Best Value Procurement

Overview of Basic Concepts

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Created by the Performance Based Studies Research Group

Arizona State University

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Objectives

- Eliminate “Low-Bid” mentality
- Minimize the Entity’s risk
- Hire high performing vendors
- Reduce Project Management time
- Shift project responsibility to vendor
- Reduce change orders
- Produce projects that are on-time, on-budget, and with satisfied customers 98% of the time

Benefits of Best Value

- Efficient, more economical, better value, higher performance
- Leadership based structure, minimize client construction management by up to 90%
- Increase construction performance to 98% (on time, on budget with no contractor generated cost change orders, meets quality expectations)
- Pay no more, but contractors/vendors increase profits by 5%
- Uses logic that is very sustainable
- Contract administration and surprises minimized

Best Value Procurement as a Structured Process

- Developed by Arizona State University's Performance Based Research Group (PBSRG)
- Conducting research since 1994
- Over 600 procurements documdented
- 98% customer satisfaction
- Significantly decreases management functions
- 50 different clients (public & private)

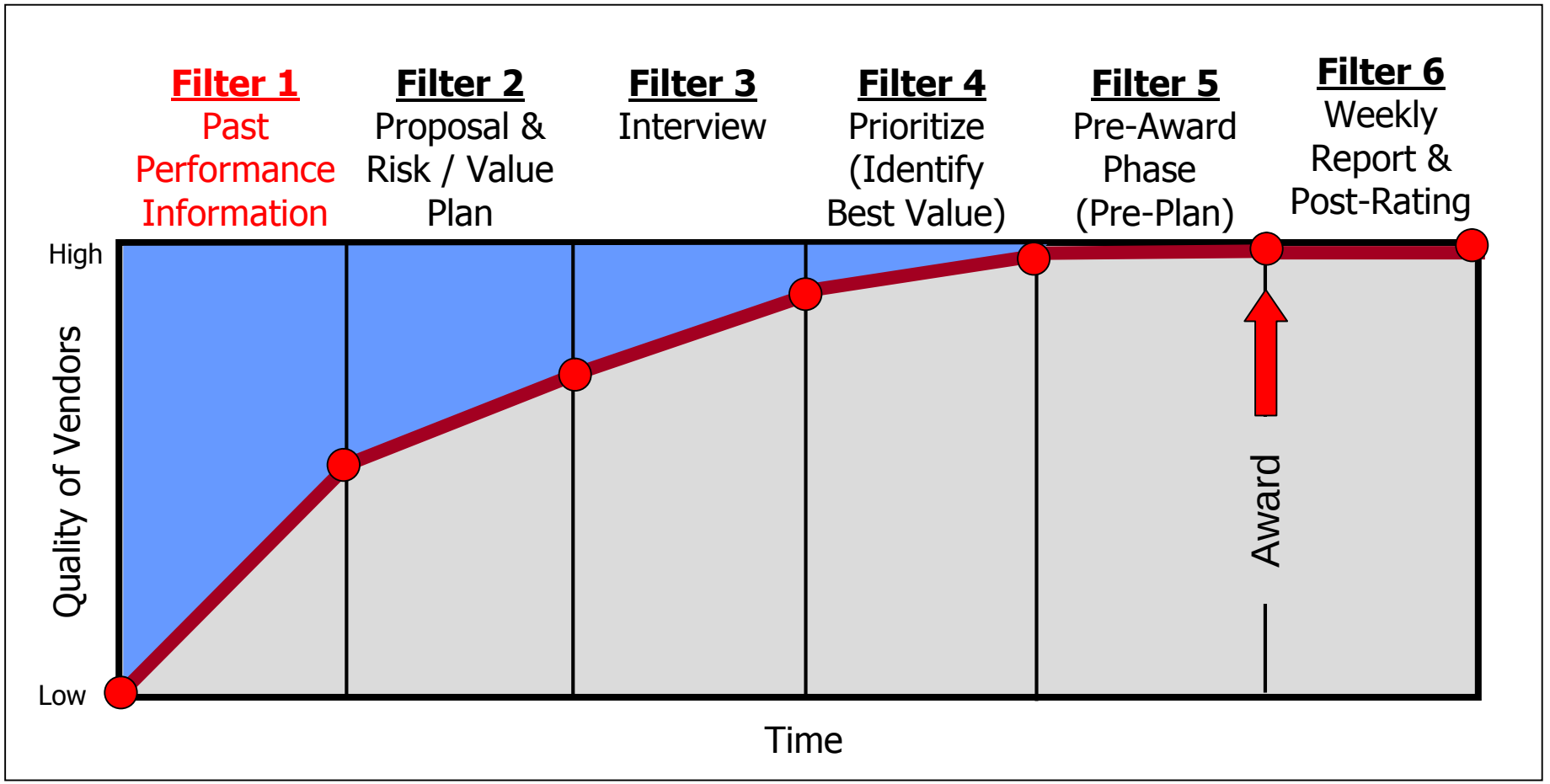
Preparation

- Education of Staff and formation of Core Team
- Education of vendor community
  - Conduct focus group meetings
  - Start to talk the principles of Best Value
- Use some of the concepts
- Selection of projects and creation of the solicitation document

