

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 28, 2010
POSITION: Support
SPONSOR: Department of General Services

BILL NUMBER: SB 1457
AUTHOR: D. Cogdill

BILL SUMMARY: State Facilities: Alternative Project Delivery

This bill would allow the Department of General Services (DGS) to use Job Order Contracting (JOC) as an alternative method for procurement and delivery of public works projects.

FISCAL SUMMARY

While Finance cannot verify the potential savings for DGS and the state, we note the bill should not create additional costs pressures. Also, this bill has the potential to produce a time savings for smaller projects if the contract and bidding process is streamlined as a result of the JOC method.

Public Contract Code (PCC) Section 20919 authorizes the Los Angeles Unified School District (LAUSD) to utilize JOC. LAUSD submitted an independent third party report to the Legislature in 2005 indicating JOC was responsible for a 9.2 percent cost savings per completed job order using this method. To the extent that DGS realizes similar savings using the JOC method, the state could realize unknown savings.

COMMENTS

Finance supports this Administration sponsored bill because it could offer savings to the state by streamlining the contract and bidding process.

The JOC method:

- Utilizes indefinite quantity contracting wherein facility owners may contract for a large number of repairs, maintenance, and construction projects with a single, competitively bid contract.
Is used mostly for maintenance, renovation, and small construction projects and eliminates much of the bidding and award process in many instances. This bill would limit the individual project amount to \$250,000.
Allows contractors to competitively bid an adjustment factor to be applied to a catalog of construction tasks with pre-set unit prices.
Expresses the overall contract amount as a range in dollar volume, is generally for a specified term, and requires the contractor to perform a series of projects one after the other.

Existing law does the following:

- Requires the Director of DGS to competitively bid all contracts.
Authorizes The Regents of the University of California and The Trustees of the California State University to use multiple alternative construction and procurement methods including design-build, JOC, and Construction Manager at Risk.
Provides contracting procedures based on contract type for state and local public entities, including school districts.

(Continued)

COMMENTS (Continued)

This bill would do the following:

Analyst/Principal (0671) N. Brady Date Program Budget Manager Karen Finn Date

Department Deputy Director Date

Governor's Office: By: Date: Position Approved Position Disapproved

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- Allow the Director to determine the appropriate delivery method for public works projects as funds are appropriated and based on : estimated project costs and schedules; project construction or operational features; potential for change orders; other criteria deemed "critical" by the Director.
- Stipulate that contracts utilizing the JOC method shall not be exempt from the labor code, and Public notice of all related projects will be required.
- As appropriate, contracts providing for JOC will provide for the filing of separate performance and payment bonds for the contractor and bonds issued shall include funds to pay claims of those working under the contract.

Presently DGS must competitively bid all projects, which is not efficient for all public works projects. With the ability to use JOC, the bill notes the Director could select the best delivery method on a project by project basis and could complete projects in a timelier manner while minimizing future costs.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	
0001/Major Rev	SO	No		-----	See Fiscal Summary	-----			0001