

Balancing Contractor Qualifications and Risk

2020 Joint Summit
Orlando, FL



- Competitive Bidding is Fundamental
 - Predictable prices
 - Multiple bidders
- Strong Economy is upsetting the Balance
 - Un-predictable prices
 - Single or no bidders
- Uncertainty to Owners
- My Role



- Effect of economy on construction
- Pros and cons
- Risks to owners
- Contractor qualifications
- Understanding risk
- Prequalification
- Local vendor preference



AFFECT OF A GOOD ECONOMY

- Low unemployment
- Increased tax revenue/wages
- More competition for resources
- Higher material costs
- Higher consumption
- **Greater need for solid waste management**

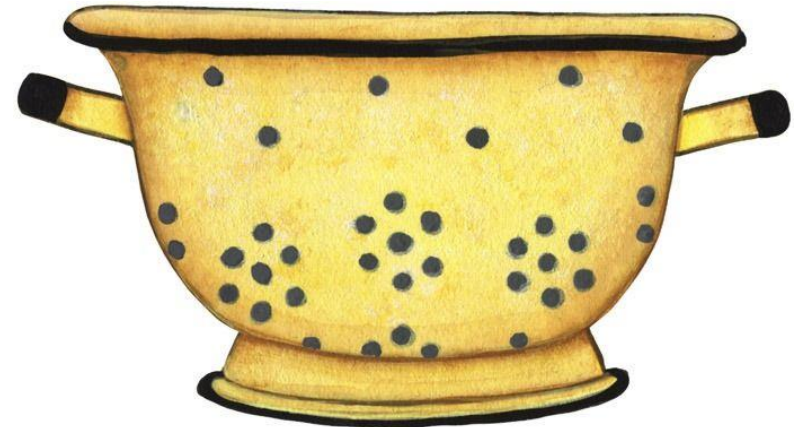


- Increased opportunities –contractors' market
- Higher staff turnover
- Less likely to accept unbalanced risk
- Can be more selective bidding
- Fewer qualified bidders on specialty projects



WHY ARE CONTRACTOR QUALIFICATIONS NEEDED?

- Helps protect Owner and Contractor
- Sets minimum standards for experience
- Eliminates unqualified contractors
- Increases confidence for success
- Uses past performance as an indicator of future



Specific Experience - Solid Waste

- Specialized work
 - Liner and gas systems
- Hazardous working conditions
- Difficulty working in waste
- Accuracy as-builts
- Intensive quality control



3 Projects of Similar Size and Scope in the Last 5 Years

- Minimum of 10 acres of 60-mil HDPE liner installation
- Minimum of 2,000 feet of landfill gas collection piping
- Installation of the soil drainage/protective layer

H&S-Based Qualifications

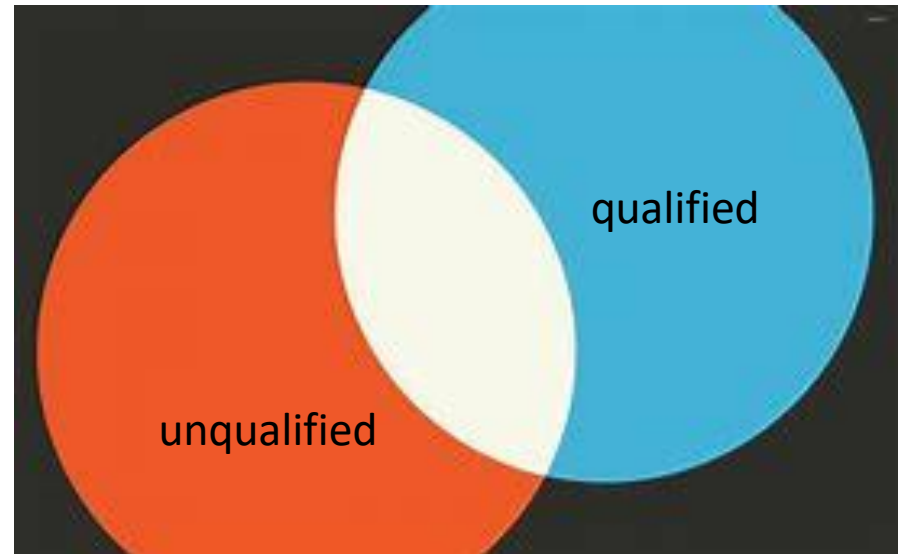
- OSHA 300 Log
- Experience modification rates



