

TIME AND MATERIAL CONTRACTS (T & M)



Presented

By

Jim Totty, CPPO, C.P.M, VCO

Supervisor of Purchasing

(703) 791-8744

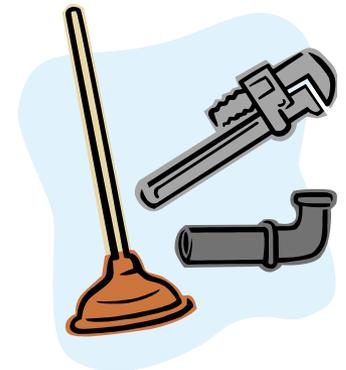
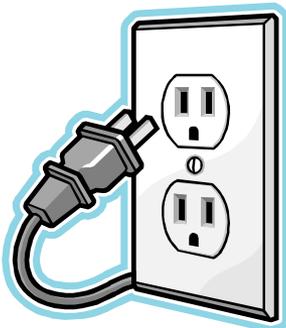
totty@pwcs.edu



Prince William County

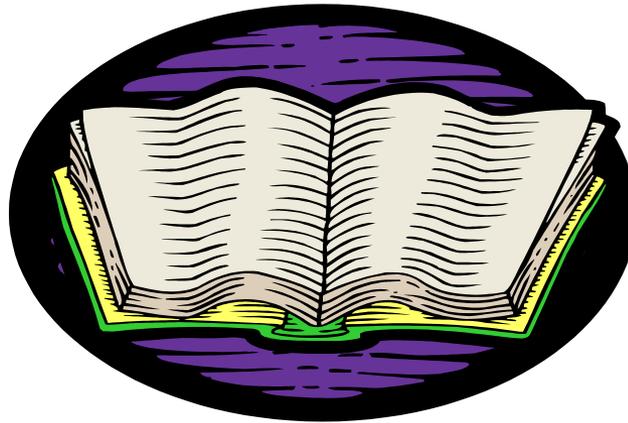
PUBLIC SCHOOLS

Providing A World-Class Education



TIME & MATERIALS CONTRACT

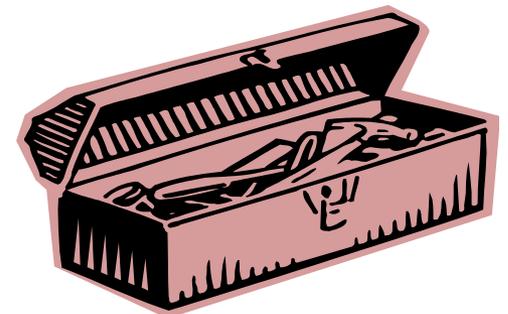
“DEFINITION”



CONTRACTS THAT TYPICALLY PROVIDE FOR THE PURCHASE OF SERVICES BASED ON PRODUCTIVE LABOR HOUR RATES AND THE COST OF PARTS AND/OR MATERIALS.

TYPES OF T & M CONTRACTS

- ★ **ELECTRICAL**
- ★ **PAINTING**
- ★ **PLUMBING**
- ★ **INTERIOR RENOVATIONS**
- ★ **HVAC REPAIRS**
- ★ **EMERGENCY GENERATORS**
- ★ **ANY TYPE OF REPAIRS AT HOURLY RATE**





WHEN TO USE T & M

WHEN THE **SCOPE OF SERVICES**
CAN'T BE “*FINITELY DEFINED*”

TO OBTAIN A **FIRM FIXED PRICE***

***THE PREFERRED METHOD
OF CONTRACTING**



T&M CONTRACT ISSUES

- ▶ **NO INCENTIVE FOR CONTRACTORS TO CONTROL COSTS; THEY WANT TO BILL MAXIMUM HOURS POSSIBLE**
- ▶ **CONTRACTOR CAN “RUN UP COSTS” IF USER DOESN’T RANDOMLY MONITOR/SPOT CHECK**
- ▶ **CONTRACT ADMINISTRATION IS ESSENTIAL FOR CONTROLLING COST**



