

**Attachment 1 – MM 08-03**  
**Calculating the DVBE Incentive for Low Price**

**A. ORDER OF OPERATIONS**

1. Determine if any bids are non-responsive or not responsible.
2. Determine the lowest responsive and responsible bidder.
3. Determine if bidders qualify for Small Business Preference.
4. Determine if bidders qualify for the DVBE Incentive Program.
5. Perform Adjusted Bid Price Calculations for bids requesting the Small Business Preference to determine if there is a new low Bidder.
6. Perform Adjusted Bid Price Calculations for bids requesting the DVBE Incentive.
7. Compare Adjusted Bid Prices against the Award Criterion (see memo or item E below). Adjust the order of Bidders to account for: 1. the application of the Small Business Preference and 2. the DVBE Incentive program.
8. Issue Final Bid Tabulation or Notice of Award with adjustments and qualified preferences/incentives shown.

**B. CALCULATING THE ADJUSTED BID PRICE FOR THE DVBE INCENTIVE ONLY**

1. If the percentage of a bidder's DVBE participation falls between 1.00% and 5.00% the DVBE participation percentage is **equal** to the percentage of DVBE Incentive. This means, bids with DVBE participation of less than one (1.00) % will not qualify for the DVBE Incentive and should not be calculated. Bids with DVBE participation of more than five (5.00) % will be calculated with a five (5.00) % DVBE Incentive.
2. The Low Bidders Bid amount **multiplied by the** percentage of DVBE Incentive **equals** dollar value of DVBE Incentive. (Note: If calculating the DVBE Incentive for the Low Bidder, the Low Bidders Bid amount is still used.)

$$\begin{array}{r} \text{Low Bidder bid amount} \\ \times \text{ DVBE Incentive percentage} \\ \hline \text{Dollar value of Bidder's DVBE Incentive} \end{array}$$

3. Bidders actual bid price **minus** the dollar value of the incentive **equals** adjusted bid price of the Bidder for DVBE Incentive comparison purposes only.

$$\begin{array}{r} \text{Bidder's actual bid price} \\ - \text{ Dollar value of Bidder's DVBE incentive} \\ \hline \text{Bidder's DVBE Incentive adjusted bid price} \end{array}$$

4. Perform this calculation for all bids qualifying for the DVBE Incentive.

**C. CALCULATING THE ADJUSTED BID PRICE FOR THE DVBE INCENTIVE AND SMALL BUSINESS/NON-CERTIFIED SMALL BUSINESS PREFERENCE TOGETHER IF LOW BIDDER IS NOT CLAIMING A PREFERENCE**

1. If the Low Bidder is not claiming the Small Business Preference, calculate the dollar value of the Small Business Preference or Non-Certified Small Business Preference as you normally would. Take 5% of the Low Bidders bid up to a maximum of \$50,000. This is the dollar value of the Preference.
2. Complete Steps 1 and 2 of the DVBE Incentive calculation above to determine the dollar value of the Bidder's DVBE Incentive.
3. **Subtract** the dollar value of the Preference and the dollar value of the DVBE Incentive from the Bidder's actual bid price.

Bidder's actual bid price  
- Dollar value of Bidder's preference  
- Dollar value of Bidder's DVBE incentive  
**Bidder's adjusted bid price with Preference and Incentive**

4. Perform this calculation for all bids qualifying for the Small Business Preference/Non-Certified Small Business Preference and the DVBE Incentive.

**D. WHEN THE LOW BIDDER CLAIMS ONE OF THE SMALL BUSINESS PREFERENCES**

If the Low Bidder is claiming the Small Business Preference or the Non-Certified Small Business Preference, the 5% or \$50,000 max is not calculated for any bidder. However, the DVBE Incentive would be calculated.

A Low Bidder claiming the Small Business Preference can only be displaced by another bidder claiming the Small Business Preference, if the adjusted bid price with Preference and DVBE Incentive is lower.

A Low Bidder claiming the Non-Certified Small Business Preference can be displaced by a bidder claiming the Small Business Preference OR the Non-Certified Small Business Preference, if the adjusted bid price with Preference and DVBE Incentive is lower.

**E. AWARD CRITERION**

Under the DVBE Incentive program a bidder claiming the Non-Certified Small Business Preference is considered a non-small business.

When two or more adjusted bid prices are equal, award will be made in the following order:

- Certified Small Business Preference Bidder with highest percentage of DVBE Participation.

- Certified Small Business Preference with no DVBE Incentive.
- Non-Certified Small Business Preference Bidder with highest percentage of DVBE Participation.
- Non-Certified Small Business Preference Bidder with no DVBE Incentive.
- Bidder with highest percentage of DVBE Participation and no Preference.
- Bidder with no Preference or DVBE Incentive.

If adjusted bid prices are equal and preference status and DVBE participation are equal, the award decision will be made by the State with a coin toss.

## F. EXAMPLES

### Example (1)

#1	Bidder A	\$950,000
#2	Bidder B – with 5% DVBE participation Less the Incentive (5% of \$950,000)	\$975,000 <u>- \$47,500</u>
	<i>Adjusted Bid Price of Bidder B</i>	\$927,500

Bidder B's adjusted bid price of \$927,500 is less than the Low Bidder's price \$950,000. Award will be made to Bidder B for a \$975,000 contract. Bidder A is displaced by a bid with the 5% DVBE incentive.