System Structure

- Past Performance Information
- Proposal and Risk Assessment/Value Added Plan
- Interviews
- Prioritization – Identify Best Value
- Pre-Award Phase
- Weekly Report and Post-Rating

Performance Information Procurement System (PIPS)



Past Performance Information

- References from vendor (will be their best)
- If no great references, they will ultimately disqualify themselves
- Standard survey is used which is returned to County
- Scoring entered into database at ASU
- All vendors may pass through this phase
- Pass on to next stage

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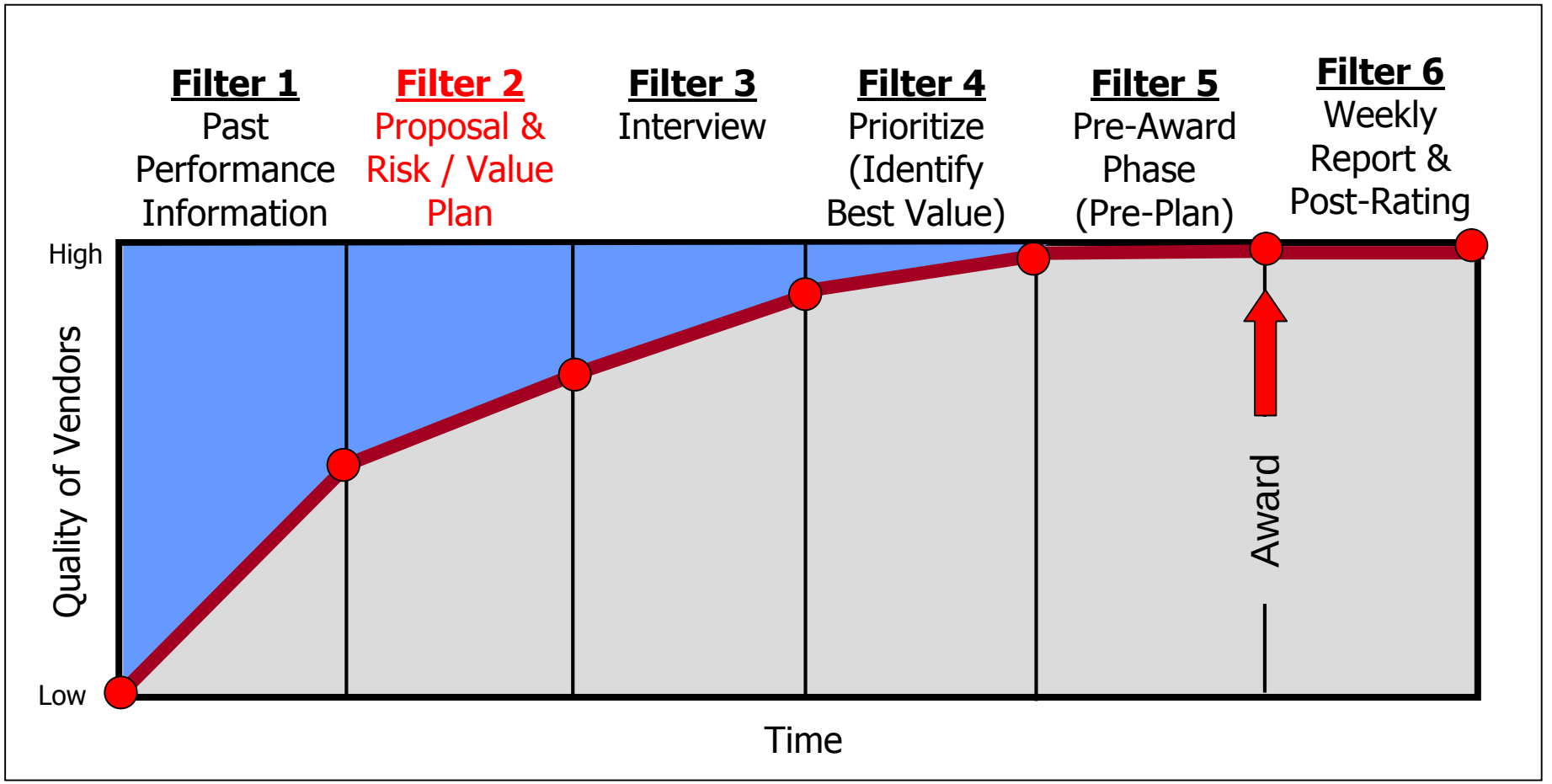
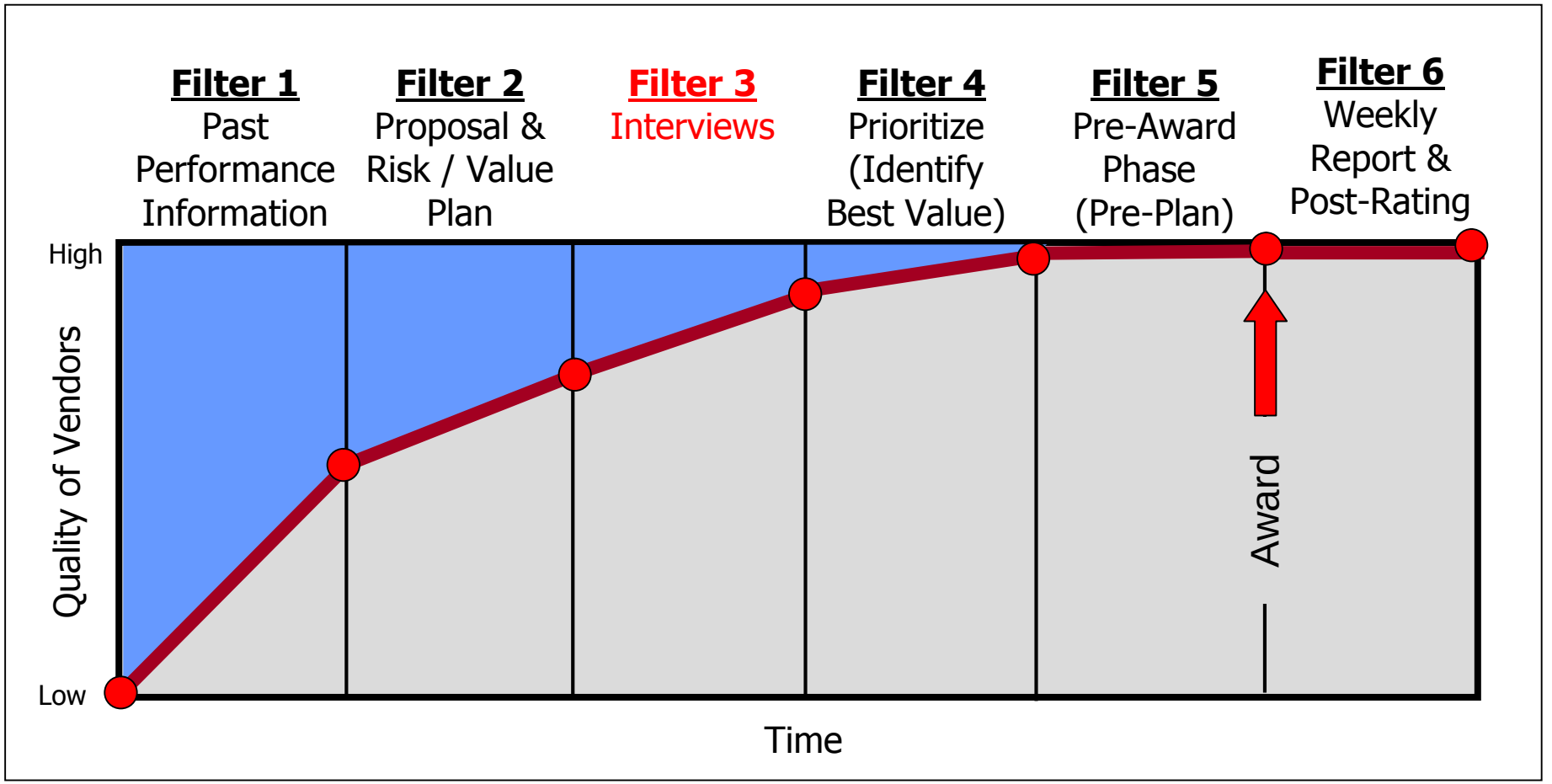


Proposal and Risk Assessment/Value Added Plan (RAVA)

- No more than 2 pages for Risk Assessment
- Looking for vendor to identify unknown risk
- Value Added Plan will reveal vendors knowledge and experience
- Will reveal the high performing vendor
- May or may not add cost to project
- Scoring entered into database at ASU

