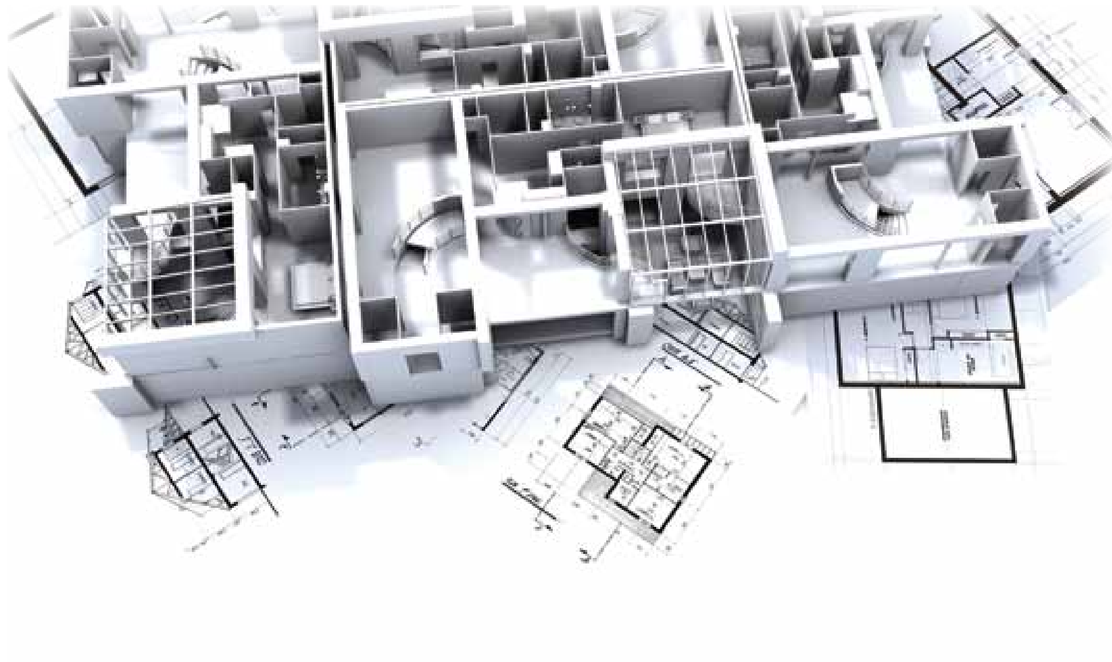

BEST PRACTICES FOR USE OF BEST VALUE SELECTIONS

A Joint Publication of:

Associated General Contractors of America

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AGC of America
THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA
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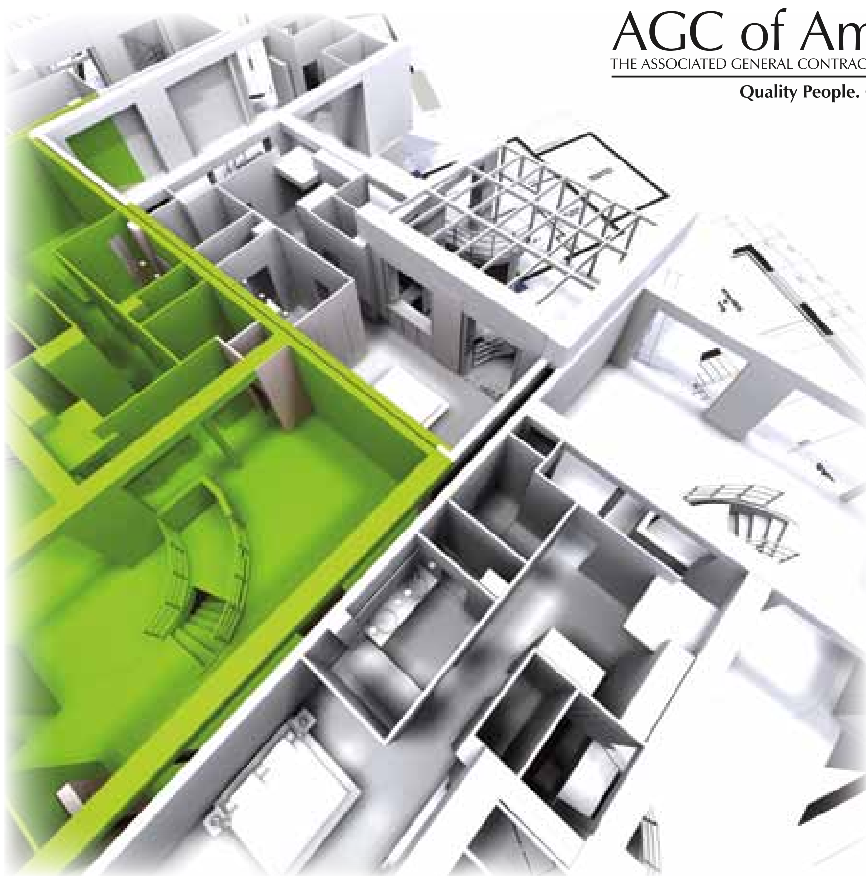

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Acknowledgements:

The Associated General Contractors of America (AGC) and the National Association of State Facilities Administrators (NASFA) wish to take this opportunity to express our sincere appreciation to our industry partners who donated their time and effort to the development and production of this document. Without their assistance, not only would the quality of the document have suffered, it would not have existed at all.

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Preface

"Judge each day not by the harvest you reap but by the seeds you plant."

— Robert Louis Stevenson

In January 2006, NASFA and AGC of America offered a draft of this document, "Best Practices for Use of Best Value Selections," to the industry for its input. Input was received from numerous individuals, organizations, and associations. This version reflects much of the input that was received. Both NASFA and AGC appreciate the input and support received for this document.

With such widespread use of the term "best value," the writers recognized and appreciated that merely identifying all "practices" related to this type of procurement was going to be a challenge. Even more of a challenge would be trying to determine which of the practices were "best."

Therefore, these Best Practices are offered to the industry as a "draft" for discussion. Both NASFA and AGC would appreciate any and all feedback that the industry would be willing to share.

As is the case with most initiatives of this type, we expect that the evolution of the practice of Best Value Selections will continue. Therefore, though the original comment period has concluded, your comments and reactions, both positive and negative, are still appreciated. Constructive feedback with suggestions for improvement is welcome anytime. We expect that revisions to suggested Best Practices will be necessary over time. Please feel free to share feedback with us anytime.

Comments on these guidelines should be submitted via email to Marcia Stone with NASFA at mstone@csg.org or to Mike Stark with AGC at starkm@agc.org. Please note "Best Value" in the subject line of the email.

For more information on both sponsoring organizations, please visit the following websites:

National Association of State Facilities Administrators
http://www.nasfa.net

Associated General Contractors of America
http://www.agc.org

PART I WHAT IS A "BEST VALUE SELECTION?"

1. Introduction

Seeking Value—In a Best Value Selection, judges of comparative value seek to choose the provider offering the best combination of performance qualifications and price. Seeking enhanced value, public owners are turning more often to selections that are not tied inflexibly to price.

Evaluation of criteria other than an objective price has unique implications for public owners as stewards of the public trust. The guidelines in this document address a type of selection in which subjective criteria are factored into the final selection of a contractor. Strong caution is offered to any public owner using a Best Value Selection process (as defined in these guidelines) to be aware of the strong scrutiny to which both they and their process likely will be subjected by their own constituents as well as by the participants in the process.

These guidelines are not intended to encourage or discourage public owners from using a Best Value procurement process. They are intended, instead, to offer owners some guidance on when might be the appropriate time to use a Best Value procurement and some best practices on how to implement one successfully.

Honoring the Public Trust—Both the Associated General Contractors of America (AGC) and the National Association of State Facilities Administrators (NASFA) strongly support full and open competition among general and specialty contractors and their suppliers and service providers. The construction industry's health and integrity depend upon every qualified firm having an equal opportunity to compete for the construction of government-sponsored facilities. It is incumbent upon public owners to be diligent in the expenditure of taxpayer monies, especially with respect to ensuring that all public facilities are safe, affordable, and of the highest possible quality. Honoring the public trust while searching for more innovative and flexible approaches to construction services will most certainly result in effective management of public funds while also achieving the highest possible level of quality. Public owners who choose alternative project delivery options must ensure that the option chosen is properly and fairly used to serve the public interest with respect to quality, cost effectiveness, and timeliness. Whatever option is used, the selection process for both design services and construction procurement should be consistent, open, competitive, and free of political influence.

Goal: ***The goal of these guidelines is to assist public owners in ensuring that evaluation and award of construction contracts using performance factors in addition to cost are conducted in a fair and competitive manner. This document offers guidance on when to use a Best Value Selection for construction services, and on how to conduct a Best Value Selection once a public owner has chosen to use it.***

Preserving Integrity/Being Beyond Reproach

It is extremely important that public owners act so as to be beyond reproach when using Best Value Selections. The owner with the legal ability to focus on factors other than cost usually has some level of subjectivity in its evaluation process. This document offers numerous examples of emerging Best Practices to help public owners honor the public trust and preserve the integrity of their process. Failure to do these things successfully may compromise the public owner's ability to use this process. It may also involve serious consequences.

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For many facility owners, learning how to select a contractor based on something other than the objective criteria of low price presents a new set of challenges. They are now faced with how to evaluate subjective criteria such as the firm's past performance and their team's experience. Which criteria should be used? How much should they be weighted and scored? Who should participate in the evaluation and when? Their challenge now is how to buy value, not just low price. To aid in overcoming all challenges, this document offers best practice recommendations.

Please bear in mind that the following best practices have been developed based on the experiences of public owners in several states. The statutory and regulatory contexts of each state will dictate to what extent these best practices may be followed. In fact, some of the best practices for the different elements of Best Value procurements may not be required for such a procurement to be successful. Instead, they represent recommendations for the most effective procurements in a perfect world. Where appropriate, we have noted which best practices are critical for a successful Best Value procurement. For the most part, the best practices described below fall within a continuum ranging from "good" practices to "essential" practices. Public owners should not be dissuaded from conducting a Best Value procurement if some of the best practices cannot be followed.

Best Practice: Transparency—Keeping the process as open as possible and clearly communicating how the process will work should be a guiding principle throughout.

Best Practice: Treatment of Non-Price Criteria—Be very careful not to create a process that subjects your selection committee to choosing a firm for reasons other than that firm being the one offering the best value for the project. The best way to maintain the trust of the public is to have a process that, though it may include some subjectivity, is still one that is difficult to influence. The absence of a formal process to incorporate non-price criteria into the final evaluation and selection increases the chances of subjecting your selection committee to scrutiny resulting from charges that the process was not as "fair" as it should have been.

Use of Best & Final Offers in Construction Procurement—The use of "Best & Final Offers" in best value procurements is a practice that involves asking contractors, who have already submitted a bid in accordance with a Request for Proposals, to resubmit their bids for what could be a variety of reasons. Owners should not require proposers or bidders to submit a Best & Final Offer, unless the purpose is for clarification to assure full understanding of, and responsiveness to, the solicitation process. This could occur when the construction documents are incomplete, confusing or when a change has occurred in the original documents (for example through value engineering or some other change in the original project information).

Best Practice: The exercise of requiring proposers/bidders to submit a Best & Final Offer is inappropriate when there is a clear understanding of the construction documents and no change has occurred, or no further clarification is needed. Care should be taken to be sure that the use of Best of Final Offers is not for "Auctioning Purposes". This practice is inappropriate and may be unethical, but at a minimum may be a form of "bid shopping".

Best Practice: Debriefs—Offering debriefs to firms after the selection process is a valuable way to keep a sense of fairness as well as encourage continuous improvement in the industry. Owners should be able to communicate to a firm why it did not rank as high or was not successful.

2. Defining Best Value Selections

What is a Best Value Selection? Like so many other terms, Best Value Selection is used by many people to mean many different things. The dictionary defines "best value" as "most likely to succeed… most likely to have or come near to the desired outcome…" In this document, the term refers to a particular selection process for construction services. In the construction industry, the selection process referred to most often is the selection of the design team, the construction team, or both. The term "best value" commonly refers to a process of selection in which the final selection criteria includes subjective considerations and not just a low bid price. Best Value is often referred to in the public sector as a type of Competitive Sealed Proposal or Request for Proposals (RFP) process.

Does price have to be an element of Best Value procurements? Alternatively, are Qualifications Based Selections (QBS) considered a type of Best Value procurement? There is, of course, no definitive correct answer to these questions. However, in these guidelines on Best Practices for Best Value Selections, price (total construction cost) is assumed to be part of the final selection criteria, and a QBS, assuming total construction cost is not a weighted criterion, is **not** considered a type of Best Value Selection.

In addition, selections involving an evaluation of "price," where "price" is referring to fees and/or general conditions costs (but not total construction costs) are also **not** the focus of these guidelines. Though considered by many to be a variation of "Best Value Selections," fee and general conditions selections are not the type of Best Value Selections addressed by these guidelines. (With this said, however, there are probably best practices described throughout these guidelines that can be applied to QBS selection processes and selections involving price, where price is represented by the proposed fees alone, or by the proposed fees and general conditions, as well.)

For the purposes of these guidelines, the definition of Best Value Selection is as follows:

> **A Best Value Selection is a selection process for construction services where total construction cost, as well as other non-cost factors, are considered in the evaluation, selection, and final award of construction contracts.**

The following criteria are used to clarify further the definition of a Best Value Selection:

Best Value Selection (Competitive Sealed Proposal):

- Contracts for design and construction are separate contracts (could be combined in Design-Build)
- Total Construction Cost is a weighted criterion for final contractor selection
- Final selection of contractor is based on a weighting of the total construction costs **and** other criteria
- Design is assumed to be substantially complete

Many readers may not agree with our definition of Best Value procurement, particularly those who already have a definition in mind. The goal here is not to debate whose definition is right, but to establish the framework for a discussion that accommodates everyone's definition of Best Value procurement.

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Note: The Federal Acquisition Regulations (FAR) describe a procurement approach used frequently by several federal agencies that is known as a "source selection" process. Based on the definition above, a source selection is a type of Best Value Selection process.

For purposes of clarification and comparison, the following definitions of two other types of procurements are offered: Competitive Sealed Bid (Low Bid) and Qualifications Based Selections.

Competitive Sealed Bid (Low Bid):

- Contracts for design and construction are separate contracts (could be combined in Design-Build)
- Total Construction Cost is weighted 100 percent and is the only weighted criterion for final contractor selection

Qualifications Based Selection:

- Contracts for design and construction are separate contracts (could be combined in Design-Build)
- Total Construction Cost is weighted 0 percent and is not a criterion for final contractor selection

While these guidelines are based on the criteria for Best Value Selection given above, many of the best practices identified throughout this document can be applied to other procurement processes. For example, although these guidelines are based on separate contracts for design and construction, several of the practices described can be applied to procurements using Design-Build.

How the term "Best Value" is applied can vary depending on how the entity using the term defines "value." Does "value" refer to the perceived level of service versus the price to provide those services? Is the term "value" referring to the best design solution for a stated budget, as is common in some Design-Build procurements? Alternatively, is "value" referring to the qualifications of a firm and its ability to add value by being part of the project team?

The following matrix highlights the contract/selection process on which these guidelines are focused (indicated by the bolded box). Depending upon their definition, many might call this process a variation of Design-Bid-Build, while others might define it as a variation of Construction Management at-Risk. Others might refer to it as something entirely different or have no name for it all. Many of the best practices highlighted in these guidelines should apply regardless of the name used.

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What is a "Best Value Selection?

	SELECTION TYPES		"Price" Definition	Qualifications?	Designer & Contractor 2 separate contracts
1.		**Competitive Sealed Bid — Low Bid** "Price" only criteria for final selection	Total Construction Cost (TCC)	No	Design -Bid-Build Low Bid
2A.	Competitive Sealed Proposal — Best Value	"Price" and other criteria in the final selection; Price=TCC	Total Construction Cost (TCC)	Yes	Best Value Bid?
2B.	Competitive Sealed Proposal — Best Value	"Price"= Fees/General Conditions, etc. (no TCC)	Fees, General Conditions, Contingency, Etc.	Yes	Best Value Proposal?
3.		**Qualifications Based Selection** "Price" is not a factor in the final selection criteria	NO	YES	CM at-Risk QBS

Assuming there is an understanding of how the term "value" is being used, the next challenge is to determine how the "best" firm is going to be determined—that is, "best" in supplying the value defined. How will the firms be evaluated? What criteria will be considered? How much weight will be applied to each criterion?

Since there are infinite subjective interpretations of how to define "value" and how to determine which firm is "best," the challenges to using Best Value Selections can seem endless. There are, however, numerous lessons learned and best practices that can help all purchasers of construction, both public and private, use Best Value Selections successfully.

The selection process is central to identifying the firm that will provide the maximum value to the public owner. Crucial to a successful project is the public owner's responsibility first to establish a quality selection committee and then to allow adequate time and resources for the committee to do its work. The selection committee will establish the selection schedule, identify the evaluation criteria, release the solicitation, evaluate and rank the offerors based on their qualifications, and often select from these a shortlist comprising firms judged to be the best qualified. Typically, the shortlisted firms are invited to submit technical proposals, which the selection committee will review and rank. The selection committee may conduct interviews, review reference checks, and take other steps to choose the offeror whose qualifications, in combination with its price proposal, are judged to represent the overall greatest value to the public owner. Time and quality of effort invested in this phase pays back huge dividends in the form of a greater likelihood of a successful project.

Led by a chairperson appointed by the public owner, the selection committee must agree on the interpretation of the selection criteria in the solicitation and should be prepared for the significant time commitment that the selection process will require. The selection committee chair's role and responsibility are highly important—he or she will keep the selection process on schedule and ensure that each committee member thoroughly understands the procedures to follow for a fair and uncontested selection.

Clearly, though, the burden on public sector owners to maintain a fair and open process of selection becomes heavier when they use selections involving subjective evaluations. The ability to have an entirely objective criterion for final selection continues to be the benefit that a traditional low bid selection process offers over other procurement options.

Is that benefit of objectivity sufficient to cause public owners to avoid using Best Value procurements? Increasing numbers of public owners answer, "No," because they recognize a need to increase the quality of construction providers serving the public. At the same time, public owners must be extra careful to ensure that their selections are open and fair when using subjective evaluations. If there are subjective criteria for final selection, then it should be clear to the stakeholders what the criteria are and how they are going to be evaluated.

Interestingly, federal government selection of design firms has for decades followed procedures guided by the federal Brooks Act, under which price is not considered in the selection. Instead, fair compensation is negotiated only with the most qualified design firm. State governments have adopted their own "little Brooks Acts." Therefore, selection of architects has been based on subjective criteria for years. Have these been Best Value procurements? Depending on your definition, the answer may be yes.

3. Types of Submittals

A Best Value Selection involves evaluation of firms and identification of the one provider of construction services deemed most likely to deliver a successful project at a reasonable cost. To start the selection process, the owner identifies performance criteria to consider and advertises specific requirements for interested offerors to meet. Typically, the owner publishes requirements specifications in a formal Request for Qualifications (RFQ), paired with a similar Request for Proposals (RFP). In response, firms submit documentation to demonstrate that they possess desired qualities and capabilities. There are typically three types of submittals in a Best Value Selection process: Qualifications, Technical, and Price submittals.