T & M FEE STRUCTURE

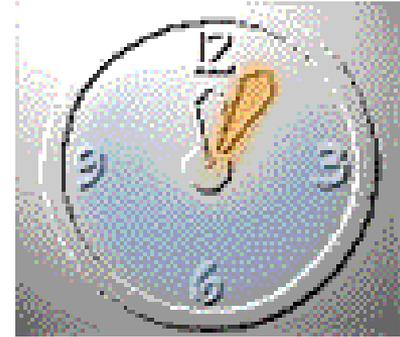
- **HOURLY LABOR RATE:** TO INCLUDE WAGES, OVERHEAD, ADMINISTRATIVE COSTS, TRAVEL, AND **ALL OTHER COSTS** INCLUDING **PROFIT.**
- **MATERIALS:** SHOULD BE AT **COST**, A PRE-AGREED UPON **DISCOUNT** OR **MARKUP** FROM A MUTUALLY AGREED UPON PRICING SCHEDULE.
- **COST PLUS – SEE VPPA 2.2-4331.B**



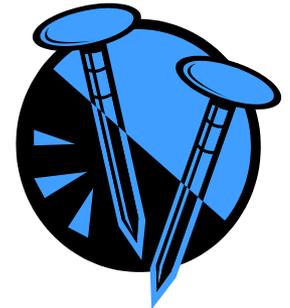
PAYING FOR LABOR & PARTS/MATERIALS

LABOR

- ALL WORK INVOICED AT THE CONTRACTED **HOURLY RATE** FOR SCHEDULED OR EMERGENCY REPAIRS/SERVICES



- PAY **ONLY** FOR **PRODUCTIVE TIME** ON THE JOB



PARTS/MATERIALS

- **PAY** FOR WHAT WAS **“ACTUALLY USED”**

LABOR RATE CATEGORIES

REGULAR TIME:

◆ YOUR REGULAR HOURS OF OPERATION

- 7:30 AM to 4:30 PM; 8:00 AM to 5:00 PM
- STATE CLEARLY IN THE SOLICITATION

OVERTIME :

◆ AFTER 5:00 PM

- TIME-AND-A-HALF

◆ WEEKENDS/HOLIDAYS

- DOUBLE TIME



DEFINE LABOR CLASSIFICATIONS

◇ *RESEARCH LABOR CLASSES IN YOUR AREA*

- **MASTER TECHNICIAN - \$85**
- **JOURNEYMAN - \$55**
- **APPRENTICE - \$30**
- **HELPER - \$18**



VERIFY LABOR CATEGORIES ACTUALLY ON THE JOB
DON'T PAY FOR MECHANIC IF JOURNEYMAN DID
THE WORK (RATE BASED ON EXPERIENCE, TIME IN GRADE, ETC.)

PART/MATERIAL STANDARDS

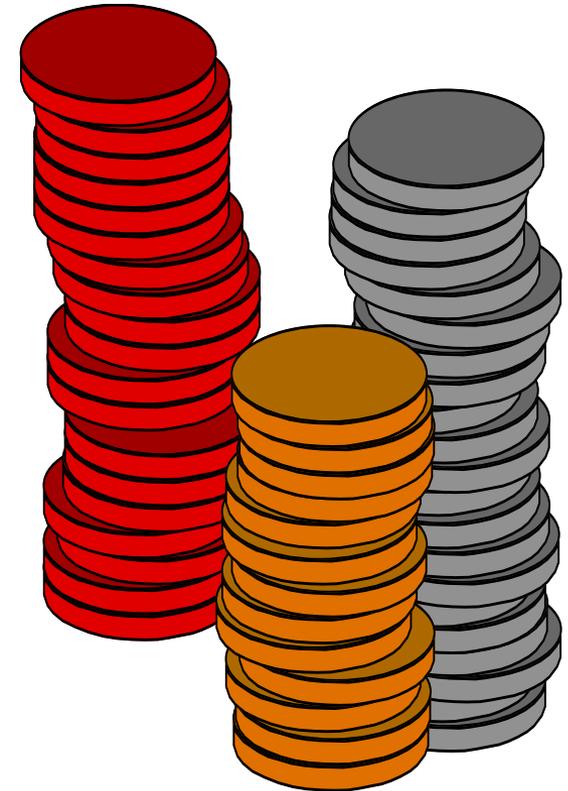
- **VERIFY WHAT THEY ARE:**

- **OEM**

- **GENERIC**

- **REMANUFACTURED**

“CORE VALUE”

