



# Best Value

## **Marnell Voss**

Best Value and its Use in an  
Information Technology Solicitation

## **Mark Mitchell**

Best Value Lessons Learned

## **Carol Umfleet**

Best Value in the Leveraged  
Procurement World



# What is Best Value ?

Any factor or other criteria established by a State agency to ensure that their business needs and goals are effectively met and that the State obtains the most value.



# When Do We Use Best Value?

Commodities purchased under the alternative protest pilot program.

Competitive bids for information technology and telecommunication services.

Prime contractor required for an integrated system.



# First Things First

Use the Team Approach

Market Research

Feasibility Study Report

Business Plan

Approval Document(s)

Develop Mandatory Requirements

Weighting Criteria

Evaluation Methodology

Risk Assessment



# Best Value Criteria

Operation costs the state would incur if the proposal is accepted.

Quality of the product or service or its technical competency.

Reliability of delivery and implementation schedule.



## Best Value Criteria cont.

Maximum facilitation of data exchange and systems integration.

Warranties, guarantees and return policies.

Supplier's financial stability.

Consistency of the proposed solution with the state's strategic program direction.



## Best Value Criteria cont.

Quality and effectiveness of the proposed business solution and approach.

Industry and program experience and expertise with engagements of similar scope and complexity.

Prior record of supplier performance.



## Best Value Criteria cont.

Extent and quality of the participants of the supplier's project team.

Proven methodologies and tools.

Innovative use of current technologies.



## Best Value Criteria cont.

What else should you consider?

Price is always a consideration.



# Remember

Each acquisition is unique.

Develop your evaluation criteria carefully.

Spell out your mandatory and your best value requirements completely.

Evaluate carefully and document thoroughly.



# Best Value

We are looking for:

the **best solution**

at the **lowest cost**

with the

**least amount of risk!**



# Thank You

**Please call us.  
We are here to help.**

**Our EDP Acquisition Specialists are  
experts in designing solicitations using  
best value criteria.**



# Best Value Lessons Learned

**Mark Mitchell**  
**Sr. EDP Acquisition Specialist**



## **“BEST VALUE BIDS” ARE NOT A PANACEA TO THE “LOWEST COST” BID PROBLEMS**

**While they help procure goods and services by criteria other than cost, the subjectivity of the rating scheme can lead to other problems.**

**Be sure what you are buying is a good fit for a “best value” procurement. They might not be if:**

- You are buying specific make and model items,**
- You have clearly defined needs and other factors really do not matter, and**
- There is no opportunity for a bidder to add value to the item being procured.**



## “BEST VALUE” BIDS ARE MORE WORK

- More time is spent creating them up front.
- More time is spent reviewing and rating bid responses to them.
- More time could be spent by bidders in responding to them, which could cause the time lines for the bidding process to be longer.
- More time could be spent defending them in a protest, since price is not the only criteria.



## WHAT THIS PRESENTATION WILL NOT COVER

“Best Value” means different things to different people.

*No attempt is being made in this presentation to discuss all the different criteria that could be factored into the evaluation for “best value” bids.*

Since each bid is unique, with criteria that must be tailored to that bid document, this presentation will only attempt to address general problems that have been encountered in past “best value” bids.

This presentation will also present information designed to cause staff involved in creating a “best value” bid, to think through what is really important to them.



## PRESENTATION OVERVIEW

Discuss the extra work involved in “best value.”  
(Assigning points, proportions, etc.)

- Provide some examples of problems encountered.
- Provide some tips to help the evaluation process.
- Provide some food for thought on actually determining what is really important.
- Present some other problems that are unique to “best value.”
- Discuss potential team problems and solutions.



## THE EXTRA WORK INVOLVED IN ‘BEST VALUE’

The creation of the Evaluation Methodology is hard and time consuming. Every rating component must be detailed up front. Then there is the issue of what rating scheme to use:

- Point Scheme (1 to 100, 1 to 1000, 1 to 5,000?)
- Rating Scheme (A, B, C, D, etc.)
- What about points for the Pricing Component? How much should that portion be worth?

**THE BEST VALUE PROCESS IS NOT AS SIMPLE AS GOING ON PRICE ALONE.**



## HOW MUCH WEIGHT SHOULD THE PRICE COMPONENT BE WORTH?

Should be the largest single component (perhaps 25-40% of the total amount of points). Oftentimes the price is to be a very large part, after all the cost usually is a major issue, since the solution must still be affordable.

*However, if its worth, say 40%.....*

Consider the following real life situation where the price component made up almost all the point difference between bids.



## CASE ONE - THE DISAPPEARING DIFFERENCE

There was a big difference in the point awards, until the “Pricing” component made up most of the difference.

Before costs were opened, the ratings were....

Bidder A-	855 points
Bidder B-	765 points

Clearly, based upon their bid response, Bidder A was a “better value” (by about 11%).

