

Dynamic VS Static Costs For JOC and SABER Contracts

Job Order Contracting (JOC) and Simplified Acquisition
of Base Engineering Requirements (SABER)

PETER CHOLAKIS

With thanks to Tom Cassidy and Nicholas Cholakis for their valuable support and insight.

COPYRIGHT 2011 4CLICKS SOLUTIONS, LLC



July 2011

INTRODUCTION

Construction cost databases, typically referred to as Unit Price Books (UPBs), and their associated robust application are critical to the success of JOC and/or SABER programs. This paper discusses the merits of dynamic cost data vs. static UPBs.

As the developer of the premier cost estimating, and integrated project, contract, and document management software used in Job Order Contracting (JOC), Simplified Acquisition of Base Engineer Requirements (SABER) and multiple other contract/construction delivery methods (IPD, IDIQ, SATOC, MATOC, MACC, POCA, BOA...), we have had the opportunity to work with and learn from thousands of Owners, Contractors, and Architect-Engineer Firms (AEs). This experience – working with over 70% of United States Air Force Bases, and a rapidly growing number DOD and non-DOD organizations (State, County, Local Government, Education, Airports/Transportation Authorities, and Healthcare) – provides us with a unique perspective allowing us to discern *“What works and what doesn’t”*.

We are focused on helping to make these multiple award contracts as successful as possible. We truly believe that efficient project delivery methods are beneficial to everyone: Owners, Contractors, AEs, and the Community at large. We hope that our experience in these types of contracts can help your program be as successful as possible.

What is a Dynamic vs. Static Unit Price Book (UPB)

Job Order Contracts (JOC) (also known as SABER in the Air Force) are efficient construction delivery methods that encourage longer term relationships. Most SABER contracts have a five (5) year time duration, while JOC programs may range from three (3) to five (5) years. Static unit price books must survive the life of the contract without modification. They are developed at the start of a JOC/SABER program and prices are a constant throughout the entire life of the program, or simply updated using inflation rates. Often it is the case that these Static Unit Price Books are sold as “custom and perfect representations of the costs to do business in a given location”, unfortunately these books, compiled over a few weeks, fail to take into account the long term factors that affect costs. Additionally, these older prices are maintained as new JOC programs are established and/or extended. A dynamic cost book is one that is updated during the active life of the JOC/SABER contract. Dynamic price books can be updated annually or even quarterly.

The Need for a Dynamic Unit Price Book

Construction material, labor, and related costs fluctuate significantly and are highly dependent upon multiple and largely unpredictable factors: natural disasters, local and international construction demand, fuel costs, and other material supply issues. No one can truly predict how construction costs will be affected. Thus updating a unit price book provides a significantly better reflection of current conditions and enables more efficient negotiations between Owners and Contractors.

Our firm, our clients, and our business partners have worked with many unit price books. As one would expect, a static book quickly becomes out-of-date. This severely degrades the book’s integrity and, therefore, also negatively affects the JOC/SABER contract that is so dependent upon it. The net result is

that negotiations become difficult between Owners (Government Departments/Agencies, HealthCare and Educational Institutions, Transportation Authorities, etc.), and Contractors/AEs, which culminates in the deterioration of their relationships. This is contradictory to the basic intent and tenants of JOC/SABER programs which were developed to promote long term, mutually beneficial relationships resulting in projects being bid, awarded, and completed more efficiently. Dynamic unit price books better reflect the “real-world” and provide a significantly greater opportunity for JOC/SABER contracts to be successful. On the other hand, static UPBs can become extremely difficult to administer, are largely based upon historical data, may even cause Contractors to disengage from JOC/SABER programs.

Selecting a Unit Price Book

The most widely used, accurate, and advantageous unit price books are those that best reflect National