Qualifications Submittal

A construction firm is usually expected to respond to an RFQ solicitation with a written submittal that states the firm's qualifications. Often, the RFQ will call for qualifications that fall into two distinct categories:

1. **Pass/Fail (objective)**
2. **Scored (subjective)**

The "pass/fail" qualifications are required by criteria that are objective and factual, such as minimum number of years in business, or minimum number of projects completed. These pass/fail criteria offer no room for interpretation and are absolute prerequisites for further consideration.

In contrast, "scored" qualifications are at least somewhat subjective and require evaluation to measure their worth or utility. An example might be the evaluation of a firm's relevant project experience. The owner evaluates submittals in response to an RFQ in order to determine a shortlist of firms that appear generally qualified for subsequent consideration on a specific project.

Technical and Price Submittals

The Request for Proposals (RFP) contains evaluation criteria more specific to the particular project under consideration. Invitations to respond with submittals to the RFP typically go only to a shortlist of firms prequalified through the prior Request for Qualifications process. The RFP in a Best Value Selection often involves two additional types of written submittals of proposals relevant to a specific project:

1. **Technical proposal**
2. **Price proposal**

The technical proposal is a construction company's written submittal to demonstrate its capabilities and superior qualifications directly related to the project under consideration.

The price proposal is a separate bid from the contractor for the total construction cost of the project. In requesting price proposals, the RFP must provide sufficient design information to allow proposers to submit bids for the project.

4. One Step versus Two Steps

How Many "Steps"?

"Should I use a 'one-step' process or a 'two-step' process?" This would be an easy question if there were consensus on what is meant by "steps." Sometimes "steps" refers to the number of formal submittals (a Request for Information; a Request for Qualifications; or a Request for Proposals). Sometimes steps refers to how many notifications are provided to the contractor (Advertisement; Eligible or Qualified to Submit a Bid; Eligible to Present Qualifications; Eligible to Submit another Bid; or Notification of Intent to Award). Still other times, the term refers to the order by which the owner evaluates the contractor's submittals (Qualifications before the Submittal of Bids; Qualifications Submitted with the Sealed Bid; the Sealed Bids; Subsequent Information such as Revised Price Proposals).

Generally, Best Practices herein refer to the "steps" as submittal steps in the process and as defined in Part I, Section 3, "Types of Submittals." Typically, there are three types of submittals: Qualifications, Technical, and Price. Using these three typical submittals, the following definitions of "One Step" and "Two Step" processes may be created:

- **"Two-Step" Best Value Selection Process**—Step One, Qualifications submittal received; then in Step Two, the Technical and Price Proposals are received
- **"One-Step" Best Value Selection Process**—Step One, Qualifications, and Technical and Price Proposals all received at the same time

If the owner states, "We use a one-step process," what is meant? What this single step means also varies from owner to owner. If the owner uses a "proposal" process, the single step often refers to the receipt of the submittal of Qualifications and the Technical and Price Proposals at the same time

With single-step processes, the critical issue is the order in which you evaluate the information:

1. If you evaluate the non-price criteria first, determine which firms meet the minimum level of qualification, open the sealed bids **only** of those qualified firms, and subsequently award to the lowest responsive and responsible bidder with no further weighting of the non-price criteria, then this is viewed as variation of Design-Bid-Build with a prequalification process.

2. If you evaluate the non-price criteria and then place some weight (regardless of whether the weight is formally assigned a value or not) on the non-price criteria along with the sealed bids in evaluating which bidder is going to be selected, then this is viewed as a variation of a Best Value Selection process.

Best Practice: One-Step or Two-Step?—There are many more variations of the application of the terms "one-step" or "two-step." Rather than offering Best Practices of which variation to use, the advice offered here instead is simply to be sure that you identify the process you intend to use early in the planning stages of your project and communicate your chosen approach to all parties throughout the process.

Best Practice: One-Step or Two-Step? "Proposal" Process—If you use a "proposal" process, typically with a Request for Qualifications followed by a Request for Proposals, then, subject to your applicable laws or statutes, be aware that, when time is of the essence (particularly for the selection of the contractor), combining the two steps into one is appropriate. Essentially, by combining the two steps, you eliminate the opportunity to evaluate qualifications and notify potential proposers that they might not be qualified. Proposers understand this and usually "self-prequalify" themselves before submitting.

Best Practice: "Proposal" Process—To Shortlist or Not to Shortlist

- **(Between RFQ and RFP)** If you are using a "proposal" process and have kept your Request for Qualifications (RFQ) and Request for Proposals (RFP) separate, then it is widely considered a Best Practice to "shortlist" prior to asking firms to respond to the RFP. Firms that are no longer considered viable competitors would prefer to know and not have to go through the time and expense of preparing and submitting a proposal. This will also help minimize the chances that a firm that is not really qualified, but would submit a very low price, is not placed into the mix at the time of final evaluation and selection, thus causing great difficulty and pressure for the selection committee trying to recommend the "best" firm.

- **(Between RFP and Final Selection)** In using a "proposal" process, without regard to whether you combined your RFQ into the RFP or kept them separate, if you plan to conduct interviews of firms that appear to be most qualified after the submittal of proposals, then it is widely considered to be a Best Practice to "shortlist" again prior to the interviews. Firms that are no longer considered viable competitors would prefer to know and not have to go through the time and expense of preparing for and attending an interview.

5. Discussion about Prequalification and Past Performance

The use of "qualifications" as part of a selection process can be carried out in one of two ways: (1) As part of a "prequalification" process where the qualifications are used to determine whether a firm is a viable competitor and should continue to participate in the selection process, or (2)

As part of the final selection criteria where price is considered in addition to non-price factors such as a firm's qualifications. The present guidelines are focused on the second type and will offer best practices specifically for Best Value procurements where non-price factors are part of the final selection criteria.

The basic assumption is that you can "pre-qualify" before any selection process using any delivery method. Therefore, "prequalification" is generally a separate issue that may or may not be part of a Best Value Selection process.

It should be noted, however, that many owners use a prequalification process that some refer to as a "best value" process. In such a process there is a separate and distinct step in which the contractors submit their qualifications and then find out whether they meet a minimum requirement to be able to submit subsequently a competitive sealed bid. As long as the final selection is based solely on the lowest responsive and responsible bid, such a process in the context of this document is viewed as a Design-Bid-Build delivery method with a prequalification step (example #1 above). This document acknowledges that such process is frequently used and is commonly referred to as "best value." We clarify, therefore, that such process is **not** the type of Best Value procurement on which this document is focused. This document is focused on "Best Value" procurements where price (total construction cost) and other non-price criteria are part of the **final** evaluation and selection criteria.

Prequalification

Prequalification involves determining, in advance of asking for a price for the cost of the work prior to the formal selection process, whether the firms interested in competing on the project have sufficient qualifications to participate. The types of qualifications involved are most often the same as, or very similar to, the types of qualifications used in the final evaluation stage of a Best Value Selection.

When prequalification is used, firms are shortlisted and authorized to prepare a bid. In some (not all) procurement processes using prequalification, the assumption of prequalification is that all prequalified firms are equal and that any of the firms can perform as well as any of the others. While in some instances this may be true, often there are significant differences in the abilities of the several firms.

Many public owners have what they refer to as a "Multi-step Competitive Sealed Bid" process (or something similar), which involves bidders submitting information about their qualifications in a first step. Each bidder's qualifications are evaluated and it is determined whether they are "acceptable." If judged to meet the first-step criteria, acceptable bidders then submit sealed bids consistent with the procedures for competitive sealed bidding. Again, this process goes by numerous names and is often referred to as a type of Best Value Selection. **For the purposes of these guidelines, Multi-step Competitive Sealed Bids are viewed as sealed bids with a "prequalification step" and are not the type of Best Value Selection that we will focus on here.**

As an example, let us assume that we are selecting a firm for a major roofing project. In our prequalification criteria, we have specified that the firm must have completed at least 10 roofing projects of equal size and complexity. Of the five qualifying firms, the one submitting the lowest bid has completed exactly 10 projects. The number two bidder, however, has completed 50 projects, and their bid is only 50 dollars more than the bid of the lowest bidder. Which bidder would you, as an owner, prefer to have? Most owners would say the one with considerably more experience for only a minimal increase in cost. This scenario highlights the key difference in a prequalification-then-bid process and Best Value Selection. With prequalification-then-bid, there is no discretion in the final selection because both contractors were "pre-qualified" and the final selection is then based solely on cost. In Best Value procurement, cost is one of the criteria but not the only criterion on which the final selection is based.

Best Practice: One-Step—Prequalification-then-Sealed Bid Process—If you use a sealed bid with a separate prequalification process, we would refer you to best practices for prequalification processes. For example, if time is of the essence, particularly for the selection of the contractor, and you are considering using a one-step process for the submittal of prequalifications and sealed bids, you should recognize that the critical issue is the process used to evaluate the information. Note the contrast between the two approaches sketched below:

- Design-Bid-Build with Prequalification—In which case the owner evaluates the non-price criteria first, then determines which firms meet the minimum level of qualification, then opens the sealed bids of **only** those qualified firms, then awards to the lowest responsive and responsible bidder.

- Best Value Selection—In which case the owner first places some weight (regardless of whether the weight is formally assigned a value or not) on the non-price criteria and another weight on the bids for evaluation. In such case, the Best Practice recommended is to formalize how to weight the non-price criteria into the final evaluation process. As described elsewhere in this document, the Best Practice is to
  1. Identify how much price (total construction cost) is going to be weighted versus aggregate total of all of the non-price criteria
  2. Determine which non-price criteria are important and should be weighted
  3. Prioritize the non-price criteria by determining relative importance
  4. Determine how to weight the non-price criteria and how you will factor it into final evaluation and selection. Will it be formal, through rankings or scoring? Alternatively, will it be informal, through a more subjective process? (Note: See Part III, "Scoring Methodologies," for some Best Practices in evaluating and scoring proposals.)

Past Performance versus Relevant Experience

The issues of past performance and relevant experience during Best Value Selection are related, but an owner should address them as separate factors. In many cases, these two issues are addressed as a single selection factor. However, the two represent distinct operating issues within a general contracting organization. The two factors can be defined briefly as follows:

> Past Performance: The organization's historic performance as compared against an objective benchmark in both management and project criteria.
>
> Relevant Experience: An organization's past experience in projects related to the current project, whether in scope, budget, or technical requirements.

These issues require separate attention because of two factors: (1) range of issues, and (2) how much time has passed since the organization was evaluated on a referenced project. In terms of the former, past performance addresses a range of organization factors that extend beyond performance on past projects. Specifically, management issues such as employee education, economic preparation, and long-term growth provide a strong indication of the potential for a company to perform on both current and future projects. Similarly, project performance in cost and schedule controls are as important as the fact that the organization worked on the project.

Best Practice: Selection Process Impact I—An owner should set a series of benchmarks that extend beyond project boundaries to evaluate adequately past performance of an organization.

The second issue that affects the performance versus experience topic is the issue of elapsed time. Although it is important for an organization to have relevant experience in similar projects, this experience is related to individual members in an organization as well as the organization itself. The role of the individual member on the prospective project makes elapsed time important to the selection process. Because events such as turnover and promotion will change the makeup of personnel periodically within a construction organization, projects that were completed more than 18 months prior to the current project are likely to have had a completely different set of personnel. Therefore, the firm's experience gained on that project is less likely to be applied directly to the current project, making firm's relevant experience not quite as relevant as it might first appear to be.

Best Practice: Selection Process Impact II—An owner should request relevant experience within the last three years, but should also request a list of the personnel proposed to be working on the upcoming project in order to ensure that the firm's past experience will be transferred to the current project.

6. The Challenge of Using Best Value Selections

Clearly, the primary issue relating to Best Value Selections is defining the salient criteria for selecting a contractor, in addition to the overall price proposal. In all cases, the price must be competitive for the project. Competitive pricing, however, does not translate simply to the lowest price for the work. It is generally accepted that competitive pricing is that which is within a certain range, either higher or lower to an established estimate. Numerous variables will cause construction pricing to fluctuate, such as current market conditions for material or labor, as well as variances in the interpretation of the contract requirements.

For these reasons, the first decision to make when using Best Value Selection methods is about how important price is when related to the other features of the project. Some projects may be so complex that the specialized experience of a contractor may outweigh the need to obtain the absolute lowest price for the work. Other projects may warrant consideration of a firm's experience with an equivalent emphasis on the overall price of the project. Examples include chemical analysis laboratories and hospital facilities, where the technical complexity of the work might make the evaluation of the cost less important than a firm's capabilities.

Another example is a roofing project, for which a firm's experience in roofing construction may be equally important to the overall price for the project. Alternatively, the schedule to complete the roofing may be of such importance that a firm's ability to meet or beat the required timeframes for the work may be more important than the overall price, assuming the price is still in a competitive range. In each case, the importance of price must be established clearly in the bidding documents and then used in the evaluation of the proposals when owners conduct analyses of tradeoffs to meet overall project objectives.

Once the importance of price is determined, it is next crucial to establish the content of the technical proposals for objective and competitive analysis. Best Value enables owners to evaluate not only a firm's capabilities but also the proposed approach to the work. In fairness to proposing firms, it is incumbent upon the owner to choose criteria that it will faithfully later use to determine which proposal represents the greatest value.

The evaluation of a firm's qualifications should extend to the firm's recent and relevant experience, in addition to the experience of the key personnel who will be assigned to the project. Similarly, an owner is entitled to evaluate the performance history of proposed major subcontractors, especially given the effect that subcontractors have on the success of construction projects.

A not-to-exceed price is useful when a selection must be made before the contract documents are complete, or where fiscal constraints justify it. In these cases, an experience factor may include past projects with not-to-exceed price limits where the contractor was able to ensure that the project costs did not exceed the stated limit.

Other non-price criteria can and should be used to facilitate the selection process for every project. Examples might include approaches to performance specifications when used, or contingency planning for anticipated material difficulties.

Price breakdowns are useful in cases where specific portions of the work may call for added scrutiny. By requiring contractors to provide breakdowns as defined in the proposal requirements, an owner can evaluate the approximate costs for portions of the work, such as roofing or mechanical systems. In some cases, such as performance specifications, it may be equally important to evaluate the proposed costs and the qualifications.

In every case, the owner's ability to articulate clearly the criteria that will be evaluated, the order in which it will be evaluated, and its relative importance to the price proposal are the ingredients of a successful Best Value Selection. The extent of the criteria used to determine an offeror's qualifications and approach should be suited to the project. With a fair and objective evaluation of the proposals that is consistent with the stated evaluation criteria, the Best Value Selection method will increase an owner's chances of having a successful construction project.

7. Tradeoff versus Formulaic Approaches

As Best Value Selections are used with greater frequency, various types of Best Value Selections likely will evolve to reflect the relative importance of price versus qualifications. As these evolve, the processes and best practices associated with each type might be slightly different. We understand that price competition will remain the central concern of Best Value procurements. It follows, then, that the evolution of Best Value methods depends upon the relative importance of the non-price or technical factors when compared to price. As stated earlier, it may be necessary to find the proposed price less important than a firm's qualifications or experience with certain types of construction, depending upon the specific features of the projects.

Tradeoff Analysis versus Formulaic Approaches

From a very broad perspective under Best Value, there are two approaches to applying evaluation methodologies to reach a consensus on the firm most likely to provide the greatest value:

1. **Tradeoff Analysis Approaches**
2. **Formulaic Approaches**

In Part IV of this document, we will share best practices for evaluating proposers and discuss more detailed best practices both for Tradeoff Analysis Approaches and for Formulaic Approaches. Generally speaking, there are non-price proposals and there are price proposals. These are evaluated and then either ranked or scored using points.

Both Tradeoff Analysis Approaches and Formulaic Approaches typically include a point scoring of the proposer's non-price or technical proposals. With a Tradeoff Analysis Approach, however, the price proposal is typically not assigned points.

With a Formulaic Approach, the price proposal is assigned points, which are combined with the scores of the proposer's non-price proposal using a mathematical formula. The combined score results in one "overall highest-scored" firm.

The following matrix shows typical use of point scores when evaluating proposals using either methodology:

	EVALUATION METHODOLOGIES	
	Tradeoff Analysis Approaches	**Formulaic Approaches**
Non-Price Criteria (Qualifications or Technical Proposal)	Rank or Score with Points (optional)	Score with Points (required)
Price Proposals	No Scoring (no points) or Score with Points (optional)	Score with Points (usually required)

The intended approach should be chosen early and communicated to submitting firms in the Request for Proposals (RFP). Are you using a Tradeoff Analysis Approach or did you select a Formulaic Approach for combining the non-price and price proposal? The approach chosen will determine how you will select the Best Value firm. Therefore, all firms deserve to know your intended methodology by having it detailed for them in the solicitation materials.

Except for the special case of the "Price per Quality Point" method (discussed in Part IV.8b.2, below), an easy way to distinguish between the two approaches is as follows:

- If weighting of your price versus the aggregate of the non-price factors was identified in the RFP, then "Formulaic" has been chosen. (Price per Quality Point, considered an example of a Formulaic approach in this document, relies on mathematics but does not require price to be weighted.)

- If a weighting of price versus non-price was not identified in the RFP, then it is likely that a "Tradeoff Analysis" process should be your intention.

Even if a Formulaic process was chosen for the evaluation of the non-price information, the analysis for the final selection—when non-price and price are analyzed together—is a separate decision. The RFP should make the owner's intentions plain.

Relative Importance of Price

If an owner intends to use a Formulaic Approach, then determining the precise importance of the price is absolutely essential and must be done before the beginning of the selection process. If a Tradeoff Analysis process is planned, the precise importance of price is not essential and only the relative importance of price is needed.

For more information on evaluating proposers and compiling the evaluation into a final selection using a Formulaic Approach, see Part IV, Section 7B, "Compiling Evaluations into a Selection (Formulaic Approach)."

Especially if an owner intends to use a Tradeoff Analysis, then determining the relative importance of price usually falls into one of the following three categories:

1. Price is LESS important than the technical criteria (qualifications)
2. Price is EQUAL in importance to the technical criteria (qualifications)
3. Price is MORE important than the technical criteria (qualifications)

When Price is Less Important: When price is less important than qualifications and other technical criteria, the owner has maximum flexibility in selecting a contractor. For example, in projects where an offeror must describe how to approach a project or how the work will be sequenced to minimize inconveniences, the maximum amount of flexibility in the evaluation process is needed in order to determine the greatest value. For this reason, the proposal that conveys the most confidence that it will be completed in the time stipulated, at the price proposed, and with the highest level of quality, is the optimal proposal to an owner. If the highest rated proposal for qualifications has the lowest price, then the decision is instantaneous and no Tradeoff Analysis is required.

If all the proposals are rated above average, then the selection can be made based on lowest price among the proposals in the "above average" range. If there is a significant price difference between the proposals rated average and the proposals rated above average or higher, then, typically, the owner should be considering only the highest rated proposals and choosing among those. In some cases, because of significant differences in price between the average and higher rated proposals, the owner might choose from the most competitive price of all the proposals rated average or higher. The risk that an average-performing contractor will encounter difficulties that he may not overcome as well as might a higher rated contractor (due to resources, experience, or expertise, for example) must be determined or quantified in some way. In the end, the proposal that should be selected is the one where the risk can be quantified, and is the least for the price that is proposed.