However, upon the opening of costs.....



## THE EFFECT OF COST ON THE FINAL RATINGS

**When the costs were opened, Bidder B offered a much better price than Bidder A!**

After the cost openings, and adjusting for pricing, the ratings were as follows:

Bidder A- 900 points

Bidder B- 897 points

Bidder A was still the “best value” but Bidder B was so close they argued that they wanted to be rescored.

Their argument was that they should have been given more points in some areas, and they could save the state a great deal of money.

**What do you do?**



## TO CONTINUE THE STORY.....

In the above case, the state refused to rescore, Bidder B filed a protest on several issues including wanting to be rescored.

The end result was, the judge ordered the state to rescore Bidder B's bid, believing that the state should not spend a great deal of more money on Bidder A's bid, for only a few extra points!!! After all, some subjectivity had been used in rating the bids.

The state eventually canceled the bid and started over.

The reality was subjectivity was a factor in how many points were awarded and it was hard to defend.



## SUBJECTIVITY ISSUE REGARDING POINTS

- What is a 10 point versus a 9 point response? In addition, if a group is reviewing the bids, and they are working independently, they each must be rating the same.
- The point rating scheme must be clearly defined prior to the bid release, and explained in the bid.

*Otherwise, there is risk that bidders will protest their rating, especially if it's close.*

Consider the following example to illustrate this point.



## CASE TWO - 'Example of a Close Bid'

*...(it all hinged on a few points, which were awarded in a "General" category.)*

The "General" Category required responses to be rated that were not easily scored...

- A Mission Statement
- A Vision Statement
- A View of how the bidder perceived the state's needs, etc.

*How do you score a "Mission Statement?"*

*How do you score a "Vision Statement?"*

*How do you score a "View?"*

These are easily protested, and perhaps better left as non-rated responses.



## THE NEED FOR THE POINT SCHEME HAVING FAIR PROPORTIONS

- Make sure the bid award is not likely to be skewed by non-significant points.

*i.e.: Bidder is given 60% of the total points if their sales are over \$5 billion (in order to eliminate small firms).*

- You should have reasonable balance of points. (Points must be related to actual values gained.)
- Opposite situation- All other points don't begin to compensate for the pricing portion.



## ASSIGNING POINTS TO FINANCIAL STRENGTH

**Often times the buyer wants to consider the financial strength of the supplier. It seems like a reasonable thing to do, however:**

- Very difficult to analyze P/L, balance sheets and other types of financial reports unless you have specialized training and experience.
- The use of Dun and Bradstreet Reports puts rating on a third party, but there are still potential problems (They are snapshot in time and D&B does make mistakes.)

*Ask yourself, who is really qualified to analyze financials on the evaluation team?*



## SUGGESTIONS FOR A BETTER EVALUATION

- Structure and include forms for bidders to complete which will provide the responses and information you need.
- **i.e., Do not just ask for a statement about their business, but list specific items for which you want responses:**
  1. Years in Business: \_\_\_\_\_
  2. Primary Line of Business: \_\_\_\_\_
  3. Corporate Headquarters' Location: \_\_\_\_\_
  4. # of Service Locations: \_\_\_\_\_
  5. # of Customers of similar size \_\_\_\_\_

**However, just asking may not be enough!!!!**



# THE CASE OF THE GENERAL BUSINESS STATEMENT

How do you decide how many points to award for years in business?

How many points for number of employees?

How many points for a “Mission/Vision Statement”?

How many points for number of branches/locations?

*In reality, it is not hard to assign a point value, but it might be very hard to defend it as relevant.*



## HOW DO YOU DIFFERENTIATE BETWEEN BIDDING ENTITIES?

***ISSUE: You have determined that the number of employees is a point scoring criteria.***

What happens if you have a manufacturer, with all its production employees, bidding against a distributor of another product who only has sales, service and office staff?

***What do you do as far as determining each one's points?  
(You could be comparing numbers that really do not mean much!)***



## HOW DO YOU DIFFERENTIATE BETWEEN BIDDING ENTITIES?

***ISSUE: You have determined that number of California service locations is a point scoring criteria.***

What happens if one bidder provides all its service by service reps who work out of their homes, while the other has specific established service facilities where its service techs are dispatched from?

***What do you do as far as determining each one's points? Do you care about the facility or the fact that one has more service reps? What really is the important factor?***



## HOW DO YOU DIFFERENTIATE BETWEEN BIDDING ENTITIES?

***ISSUE: You have determined that the number of years in business is a point scoring criteria.***

What happens if you have a bidder who specializes in what you are procuring, who has only been in business for a few years, versus a company that has been in business for 75 years but their specialty is in a different product or service?