Item	Description	UM	Bare Cost
05-31-13-50	Floor Decking		
05-31-13-50-0010	FLOOR DECKING		
05-31-13-50-0015	Made from recycled materials		
05-31-13-50-5100	Non-cellular composite decking, galvanized, 1-1/2" deep, 16 gauge	S.F.	\$2.87
05-31-13-50-5120	18 gauge	S.F.	\$2.38
05-31-13-50-5140	20 gauge	S.F.	\$1.99
05-31-13-50-5200	2" deep, 22 gauge	S.F.	\$1.79
05-31-13-50-5300	20 gauge	S.F.	\$1.96
05-31-13-50-5400	18 gauge	S.F.	\$2.37
05-31-13-50-5500	16 gauge	S.F.	\$2.89
05-31-13-50-5700	3" deep, 22 gauge	S.F.	\$1.99
05-31-13-50-5800	20 gauge	S.F.	\$2.20
05-31-13-50-5900	18 gauge	S.F.	\$2.59
05-31-13-50-6000	16 gauge	S.F.	\$3.31
05-31-23	Steel Roof Decking		
05-31-23-50	Roof Decking		
05-31-23-50-0010	ROOF DECKING		
05-31-23-50-0015	Made from recycled materials		

averages as well as localized conditions. Many regard construction cost books produced by RSMeans Company, LLC as the North American industry standard as more Owners, Contractors, and AEs use them than any other resource. Many JOC/SABER contract/program organizers use RSMeans Cost data “as is”, or as a basis for a custom unit price book.

The above image depicts the enhanced 400,000 line item RSMeans Cost Database, exclusively implemented within e4Clicks Project Estimator. This database offers full line item descriptions, diagrams, pictures, and associated construction specifications making it a great fit for many JOC/SABER programs.

The Advantages of Using an RSMeans or an RSMeans-based UPB

- Accuracy

RSMeans has over 60 years of experience researching construction cost information, and currently gathers data from 900+ locations. The RSMeans city cost indexes (CCI) can easily be

applied to portray pricing throughout the country. Pricing for each line item is updated yearly, and the city cost indexes are updated quarterly. This greatly increases the accuracy of the cost information.

- Satisfies Contemporary Needs

Technology is surging forward. Dynamic books incorporate new technology line items each year, while a static book will be years behind where they should be. For example, RSMMeans has added line items to handle the new types of antiterrorism and force protection measures that military installations began constructing in recent years, as well as sustainability related items as demonstrated in the new RSMMeans Green Cost Book.

- Productivity

Up-to-date pricing can drastically reduce non-priced items making negotiations much smoother. Data sharing and information/estimate re-use is also enhanced since all cost data is stored in a consistent manner. Furthermore, thru the use of software technology, cost estimates can be rolled forward or backward in time for analysis purposes.

- Transparency and Communication

Because RSMMeans is used prolifically and standard data formats such as Unifomat II and MasterFormat2010 are applied, cost estimates can be better understood, communicated, and shared.

- Cost Effective

The upfront costs of using an RSMMeans-based UPB are significantly lower than a “custom” static UPB. Much of the cost research has already been completed. —Data has also been organized using industry standards, and extended to approximately 400,000 line items geared toward facility repair, renovation, and sustainability projects. Longer term cost savings are also achieved by having more up to date cost data, as well as the ability to share and reuse cost estimates, both of which are enhanced via the use of common database and common processes embedded in supporting technology

Is Technology important to JOC/SABER programs?

The appropriate application of software technology is critical to the overall success of JOC/SABER programs. First of all, software should embed the accurate PROCESS and PROCEDURES associated with the JOC/SABER program. Software enables faster implementation, consistent application of the JOC/SABER program, reporting, and oversight. Software improves productivity by enabling information reuse as well as easier maintenance of the construction cost data book/UPB.

SUMMARY

There are major benefits associated with the robust implementation of JOC and/or SABER programs. The consistent application of the “best-practices” and “standards” of the construction sector are, however,

critical to the success of the JOC/SABER. Owners are advised to investigate RSMMeans or other dynamic unit price books. RSMMeans, a recognized North American standard, can also be used as the basis to create a “custom” or “local” UPB where a custom book is deemed to be required. Additionally, the use of RSMMeans cost data as a foundation of a “custom” UPB can help to significantly lower initial UPB creation costs as well as on-going maintenance/updating costs.

While we often work with RSMMeans™ Cost Data, our cost estimating product, e4Clicks Project Estimator, can host any unit price book (UPB) database.

About Us:

4Clicks Solutions, LLC is a veteran-owned small business and premier provider of cost estimating and contract, project, and document management software for efficient project delivery methods – JOC, SABER, IDIQ, IPD, SATOC, MATOC, MACC, POCA, and BOA.

sales@4Clicks.com, www.4Clicks.com