### Example (2)

#1	Bidder A - (with 3% DVBE participation) Less the Incentive (3% of \$1,250,000)	\$1,250,000 <u>- 37,500</u>
	<i>Adjusted Bid Price of #1 Low Bid</i>	\$1,215,500
#2	Bidder B - (with 5% DVBE participation) Less the Incentive (5% of \$1,250,000)	\$1,300,000 <u>- 62,500</u>
	<i>Adjusted Bid Price of #2 Bid</i>	\$1,237,500

Adjusted Bid Price of \$1,237,500 is higher than #1 Low Bid Adjusted Bid Price of \$1,215,500. Award will be made to #1 Low Bid for a \$1,250,000 contract. Bidder A holds the Low Bid position with a 3% DVBE Incentive.

**Example (3)**

#1	Bidder A -(with Small Business Preference)	\$1,250,000
#2	Bidder B -(with 5% DVBE participation) Less the Incentive (5% of 1,250,000)	\$1,300,000 <u>- 62,500</u>
	<i>Adjusted bid for comparison</i>	<i>\$1,237,500</i>

Bidder B's adjusted bid price of \$1,237,500 is lower than the Low Bid of \$1,250,000; however, a Small Business can only be displaced by another Small Business. Award will be made to Bidder A for a \$1,250,000 contract.

**Example (4)**

#1	Bidder A (with Small Business Preference)	\$1,250,000
#2	Bidder B (with Small Business Preference and 5% DVBE participation) Less the Incentive (5% of 1,250,000)	\$1,300,000 <u>- 62,500</u>
	<i>Adjusted bid for comparison</i>	<i>\$1,237,500</i>

Bidder B's adjusted bid price of \$1,237,500 is lower than the Low Bid price of \$1,250,000. Award will be made to Bidder B for a \$1,300,000 contract. Bidder A is displaced by another Small Business with a 5% DVBE incentive.

**Example (5)**

#1	Bidder A	\$1,200,000
#2	Bidder B - (with Small Business Preference and 1% DVBE participation) Less the preference (5% or \$50,000 max) Less the incentive (1% of \$1,200,000)	\$1,250,000 -50,000 <u>-12,000</u>
	<i>Adjusted bid for comparison</i>	<i>\$1,188,000</i>
#3	Bidder C - (with Non-Small Business Preference and 5% DVBE participation) Less the preference (5% or \$50,000 max) Less the incentive (5% of \$1,200,000)	\$1,275,000 -50,000 <u>-60,000</u>
	<i>Adjusted bid for comparison</i>	<i>\$1,165,000</i>

Applying the Small Business preference only, Bidder B and Bidder A would have the same bid price of \$1,200,000 but Bidder B would receive the award because of the Small Business Preference. Bidder B would thus be in the #1 position.

When adding in the incentive, calculations are based on the original low bid price before the Small Business Preference is calculated. Thus, Bidder C has the lowest adjusted bid price at \$1,165,000. Even though Bidder C claims a 5% incentive it can not displace Bidder B in the #1 position because Bidder B is a Small Business. The award would be made to Bidder B for a \$1,250,000 contract. The award order would be as follow: #1- Bidder B; #2- Bidder C; #3- Bidder A.

**Example (6)**

<b>#1</b>	Bidder A – (with 2% DVBE participation) Less the incentive (2% of \$1,225,000)  <i>Adjusted bid for comparison</i>	\$1,225,000 <u>- 24,500</u>  \$1,200,500
<b>#2</b>	Bidder B - (with 7% DVBE participation) Less the incentive (5% of \$1,225,000)  <i>Adjusted bid for comparison</i>	\$1,250,000 <u>- 61,250</u>  \$1,188,750
<b>#3</b>	Bidder C - (with Small Business Preference) Less the preference (5% or \$50,000 max)  <i>Adjusted bid for comparison</i>	\$1,280,000 <u>-50,000</u>  \$1,230,000

When the Small Business Preference is calculated, Bidder C does not have an adjusted bid lower than the Low Bidder. Adding in the incentive, Bidder B's adjusted bid price of \$1,188,750 is lower than Bidder A. The award will be made to Bidder B for a \$1,250,000 contract. The Low Bidder is displaced by a bid with a 5% incentive. The award order would be as follows: #1- Bidder B; #2 -Bidder A; #3 - Bidder C.

**Example (7)**

#1	Bidder A	\$100,000
#2	Bidder B - (with Small Business Preference and 2% DVBE participation) Less the preference (5% or 50,000 max) Less the incentive (2% of \$100,000)	\$106,000 5,000 <u>- 2,000</u>
	<i>Adjusted bid for comparison</i>	<i>\$99,000</i>
#3	Bidder C - (with Small Business Preference and 3% DVBE participation) Less the preference (5% or 50,000 max) Less the incentive (3% of \$100,000)	\$107,000 5,000 <u>- 3,000</u>
	<i>Adjusted bid for comparison</i>	<i>\$99,000</i>

Applying the Small Business Preference alone, neither Bidder B nor Bidder C would be able to take the Low Bid position. Adding in the DVBE Incentive, the adjusted bid price of Bidder B and Bidder C are equal at \$99,000. Based on the award criterion, the bid would be given to the Small Business with the highest percentage of DVBE participation. The award will be made to Bidder C for \$107,000. Bidder C displaces the low bidder with a 3% incentive and Small Business preference.

**Example (8)**

#1	Bidder A	\$125,000,000
#2	Bidder B - (with 5% DVBE participation) Less the incentive (5% of \$125,000,000 or a \$500,000 max)	\$136,000,000 <u>- \$500,000</u>
	<i>Adjusted bid for comparison</i>	<i>\$135,500,000</i>

When applying the DVBE Incentive to Bidder B's bid, the maximum dollar value allowable would be \$500,000. The adjusted bid price of Bidder B is not less than Bidder A. Award would be made to Bidder A for a \$125,000,000 contract.