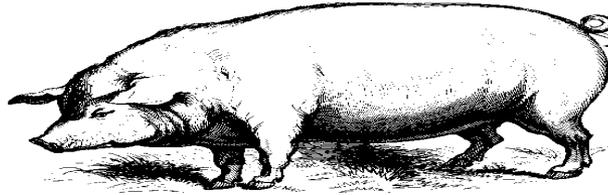


WHAT DOES THE CONTRACT COVER

- **SERVICES ONLY**
- **SERVICE & PARTS/MATERIALS**
- **LIST OF EQUIPMENT COVERED**
- **HOW IS EQUIPMENT ADDED OR DELETED FROM THE CONTRACT**
 - **ONLY ADD NEW EQUIPMENT AFTER WARRANTY**
 - **DELETE EQUIPMENT IF TAKEN OUT OF SERVICE**



T&M SCOPE OF WORK (SOW)



- **DESCRIBES SERVICES TO BE PERFORMED**
- **USE AN INVITATION TO BID**
- **PERFORMANCE NEEDS TO BE:**
 - ▶ **FINITELY DESCRIBED**
 - ▶ **MEASURED BY THE SOW**

OBJECTIVES OF SOW

TO CLEARLY:

- COMMUNICATE WHAT IS EXPECTED
- CLEARLY STATE ACCEPTABLE LEVELS OF PERFORMANCE
- THE BASIS FOR EVALUATING THE CONTRACTOR'S PERFORMANCE*

* ALWAYS IN ACCORDANCE WITH SOW



THE SOW

NEEDS TO BE:

- CLEAR, CONCISE AND ORGANIZED
- FREE OF VAGUE/AMBIGUOUS TERMS
- SIMPLE **UNDERSTANDABLE** LANGUAGE (**KISS**)

