

# Alternative Contracting General Information

Definitions for the following contracting types:

## Table of Contents

[A+B Bidding](#)

[Bid Averaging Method](#)

[CM@Risk](#)

[Design Build - Major](#)

[Design Build - Minor](#)

[Incentive/Disincentive](#)

[Lane Rentals](#)

[Liquidated Savings](#)

[No Excuse Bonus](#)

[Performance Based Contracting](#)

[Link back to Table of Contents](#)

# A+B Bidding

Cost plus time bidding involves time, with an associated cost, in the low bid determination. This cost-plus-time method of bidding enables the contractor to determine a reasonable contract duration required for project completion; thus allowing the contractor to control the important element of time. In most cases, it is the contractor, who can best determine the most reasonable amount of time necessary to complete the project. This technique encourages a contractor to capitalize on a particular construction method or process which would speed construction.

a) The cost or “A” component is “the traditional bid” for the contract items and is the dollar amount of all work to be performed under the contract. The A+B bidding concept is designed to shorten the total contract time by allowing each Contractor to bid the number of days in which the work can be accomplished. The A portion of the bid consists of the total of all quantities multiplied by the associated unit price quoted by each contractor.

b) The time or “B” component is a “bid” of the total number of calendar days required to complete the project, as estimated by the bidder. This portion consists of a pre-established dollar value for each contract day multiplied by the number of contract days quoted by each contractor. The number of contract days is provided by the contractor as part of the bid.

Contracts are awarded based on the combination of the bid for the contract pay items (that is the “A” portion of the bid) and the associated cost of the time needed to complete the work (the “B” portion of the bid).

In the A+B bidding method, a dollar value for each contract day is established by FDOT prior to the project being advertised. The Contractor will receive an incentive for each day the work is completed ahead of his original contract time bid. If the Contractor completes the project late, a disincentive will be assessed as well as appropriate liquidated damages are applied as per the contract.

For the purpose of the disincentive, the contract time will be adjusted for weather, unforeseen conditions, and extra work as approved. The number of days bid is multiplied by the daily road user cost established by Department to determine the value of the contractor’s time bid.

Formula: **A + B = Total Bid**

where **A** = Standard Bid (Cost) and

**B** = Time Bid (days x road-user costs per day).

[Link back to Table of Contents](#)

The price portion of the bid does not become the only consideration in the award. The project is awarded to the contractor with the lowest sum of A + B.

To further reduce the time bid by the contractor, an incentive/disincentive clause, with the amount being equal to the daily time bid amount. The contractor will receive an incentive for each day that work is completed ahead of the contractor's original contract time bid. Conversely, if the contractor completes the project late, the disincentive will be assessed as well as liquidated damages as per the contract. For purposes of the disincentive, the contract time is adjusted for weather, unforeseen conditions, and extra work.

The Daily Report of Construction (Form No. 700-010-13) as well as the Engineer Weekly Summary (Form No. 700-010-14) will serve as the support documentation for appropriate payment. Each will show the following statements: 1) "Today is the first day or the beginning milestone day of the A+B bidding phase of this contract"; 2) "Today is the last day of the A + B bidding phase of this contract."

(Same information required on a site-manager project)

# Bid Averaging Method

The goal of the Bid Averaging Method (BAM) is to get contractors to bid a true and reasonable cost for a project. This method allows the contractor to bid what the actual project will cost without “needing” to be the lowest bidder.

BAM Contracts are included in \$120 Million Cap and must be Submitted and Approved through the Project Management Office.

According to the Work Program Instructions, BAM must not to be used on Federally Funded Projects but only 100% State Funded or Local Projects.

If 5 or More Bids are received, the Department excludes the high and low, then averages the rest and selects contractor closest to the average.

If 3 or 4 bids are received, the Department averages all bids and selects contractor closest to the average. If less Than 3 Bids are received, the Department rejects all bids and re-advertises the project.

Upon award of the project, the Department’s normal contract administration processes are used.

# CM@Risk

Construction Management at Risk (CM@Risk) may be defined as an integrated team approach applying modern management techniques to the planning, design and construction of a project in order to control time and cost, and to assure quality for the project owner. The team consists of the owner, the architect/engineer and the construction manager (CM).

Construction Management at Risk includes pre-construction and construction services. The CM is selected about the same time as the architect/engineer and in his role as owner's agent; his task is to represent the interests of the owner in all phases of the project.

The CM is selected using the standard Consultant selection process. The CM performs "value engineering or construct ability reviews" for the owner during the pre-construction phase. Pre-construction services include CM cost estimates and budget recommendations, which may play a major role in cost containment, and requires CM review of contract documentation preparation for construct ability. The owner still has complete approval of all changes or design decisions. The CM, using the budget of the Owner, provides suggestions for alternatives for design, construction materials, and processes. His experience and skill provide a clearer picture to the owner of the cost of different alternatives/methods/materials. At about 50% contract documents phase, the CM submits a Guaranteed Maximum Price (GMP) for acceptance to the owner. The CM warrants to the owner that the project will be built at a price not to exceed the GMP. The CM assumes the risk of meeting the GMP by holding all of the subcontracts.

