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Job Order Contracting:

Trust, Partnering, Relationships

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Originally published Summer 2007 by the Association of School Business Officials of Maryland and the District of Columbia

Delivering Solutions, Building Relationships.

Job Order Contracting:

Trust, Partnering, Relationships

Trust, Partnering, Relationships—Words not typically associated with construction, renovation or facilities maintenance. Until now.

Developed by the U.S. Military at the Supreme Headquarters Allied Powers Europe in the early 1980s, Job Order Contracting (JOC) has been making great strides and in-roads into the private sector as a Best Practice and an Alternative Construction Delivery Method for the purpose of expediting medium to large repair, renovation and rehabilitation projects.

Owners benefit from the core values of JOC; the desire of the contractor to work hand-in-hand with them to build a long term, mutually rewarding relationship; one that eliminates confrontation and negativity, to achieve a common goal—Completing each delivery order on-time and within the pre-determined budget parameters.

Is JOC for every construction project?—Of course not. Are there benefits to other delivery methods? Of course there are. It is up to the owner, after investigating, reviewing and comparing each method to decide which one or ones should be utilized.

Utilizing a JOC program, the owner establishes an open ended contract providing for an on-call contractor who is motivated to perform. Since there is no guarantee that the contractor will receive work (typically contracts will allow for a small minimum guaranteed amount of work—for example $75,000.00), it is in the best interest of the contractor to exceed the owner's expectations on each and every delivery order they receive, otherwise the owner can opt not to issue additional work under the contract.

A successful JOC program requires dedication and teamwork from both the owner and the contractor. Working together to design and develop a scope of work, the contractor is able to fully understand the needs and desired results of the owner and the owner's customer. Through joint scoping the contractor is able to ask questions, provide insight and obtain suggestions from subcontractors as to the most efficient and cost effective method to complete the project. This partnering enables both the owner and contractor to fully understand the desired results, and greatly reduce if not eliminates the "change order" philosophy.

The essence of a JOC RFP doesn't define the type of work or the value of each project to be completed prior to awarding, but typically establishes that the owner desires to use the contract to complete various multi-trade projects over the term of the contract. The JOC contractor is bidding on the potential type of work and projected value over the term of the contract. Depending on the owner, the RFP may establish minimum and maximum project values or allow for the contractor to decline individual delivery orders that may be less than or greater than a certain threshold. Yearly delivery order volume can be set for the term or the contract value can be open ended.

The chart below provides a brief comparison of several delivery methods.

Construction Delivery Methods

Characteristics	Cost Plus	Time and Materials	Construction Manager at Risk	Unit-Price Contracts	Job Order Contracting
Contract Use	Per project	Pre project or indefinite delivery / indefinite quantity	Per project	Pre project or indefinite delivery / indefinite quantity	Indefinite delivery / indefinite quantity
Term	Per project	Per project or term	Per project	Per project or term	One or more years with additional option years
Project Type	Multi-trade	Single or multi- trade	Multi-trade	Single or multi- trade	Multi-trade
Contractor Has Ability to Help With the Design	No	No	No	No	Yes
Typical Project Value Range	Up to $25,000	Up to $25,000	$25,000 and higher	Up to $25K	Up to the millions (low and high value typically set in contract). Average delivery order value ranges from $50,000 – $500,000.
Bid Format	Informal or Formal Bids	Competitive Bids	RFQ or RFQ/RFP	Competitive Bid	RFP, RFQ, or RFQ/RFP
Pricing Structure	Actual project costs + fees established by the contractor	Total hours + materials + contractor fee	GMP inclusive of CMAR negotiated fee	Unit price determined by contractor	Pre-established unit price* x coefficient *(Typical- 3rd party established unit price book)
Owner Generated Change Order Pricing	Subcontractor-based + contractor fee	Total hours + materials + fee	Subcontractor-based + CMAR fee	Contractor established unit price and/or T&M	Pre-established unit price x coefficient
Contractor Ability to Offer Value Engineering	No	No	Yes	No	Yes
Develops Teamwork and Partnering	No	No	Yes	No	Yes

Information obtained from RSMeans – "Job Order Contracting – Expediting Construction Project Delivery" – Allen L. Henderson © 2005

In response to a JOC RFP, the contractor not only submits a coefficient (or multiplier to be used in conjunction with the unit price book defined in the RFP), but more importantly key information concerning the contractors Safety Program, Quality Control, SBE/MBE/WBE utilization track record, JOC Management Experience and Performance History managing subcontractors under a Job Order Contract.

Once received, the owner will review the qualifications and coefficients of each contractor and grade the various components; using a pre-defined scale to determine which contractor will provide the best overall value (JOC is not based on lowest price (coefficient), but a combination of the various factors).

Once a contract is signed a cyclical process begins:

1. Detailed joint project scoping
2. Detailed project proposal, including line item estimate
3. Responsive, quality, safe project execution

This process is the beginning of Trust, Partnering and Relationships.

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