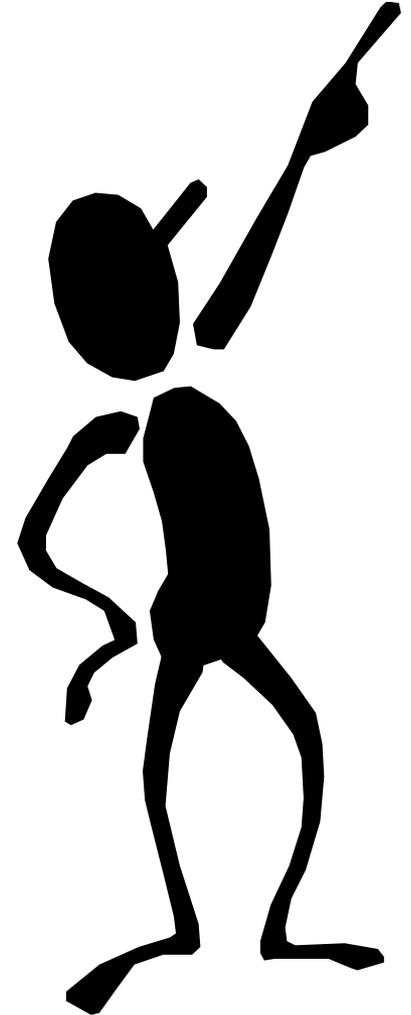


SOW MAY CHANGE

- REVIEW

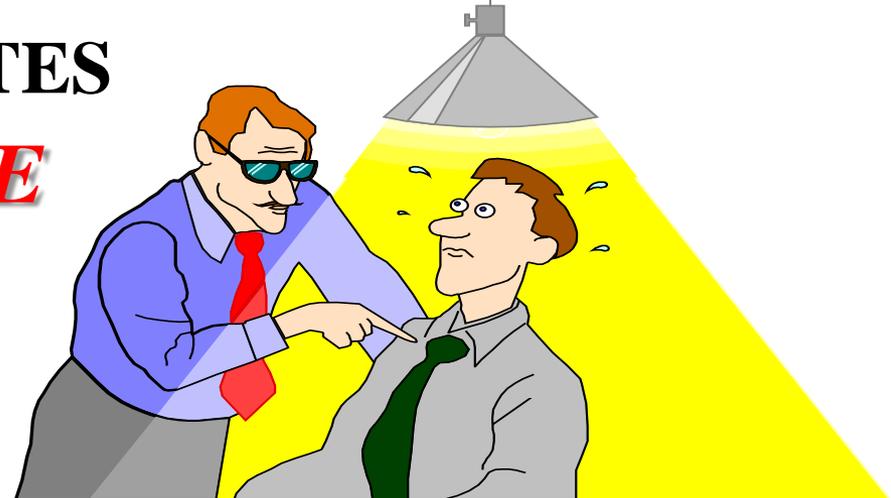
AT RENEWAL OR WHEN
RESOLICITING

- ▶ NEW DESIGNS
- ▶ NEW TECHNIQUES
- ▶ NEW TECHNOLOGY
- ▶ USER NEEDS MAY CHANGE
- ▶ SERVICES OR EQUIPMENT MAY
BE ADDED OR DELETED



DEFICIENT SOW TASK DESCRIPTIONS:

- **MAY LEAD TO:**
 - **SUBSTANDARD / UNACCEPTABLE SERVICE**
 - **FAILURE TO MEET USER REQUIREMENTS**
 - **INCREASED UNEXPECTED COSTS**
 - **USER/CONTRACTOR COMPLAINTS**
 - **CONTRACTUAL DISPUTES**
 - ***CONTRACT FAILURE***



HELP FOR DEVELOPING SOW'S

- **OTHER GOVERNMENTS (STATE & LOCAL)**
- **VAGP / NIGP/K12 LIST SERVE**
- **COOPERATIVE CONTRACTS**
- **GSA (SCHEDULE 70 & 84)**
- **NIGP SPECIFICATION LIBRARY**
- **INTERNET**
 - * **VENDORS/MANUFACTURER WEBSITES**
- **RECOGNIZED STANDARDS**
 - * **ASTM / ASME**
 - * **NFPA**
 - * **UNDER WRITER'S LABORATORIES**



RESPONSE TIME



- ROUTINE REPAIRS:

- RESPOND (WITHIN 48 TO 72 HOURS)
- OR AS SCHEDULED (NON-EMERGENCY REPAIRS)

- EMERGENCY REPAIRS:

- RESPOND (WITHIN 1, 2, 4 HOURS, etc.)
- CRITICAL EQUIPMENT

- ▶ "REQUIRE LIMITED DOWN TIME"

- * COMPUTER ROOM

- * WATER / WASTEWATER TREATMENT PLANT

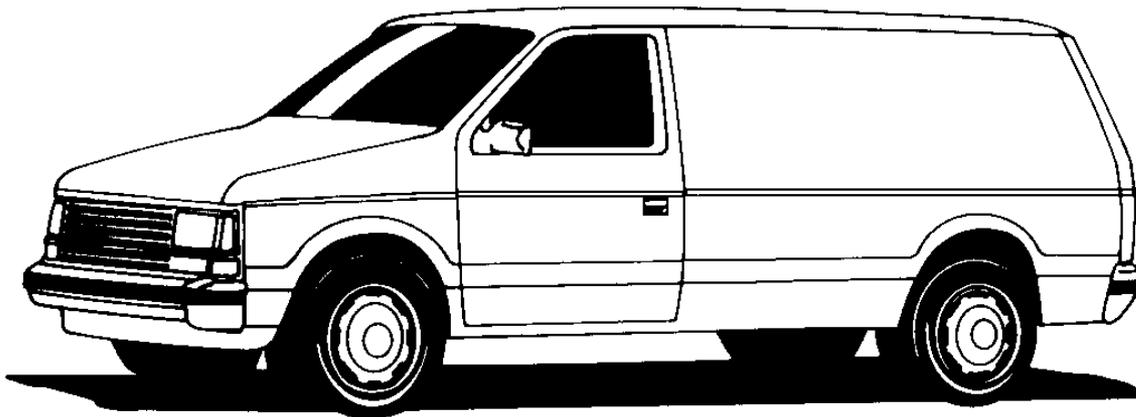
- * EMERGENCY GENERATORS

- BE REASONABLE as (TIME COSTS MONEY)



TRAVEL

- **SHOULD YOU PAY FOR:**
 - * **TRIP/TRUCK CHARGES?**
 - * **AN HOURLY LABOR RATE TO TRAVEL?**
 - * **PORTAL TO PORTAL?**
 - * **MILEAGE CHARGE? (PAY CURRENT IRS RATE)**



