

BOC PROCUREMENT SERIES

WELCOME Business Outreach Committee (BOC) 2023 PROCUREMENT SERIES

WEEK TWO – CONSTRUCTION
FEBRUARY 16th | 12:30-2:30PM



PANELISTS

HOST: Brooklyn Moore-Green, **Program Specialist, Contracts Compliance Department**
Alameda County Transportation District (AC Transit)

Ed Duarte, **Construction Consultant**
Aztec Consultants

Ron Leong, **Management Analyst**
San Francisco County Transportation Authority (SFCTA)

Ken Hendricks, **Procurement Manager**
Sonoma-Marín Area Rail Transit (SMART)

Ed Duarte



Ed is the founder and retired CEO of Aztec Consultants; a San Ramon-based professional construction management company and general contracting firm. Founded in 1986, Aztec specializes in public works, commercial and institutional construction projects as a Prime Contractor.

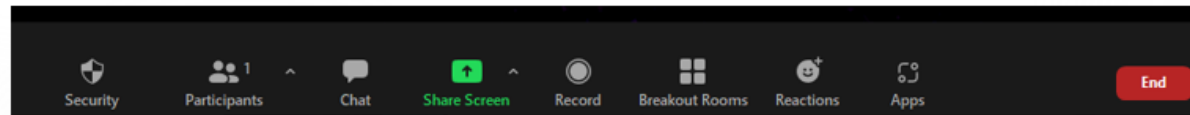
Under his leadership, the company has provided construction management services on over \$275 million of public works contracts and built over \$400 million as the General Contractor of Record.

He has also taught classes and workshops in estimating, bidding & project management for scores of Minority and Women-owned construction firms throughout California for over 25 years. He holds a B.S. in Civil Engineering from Fresno State University.

HOUSEKEEPING

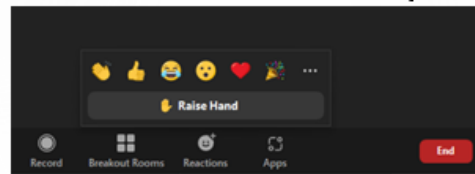
Please keep your device on mute!

Chat Box: Q & A and Resources



Chat Box

Reaction: Raise hand to request to be unmuted



Reaction

For dial-in, *9 to unmute

Meeting Recorded

AGENDA

Time	Topic	Panelists
12:30p	Welcome	Artemisé Davenport, GGBHTD
12:35a	Introductions	Ed Duarte, Construction Consultant Ron Leong, SFCTA Ken Hendricks, SMART Brooklyn Moore-Green, AC Transit
12:40p	Introduction to Contracting	Ed Duarte, Construction Consultant
1:30p	Break	
1:35p	Introduction to Contracting (Con't)	Ed Duarte, Construction Consultant
2:15p	Questions & Answers	Ed Duarte, Construction Consultant
2:30p	Closing	Brooklyn Moore-Green, AC Transit

Introduction to Public Works Contracting

Presenter - Mr. Ed Duarte



Course Objectives

- Understanding the bid and pricing process & the typical bid format for both primes and subcontractors
- An overview on basic concepts for estimating
- An overview of the basic protocol & process for submitting a sub bid
- Understanding the admin requirements about bonding & insurance
- *This workshop is designed for construction contractors*
- *Per the CA Public Contract Code....Low Bidder Wins!*

Basic Requirements

- Proper **license as a Prime Contractor - General Contractor (A or B)**
- Proper **license as a Subcontractor - Specialty (C-category)**
- Registered with the **Department of Industrial Relations (DIR)** (Registration cost is \$400 per year)
- Required liability **insurance coverage**, plus a Workers Compensation policy
- Must pay **prevailing wages** to all workers (effectively, union scale)
- Must comply with **Apprenticeship** standards
- **Standard Pay procedure of once every 30 days, in arrears**
- All bid proposals must meet without qualification or reservation, the specifications as written **in the bid documents**
- If you are bidding as a **Prime**, all projects over **\$25,000** will be required to be fully bonded

Key Points to Consider

- Contractual Requirements and General Conditions
- Bonding and insurance requirements
 - ***As a Prime***
 - ***As a Subcontractor***
- Pre-Bid Conference/ Job Walk
- Union / non-union issues during bidding process
- General contractor outreach to subcontractors
- Subcontractor outreach to general contractors

Public Works Construction Contracts

- The CA Public Contract Code has requirements that apply to all CA Public Works Construction contracts when it comes to insurance.
- While the requirements may seem a bit complex, examining each type of policy in layman's terms can help a contractor understand what they cover and how to comply.
- This workshop is an overview in simple terms of what types of policies are required from every contractor holding a public works contract. We will also discuss the relationship of Prime and Sub.

