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# A+B Bidding

For Construction Projects  
Bidding Cost + Time





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September 13, 2021



- In accordance with 2014 Specbook Article 2.11.5.2, the Department may utilize A+B Bidding on State-Let projects to encourage and incentivize more timely completion of construction projects.
- A+B means each bidder is bidding both a “Cost” and “Time” component as follows:
  - “A” Component: Sum of bid for all regular bid items listed in the Proposal Bid Inserts
  - “B” Component: Sum of bid for “Time” component bid item 800, listed at the end of the Proposal Bid Inserts
    - Each bidder is bidding the number of days in which they can “substantially complete” the project (or milestones, as applicable). See project-specific definition of substantial completion in the general notes in the proposal.
    - For the winning bidder, the number of days bid becomes part of the contract, and any incentives or disincentives for substantial completion are calculated based on the number of days bid



- The general notes in the proposal, under Items 2 and 8, contain instructions and information regarding A+B bidding, when utilized on a State-Let project.
- The general notes should contain the following information for A+B bidding:
  - Definition of “substantial completion” of the project
  - Fixed number of days (not part of the bid for Item 800) granted for “final cleanup”, after substantial completion has been achieved (regular liquidated damages apply after final cleanup in accordance with SP 000-658)
  - Maximum and Minimum\* number of days that will be allowed as a responsive bid for Item 800. (\*inclusion of minimum days is optional at this time)
    - Remember the number of days bid becomes part of the contract
  - Daily Road-User Cost, to be used in calculating any incentive credits, or disincentive damages



- The general notes should contain the following information for A+B bidding:
  - Maximum number of days for incentive credit, for early completion ahead of the number of days bid
  - Type of Working Day calendar (note that Article 8.3.1.4 Standard Workweek definition is not used for A+B projects)
  - If using A+B for one or more milestones, the definition of the begin and end of the milestone, plus all of the above numbers, should be defined in the general notes
    - If one or more milestones are included with A+B bidding on each milestone, but the totality of the milestones does not cover the full duration of the project, the number of working days for the remainder of the project should be specified (fixed number of days, non-A+B). Note that different Working Day calendar definitions can be defined for different parts of a project (A+B versus non-A+B)
  - Definition of Total Contract Time: Days bid for “B” portion(s) of the project, plus additional time for any parts of the project that will have a fixed number of days, plus additional days for final cleanup. This will be used to determine when liquidated damages will be assessed in accordance with SP 000-658.

# A+B Bidding Example



For the following example, the Daily Road-User Cost is \$10,000 per day. The maximum number of days allowable for bidding the “B” portion (Item 800) is 550 Days. The minimum number of days allowable for bidding Item 800 is 350 Days.

## Bidder #1

- “A” portion of bid: \$19,000,000
- “B” portion of bid: 450 Days  
 $450 \times \$10,000 = \$4,500,000$
- Total Bid = \$23,500,000

## Bidder #2

- “A” portion of bid: \$18,200,000
- “B” portion of bid: 550 Days  
 $550 \times \$10,000 = \$5,500,000$
- Total Bid = \$23,700,000

## Bidder #3

- “A” portion of bid: \$20,000,000
- “B” portion of bid: 100 Days  
 $100 \times \$10,000 = \$1,000,000$
- Total Bid = \$21,000,000

**RESULT:** Although Bidder 2 bid the “A” portion (regular bid items) the lowest, they bid the highest for the “B” portion, and consequently had the highest total bid. Bidder 3 appears to have the lowest bid, however they bid below the minimum number of days specified in the general notes, therefore this bid is disqualified. Bidder 1 bid higher for the “A” portion than Bidder 2, but Bidder 1 indicates they can finish the project 100 days faster than Bidder 2. Bidder 1 has a lower total bid than Bidder 2. Bidder 1 is the apparent low bidder.

# A+B During Construction – Different Outcome Scenarios



The Contractor (Bidder 1) bid 450 days and was awarded the contract. Although the general notes specified that the maximum bid could be 550 days, this number is no longer relevant after letting. The number of days bid (450) becomes part of the contract, and this is the number of working days granted to the Contractor to substantially complete the project. For the following example scenarios, the general notes specified that the Contractor would be granted an additional **10 days for final cleanup**, after substantial completion of the project has been achieved. They would also be awarded an **incentive credit up to 30 days** for early completion. The total contract days for determining liquidated damages is **460 days**.

## Example Scenario #1 (428 days)

- Project is substantially complete in 400 days.
- Although the project was finished 50 days ahead of schedule, the incentive credit is capped at 30 days.  
 $30 \times \$10,000 = \$300,000$  Incentive Credit
- Final cleanup is finished in 28 days. Even though the number of days for final clean up (10 days) was exceeded, the project was still finished in less than 460 days, therefore no liquidated damages are assessed.

## Example Scenario #2 (465 days)

- Project is substantially complete in 450 days.
- Since the project was completed in the exact number of days bid, there is no road-user cost incentive or disincentive.
- Final cleanup is finished in 15 days. Since final cleanup is based on SP 000-658, regular liquidated damages of \$1,285\* per day apply. Contract days (460) were exceeded by 5 days:  
 $5 \times \$1,285 = \$6,425$  liquidated damages are assessed

## Example Scenario #3 (590 days)

- Project is substantially complete in 580 days.
- Since there is no cap on disincentives, the Contractor is assessed road-user cost liquidated damages for being 130 days late, beyond what was bid for Item 800.  
 $130 \times \$10,000 = \$1,300,000$  disincentive damages
- Final cleanup is finished in 10 days. Since the total contract days (460) were exceeded by 130 days, liquidated damages are assessed for each day:  
 $130 \times \$1,285 = \$167,050$  liquidated damages are assessed

\*SP 000-658 specifies liquidated damages of \$1,285 per day for contracts between \$10-\$20 million. Note that although the “B” portion of the bid is used to determine the low bidder, it is NOT included in the value of the contract. In this example, the \$19 million bid for the “A” portion is the value of the contract used to determine the liquidated damages in accordance with SP 000-658.