AUTHORIZATION OF REPAIRS

- **CONTRACT SHOULD CLEARLY DEFINE:**

-  - WHO CAN CONTACT THE CONTRACTOR AND AUTHORIZE SERVICE REQUESTS

- **PROVIDE THE CONTRACTOR:**

-  - DEPARTMENT CONTACTS

-  - PURCHASING CONTACT

-  - STATE IF WORK SCHEDULED BY A SPECIFIC DEPARTMENT



REPORTING TO JOB SITE

CONTRACTOR'S REPRESENTATIVE **MUST**:

- ***SIGN IN AND SIGN OUT***:

-  - IDENTIFY WHO THEY REPORT TO

-  - SPECIFY WHEN REQUIRED TO **SIGN OUT**

-  - IDENTIFY WHO CAN **APPROVE/SIGN** WORK TICKETS



WRITTEN ESTIMATES

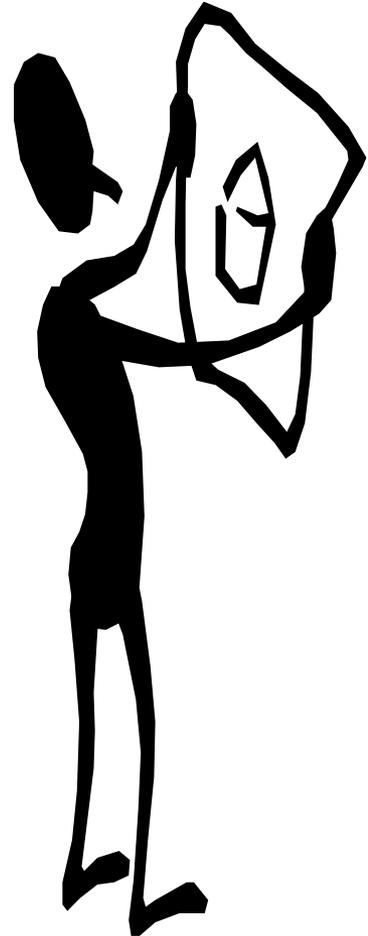
 NEED TO BE PROVIDED AND APPROVED PRIOR TO PROCEEDING WITH REPAIRS TO INCLUDE:*

- TOTAL LABOR HOURS
- ALL PARTS & MATERIALS ANTICIPATED

 ESTABLISH DOLLAR THRESHOLDS FOR REPAIRS (YOU RESERVE RIGHT TO BID)

 DESCRIBE ANY SPECIAL REQUIREMENTS PRIOR TO PROCEEDING WITH REPAIRS

* CRITICAL EMERGENCIES EXEMPTED



WORK TICKETS

- *NEED TO INCLUDE:*

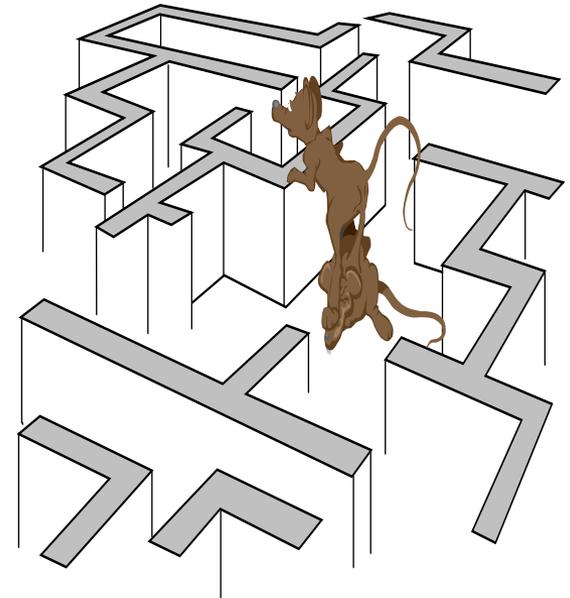
CONTRACTOR INFORMATION **SUCH AS:**

- DATE OF SERVICE
- ALL INDIVIDUALS ON THE JOB EACH DAY
- SERVICE TECHNICIAN IN CHARGE
- WORK HOURS LISTED BY LABOR CLASSES
- PARTS REPLACED/MATERIALS USED