Types of Policies

Construction

For construction contracts, the *typical* list of policies required are:

- Public Liability/Property Damage
- Workers Compensation
- Automobile Insurance
- Pollution Coverage
- Builders Risk, aka ***Course of Construction***
- **For Design & CM contracts, the main type is Professional Liability aka *“Errors & Omissions”***

Construction Insurance

Summary

- ALL Public Construction Contracts will require insurance, period.
- Insurance coverage is available to any contractor who can pay for it
- A Prime contractor cannot allow any sub on the jobsite who does not provide proof of insurance in the proper format
- Both subs and primes must indemnify owners, architects, engineers and construction managers by showing them as additionally insured
- ***Be sure to deal with an experienced insurance broker who deals in this type of market!***

Bonds – Four Types

- **Performance Bond** is a guarantee that the contractor will build the project per plans & specs for price stated in their bid proposal.
- **Payment Bond** guarantees the contractor will pay all the bills; subs, suppliers, and of course the workers wages and benefits.
- **Maintenance Bond** guarantees the contractor will honor all warranty and maintenance issues within the warranty period after the project is complete
- **Bid Bond** is the legal document submitted with the Prime's Bid Proposal on Bid Day.
 - Its purpose is to serve as a “deposit” with the owner which guarantees the low bidder will sign the construction contract for the amount of their bid.
 - It should be mentioned that the Bid Bond is worth 10% of the total bid proposal and it is a negotiable instrument.
 - If the low bidder pulls their bid without justifiable cause, then the owner can cash in the bid bond for its value to be applied towards the difference between the low and second bidder's price.

The Bonding Process

1. The prime sends a copy of the Invitation to Bid to their Insurance/Bonding agent and asks for a Bid Bond. If the agent sees no problems, they issue the bid bond to the contractor for signature. It will reference the project, bid date, and state that its value is 10 percent of the enclosed bid. This Bid Bond will be turned in with their bid proposal on bid day.
2. When bids are opened and the low bidder's *proposal* is fully vetted for compliance with the request for bids, staff will then recommend to the governing board that a Notice of Award be sent to the successful low bidder...(or the next low bidder if problems arise).

Typical Requirements for Qualifying for Bonding

- You must be currently licensed by the CA Contractors State License Board for your particular classification
- You must have been in business at least 2-3 years
- You should have a Line of Credit or at least \$10-20,000 thousand available for working capital.
- Proof that you keep a formal set of books in house.



Typical Bonding Requirements (cont'd.)

- A three-year track record of successful project completions with the names of the A/E firm, the owner and the general contractor if you are a subcontractor.
- Three years of personal tax returns and three years of financial statements for the company prepared by a CPA
- You will be required to sign an Indemnification Agreement that essentially pledges all of your assets to the Surety as collateral

Key Information Points

- Only Primes are required to provide bonds to the owner - No exceptions!
- Many GC's are now requiring subs to be bonded in favor of the prime
- The cost of the bond should always be included in your bid
- The cost of bonds usually run from 0.5 to 3.75 % of the contract value
- The larger, experienced and profitable firms will have the lowest bond rates
- You will be given two values of your bond capacity. Maximum price per contract, and a total bonded projects cap.
- The Indemnification Agreement is mandatory for ALL contractors, no exceptions
- Qualifying for bonding should be every PW contractor's goal.
- The Surety is bonding a contractor that they think won't ever fail
- Remember, that a bond is not an insurance policy, that's why it is more difficult to obtain

Project Information

- Information to Contractors / Invitation to Bid - (Date, Time, & Place)
- Bonding Requirements - (Bid Bond & Performance / Payment Bonds)
- ***The Bid Proposal Form is Always Included in the specifications***
- Description of the Work
- Insurance Requirements
- DIR Registration & Prevailing Wages required along w/ Certified Payrolls
- Project Labor Agreement (PLA) Requirement - (if any)
- MBE / DBE / SBE / WBE / DSVBE / Requirements - (if any)
- Contract completion time & liquidated damages
- Type of CPM Schedule Required
- Submittals Requirements - (Number of Copies, Turn Around Time)
- Change Order Procedures - (Cost backup, Markups, Disputes)
- Weather Days Allowance Policy
- Pay Application Procedure / Retention Policy.... (5% per California PCC)
- Safety Program Requirements
- SWPPP Plan Requirements
- Quality Control / Materials Testing Requirements
- Project Close-out Procedures

Best Practices

Union / Non- Issues

- ▶ **For Caltrans Highway and County Road projects, over 95% of the bidding primes are signatory to trade unions**
 - **This means a new open shop sub may be required to become signatory. If a Project Labor Agreement is in place, there is NO option**
 - **So, if small, open shop DBE cannot or will not go union, then don't waste time on estimating and submitting your bid**
 - **For Federal work, subs are subject to the Primes union status (if applicable)...OR if there is a Federal PLA mandated**

Best Practices

Finding Work

- **YOU** should search & find projects that fit your profile
 - Nature & Type of work
 - Geographic location
 - Size of project (as related to your capacity)
 - Contract time allowed
 - Set up a Bid Calendar