When Price is Equal in Importance: If the price is equal in importance to qualification factors, the owner has limited flexibility depending on project-specific risk areas and how each offeror responds to the stated criteria. Generally, the owner must choose the lowest price among the highest qualified proposals. For many programs, this selection standard is sufficient to ensure that qualified firms, which are committed to high quality and repeat business, are the ones competing for the work. If there are significant differences in the price proposals, then the owner must weigh the perceived risks equally against the proposed prices. Justification for awarding a project to an offeror who does not have the lowest price and is rated "above average" or higher is difficult using this type of selection criteria. In addition, the risk of a bid protest increases because of the subjective way the risk is perceived and quantified by the owner. If the objective for a given project is to choose the lowest price among the proposals that are rated average or higher, then this is the method to use.

When Price is More Important: When the price is more important than the qualifications of a proposed firm, the owner has much less flexibility and, essentially, must complete the project as he would in a low-bid scenario. For the purposes of these guidelines, the categories where price is less than or equal in importance to the qualifications will be the primary focus of the best practices identified.

For more information on evaluating proposers and compiling the evaluation into a final selection using a Tradeoff Analysis Approach, see Part IV, Section 7a, "Compiling Evaluations into a Selection: Tradeoff Analysis."

Deciding How Much Weight to put on Price (percent Price versus percent Non-Price)
Once the decision has been made to use a Best Value Procurement, the next question should be: How much should I weight the price? In other words, which type of Best Value Selection should I use? Of the total points from the criteria for selection, X percent will be price, and Y percent will be non-price.

The amount of flexibility the owner will have in selecting the contractor is directly related to the type of Best Value Selection chosen—in terms of intended evaluation methodology and category of price importance. In addition, the type of Best Value Selection dictates the amount and kind of information necessary for the solicitation to request. Although many of the evaluation criteria are similar regardless of the evaluation methodology employed (Tradeoff or Formulaic Approaches), there will be significant differences in the way criteria are presented and the way they are used in the selection process, depending on the category of price importance chosen.

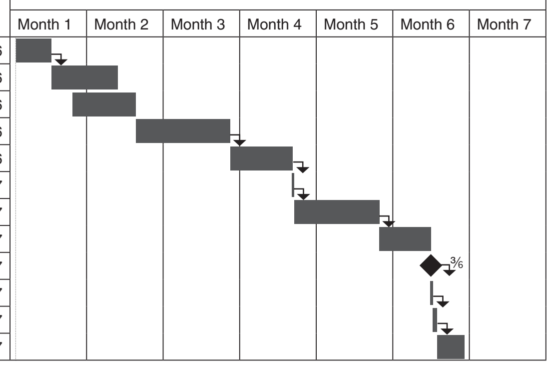
Best Practice: When should price be more important?—Some suggest that the default position should be that price should be more important unless something else "trumps" it. In other words, if there is nothing that would cause you to pay a premium for one contractor over another, then price is, by default, all-important. If, however, there are qualifications for which you would discount price in order to secure, price might not be weighed 100 percent. For price to be more important than technical factors, you would still weight it by a factor over 50 percent.

Best Practice: Selecting a procurement method in which price is less important than technical criteria—In determining that price is less important than the technical criteria, an owner has asserted that price is not nearly the best indication that one contractor is better than another at mitigating risk factors important to the owner. The owner probably will have considered several issues, including the type and complexity of the project, schedule risk, and level of completeness of the design. Projects of significant complexity may require that this option be considered, particularly where prior experience of the proposer has been identified as a critical criterion. Factors contributing to the level of project complexity may include, but not be limited to, security, public health and safety, technology, historic considerations, specialized occupancy, and special site conditions. Schedule risks may be an argument in favor of setting price as less important than qualifications. These may include potential for significant extraordinary financial loss or hardship. Examples of this risk could include but not be limited to increased extended lease costs for building occupants relocating to the project from leased space.

8. A Sample Timeline for Best Value Selections

Best Value Selection Process - Draft 10/03/06

ID	Task Name		Duration	Start
1	Validation of Best Value Decision		7 days	Tue 10/3/06
2	Selection Committee		21 days	Thu 10/12/06
3	Develop Proposal Requirements		14 days	Thu 10/26/06
4	Advertise Project (RFQ)		30 days	Wed 11/15/06
5	Evaluate RFQ Submittals		14 days	Wed 12/27/06
6	Determine Shortlist – Notify Firms		1 day	Tue 1/16/07
7	Technical Proposal and Cost Proposal Submission		21 days	Wed 1/17/07
8	Evaluate Qualification Proposals		14 days	Thu 2/15/07
9	Optional Interview/Oral Presentations		0 days	Tue 3/8/07
10	Cost Proposal Evaluation		1 day	Wed 3/7/07
11	Compile Evaluation Information		2 days	Thu 3/8/07
12	Contractor Selection and Award		7 days	Mon 3/12/07



PART II WHEN SHOULD "BEST VALUE SELECTION" BE USED?

1. Why would you use a Best Value Selection?

When should you use a Best Value Selection process? When should you not? Is there a magic algorithm that helps owners answer this question? Unfortunately, none has been discovered. Instead, what this section shares is some of the latest thinking on why an owner would or would not want to use a Best Value Selection process on a particular project. Also addressed are some of the risks of using a Best Value Selection, along with some of the risks of not using one.

Why would you NOT want to use a Best Value Selection?

- When you do not have the staff (or funds to outsource) to handle managing a Best Value Selection process.
- When the available pool of contractors provides a high level of quality in the execution of construction, the prices are reasonable during the bid periods, and there is not a history of unresolved disputes at the completion of a project.
- When you do not have confidence in being able to ensure and maintain a fair and open process, thereby subjecting yourself or your organization to the scrutiny that may accompany Best Value Selections. You may determine that it is not worth the risk.

RISKS if you do NOT use a Best Value Selection

- Risk of unresolved disputes or claims at the end of projects.
- Risk that, when using low bid, market conditions are such that the market will fail to price the project's scope appropriately, bidding it artificially too low or too high.
- Risk that the contractor might approach the project in a manner unintended by the owner while the owner lacks any convenient power over the contractor because it is a low bid procurement.
- Risk that the contractor is not providing qualified personnel with appropriate training and experience to manage the construction process and ensure the highest levels of quality.

Why would you WANT to use a Best Value Selection?

- To increase the chances that the lowest responsible bidder is truly the most responsive bidder.
- To increase quality and timeliness of the project.
- To minimize disputes and increase contractor responsiveness to customer requests.
- To increase a contractor's incentives to control and oversee subcontractors' work through detailed performance evaluations because his next project's selection may depend upon the success of the current project.
- To increase the incentive for partnerships and collaboration on projects so that mutual benefits can be achieved by both the owner and the contractor.
- To increase the spirit of cooperation among the project leadership team for both the contractor and the owner so that the work is managed in a non-confrontational and professional manner.
- To develop sustaining relationships with the contractor community based on fair and equitable approaches to contracting for construction projects.
- To ensure that a contractor performance appraisal system has meaning because the next project depends on the rating received on an active project.

RISKS if you DO use a Best Value Selection

- Risk that the chances of protest may be increased, ultimately extending your selection period.
- Risk that public employees will be subject to scrutiny following any assertion that they have been inappropriately influenced.
- Risk of disenfranchising contractors who normally underbid projects and then pursue compensation through the dispute process.

After you consider all the above thoughts and risks, it should be clearer whether the right conditions exist on a particular project for you to recommend using a Best Value Selection process. If it is not clearer, and you are no closer to determining what type of selection process to use, just go ahead and flip a coin!

2. Major Factors to Consider When Deciding to use Best Value

A few major factors for consideration to recommend a Best Value Selection process for construction include the following:

- **Project Specific**
  - The project is of unusual complexity and the construction will require expertise not commonly available among constructors.
  - The completion of the project is time-sensitive, and failure to complete on schedule will result in significant damage to the owner.
  - The full scope of the project is difficult to determine early in the project because of variables that cannot be fully defined.
  - Flexibility to make design changes after construction cost commitment is desirable.

- **High-Risk Market Conditions**
  - Priority exists to choose a constructor with a proven ability to perform.
  - Priority exists to choose a constructor with a proven record of accomplishment on similar projects.
  - Priority exists to choose a constructor with a proven record of integrity and professionalism in dealing with all team members.

- **Political and Legal Environment**
  - Regulatory and statutory requirements mandate that the cost of construction be a selection criterion.
  - Lack of political support for a pure Qualifications Based Selection process makes cost of construction a highly advisable selection criterion.

These are certainly not all the factors that could be considered, but addressing these major factors will likely get you close to a decision about using a Best Value Selection. Furthermore, addressing these issues early in the project cycle will increase the likelihood of a successful project.

Comparison of Selection Types

Another way to decide whether to use a Best Value Selection is to compare it side-by-side with either a Low Bid Selection or a Qualifications Based Selection.

Proponents of the low bid selection point out that there is a decreased likelihood for abuse when the sole criterion for awarding the project is the lowest price based on complete documents. This contention is difficult to dispute. Both the AGC and NASFA support the use of the low bid Design-Bid-Build delivery method under the right circumstances. Nevertheless, both organizations also agree that there is no perfect delivery method or selection procedure. Both public and private owners should be able to choose the best delivery options and selection procedures based on the unique requirements of each individual project.

Best Value versus Low Bid

In deciding whether to use a low bid or a Best Value Selection, it is worthwhile to ask the question, "Why and when would you **not** use a low bid selection?" Answers some public owners give to this question include the following:

- We do not have the confidence in the market to price the project appropriately. Using low bid would likely lead to the price being driven so low that the winning contractor would be tempted to sacrifice project quality in order to avoid financial harm.
- Our projects are not typically successful with low bid. We want to try something different—do things a different way.
- We have the resources to manage a Best Value Selection process.
- We cannot pre-qualify on our low bid projects. Best Value allows us to factor in past performance.
- We think we can execute and maintain a fair process that can withstand any protest.

Best Value versus Qualifications Based Selection (QBS)

In deciding whether to use a QBS or Best Value Selection, the question becomes, "Why and when would you **not** have the total construction cost as part of your selection?" Answers some public owners give to this question include:

- We do not have any way of knowing what an appropriate budget will be for the project.
- We do not need to know what the price will be before the contractor is selected.
- We are sure we can maintain a fair process.

3. Using a Group of Experienced, Trusted Advisers

A word of caution is appropriate for anyone determined to employ a Best Value strategy for the first time. Successful Best Value procurement, while entirely practicable, is not a process found ready-made or wholly described by recipe in an article or book, or by example. To be fair, Best Value procurement may be more of an art than a science.

Practice has shown that Best Value procedures are often incompletely described in examples. Guides on how to make Best Value Selections are usually best regarded as outlines of the major phases of this type of selection. All guidelines are likely to be lacking in the details essential to success in any particular application.

There is no substitute for the experience of active participation in administering a Best Value Selection process to learn how details can affect the smooth running of a selection. If you lack seasoning in actual Best Value proceedings, you are well advised to seek the assistance of someone with such experience.

Because every project will have a unique set of circumstances, the public owner is reminded to use the benefit of a group of trusted advisers to provide counsel through the thought process and application of Best Practices. Ideally, you will have several advisers who have experience with this process. Such practical experience will enable the public owner to understand the consequences of managing the project under the various selection procedures.

Having someone with the experience and understanding of how to manage such a process, along with familiarity with the risks associated with it, could be an invaluable asset. Such an individual (or team) can provide guidance on many of the pros and cons of delivering a specific project using a Best Value Selection approach.

4. When to Make the Decision to Use Best Value

When should you decide whether to use a Best Value Selection?
It is generally recognized that the earlier in the process the decision is made, the easier it is for an owner to implement the process adequately and effectively. An early decision allows for adjustment of the overall schedule to accommodate RFQ/RFP development, evaluation, and the selection process. In this way, the decision becomes an integral part of the Best Value model. An early decision also allows an owner to identify, ensure the availability of, and prepare a qualified evaluation team (selection committee and chair) and its technical advisers.

As discussed in Part II, the complexity of a project is one of the major factors in determining whether to use the Best Value methodology. Some level of design development is essential to defining the degree of complexity.

Best Practice: Decide no later than Schematics—The decision to use the Best Value procurement model should be made no later than at the end of the schematic design phase. Extenuating circumstances can lead, of course, to a delayed decision to use the Best Value procurement model. The recommended practice need not be absolute.

PART III SELECTION CRITERIA IN A BEST VALUE SELECTION

Non-Price Criteria: Selecting which non-price criteria to use—Once you determine how much weighting the non-price criteria will carry (relative to the price weighting), the next step is to determine which non-price criteria will be used. Which non-price criteria do you include in the non-price portion of your selection criteria?

Sample Non-Price Criteria. For a more complete list of non-price criteria, see Appendix A.

Experience of the Project Team	Firm's Experience	Responsiveness of Submittal
Past Performance	Firm's Financials	Project Approach
Schedule Commitment	Depth of Resources	

Best Practice: Recognize that the criteria you will be evaluating at each step will probably change—At the RFQ stage, your focus may be more on the qualifications of the firms. Once you have applied these criteria and shortlisted your firms, then all of the firms still in the competition will have met these criteria and you will need new criteria for your RFP—and likely even more refined criteria for your interview and final evaluation steps.

Non-Price Criteria: Determining Relative Importance—Now that you have determined how much weighting the non-price criteria is going to be given, and which non-price criteria you plan to use, the last step is determining the relative importance of each of the non-price criteria to all the other non-price criteria.

Best Practice: Prioritizing your criteria—One of the most critical steps in a Best Value Selection process is identifying which criteria are most important to you. Requiring perhaps the most discipline, the early identification of the criteria that you plan to use for the evaluation is crucial to the integrity of the selection process. A recommended practice is to list all potential criteria and prioritize the list into three categories: (1) very important, (2) important, and (3) not important. Next, challenge why you would need any more than just the "very important" category criteria to make your decision. Industry practice is to list selection criteria in order of importance. With extensive experience and confidence, some owners are comfortable in sharing with contractors not only the relative importance of each criterion, but also how each will be scored and used to factor into each decision.

Best Practice: Which criteria matter most?—The weighting of the non-price criteria for each shortlisting step is difficult enough, but is easy compared to deciding on the weighting of the criteria to be used for final selection. Weighting of criteria for final selection is more difficult because only one firm is going to be awarded the project. The perfect guide on how to select which criteria to use and how much to weight each criterion has yet to be developed.

The best advice here is to ask yourself the question, "What would cause me to pay not only a five percent to 10 percent premium for one firm over another, but also feel confident that I could explain to someone why I did?" The answers to this question will vary on every project, but these answers will probably not reflect the only criteria that you want to include in your final selection. These criteria, however, will likely be the ones you want to weight the most.

An example of a situation in which you might weight some criteria more heavily would be on a project with an aggressive schedule and a significant penalty if the project is not available for occupancy by a date certain. In such a project, the firm and its team's proven ability to meet aggressive schedules is likely to be one of your heavily weighted criteria for final selection—more important, likely, than their proposed fees.

Recognize that the criteria you will be evaluating at each step will change—At the RFQ stage, your focus may be more on the qualifications of the firms. Once you have applied these criteria and shortlisted your firms, then all the firms will have met these criteria. You will need new criteria for your RFP, and likely even more refined criteria for your interview and final evaluation steps.

Best Practice: Two-Stage Selection Process, outlining specific weighted criteria in the solicitation—A two-stage selection process allows consideration of as many contractors as possible. Stage One selection is based on the evaluation of standard firm qualifications. Stage Two of the selection evaluates shortlisted firms' detailed proposals on the project-specific plan and proposed team. Stage Two also includes interviews and a final evaluation of the shortlisted firms. The selection process narrows the qualified list at each stage, aligning the unique project requirements with the most qualified firm. Therefore, the selection criteria should change at each phase to mine the critical qualification factors from the contractors' responses.

The selection criteria at the initial qualification stage should focus on the contractor's relevant firm experience, including financial information, bonding capacity, relevant project experience, resource capacity, insurance requirements, litigation experience, etc. The selection committee may then shortlist three to five contractors based on qualifications. The basic premise in the shortlisting process is that the selection committee considers each firm selected for interviewing as fully qualified to provide the services.

The selection criteria in the written proposal phase should yield in-depth information from the contractors on their project-specific approach to delivering the expected services. These criteria include resumes and references on each member of the proposed project team, examples of past performance on relevant projects, and plans the firm will use to deploy detailed services on the specific project. The second evaluation provides the selection committee with a detailed analysis of "how" each firm intends to deliver the services.

The interview phase gives the selection committee some in-depth information from each firm that it can use to determine the firm best suited for the contract. The selection criteria should focus on the proposed team's unique approach to the project. The selection committee's objective is to evaluate the chemistry of the team. During the interview, look for expertise, personalities, and aggressiveness. Try to determine whether these are people with whom you can work productively.

During the interviews, have the contractors provide specific information on the factors that you are using to make a decision, such as who their designated personnel are, what their roles are on the team, and how they will accomplish the scope of work listed. Find out what they offer that would make you select them over others.

Including the weighted selection criteria in the solicitation is beneficial for two primary reasons. First, it provides the proposing contractors with insight into the important elements of the project, preventing them from proposing without relevant experience. Second, it forces the selection committee to identify and document its criteria before the evaluation process starts, thus making for a much more objective selection process.

PART III SELECTION CRITERIA IN A BEST VALUE SELECTION

Sharing of Selection Criteria and Weighting Prior to Contractor Selection—The primary reason for using a Best Value Selection process is that it lets the owner choose the contractor providing the greatest benefit for the money to be spent for the particular type of project being constructed. In order to do this most effectively, the owner must establish in advance the selection criteria and its relative weighting, and communicate this to the potential contractors. Each potential contractor should have the opportunity to determine which criteria are more important to the owner on the project so that the contractor can determine whether its firm has the required skills and abilities to perform. The contractor can then prepare its submittal emphasizing those skills and abilities instead of just providing an "off the shell" presentation that may fail to address the very issues that the owner deems most important.

Consequently, it is incumbent on the owner to make some hard decisions early in the process. To achieve the goal of matching the contractor with the best skill set necessary to successfully complete the project, the owner must determine, and then communicate to the prospective contractors, those elements of the project that are most important to the satisfaction of the owner. For example, time and completion in accordance with the project schedule are important considerations on every project. But is schedule **really** the driving factor on this particular project? If it is, it should be the first listed criterion, or one of the first listed, and it should be weighted higher than other considerations. Making that decision before advertising the project is essential in properly establishing the criteria and their weights. Nevertheless, even this essential action will serve little purpose unless the critical nature of this particular criterion is communicated to the potential contractors.

In a Best Value Selection, the relative weighting of criteria will have a major impact on who ultimately will be selected for the project. The weight assigned to price may also change the winner. Should this information be made available to potential proposers before they provide their submittals? In most cases, the answer is yes. Contractors are familiar with the proposal process and understand that the owner will weight higher those criteria that the owner feels are more important for the particular project. If the weighting and scoring information is made available to the proposers, the owner is providing useful direction as to which criteria are more important and on which the proposer should devote the most time and effort. If this information is not made available, each potential contractor must use his or her best judgment in preparing a response.