The method of contracting is a joint venture with Department of Management Services, the Department and the contractor. This contracting method requires all phases to be open through to completion of the project.

The following are types that can benefit from Construction Management at Risk:

- Building type projects where construction methods and specifications vary between professional groups (i.e., engineer/architect and construction trades).
- Innovative funding scenarios, where multiple owners may dictate final project criteria.
- Projects where limiting budgets threaten the delivery of the project and where CM alternative can help maintain costs.
- Other projects, where construction input is required during early phases of design.

To program Construction Management at Risk (CM@Risk) projects, use contract class 4, item group CMAR, and phase 52.

[Link back to Table of Contents](#)

Construction Management at Risk is authorized under [F.S. 337.025](#), Innovative Contracting, which has a cap of \$120 million per year. All projects administered under this statute require approval from the State Construction Office.

[Link back to Table of Contents](#)

# Design Build - Major

Compared to traditional contract procurement, time is saved when the project construction begins during design. Design-Build assigns the design and construction to one firm, sometimes allowing construction to begin before plans are complete.

This provides a single point of contact for quality, cost and schedule from design through construction, thus reducing change orders and claims due to errors and omissions.

Design-Build is innovative in that it allows the contractor maximum flexibility to choose innovative designs, materials and construction techniques.

Major Design-Build contracts are allowed under Section 337.11(7), Florida Statutes. The Legislature allows the use of Design-Build contracts to expedite the project implementation and completion schedule of certain major construction projects. Simply stated, Design-Build major projects include bridges where the estimated cost for construction is \$10 million and over, buildings, and rail corridor projects.

**These types of Design-Build contracts are NOT included in the \$120 million statutory cap for Design-Build projects.**

# Design Build - Minor

Design-Build Minor contracts are defined as bridges under \$10 million and other transportation projects (resurfacing) not previously allowed under Section 337.11(7), Florida Statutes. This would exclude Design-Build Major items (buildings, major bridges, and rail corridor projects).

Design-Build Minor contracts are allowed under [Section 337.025, Florida Statutes](#) and are calculated in the \$120 million cap. Therefore, Design-Build Minor contracts must be submitted to and approved by the State Construction Office for statutory compliance.

Approved Projects

[SR 844/NE 14th Street Bascule Bridge Rehabilitation](#) (PDF 76KB)

[Link back to Table of Contents](#)

# Incentive/Disincentive

Incentive/Disincentive (I/D) is an alternative contracting technique that uses incentive monies, which are paid to the contractor for early completion of a project as provided for in the contract. Disincentive monies are subtracted from the contractor for completing the project later than time allowed by the contract. The Incentive/Disincentive technique may be a stand-alone method, or may be applied to other alternative contracting techniques including No Excuse Bonus, A + B, Liquidated Savings, Lane Rental, Design Builds or any combination.

I/D are assessed on a daily basis and can be used to achieve specific milestones within a project or to encourage timely completion of the total contract. If intermediate milestones are used, it is recommended that a milestone also be placed at the end of the project to ensure overall reduction of contract time.

ID for a particular project is set by the Department based on daily road-user costs, the CEI and administration cost expended by the Department. The incentive payments to the contractor are programmed in the fiscal year in which the incentive payment is expected to be made. Expected payout will occur when the contractor has met the early completion dates noted in the contract.

There are two types of I/D contracts: (1) Linear – the contractor receives or is charged the same daily amount regardless of the number of days completed, early or late, and (2) Non-Linear (Escalating Incentive/Disincentive in which the failure-to-work provision applies to incentive) – the earlier or later a job is completed, the greater the daily amount paid to or assessed against the contractor.

This concept can be used on a wide variety of project types and is best applied when the Department is willing to pay the contractor to expedite the work to reduce the contract time. It is similar to the A + B concepts in that it works well with urban reconstruction and bridge related projects.

The Daily Report of Construction (Form No. 700-010-13) as well as the Engineer Weekly Summary (Form No. 700-010-14) will serve as the support documentation for payment. Each set of the above project form will show the following statements: 1) “Today is the first day or the beginning milestone day of the Incentive/Disincentive phase of this contract”; 2) “Today is the last day of the incentive/disincentive phase of this contract.”

(Same information required on a site-manager project)

# Lane Rentals

The lane rental technique is like the A + B (i.e., cost-plus-time) technique in that the contractors bidding on a lane rental project will determine the number of days that a lane will be closed during work and use this determination in their bid process. The total lane rental bid will be added to the standard bid to decide the award. Contractors using more lane rental days than which they bid will be charged lane rental fees. The lane rental concept required a fee established during design and placed in the contract to be assessed for each day or half-day of lane closure(s) in "excess" of the number of total lane rental days originally bid by the Contractor (see your contract for the applicable days). Once the lane rental days exceeds the total number of lane rental days bid the predetermined lane rental fee will be multiplied by the excessive time and the result will be deducted from the monthly estimate's payment. The Contractor shall only be charged lane rental days on chargeable workdays.