Finding Work & Contacting the Prime

- Check the websites of Caltrans & other Public Agencies
- Find a project that fits your profile & capabilities.....if decision is to bid, then
- Download Plans & Specifications
- Review the Project Description & Engineers Estimate
- ***Review the Bid Form List of Bid Items***
- Review the List of Primes planning to bid the job
- Prepare your Scope Letter & decide what you will bid upon
- Send the bidding primes your ***unpriced*** Scope Letter
- Begin working on your estimate
- On Bid Day morning, send your priced-out Scope Letter

Union / Non-Union Issues

For Caltrans, & County Road projects and other Heavy-Civil contracts, over 95% of the primes bidding PW are signatory to trade unions

This means a new open-shop sub may be required to become signatory. If a Project Labor Agreement is in place, there is **NO** option and becoming signatory is mandatory

So, if a small, open-shop DBE cannot or will not go union, then don't waste time on estimating and submitting your bid, as you will *not* be awarded a subcontract

Scope Letters - Process & Protocol

- DBE's often feel their bids are ignored, given second class status, or even being shopped around
- The GC must receive, evaluate, track and post a multitude of sub bid data while finalizing their bid, and it is not just their price!
- **Over 95% of all sub bids are submitted in the last hour before bid time**
- Your **Scope Letter** should be on your letterhead with all the information as shown on the sample
- Preparing your price list in the same format as the Prime's Bid Form is the **professional** way to submit your bid
- Following this protocol will ensure you receive fair consideration and evaluation of your proposal. *It immediately signals the GC that this bid is from a sub who understands the process*

Best Practices

- Start your own estimate early, do your Pre-bid Job Walk, quantity take-offs and develop your spreadsheet at least a week before the project bids. This is another reason that you should find your own projects to bid and develop a bid calendar
- Format your spreadsheet to mimic the Prime's Bid Form as required by owner
- Send out your own request for bids from your subs & suppliers
- Send your unpriced Scope Letter to the bidding Primes.



Best Practices

- Call or email the Prime's estimator and ask if they received your Scope Letter
- Ask if they have any questions about your proposed scope of work
- If you have any questions about the bid, now is the time to ask, ***not on bid day!***
- Request that they give you bid results for your trade after the Bid is opened & mention that you will send them a Tally Sheet so they can fill in the numbers.



Submitting Your Scope Letter

- Be as clear and concise as possible
- Be sure to structure your pricing to match the format in the Prime's Bid Proposal
- Be sure to reference the Spec Section that applies to your work
- Include all applicable taxes & freight
- ***Acknowledge all addendums (key)***
- State any delivery restraints that could affect the schedule
- Identify unloading requirements
- If appropriate, offer alternate pricing for partial scope, but be clear!
- State how long your price is good for ***(key)***

Worst Practices

When Submitting a Scope Letter

- Do not bid alternate items unless they are approved by the A/E firm
- Do not include a detailed quantity take-off unless bid form calls for it
- Do not exclude taxes or freight on any of your materials or equipment
- Don't expect that you will dictate payment terms
- Do not make a long list of exclusions that are not industry standard for your type of work
- ***Requests for upfront monies are almost never allowed***
- **Do not wait** until 15 minutes before bids are due to submit price
- Do not wait until bid day to ask questions

Submitting on Bid Day

- Finalize your price
- Email or fax to the bidding primes **45 - 60 minutes early**
- Follow the owner's website to see bid results
- The next day contact low bidder & request results for your work
- If they used your number and listed you, send a short congratulatory note

Questions so far?

BREAK TIME

Sample Handouts Review



Estimating the Project

- The importance of starting early
- Understanding labor costs
- Quantity Take-offs & Pricing
- Bid Day Logistics
- Engineer's Estimate vs. *Your Price*



ESTIMATING THE PROJECT

OBJECTIVES

- Efficiently Estimating The Job In A Timely Manner
- Develop the Correct Spreadsheet Format For Unit Pricing
- Develop the Unit Prices per Bid Item
- Utilize the Correct spreadsheet for Lump Sum Pricing
- Obtaining sub & supplier pricing



BIDDING AND ESTIMATING

Estimate Structure

Direct costs

- Labor
- Materials
- Equipment
- Subcontractors
- General Conditions

Indirect costs = Markup

- Office Overhead & profit



Selecting Subs & Suppliers

- Ask for and check references
- Consult with industry peers
- Send out requests for proposals/bids
- Compare bid sheets and select best bidders
- Build network of reliable subcontractors and suppliers
- Beware of the “*Lowest Price Mentality*”

BIDDING AND ESTIMATING

Post-Bid

- Develop standard estimating checklists, and spreadsheet templates
- De-brief on both successful and unsuccessful bids
- Maintain files on all successful and unsuccessful bids



Thank You