Best Practices – RFP to Award

Presented By:

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Issuing the RFP

Presented by Steve Nelson,
Project Engineer for Shell Oil
Puget Sound Refinery

Issuing the RFP

- What needs to be in place before issuing the RFP:
  - Contract
  - Scope / design drawings / documents
  - Non-scope items
  - Reference information
  - Evaluation criteria

Issuing the RFP

- Contract
  - Go / no go items
    - » Prequalification requirements
      - General contractor
      - Subcontractors
    - » Safety performance
    - » Bonding
    - » Capabilities
      - Code stamps
      - Certifications
        - Asbestos abatement
        - Lead abatement
        - Fire sprinkler

Issuing the RFP

- Contract
  - Commercial items:
    - » Terms and conditions
    - » Incentives
    - » LD’s
    - » Insurance
    - » Payment terms
    - » Retention amounts

Issuing the RFP

- Contract
  - Dates
    - » Technical proposal
    - » Commercial proposal
    - » Award
    - » Kick off
    - » Mobilization
    - » Substantial completion

Issuing the RFP

- Design / scope of work:
  - Written description of the scope must match the information on the drawings
  - Identify / minimize / eliminate gray areas
    - » IBL/OBL interface / boundaries
    - » Items that might be in multiple packages
    - » Minimize overlap / trade stacking
    - » Identify the items **NOT** to include
  - Don’t issue the RFP until it’s ready
    - » At least 80 – 90% complete
    - » Provide instruction on how to deal with items on hold

Issuing the RFP

- Non-scope items:
  - Site logistics
    - » Parking
    - » Crew trailers
    - » Laydown
  - Owner supplied materials and equipment
  - Construction site access
    - » Power
    - » Permits
    - » Preparation

Issuing the RFP

- Additional outgoing RFP information:
  - Cost breakdown format
  - Safety requirements
    - » Fall protection
    - » JSA's, etc…
  - Quality requirements
    - » Storage
    - » Testing
    - » Turnover

Issuing the RFP

- RFP evaluation criteria:
  - Identify and weigh items to evaluate
    - » Safety performance / plan
    - » Quality performance / plan
    - » Execution plan
    - » Project team
    - » Schedule
    - » Experience

Preparing the Bid

Presented by Mike Wells from Oregon Electric Group - board member of ASPE chapter 54 Portland, OR

- Preparing the bid
  - Contract
  - Take offs
  - Pricing
  - Execution plan
  - Ethics

- Lump sum VS. Design build
  - From an estimators perspective.
    - » Lump sum- we need full design, clear communication in RFP. If the design is not adequate, bidder has to cover unknowns, costs the owner more.
    - » Design build- need clear design criteria. Tends to be more team oriented, can be more cost effective for the owner.

- Contract
  - Reviewing terms and conditions
    - Problems
      1. To many hidden clauses.
      2. Conflicts with the RFP.
    - Solutions
      1. Master contract agreements with primary subs.
      2. AIA or similar format for contracts.
  - Bid form
    - Problems
      1. Late bid from breakdowns.
      2. To many breakdowns.
    - Solutions
      1. Provide bid format with RFP.
      2. Provide extensive breakdowns later.

- Take offs
  - Most estimators do take off by system, floor or area.
    - Problem
      1. Does not fit into bid breakdown format.
      2. Confusing addenda's (RFI answer: see drawings).
      3. Missing design- estimators finishing the design by writing RFI's at bid time.
    - Solutions
      1. Provide solution in RFP.
      2. Clear addenda's.
      3. Complete design- if the design is 90%, don't say 100%.

- Pricing
  - Market fluctuations- we are still encountering daily price changes on certain materials.
    - Problem
      1. Holding material pricing for multiple years.
      2. Material shortages.
    - Solutions
      1. 6-12 months pricing review.
      2. Open to alternate materials.

- Execution plan
  - Estimators build the job both on paper and in their head. Developing an execution plan is critical to completing the estimate and identifying issues or holes.
    - Problem
      1. Missing or unrealistic schedule presented to bidders at bid time.
      2. Site logistics not addressed in RFP.
      3. Incomplete design.
    - Solutions
      1. Provide real schedule in RFP.
      2. Address site issues in RFP.

- Ethics
  - What to share / what NOT to share
    - Problem
      1. Giving one bidders value engineering ideas to another bidder.
      2. Sharing installation practices between bidders.
    - Solutions
      1. Respect the source of the VE ideas.
      2. Never share proprietary practices. Encourage research or learning more from the respective industry, but never hand over.