***What do you do as far as determining each one's points?  
Is the real issue how many years they have been in business or their experience in what you are procuring?***



## HOW DO YOU FACTOR IN THE SMALL BUSINESS PREFERENCE AND OTHER PREFERENCES IN BEST VALUE?

**Question. How do you adjust points for the small business, or other preferences?**

Is the five percent based on just the price points, or all the points?

*Also, keep in mind the issue of recalculating the points after the costs are known - (Because you do not know who gets the preference until the prices are opened and known!)*



## TEAM DYNAMICS IN DETERMINING WHAT A FACTOR IS WORTH

Be aware that it can be very difficult in even trying to come to a consensus on what a factor is worth as you are creating the evaluation scheme. In other words, different members of the team might view a specific factor as more or less important than other members see it!

*What do you do, as you must come to an agreement?*

Situation.....



## GETTING TEAM CONSENSUS

- The techs want the ‘technical design’ to be worth 50%,
- The finance people want ‘price’ to be 50%,
- The program people want ‘ongoing support’ to be 50%,
- The end users want ‘ease of use’ to be 50%

• *OBVIOUSLY, THEY ALL CANNOT HAVE 50%!!!*

**What to do?????**

Obviously, the only option is a compromise.

Perhaps you can stiffen the requirements to provide greater protection. For example . . .



## GETTING CONSENSUS BY GETTING MORE!

- For the techs, require the design to utilize newer higher standards or the newest innovations.
- For the finance people, require future price guarantees that will keep future costs lower.
- For the program people, require the support to have a longer workday, or dedicated support personnel.
- For the end user, require more training to learn to use the system easier.

**i.e., Get more for them, by requiring more, thereby making each requirement have less at risk.**



## IN SUMMARY.....

“Best Value” Procurements *do* allow for awards to be made on factors other than the lowest cost.

However, they require a lot more up front, as well as after the fact work, to create a scoring scheme and then awarding points based upon the bidder’s response.

They also run the risk of having the bid award protested on the basis that a bid did not receive the points it deserved.

Defending a score a bidder received is harder than defending a low cost bid. Everyone always understands the lowest cost. They may not understand your rating scheme.



# Best Value - Leveraged Procurements

**Carol Umfleet, Manager  
California Multiple Award Schedule**



# What Am I Going to Talk About?

- Legislation
- Leveraged Procurement Contracts  
(CMAS/Masters/Statewide Contracts)
- Unique Advantages
- California Multiple Award Schedules
- Masters and Statewide Contracts
- Most Important to You = Best Value



# Legislation

- Assembly Bill 1727 (Oct 1993)
- PCC, Sections 10290 et seq. And 12101.5 (Jan 1994)
- Enables Best Value Procurements
- Returns Responsibility to Agencies
- Focus on Results, Not Processes



# Leveraged Procurement Contracts CMAS/Masters/Statewide Contracts

- **Include Most Procurement Codes, Policies and Guidelines**
- **Pre-Negotiated Contract Terms and Conditions**
- **Eliminates Cost of Repetitively Bidding Same Products/Services**
- **Shop for Best Value**
- **Order Directly from Supplier**
- **Go on with your business**



# Unique Advantages

- **No Bids**
- **Reduced Cost**  
(Staff Time/Resources Reduced)
- **No Protests**  
(Reason = No Bids)
- **Timely Implementation of Projects**  
(Bids and Protests Take Time)
- **No Sole Sources to Report**
- **Elevated Level of Service**  
(Contractor Performs or No Return Business)
- **Collaborative Versus Combative Environment**



# California Multiple Award Schedules

- Unlimited Choices (2500+ Contracts)
- One Stop Shopping
- Flexible (Quickly add Suppliers/Products/Services)
- Satisfies “Agency” S/M/DVBE Goals
- No Admin Fee for Small Business Orders
- One Order Form - Std. Form 65 (Products & Services)
- Prices are CAPS (Negotiate Better Prices)



# Masters and Statewide Contracts

- **Bid Based**
- **Competitively Priced Products/Services**
- **No Order Limit Exception Process**
- **No Responsibility for Best Value Decisions**
- **Non-Information Technology Services  
(Unrestricted)**



# Most Important To You Best Value

- **Small Business**
- **Product/Service**
- **One Stop Shopping**
- **Price**
- **Delivery**
- **Experience**
- **Warranty**
- **Maintenance**
- **Reliability**
- **Dollar Limits**
- **Timely Implementation**
- **Etc...**



# Be Smart!

- **Insist on Contract Terms and Conditions (Product Return Policy, Warranty, Bond Requirements, Pre-approvals, Forms, Statutory Codes)**
- **Verify Product/Service and Price**
- **Buy at List Price, or Lower**
- **Compare and Shop for Best Value**
- **Document Files**



# Thank You

**Procurement Division's Phone List is on the Internet**

**[www.pd.dgs.ca.gov](http://www.pd.dgs.ca.gov)**

***Call us if you have questions or need help!***