



Master Builders' Association
Of Western Pennsylvania, Inc.

Letter to the Editor:

The Pennsylvania Department of General Services (DGS) has issued an intent-to-negotiate letter for the construction of a \$178 million prison expansion project at SCI German Township in Fayette County. The problem is the selected firm does not present the best deal for the Commonwealth – not in price, not in value and not in construction schedule.

For SCI German Township, DGS used a selection process known as Best Value Contracting (BVC). Rather than selecting the lowest price submitted on bid day, BVC evaluates proposals based on (1) price, (2) technical credentials and (3) disadvantaged business enterprise (DBE) participation, each of which are given weightings of 60%, 35% and 5%, respectively. When properly used, BVC prevents the bad actors and the unscrupulous contractors from taking projects from reputable contractors simply by having the lowest bid. Regardless of the criteria used to determine best value, the process only works when the government entity evaluates non-price factors in a fair and competitive manner.

Because of the size, complexity and degree of risk, the number of firms qualified to tackle a project the magnitude of SCI German Township is limited. The list of potential bidders was further reduced to those firms with the financial wherewithal to meet all the technical requirements and cost of preparing a design-build proposal. Thus, only six qualified firms submitted proposals.

Unfortunately, in reviewing the proposals for this project, the DGS internal review committee made errors in scoring the technical credentials and the DBE participation of the proposer who actually offered the lowest price and best schedule. As a result, DGS selected a proposer whose price was almost \$6 million more and whose schedule was nearly three months longer than the proposer with the lowest cost and shortest schedule.

For instance, the proposer with the lowest price actually lost points for promising to finish the project earlier than required by the bid document. For the rest of the construction industry, getting the job done early is a good thing, and owners usually reward contractors for such an effort. Whatever the case, a contractor is never penalized for finishing a project ahead of schedule.

Also, each proposer was required to submit its best estimate of what its participation of DBEs might be. The lowest proposer estimated that 52% of the work would be done by DBEs while the successful proposer's number was 55%. That small difference gained the higher proposal more points in the scoring process. While we recognize the importance of engaging DBEs, these

estimates are exactly that, estimates. DBE participation percentages are purely subjective guesses and DGS does not and cannot verify the reasonableness of these participation levels. Nonetheless, DGS input the guesses into the grading process and awarded points accordingly.

All of this caused DGS to select a proposer with a higher price and a longer construction schedule because it scored 1.33 points (out of a total of 1000 points) or 0.133% higher than the proposal with the lowest cost and fastest schedule. If DGS would have followed proper BVC principles, this would never have been the case.

In our view, there is no value in awarding a construction contract for a project that is going to cost almost \$6 million more and take nearly three months longer to build – especially when a technically-qualified alternative proposal clearly exists. Therefore, we believe DGS senior officials should overrule their internal review committee and award the project to the technically-qualified contractor who offered the best price and best schedule.

Sincerely,

Jack Ramage
Executive Director
Master Builders' Association of Western PA