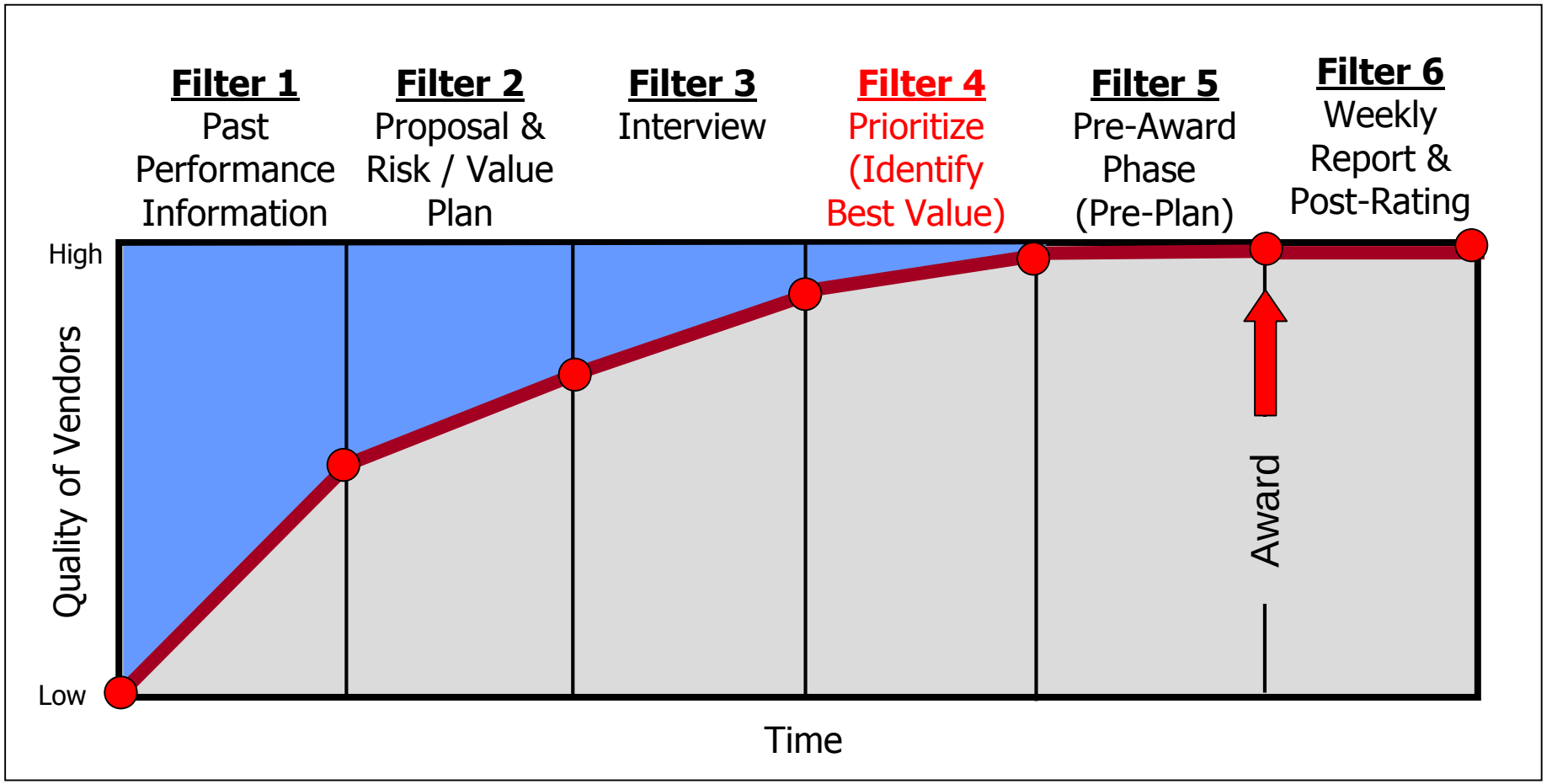
Performance Information Procurement System (PIPS)



Interviews

- Separate interviews of key personnel
  - Principle or Project Manager
  - Superintendent
  - Major Subcontractor
- Sessions will reveal weak links
- Scoring entered into database at ASU

Performance Information Procurement System (PIPS)



Prioritize – Identify Best Value

- Rely on dominant information
  - Understood by all
  - Simple and plain
  - Provable
  - Predicts the future outcome
  - Complete
- Compare scores and price to identify Best Value within budget