In the public sector, sharing the various criteria and their respective weights also serves another purpose, which may be even more important than assisting the owner in selecting the contractor with the best skill sets for the particular project. When the selection criteria and their relative weights are published before selection, there is little or no opportunity of "game playing" to ensure that a particular contractor is selected. Low bid has been the selection process of choice for most public entities for this very reason. The more open and transparent the process, the more likely contractors and the public and the public's elected representatives will believe that the Best Value Selection process is fair to all parties.

Best Practice: Sharing How Criteria Will be Weighted—Sharing scoring and weighting information with potential contractors early in the process will improve the quality and the relevance of the proposals submitted and will help to provide a sense of trust and legitimacy in the process.

PART IV BEST PRACTICES FOR EVALUATING PROPOSERS

1. Introduction

When evaluating proposals, the non-price criteria should be considered first, and then the price proposal should be evaluated and factored into the analysis along with the results of the non-price proposal evaluation. We strongly recommend that the evaluation of qualifications be done first and independently of the price proposal evaluation.

As discussed in Part I, there are generally two approaches to applying scoring methodologies to the final analysis and reaching a consensus on the firm deemed most likely to provide the greatest value:

1. **Tradeoff Analysis Approaches**
2. **Formulaic Approaches**

In the Tradeoff Analysis Approach, the selection committee evaluating the proposers uses qualitative scoring and appears to be more subjective.

A Formulaic Approach provides a more mathematical comparison of proposers, and therefore appears to be more objective. Unless the numbers in its formulas are objectively derived and valid, however, the Formulaic Approach might conceal subjectivity.

With both the Tradeoff Analysis and Formulaic Approaches, there are non-price and price criteria. With both approaches the price and non-price can be evaluated and either scored or ranked.

The following matrix recaps typical methods of evaluating proposals:

EVALUATION METHODOLOGIES		
	Tradeoff Analysis Approaches	**Formulaic Approaches**
Non-Price Criteria (Qualifications or Technical Proposal)	Rank or Score with Points (optional)	Score with Points (required)
Price Proposals	No Scoring (no points) or Score with Points (optional)	Score with Points (required)

2. The Selection Committee

Selection Committee Composition and Authority

The quality of the selection committee has a direct bearing upon the effectiveness and integrity of the selection process. The public owner must compose a committee that can make a successful selection in terms both of (1) the manifest superiority of the firm selected and (2) the fair and uncontested nature of the selection.

In selecting the superior firm during the technical evaluation, the committee evaluates past performance, project management plans, proposed project staffing, the anticipated schedules for construction, and so forth. Has the owner constituted a selection committee comprising members competent to evaluate these crucial issues? Although the members of a selection committee may be perfectly competent and knowledgeable in their own fields of endeavor, they may have very little knowledge of what it takes to manage, staff, or schedule a construction project.

Further, in order to make the selection in a way that lowers the probability of a contested result, the public owner depends upon the committee's composition to incorporate diversities of viewpoint, background, and loyalty. Has the owner thought about how the members of the selection committee may be viewed by proposing firms and the public? Although selection committee members may be of high personal integrity, they might be perceived unfavorably if there is not sufficient diversity among them.

In addition, all the qualities just enumerated can be laid waste by a public owner who violates the implicit covenant with the public and the provider community: that the selection committee has been established, composed, and authorized to apply explicit selection criteria after having conscientiously evaluated the offers made against those criteria.

Selection Committee Orientation

The chair of a public owner's selection committee has the crucial function of helping the members of the committee become comfortable and confident in their roles as representatives of the public interest. Often a selection committee comprises people who have never before participated in a construction-related procurement process, at least not in the capacities required in QBS and Best Value Selections. It is highly advisable, therefore, that the chairperson be experienced and able to provide the benefit of his or her own experience to the other less experienced members on the committee.

Orientation of the selection committee need not be an onerous task or something that consumes a great deal of time. The time spent, however, will pay huge dividends in the smooth operation of the procurement process and its integrity, leading to an uncontested selection. The chairperson's essential task in leading the committee lies in establishment of a clear channel of communication with the committee and clear expectations from the members.

Even if some members of a selection committee have performed such a service to the public owner before, a refresher in their duties is recommended. For present purposes, let us assume that the selection committee members are not veterans of the process.

A Recommended Orientation Process—While there may be many creditable approaches to effective selection committee orientation, this document offers some tips on things that a selection committee chair should consider doing.

To start, the chair should ask to meet, face-to-face, with all members of the selection committee as early in the procurement process as possible, preferably in a group at the same time. The committee needs this time to get to know and begin to trust each other.

In this committee kickoff meeting, the chairperson should consider including the following agenda topics:

- The significance of selection committee service, including the public trust aspects. Help the committee understand that, in the public arena, a value-based selection process is a legal privilege that can be legally taken away if the public or the public's elected or appointed representatives perceive that the process is being abused. The chair might stress that the committee was assembled as it was because the procurement authority needed members of unquestioned good character and trustworthiness, as well as members with diverse perspectives.

- The several types of value-based selections, stressing the current Best Value process. The chair would do well to ensure that committee members understand where the present Best Value Selection falls along the continuum of selection types. It might be useful to discuss the definitions or characteristics of the several types of selections, including low bid, QBS, and Best Value. Often, handouts or a few computer-aided presentation slides can help convey this information most effectively. (This is "Stop 2" analysis. For presentation materials, please see the following website and follow the link to "The Four Stops on the Road to Alternative Project Delivery": http://www.holderconstruction.com/Home.nsf/content/Project DeliveryPresentations.)

- Typical selection timeline. The committee chair should communicate thoroughly an understanding of the selection schedule, and emphasize repeatedly the significant time commitment that selection committee service requires. It is unlikely that someone who has never before served on such a committee will have a realistic appreciation for the time that must be reserved during intense periods of work to get through the evaluations of often-numerous submittals of qualifications and detailed proposals.

The chairperson should stress, too, that the time the committee spends in making a good selection likely will be repaid by the great benefit of the project's eventual success. In any case, the integrity of the process (again, in the public trust) requires that a conscientious investment of time be made. So, too, the firms who spend significant resources in responding to a procurement solicitation deserve for their submittals to be regarded with the professionalism of serious analysis. This always takes more time than anyone typically considers at the start.

Do what it takes on the front end to reap dividends on the back end.

Committee preparatory work before selection—The best committees are not homogeneous but are diverse in background. Few people have backgrounds that prepare them uniformly for all perspectives useful in an evaluation of proposed construction services. The selection committee chairperson should lead a discussion on some of the aspects of the project in prospect, specifically in order to develop or to foster better understanding of the criteria to be used in evaluating the firms in the competition for the work.

The bedrock of committee preparatory work is a discussion about the owner and what the owner's project requirements imply about *value*—the tradeoff among time, cost, quality, risk, scope, and stakeholder satisfaction. Knowing these will help you establish selection criteria and weight them appropriately. How one defines "value" determines how one would weight the criteria.

The goal of committee preparatory work before selection is that committee members will agree on the interpretation of the selection criteria. This agreement is crucial because, among other things, the overarching (and usually unspoken) covenant between the owner and candidate firms is that selection will be made based upon specific criteria stated in the solicitation and requests for qualifications or proposals. The committee chair should not take for granted that committee members understand the project and the criteria for evaluation.

Committee work during submittal review and interview—When submittals arrive, committee members typically have individual copies to examine on their own. The chairperson should have prepared members to expect variety in the appearance of submittals. Some firms spend great resources to produce slick marketing materials as part of their submittals, while other firms produce submittals that are more modest. The chairperson should try to help committee members in "getting past Madison Avenue" by reminding them to dig beyond the appearance of a submittal and focus on its content, addressing objective scoring criteria. The firm with the slick submittal might be the best firm, but a firm that provides a submittal more modest in looks might well be the one, instead.

Similarly, the committee chairperson should prepare the members to interact with firm representatives during the interviews. Some firms have on staff outstanding speakers and presenters who can "Wow!" an audience with style and flair. The chairperson should try to help committee members in "getting past Broadway" by reminding them that the owner needs construction-related performance, and this quality is not directly indicated by "stage performances" during the interview. Members must be prepared to listen critically for presenters to address relevant criteria and for credible commitments of service.

More on interviews

Essential to a productive interview is preparation by the committee members, led by the chairperson. Committee members should know exactly how the interview process will be conducted and what to expect. The best interviews have active, engaged committee members who understand their roles and carry them out as efficiently and as uniformly as possible.

Typically, interviews involve introductions, a presentation by the firm, and questions from the committee. It is of vital importance that the committee members come to the interview equipped with incisive and relevant questions, the answers to which will help them make the final selection. The chair should meet with the committee as a group well before the interviews to formulate a set of such questions. It is advisable to allow individual committee members to "take ownership" of a subset of questions in anticipation of members asking these questions during the interviews.

The committee should decide upon an order of members who will ask questions during the interviews. There should be no fumbling to decide ad hoc who on the committee will ask the next question. In a sense, the committee should display a scripted performance during the interview.

That said, the chairperson should have the members understand that, if a planned question has already been answered thoroughly during the preceding firm presentation, the member should choose another prepared question and ask that one, instead. Additionally, if something the firm presented calls for further clarification in the opinion of a committee member, the member might be allowed to depart from the script and ask that question if the committee has agreed to such liberty. The key is planning and preparation.

Additionally, each firm's representatives should know in general what to expect in the interview, in terms of format and timing. They should understand that each firm is being treated as equally and uniformly as humanly possible during the entire selection process and, especially, during the interviews. This is perhaps the most important reason that a selection committee chairperson should prepare the selection committee for interviews: so that the members understand their roles in the fair and equal treatment of all firms, and in efficient, effective interviews.

Committee Deliberations

For shortlisting and for making the final selection, the selection committee is analogous to a jury panel. The committee chairperson should prepare the members for jury duty by promoting this understanding among them. In a Best Value Selection, likely the members must come to a group consensus position or recommendation.

The chairperson should gain agreement among the members about deliberation protocol; that is, about how to allow the individual members to express and defend their own positions, and to challenge those of their fellow committee members. The goal in a Best Value Selection, remember, is to come to a consensus on the outcome using a fair and proper process. This is hard work. The most essential element of preparation by the chairperson is communication of this expectation early in the process. (More on consensus in the next section.)

These, briefly, are some of the things that a Best Value Selection committee chair should do to ensure a successful selection process. Of utmost importance is thoughtful preparation to facilitate clear communication between the chairperson and the selection committee members, as well as among the members themselves. There is no substitute for an experienced, conscientious chairperson who will lead by example, who will be available and accessible to member inquiry for assistance and clarification, who will insist upon professionalism in the public procurement process, and who will prepare members to perform their roles appropriately.

Using Subjective Criteria

For public owners there is an additional issue of trust and civic responsibility. History is full of stories about corrupt public officials who took advantage of their positions to award public contracts in an unfair manner. That is partly why the traditional Design-Bid-Build delivery method is so often the default for public entities. With only one objective criterion (low bid), there is less opportunity for game playing, corruption, and collusion.

When subjective criteria are brought into the selection process, the challenge to ensure that the process is fair and free from political influence becomes much greater. There is still no perfect way to incorporate subjective criteria into a selection process; nevertheless, there are some best practices that every owner can use to help maintain the integrity of the process.

A selection committee may choose subjective criteria consisting of many elements. Usually, the more information the committee has, the better it can determine a meaningful quality score for each proposer. It is permissible and encouraged to use outside technical advisers to assist in submittal review and reference checks, or to obtain other information, such as the financial health of the proposing firms. Any information that an outside adviser compiles should be made available to every committee member. The information should be as objective as possible and not be in the form of a recommendation.

Best Practice: Having Non-Voting Technical Experts in the Selection Process—If the selection committee lacks members broadly competent in specific construction-related matters, such as construction management, project staffing, scheduling, etc., the public owner should consider providing an independent review by technical experts of provider-submitted information. In some cases, the project architect may provide the technical expertise to support the selection committee. Allowing the architect or an independent adviser to participate as a non-voting member reduces the potential for perceived biases toward, or subjective influences from, proposing firms. The State of Arizona solicits a non-voting adviser from a non-competing construction management firm to participate in their CM selections to advise the selection committee on technical issues.

Best Practice: Balancing your selection committee—In order to ensure that the selection process is fair and to reduce the likelihood of a contested decision, the public owner should establish a committee of three to five people. Involve a diverse group, perhaps including a representative from the user group and the facility operations group. Consider adding an unaffiliated member of high reputation with the public or industry. In all cases, make certain that no member is mere "window dressing" but that all are prepared for the hard work of being selection committee members.

Best Practice: Authority of the Selection Committee—The goal of the selection committee is to select the firm that will provide the greatest value for the public owner. In order to maintain the integrity and credibility of the committee, it is important that the public owner assign it full and independent authority to make a final selection. The committee's decision should not be overridden by a board, commission, or other public official.

Best Practice: Separate Groups Reviewing Price and Non-Price—Some owners have entirely separate groups evaluate the non-price proposal and the price proposal. This is probably the best way to keep the processes separate, but it requires resources and time. If the same group is evaluating both proposals, then the evaluation of the price proposal should be delayed until such time that the non-price proposal has been thoroughly evaluated. This may mean waiting until AFTER an interview process to open and evaluate price proposals.

3. Some Basics before Getting Started

Consensus among the Selection Committee Members—Which Kind to Strive for with Best Value? The primary goal of a selection process is to reveal the firm that stands out from the competition as superior according to the selection criteria. There is at the same time another goal, however, that should not be ignored. It is the very important goal of having the selection committee's decision stand uncontested.

The public owner certainly wishes to avoid the accusation of unfair dealing in any selection process. Fear of such controversy undoubtedly has kept some public owners solidly in the hard-bid arena.

Here in the value-based selection arena, the public owner confronts the risk of controversy but wishes to reduce it as much as possible. To do so, the public owner should consider the nature of decisions that his or her selection committees will make. In this section, we will address the value of *consensus* in a selection committee's decision.

Consensus may be defined as "agreement in judgment or evaluation reached by a group as a whole." The meaning of consensus in a selection process may be interpreted in two distinct senses:

1. Complete agreement as to the outcome ("consensus on outcome"); and
2. Agreement that the outcome was fairly derived regardless of what the outcome is ("consensus on process").

Which kind of consensus should an owner demand of his or her selection committee in their group decision? The answer depends upon whether the owner's evaluation methodology uses a Formulaic

Approach ("Formulaic Best Value") or, on the other hand, the Tradeoff Analysis Approach to Best Value, or pure Qualifications Based Selection (QBS).

At first glance, it seems as if a selection committee whose members completely agree on their decision would indicate a formidable testimony for that decision. After all, complete agreement shows there is no voice of dissent from within. But is dissent necessarily a sign of weakness? The very lack of dissent can be viewed as suspicious in this context because, as we have all experienced, few groups completely agree about matters in which there are subjective elements.

Let us assume, then, that there will be differences of evaluative opinion in any typical selection process. Should the public owner press harder for deliberations until the selection committee reaches the first kind of consensus described above? Or might it be better to allow—even encourage—an honest minority opinion? Again, it depends upon whether the selection methodology is Formulaic Best Value or QBS.

A selection committee is a deliberative body, but peer pressure can stifle dissent essential to its deliberative nature. Of greatest importance—indeed, what is crucial—is that all members of the committee agree that the outcome was fairly derived. They should be assured that undue pressure from within or without did not repress dissent and lead the committee to endorse a fraudulent conclusion.

Therefore, consensus is a value in selection committee work, but not simply consensus on the outcome. Instead, the public owner might value most highly the ability of selection committee members individually to agree that the outcome was fair—*consensus on process*—even if they disagree with the outcome.

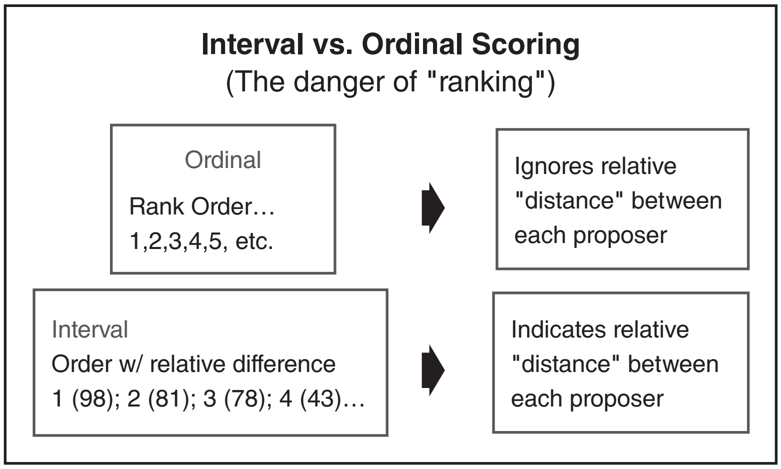
If we were talking about pure QBS or a Tradeoff Best Value Selection, we could stop here and be satisfied with consensus on process—that the outcome was fairly derived.

Unfortunately, one of the challenges with the Formulaic Approach to Best Value Selection, about which we shall see more below, is that combining an evaluation of non-price criteria with price requires that a selection committee render a unified numerical group decision. That is, the selection committee must agree upon a single number, suitable for use in a mathematical formula, that expresses the non-price qualifications for each firm—a number that can be combined in a formula along with the mathematical expression of the firm's price proposal.

Best Practice: Seek a Consensus on Outcome under Formulaic Best Value—When using the Formulaic Approach in a Best Value Selection, the selection committee must express a *consensus on outcome* by agreeing to a single number (score) for each firm to express each firm's relative position in the pack for both non-price and, separately, for price. Formulaic Best Value Selections cannot use a committee consensus on process alone, with minority positions maintained. Formulaic Best Value Selections require consensus on outcome also—a unanimous jury decision with a precise numerical verdict.

"Interval" Scale versus "Ordinal" Scale

Numerical variables used in evaluations are of four basic types: nominal, ordinal, interval, and ratio. A nominal simply gives an identity: e.g., Firm #1, Firm #2, Firm #3, etc. An ordinal identifies and tells the order or rank: e.g., the top-ranked firm, the second-ranked firm, the lowest-ranked firm. An interval number both identifies and orders, but also expresses the difference between things: e.g., a firm that scored 100 points versus a firm that scored 80 points in an evaluation. A ratio variable has all the properties of an interval variable and has a clear definition of 0.0. Price is a ratio variable, but it also has all the other characteristics of an interval number.



Why is this important? It is because, in a Best Value evaluation, often the firm presenting the lowest price is not also the firm rated as the most qualified. If the lowest-price firm is rated most qualified, the decision is uncomplicated: you select that firm.

If the lowest-price firm is not rated most qualified, the owner must combine a rating of price with a rating of non-price criteria for each firm in the competition. Therefore, both ratings need to express the significance of the difference between firms, not merely the order of rank.

Ranking versus Scoring

Regardless whether a Tradeoff Analysis or a Formulaic Approach is used, the submitters' proposals must be evaluated. Typically, that evaluation results in either a score or ranking. In a Tradeoff Analysis, the non-price proposal could be scored or ranked, but the scoring or ranking of the price is not usually required.