“Aids to successful bid preparation” for competitively bid construction projects, prepared by ASPE chapter 54 have been provided on the back table. The hand out includes the nine ASPE code of ethics cannons, summarized on the following slides.

- **CANON #1** Professional estimators shall perform services in areas of their discipline and competence.
- **CANON #2** Professional estimators shall continue to expand their professional capabilities.
- **CANON #3** Professional estimators shall conduct themselves in a manner which will promote cooperation and good relations.
- **CANON #4** Professional estimators shall safeguard and keep in confidence all knowledge of the business affairs and technical procedures of an employer or client.
- **CANON #5** Professional estimators shall conduct themselves with integrity at all times.

- **CANON #6** Professional estimators shall utilize their education, years of experience and acquired skills in the preparation of each estimate or assignment.
- **CANON #7** Professional estimators shall not engage in the practice of "bid peddling".
- **CANON #8** Professional estimators shall not enter into any agreement that may be considered acts of collusion or conspiracy (bid rigging).
- **CANON #9** Professional estimators shall not participate in acts that are intended to be or may be construed as being unlawful acts of bribery.

Formatting the Proposal

Presented by Steve Nelson,
Project Engineer for Shell Oil
Puget Sound Refinery

Formatting the Proposal

- **Keep it simple**
  - Minimize overly fancy binders / packaging
  - Do not include items not requested in RFP
  - Organize the proposal to match the order of the RFP

Formatting the Proposal

- Be responsive
  - Complete **all** forms or information requested
  - Fill out the cost breakdown form
  - Execution plan and pricing should reflect the scope of work
  - Limit exclusions/exceptions (make them count)
    - » Should apply to the gray areas
    - » Address the requirements of the RFP
    - » Number exclusions/exceptions

Formatting the Proposal

- Make it count:
  - Execution plan is key
    - » Communicate understanding of the project
    - » Illustrate the plan to complete the scope
  - Organization charts should be complete
    - » TBD is a red flag
  - Schedule needs to be realistic
    - » Include all contractual dates / major milestones
    - » Resource loaded
    - » Phase, area, discipline/system level of detail
      - Only include detailed sequencing on critical pieces of equipment or close coordination needs

Formatting the Proposal

- Package alternates to the RFP separately
  - Quote time/cost savings
  - Get permission to include in pricing
- Additional company information, brochures, capabilities not specifically requested in the RFP should be packaged separately and identified as additional material

Evaluating Bids and Making Awards

Presented by Tony Bolstad, Project Controls Manager for Scheduling and Information Services, Inc.

Evaluation and Award

- Price vs. Value: why the low bid may not win
  - Apply internal weighting to non-price components prior to RFP going out the door
  - Evaluate non-price components prior to seeing the price
  - Transform submitted price based on evaluations
  - Be committed to follow through with the results
- Can be done online electronically or traditionally

Evaluation and Award

- Evaluation of the proposal
  - Three stages
    - » Contractual
    - » Technical / non-price components
    - » Price

Evaluation and Award

- Evaluation of the proposal
  - 1st stage
    - » Contractual
      - Indemnification
      - Liability
      - Bonding
      - Insurance
      - LD's, penalties
      - Retention
      - Invoicing

Evaluation and Award

- Evaluation of the proposal
  - 2nd stage
    - » Technical / non-price components
      - Safety performance / plan
      - Quality performance / plan
      - Execution plan
      - Project team
      - Schedule
      - Experience

Evaluation and Award

Technical Proposal requirements	Included?	Notes
Site-specific safety plan. (1 to 2 pages)	Y	
Organizational chart from Project Manager through Foreman level.	Y	
Staffing plan for Site Supervision and Indirect Support Staff. Bar chart format preferred.	Y	
Equipment utilization plan for major construction equipment. Include cranes, forklifts, earthmoving equipment, etc… Pick up trucks and miscellaneous small equipment can be excluded. Bar chart format preferred.	Y	
Quality Control / Quality Assurance plan. (1 to 2 pages)	Y	
Written execution plan that outlines the entire scope of the work. (1 to 5 pages)	Y	
A list of exceptions, if any, taken to the Work Specifications referenced herein. Please note that any exceptions and/or clarifications must be specific to this agreement and must be itemized and returned as a part of this bid package	Y	
Detailed bar chart schedule, showing all major activities, and planned manpower by activity. All schedule reports to include Activity ID, Activity Description, OD, ES, EF, TF, crew size, and budgeted quantity.	N	Bar chart provided but not with detail requested.
Critical Path bar chart schedule for items that have less than 15 days of Total Float.	N	
Summary bar chart schedule that reflects the major phases of the project.	N	
PERT or Logic diagram that illustrates the overall construction sequence.	Y	
Preliminary monthly manpower loading plan, by discipline and total.	N	
Progress S-Curve reflecting planned percent complete by month. Include both Early and Late dates.	N	
Quantity Installation curves for all disciplines reflecting planned percent complete by month.	N	
Monthly staff loading plan, by discipline and total.	N	
Procurement schedule, with all known and anticipated items identified.	Y	
Monthly project cash flow (expenditures), curve showing periodic and cumulative values.	Y	