- LEGIBLE *Signatures* 

→ CONTRACTOR'S REPRESENTATIVE

→ USER'S REPRESENTATIVE ACCEPTING THE WORK



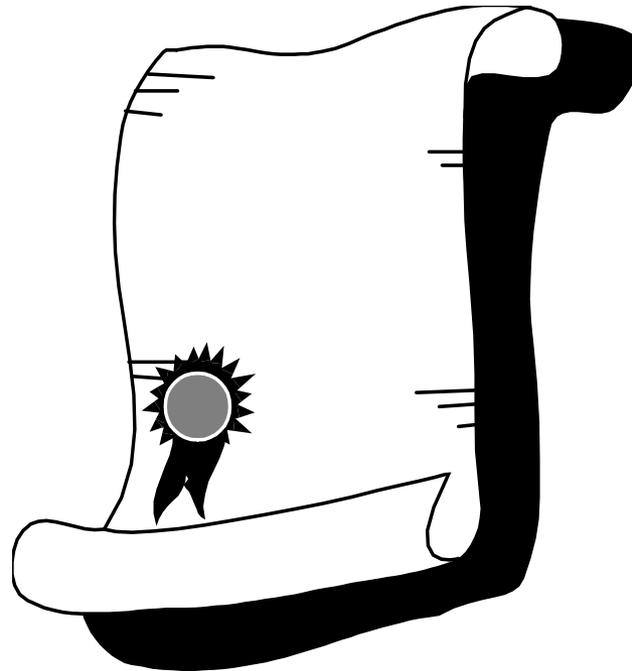
WORKMANSHIP

- **FACTORY TRAINING OR EQUIVALENT**
- **TRAINING PER STATED STANDARD OR REQUIREMENT**
- **CERTIFICATIONS**
- **SUPERVISION REQUIRED**
- **ACCEPTABLE CONDUCT ON THE JOB**



WARRANTY

- ✓ **LABOR - HOW LONG - USUALLY 90 DAYS**
- ✓ **PARTS - HOW LONG – USUALLY 1 YEAR**
- ✓ **REPEAT REPAIRS – FOR SAME PROBLEM**
 - ▶ **SHOULD BE AT NO NO ADDITIONAL CHARGE**



APPROVING INVOICES

- **PRODUCTIVE TIME ON THE JOB**
 - **TRAVEL TIME ONLY IF APPLICABLE**
 - **NO TIME LOOKING FOR PARTS**
 - **NO LUNCH TIME OR BREAKS**
 - **CARRY OVER TIME - AT REGULAR LABOR RATE**
 - **VERIFY ALL CHARGES PRIOR TO PAYMENT**
- **CHALLENGE - IF IT DOES NOT APPEAR TO BE CORRECT**



T & M CONTRACT RENEWAL

- **RENEWAL CLAUSE MUST BE INCLUDED IN THE SOLICITATION**
- **CONTRACT RENEWED:**
 - **MUTUAL CONSENT BY BOTH PARTIES (OPTIONAL)**
 - > **PROVISIONS FOR PRICE INCREASES**
 - * **CPI-W/CPI-U**
 - **Consumer Price Index – Wages Earners /Urban Users)**
 - * **OR A MUTUALLY AGREED UPON METHODOLOGY**



CONTRACT TERMINATION

- **INCLUDE TERMINATION CLAUSES FOR:**
 - ▶ **CAUSE (POOR OR NON-PERFORMANCE)**
 - ▶ **CONVENIENCE (LACK OF NEED OR FUNDS)**
 - ▶ **MUTUAL AGREEMENT WITH WRITTEN NOTICE (NEITHER PARTY WANTS TO CONTINUE)**