In a Formulaic Approach to Best Value Selection, as we warned earlier, ranking will not suffice. The committee ranking for each firm must be assigned a numerical score in order to allow functional mathematical calculations under Formulaic Best Value. You must have a consensus numerical score.

The problem with simple ranking under a Formulaic Best Value Selection is that it expresses only the order of the firms. Ranks are ordinal numbers. Because Best Value decisions evaluate the degree or intensity of differences between firms, both in monetary terms and in qualitative terms, we need the non-price evaluation expressed on an interval scale. The interval between the numbers used for the scores and the numbers used for the ranks is not equivalent because the numbers are on a different scale.

Therefore, if the price evaluation necessarily yields an interval scale of prices showing relative differences among price proposals from firms, you would probably not want to waste this information by trying to combine it with mere ordinal information about the rankings of those firms. You would prefer to combine interval information on price with interval information on qualifications. The essential difficulty that we will now explore is that of distilling legitimate interval information from a committee. It sounds easy… until you try to do it. For that topic, see Part IV.5, below.

Open Records

Here is a question commonly raised whenever a Best Value Selection is attempted for the first time: How much information generated during a Best Value procurement should be shared and when? Actually, this is a two-part question, because the type of information being shared will have a major impact on the decision. There are several schools of thought on this issue and, consequently, several "right" answers to the questions. In the final analysis, the answer will depend largely on the project involved, but we offer some comments to assist in making the decision.

For public entities, a larger policy issue should first be addressed. In federal, state, and local governments, the public has required full access to information though various "Open Records" statues. If such legislation exists, the first step is to determine if ANY information can remain undisclosed. In general, there are exclusions for material and information dealing with the award of potential construction contracts, but these exclusions can vary widely from jurisdiction to jurisdiction.

After a contractor has been selected, most legislation requires that ALL information become public. This could be a problem for certain firms wishing to do work with public entities but not wishing certain information (such as financial statements) to become a permanent part of the public record. A careful review of any such "Freedom of Information" acts should be performed very early in the process to ensure that none of your evaluation procedures conflict with the requirements of the law and to preserve the privacy of sensitive information received from participating firms.

Legal and policy questions aside, the answer to the question might simply be another question: Why should not ALL information be shared? Courts have generally held that owners are liable to contractors whenever the contractor's costs are increased because the owner was aware of circumstances that would increase the contractor's cost but did not make that information available to the contractor. There is no such thing as "tricking" a contractor into providing a lower price. The more information a potential contractor has during the bid or proposal phase, the less likely are possible demands for change orders, which only increase costs later in the project. The earlier information is made available, the more time the contractor will have to study the project parameters and prepare a carefully considered proposal.

Best Practice: How Much Information Should I Share?—Share as much information as is reasonably available to all potential players. The earlier the information is made available, the more time contractors will have to review the material.

Best Practice: Documenting Your Process—To ensure that the procurement process can withstand public scrutiny, it is essential to keep a record of decisions made at all stages of the process. In a public environment, almost all information is subject to review by any outside party. Particularly in a procurement that relies on subjective criteria, it is essential to carefully define and document the basis for ratings, rankings, and other analyses. Even the deliberations concerning whether to use a Best Value procurement may be reviewed to ensure that the awarding authority's intentions were in the best interest of the public.

Best Practice: Document Management—Establish rules and procedures with the procurement committee regarding how the project procurement documents will be managed. In some cases, each evaluator's notes become part of the project record. In other cases, one set of notes is generated based on the collective review of the group. In the latter case, the evaluators may be advised to discard their handwritten notes after the committee has completed each stage of its evaluation.

Best Practice: Anticipation of Public Review—Expect that the public will review anything written down or sent via email. Therefore, limit comments to pertinent information concerning the technical aspects of the proposals. Do not include personal opinions about aspects of the proposers' teams that do not relate to the specifics of the project.

Best Practice: Records and Retrieval—Create a complete project record, with an index, for easy retrieval in the event that a public record request is made. Having all relevant information in the custody of one party will greatly reduce the burden imposed on project and administrative staff when someone makes a wide-ranging public records request.

Best Practice: Being Forthcoming—Provide as much information up-front as possible to satisfy the public that the procurement process was open and fair. A detailed proposal evaluation memorandum may obviate the need for unsuccessful vendors or enterprising journalists to delve deeply into project history and details.

4. Evaluating Qualifications: Non-Price Criteria

Information for evaluating the qualifications of proposers can be obtained from multiple sources. These sources include the following:

- 4a. The responses to the Requests for Qualifications and Proposals (non-price proposals)
- 4b. Feedback from a third party review of the proposers' technical information
- 4c. References
- 4d. The interview, if there is one

After these, there is a summary on evaluating qualifications.

4a. Evaluating Qualifications: Non-Price Proposal Responses

In determining a best practices scoring method, consider the complexity of the method for applying evaluation criteria as well as the sophistication of the evaluators. For the purposes of this discussion, it is assumed that all awards are based on an all-or-none basis. This does not contemplate an owner awarding separate line items as separate projects among different proposals.

The choice of scoring methods for RFQs and RFPs may seem like the most mundane and academic part of the procurement process, but the choice can be rife with pitfalls and protests if handled haphazardly or without much thought. After all, the outcome of any scoring method chosen and the manner in which it is applied are the critical bridges between reviewing the proposals and arriving at the "best value" contractor selection.

In this part, we will discuss both the scoring of individual proposals and the application of the scoring to determine the selected vendor. Because there are advantages and disadvantages associated with the scoring methods and their application, we will explain the underpinnings of each method and recommend Best Practices.

Establishing Appropriate Weights

Establishing the relative importance (weight) of each evaluation criterion (and the consistency with which the evaluators apply a criterion) is just as important as choosing the evaluation criteria to be scored, but that primary step may not be given due consideration. The criteria typically considered are time, quality, cost, design options (for Design-Build), and contractor qualifications. Each of these, broken down into specific components, must then be prioritized and weighted accordingly so that application of the proper evaluation rating method or system will achieve the best, the most accurate, and the most objective result.

Best Practice: Establish Priority of Objectives—Work closely with the evaluation team to establish appropriate weights for the evaluation criteria, including (if appropriate) price. Include the criteria and their respective weights in the solicitation so that proposers can respond to the criteria while understanding the owner's objectives and priorities among them.

Rating Methodologies of Non-Price Criteria

Common rating methods used to grade the technical or non-price factors in proposals include the following:

- Qualitative Scoring (also known as Merit or Adjectival): Qualification and/or proposal criteria are rated on a conceptual scale from positive to negative, which may be expressed in such terms as excellent, very good, good, satisfactory, or unsatisfactory. Names of colors sometimes represent positive-to-negative adjectives; for example, green, yellow, red.

- Direct Point Scoring: Qualification and/or proposal criteria are scored on a numerical basis within the varying ranges assigned to each evaluation criterion. These scores are totaled for an overall score. Cost or pricing is not rated or scored unless there are risk factors to be applied or some adjustment or weighted algorithm is needed for a cost-versus-technical Tradeoff Analysis. The evaluation team should determine how to handle pricing before issuing the solicitation.

Each of the two schemes above has its positive and negative aspects, and none is free of subjectivity (which seems the biggest concern of those who oppose value-based selection processes). It is important to consider the potential consequences related to the specific type of project, the level and quantity of detailed evaluation criteria, and the relative consistency of evaluators' descriptions of why a particular rating is given. It also is important to consider the flexibility desired for the final award decision and all available defensible positions against protests.

Best Practice: Select a rating method with optimum advantages for the selected and prioritized criteria, but realize that it is not possible to eliminate all risk of protest.

Qualitative Scoring

Described below are some of the issues to consider when using a qualitative scoring system to review proposals.

If your scoring method uses adjectival descriptors, say, green (acceptable), yellow (marginal), and red (unacceptable), some mechanism is necessary to draw the line of separation between marginal and acceptable proposals. This can be accomplished by establishing appropriate weights to represent the importance of different criteria. Prioritized and appropriately weighted criteria are essential so that the application of rating adjectives will have the necessary influence in the most critical parts of the evaluation. In other words, factors such as experience, timeliness, and quality are to be given more importance than other, lesser factors. If all items are given the same weight, a proposal that rates well in areas that are not as important will have as much chance at winning the project as a proposal that is primarily about considerations that are more important.

Best Practice: Defining How Price or Technical Factors are Weighted—To avoid accusations of subjectivity or arbitrary scoring, provide considerable thought, justification, and definition in the RFP regarding how price or technical factors are weighted. The Qualitative Scoring method would function more adequately in a two-step process in which firms are shortlisted for the RFP. The rating system could then be part of both the RFQ and RFP evaluations if sufficient weighting is done within the criteria.

Direct Point Scoring

Described below are some issues to consider when using a Direct Point Scoring system to review proposals.

Direct Point Scoring of multiple criteria is an effective means of rating proposals if a maximum possible score is set for each evaluation criterion. The maximum score must be based upon its relative importance among the specified factors to be graded.

Direct Point Scoring sometimes corresponds to adjectival methods discussed above where certain numerical values represent excellent or satisfactory or unacceptable. For instance, on a scale of 0–100, an aggregate score of 70 may be necessary to be minimally acceptable at the RFQ and RFP steps. Scores of 70–90 could represent a range of satisfactory-to-good, with 90–100 representing excellent.

Some people might shun a direct numerical scoring system because proposers may question the ability of evaluators to assign points accurately to specific criteria. While this is a credible concern, the same argument can be made of an adjectival system, though with less specificity.

Best Practice: Structuring Your Scoring Framework—Work closely with the evaluation team to determine how the point system will be used. In particular, establish points for each criterion, set some guidelines as to what types of information included in the response would justify certain point assignments, and decide whether proposals must earn minimum points, either per criterion or as a whole, for it to be considered acceptable.

Best Practice: Using a Structured Scoring Framework—Specifying and approaching Best Value procurements in a structured scoring framework helps the owner proceed with selection systematically and logically. It also keeps the criteria and evaluation factors from becoming cluttered with unnecessary and irrelevant items, and makes the process appear less subjective. All of these can increase the owner's confidence in the results, as well as the public's confidence.

Analyzing Evaluators' Scores of Non-Price Criteria

There are several ways to vet evaluators' scores of non-price criteria. Some people look at how one evaluator scores compared to all the other evaluators. Such an approach will address whether the evaluators are using a consistent scale to grant points among firms. Other methods address whether an individual evaluator is granting points inconsistently when compared to the evaluator's own scores.

- **The "15 percent Rule":** When comparing scores of multiple evaluators, if one evaluator grants a score that is more than 15 percent higher or lower than the average of all the evaluators' scores, it is a suggested practice to then ask that evaluator to explain why they gave the score they did. If, after the discussion, the evaluator is not able to convince the other evaluators to adjust their scores, or the evaluator does not adjust their own score such that their score is no longer more than 15 percent higher or lower than the average, their score should be removed from the evaluation process.

- **"Normalizing" Non-Price Scores:** Another technique some use to address outlier scores is to "normalize" the scores of each user. The following example illustrates this technique. Let us assume that, for a particular criterion, a total of 25 points is available. Scorer X assigns Firm A 24 points; Scorer Y assigns Firm A 22 points; and Scorer Z assigns Firm A 20 points. The total score for Firm A for this category, therefore, is 66. In order to normalize the scores and reduce interpersonal differences in scoring philosophies, divide each score by the highest score (in this case, 24) and then multiply that result by the total points available. The scores for Firm A are normalized as follows:

Scorer X 24/24 * 25 =	25.0
Scorer Y 22/24 * 25 =	22.9
Scorer Z 20/24 * 25 =	20.8
New Total Score	68.7

  Caution is recommended when normalizing evaluators' scores: While this technique's mathematical manipulations give it the appearance of doing something to be fairer, some would question whether normalizing is really accomplishing anything of significance. Further, if you "normalize" one factor for one firm, you must use the exact same technique on all factors for all firms.

- **"Averaging" Scores of Non-Price Criteria:** An average score for each firm can be determined mathematically by averaging individual scores from the selection committee members. Note well, however, that there are formidable problems with adding scores from one committee member with that of another committee member.

Best Practice: Do Not Average Scores of Separate Evaluators—In Part IV.5, we will detail an argument against summing scores among the different committee members. An equivalent argument applies against averaging, because averaging of scores depends first on summing those scores. Simple averaging glosses over the fact that scores were added among committee members.

4b. Evaluating Qualifications: Feedback from a Third Party Review

There may be circumstances under which the selection committee can benefit from information provided by an independent third party, whether in-house technical staff or outside consultants. The third party technical reviewer can be asked to review the written submittals to determine the extent to which the contractors met the requirements specified in the RFQ or RFP document. They might also review certain specific technical elements of the submittals that the members of the selection committee may not have the expertise or the time to evaluate. The following are examples of elements that can be evaluated by the third party:

- Contractor's financial capacity
- Project's schedule submittal
- Project approach
- Past performance
- Reference checks

Best Practice: Third Party Review—Owners should give special thought to determining how they will review the more technical aspects of the non-price proposals. Using a third party expert to review the more technical information may be required if you do not have that expertise on your committee. (Refer back to Part IV.2, above.)

Best Practice: Sharing Information from Third Party Reviewers—Information generated by the third party should be provided to the committee members in an objective manner, with all members receiving the same information. The committee members, nonetheless, are required to draw their own conclusions.

4c. Evaluating Qualifications: References

Reference checking gathers crucial information for a selection committee about past performance of proposers relative to their qualifications. The best indicator of a proposer's performance in the future is his or her performance in the past. Reference checks may be used to verify reliability or to assess any qualification being evaluated. Care should be taken to do a good job when checking references because the overall reference score is often given such weight and significance in point value that it could be the deciding factor in awarding a contract.

Consistency of questions asked and comparability of responses to those questions are extremely important for objective and balanced results. Inaccurate or misleading references or information can cause confusion and uncertainty for the evaluation team, which could lead to undeserved scores.

Reference checks are typically either weighted as an entirely separate category, then assigned points and afterward scored, or they are used as "additional information" to then be weighted as little or as much as the selection committee members deem appropriate.

Additional information from reference checks should be to support or refute information that was contained in the submittal to the selection committee. All committee members should have access to these reference verifications and either confirm their rankings/scores or adjust them accordingly based on the information received. Scores by a selection committee are not final until they incorporate information from reference checking. The data received from these checks may span several evaluation criteria upon which the evaluators assign grades.

Best Practice: Using References to Adjust Scores—New or additional information from references, if accurate, should affect evaluators' scores they award to the submitter. The evaluators should adjust their scores according to their assessment of the new information.

Best Practice: When to Perform Reference Checks—The selection committee should consider performing reference checks on shortlisted firms only, thus affording more time for the assigned reference checker to perform thorough checks.

Best Practice: When to Share References—The committee member responsible for conducting the reference checks should document the results and distribute this information to all members of the selection committee before the oral presentation and interview. If the result of a reference check deems a shortlisted firm "unqualified" to perform the work, the selection committee should consider eliminating the firm from further consideration before the interviews.

Best Practice: Who Checks References—For consistency, owners should consider assigning one member of the selection committee, or a qualified professional/technical adviser, to do **all** reference checking. This person should provide a summary report to the committee members for their use.

Best Practice: Accurate Reference Information—Any Request for Proposals should **strongly** caution proposers that inaccurate data provided relative to reference checks could have serious negative consequences. Wrong phone numbers, unknown or unreachable people, or inaccurate or misleading claims of services performed by a proposer for a reference can lead to poor ratings.

Best Practice: Prepared Questions for References—Written questions should be developed for use by the person responsible for the reference checks. These questions for references should be very specific and geared toward gleaning relevant incidents and facts, not opinions. Instructions and guidelines for how to run references may prove beneficial. A few pertinent questions are better than a long list: five to eight questions ought to be a reasonable number.

4d. Evaluating Qualifications: Interviews

Interviews (if required) are an important part of the evaluation of non-price criteria. As a reminder, when using the interview process, be sure that there is a clear understanding of how the price proposals are to be handled. When should the price proposal be submitted? Before the interview? At the interview? Or after the interview? Again, as stated above in Part IV.2, the recommended best practice is to have separate evaluation groups review the price and non-price proposals.

Proposer Comparisons

There are two fundamental approaches to comparing proposers:

1. **Comparing to an Ideal Standard**—Are you comparing all the proposers to a benchmark or a "standard" that establishes a minimum level of requirements that must be met? In this case, multiple proposers may meet this standard, or none of the proposers may meet the requirements. In either case, you are left without a single choice to recommend and must decide whether to proceed or stop. Assuming you proceed, you are typically going to use "relative" scoring to determine the best of the proposers relative to each other.

2. **Relative Scoring**—Are you comparing all the proposers to each other and determining which is the best among those that submitted proposals?

Selection committee representatives should understand which of these approaches they are supposed to be using. It matters greatly when combining non-price points with points earned from the price proposed.

Interview Clarifies/Interview Decides

In addition, factoring the interview into the evaluation process typically falls into one of two categories:

1. If the interview "Clarifies," then the interview is further illuminating the evaluation of the other "non-price" criteria, such as the team's management approach, that earned a firm an invitation to interview.

2. If the interview "Decides," then essentially, the act of shortlisting down to a subset of firms that will be invited to interview represents a determination that all firms invited to interview are "qualified" to do the project and meet a minimum level of requirements.

Exercise caution when using the Interview Decides approach, which makes the interview the ultimate factor. This approach tends to overweight the interview and underweight the evaluation of all the other criteria, including price. Moreover, the most qualified firm in your competition may have a bad interview and your least qualified firm may have a terrific interview.

If the Interview Decides approach is used, instructions should be made clear to the selection committee to be sure that they understand what from the interview they should or should not be factoring into their decision.

Scoring "Tentatively" Subject to Interviews versus Scoring the Interviews
When the selection committee assumes that "the interview clarifies" the evaluation, there are, again, two approaches to melding the interview scoring with the scoring of the other non-price criteria:

- **Scoring "Tentatively"**—This approach involves scoring the evaluation of the proposer's technical proposal "tentatively" and then using the interview to provide grounds to adjust the score of the proposal, or

- **Scoring the Interview Itself**—This approach involves scoring the interview independently and separately from the technical proposal, then adding the points from the interview to the points granted to the other non-price criteria.

Best Practice: Weighting the Interview—If the interview is scored, set how many points will be assigned to the interview before the Request for Proposals is distributed.

Best Practice: Have a Plan and Share it—The chair of the selection committee should establish a timeline for the entire selection process and identify key dates, such as dates for shortlisting and interviews. Share the plan with all firms and stick to it.

Best Practice: Whom to Interview—Although for practical reasons you might limit the number of representatives that firms may send to the interview, it is of great importance that certain representatives attend. Make sure to interview those people with whom you will interact regularly. Include at least the central players, such as the project superintendent, the project manager, and the project executive. It is reasonable to invite primary specialists, such as lead consultants.

