

Capital Projects Advisory Review Board Job Order Contracting Committee Report

September 14, 2017

Topic

Alternative procurement method Job Order Contracting – RCW 39.10.420 to RCW 39.10.460

Introduction and Purpose

Many public bodies throughout the state have utilized Job Order Contracting for over twelve years with excellent success. During that time the implementation of JOC has become more efficient and effective providing a wide variety of repair, remodeling and renovation construction. There is a growing concern that the comprehensive use of JOC is being stifled due the limiting guidelines identified in RCW 39.10.420 to RCW 39.10.490 while the identification of exemplary implementation of JOC has identified best practices worthy of documentation to further improve the procurement process. At the February 2017 CPARB meeting a Job Order Contracting committee was established to address the following items:

1. Review and identify the successes and challenges of the utilization of RCW 39.10.420 to RCW 30.10.460
2. Review the past twelve years of data collected by the Department of Enterprise Services as prescribed RCW 39.10.460
3. Review other pertinent data collected by Job Order Contract users
4. Develop best practices implementation models and procedures
5. Consider changes to RCW 39.10.420 to RCW 30.10.490 if necessary and make recommendations to CPARB

Appointed Committee Members:

Scott Aker, Lease Crutcher Lewis
Bob Bourg, Department of Enterprise Services
Amy Engel (Chair), University of Washington
Maja Sutton Huff, Washington State University
Brent LeVander, Centennial Contractors
Jim Phillips, Forma Construction Company
Ed Simpson, Western Washington University
Elsa Tibbits, City of Seattle

Others Participating:

Quinn Dolan, Centennial Contractors
Terry Keys, Gordian Group
Eric Lindstrom, Forma Construction Company

The committee met on the following dates:

May 25, 2017
June 22, 2017
July 26, 2017
August 24, 2017

The following is the results of the review conducted by the committee and their recommendations:

1. **Review and identify the successes and challenges of the utilization of RCW 39.10.420 to RCW 30.10.490.** The implementation of Job Order Contracting in the State of Washington has been a success:
 - a. There are 13 owners utilizing this alternative procurement method today, which is up from 4 in 2008.
 - b. As required by law, over 90% of the work has been subcontracted and the WMBE participation is increasing every year.
 - c. JOC is an expeditious delivery method.
 - d. Team collaboration and an integrated approach provide constructability, assistance with budgeting/scheduling, and smart use of trades/consultants.
 - e. Provides a portfolio approach to projects; subcontractors utilized efficiently, supervision can be economized, and standards applied without necessary oversight/design.

Some challenges that have faced this delivery method are:

- f. The lack of qualified prime contractors,
 - g. Subcontractor availability,
 - h. The consistent application of WMBE measurement requirements,
 - i. State funding consistent with JOC limits,
 - j. The use of a unit price book, i.e. RSMeans
2. **Review the past twelve years of data collected by Department of Enterprise Services as prescribed RCW 39.10.460.** The committee assisted with the completion of the 2015 and 2016 collection process and analyzed the data from the last eight years as twelve years of data was not available. Highlights from this analysis are as follows:
 - a. Figure 1 shows that the usage of Job Order Contracting has increased 182% from 2008 to 2016 and the number of projects completed has increased 100%.
 - b. Figure 2 shows the WMBE subcontracting has increased 187% to \$5.7M in 2016.
 - c. WMBE usage has increased to 12.8% of award amount and 18.2% of subcontracted amount.
 - d. The average project size has increased 41% from 2008.

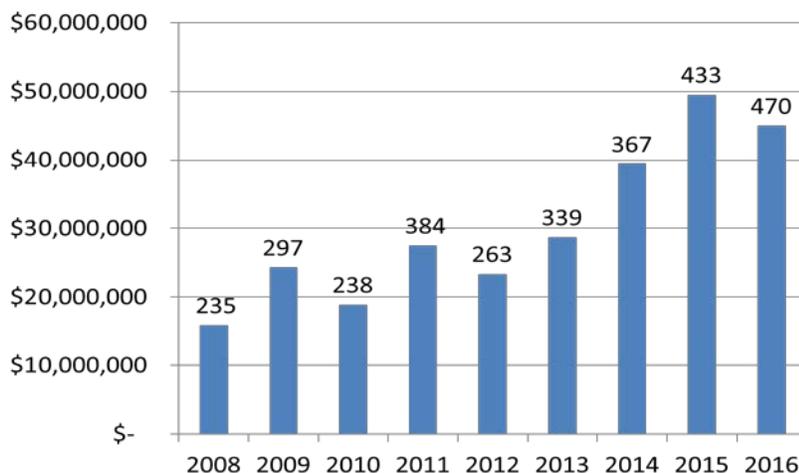


Figure 1 – Job Order Contracting Work Completed; Award Amount and Number of Projects