The lane rental fee is based on the estimated cost of delay or inconvenience to the road user during the rental period. The fee is assessed for the time that the contractor occupies or obstructs part of the roadway and is deducted from the monthly progress payments.

The rental fee rates are stated in the bidding proposal in dollars per lane per time period, which could be daily, hourly or fractions of an hour. Neither the contractor nor the contracting agency give an indication as to the anticipated amount of time for which the assessment will apply and the low bid is determined solely on the lowest amount bid for the contract items.

All lane closures shall be documented on the Lane Rental Form No. 700-050-57. The time period during which the Contractor closes one or more lanes as permitted by the Contract. The Engineer will not consider time periods less than 15 minutes in computing Lane Rental Days. The computation of Lane Rental Days will include moving operations. The number of lanes considered closed will be based on the number of lanes available prior to construction versus the number of lanes maintained through the project during any particular day. A lane is a mainline through lane or ramp. Lane Rental Days will be computed in full day and half-day increments. A full day will be computed for any lane closure(s) or any combination of lane closures totaling over 12 hours in cumulative length over a 24 hour period. For purposes of computing Lane Rental Days, the 24 hour period will be continuous and will begin when the Contractor begins the closure. Computation of Lane Rental Days will continue until the closure is completely removed. A half-day will be computed for any lane closure(s) or any combination of lane closures totaling 12 hours or less cumulative in length within a 24 hour period. Beginning and ending times, locations and unit of measure (full or half days) shall be tabulated for each lane rental to be charged. The actual full or half day lane rental shall be charged on the day in which the ending time falls. For example if a lane closure

begins at 8:00 p.m. on Monday and reopens at 6:00 a.m. the next day (Tuesday), a half-day lane rental will be shown on Tuesday's Lane Rental Form. The Contractor and (PE) shall mutually agree upon the twenty four (24) hour clock beginning and ending times for lane rental purposes and recorded in the Preconstruction Conference Minutes. Lane Rental Days will not be charged for any day that Contract time is not charged. Daily Lane Rental Fee: The full day Daily Lane Rental Fee is \$\_\_\_\_\_ per lane per day. The half day Daily Lane Rental Fee is 50% of the full day Daily Lane Rental Fee. The lane rental items will only be shown on the lead project on Contracts with multiple projects, but will cover work for all Revised 3-1-04 projects within the Contract.

(Same information required on a site-manager project)

The rental fee rates are dependent on the number and type of lanes closed and can vary for different hours of the day. For example: the rush hour periods of say 6:30 to 9:00 am and 3:00 to 6:00 pm could have an hourly rental fee of \$2000 for closing one lane while a lane could be closed at any other time at a rental fee of \$500 per hour.

[Link back to Table of Contents](#)

# Liquidated Savings

The liquidated savings concept is to reward the Contractor for each calendar day the contract is completed and accepted prior to the expiration of allowable contract time. Contract time is adjusted for time extensions under this concept. The amount of incentive or reward will be based on the direct saving to the Department (and thus the public) related to Construction Engineering Inspection and Contract Administration costs.

The Daily Report of Construction (**Form No. 700-010-13**) as well as the Engineer Weekly Summary (**Form No. 700-010-14**) will serve as the support documentation for payment. Each set of the above project forms will show the following statements: 1) "Today is the first day or the beginning milestone day of the Liquidated Saving phase of this contract"; 2) "Today is the last day of the Liquidated Saving phase of this contract."

(Same information required on a site-manager project)

# No Excuse Bonus

The No Excuse Bonus concept is intended to shorten the construction time that would normally be required to perform the work by providing the contractor with a substantial bonus to complete a project within a specified time frame regardless of any problems or unforeseen condition that might arise. An additional advantage of the use of this technique is that it serves as a tool to motivate efficient construction as it encourages the contractor to keep projects on schedule. Bonuses are intended to reward a contractor for early completion, thereby reducing disruption and inconvenience to the public.

Bonuses may be placed on a specific milestone or on project completion date in the contract specifications for the expressed purpose of completing an element or project within the prescribed time or by a certain date. The bonus can be tied to milestones, a final completion date, or both.

Unforeseen conditions, weather delays, unforeseen site conditions or other issues, which normally extend contract time, are not a consideration when granting a bonus. Bonuses are tied to a “drop-dead” date (timeframe) that is either met or not met. If the bonus date or milestone is not met, the contractor will not receive the bonus. • Time extensions are allowed only for catastrophic events, such as a hurricane that directly impacts the contractor’s performance

Utility schedules are crucial when using the No Excuse Bonus technique. A contractor may have to accelerate work to get a bonus, requiring the Construction Engineering and Inspection (CEI) parties to also increase staffing or work overtime. FDOT may establish contingency funds to cover the CEI’s increased workload.

Contractors may choose to share bonuses with utility companies, subs, etc., in order to get these companies or groups to commit to working towards a bonus. Developing and maintaining realistic schedules are critical for contractors.

# Performance Based Contracting

A method of contracting for roadway maintenance services whereby the contract describes precise end-result performance expectations along with clear, effective ways to measure contract performance.

[Link back to Table of Contents](#)