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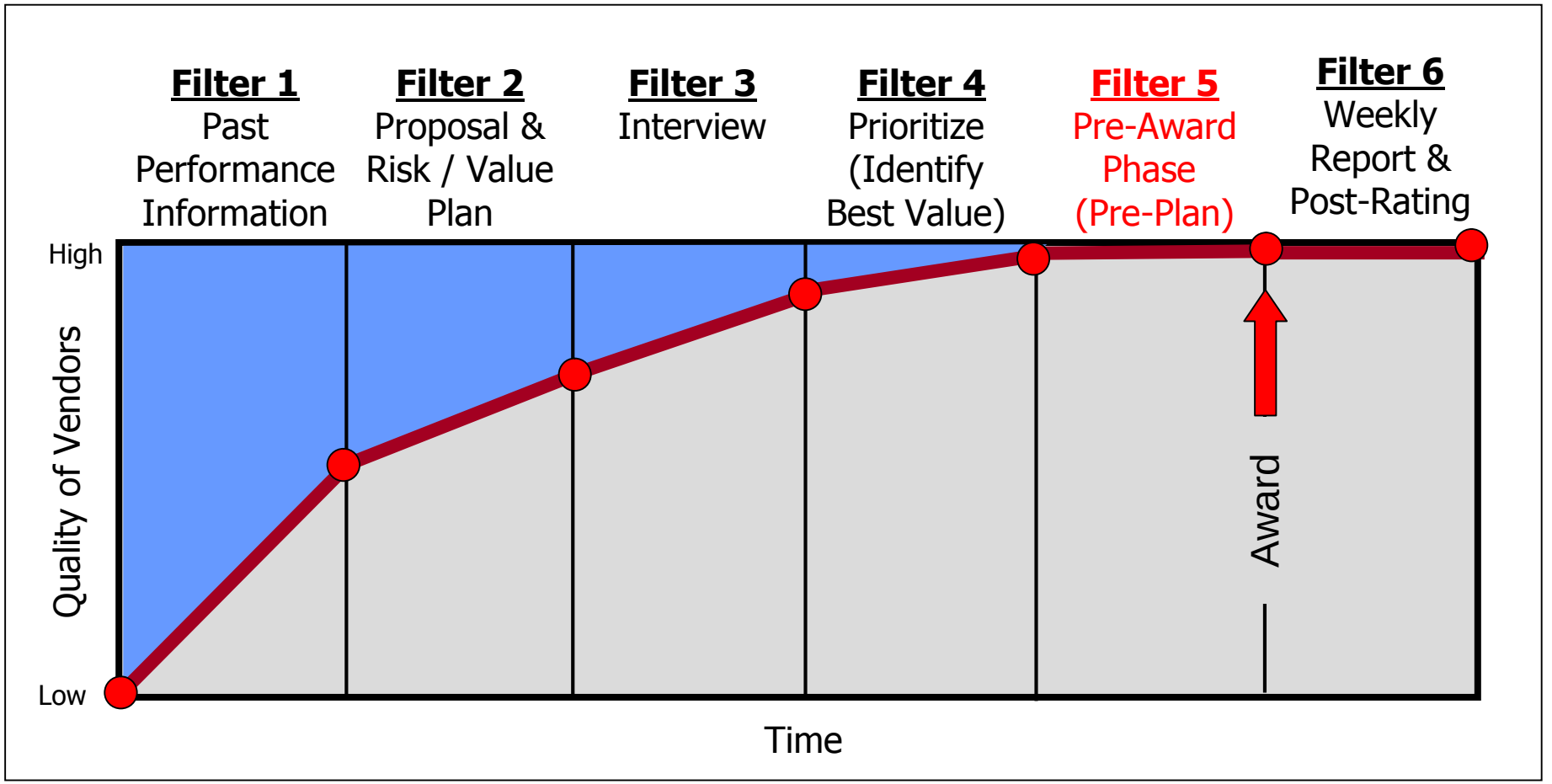

Pre-Award Phase (Pre-Plan)

- Best Value selection moves to pre-award
- Selected vendor determines if they want to pursue the project
- County's professional reviews the Best Value technical approach and expresses any concerns
- Create the quality control plan
- Set up weekly report
- Coordinate quality control plan, weekly report, and schedule
- County's professional reviews documents
- Pre-award presentation
- Add QC plan and weekly report to the contract

