1. Low Bid

What is it?

Competitive, closed bid system where selection is based only on the price presented to the owner. This is the traditional procurement method in use with traditional delivery methods, where design documents are at or near 100% complete (*1*). The price presented by the selected firm is the basis for the contract price of the project.

Why use it?

Low bid procurement is the most common procurement procedure used for selecting a contractor for roadway projects. This simplest procurement procedure relies only on selecting the contractor that provides the lowest responsive price. Most projects that STAs perform can use low bid, as long as the received bids are fully responsive to the design and specifications of the project *(2).*

What does it do?

Low bid procurement allows STAs to request a price from multiple contractors. The bid price that contractors submit are based on the completed design documents (plans and specifications). Then, the STA only has to compare the total price provided by the bidding contractors and the bid that is the lowest price that is fully responsive to the design documents is selected as the contractor to build the project.

How to use it?

The STA develops the design of the project to at or near 100% complete, either in-house or with a 3rd party design firm. Once the design is ready for bidding, the STA advertises the project to the contracting industry around the project location. Firms interested in bidding the project obtain an instruction to bidders (ITB) document. The ITB provides directions for bidding the project, how to obtain a set of plans, and when bid opening will take place. Bidding firms then provide bids for the project that includes a total cost for the STA to review. At the time of bid opening, all accepted bids are opened and reviewed to make sure that each bid is fully responsive. After bids are determined responsive, the lowest bidding firm is awarded the project.

When to use it?

Low bid is the most common procurement procedure for roadway projects and all STAs have experience using low bid. Therefore, low bid has been and can be used for all types of projects. However, projects that are large in size and/or include a high number of risks and is considered a complex project, low bid procurement might not be the optimal procurement procedure and alternative methods should be considered.

Limitations?

Although low bid is the most common method to procure a project, it may not be the best choice based on the project. Projects that are more complex and/or large in size can be procured using low bid, but the STA is then absorbing more risk that the awarded firm has the best estimated price for a project. If the price is inaccurate, the project will be subject to many RFIs and change orders, which can drastically increase the price of the project over the initial contract price. Additionally, low bid does not allow for other qualifications to be reviewed during the procurement process, which makes the STA solely depend on just the actual price of the project.

Who uses it?

All State Transportation Agencies have used low bid procurement.

Example

Low bid procurement is commonly used with design-bid-build and all STAs know the process for low bid procurement for a D-B-B project. However, low bid can also be used with design-build delivery. The California Department of Transportation (Caltrans) has the option to use either low bid or best value with a design-build project. The procurement process used by Caltrans to procure a design-builder using low bid is summarized below *(3)*.

Under a lowest-priced design-build approach, the Selection Committee will award the contract to the proposer that submits the lowest price and has a responsive technical proposal. To be responsive, the technical proposal must meet or exceed the requirements specified in the RFP.

Implementing the lowest-price procurement approach typically entails the following:

1. Develop evaluation criteria based on the goals and risks identified for the project, and whether criteria are evaluated on a pass-fail basis or scored. To the extent possible, evaluation criterion should have a measurable standard against which responsiveness will be measured on a pass/fail basis.
2. Prepare and issue the design-build solicitation package. The package should include the following items, as a minimum:
   * Scope of work, plans, and specifications.
   * Bid form.
   * Contract completion date or days.
   * Design-build evaluation plan identifying the evaluation criteria along with
   * corresponding standards.
   * Description of what constitutes a non-responsive proposal.
3. Receive design-build technical and price proposals.
4. Evaluate technical proposals against published standards and a minimum score to determine which are responsive to the RFP evaluation criteria.
5. Include responsive proposals meeting the minimum standard. Return sealed price proposals to the authors of the non-responsive proposals.
6. Open price proposals for those competitors that are responsive.
7. Award to the lowest priced proposal within the competitive range.

This approach has also been implemented by first opening sealed proposals to determine the apparent low bid, then evaluating the low bidder’s technical proposal for responsiveness. This post-qualification approach reduces the time and effort necessary to evaluate proposals. In general, this lowest-price-responsive-proposal approach is most appropriate for small-to-medium sized projects having a relatively standardized design and for which no innovation or alternatives are desired. Example projects could include resurfacing projects and bridge projects with a specified foundation type, spans lengths, and beam type.

This approach has the advantage of being the most similar to the Department’s traditional low-bid approach to procuring construction contractors. Also, awarding only the basis of price and responsiveness introduces relatively little subjectivity into the evaluation and selection process. However, by precluding the consideration of factors other than cost alone (e.g., quality, innovation, schedule, etc.), it may be difficult to ensure that the Department ultimately receives the best-value, particularly for large, complex projects.

References

1. Molenaar, Keith R. and Douglas D. Gransberg. Design-Builder Selection for Small Highway Projects. *Journal of Management in Engineering*, American Society of Civil Engineers, Vol. 17, No. 4, 2001, pp. 214-223.
2. Clough, Richard H., Glenn A. Sears, and Keoki S. Sears. *Construction Contracting: A Practical Guide to Company Management*. 7th ed., J. Wiley & Sons, New Jersey, 2005.
3. California Department of Transportation (Caltrans). *Alternative Procurement Guide.* Trauner Consulting Services, Inc., San Diego, 2008.