
SENATE COMMITTEE ON EDUCATION

Senator Carol Liu, Chair
2015 - 2016 Regular

Bill No: SB 1214
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Urgency: No
Consultant: Kathleen Chavira
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Fiscal: Yes

Subject: University of California: Best Value Construction Contracting Program

SUMMARY

This bill eliminates the sunset on the authority of the University of California (UC) to use the best value procurement method at all its campuses and medical centers and permanently extends the authority of the UC to use this procurement method at all its locations.

BACKGROUND

Existing law, until January 1, 2017, authorizes a pilot program at the UC to award construction contracts on a "best value" basis, rather than just to the lowest bid. (Public Contract Code §10506.4)

Existing law defines "best value," for purposes of the UC, as a procurement process whereby, the lowest responsible bidder may be selected on the basis of objective criteria with the resulting selection representing the best combination of price and qualifications. (Public Contract Code § 10506.5)

Existing law establishes a pilot program to authorize the Los Angeles Unified School District (LAUSD) to use a best value procurement method, before December 31, 2020, for public projects that exceed \$1 million, and requires submission of specified reports on the use of this procurement method. (Public Contract Code § 20119 - 20119.7)

ANALYSIS

This bill:

- 1) Expands the authority of the UC to use best value contracting beyond its campuses and medical centers to include all locations of the UC.
- 2) Deletes obsolete reporting requirements.
- 3) Deletes the sunset on the authority of the UC to use the best value procurement method, thereby extending this authority permanently.
- 4) Makes several technical and conforming changes.

STAFF COMMENTS

- 1) ***Need for the bill.*** The existing law, which authorizes the University of California (UC) Best Value Pilot program sunsets on January 1, 2017. According to the author, without this bill, the UC will forego the ability to employ a contractor selection method that provides significant opportunity for cost avoidance. The UC estimates that these projects were completed with a demonstrated savings of about 3 percent.
- 2) ***UC Best Value Pilot Program.*** SB 667 (Migden, Chapter 367, Statutes of 2006) established a Best Value Pilot program for the UC. Initially authorized for five years, the bill allowed the UC San Francisco to award contracts based on the best value for the university. Under this process, UC prequalifies bidders, then evaluates the bid based on answers to a separate best value questionnaire and assigns a qualification score. UC then divides each bidder's price by its qualification score. The lowest resulting cost per quality point represents the best value bid.

In a report to the Legislature, in January 2010, the UC reported that 23 contracts totaling \$158.3 million were issued under the Best Value Pilot program. Of the 23 contracts, 12 contracts were low bid contracts. According to the report, the "University Representatives for all these projects [four completed and two almost completed projects] have been unanimous in their praise of this process that has already demonstrated numerous advantages such as decreased bid protests and communication problems, decreased the need for multiple inspections and re-work, decreased disputes, change order requests, claims and litigation and increased incentives for contractors to perform their work safely and to adhere to high labor and quality standards." UC concludes that the Best Value Pilot program fosters better quality work, less labor and safety problems, better qualified persons/contractors, better on-time completion, and better on-budget performance. In 2011, SB 835 (Wolk, Chapter 636, Statutes of 2011), expanded the authority to all UC campuses, including medical centers, and extended the sunset from January 1, 2012, to January 1, 2017.

In its December 18, 2015 report, the UC reports that of the 320 construction contracts awarded since January 1, 2012, 40 totaling \$1.19 billion were awarded through the Best Value Pilot program, representing 13 percent of overall projects. The UC cites numerous advantages of this process including decreased bid protests, improved communication with contractors, reduced re-inspection and re-work, fewer disputes, change order requests, claims and litigation. The UC notes that the selection criteria it uses for best value procurement rewards contractors for maintaining strong safety and labor compliance standards and delivering high quality workmanship. The UC also notes that its best value contractor selection was met with nearly unanimous praise from the design and contracting community.

- 3) ***Prior legislation.*** AB 1185 (Ridley-Thomas, Chapter 786, Statutes of 2015) established a Best Value Pilot program at the Los Angeles Unified School District (LAUSD). The provisions of AB 1185 were generally based upon provisions authorizing the Best Value Pilot program for the UC, but codified more

prescriptive requirements around labor, contractors and subcontractors, and the weighting of certain factors in the evaluation of bids.

SUPPORT

University of California

OPPOSITION

None received.

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