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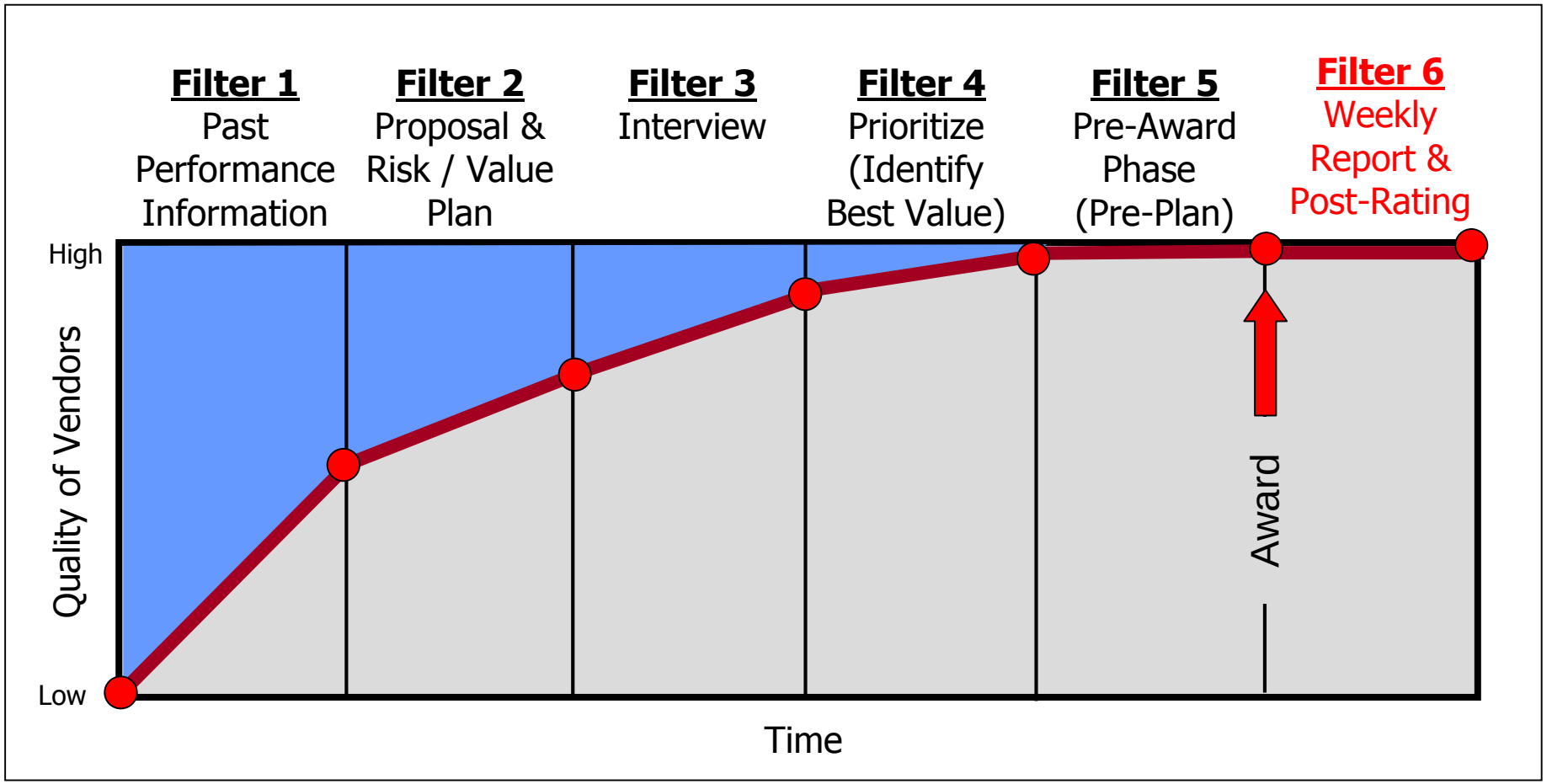
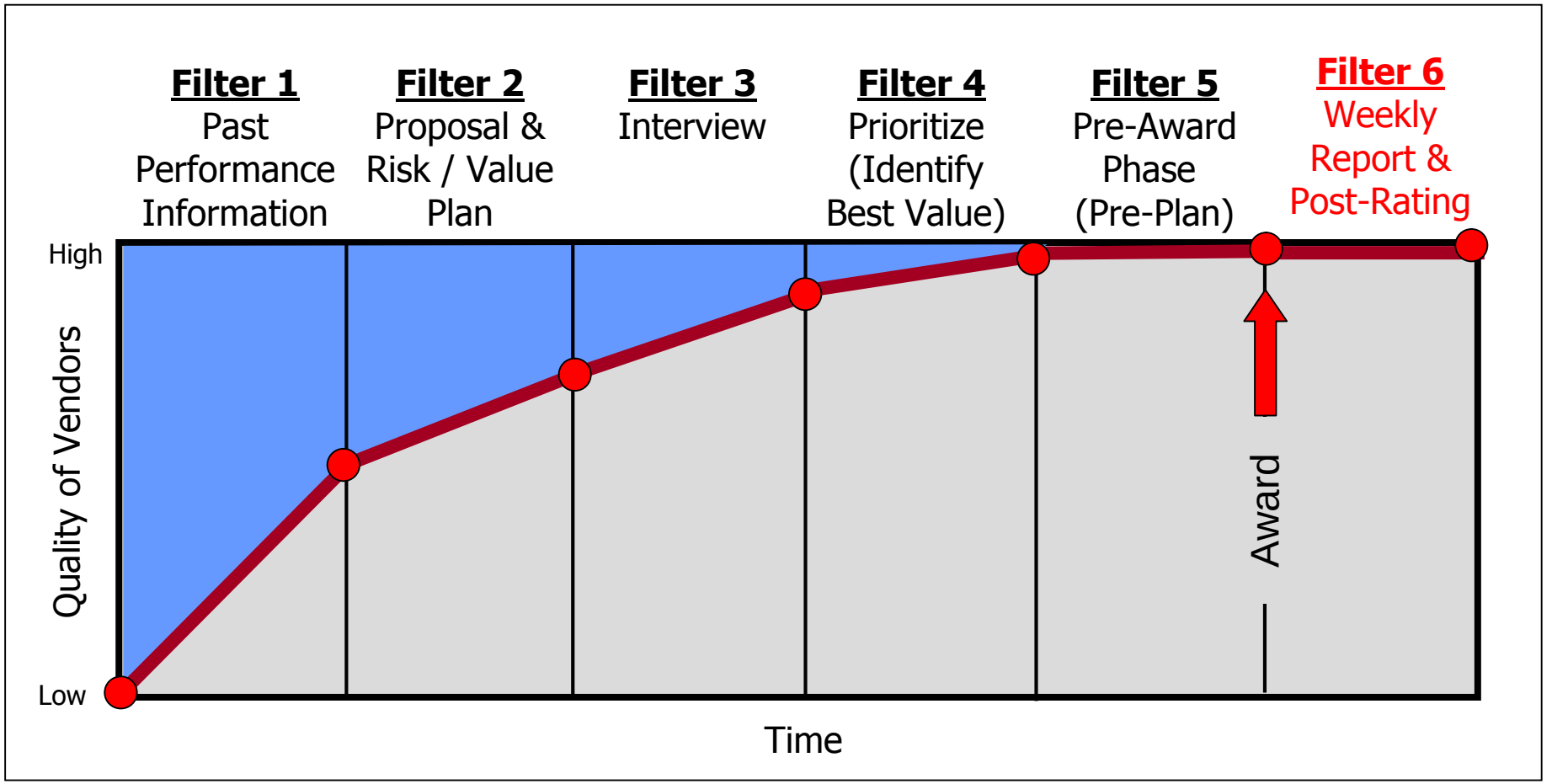