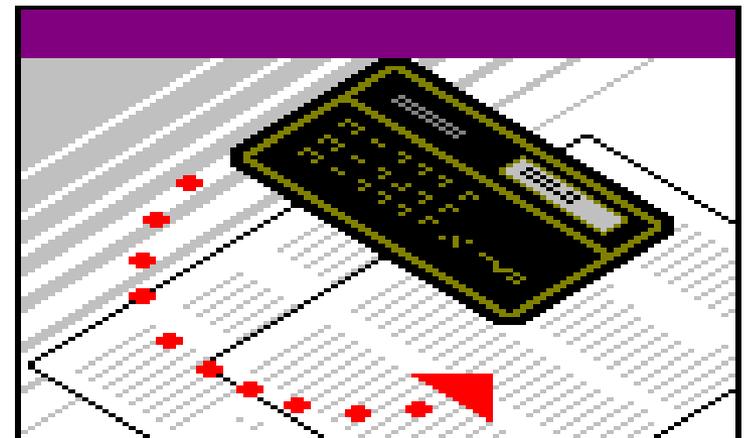




BID EVALUATION & AWARD



- CAN YOU **DETERMINE** WHO IS THE LOW BIDDER FROM YOUR BID FORM
- IF NOT HOW WILL YOU MAKE AN AWARD
- CONSIDER USING **HYPOTHETICAL SCENARIOS**
- *WILL YOU ALLOW A BID OF **\$0** FOR HELPERS IF PRICE ASKED FOR IN BID*



HYPOTHETICAL SCENARIOS

- **USE WHEN YOU HAVE MULTIPLE CATEGORIES OF LABOR**
 - **MECHANICS / APPRENTICE**
 - **JOURNEYMAN / HELPER**
- **INCLUDE PARTS IN THE SCENARIO**

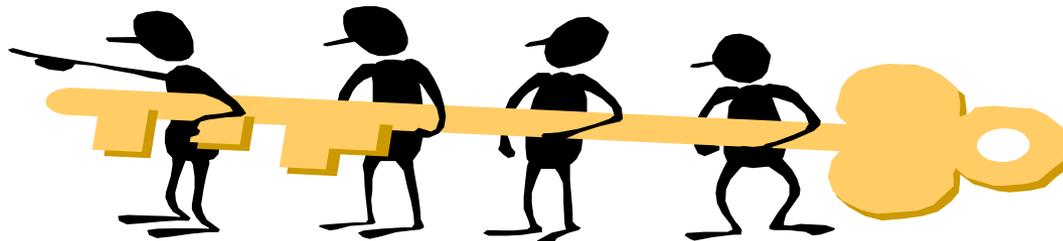
(Examples Included)

1+1=3



SCENARIO LAYOUT

- **SHOULD HAVE RELATIONSHIP TO REAL JOB SITUATIONS**
 - **80% WORK BY MECHANIC/JOURNEYMEN**
 - **20% WITH APPRENTICE OR HELPERS**
- **MECHANICS – DIAGNOSIS / FIX PROBLEM**
- **HELPERS – PROVIDES ASSISTANCE/HELP TO MECHANIC (GO FOR THINGS)**



LICENSES

- **IF REQUIRED:**

- **CONTRACTOR'S - CLASSES A, B OR C**
- **EACH HAS DOLLAR THRESHOLD**

- **LOCAL BUSINESS LICENSE**

- **TRADES REQUIRE LICENSE:**

“A”

* **ELECTRICAL**

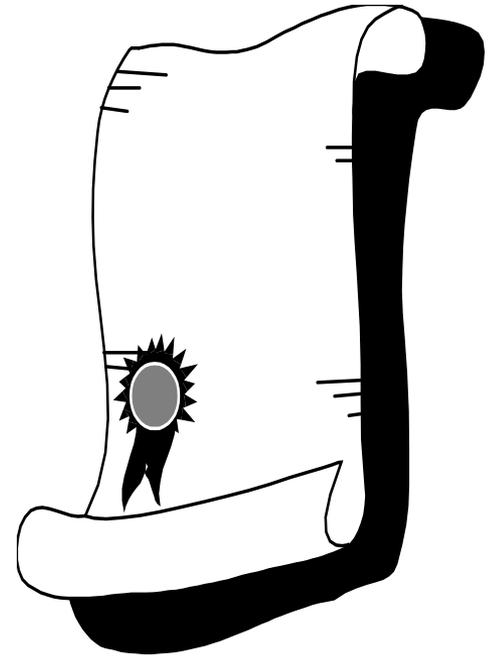
* **PLUMBING**

* **PAINTING**

* **HVAC**

* **ALARM SYSTEMS**

* **ELEVATOR REPAIR**



CODE OF VIRGINIA SECTION 54.1-1115

- **ANY UNLICENSED CONTRACTOR**
SUBMITTING A BID **WHEN A LICENSE IS**
REQUIRED **IS IN VIOLATION OF STATE LAW.**
- * **CLASS 1 MISDEMEANOR**
- * **\$500 FINE PER DAY** **EACH DAY**
IN VIOLATION
- ***PLUS CRIMINAL PENALTIES** **FOR**
COMMISSION OF CLASS ONE MISDEMEANOR