Unintended Consequences

Marginally qualified contractors

- Similar project experience
- Qualified subcontractor



Are the Qualifications

- Necessary
- Reasonable
- Achievable
- How many will qualify



Sarasota Venice HHW Facility Experience

UNDERSTANDING RISK

- Risk is the result of uncertainty
- Unquantified elements of work
- Which party can best control risk
- Risk can be balanced by cost
- Has the risk been equitably shared
- Unit price vs lump sum

Putnam County Experience





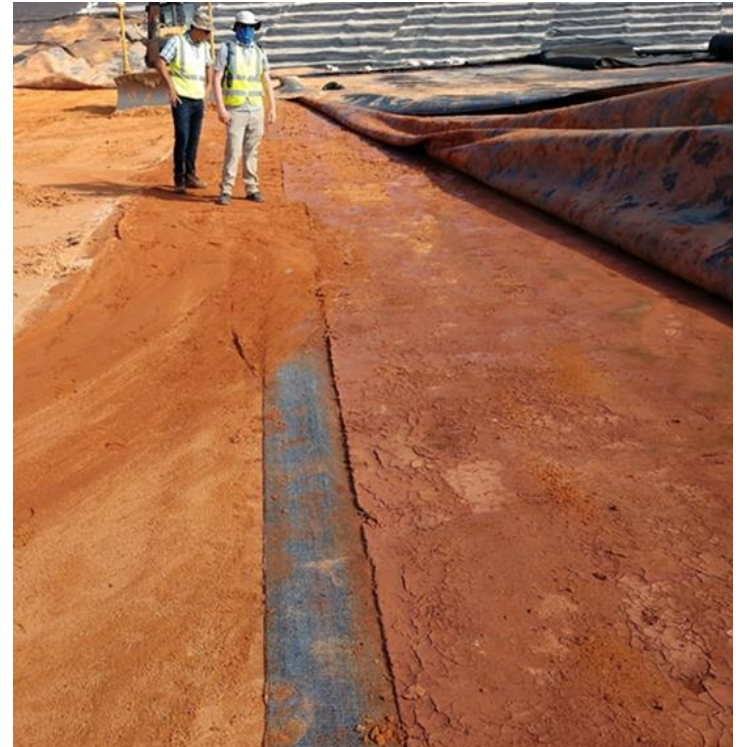
JONES LUMINUS

- Goal: Select contractor with experience managing risk and uncertainty
- Examples of uncertainty:
 - Staffing
 - Weather
 - Material quantities/price
 - Accuracy of as-built drawings
 - Landfill - specific issues



Example:

- 10-acre cell requires ~50 acres of geosynthetics.
 - If material cost increases by 10%
= \$200,000
- Slower production rates
 - 2 acres per day=25 days
 - 1.5 acres per day = 33 days
 - = 30% increase labor



How it Works

- Done before the competitive bid
- Advertise description of project and qualifications
- Interested contractors submit qualifications
- Number of responses identifies bidder interest
- Pool of qualified contractors

Marion County Experience



PREQUALIFICATION- BENEFITS TO OWNER

- Separates qualifications from price
- More time to evaluate responses
- Ask follow-up questions
- Simplifies competitive bid
- Can adjust the qualifications
- Reduces uncertainty - both parties

However

- Requires advance planning
- Adds extra step to procurement



PREQUALIFICATION- BENEFITS TO BIDDER

- Show commitment on part of the County
- Identifies the competition
- Simplifies bid
- Provides more confidence
- Reduces uncertainty
- Identifies local preference contractors



THE WILD CARD – LOCAL VENDOR PREFERENCE

Intent: By helping local business, it will stimulate the local economy and keep the public funds used for the project local

- Not many major contractors will be local
- Adds uncertainty to bidders
- May reduce number of bidders



LOCAL VENDOR PREFERENCE SUCCESS OR NOT?

Escambia County Experience



- The more unique the project, the more important the qualifications
- Best bids balance risk and minimize uncertainty
- Prequalification may be a good option for complex or unique projects
- Requires buy-in by procurement





JonesEdmunds 