Weekly Report

- Weekly report identifies the following:
  - Any change in the project schedule or cost
  - Any changes to the contract
  - All risks that caused changes to the contract
  - Explanation of the risks, source of the risk, a short concise explanation of why the risk was not minimized, and what was done to minimize the risk
  - The performance of the vendor in responding to risks that they did not control.

Performance Information Procurement System (PIPS)



Post Rating

- After punch list items are complete
- All systems perform as expected
- All documentation on systems including warranties and as-builts have been updated and turned in
- The site is inspected and all documentation is complete
- County rates performance

Results of Best Value Procurement

- More competition
- Better competition
- Lower costs
- Better performance
- No lingering problems
- Continual maintenance by contractors

Selection of Construction Manager at Risk Contractor Utilizing Best Value

- Project Budget was $790,000.00
- Five contractors with master agreements invited to participate
- Conducted meeting with contractors to explain the process
- Results were as follows

Company 1

Offers by Category	Offer	Score (1-10)	Weight	Total Category Score	
					$ 790,000.00
Preconstruction phase services percentage offer	0.00%	10	1.5	25	$ -
General Conditions percentage offer	5.8%	9	2.5	32	$ 45,820.000
Construction Management Fee percentage offer	6.25%	8	1.25	18	$ 49,375.000
Bond percentage offer	1.70%	7	0.05	7.35	$ 13,430.000
Risk Assessment Plan		6.25		6	
Value Added Plan		6.25		6	$ 108,625.000
Construction schedule offer (calendar days)	160	8		8	
Survey score total		8.59		9	
Interview score				0	
TOTAL SCORE (County use only)				110.94	

Company 2

Offers by Category	Offer	Score (1-10)	Weight	Total Category Score	
Preconstruction phase services percentage offer	1%	7	1.5	18	$ 7,900.00
General Conditions percentage offer	17.30%	7	2.5	25	$ 136,670.00
Construction Management Fee percentage offer	6.5%	7	1.25	16	$ 51,350.00
Bond percentage offer	0.8%	10	0.05	10.50	$ 6,320.000
Risk Assessment Plan		5		5	
Value Added Plan		6.75		7	$ 202,240.00
Schedule offer (construction period in calendar days)	182	7		7	
Survey score total		8.72		9	
Interview score				0	
TOTAL SCORE (County use only)				95.72	

