

The **Job Order Contract** RFP A contracting approach for construction

This article was submitted by Centennial Contractors Enterprises, Inc which has construction contracting experience with the US government and internationally. In the current Canadian context, where considerable funds in various amounts are being allocated by governments at all levels to building and rebuilding Canadian infrastructure, procurement professionals will be seeking tools to help them conduct the procurements in an efficient manner so the funding will find its way to the construction firms quickly and fairly and make the desired impact in the economy. Contractor performance and financial stability are key elements for project success along with good value for money... not just lowest price. There may be lessons to learn from the Job Order Contract process as presented here.



by Vince Duobinis and Kelvin King

TO UNDERSTAND THE characteristics of a well constructed Job Order Contract RFP, one must first understand the basic principles of job order contracting (JOC). In the 1980s, the US Department of the Army needed a tool to better manage and complete its significant backlog of complex multi-trade renovation and repair projects. The typical design-bid-build method, although satisfactory for large new construction projects, was costly for projects in the \$50,000 to \$500,000 range.

With continued pressure to complete projects more quickly and less expensively, the Chief Engineer of the Army Corps of Engineers for NATO Operations, in 1981, developed what is known today as Job Order Contracting: "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 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."

Other branches of the US military followed with their own versions and JOC has since migrated across the federal market into the broader public sector with numerous local, county and state agencies as well as K-12 districts, colleges and universities utilizing this unique and beneficial construction delivery method.

A JOC program helps reduce an owner's overall procurement costs as well as the time to complete each delivery order placed through the contract. A successful JOC program should help increase the overall safety standards for the owner and help meet government socio-economic goals, [for example, in the US] by building a large database of small, minority-owned and women-owned subcontractors who will benefit from the owner's construction needs.

JOC is not a low bid contract, but one that considers a contractor's performance. Seeking enhanced value, public owners are turning more often to selections that are not tied inflexibly to price, and consider total construction cost as well as other non-cost factors.

The ability to manage multiple subcontractors and projects while providing the highest quality and safety defines a quality JOC contractor. The JOC contractor seeks to build a long-term relationship with the owner and the owner's staff that allows for collaboration and trust. Because continued successful performance is a key determining factor for delivery orders being issued by the owner, a JOC contractor may provide value-added services to the owner at no additional cost. These may include project scoping during budget cycles, incidental design work and value engineering to help reduce the owner's total cost of the project, while providing the same quality of work, and constructability reviews and life cycle costs analyses.

As an owner, how will you ensure you will receive quality responses to your JOC solicitation while being an effective steward of public funds? Key to receiving successful responses is the understanding of what makes a quality JOC RFP, thus ensuring a successful program. The next sections define what an owner should expect and require from a contractor and what the contractor looks for when reviewing the solicitation.

Owner expectations

Track record of success: The single most important and reliable indicator of success in job order contracting is successful past performance of the contractor. In the RFP, owners should require that the respondents submit several years (5 or more) of reference contracts that are similar to the owner's intended program. Relevant experience with prior JOC or similar

contracts, past performance history, claims history, and on-time project completion percentages are key elements of the reference performance history and a crucial part of the owner's RFP evaluation criteria.

Predictable costs: Unit price books allow the owner to know up-front, the expected cost of the project. If the contractor's estimate is higher than expected, the owner can negotiate the scope of work with the contractor to help align the cost to the budget.

Scope of work negotiations: The owner should expect to receive a narrative scope of work within a pre-determined time frame, as defined in the RFP (the RFP should allow for flexibility, dependent on the size and complexity of the project). Once received, the owner can review and discuss the scope of work with the JOC contractor. Any changes are made and agreed upon so that each party fully understands the project. Once the scope of work is approved, the JOC contractor provides a detailed line item estimate.

Reduction/elimination of the change order philosophy: Since the due diligence of the JOC contractor is heavily utilized in the scoping of the project to ensure that all aspects of the project are known (unforeseen circumstances aside), 99 percent of change orders typically come from the owner. A successful JOC contractor will rely on the experience of their staff to ensure the project is scoped correctly, knowing that any change orders that are not owner requested will cost them money.

Rapid and reliable execution of each delivery order: The RFP will define timelines for the contractor's first site visit, scope of work deadline and project start date. The owner should provide for flexibility and allow for discussions if delays arise.

Minimal design with maximum value engineering: Since full architectural/engineering design is not required on most JOC type projects, the owner needs to ensure the JOC contractor has the experienced personnel and ability to produce incidental design work as well as any value engineering requirements. Many owners are moving toward green building for their renovation projects and want a JOC contractor with LEED accredited professionals and experience.

Additional requirements owners should consider: An owner may want to consider additional evaluation criteria within their JOC RFP such as a technical capabilities section. Technical capabilities can include contractor staff resumés and experience, the Job Order Management System proposed by the JOC contractor, as well as detailed safety and quality control procedures. Lastly, the owner could require evaluation of the financial capability of the contractor. This would include proof of the ability to bond up

to the project maximum. An owner may consider including a requirement for a bid bond or bid guarantee to protect the investment in the procurement effort.

