

Public Works Contracts Incentives

MATERIALS MANAGEMENT

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Goals

- Speed up project delivery
- Reduce impacts to local community or economy
- Reward contractors for early project completion
- Disincentivize contractors for not meeting timelines

Types

- Cost Plus Time or $A + B$ Proposals
- Incentive Provisions
- Disincentive Provisions

A + B

Project Selection Criteria (2 Steps)

- Must meet **one** of the following:
 - Significant impacts to local community or economy during construction
 - Rehabilitations projects along high traffic corridors
 - Projects that add capacity
 - Seek a contractor with expertise to provide more efficient solutions

A + B

Project Selection Criteria

- Must meet all of the following:
 - Road User Costs (RUC) greater than \$1,000
 - Travel delay cost calculated using TXDOT time value per vehicle type and road usage
 - Calculated by roadway by Traffic Engineer
 - Project must be relatively free of utility conflicts
 - Adequate City staff (engineers, inspection, etc.) available to limit delays outside the contractors control
- Director of Capital Improvements may grant exceptions if above criteria not met as outlined

A + B

Sample Evaluation

Contractor	Base Proposal (A)	Working Days	Road User Cost/day	Time Cost Factor (B)	Evaluated Cost to the Public
A	\$4,250,000	150	\$11,000	\$1,650,000	\$5,900,000
B	\$4,500,000	125	\$11,000	\$1,375,000	\$5,875,000
C	\$4,650,000	100	\$11,000	\$1,100,000	\$5,750,000

- In the above example, Contractor C offered the lowest evaluated cost to the public.
- A contract of \$4,650,000 would be awarded to the contractor with 100 working days.

Incentives

- Used to motivate contractors for early completion
- Comparable disincentive is included in the contract
- City must set maximum days allowed to complete project in solicitation
- City must set maximum days allowed as incentive in solicitation
- Incentive should not exceed evaluated Road User Cost (RUC) for the specific roadway

Disincentives (2 Types)

- **Liquidated Damages**

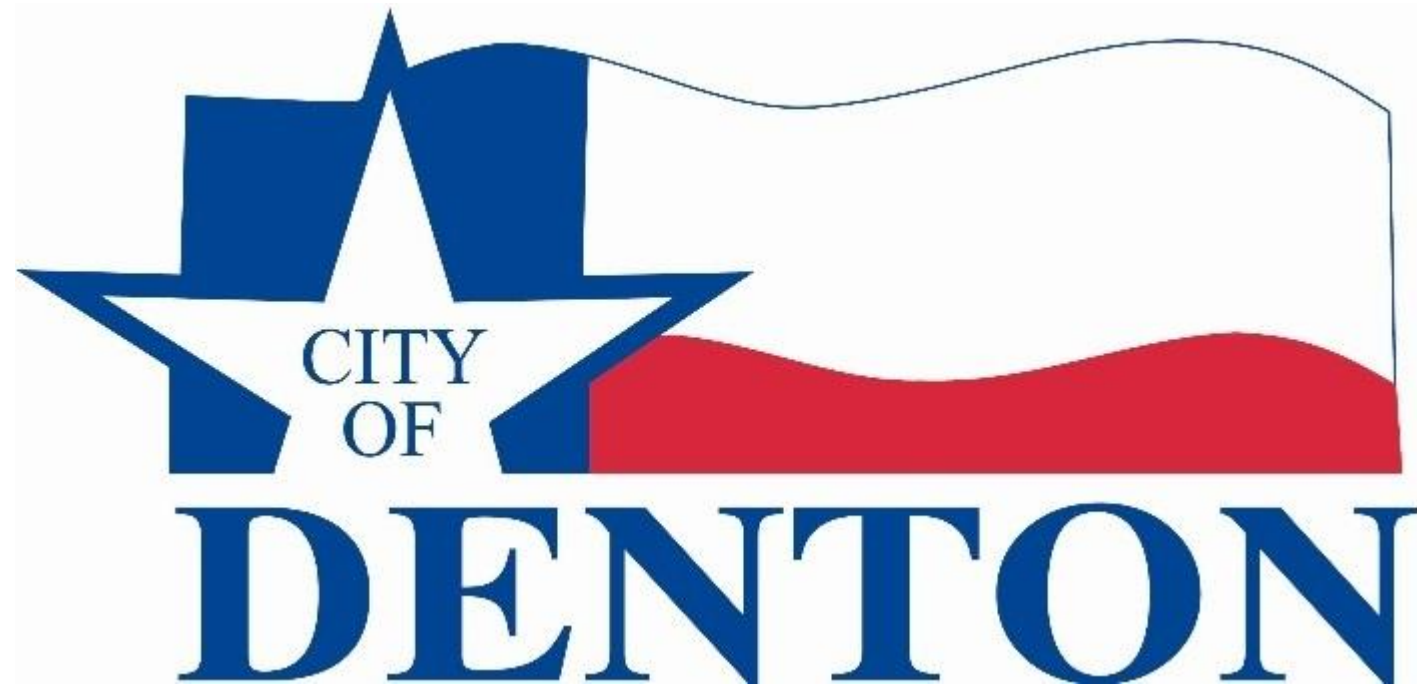
- Pre-agreed charges to the contractor if certain criteria or completion dates are not met
- Amount is determined before soliciting
- Amount may vary by specific phases or portions of the project
- Damages are based upon actual damages incurred by the City for non-performance
- Includes expenses from outside consultants that may be involved for oversight

Disincentives (2 Types)

- **Road User Costs (RUC)**

- Travel delay costs by roadway
- Value used to determine the impact to motorists with lane closures and traffic diversions
- Amount will be published in the solicitation
- Approved by Traffic Engineer

Questions



Road User Costs (RUC) Determination

- Time Value per vehicle type as determined by TXDOT
 - \$22.40 per passenger car
 - \$32.70 per truck
- Number of passenger cars and trucks traveling per hour on the affected roadway as determined by a traffic study
- The posted speed limit and estimated average speed during construction
- Approved by City Traffic Engineer before soliciting