

Department of General Services and California Department of Transportation Best Value Procurement Project

Background

The State of California created the Best Value Procurement pilot program in 2014, in Assembly Bill (AB) 1857 (Frazier, Chapter 381, Statutes of 2014). This act added to and repealed Section 10326.2 of the Public Contract Code. The legislation was approved by the governor and filed with the secretary of state on September 17, 2014.

This legislation authorized the California Department of General Services (DGS) to establish a pilot program to test the effectiveness of the “Best Value Procurement” (BVP) method for supplying heavy fleet vehicles and special equipment to the California Department of Transportation (Caltrans). This original authority was in effect until January 1, 2021.

The BVP authorization had an initial limitation of \$20 million annually and established requirements for bid evaluation and protest procedures. The bill also required DGS to prepare an evaluation of the BVP pilot and a recommendation on whether or not the process should be continued by June 1, 2020.

On October 8, 2019, Assembly Bill 1810 (Committee on Transportation, Chapter 636, Statutes of 2019) amended the 2014 enabling legislation by extending the BVP authorization until January 1, 2022. Other changes included increasing the cap on the total value of the vehicles and equipment purchased through this BVP authorization to \$50 million and clarified that this limit applied to the fiscal (not calendar) year. However, this bill did not change the requirement to prepare an evaluation and recommendation by June 1, 2020. This document is intended to meet this requirement.

Approach

DGS and Caltrans assigned team members to collaborate on how best to proceed with a scored procurement for this commodity type. For each procurement, Caltrans was responsible for selecting the specific heavy equipment type that would be purchased under the program, creating the administrative and technical specifications for each equipment type, and defining the “performance and productivity” criteria for point allocation. DGS was responsible for specification review to ensure competition; drafting the solicitation package; ensuring the “performance and productivity” criteria could be substantiated, did not skew award, and provided actual benefit in terms of cost of ownership (not arbitrary and capricious); and conducting the solicitation phase, i.e., procurement official/sole point of contact for bidders. In addition, DGS was responsible for leading negotiations under Public Contract Code Section 6611 when necessary and providing the state’s response under the Alternative Protest Process for protested

awards. For all procurements, once bids were submitted, the DGS and Caltrans team members conducted a group evaluation of those bids for compliance.

Findings

An evaluation of the BVP program provided the following findings:

Successes

- Assigning a high level of points for extended warranty worked well. The majority of awards were to bids offering the maximum extended warranty.
- The best value approach of splitting points by 50 percent cost and 50 percent other allowed participation from bidders who normally would be priced out of the competition.
- Bidders were responsive to performance and productivity scoring criteria, resulting in awards for units with better performance capabilities and durability.
- DGS began using the BVP to establish multiyear statewide contracts, as opposed to one-time acquisitions, to minimize redundant procurements for commonly purchased equipment. This resulted in a reduction of duplicated effort.
- AB 1857 required that factors such as life cycle costs, equipment performance, emission impacts and safety be considered. The DGS Procurement Engineering Branch, which promotes environmentally preferable purchasing, proposed numerous emission and safety recommendations. To ensure all equipment purchased would be “greener,” Caltrans included the majority of those recommendations as specification requirements.

Obstacles and Solutions

- The bidder community for heavy equipment was overwhelmed by the length and detail of the traditional Request for Proposal (RFP) solicitation package, potentially limiting bidder participation. DGS modified how the information was presented in the RFP in order to make the process more user-friendly while still accomplishing the overall best value approach. This modification included removing unnecessary information such as the traditional RFP sections titled “Current Solution” and “Proposed Solution,” removing redundant language, and replacing administrative and technical compliance check boxes throughout the RFP with an Agreement Cover Letter that bidders must sign and submit. The Agreement Cover Letter eliminated the rejection of otherwise-compliant bidders for missing a check box. In addition, after the first fiscal year round of procurements, DGS invited bidders from all procurements to a Bidders Conference in order to provide information on what the BVP was attempting to

accomplish, how solicitation requirements were developed, and what was required in order to meet the solicitation requirements. The conference included a breakdown of the solicitation phase including Question and Answer phases, bidder clarification process, mandatory and non-mandatory requirements, and how to submit a compliant bid. This Bidders Conference was recorded and publicly posted on the Caltrans website for bidders who were unable to attend and for future potential bidders unfamiliar with the BVP process.

- Determining appropriate scoring criteria for each solicitation was an initial challenge, as a few of the initial scoring criteria categories proved to be cumbersome for bidders and did not provide true value to the unit. Such items included spare parts inventory or requiring mechanic certification for exact models. These categories were eliminated in subsequent BVPs. The objective was to decrease the cost of ownership and increase the performance and reliability of the units being purchased while maintaining competition and a “fair and reasonable” purchase price.
- Determining appropriate time frames for solicitations was also an important factor. There is quite a bit of crossover of bidders for a majority of these procurements, and RFPs require more paperwork to substantiate point allocation. Gathering the necessary documents, usually specific to the RFP number, is time-consuming. The timely staggering of solicitation release allows these bidders the opportunity to respond to multiple procurements as opposed to just one.
- In addition to documentation required for point allocation, the RFP requires bidders to submit customer references. Typically, three references are required, each of which must be within a specific time period and for the same equipment being procured in the RFP, and must meet a defined dollar value. The initial procurements conducted under this BVP were very strict. Bidders were required to submit the exact customer reference form attached to the solicitation, and references were required to be for the exact equipment type being procured. This proved to be too restrictive, eliminated otherwise-compliant bidders, and provided no real value. The Customer Reference requirement was modified to allow references for similar (rather than identical) heavy equipment to that in the RFP. Some procurements allowed for any customer reference to be submitted as long as it met the dollar value, time frame, and similar equipment parameters.
- Bids were received for most of the procurements conducted under the BVP program. However, a few procurements received no bids. Feedback from potential bidders indicated that the value of the equipment determined whether or not they would participate, and low-value equipment was not worth the effort

required to submit a bid. Adjustments were made to limit the BVP procurements to equipment with a high dollar value.

Results

- The BVP procurement process has been streamlined to encourage competition and remove redundancy.
- The heavy-equipment bidder community is now well-versed in the BVP procurement process.
- Caltrans Division of Equipment has gained a solid knowledge base for participating as subject matter experts for scored procurements.
- All of the purchased units include performance and productivity upgrades that are beneficial in regard to life cycle costs, equipment performance, emission impacts, safety, etc. However, since heavy equipment has an expected life cycle of 20 years, it is difficult to determine the extent of these benefits after a five-year time frame. Caltrans is currently working on implementing a data tracking system that will provide for a more thorough analysis as these units age.

Recommendations

DGS recommends that permanent BVP authority be granted to DGS and Caltrans. DGS-led efforts have resulted in a core competency in using this procurement method that has proven beneficial to Caltrans. Other recommendations to consider:

- Base the BVP threshold on Caltrans' delegated budget authority for purchasing equipment. The current legislation sets the limit at \$50,000,000.
- Develop and publish an annual non-binding schedule of proposed BVP solicitations so that potential bidders have the opportunity to plan and allocate resources around the projected time frames.
- Explore options to gather greater feedback from equipment users and fleet maintenance equipment personnel regarding the comparative availability, reliability, and return-to-service performance of BVP versus non-BVP equipment.

In conclusion, the BVP project was an overall success. Twenty-nine of the 30 projects were awarded to bidders who offered performance and productivity upgrades. DGS and Caltrans were also able to determine what factors worked well and what factors need to be improved upon to encourage more participation. By implementing what we've learned, we hope to accomplish even greater success in the future.