

**The Best Decision
by Design:
Professional
Services Selection**

Selecting Professional Services 101

What is QBS?

- A nationally endorsed procedure for selecting and retaining design professionals that will provide the best value to the owner in terms of quality and total project cost.
- A competitive procurement approach that emphasizes quality attributes.
- Can take different forms for different agencies so long as cost is not a component of selection.

Who Uses QBS?

- Local, state and federal governmental agencies that procure A/E services
- Private industry
- Other public and private institutions
- Design professionals when hiring other design professionals
- Other users of services/products who place quality first

QBS Processes

STEP 1: Select the most qualified firm.

Establish evaluation criteria.

Solicit Statements of Qualifications from selected firms.

Develop a Short List of 3-5 firms. Investigate references, projects and office. Invite for interviews.

INTERVIEW & RANK FIRMS.

STEP 2: Jointly define scope and contract form, taking advantage of selected firm's experience and expertise.

Invite the highest ranked firm to assist in defining the scope of the work.

Establish contract terms.

EVERYONE IN AGREEMENT???

Go to next most qualified firm on Short List.

STEP 3: Retain the firm on the basis of an acceptable contract.

Ask for fee proposal.

EVERYONE IN AGREEMENT???

RETAIN THE FIRM.
Enter into written contract.

QBS Lite

- Step 1-Select firm based on past performance or knowledge of project or community. Document basis of selection
- Complete Step 2 and 3

How do you select your subconsultant?

Federal Brooks Act Law- 1972 (P.L. 92-582)

Requires that the U.S. Federal Government select engineering and architecture firms based upon their competency, qualifications and experience rather than by price.

Engineering and Design Services Funded with Federal-aid Highway Program Funds (23 CFR 172)

The solicitation, evaluation, ranking, selection, and negotiation shall comply with the qualifications-based selection procurement procedures for architectural and engineering services codified under 40 U.S.C. 1101-1104, commonly referred to as the Brooks Act.

Indiana Local Projects (IC 5-16-11.1-5)

A public agency may make all contracts for professional services on the basis of competence and qualifications for the type of services to be performed and negotiate compensation that the public agency determines to be reasonable.

Why shouldn't agencies be able to ask for price proposals from 3 or 4 top-ranked firms under a "best value" process?

- In the early stage of the procurement process, there is seldom a detailed scope of work beyond basic project parameters and objectives that firms could use to develop accurate price proposals.
- Most often, after the qualifications-based selection process, agencies work directly with the top-ranked firm to define a complete scope of work on every facet of the project and the firm develops and submits a price proposal based on the project scope.
- This scoping process also enables the firm to offer innovative options not considered by the agency that would lead to more successful project outcomes – more durable facilities, lower construction costs, shorter construction schedules, lower life cycle costs, etc.
- By contrast, when cost is a factor in selection, it inevitably becomes the determining factor, trumping quality and innovation. Submitting firms will cut the scope of work first in order to be price competitive. That means the agency might not be getting the design it wants or engineering services it needs.

WHY CHOOSE QBS?

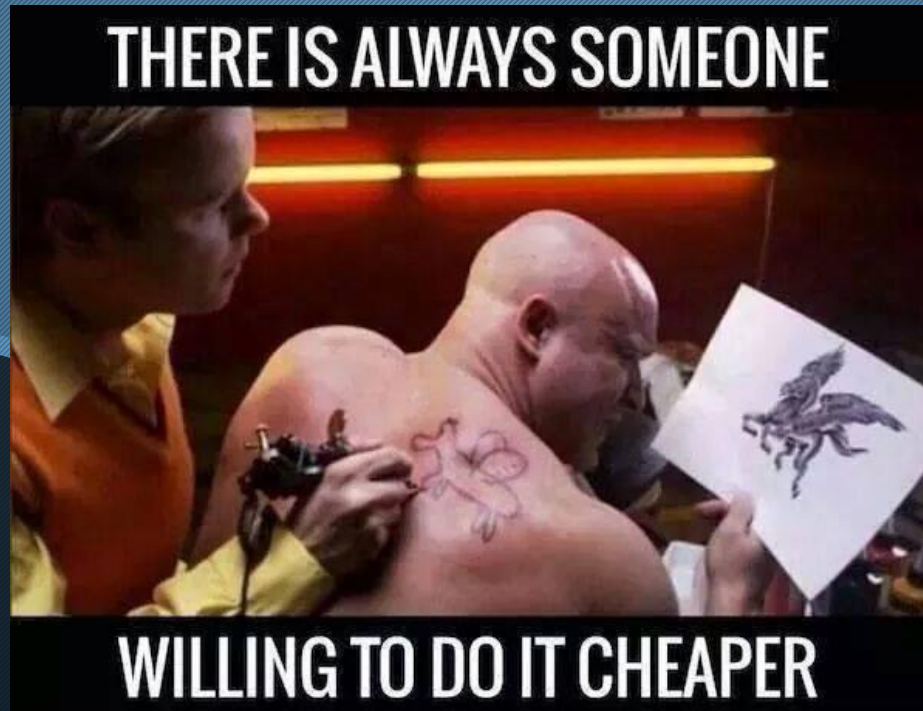
- **QBS allows engineers to consider the most creative & ultimately effective (& often the lowest costing in the long run) solutions to problems, without obsessing over lower bids.**
- **When firms are chosen on price alone, there's less incentive to think about operations & maintenance over the life-cycle of the project - leading to higher operation costs long-term.**
- **Bidding inhibits the professional from seeking alternative solutions. The priority shifts from protecting the clients' interest, to protecting his/her own financial well-being.**
- **You get what you pay for!**