CODE OF VIRGINIA SECTION 54.1-1115

- ANY **BUYER** WHO **KNOWINGLY** RECEIVES OR CONSIDERS A RESPONSE FROM AN **UNLICENSED VENDOR** WHEN A LICENSE IS REQUIRED:

- * IS **IN VIOLATION** OF STATE LAW
- * GUILTY OF **CLASS 1 MISDEMEANOR**
- * SUBJECT TO **CRIMINAL PENALTIES** FOR COMMISSION OF **CLASS 1 MISDEMEANOR**



SCC NUMBER

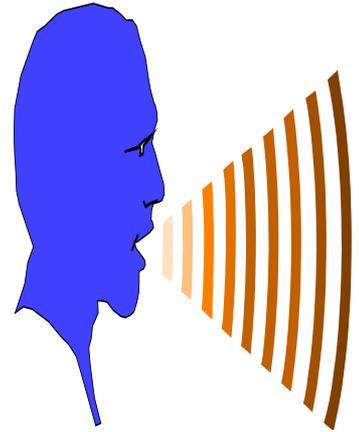
STATE CORPORATION COMMISSION (SCC) IDENTIFICATION NUMBER

- **THE BIDDER/OFFEROR ON ALL SEALED BIDS AND REQUEST FOR PROPOSALS AGREES:**

THEY HAVE MET THE REQUIREMENTS OF:

VPPA §2.2-4311.2

REFERENCE CHECKS



- 👉 SAME QUESTIONS FOR EACH BIDDER
- 👉 ASK IF PERFORMANCE SATISFACTORY
- 👉 WOULD THEY CONTRACT WITH THEM AGAIN
- 👉 DID THEY HAVE ANY PROBLEMS WITH INVOICES
- 👉 OTHER SPECIFIC QUESTIONS ABOUT THE SERVICE

😊 ASK: ***“IS THERE ANYTHING ELSE YOU WOULD CARE TO TELL ME”?***



DETERMINING CONTRACTOR RESPONSIBILITY

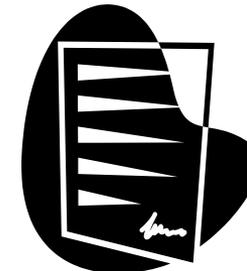
- **HAVE THEY DONE THIS TYPE OF WORK BEFORE**
- **HAS PAST PERFORMANCE BEEN SATISFACTORY***
- **ACCURACY OF WORK TICKETS & INVOICES***
- **HAVE THEY EVER BEEN TERMINATED FOR DEFAULT***
- **FINANCIALLY CAPABLE**
 - **ASK FINANCE FOR ASSISTANCE**

* **VERIFY WITH REFERENCE CHECKS**



CONTRACT ADMINISTRATION

- ▶ **CRITICAL** FOR SUCCESSFUL CONTRACT
- ▶ ASSIGN FUNCTION **TO** USER
- ▶ PERFORMANCE **“MUST”** BE **DOCUMENTED**
 - USE **RANDOM INSPECTIONS/MONITORING**
- ▶ ACTION **“MUST”** BE TAKEN WHEN PERFORMANCE FAILS TO MEET CONTRACT REQUIREMENTS



CONTRACT ADMINISTRATION

“AS GOOD AS”

- ✓ RESPONSIBLE AWARD
- ✓ USER MAKING RANDOM SPOT CHECKS
- ✓ CONTINUOUS MONITORING
- ✓ VERIFYING TIME SHEETS BEFORE SIGNING
- ✓ ALL WORK IS WITHIN SCOPE OF THE CONTRACT
- ✓ ALL PROBLEMS - **“DOCUMENTED”**



“CONGRATULATIONS”



A SUCCESSFUL “T&M” CONTRACT