

## Cost Considerations of the Triad Approach

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## Key Procurement Issues

- ✓ Systematic planning
- ✓ Managing at the task level
- ✓ Building fixed unit costs
- ✓ Two-staged procurement
  - Stage one – systematic plan detailed statement of work
  - Stage two – project execution



## Project Planning

The Triad approach requires more up front planning to assure that the data quality and information value match the scale and type of decisions to be made.

Project planning should be integrated into the procurement process.

- ✓ It should identify tasks for which bidders can easily provide fixed-unit costs and associated minimum quantities.
- ✓ Provision of detailed bidding package, enables cost comparisons between contractors.

## Project Planning (continued)

- ✓ Requesting fixed unit costs also allows decision makers to predict and manage costs.
- ✓ Overall project budgets can be increased and decreased as necessary with limited required in the paperwork.
- ✓ Using fixed-unit costs, enables decision makers to control costs better because they only pay for those activities conducted.



## Managing at the Task Level

- ✓ Tasks should be developed to include logically related activities that can be managed together.
- ✓ Contingencies should be included in the statement of work.
  - Prepare for unanticipated events during project implementation
- ✓ Develop a detailed statement of work
  - Allow for flexibility as more is learned about the site
  - Identify the different tasks
- ✓ Fixed-unit costs are developed at the task level .

## Building Fixed-Unit Costs

- ✓ From the statement of work,
  - Determine fixed-unit costs
  - Selecting logical units for cost tracking is the basis for efficient environmental procurements.
- ✓ Unit costs break a task into discrete activities of related services and equipment for which one cost can be provided.
- ✓ A unit cost is a daily rate provided at an expected daily minimum. For example, a unit cost for a field analysis incorporate;
  - the daily equipment rate,
  - personnel time,
  - mobilization costs,
  - specify a minimum number of samples.
- ✓ Repetitive activities are best suited for unit costs.

## Two-Stage Procurement

Development of fixed-unit costs for complex sites is difficult, a two-stage planning and procurement process is recommended.

- ✓ In the first stage, a systematic plan is developed for the site from the detailed statement of work.
- ✓ In the second stage, selecting a contractor for conducting the work, The need for two-stage procurement and is dependent on
  - project objectives,
  - the stage of a project in the remedial process,
  - the size and nature of the environmental response required,
  - the complexity of the issues to be addressed.

## What are critical factors that need to be considered up front when preparing to implement the Triad approach?

- ✓ Estimating minimum to maximum costing ranges.
- ✓ Understanding and quantifying to the greatest degree possible the extent of the area to be investigated.
- ✓ Identifying project contingencies.
- ✓ Pre-negotiate fixed unit costs for various services.



## Conducting the Procurement

Every decision maker will approach their project procurement in one of two ways.

- ✓ Through an existing contract vehicle
- ✓ Development of a new contract designed to meet Triad project requirements.



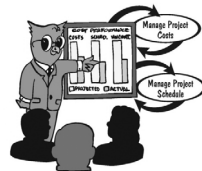
## Using an Existing Contract for the Triad Approach Advantages /Challenges

- ✓ Generally fewer steps are required.
- ✓ Existing contract requirements limit the flexibility and management options needed for the Triad.
- ✓ Existing contracts have a designated procedure for assigning new tasks. May require the bidders to prepare a supplementary Statement of Work.
- ✓ For Triad, the Scope of Work should be general enough to allow the contractor flexibility in developing a detailed project design.



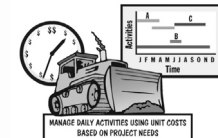
## If using an existing contract what factors should be considered?

- ✓ Is the contractor dollar ceiling high enough to cover identified contingencies?
- ✓ Have the project contingencies been identified?
- ✓ Does the contract extend over the expected duration of the project?
- ✓ Does the contracting mechanism allow the flexibility to manage budget and schedule and adapt to changes in the scope?



## Developing a New Contract Advantages/Challenges

- ✓ Preparing a new contract takes more time than using an existing contract.
- ✓ A new contract can be tailored to meet the special needs of a project using the Triad approach.

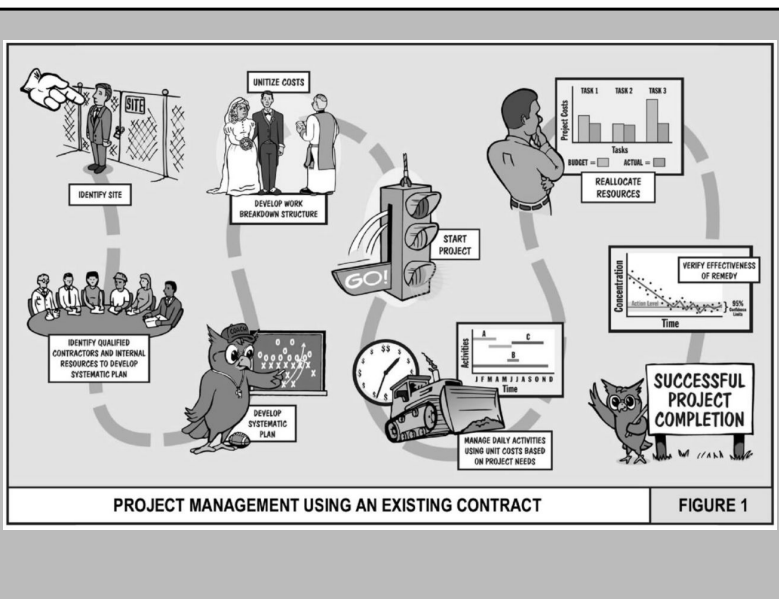


## Factors to Consider in Evaluating Proposals

- ✓ Technical Approach
- ✓ Project Plans
- ✓ Personnel Experience
- ✓ Corporate Experience
- ✓ Quality Assurance and Quality Control
- ✓ Contractor Insurance