Best Practice: Interview Agenda—The interview should follow an agenda to guide the selection committee and chair in dealing with each firm as equitably as possible. To this end, committee members may find it useful to think of themselves as actors playing specific roles. The items on the interview agenda should be applied to each firm in the same way, as though following a script. Remember to ensure that time limits are strictly observed. A copy of the agenda should be provided to each of the prospective firms in advance of the interview so that they will be able to prepare properly. A typical interview may have the following elements:

1. Brief introductions of selection committee members
2. Brief reiteration by selection committee chair of committee's expectations for the interviews and of the time limits to be observed during the interview
3. Presentation by firm
4. Questions from selection committee
5. Dismissal of firm (to be followed immediately by a short time for committee members to complete their personal notes and to discuss briefly among themselves their assessments of the interview just held)

Best Practice: Questions from Selection Committee—The selection committee should meet before the interview day to set a standard list of questions they wish to ask all firms. Each member should select several questions and take ownership for asking them. As much as is possible, the same questions should be asked of each firm to ensure equal treatment. The information received during a firm's presentation, however, might influence the question chosen, or might have an impact on the way the question is asked. The selection committee chair might want to advise the committee to ask a new question in case a firm's presentation prompts such action. For questions provided in advance to the firms, some may be worthy of having the firms bring their written answers with them to the interview. The committee may want to develop at least one "unexpected" question to gauge the ability of the presenters to respond to unique conditions.

Best Practice: Getting Past "Madison Avenue" and "Broadway"—Some firms invest heavily in their marketing departments; some have on staff experienced and dynamic public presentation specialists. Selection committees should be forewarned that their duty is to look past the facade of marketing materials and avoid being overly impressed by speaking and presentation abilities in order that they may see the real substance of a firm. It is only by successfully getting past Madison Avenue marketing and Broadway performances that committee members can fairly evaluate each firm's abilities based on more reliable indicators than manufactured images.

5. Evaluating Qualifications Summary

Consensus Evaluation of Non-Price (Qualification) Criteria

Above in Part IV.3, we explained at length the two kinds of consensus:

1. Complete agreement as to the outcome ("consensus on outcome"); and
2. Agreement that the outcome was fairly derived regardless of what the outcome is ("consensus on process").

By "consensus evaluation," we refer again to the Formulaic Best Value Selection requirement that all selection committee members agree upon a single numerical representation of a firm's non-price qualifications. This evaluation process requires the evaluators of non-price technical or qualification information to do their own individual evaluation, then subsequently agree as a group about a single rating for each proposer. This single score is referred to as the "consensus score" on qualifications and is the *consensus on outcome.*

A single number to represent price, in contrast, is relatively easy to determine because it can be based on each firm's bid. The difficult number to obtain from the committee is the one that represents their consensus about non-price qualifications.

PART IV BEST PRACTICES FOR EVALUATING PROPOSERS

Of special interest to us in Formulaic Best Value Selections is the process for arriving at a consensus score. Evaluators of the non-price criteria typically should be required to share an explanation of why they rated firms the way they did. Experience has shown that such openness helps maintain the integrity of the selection process, in part by making it difficult for one selection committee member disproportionately to affect the outcome of a Best Value Selection.

Key to the success of using a consensus rating system process is having a selection committee chair who is experienced at facilitating this type of process. The committee chair should be familiar with the kinds of challenges that are likely to arise and should be comfortable dealing with the issues that surface during this kind of deliberation.

It is the duty of the selection committee to express a collective decision about the relative merits of the firms evaluated. Often there will not be a natural consensus within the selection committee about the hierarchy of firms. Far less to be expected is an immediate agreement among the members about numerical points to be awarded various firms. How, then, should individual evaluations of committee members be combined to express a group decision and reveal a clear winner?

This document provides for use of selection criteria and a system of numerical scoring to express a committee member's evaluation in terms of total points. That is, committee members independently award points to a firm under consideration, based upon their individual assessments of the worthiness of that firm. We consider each committee member equal to any other in terms of how much his or her assessment counts.

In order to get to a consensus score for a particular firm, one might mistakenly assume it justifiable merely to add the points from one committee member for that firm with points from other committee members for that firm. The problem with this is that doing so presumes uniformity in the use of the point scale among the scorers as they each separately grant points. Adding points from different committee members presupposes that a single point given by one member is equivalent to a point given by any other member in terms of its value or how hard it is to earn a point.

Because of interpersonal differences, however, each committee member will use his or her own peculiar economy of points, rendering the points between members not justifiably addable. Worse, collective point addition leaves open a way for an unscrupulous committee member to manipulate the system by using the extremes of the point range available—for example, by giving unreasonably low points to disfavored firms and the maximum points to a favorite. A committee member "gaming" the system in this way causes his or her points to count unequally more than the points granted by other members.

As mentioned in Part IV.3, averaging members' scores will not overcome the problem just outlined. Any abuse of the scoring scale or range by a committee member skews the average to the same effect as would simple addition of scores. If it is not logically justifiable to add together scores of selection committee members (because of their interpersonal differences in using scoring ranges and granting points), then neither can it be justifiable to average scores that are based on such summation. The same arguments apply against averaging as against summation.

Best Practice: Do Not Average Scores Among Selection Committee Members—Interpersonal differences among evaluators in the use of scoring ranges and granting points will not affect the outcome of every selection, but often they will. Do not take the chance.

We have also detailed in Part IV.3 that ranking firms is insufficient. The problem we noted with simple ranking under a Best Value Selection is that ranks express only the order of the firms. Ranks are ordinal numbers. Because Best Value decisions evaluate the degree or intensity of differences between firms, both in monetary terms and in qualitative terms, we need the non-price evaluation expressed on an interval scale. Consequently, the interval between the numbers used for the scores and the numbers used for the ranks is not equivalent because the numbers are on a different scale.

Therefore, there is no easy answer to the challenge of getting to a consensus score based on individual member evaluations in a selection committee. If you are determined to use a Formulaic Approach in a Best Value Selection, you must be committed to the hard work in committee to debate and decide as a group upon a group score. This score is of extreme importance in the non-price evaluation because, once given, the decision will be made by the formula, not by human judgment.

Best Practice: Consensus Scoring under "Formulaic Approach"—If you have determined to use the Formulaic Approach in a Best Value Selection, you MUST come to a consensus about single scores (points) to be awarded each firm as representative of your selection committee's evaluation of both price and non-price criteria. The scores for price and non-price are to be weighted according to their relative importance and simply added together for each firm under a Formulaic Approach, taking out any further subjectivity. Recognize the hard work that may be involved in getting a selection committee to come to such consensus.

6. Evaluating Price Proposals

Level of Detail to Ask for in the Price/Cost Proposals

With regard to the price proposal and to how much detail should be required, some owners only require the one lump sum price for the total construction cost while other owners require breakdowns also to be submitted. Getting not only the proposers' total prices but also a breakdown of that price allows those evaluating the price to understand the proposer's price proposal in greater detail. This can be extremely helpful in situations where there is a significant difference in the various proposers' prices.

Best Practice: Level of Detail of Price Proposals—Owners asking for more detailed breakdowns should be cautious in how they use and secure this often proprietary business information. If the owner plans to ask for detailed breakdowns, having an entirely separate team or person to review the price information is highly recommended.

When requiring lump sum price proposals, some owners further require that proposers submit detailed price information in addition to the lump sum price proposal. This typically includes a cost breakdown of the lump sum price proposal. In such cases, owners often evaluate the breakdowns by comparing them to their estimates and looking for any major discrepancies or irregularities. If owners note any major discrepancies, the team reviewing the price proposals may elect to contact or interview the proposers to address any such concerns.

Best Practice: The Other "15 Percent Rule"—When comparing lump sum price proposals from multiple proposers, if the lowest proposer's price is more than 15 percent lower than the next lowest proposer's price, it is a suggested practice to invite the lowest proposer to submit a breakdown of their estimate and explain how they arrived at the price they did. If, after this expanded explanation, the proposer is not able to convince the evaluators that their proposal is complete and both responsible and responsive, then the proposer should be allowed to withdraw their proposal.

Best Practice: Separate Evaluation Committees for Price and Non-Price Proposals— Because of the very different nature of the price proposals compared with the non-price proposals, we recommend that the public owner evaluate price proposals separately after the evaluation of all non-price criteria. In fact, we recommend that if possible, a group, separate from the group reviewing the non-price proposals, be responsible for opening and reviewing the price proposals. This will likely enhance the owner's objectivity when compiling evaluations of both proposal types into a final selection.

7. Compiling Evaluations (Price and Non-Price) into a Selection

Once the selection committee has completed their review of both the non-price and price proposals, and has scored them with one of the scoring methodologies, the next step is to compare the different evaluations and compile them into one collective recommendation for final contractor selection.

Regardless how each proposal type was evaluated, the non-price and price evaluations must be combined to reach one final evaluation for recommending the Best Value contractor.

Tradeoff Analysis versus Formulaic for Final Selection

Owners give themselves the most flexibility with a Tradeoff Analysis Approach. However, the price of this flexibility is that their selection committees might be exposed to a higher level of scrutiny because of the subjectivity incorporated in making a final selection.

Formulaic approaches may reduce the amount of subjectivity but may also substantially reduce the amount of flexibility the selection committee may have in the final selection.

Past-Performance Weighted Systems

There are some Formulaic Approaches to Best Value Selections that quantify the past performance of each proposer (and in some cases their subcontractors and vendors) and then use this information in an objective, formulaic way as a factor in addition to the price.

Experience has been mixed with this type of Formulaic Approach. On the plus side, the focus on quality and rewarding past performance has a perpetuating positive effect on improving the industry. On the minus side, some states have cautioned that the focus can be too heavy on past performance and thus, let past performance drive the decision-making process unjustifiably—that is, without giving enough consideration to current company conditions and capabilities.

Additionally, like many Formulaic Approaches, the process can become overly mechanical: focused too much on the numbers. Restrictions on human judgment can be a detriment and block beneficial owner flexibility in evaluating proposers. Public managers, in fact, are hired for their judgment, as well as for their technical expertise and experience. A process that relies heavily on performance data can take away the public manager's ability to use good judgment substantially.

An approach using past performance data collected by a third party has an additional potential negative concern, resulting from requiring firms to submit an onerous quantity of information. Filling such requests can be expensive for the proposer in terms of both time and money. Adopting this approach may be met with resistance from the local contracting industry.

The following sections offer some discussion on how to reach a final selection of your contractor. The discussion is separated into two parts: 8a—Using a Tradeoff Analysis, and 8b—Using a Formulaic Approach.

7a. Compiling Evaluations into a Selection: Tradeoff Analysis

In use of Tradeoff Analysis, then at least initially the evaluation process is reasonably straightforward. With the evaluation of the non-price criteria completed and compiled, there should be one proposer deemed to be the highest rated. After you have evaluated the non-price criteria and afterward opened and validated the price proposals' accuracy and completeness, then, if the highest rated proposer's price is also the lowest, the final evaluation would be simple—you should select the highest rated firm. In contrast, if the highest rated proposer's price is NOT the lowest, then a process must be used to evaluate the tradeoffs.

The tradeoffs include evaluating whether it is worth getting a "lesser qualified" team for a lower price. In contrast, is it worth spending a premium to get a "higher qualified" team? In these circumstances, a Best Value Selection process is put to the test. All of the up-front work to identify which criteria are most critical to the success of the project now becomes essential as proposers are evaluated based not only on their qualifications, but also based on their price.

It is very difficult to make a value-based decision if you already know the prices. Regardless of how experienced your selection committee is at this process, it is very difficult not to presume that the lowest price firm is underqualified in comparison with the highest price firm. Simultaneously, one may sense political pressure simply to choose the firm with the lowest price, regardless of qualifications.

Best Practice: Do Not Rush to Open the Price Proposals—The pressure to select the firm with the lowest price can be significant and can undermine the entire effort that has gone into evaluating all the non-price information. Therefore, we recommend that you not rush into revealing the price proposals to the selection committee that has been evaluating all the non-price criteria. Instead, we suggest an "Interim Steps" Approach. If a separate group or individual has received and reviewed the pricing proposals, this "Interim Steps" Approach can easily be administered, as follows:

Step 1: Selection committee reaches a consensus recommendation from evaluation of non-price criteria.

Step 2: Selection committee identifies the recommended firm and simply requests from the person(s) reviewing the price proposals whether or not the recommended firm is low (yes or no?).

Step 3: Assuming the answer is "no" (otherwise the selection process would be over), then the selection committee is asked to deliberate and determine a value (premium) that they think the recommended firm is worth paying for over what may be the next qualified firm. An amount that the committee would recommend paying in order to get the top-rated firm over the second-rated firm is deliberated, along with criteria to be used as a basis for justifying this premium.

Step 4: With this information, the committee then requests from the person(s) with access to the price proposals the names of the firms in rank order of their prices. (Not their names and prices, just the names of the firms!)

Step 5: With the order of the firms in hand, try to determine whether the selection committee is able to continue to identify the value (premium) they would pay to go to the second firm, to the third, and so forth.

Step 6: Using the amounts identified in Step 3 and Step 5, then and only then should the selection committee finally have access to the prices. Using the amounts identified should allow the selection committee to determine honestly which firm provides the best tradeoff between technical non-price and price.

In addition, the information gained from the deliberation before disclosing the price to the selection committee in Steps 3 and 5 should provide a fair amount of the backup necessary to make the case to whoever needs justification on why the low price firm was not selected.

The principle behind this "Interim Steps" Approach is very simple. If using a Tradeoff Analysis Approach, do not be in a hurry to open the prices or share the prices with the selection committee. Do not let the entire effort spent on determining the most qualified term prove meaningless.

7b. Compiling Evaluations into a Selection: Formulaic Approach

Formulaic Approaches assign points to the non-price technical proposal as well as to the price proposal. Points for both the non-price and price proposals may be combined by means of a formula that automatically (mathematically) designates a winner based upon the highest combined score *after* (and this is very important) subjecting both to the weighting factor for each type—price and non-price.

Best Practice: Use 100-point scales—You will find it easier if you put both price and non-price calculated scores each on 100-point scales. Doing so will allow you to combine the two scores using the most simple math, as you will see when you apply the weight factors to each type of score.

With a Formulaic Approach, it can be very difficult to develop a scoring methodology and formula that faithfully identifies the firm offering the best value. It is a challenge to develop a formula that will place the desired level of weight on the appropriate criteria and not place too much weight on less important criteria.

As discussed earlier, we recommend that the non-price criteria be evaluated before and independently from the price proposals. The challenge is to evaluate price proposals and appropriately take into consideration the difference between proposers' prices. One way is to use a Formulaic Approach that considers differences in proposers' prices and adjusts the weight placed on each price proposal in proportion to those differences.

Caution: To simply rank the price proposals in order of their prices (1, 2, 3, etc.) does not give the proper weight to the relative prices of each proposal and to the differences between the proposers' price proposals.

In contrast to Formulaic Analysis, under Tradeoff Analysis, just the “raw” dollar amount of a price proposal serves as a score; formal scoring of the price proposal is not typically considered necessary. If using a Formulaic Approach, however, some type of scoring of the price proposal is necessary so that when the non-price score and the price score are combined into an overall selection score, the combination reflects the intended relative importance of price. (Refer back to Part I, Section 7, for in-depth coverage on weighting price and non-price.)

Assigning Points to Price Proposals

If the approach is to assign points to the price proposals, how will you determine how many points to give each proposer? This challenge is often overlooked and not addressed until the selection committee is faced with a decision. We will now profile some methods for point assignment. Notice that we use 100-point scales, a Best Practice mentioned above.

1. Low Bidder, Most Points

One approach to assigning points is to award the maximum amount of points to the proposer of the lowest price, and then use a formula where the low proposer’s price becomes the numerator and each proposer’s price, in turn, is the denominator. The resulting fraction for each is multiplied by the maximum points to determine the number of points assigned to each proposer’s price. Following our Best Practice above, we draw our points from a 100-point scale (100 points is maximum).

Caution: This option may overly reward an irresponsible low price and overly penalize more responsible price proposals.

EXAMPLE 1:
Comparison to Lowest Price
Maximum Points for Price Proposal = 100 points

Proposer #1 Price = $1,000,000	Proposer #1: $\frac{\$\ 900,000}{1,000,000}$ X 100 points = 0.900 X 100 = 90 points
Proposer #2 Price = $1,100,000	Proposer #2: $\frac{\$\ 900,000}{1,100,000}$ X 100 points = 0.818 X 100 = 81.8 points
Proposer #3 Price = $1,200,000	Proposer #3 $\frac{\$\ 900,000}{1,200,000}$ X 100 points = 0.750 X 100 = 75 points
Proposer #4 Price = $1,400,000	Proposer #4 $\frac{\$\ 900,000}{1,400,000}$ X 100 points = 0.643 X 100 = 64.3 points
Proposer #5 Price = $ 900,000	Proposer #5: Given 100 points for Lowest Price

Best Practice: Apply “The Other 15 percent Rule”—Do not automatically assume that the lowest bid received is the lowest “responsible” bid. Refer to Part IV, Section 6, in which we warned about uncritical acceptance of a bid that is lower than the next higher bid by 15 percent or more. Such a bid might not be worthy of acceptance at all, much less worthy of the maximum points.

Comparison to Budget or "Baseline"

Another approach to assigning points is to award points based on a baseline. The baseline could be a pre-established budget, or it could be established by taking an average of all the proposed prices. This approach, essentially, would penalize price proposals that are too high or too low.

EXAMPLE 2:
Comparison to Budget: Budget = $1,000,000
Points for Price Proposal Same as Budget = 100 points

Proposer #1 Price = $1,000,000	Proposer #1: Given 100 points for matching the budget
Proposer #2 Price = $1,100,000	Proposer #2: $\frac{\$1{,}000{,}000}{1{,}100{,}000}$ X 100 points = 0.909 X 100 = 91 points
Proposer #3 Price = $1,200,000	Proposer #3 $\frac{\$1{,}000{,}000}{1{,}200{,}000}$ X 100 points = 0.833 X 100 = 83 points
Proposer #4 Price = $1,400,000	Proposer #4 $\frac{\$1{,}000{,}000}{1{,}400{,}000}$ X 100 points = 0.714 X 100 = 71 points
Proposer #5 Price = $ 900,000	Proposer #5: $\frac{\$1{,}000{,}000}{900{,}000}$ X 100 points = 1.111 X 100 = 111 points

EXAMPLE 3:
Comparison to Baseline: Average of Price Proposals = $1,120,000
Points for Price Proposal Same as Average = 100 points

Proposer #1 Price = $1,000,000	Proposer #1: $\frac{\$1{,}120{,}000}{1{,}000{,}000}$ X 100 points = 1.12 X 100 = 112 points
Proposer #2 Price = $1,100,000	Proposer #2: $\frac{\$1{,}120{,}000}{1{,}100{,}000}$ X 100 points = 1.018 X 100 = 101.8 points
Proposer #3 Price = $1,200,000	Proposer #3 $\frac{\$1{,}120{,}000}{1{,}200{,}000}$ X 100 points = 0.933 X 100 = 93.3 points
Proposer #4 Price = $1,400,000	Proposer #4 $\frac{\$1{,}120{,}000}{1{,}400{,}000}$ X 100 points = 0.8 X 100 = 80 points
Proposer #5 Price = $ 900,000	Proposer #5: $\frac{\$1{,}120{,}000}{900{,}000}$ X 100 points = 1.244 X 124.4 = 124.4 points

Notice that in these last two examples, in which we used as baselines a figure that was not the lowest price proposed, the possible points exceed 100. Doing so makes it mathematically complex to apply weights equitably to price and non-price. Assuming the non-price points are faithful to a

100-point maximum interval scale, price points should be also so that the weights for the two factors add up to 1.00.