Safety: An owner should be interested in the safety record of the contractor and the steps they take to ensure safety in the environment for their personnel, construction workers, subcontractors, the owner's staff and the facility users. It is important to include safety processes, procedures, metrics and culture into the value of what is being procured.

JOC contractor's perspective

Owner's volume history: The JOC contractor will review the owner's projected volume during the term of the contract as well as the owner's history for similar work. Even though there is typically only a small guarantee of work (\$50,000 - \$75,000), the JOC contractor would like a long-term

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relationship and continued delivery order opportunities. Additionally, depending on the owner's location, the JOC contractor could experience 6-12 months of negative cash flow while establishing a job site, and needs to feel comfortable that as they perform, they will continue to be issued delivery orders.

Duration: The JOC contractor wants to establish a long-term relationship with the owner that will develop to a point where they can be considered a part of the owner's staff. An RFP that allows for a longer term based on the number of option years (4-5) as opposed to a shorter term (1-3 years) will be more enticing to a JOC contractor who will open a job site office solely for the purpose of servicing the owner.

Type of work: The JOC contractor will evaluate the type and size of projects the owner plans to place through the contract. JOC projects typically range from \$50,000-\$1,000,000. The contractor will review to see if the owner allows for the right of first refusal for projects less than or greater than a certain threshold, for example less than \$10,000 or greater than \$1,000,000. Since the goal of the JOC contractor is to provide the best service and performance for the owner, knowing that projects outside certain thresholds are optional will allow the contractor to work within their business model. The contractor will also consider if the owner plans to limit the types of projects to single or multi-trade. JOC is best suited for complex, multi-trade projects. Contracts that are trade/work specific are not typically attractive to the JOC contractor. The contractor will review to determine if a geographic area is defined.

Which unit price book utilized: The JOC contractor will make sure that the 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 unit price book), which city cost index, and which cost column (bare cost or overhead and profit) will be used.

Additional key items reviewed by the JOC contractor: The contractor will review requirements for liquidated damages, design requirements and reimbursement, and self-performance requirements. High percentages of self-performance requirements can increase the cost to the agency on IDIQ contracts. Due to the indefinite nature of job order contracting, it is difficult to predict the variety and type of staff required. The ability to maintain a large craft crew at 100 percent efficiency is very difficult with periods of inactivity between each delivery order. Thus, the inefficiency is passed to the agency in the contract pricing. Subcontracting eliminates this inefficiency. The contractor will also review the owner's small and minority subcontracting goals or requirements, permitting needs, retainage, prevailing wage requirements and handling of taxes and invoices.

Solicitations

Most JOC RFPs are advertised publicly via a single step or a two-step RFP. The single step allows for the qualifications/evaluation criteria and the price components to be included in one document, and contractors submit a single response. Under the two-step RFP, the price component is not revealed or requested until a short list of approved JOC contractors is selected based on qualifications. The owner will review the contractors' JOC experience, past performance, technical capabilities, project management experience, quality control, safety program, subcontractor support and other proprietary criteria. Once a short list of respondents are defined, the owner requests the contractors prepare pricing coefficients

and possibly a formal presentation, then awards the JOC contract to the one who can provide the best value to the owner, not necessarily the one with the lowest coefficient.


Simple Checklist for a Successful JOC RFP

- Do you understand your needs and what projects will be set aside for the JOC contract?
- Do you know the anticipated volume of work that will go through the program?
- Do you have a JOC champion within your agency?
- Will you choose the contractor based on “best value,” to ensure you have selected a qualified contractor who is experienced with this type or similar contract?

Since job order contracting is not focused on low bid procurement, the JOC contractor must determine how the owner will evaluate and assign points to the qualification criteria they will use to award the contract. A heavily weighted past performance criteria will reveal the contractors’ JOC history to the owner. Similarly, the more technical capabilities the RFP requires, the more the contractors must explain how they will

manage the JOC program. With weighted evaluation requirements it is less likely the owner will receive responses based on a low bid mentality. These procedures will require more proposal preparation effort on the part of the contractor, but reduce the risk to the owner of the selection of a contractor who cannot perform or provides low quality, untimely, or unsafe work.

A successful JOC program goes beyond the success of the RFP. Both the owner’s and the contractor’s staff must be aligned to a common goal: to build a long-term relationship based on collaboration, performance and trust. JOC champions should exist throughout the owner’s organization, not only in the construction, facilities and maintenance departments but also in procurement and accounts payable, and other departments involved.

A properly drafted JOC RFP allows an owner to select the best and most qualified JOC contractor – one that will work hand-in-hand with the owner’s staff to ensure that each delivery order is completed on time, within budget, with the highest quality and safety foremost. 

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As a former Air Force contracting officer and now a director of Market Development for Centennial Contractors Enterprises, Kelvin King understands the needs and requirements for a successful Job Order Contract from both the owner’s perspective and the JOC contractor.

For more than 16 years, Centennial Contractors Enterprises, Inc., headquartered in Northern Virginia, USA, has supported government, educational and business facilities, with construction projects focused on renovation, rehabilitation and repair. Centennial has over 45 offices nationwide. For more information visit www.CentennialNOW.com.