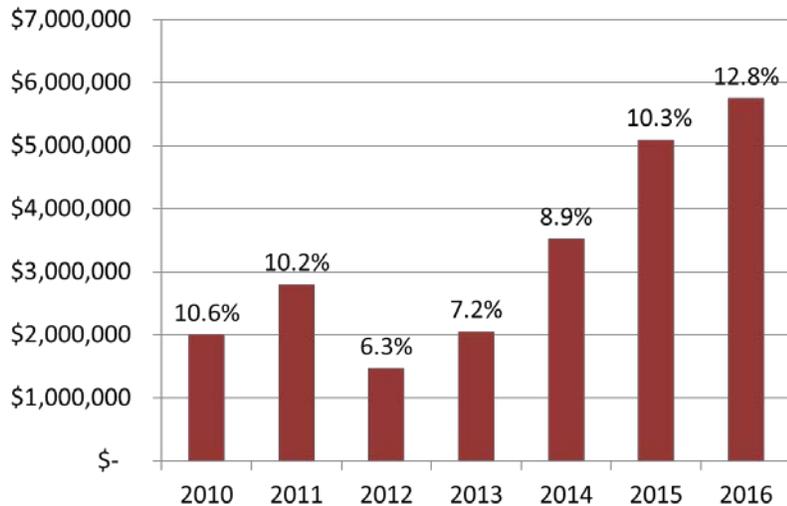


Figure 2 – Job Order Contracting WMBE Subcontracted Amount and Percentage

3. **Review other pertinent data collected by Job Order Contract users.** Program satisfaction and specific project usage data was reviewed. The committee did find that there are inconsistencies in whether Washington State Sales Tax is to be included in the limit amounts. The reporting period, which is currently the state fiscal year, was also discussed to see if there was an opportunity for improvement in the data collection process.
4. **Develop best practices implementation models and procedures.** The following best practices and procedures were discussed:
 - a. Utilize a collection process maintained by the Job Order Contractors versus the owners to improve accuracy and timeliness.
 - b. Report state certified participation as well as sbe participation separately.
 - c. Hold an outreach event for new or interested owners so they can see a program in place and ask questions on how to implement and manage.
 - d. Utilize the CPARB Project Review Committee for other public owners to request JOC use.
 - e. Continue to mentor WMBE firms. Subcontractor bonding is not required using Job Order Contracting as the delivery method.
5. **Consider changes to RCW 39.10.10 to RCW 39.10.490 if necessary and make recommendations to CPARB.** The following changes are recommended by the committee:
 - a. Task the Job Order Contracting Committee with the data collection process. This will eliminate the need for DES to dedicate time towards this process and will increase the visibility of the process.
 - b. Allow the owner to utilize unused contract capacity during later periods. At times an owner will only use \$2M of their allowed \$4M annual capacity, but the following year they achieve the maximum \$4M early in the twelve month period. Allowing the owner to utilize unused capacity from previous years during the overall contract period would enable them to maintain their workload

requirements and reduce the time period when they are unable to serve their end users.

- c. Increase the current work order limit from \$350,000 to \$500,000, not including Washington State Sales Tax. The limit for work orders was established at \$300,000 in 2004 and increased to \$350,000 in 2012 (16.7% increase). In this same time period, construction indices, material prices and labor costs have increased an average of 38.8% as shown in Figure 3. An increase to \$500,000 per project will allow owners to maintain utilization of the JOC program for the type of projects originally intended by RCW, and will allow for more work to be subcontracted to local small and WMBE firms.

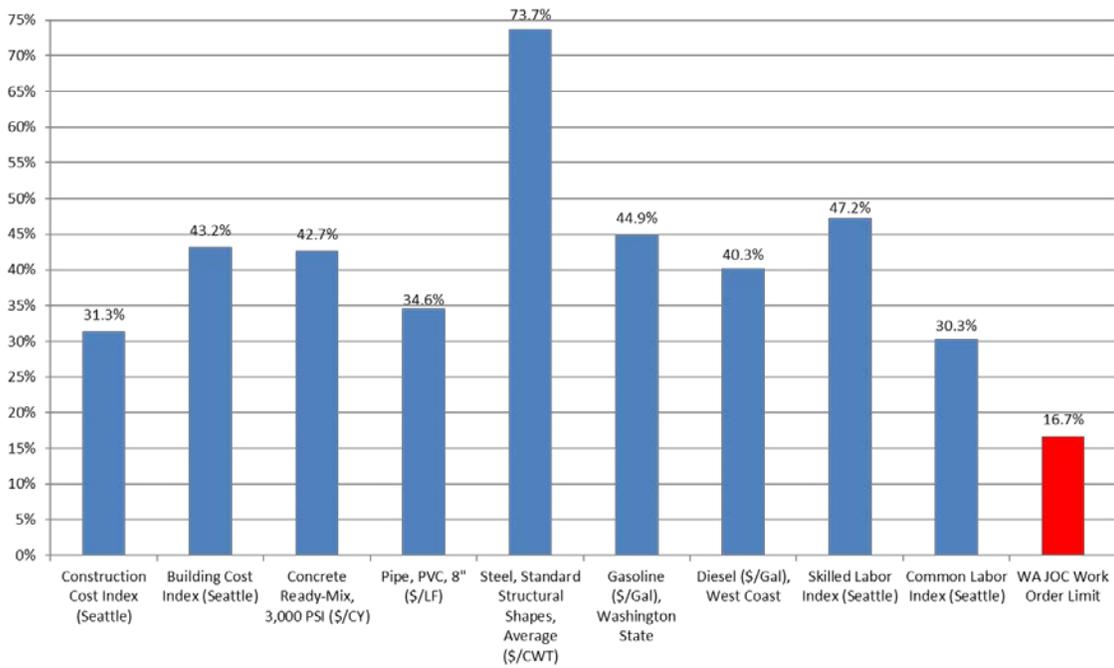


Figure 3 - Washington State Construction Increase 2004-2017