Best Practice: "Normalizing" Price Points—In order to apply weights to price and non-price equitably, you must be sure that both calculated scores are on the same interval point scale. For most people, 100-point scales are probably easiest to use. Normalizing to 100 points means applying the conversion below (using data from Example 3 above). Here, we take the ratio of each price point total to the highest price point total from Example 3, and multiply that ratio by 100. The highest point total is now equal to 100:

Proposer 1	112.	/ 124.4 * 100 =	90.0
Proposer 2	101.8	/ 124.4 * 100 =	81.8
Proposer 3	93.3	/ 124.4 * 100 =	75.0
Proposer 4	80.	/ 124.4 * 100 =	64.3
Proposer 5	124.4	/ 124.4 * 100 =	100.0

Note that the exact same result could have been derived much more simply by allowing the baseline to be the lowest priced proposal, as in Example 1 above.

Best Practice: Run Sample Scenarios—Depending on the number of points and the relative number of points for price versus non-price, using the low bidder's price as a baseline might put too much differential between proposers. Therefore, to avoid unintentionally placing too much weighting on the price, particularly the differential between price proposals, run some sample calculations to see how different possibilities affect the resulting outcome. This should be done before sending out the Request for Proposals.

2. Price per Quality Point

The Price per Quality Point (PPQP) method is a formulaic method to determine the award. This method relates the price to the technical score for each firm by expressing a ratio of price to points granted for its qualifications.

In essence, PPQP expresses the monetary value of each point given to the technical proposal for each proposing firm based upon the firm's price proposal.

Under the Price per Quality Point method, selection committee members evaluate all the non-price technical criteria. Then the evaluations are combined so that each proposer receives a single consensus score from the selection committee—its quality score. Again, we recommend that this process be completed before bids are opened.

After bids are opened, the raw bid price of each proposer is divided by the proposer's quality score. The resulting ratio is the firm's Price per Quality Point. The award will go to the proposer that offers the lowest price per quality point. The PPQP is analogous to paying the least amount in terms of dollars per unit of something.

The price per quality point is a mathematical calculation, making no use of human judgment after quality points are assigned. The selection committee may have a difficult time justifying its decision unless the technical scoring makes use of appropriately weighted criteria and leads to a reasonable and accurate description of the qualitative differences between firms. The quality points for each firm must reflect the selection committee's assessment about how the firms relate to one another on an interval scale. (The discussion about interval scale is above in Part IV, Sections 3 & 5.) Consider the example below.

EXAMPLE 4:
Price per Quality Point

Proposer #1 Price = $5,000,000 Score = 80	Proposer #1: $\frac{\$5,000,000}{80} = \text{PPQP} = \$62,500$
Proposer #2 Price = $5,300,000 Score = 90	Proposer #2: $\frac{\$5,300,000}{90} = \text{PPQP} = \$58,889$
Proposer #3 Price = $5,200,000 Score = 72	Proposer #3 $\frac{\$5,200,000}{72} = \text{PPQP} = \$72,222$
Proposer #4 Price = $5,300,000 Score = 66	Proposer #4 $\frac{\$5,300,000}{66} = \text{PPQP} = \$80,303$
Proposer #5 Price = $4,900,000 Score = 40	Proposer #5: $\frac{\$4,900,000}{40} = \text{PPQP} = \$122,500$

Notice that in this example, the award should go to the highest priced, highest scoring proposal. In such case, the selection committee might be forced to justify a decision involving a few points' difference in the technical scores that lead to the expenditure of significant dollars in order to accept the higher technical score. If this is the case, the price may appear almost irrelevant to the decision and the award will seem to have been made on technical merit alone. For example on a 100 point scale, a proposal at $5M that scores an 80 (PPQP = $62,500) is considered worse than one at $5.3M that scores a 90 (PPQP = $58,889).

Is the expenditure of $300,000 worth getting the proposer that earned 10 additional quality points? Maybe it is; maybe it isn't. The reverse is also true when low price overcomes a low score.

Using PPQP, the selection committee has control only over the scores it grants for non-price criteria. It communicates its judgment about the relative differences among firms according to the numerical differences in their scores on the interval scale of quality. It does not control the difference among bids in the price proposals it receives, of course. The selection committee, therefore, does not directly decide the relative importance or weighting of price versus non-price using PPQP.

In the above example, a total of 100 points are available for the technical merits of each proposer. If the cost estimate for the project equaled $5,000,000, the committee could know that a single point difference in quality scores will affect the decision to spend $50,000 to award to the proposer with just a single point higher score for the same $5,000,000 bid as another proposer. If the decision is to be made using Price per Quality Point, the selection committee members need to have a very good idea in advance about how much a point is worth in dollars, and assign their consensus points in full understanding of that.

Best Practice: Analyze to Understand Price per Quality Point in Advance—The committee should meet and discuss the Price per Quality Point scoring system before scoring the non-price criteria in anticipation of using PPQP. They should decide upon the amount of effect that the scores should have relative to price, and be aware of that effect during the scoring process. Again, in the example above, the committee should be aware that each quality point is worth approximately a $50,000 difference in price.

3. Combining Adjusted Points for Non-Price and Price, by Weight

Now that we have calculated and adjusted the points for price and separately for non-price, we must combine the two sets of points and allow the Formulaic Approach to give its answer regarding the firm to select.

We have carefully adjusted our price points by standardizing them for each firm to award the most points to the lowest bidder. Following suggested best practice, we have imposed a 100-point scale for both price and non-price. We know that our lowest price bid garnered 100 points, the maximum. What about our top scoring firm on technical merit? Did we award that firm 100 points, too, or some number less?

For the answer, refer back to Part IV, Section 4d, where we discussed proposer comparisons. If you chose to compare to an "ideal standard," your top scoring firm might not merit the maximum points (100). If, on the other hand, you chose to pursue "relative scoring," you have compared all your firms against each other to determine which one is the best among those proposers that submitted technical proposals. Under this latter approach, it is reasonable to award the top-ranked firm on technical merit the maximum technical points.

The implications are very important under the Formulaic Best Value because you will multiply points for technical (non-price) and price by the weight factors for technical and price before you add the two sets of points together. Suppose you weight them equally (.5 and .5). It makes a difference whether the technical score for your top technical firm earned 90 points or 100. If its score is 90, its contribution to the final score is 45 (that is 90 * .5 = 45) instead of 50 (or 100 * .5). Therefore, unless you pursue relative scoring in deriving your technical points, your weighting of technical versus price will be distorted somewhat.

Best Practice: "Normalizing" Technical (Non-Price) Points—In order to apply weights to price and non-price equitably, you must be sure that both calculated scores are on the same interval point scale. For most people, 100-point scales are probably easiest to use. Normalizing to 100 points means applying the conversion below. Here, we take the ratio of each non-price point total to the highest non-price point total (90), and multiply that ratio by 100. The highest point total is then equal to 100.

Proposer 1	80	/	90 * 100 =	88.9
Proposer 2	90	/	90 * 100 =	100.0
Proposer 3	72	/	90 * 100 =	80.0
Proposer 4	64	/	90 * 100 =	71.1
Proposer 5	40	/	90 * 100 =	44.4

Multiply these numbers by the technical weight and add that product to the product of the price points multiplied by the price weight. Using Formulaic Best Value, the sum of those products for each firm reveals their relative final ranking among all proposers.

Examples of final Formulaic Approach combinations of price and non-price points follow on the next pages.

EXAMPLE 5:
Final Combination of Price and Non-Price Points
Maximum Points for Price Proposal = 100 points; Maximum Points for Non-Price Proposal = 100 points
Price and Non-Price Weighted Equally

Proposer #1 Price = $1,000,000 Price Points = 90 Non-Price Points = 88.9	Proposer #1: (90 x .5) + (88.9 x .5) = 45 + 44.5 = 89.5
Proposer #2 Price = $1,100,000 Price Points = 81.8 Non-Price Points = 100	Proposer #2: (81.8 x .5) + (100 x .5) = 40.9 + 50 = 90.9
Proposer #3 Price = $1,200,000 Price Points = 75 Non-Price Points = 80	Proposer #3 (75 x .5) + (80 x .5) = 37.5 + 40 = 77.5
Proposer #4 Price = $1,400,000 Price Points = 64.3 Non-Price Points = 71.1	Proposer #4 (64.3 x .5) + (71.1 x .5) = 32.15 + 44.5 = 67.7
Proposer #5 Price = $ 900,000 Price Points = 100 Non-Price Points = 44.4	Proposer #5: Given 100 points for Lowest Price (100 x .5) + (44.4 x .5) = 50 + 22.2 = 72.2

EXAMPLE 6:
Final Combination of Price and Non-Price Points
Maximum Points for Price Proposal = 100 points; Maximum Points for Non-Price Proposal = 100 points
Price Weighted 70 percent and Non-Price Weighted 30 percent

Proposer #1 Price = $1,000,000 Price Points = 90 Non-Price Points = 88.9	Proposer #1: (90 x .7) + (88.9 x .3) = 63 + 26.7 = 89.7
Proposer #2 Price = $1,100,000 Price Points = 81.8 Non-Price Points = 100	Proposer #2: (81.8 x .7) + (100 x .3) = 57.3 + 30 = 87.3
Proposer #3 Price = $1,200,000 Price Points = 75 Non-Price Points = 80	Proposer #3 (75 x .7) + (80 x .3) = 52.5 + 24 = 76.5
Proposer #4 Price = $1,400,000 Price Points = 64.3 Non-Price Points = 71.1	Proposer #4 (64.3 x .7) + (71.1 x .3) = 45 + 21.3 = 67.3
Proposer #5 Price = $ 900,000 Price Points = 100 Non-Price Points = 44.4	Proposer #5: Given 100 points for Lowest Price (100 x .7) + (44.4 x .3) = 70 + 13.3 = 83.3

PART V A BEST VALUE SELECTION PROCESS

1. Recommended Steps of the Selection Process

Assuming you have decided to use a Best Value Selection process and are using an RFQ-RFP-Interview process, the following is a sample set of steps that you can use as a guide.

Step 1—Validation of Decision to Use Best Value

- Update your predesign
- Validate your predesign information

Step 2—Selection Committee

- Identify committee members
- Identify necessary technical experts
- Educate committee members on the process

Step 3—Develop Proposal Requirements for Contractors

- Identify criteria, preliminary weighting
- Decide on non-price versus price weighting
- Decide weighting within non-price criteria weighting
- Decide on # of steps (Shortlist? Interview?)
- Create RFQ and RFP

Step 4—Advertisement of Project (RFQ)

- Announce and hold a pre-submittal meeting (open to all interested parties)
- Hold a pre-proposal meeting (possibly open only to shortlisted firms)

Step 5—Evaluation of RFQ Submittals

- Allow sufficient time for honest evaluation
- Remain true to published non-price criteria

Step 6—Determine shortlisted firms to receive Request for Proposal—Notification of Firms on the Shortlist

- Document selection committee's consensus regarding the shortlist
- Communicate result first to shortlisted firms simultaneously by email and by follow-up personal phone call to firm's designated contact
- Communicate result next to firms not making the shortlist; include any information about debrief policy

Step 7—Technical Proposal and Cost Proposal Submission

- Be certain you have communicated clearly about deadlines, formats, delivery address, etc.; be certain that communication was received
- Enforce deadlines

Step 8—Evaluation of Technical Proposals

- Allow sufficient time for honest evaluation
- Remain true to published non-price criteria
- Make use of available subject matter expert advisers
- Check the references!

Step 9 –Interviews/Oral Presentations (optional)

- Communicate clearly about the where, when, and "for how long" of interviews
- Include information about parking and security and handicap access
- Ensure that the interview room is suitable and available
- Provide a waiting area

Step 10—Cost Proposal Evaluation

- Open cost proposals in committee
- Gain consensus about responsiveness of each proposal and its fitness to be evaluated
- Do not merely rank. Document the interval between cost proposals, because that fact informs the interval between technical scores

Step 11—Compile Evaluation Information (Price and Non-price)

- Tradeoff or Formulaic? The answer is fundamental and should have been answered much earlier in any procurement process

Step 12—Contractor Selection and Award

- Gain any necessary organizational approvals prior to making decision public
- Notify winning firm, by phone if possible, followed by writing. Email may be acceptable
- Notify shortlist about the competition's outcome as quickly as possible
- Notify stakeholders, as appropriate.

2. Variations to the Standard Selection Steps

Selections without any Oral Presentations

When the requests for qualifications and proposals have been thorough, and the submittals in response to the requests have provided detailed information sufficient for a decision, it might be a sustainable argument that an oral presentation is not necessary. It is impossible at the outset, however, to know that an oral presentation is not needed. If one is scheduled but determined to be unnecessary, it can, of course, be canceled. If it is needed but not made a part of the planned process, it will be difficult to insert an interview. Ambiguities may be settled somewhat by requests for clarification, but that option, too, might consume a great deal of time.

Combining the RFQ and RFP into One Step

Saving time and informing the vendor community are two good reasons to combine the RFQ and RFP into a single step. Some public owners routinely combine the RFQ with the RFP. Their rationale holds that the two documents are likely in existence at the time the RFQ would be issued, anyway; therefore, it is not a cost to issue the two as an integrated document, especially if issued electronically. Furthermore, the RFP often contains additional information that might well be of use to respondents to the RFQ: Some of them will realize that they are not qualified and will self-eliminate, while other firms will tailor their qualifications submittals more accurately and effectively. Very importantly, for competitions in which only the shortlisted firms ever see an RFP, those firms not shortlisted would miss the opportunity to understand the public owner's RFP process.

3. Suggested Selection Criteria and Sample Forms

Introduction

The Best Value process involves some variations that affect the forms necessary to support the process. These include factors such as the following:

- Using a Tradeoff Analysis versus a Formulaic Approach
- The number of steps (RFQ, RFP, and Interview? Or a subset of these?)

The information and corresponding forms to support each of the steps varies depending on the specifics of the best value process chosen.

Therefore, this section and the sample forms provided herein are based on the following assumptions:

- A Formulaic Approach (with scoring of non-price criteria weighted against price)
- A Two Step (RFQ and RFP) with anticipation of an Interview, and one shortlisting after the RFQ
- The Interview is anticipated to be scored separately
- It is assumed that references have been checked during the Request for Proposal stage

The sample forms anticipate the following process:
RFQ—Scoring—Shortlist—RFP—Interview—Scoring—Open Pricing—Final Selection

IMPORTANT: This approach and corresponding steps are not recommendations. These are offered only to clarify the process that the following sample forms are based on.

"Reference boxes" in the margins are references to sections in the manual that offer related discussions to the topics being addressed on the forms.

Reference Section ________

Sample Forms:

1. Advertisement for Best Value Construction Services
2. Request for Qualifications for Best Value Construction—Sample Outline
3. Request for Proposals for Best Value Construction—Sample Outline
4. Shortlist Selection Criteria and Weighting—RFQ
5. Shortlist Summary Scoring and Ranking of All Responding Firms—RFQ
6. Reference Checking Form
7. Interview Format Recommendations
8. Shortlist Notification Letter
9. Evaluation Criteria and Weighting—RFP
10. Notification for Unsuccessful Firms
11. Selection Criteria Scoring Form—RFP
12. Oral Presentation Selection Scoring Form
13. Final Selection Summary and Firms Ranking (where non-price and price come together)
14. Notification Letter to Selected Firm
15. Notification to Unsuccessful Proponents and Giving Notice of Contract Award

1. Advertisement for Best Value Construction Services

(NAME OF STATE AND DEPARTMENT)

REQUEST FOR QUALIFICATIONS
GENERAL CONTRACTOR SERVICES

(NAME OF STATE)
(NAME OF DEPARTMENT)
(NAME OF PROGRAM)

Notice to General Contractor Firms

Project No. XXXX
(Name of project and facility)
(Project location)

The Department of XXXXXXXXXX, Division of XXXXXXXXXX invites general contractor firms to submit statements of qualifications for the construction of the project.

The estimated construction cost for this is $XXXXX.

SCOPE OF WORK

(In this space, provide Scope of Work details, including estimated number of buildings, size of buildings, expected building use and program, expected overall schedule, LEED requirements, etc.)

Firms desiring consideration shall submit XX copies of their submittals by (time and date). Submittals should include pertinent data that will assist the selection committee in making its evaluation. Refer to Section XX of the RFQ document for submittal requirements and criteria for selection.

A site tour is scheduled for (date and time). Meet at XXX. Copies of the RFQ Document for this project will be available at the tour and upon request. Contact (name, phone, and email) for further information.

Mail or deliver submittals to the attention of (name and complete mailing and delivery address).

--- END OF RFQ ADVERTISEMENT ---

2. Request for Qualifications for Best Value Construction—Sample Outline

REQUEST FOR QUALIFICATIONS

For

Type of Selection Process: Best Value Bid
Project Name
Project Location
Date

Table of Contents—RFQ

3. Request for Proposals for Best Value Construction—Sample Outline

REQUEST FOR QUALIFICATIONS

For

Type of Selection Process: Best Value Bid
Project Name
Project Location
Date

Table of Contents—RFP

4. Shortlist Selection Criteria and Weighting—RFQ

Firms will be evaluated on the following criteria:

1) Ability and qualifications of professional personnel **XX points**
Provide a list of firm personnel by position, highlighting the qualifications of representative personnel that have accomplished projects of similar size and complexity. Indicate staffing that may be available for this project, both field and home office. Indicate staff with expertise as project manager, superintendent, cost estimating, scheduling, and quality control.

2) Past performance in similar projects **XX points**
Provide a list of private and public works projects with a description of the project and the construction cost. Include the following information:

1. Description of the project, including Gross SF
2. Public Works or Private
3. Scope of your firm's work on the project
4. Location
5. Owner, contact person, telephone number and email address
6. Final construction cost

3) Project Scheduling, Cost, Quality Safety Control **XX points**
Discuss your firm's experience and ability to safely meet the project timelines and budget requirements. Include projects of similar complexities with comparisons of as-planned schedules to as-constructed schedules.

4) Recent, current and projected workload of firm **XX points**
Provide a brief description of your firm's history, firm size, location of home and regional offices, and your firm's capabilities to perform the requirements of this contract. Include annual volume, financial position, and bonding capacity. Summarize recent, current, and projected workloads of your firm.

5) Sustainability Experience **XX points**
Show number of projects with LEED and/or sustainable design features highlighting projects of similar complexity.

