



CONTRACTING FOR FACILITIES SERVICES

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Today we will cover:

- In-house vs. outsourcing
- Contracts
- Bidding

Myths/Truths about outsourcing

- It's a fad and it will soon fade away
- The reason for outsourcing isn't important
- Outsourcing will solve problems with in-house service delivery
- It always results in reduced costs
- It always results in reduced quality
- Managing a contract operation is easy

The contract alternative ... why contract/outsource?

Operational · Managerial · Fiscal

**Reaction to crisis or
economic pressure**

Management approach to improve

- Quality of customer service
- Fiscal performance
- Resource utilization

**In-house performance
vs
Contracting for services**

Group activity

At your tables, list:

- 1-2 advantages of keeping services in-house
- 1-2 advantages to outsource

In-house advantages

- Continuity
- Staff loyalty and dedication
- Flexibility in staff utilization
- Emergency response capability
- Lower costs (sometimes)
- Responsiveness
- Quality of work / pride
- Security
- Mutual trust
- Customer interaction
- Organizational cohesiveness
- Knowledge transfer

Contract advantages

- Avoid capital costs
- Obtain specialized or infrequently required services
- Meet peak workload demands
- Lower costs (sometimes)
- Obtain management resources of a large, specialized organization
- Volume purchasing power
- Avoid inventory requirements
- Eliminate support space requirements
- Greater flexibility in adjusting to changing service level needs
- Avoid personnel management requirements

Contract alternatives/considerations

- Public/private
- Procurement delegation
- Urban/rural
- Union/non-union
- Economic climate

Contracting Facilities Management Services

Professional Services

Planning and Design

Architectural and Engineering Consulting

Project and Construction Management

Professional Studies

Construction Services

New construction

Renovation

Major maintenance and repair

Improvements

Operations & Maintenance Services

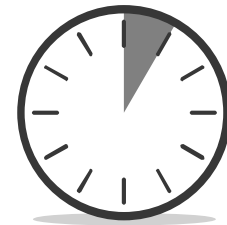
- Grounds maintenance
- Snow removal
- Custodial services
- Pest control
- Transportation services
- Refuse collection and disposal
- Paving
- Painting services
- HVAC services
- Elevator maintenance and inspection
- Asbestos abatement
- Facilities and equipment PM and maintenance services
- Plant operations
- Management of a particular function or operation
- Management of entire Facilities Management function

Discussion:

Institutions that have tried and/or currently outsourcing their contract services

Value: *attributed or relative worth, merit or usefulness*

- Financial
- Logistical
- Quality
- Ethical
- Collaborative
- Customer satisfaction
- Trust
- Importance
- Timeliness



5 MINUTES

CONTRACT

An agreement between two or more persons or parties to do or not to do something.

Essential elements of a binding contract

- An agreement (offer and acceptance)
- Voluntarily entered into
- By parties having capacity to contract
- Supported by consideration
- To do a legal act or acts

Basic documentation

- Specific goods or services to be provided
- Required performance and quality
- Delivery requirements and schedule
- Consideration to be paid and related terms or conditions

Contractual Procurement procedures

Competitive bidding (IFB)

Compete solely on basis of price

Award to responsive and responsible contractor with lowest offer

Competitive negotiation (RFP)

Qualitative evaluation

Negotiate on basis of specific selection criteria

May or may not include price

Mandatory/preferred terms

RFP Score sheet

FIRM: _____
EVALUATOR: _____
DATE: _____

CRITERIA	PROPOSED WEIGHT	SCORE 1-10	WEIGHTED SCORE	COMMENT
1. Schedule	15			
2. Cost	50			
3. Performance Plan	20			
4. Project Team	5			
5. Subcontractors	5			
6. Minority Plan	5			
7. Total				

Negotiated or "Sole Source" contract

Direct negotiation with single vendor

Justification required in public sector

Defining contractual requirements

Must define

- What we want
- How much
- Standards of quality and performance
- When

Can do this by:

- Plans/specifications
- Statement of performance objectives or standards
- General statement of requirements