Company 3

Offers by Category	Offer	Score (1-10)	Weight	Total Category Score	
Preconstruction phase services percentage offer	0.25%	9	1.5	23	$ 1,975.00
General Conditions percentage offer	7.00%	8	2.5	28	$ 55,300.00
Construction Management Fee percentage offer	6.0%	9	1.25	20	$ 47,400.00
Bond percentage offer	1.0%	8	0.05	8.40	$ 7,900.000
Risk Assessment Plan		5.5		6	
Value Added Plan		6		6	$ 112,575.00
Schedule offer (construction period in calendar days)	150	9		9	
Survey score total		8.55		9	
Interview score				0	
TOTAL SCORE (County use only)				108.20	

Company 4

Offers by Category	Offer	Score (1-10)	Weight	Total Category Score		
Preconstruction phase services percentage offer	0.5%	8	1.5	20	$	3,950.00
General Conditions percentage offer	4.00%	10	2.5	35	$	31,600.00
Construction Management Fee percentage offer	3.0%	10	1.25	23	$	23,700.00
Bond percentage offer	0.98%	9	0.05	9.45	$	7,742.000
Risk Assessment Plan		2.75		3		
Value Added Plan		4		4	$	66,992.00
Schedule offer (construction period in calendar days)	110	10		10		
Survey score total		8.43		8		
Interview score				0		
TOTAL SCORE (County use only)				112.13		

Company 5

Offers by Category	Offer	Score (1-10)	Weight	Total Category Score	
Preconstruction phase services percentage offer	0%	10	1.5	25	$ -
General Conditions percentage offer	7.00%	8	2.5	28	$ 55,300.00
Construction Management Fee percentage offer	6.0%	9	1.25	20	$ 47,400.00
Bond percentage offer	1.0%	8	0.05	8.40	$ 7,900.000
Risk Assessment Plan		5.75		6	
Value Added Plan		6.5		7	$ 110,600.00
Schedule offer (construction period in calendar days)	240	6		6	
Survey score total		8.34		8	
Interview score				0	
TOTAL SCORE (County use only)				108.24	

Survey Form

NO.	CRITERIA	UNIT	
1	Ability to manage costs	(1-10)	
2	Ability to maintain construction schedule	(1-10)	
3	Quality of work	(1-10)	
4	Professionalism and ability to manage project	(1-10)	
5	Ability to minimize need for change orders	(1-10)	
6	Communication and documentation	(1-10)	
7	Ability to follow the users rules, regulations, and requirements	(1-10)	
8	Overall customer satisfaction and hiring again based on performance (comfort level in hiring vendor again)	(1-10)	

Questions

Non-Dominant vs Dominant Information

Non-Dominant

- Roof material is high performing
- Tensile strength is 800 PSI
- Elongation is 300%
- Tear strength is 400 lbs
- Xenon testing: 10,000 hrs

Dominant

- Roof material has been installed and is performing
- 65 Customer Responses
- Average Roof Age: 25 years
- Percent Not Leaking: 99%
- Customer Satisfaction: 9.8

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Risk Assessment Plan

B-2

Please prioritize the risks (list the greatest risks first). This template must be used. All of these risks/solutions should be included in your base bid.

Major Risk Items

Risk 1: Piping shafts on floors 2 & 3 include fire alarm panels, high voltage power panels building automation panels and telecommunication panels. Floors 4,5,6,7 & 8 have power, automation & telecom panels. floor #9 has telecom & an automation panel. floor #1 has telecom present. The risk is that while installing and soldering air pipe through the shaft, damage to these panels can occur, potentially knocking out power, communications and fire alarm operation.

Solution: When working on each floor, barriers will be installed around the above panels to protect from damage.

Risk 2: In order to mobilize and load piping & material into the deep tunnel area, this material will need to be brought in through multiple buildings in order to get material to the tunnel. This can cause disruption and is a safety issue to faculty and students walking adjacent to the transportation of this piping and material.

Solution: All piping and material for the deep tunnel work will be brought in through the shaft entrance at the River Flat. We have coordinated with the General Contractor, currently working at the shaft entrance, to use this shift entrance for transporting this material.

Risk 3: The shaft from basement all the way up to the 9th floor, has no fire separation between floors. It is open to occupied spaces all the way up creating a potential fire hazard. When soldering copper, smoke and fumes can travel to occupied spaces on each floor.

Solution: When soldering the air pipes, we will use "smoke-eater" fans to capture soldering smoke & fumes from entering into occupied spaces.

Risk 4: There is a good chance there is asbestos insulation on pipe throughout project work areas. When cut into, knocked or disturbed, this can cause medical issues for all building occupants.

Solution: Our plumbers performing the work have recently completed a 2-hour Asbestos Awareness class to help become aware when there maybe asbestos present in a work area so that no accidental disturbance of the material occurs.

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