

VIRGINIA DEPARTMENT OF TRANSPORTATION

ALTERNATIVE PROJECT DELIVERY DIVISION

INSTRUCTIONAL AND INFORMATIONAL MEMORANDUM

GENERAL SUBJECT: Proposal Payments on Design-Build Projects	NUMBER: IIM-APD-5
SPECIFIC SUBJECT: Guidelines for proposal payments (stipends) for shortlisted Offerors pursuing Design-Build Procurements	DATE: August 1, 2019
	SUPERSEDES:
	Alternative Project Delivery Division Approval: /original signed/ Shailendra G. Patel, P.E., DBIA August 1, 2019

EFFECTIVE DATE AND PURPOSE

- This memorandum is effective upon receipt. It identifies the process to establish proposal payments (stipends) for shortlist Offerors pursuing Design-Build procurements
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BACKGROUND

- VDOT offers proposal payments (stipends) on two-phase design-build projects for unsuccessful Offerors who submit a responsive proposal. The use of stipends is beneficial to the design-build program for the following reasons:
 - Helps to defray a portion of the direct engineering design costs required to develop a proposal.
 - Provides a financial incentive to increase competition by encouraging more teams to pursue each project.
 - Allows Offerors to explore innovative design concepts during the proposal phase to optimize the project concept and potentially reduce the project's estimated cost.
 - Allows VDOT to retain the use of innovative ideas from all Offerors' proposals and use at our discretion (intellectual property).

It is generally agreed upon by the design-build industry that the decision to pursue a design-build project is not solely based on the amount of the stipend. VDOT cannot control the level of effort exerted by an Offeror in developing a proposal.

GUIDELINES FOR ESTABLISHMENT OF PROPOSAL PAYMENT (STIPEND)

In determining the estimated proposal development costs, VDOT considers the following:

- Complexity of project and room for innovation. Projects that have the potential for alternative designs such as multiple interchange configurations will require more engineering effort during the proposal phase.
- Projects utilizing the formal Alternative Technical Concept (ATC) Process will also require more engineering effort during the proposal phase.
- Status of RFP Conceptual Plans and other bridging documents. Projects that are more fully developed may require less engineering effort during the proposal phase.

VDOT stipend determination is consistent with FHWA's recommendation of one-third to one-half of the estimated proposal development cost (23 CFR, Section 636.113). VDOT considers standard norms for estimating man-hours for preliminary design which is used in helping determine an appropriate stipend.

To satisfy the FHWA recommendation for two-phase procurements, VDOT has set the stipend amount at a minimum of 0.10% of the anticipated contract value for projects with contract values \$50 million or higher. For projects under \$50 million, stipends may be set at a percentage that is higher than 0.10%. VDOT will make the ultimate decision on stipends based on the factors used for determining the proposal development cost described above.

PROCEDURES

When establishing budgets for candidate projects for Design-Build procurements, costs for proposal payments shall be considered. Once the Deputy Chief Engineer makes a final determination to utilize Design-Build delivery and associated procurement method (as described in Instructional & Informational Memorandum IIM-APD-3.1), the Project Manager-Alternate Project Delivery Division (PM-APD) and Project Manager-District (PM-D) will work together to establish the proposal payment to be included in the procurement documents based on the guidelines listed above. The PM-APD will get concurrence of the established proposal payment amount from the Alternative Project Delivery Division Administrator.

The proposal payments for the unsuccessful Offerors shall be accounted for when completing the Cost Finance Summary (as described in Instructional & Informational Memorandum IIM-APD-4).

After the project Award, an unsuccessful Offeror can request a proposal payment provided their proposal is deemed responsive to the requirements of the Request for Proposal and their proposal includes a signed Proposal Payment Agreement. The unsuccessful Offeror shall coordinate with the PM-D for payment. Proposal payment shall be made in accordance with the Proposal Payment Agreement.

If the Design-Build procurement is cancelled after the submission of proposals, all Offerors are eligible for the proposal payment, provided their proposal is deemed responsive to the requirements of the Request for Proposal and their proposal includes a signed Proposal Payment Agreement.

Prior to the proposal submission date, if the Design-Build procurement process is terminated for any reason, the Commonwealth, the Commissioner, CTB or VDOT shall not be responsible for any Proposal Payments, partial or in full, for any costs incurred by the Offerors in developing proposals.

Offerors that submit a proposal that is deemed non-responsive are not eligible for a proposal payment.

FORMS

- RFP Part 1, Attachment 9.3.1 Proposal Payment Agreement
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REFERENCES

- Design-Build Procurement Manual