Rating scale:

1 – Addresses all aspects of the RFP and/or exceeds industry standards
2 – Addresses most aspects of the RFP and/or meets industry standards
3 – Addresses some aspescts of the RFP and/or some industry standards
4 – Does not address the RFP or does not meet industry standards
5 – Missing entirely from the proposal or is unaccapteable in it's current form

Project Safety Plan

Category	Bob	Tom	Gary	Average	Multiplier	Score
Safety Commitment communicated	3	3	4	3.33	0.1	0.333333
Adequate staffing to meet project goals and needs	2	2	3	2.33	0.1	0.233333
Fall protection addressed	2	2	3	2.33	0.05	0.116667
Material handling risks addressed	3	3	3	3.00	0.05	0.15
Addresses Site logistics / crowding risks	4	4	4	4.00	0.05	0.2
				3.00	0.07	0.21

QA/QC Plan

Category	Tony	Eric	Gary	Average	Multiplier	Score
Management responsibility addressed	1	2	3	2.00	0.1	0.2
Offsite / Factory inspection plan	5	5	5	5.00	0.01	0.05
Shipping/Packing/Storage requirements	5	4	5	4.67	0.01	0.046667
Internal and external audits / control	2	1	3	2.00	0.1	0.2
				3.42	0.06	0.12

Execution Plan

Category	Tony	Eric	Gary	Average	Multiplier	Score
Construction Plan, sequence of assembly, techniques	3	4	4	3.67	0.4	1.466667
Equipment utilization plan, cranes, forklifts, etc…	4	4	4	4.00	0.1	0.4
Logistics, material delivery, material readiness plan	4	4	4	4.00	0.1	0.4
Proposed organization chart	3	2	3	2.67	0.05	0.133333
				3.58	0.16	0.60

Project Schedule / Project Controls

Category	Tony	Eric	Gary	Average	Multiplier	Score
CPM Schedule, with clear organization, structure, descriptions, logic	3	3	3	3.00	0.2	0.6
Construction activities are resource loaded	5	5	5	5.00	0.2	1
Optimization of scope, resources and schedule	4	4	4	4.00	0.1	0.4
Identifies external constraints	5	5	5	5.00	0.05	0.25
Critical Path is understandable and reasonable	4	4	5	4.33	0.1	0.433333
Methods or plans for measuring progress are apparent	5	5	5	5.00	0.01	0.05
				4.39	0.11	0.46

