1. Adjusted Bid

What is it?

Adjusted low bid best value procurement is a two stage procedure in which a bid is first analyzed based on technical merit and is scored using pre-defined technical criteria. After the technical score is determined, the price component of the bid is opened and analyzed. The price component is then divided by the technical score, and the lowest adjusted cost is the winning bid. The price component presented is used for the contract price, not the lowest adjusted cost (*1*).

Why use it?

The advantage to using adjusted bid procurement is the combination of two components, low bid selection and qualifications-based selection, into one procurement method. Further, adjusted bid promotes the potential for multiple design solutions and innovations in materials use from the bidding firms (*2*).

What does it do?

Adjusted bid allows STAs to modify the price portion of a proposal by some factor related to the technical evaluation. The modification of the price is done in a manner that reflects the value of the underlying proposed qualitative factors included in the technical portion of the proposals. Using this approach indicates that the price of the proposal is important to STAs, but that other aspects of the project must be included to determine the best value, which is basically a unit pricing of quality (*3*).

How to use it?

NCHRP report 561 (*1*) provides guidelines for using adjusted bid procurement:

1. Screen the candidate project and determine its potential to accrue benefits by using best-value procurement. If the project appears to be a good candidate, capture the essential screening criteria that made it a good candidate and rank them in order of importance to the project.
2. Develop qualifications, technical, schedule, and cost evaluation as appropriate based on the screening criteria. For each evaluation criterion, the owner must develop a measurable standard against which responsiveness will be measured.
3. Publish the best-value RFQs. The solicitation will contain the following items as a minimum
   1. Description of scope of work
   2. SOQ forms
   3. Contract completion date or days
   4. List of qualifications evaluation criteria with corresponding standards
   5. Description of process to be followed for the best-value proposal evaluation plan
   6. Description of what constitutes a non-responsive SOQ
4. Receive SOQ.
5. Evaluate SOQs against published standards and determine which statements are fully responsive and meet the qualifications criteria.
6. Announce the list of prequalified firms.
7. Publish the best-value RFPs. The solicitation will contain the following items as a minimum:
8. Scope of work and relevant plans and specifications
9. Proposal forms
10. Contract completion date or days (if applicable)
11. Method to carry forward Step 1 qualifications ranking/ scores into final evaluation (if applicable)
12. Best-value proposal evaluation plan listing the technical, schedule, and cost evaluation criteria with corresponding standards
13. Description of what constitutes a non-responsive proposal
14. Evaluate proposals against published technical, schedule, and cost standards and determine which proposals are fully responsive in meeting the qualifications criteria.
15. Eliminate any non-responsive proposals from the competitive range.
16. Roll-up evaluation results and determine the final point score for each responsive proposal.
17. Compute the $/technical adjusted bid using the following formula to determine the best value for the project
18. STA awards the project to the firm within the competitive range offering the lowest adjusted bid price.

When to use it?

The adjusted bid approach may be used when the overall outcomes of a project can be clearly defined and a number of alternatives may exist that could potentially improve the probability of achieving successful outcomes (*4*). Bidding firms are then willing to provide alternatives and innovations in order to improve their chances of being awarded the project, which in turn provides benefits to the project and the STA.

Limitations?

The STA must be careful in using adjusted bid best value procurement in that this procedure is only appropriate for projects that have outcomes that can be clearly defined by the STA (*5*). If any discrepancies exist in the RFP that are interpreted differently by different proposing firms, the scoring procedure will be incorrect. This can lead to protests by unsuccessful firms. Clearly defining the outcomes and scoring system in the RFP is critical in using adjusted bid procurement.

Who uses it?

Arizona, Maine, Michigan, Montana, North Carolina, Pennsylvania, South Carolina, South Dakota, Maricopa County (Arizona)

Example

The Maine Department of Transportation used adjusted bid best value to procure a design-builder for the Bath/Woolwich Bridge project (*1*). The Bath-Woolwich Bridge is a bridge that spans the Kennebec River between the City of Bath and the Town of Woolwich near the existing Carlton Bridge, together with the Bath approach to the bridge. The project consisted of the design and construction of a trapezoidal concrete box girder bridge.

To evaluate the received proposals, the department publicly opened and read the responsive lump sum price proposals and divided each price by the score of that firm’s design-build proposal, yielding an overall value rating for each firm.

The score was determined by evaluating the best value criteria of lifecycle cost, schedule, maintenance of traffic, management plan, quality of construction and technical solution. The department awarded the contract to the firm with the lowest responsive overall value rating. Therefore, proposing firms wanted to lowest price and highest score. A direct scoring method was used and evaluated using the following scale:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 0% | 10% | 20% | 30% | 40% | 50% | 60% | 70% | 80% | 90% | 100% |
| Marginal | |  |  |  |  | Average | | | Exceptional | |

Maine DOT’s award decision was considered final and is not subject to review or appeal, which was stated in the RFP. The RFP also provided for the payment of a stipend upon specified terms to unsuccessful firms that submitted responsive proposals.

References

1. Scott, Sidney, Keith R. Molenaar, Douglas Gransberg, and Nancy C. Smith. *NCHRP Report 561:* *Best-Value Procurement Methods for Highway Construction Projects*. National Cooperative Highway Research Program, Transportation Research Board, Washington DC, 2006.
2. Pennsylvania Department of Transportation. *Innovative Bidding Toolkit*. Publication 448, Bureau of Project Delivery, 2011.
3. Gransberg, D.D., W.D. Dillon, H.L. Reynolds, and J. Boyd. Quantitative Analysis of Partnered Project Performance. *Journal of Construction Engineering and Management*, American Society of Civil Engineers, Vol. 125, No. 3, 1999, pp. 161-166.
4. Beard, Jeffrey L, Michael Loulakis, and Edward C. Wundram. *Design-Build: Planning Through Development*. McGraw-Hill, New York, 2001.
5. Montana Department of Transportation (MDOT). *Design-Build Guidelines,* update #3, April 14, 2008. <http://www.mdt.mt.gov/other/const/external/design-build_cr_va/db_guidelines.pdf> [Accessed: March 27th, 2014].