Obtaining offers

Advertisement

Solicitation

Pre-bid /pre-proposal meeting

Addenda

Type of offer

Formal contract

Plans and/or specifications
Request for bid/proposal document
Contractor's offer/proposal
Bonds
Terms or conditions negotiated following selection of contractor

Contract management

Contract Administrator
Pre-performance conference
Inspection procedures
Performance incentives/penalties
Payment
Claims and disputes procedures
Renewal procedure

In-house services

Perceived advantages

- Loyalty
- Dedication
- Commitment
- Continuity
- Responsiveness
- Flexibility
- Quality
- "Corporate knowledge"

Perceived disadvantages

- "It takes too long"
- "It costs too much"
- "My neighbor is a _____ and he could have done it in half the time"

To be successful, an institution's decision process needs to be ...

- Performed within the context of the institution's mission and culture
- Seen as a strategic choice
- Consultative and inclusive of customers, functional area specialists and administrators
- Able to qualitatively and quantitatively define the institution's requirements for the functional area's performance
- Balanced and cognizant of all management/operating alternatives



At the end of the day ...

“Only the provision of a service can be contracted for, not the responsibility for it.”

“In the eyes of the consumer, the ultimate accountability will always rest with the institution.”



University of Virginia

“Make/Buy Competitive Procurement”



David Osborne, Reinventing Government:

“Whenever possible, inject competition into public service.”

Jim Flanagan, city auditor, Phoenix:

“The most important distinction is not public vs. private, it is monopoly vs. competition. Where there is competition, you get better results, more cost-consciousness and superior service delivery.”



Goals of “Make/Buy”

- Assure ourselves, and our customers, that services are being provided in the most economical method.
- Use competition to enhance cost consciousness, productivity, and customer service of our internal work force.
- Use greater competition to enhance competitiveness and customer service of the private sector.

Conclusion

There *is* a contract alternative
Understand the advantages and disadvantages of the alternatives
Understand contracting principles
Recognize perceptions/seek reality
Inject competition

Various sources on outsourcing

<http://www.hcs.harvard.edu/pslm/livingwage/outsourcing.pdf>

http://www.theeagle.com/news/local/texas-a-m-staff-council-updated-on-status-of-outsourced/article_ea25e7fd-e33a-5908-b435-35f9940e971b.html

<http://www.acui.org/publications/bulletin/article.aspx?issue=448&id=2298>

<http://www.chem.info/article/2014/05/pros-cons-outsourced-vs-house-maintenance>

http://www.utdailybeacon.com/news/ut-facilities-chancellor-slams-privatization-proposal/article_d16b394e-d074-11e5-b923-1f7634b44458.html

<http://www.knoxnews.com/story/news/education/2017/10/13/outsourcing-would-save-university-tennessee-6-8-million-proposal-says/758531001/?=FD>

Various sources on outsourcing (cont.)

<https://www.universitybusiness.com/article/outs-and-ins-facility-managment>

<https://today.tamu.edu/2015/07/30/texas-am-project-will-provide-hundreds-of-millions-of-dollars-for-academics-and-research/>

<https://www.insidetrack.com/the-outsourced-college/>

<https://www.usnews.com/news/best-states/tennessee/articles/2017-10-19/outsourcing-bid-at-tennessee-university-would-cost-more>

<https://www.thelantern.com/2013/12/50-year-agreement-osus-483m-parking-deal-stands-alone-among-schools-year-1/>

AIA Continuing Education Provider

Explanation of AIA credits

Credit(s) earned on completion of this course will be reported to American Institute of Architects (AIA) Continuing Education Session (CES) for AIA members.

Certificates of Completion for both AIA members and non-AIA members are available upon request.

Questions related to specific materials, methods, and services will be addressed at the conclusion of this presentation.

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Course description

This course will present a discussion of the contract alternative, when/why to contract, the types of services that are commonly contracted for, and competition issues in maintenance management. It will include basic contracting principles, various types of procurement methods, and contract administration techniques. Participants will discuss effective service contract experiences.

Faculty: Mark Stanis

Learning objectives

- Discuss when and why to use a contractor for maintenance services
- Learn what services contractors offer
- Discuss basic contracting principles
- Discuss effective service contract experiences.

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This concludes
The American Institute of Architects
Continuing Education Systems Course

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Thank you

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