## Factors For Success

- ✓ Early development of a systematic plan.
- ✓ Involve stakeholders in the systematic plan development.
- ✓ Partnering includes communicating schedules and remaining flexible with project activities.
- ✓ Incentives – partnering with vendors for follow on work.
- ✓ If the scope of the job is less defined unitized rates are preferable.



## Procurement Resources

Procurement Users	Typical Resources Used	Legal Procurement Requirements
Federal agencies	<ul style="list-style-type: none"> <li>• Use a private full service or niche contractor under an existing contract vehicle</li> <li>• Select and bid a new contract</li> <li>• Conduct work in-house through EPA Regional Science and Technology Divisions (RST), their in-house contractors Environmental Services Assistance Team Contract (ESAT), and the use of Field Analytical Support Programs (FASPs) (see <a href="http://www.epa.gov/ORD/WebPubs/">http://www.epa.gov/ORD/WebPubs/</a> for EPA's Technical Assistance Directory)</li> <li>• Combine in-house staff with those of the U.S. Army Corps of Engineers (USACE) through an Inter-Agency agreement</li> <li>• Request the USACE to manage the field work using their own contractors (see <a href="http://www.usace.army.mil/">http://www.usace.army.mil/</a> for more information on USACE's environmental programs)</li> <li>• Request the USACE to manage the field work with EPA contractors</li> <li>• Use regional level of effort (LOB) contracts, such as the Response Action Contract (RAC), to access an EPA contractor (see <a href="http://www.epa.gov/camsrpool/clawson/racs/">http://www.epa.gov/camsrpool/clawson/racs/</a> for more information on EPA's RAC contracts)</li> <li>• Request support from the Environmental Response Team (ERT) with their in-house staff or through their Response Engineering and Analytical Contract (REAC) (see <a href="http://www.epa.gov/superfund/programs/contracts/">http://www.epa.gov/superfund/programs/contracts/</a> for more information on EPA's REAC contracts)</li> </ul>	Subject to Federal Acquisition Regulation (FAR) and specific agency requirements

## Procurement Resources (continued)

<p>State and local agencies</p>	<ul style="list-style-type: none"> <li>• Use an existing contractor and contract</li> <li>• Select a new contractor based on qualifications (see EPA's document <i>Assessing Contractor Capabilities for Streamlined Site Investigations</i> at <a href="http://brownfieldstsc.org">http://brownfieldstsc.org</a> and EPA's database of remedial technology providers at <a href="http://www.epareachit.org">http://www.epareachit.org</a>)</li> <li>• Request federal assistance through one or more grants to access EPA or other federal organization contractors (see <a href="http://www.epa.gov/epahome/grants.htm">http://www.epa.gov/epahome/grants.htm</a>)</li> <li>• Use federal or state program funds and a pre-qualified consultant (for example, see the Florida Department of Environmental Protection case study, discussed in Section 3.2.1)</li> <li>• Contract with a federal agency for assistance</li> <li>• Obtain access to federal resources (shown above) under a memorandum of understanding or other type of agreement</li> </ul>	<p>May be subject to state and local procurement regulations or spending limits</p>
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## Issues that Impact Effective Application of Triad Work Strategies in New Jersey

- ✓ Implementing the Triad Approach "At Risk"
- ✓ The Triad approach as a standard operating practice.
  - Should we provide some regulatory guidance with respect to clearly articulated outcome based goals (performance standards)?
- ✓ Should the DEP clarify performance based objectives and/or prepare guidance with respect to the application of the Triad approach for at risk activities?
- ✓ Pay-for-performance agreements are one way that government agencies provide incentives to contractors to meet their objectives.

## Establishing Performance Standards Pay-for-Performance

- ✓ Under such agreements, pre-established payments are made to the contractor as the project reaches milestones.
- ✓ This approach to reimbursement rewards contractors for reaching cleanup goals ahead of schedule and under budget.
- ✓ For example, the EPA Offices of Emergency and Remedial Response (OERR) and Underground Storage Tanks (OUST) have been working on initiatives to encourage performance-based contracting (PBC) for underground storage tank sites and environmental projects at Super-fund hazardous waste sites.
- ✓ The initiatives are designed to encourage contractors to use innovative approaches to site restoration by focusing PBC statements of work on the "what" rather than the "how."

## Uncertainties in Developing Cost and Management of Projects

- ✓ Trust is a key element in the development and application of Triad based approaches
  - On the part of the Dept with respect to the data received.
  - On the part of the RP with respect to a consultant given a cart-blanch.
  - How does that trust get developed?
- ✓ How does an RP without in-house staff expertise manage and ensure that the consultant implementing Triad on task and cost effective?
  - Hire a separate consultant for oversight?
- ✓ Data Management - Digital w/ coordinates?
- ✓ Data Reporting- Consistent with Haz-Sites?