INDOT Federal-Aid QBS

- Process designed to ensure compliance with 23 CFR Part 172
- Documented in Chapter 5 of the LPA Guidance Document
- Required when:
 - Consultant services are funded with federal funds
 - Consultant services costs are used as match
- If no federal funds or federal fund match is to be applied the selection portion of Chapter 5 does not apply.
 - Professional services for federally funded construction projects must, however, be performed by INDOT prequalified consultants.
- Regardless of funding QBS is highly recommended for the best outcome.

The Reality of Bidding

- Low-bidding leads to inferior results and actually increases overall project costs
- Doesn't foster building relationships



What Does the Owner Really Want?

- Lowest A/E Cost
- Lowest Construction Cost
- Lowest Life-Cycle Cost
- ✓ **Value**

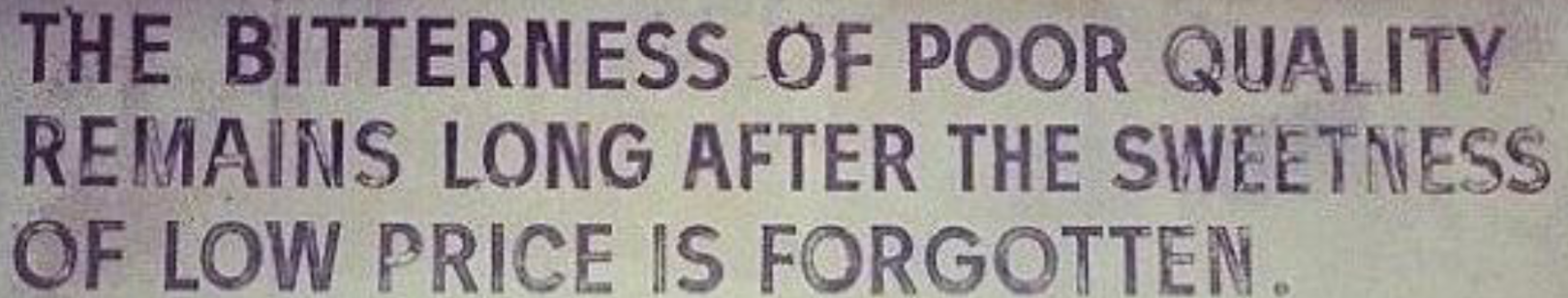
IF YOU THINK IT'S EXPENSIVE TO
HIRE A PROFESSIONAL
WAIT UNTIL YOU HIRE
AN AMATEUR

Overall Long-Term Cost of Project

- Engineering and design services are a very small percentage of the total project cost, and studies have shown that QBS actually saves money during the construction phase of the project, which is where most of the money is spent.
- The Maryland experience between 1976 and 1982 showed that fee bidding or submission of separate technical and price proposals may offer lower initial prices but the “savings” are lost in change orders and time delays.
- A recent study carried out by the University of Colorado and the Georgia Institute of Technology confirmed this dynamic, finding quantitative evidence that QBS-based projects experienced fewer change orders and construction cost escalation (3% on average) versus the industry standard (10%).

Overall Long-Term Cost of Project

- Engineering Fee \$1,000,000 for \$12,000,000 Construction project
- Low bid for engineering “saves” 15%=\$150,000
- Increase in Construction Cost 7%=\$840,000
- Increase to Project Costs=\$840,000 - \$150,000=\$690,000 or 5.75%



**THE BITTERNESS OF POOR QUALITY
REMAINS LONG AFTER THE SWEETNESS
OF LOW PRICE IS FORGOTTEN.**

Common Misconceptions

Misconception:
QBS takes longer.

Fact:

QBS fosters teamwork between the client and engineering consultant and facilitates construction, leading to faster project delivery.

Misconception:

QBS is a waste of taxpayer money.

Fact:

Low-bid is more expensive because it leads to increased change orders and high project maintenance costs. Furthermore, QBS provides the public with a high quality and safe design.

Misconception:

QBS eliminates price as a selection criteria.

Fact:

Price is a factor! Price becomes a factor only after the most qualified firm has been identified and a detailed scope of work has been jointly developed by the owner and design professional.

Question & Answers

**Thank you for
your time!**