC Unit Price Book Utilized: Although not as significant, the JOC contractor will want to make sure that the JOC Unit Price Book being utilized will fit within their business model and their ability to perform. In addition, the contractor will review how the owner will handle escalation, non-pre-priced items (items not found in the JOC unit price book).

SINGLE/TWO STEP RFP

JOCs can be (based upon applicable regulations) a single or two step process. Single step combines technical/qualifications and price components into a one evaluation. A two-step process considers technical/qualifications only a first, then a list of qualified candidates is selected for pricing aspects. Owners should consider technical capabilities, project management experience, quality control, safety programs, as well as other established criteria. Under a two-step process the successful first step candidates then prepare coefficients and may be asked for additional clarifications.

Owners should pay careful attention to how various technical criteria are weighted. For example, if greater focus should be placed upon past experience or upon specifically how the contractor plans to manage their JOC activities. In a rapidly evolving area such as JOC, it may very well be beneficial to weight planned approach more heavily.

KEY PERFORMANCE INDICATORS AND REPORTING REQUIREMENTS

Monitoring the success of JOC Program is important in driving maximum efficiency. The JOC RFP should address what information the JOC contractor should maintain, its format, and the associated delivery timelines to the owner.

TRAINING

Initial and ongoing training are required both the contractor and the owner. The type and frequency of training as well as cost responsibility should be addressed.

The above is an introduction to the process of preparing an RFP for JOC Construction Services and not intended to be all encompassing. Additional considerations may include, but are not limited to the following; SOLICITATION, OFFER AND AWARD CRITERIA, PRICING SCHEDULE, INSTRUCTIONS, CONDITIONS, AND NOTICES TO OFFERORS, REPRESENTATIONS AND CERTIFICATIONS, CONTRACT CLAUSES, SPECIAL CONTRACT REQUIREMENTS, SUPPLEMENTAL CONTRACT REQUIREMENTS, WAGE DETERMINATION SCHEDULE, CONSTRUCTION SCHEDULE, JOC STATEMENT OF WORK, PROJECT MEETING REQUIREMENTS, PROJECT SCHEDULE REQUIREMENTS, SUBMITTAL PROCEDURES, SAFETY REQUIREMENTS, SOURCES FOR REFERENCE, PUBLICATIONS, QUALITY CONTROL, QUALITY CONTROL SYSTEM, INSPECTIONS, TEMPORARY CONSTRUCTION FACILITIES AND CONTROLS, DUST CONTROL, ENVIRONMENTAL PROTECTION, TEMPORARY STORM WATER POLLUTION CONTROL

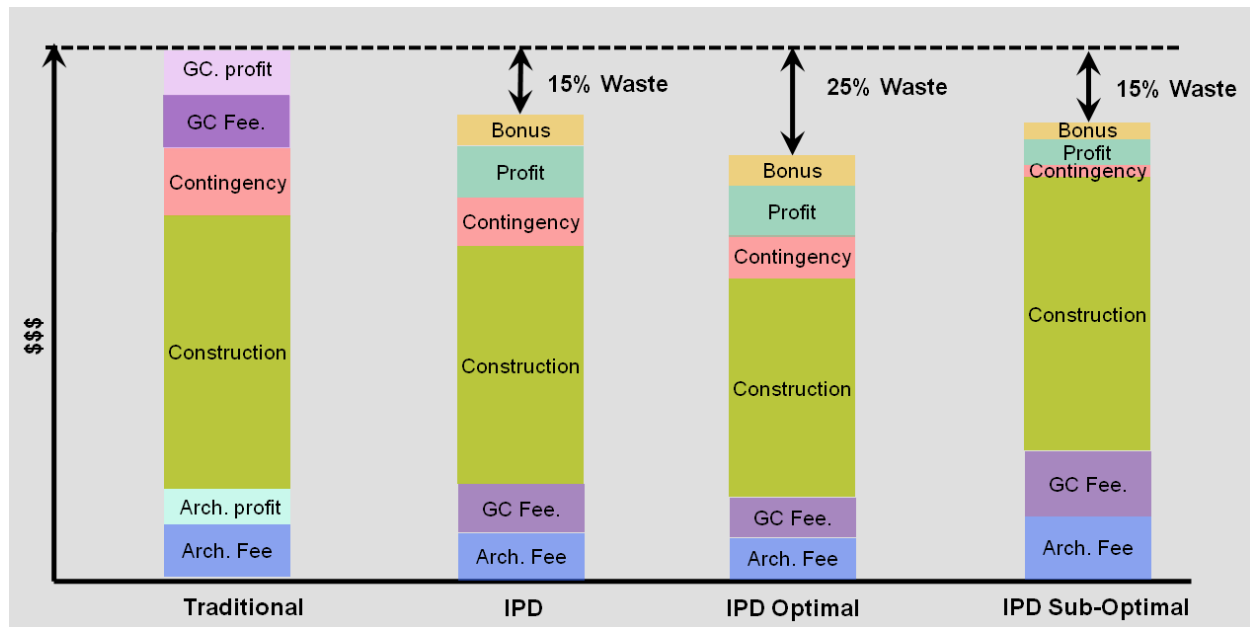
STORM WATER POLLUTION PREVENTION PLAN, PROJECT IDENTIFICATION REQUIREMENTS, RECYCLED / RECOVERED MATERIALS, OWNERS FURNISHED PROPERTY/EQUIPMENT, SURVEY, LAYOUT, AND OTHER DATA, ALTERATIONS TO EXISTING FACILITIES, CONSTRUCTION AND DEMOLITION WASTE MANAGEMENT, CLOSEOUT SUBMITTALS, OPERATION AND MAINTENANCE DATA

CONCLUSION

A properly researched and prepared RFP is extremely important to any Job Order Contract. It plays a central role in helping to assure the core benefits of Job Order Contracting. Should the JOC Program be defined, procured, and managed properly, owner should expect the following:

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- 96% of projects completed with satisfactory results
- 87% of projects delivered on time
- 91% of projects are delivered on budget
- 24% average administrative cost savings versus traditional delivery methods
- 30% increase in transparency versus traditional delivery methods



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