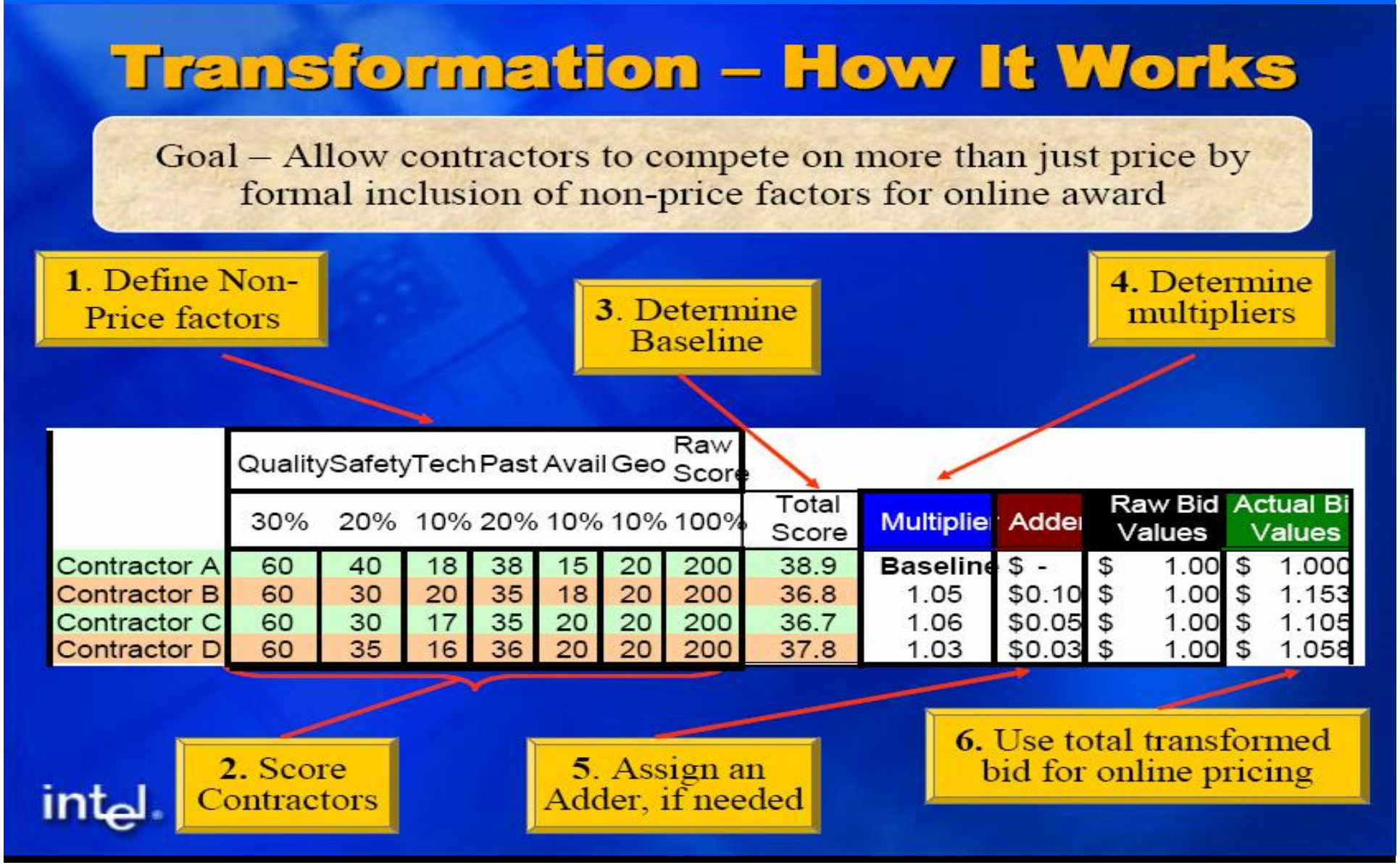
14.39	Multiplier	1.39
	Bid Amount	769.841
	TDC Adders	0
	Adjusted Bid	769.841
	Final Price	**1067.299**

Evaluation and Award

- Evaluation of the proposal
  - 3rd stage:
    - » Price (online or traditional)
      - Baseline numbers are transformed (multiplied) according to pre-established formulas
      - Award decision is based on transformed value
      - Contract / PO is written for baseline submitted value, not transformed value

Evaluation and Award

- This slide is by Rob Irvine from Intel:



	Quality	Safety	Tech	Past	Avail	Geo	Raw Score	Total Score	Multiplie	Adde	Raw Bid Values	Actual Bi Values
	30%	20%	10%	20%	10%	10%	100%					
Contractor A	60	40	18	38	15	20	200	38.9	Baseline	$ -	$ 1.00	$ 1.000
Contractor B	60	30	20	35	18	20	200	36.8	1.05	$0.10	$ 1.00	$ 1.153
Contractor C	60	30	17	35	20	20	200	36.7	1.06	$0.05	$ 1.00	$ 1.105
Contractor D	60	35	16	36	20	20	200	37.8	1.03	$0.03	$ 1.00	$ 1.058

Evaluation and Award

- More information:
  - Rob Irvine from Intel, presentation on electronic bidding:
    - » http://www.nwccc.org/presents/irvine.pdf

Evaluation and Award

- Making the award:
  - Follow up with apparent low/successful bidder as soon as possible
    - » Resolve clarifications, pricing issues
    - » Schedule the kick-off meeting
    - » Request additional breakdown
  - Notify the unsuccessful bidders
    - » DO NOT share the other prices
    - » DO NOT give percentages
    - » DO NOT reveal score
    - » **DO** identify areas where bidder can improve
    - » **DO** give feedback on gross errors

Thank You