5. Shortlist Summary Scoring and Ranking of All Responding Firms—RFQ

STATE NAME
DEPARTMENT NAME
DIVISION NAME

RFQ SCORESHEET

Project Description:	
Date of Evaluation:	Project Number:
Name of Committee Member:	

CRITERIA	Ability and Qualifications of Professional Personnel	Past Performance in Complex Projects	Project Scheduling & Cost Control	Recent, Current, & Projected Workload	XXXXX Experience	References	Other	Total Points
POINTS	(##)	(##)	(##)	(##)	(##)	(##)	(##)	**100 MAX**
Firm 1								
Firm 2								
Firm 3								
Firm 4								
Firm 5								
Firm 6								

Committee Member's Signature

DATE

6. Reference Checking Form

Reference Section

Part IV. 4c

FIRM REFERENCE CHECKING FORM

INT**ERVIEWER'S NAME:**____

DATE OF INTERVIEW: ____

NAME OF PROFESSIONAL FIRM:__________________________________

NAME OF REFERENCE:____

CONTACT INFO:____

#	Question	Rating
1	How would you rate FIRM's overall performance on your recently completed project?	
2	Did FIRM performance in any way negatively affect the project schedule?	
3	Did FIRM understand what you, as owner, wanted them to provide in service to you?	
4	Was there continuity in FIRM's principal team throughout the life of the project?	
5	Would you hire FIRM to do another project for you in the near future?	
6	Did FIRM work collaboratively with the other project parties?	
7	Did FIRM keep owner informed regarding project issues?	

7. Interview Format Recommendations

The following is a sample outline for an Interview during a Best Value Contractor Selection process: (Interview time range: 55 minutes to 85 minutes…allows five minutes for breaks between 60- or 90-minute interviews).

- Welcome and Interview Overview (five minutes)
- Contractor's Presentation (30–45 minutes, depending on project complexity)
  i. Proposed Team
  ii. Proposed Approach
- Questions and Discussions (15–30 minutes, depending on project complexity)
- Review of any follow-up items and anticipated next steps in the process (five minutes)

8. Shortlist Notification Letter

DATE
SHORTLISTING RESULTS
FOR
PROJECT NO. 000
PROJECT NAME

BUILDING CONSTRUCTION SERVICES

FIRMS SUBMITTING

Nine firms submitted qualification packages to the Agency for the captioned project. The firms are as follows:

1. **ABC**
2. **DEF**
3. **GHI**
4. **JKL**
5. **MNO**
6. **PQR**
7. **STU**
8. **VW**
9. **XYZ**

SHORTLISTING

From the nine firms submitting, the Selection Committee for this project selected the following three firms for further consideration (listed in alphabetical order):

1. **ABC**
2. **GHI**
3. **PQR**

Congratulations on being shortlisted for the captioned project. The competition for your three slots out of nine was intense. That you were selected is a great achievement. It remains now a most important task for us to select a single firm to work on this prestigious project.

As you have known from the published schedule in the RFQ, interviews will take place on DATE. **The location of the interviews will be [NAME OF ROOM, ADDRESS]**.

The schedule for your interviews on DATE shall be as follows:

10:00–11:00 ------ ABC
11:15–12:15 ------ GHI
12:45–1:45 ------ PQR

Reference Section

Part IV. 4d

If you have questions, please do not hesitate to ask me.

Sincerely,

Selection Committee Chair

9. Evaluation Criteria and Weighting—RFP

1) Ability and qualifications of professional personnel **XX points**
Provide a list of key personnel proposed for this project, including their roles and responsibilities. Indicate proposed staffing for this project, both in field and home office. Include resumes of all individuals listed; specifically, your proposed personnel directly assigned to the project. The project manager and superintendent must be listed along with the individuals assigned to handle estimating, construction schedule, and quality control. Describe the experience of personnel assigned to this project.

2) Project Approach: Project Scheduling, Cost Quality and Safety **XX points**
Discuss your plan to meet the project timelines, budget, quality, safety and other requirements required in the Request for Proposal. Include projects of similar complexity with comparisons of as-planned schedules to as-constructed schedules. Include current references (contact persons, titles, telephone numbers and email addresses).

1. Design as-planned schedule versus as-built schedule (NTP to Substantial Completion)
2. Construction as-planned schedule versus as-built schedule
3. Total dollar amount of Change Orders

3) Recent, current, and projected workload **XX points**
Provide a brief description of your firm's history, firm size, location of home and regional offices, and your firm's capabilities to perform the requirements of this contract. Include annual volume, financial position, and bonding capacity. Summarize recent, current, and projected workloads of your firm.

4) Sustainability Experience **XX points**
Show number of projects with LEED and/or sustainable construction elements highlighting projects of similar complexity.

5) References **XX points**
Provide references, with current telephone numbers and email addresses, of owners and Architectural/Engineering firms with which you have worked projects of similar size and complexity within the past five years. Note which of your proposed team members participated in these projects. Information to be provided should include:

Evaluating Firm: ______________________ Contact person: ______________________________

Phone: ______________________________ Email: _______________________________________

Short Project Description: ____

14. Notification Letter to Selected Firm

10. Notification for Unsuccessful Firms

DATE
SHORTLISTING RESULTS
FOR
PROJECT NO. 000
PROJECT NAME

BUILDING CONSTRUCTION SERVICES

FIRMS SUBMITTING

Nine firms submitted qualification packages to the Agency for the captioned project. The firms are as follows:

1. **ABC**
2. **DEF**
3. **GHI**
4. **JKL**
5. **MNO**
6. **PQR**
7. **STU**
8. **VW**
9. **XYZ**

SHORTLISTING

From the nine firms submitting, the Selection Committee for this project selected the following three firms for further consideration (listed in alphabetical order):

1. **ABC**
2. **GHI**
3. **PQR**

On behalf of the Agency, I extend thanks to all firms that have expressed interest in this project and especially to those submitting statements of qualifications.

It was a very difficult decision, indeed, to narrow the field for the final stage of this competition. The Selection Committee studied submittals in detail and deliberated together conscientiously and at great length to arrive at its shortlist.

The Selection Committee recognizes with appreciation that firms went to a great deal of trouble and expense to prepare submittals for the Agency's consideration. The Committee members know that we received submittals from outstanding construction firms. We note with regret, therefore, that the large number of construction services providers interested in this project means that many highly qualified firms did not make the shortlist for this particular project.

We hope that firms not shortlisted for this project will continue to pursue opportunities to provide your services to us on other projects. It has been a privilege for me to assist in this process. If there is anything that I can do to improve the process for you in future competitions, I will be glad to have your feedback.

Thank you, again,
Selection Committee Chair

11. Selection Criteria Scoring Form—RFP

STATE NAME
DEPARTMENT NAME
DIVISION NAME

Project Description:	
Date of Evaluation:	Project Number:
Name of Committee Member:	

PHASE 2 (RFP) SCORESHEET

CRITERIA	Ability and Qualifications of Professional Personnel	Project Approach	Recent, Current, & Projected Workload	XXXXX Experience	XXXXX Experience	References	Other	Total Points
POINTS	(##)	(##)	(##)	(##)	(##)	(##)	(##)	100 MAX
Firm 1								
Firm 2								
Firm 3								
Firm 4								
Firm 5								
Firm 6								

Committee Member's Signature

DATE

12. Oral Presentation Selection Scoring Form

STATE NAME
DEPARTMENT NAME
DIVISION NAME

Project Description:	
Date of Evaluation:	Project Number:
Name of Committee Member:	

ORAL PRESENTATION SCORESHEET

CRITERIA	Ability and Qualifications of Professional Personnel	Concept of Proposal and Risk Assessment	Project Scheduling & Cost Control	Ability to Coordinate Subcontractors	Team Members' Ability to Communicate	Other	Other	Total Points
POINTS	(##)	(##)	(##)	(##)	(##)	(##)	(##)	**100 MAX**
Firm 1								
Firm 2								
Firm 3								
Firm 4								
Firm 5								
Firm 6								

Committee Member’s Signature

DATE

13. Final Selection Summary and Firms Ranking (where non-Price and Price come together)

STATE NAME
DEPARTMENT NAME
DIVISION NAME

This Scoresheet Becomes Public Record

Project Description:	
Date of Evaluation:	Project Number:
Name of Committee Member:	

FIRM RFQ SCORESHEET

CRITERIA	Ability and Qualifica-tions of Professional Personnel	Value Engineering Constructability Analysis	References	Past Performance in Negotiated & Complex Projects	Project Sched-uling & Cost Control	Concept of Risk Assess-ment	Self-Performance	XXXX Experience	Locations of Firm	Recent, Current, & Projected Workload	Accident Prevention Program	Total RFQ Points
POINTS	(##)	(##)	(##)	(##)	(##)	(##)	(##)	(##)	(##)	(##)	(##)	100 MAX
Firm 1												
Firm 2												
Firm 3												
Firm 4												
Firm 5												
Firm 6												

Committee Member's Signature

DATE

Reference Section

Part IV .2

DATE

FINAL RESULTS
FOR
PROJECT NO. XXX
PROJECT NAME

BUILDING CONSTRUCTION SERVICES

Congratulations. The Selection Committee for the captioned project has authorized me to convey to you their selection of your firm as the top-ranked firm in this competition.

Based upon the criteria evaluations and factor weightings for price and non-price, as published in our solicitation materials, the Selection Committee judged your firm as the one that would provide the greatest benefit to the Agency for this particular project.

I will contact you very soon to convey instructions leading toward your signing a contract with the owner.

Congratulations again on being selected to provide construction services to our Agency on this project. We are glad to have you as a partner, along with the other parties to this project.

Very best regards,

Selection Committee Chair

15. Notification to Unsuccessful Proponents and Giving Notice of Contract Award

DATE

FINAL RESULTS
FOR
PROJECT NO. XXX
PROJECT NAME

BUILDING CONSTRUCTION SERVICES

FINAL SELECTION FOLLOWING INTERVIEWS

In deliberations immediately following the interviews on DATE, the Selection Committee for the captioned project has selected FIRM XYZ.

Based upon the criteria evaluations and factor weightings for price and non-price, as published in our solicitation materials, the Selection Committee judged the selected firm as the one that would provide the greatest benefit to the Agency for this particular project.

Our sincere thanks go to all firms in the final phase of selection for an excellent competition all around. The Selection Committee deliberated at length immediately following the final interview, weighing the qualifications of all firms, and considering these very seriously in relation to the selection criteria.

The committee members recognize that the shortlisted firms are truly exceptional professional construction providers. The members are confident of your abilities in a variety of applications. They have chosen one of you as most advantageous in the immediate case.

It has been a privilege for me to assist in this process. If there is anything I can do to improve the process for you in future competitions, I will be glad to have your feedback.

We hope that your firms will continue to pursue opportunities to provide your services to us.

Thank you again,

Selection Committee Chair

APPENDIX A: TYPICAL NON-PRICE CRITERIA AND PROJECT DELIVERY RECOMMENDATION FORM

Mandatory/Minimal Criteria

Safety Experience Modification Rate average of less than 1.5 over the last three years

Bonding capacity to provide a payment and performance bond for total cost of work

Current Builder's Risk Insurance Policy

Appropriate license(s)

Scored Criteria

Responsiveness of Submittal

Form of Ownership

- Is the offeror a sole proprietorship, partnership, corporation, limited liability company, joint venture, or other structure?
- Is the joint venture or other association legally structured and licensed to do business in your state?

Financial Information

- Provide the following financial ratios for the last three years:
  a. Current Ratio: Current Assets/Current Liabilities
  b. Return on Assets: (Net Income + Interest Expense)/Total Assets
  c. Return on Equity: Net Income/Equity
  d. Debt to Capital: Total Liabilities/(Equity + Total Liabilities)
- Has the respondent or its subsidiaries been terminated for cause on a contract? If so, provide explanation.
- Has the respondent made payments of actual or liquidated damages in the last five years for failure to complete by the contract completion date? If so, provide explanation.
- Has a surety made payments on your account or your subsidiaries' accounts on Payment or Performance Bonds in the last five years? If so, provide explanation.
- Have judgments been entered against you or your subsidiaries for breach of contract? If so, provide explanation.
- Have there been convictions or debarments of the firm, its officers, or its principals for building code violations, safety violations, bid rigging, or bribery in the last 10 years? If so, provide explanation.

Location of firm's office in relation to project site

Depth of resources/personnel capability and relevant experience

Contractor's ability to procure the necessary personnel to perform the work

Contractor's program to address training of workforce

Firm's relevant project experience

Statement of why the firm should be selected

Knowledge of local area where project is to be built

Organization Chart

Qualifications and Experience of the Proposed Project Team

- Experience of the project manager and superintendent working together on past projects
- Experience in Project Delivery System and Project Type
- Quality of references indicating the proposed project director's commitment and project leadership
- Quality of references for the proposed team
- Past experience of the team working together with the selected Architect and/or Program Manager (if any)
- Availability of the proposed team for this project
- Assigned team's experience with projects of similar facility size and type
- Assigned team's experience with effective budget control
- Assigned team's experience with effective schedule control

Services

- Quality of firm's proposed services and how well services address proposed project needs
- Firm's demonstrated ability to apply in-house services to solving project issues
- Scope of work the GC/CM proposes to self-perform and its ability to perform it

Management Plan

- Firm's demonstrated ability to solve complex project issues
- Effectiveness of firm's cost management plan during design and construction
- Firm's approach for managing changes within the stated cost and schedule limitations
- Firm's approach for competitively administering and evaluating bid packages
- Effectiveness of firm's schedule management plan during design and construction
- Effectiveness of firm's subcontractor management plan
- Firm's approach to implementing an effective nondiscrimination policy and local or small contractor outreach program
- Effectiveness of quality assurance program and plan
- Effectiveness of close-out plan
- Effectiveness of plan for administering other services identified by firm, value to project
- Effectiveness of site logistics plan and safety plan

Quality of materials, building components, systems assembly and equipment with respect to durability, maintenance and operating costs

Post-occupancy repair and maintenance plan (clarity, completeness, and the likelihood that all routine and emergency repairs and maintenance obligations will be performed in a timely manner)

Made in (state) and Made in USA

Nondiscrimination Policy

- Firm's affirmative action plan concerning its workforce and procurement practices and approach for implementing on proposed project
- Firm's record on policies of nondiscrimination on the basis of race, creed, color, sex, or national origin in its employment or procurement practices

Safety & Site Security

- Effectiveness of firm's safety plan and logistics plan for proposed project
- How does the CM/GC include specialty contractors and suppliers in its safety plan?
- Has the firm or its subsidiaries received a "final order" for willful or repeated OSHA violations or failure to abate safety deficiencies during the last 10 years? If so, provide explanation

Interview

- Overall impression of key team members (project manager, superintendent, project director, cost estimator, project executive, etc.)
- Methodology presented to ensure success
- Principals' ability to engender confidence that the firm can complete the project within schedule and budget
- Ability of team members to communicate during the interview process
- Firm's ability to answer challenging interview questions

SAMPLE PROJECT DELIVERY OPTION RECOMMENDATION FORM

*Project Name:*____

*State Agency:*____

Explain which factor(s) was (were) the basis for the recommendation of the option you indicated below. Also, explain why you did not recommend the other options, particularly Design-Bid-Build:

• Owner's Internal Resources & Philosophy

• Necessity to Overlap Phases

• Ability to Define Scope

• Desire for Single Contract

• Regulatory/Legal or Funding Constraints

• Other Factors

Recommended Project Delivery Method (check one):

❏ Design-Bid ❏ Build Best Value ❏ Design-Build ❏ CM/GC

Recommended Type of Selection (check one):

❏ Competitive Sealed Bid ❏ Competitive Qualifications/Cost Proposal
❏Competitive Qualifications

Briefly explain why you did not recommend the other options:

Recommendation by:

(Print name): ________________________________ Title: ____________________

(Signature): ________________________________ Date: ____________________

APPENDIX B: SAMPLE BEST VALUE LEGISLATION LANGUAGE

[The following is based, in part, on recent draft legislation from the State of Colorado.]

Best Value Construction Contracts

Short Title. This article shall be known and may be cited as the "Best Value Construction Contracting Act."

100. Legislative Declaration. (1) The general assembly hereby finds and declares the following:

(1) Construction contracts for public works projects require massive investments of state resources and affect critical Government operations and infrastructure facilities. It is therefore essential that capital construction projects be delivered in the most timely, cost-effective manner possible, and that the state secure maximum value from its public works investments.

(2) Because of the inherent complexities and unique demands of construction contracting, it is often not possible to obtain maximum value results by awarding contracts solely on the basis of the lowest bid because of the need to consider and evaluate certain non-price qualification factors affecting project performance, including contractor experience, past performance, management plans, subcontracting plans, and skilled labor resources.

(3) In enacting this article, the General Assembly authorizes state agencies to make full use of the competitive sealed best value proposals process authorized by this article to procure construction projects in a manner that will allow the state to obtain the best overall value and most advantageous results.

101. Definitions. As used in this article, unless the context otherwise requires:

(1) "Best Value" is a selection process in which proposals contain both price and qualitative components, and award is based upon a combination of price and qualitative considerations. Qualitative considerations may include technical design, technical approach, quality of proposed personnel, and/or management plan. The award selection is based upon consideration of a combination of technical and price factors to determine or derive the offer deemed most advantageous and of the greatest value to the procuring agency.

(2) "Best Value Construction Contract" means a construction contract for a public project awarded through a competitive sealed best value proposals process in compliance with the provisions of this article.

(3) "Management Plan" means the plan offered by the offeror for managing the construction contract that identifies the key management personnel that will be used for the project, the proposed project schedule, the offeror's quality control program and project safety program, and any other information that demonstrates the offeror's competency to perform the contract, including its technical qualifications and resources.

(4) "Past Performance" means the offeror's experience, expertise, and performance in connection with prior construction contracts, including its performance in the areas of cost, quality, schedule, safety, compliance with plans and specifications, and adherence to applicable laws and regulations.

(5) "Request for Proposals" means one of a state agency's procurement documents that specifies the project to be delivered, the project's delivery method, and the agency's detailed method of

competitive selection. A request for proposals may include a prequalification requirement, known as a “request for qualifications,” which precedes any request for a price proposal and which may lead to a shortlist of offerors.

102. Competitive Best Value Proposals Process.

(1) A construction contract for a public project may be awarded through a competitive sealed best value proposals process in accordance with the following requirements:

(a) A best value construction contract shall be solicited through a request for proposals process that shall require the submission of competitive sealed proposals from responsible offerors qualified to perform the construction contract;

(b) The solicitation must contain language establishing that an award will be made on a “best value” basis;

(c) The request for proposals required by paragraph (a) of this subsection (1) shall identify the evaluation factors upon which the award shall be based and the relative weight of such factors. At a minimum, these evaluation factors shall include the following:

(i) The offeror’s proposed project price;

(ii) The offeror’s management plan for the project;

(iii) Past performance of the offeror and the offeror’s primary subcontractors;

(iv) Any other factors relevant to the successful performance of the construction project;

(d) The request for proposals shall disclose the relative importance of the price factor alone compared to all non-price evaluation factors taken together;

(e) Adequate public notice of the request for proposals shall be given in the same manner as provided for competitive sealed bidding;

(f) Proposals shall be opened in the same manner as competitive sealed bids. A register of proposals shall be prepared and made available for public inspection.

103. Award determination. The award of a best value construction contract shall be made to the responsible offeror whose proposal is determined in writing to be the most advantageous to the state and that represents the best overall value to the state, taking into consideration the price and other evaluation factors set forth in the request for proposals. No other factors or criteria shall be evaluated in making the award determination other than those specified in the request for proposals. The contract file maintained by the state shall contain the basis on which the award determination was made.

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