

1 MAR 00

MEMORANDUM

From: Code 04

To: Engineering and Design Division

Subj: ADDITIVE BID ITEMS AND OPTION ITEMS

Ref: (a) Memo dated 17 MAR 1999, "Estimated Cost of Construction (ECC) For FY00 and Beyond MCON Projects"

1. As all AIC/EIC's know after executing last year's year-end awards and the first quarter releases for FY-00, we are identifying additive bid or option items on virtually all projects. This requirement is a result of two separate concerns. One is the under funded position for the MCON program. In order to recover from the under funded position, all MCON projects must be designed to 96% of the authorized budget (96 % of FA). The second issue affecting our ability to execute our contracts is the ever volatile bidding climate. With a strong economy and projects in numerous regions that cross a variety of construction categories we must ensure our ability to make construction awards at or below the Available ECC. Therefore, in keeping with reference (a) and with rare exception, all MCON, MCNR, and HSG projects will be designed in accordance with the following:

"Design To" Base Bid (Bid Item 0001) = 90% of Available ECC

"Design To" Additives/Options = 10% of Available ECC

This will allow selection of as many additives/options as possible while staying within the 100% of Available ECC goal.

2. The design must provide a complete and usable facility without the additive/option items. There is no guarantee that the additives/options will be awarded. Therefore, they must be selected carefully and must be fully coordinated with the client.

Additive bid items are "added" to the base bid at the time of bid opening up to the limit of the funds available to the government at that time, the "control amount". If money is available to award the base bid and one or more additives, the contractor offering the most additives will be determined to be the low bidder. Additives are evaluated sequentially, i.e. if additive one can be added to the base bid and remain under the government's control amount, it will be awarded. Additive two is then evaluated and so on. If addition of an additive causes the price to exceed the control amount, that additive cannot be awarded and the next additive is evaluated. Therefore, it is important to prioritize additives from the most desirable to the least. Any additive not awarded with the initial contract award is lost and cannot be picked up under that construction contract.

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Option items can be exercised (awarded) at any time within the designated period for award of options, normally anywhere from 90 to 180 days. This period is specified in the contract documents and varies from project to project. For purpose of making the initial contract award, the low bidder is determined by adding the price of all the options to the price for the base bid. After the initial award the government may award any or all of the options within the period specified dependent upon available funding. Options allow the government the opportunity to obtain additional funding after bid opening if necessary.

There are pros and cons to the use of either additive bid items or option items, and the procurement method and the funding situation are major determinants in deciding which is more applicable. The AIC/EIC must involve the 406 AIC/EIC, the PM, and the contract specialist in this determination. The 406 Branch Head is also available to offer assistance in this decision.

3. Additives/options must be identified early in the design process to allow for flexibility in the design and appropriate planning concerning which items will be so designated, and how to design the facility to function without these items. The AIC/EIC must coordinate with the 406 AIC/EIC, the project manager, the activity, and the cost estimator to identify mutually acceptable additive/option items. The user must understand that these items may not be awarded if bids/proposals are too high. The design must also provide a complete and usable facility without the additive/option items. As early as possible, the AIC/EIC, the 406 AIC/EIC, the project manager, and the contract specialist should decide whether to use additive items or option items for the project

4. Do not identify additive/option items on the drawings unless absolutely necessary. Additives/options are by nature highly flexible and subject to change. Identification on the drawings can lead to expensive and time consuming modifications should the scope or the numbering of the additives/options change. If it appears that there is no other reasonable way to accurately indicate the full scope of the additive/option items than to show them on the drawings, the AIC/EIC shall discuss the situation with the 406 Branch Head and get concurrence for this course of action.

5. It is especially critical that the AIC/EIC coordinate with the 406 AIC/EIC continuously from the beginning of the additive/option decision process. The 406 AIC/EIC is responsible for providing a complete and accurate written description of the additive/option items in the specifications. These descriptions provide instruction to the bidders/proposers on how to structure their bids/proposals. It is critical that these descriptions be both complete and concise.

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6. As you can see, planning, coordination, and follow through are critical for the successful identification, description, and use of additives/options. Projects that do not make use of additives/options will be the exception rather than the rule. We must address these issues early for successful implementation. If any AIC/EIC has questions concerning the use of additives/options, please see the 406 Branch Head for assistance and guidance.



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Director

Engineering and Design Division

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