



City Council Report

Date: April 15, 2019
To: City Council
Through: Kari Kent, Assistant City Manager
From: Beth Huning, City Engineer
Rob Kidder, Assistant City Engineer
Subject: Job Work Order Limits
Citywide

Purpose and Recommendation

The purpose of this report is to provide information to the Council related to the City's Job Order Contract (JOC) program and the authorized maximum dollar amount of individual job work orders.

Staff recommends that Council approve the attached resolution raising the current job order limit from the current \$1,000,000 per job order, to \$1,500,000 per job order to compensate for significant increases in construction costs since 2012.

Background

The JOC method of procuring construction services is authorized by Title 34 of the Arizona Revised Statutes as an alternative to the traditional design-bid-build procurement method. Job order contracting allows the City to select a contractor on an "on-call" basis for construction projects utilizing a "best value" approach based on the company's demonstrated qualifications to perform the type of work required. The City of Mesa started utilizing JOC procurement in September 2012 and consistently uses Job Order Contracting to deliver a wide variety of construction projects. Under state law, individual job work orders are limited to \$1,000,000 unless a higher maximum amount is approved by City Council.

Discussion

Engineering News-Record (ENR) and Rider Levett Bucknall (RLB) are two nationally recognized publications that maintain and publish historical construction pricing information. ENR's historical construction cost index indicates an 82.5% increase in construction costs from January 2000 to December 2018. RLB's construction cost escalation indicates a 58.07% increase from the first quarter of 2002 to the third quarter of 2018, for data specific to the Phoenix area. Based on these values, a \$1,000,000 project in 2000 would potentially cost \$1,580,000 to \$1,820,000 in today's dollars.

Using September 2012 as a cost baseline for a project in Mesa, ENR's historical construction cost index indicates a similar project cost in today's market has increased by 19.8%. RLB's escalation costs shows a 23.6% increase from the third quarter of 2012 to the fourth quarter of 2018. That translates to a project worth \$1,000,000 in 2012 could potentially be approximately \$1,240,000 today.

Recently, the City has faced a lack of market interest on low value projects advertised for public bid. One reason for the lack of interest may be the that considerable high value work is available elsewhere. The current high demand for contractors allows them to be more selective of the projects they choose to bid. For example, a recent paving project in Mesa was estimated to be just over \$1,000,000, but it received no bidders and therefore had to be combined with another paving project just to receive one bid. If the individual job order limit had been \$1,500,000, this project could have been awarded through one of our JOC transportation contractors, and the work would not have been delayed. This problem has become commonplace, and the City often has projects that exceed the current \$1,000,000 limit, but fall under the proposed \$1,500,000 limit, and therefore could be procured through a job order contract if the limit were raised.

Other agencies have found it beneficial to increase the \$1,000,000 individual job order limit. City staff surveyed various local agencies to determine what other similar agencies are using for job order limits. The following list shows the approved job order limits for each agency surveyed:

- 1) Avondale, Maricopa, Tempe, Gilbert \$1,000,000
- 2) Scottsdale and Glendale use a tiered approach
 - a) Treatment Facilities \$1,750,000
 - b) Landscape/Water/Bldg/Civil Improvements \$1,500,000
 - c) Landscape/Water/Civil Improvements \$1,500,000
 - d) Sewer Rehab \$1,000,000
- 3) Phoenix and Chandler, Arizona State University, Northern Arizona State University, University of Arizona \$2,000,000
- 4) Peoria \$3,000,000

To utilize Job Order Contracting in keeping with current construction costs, and to better meet the needs of the City of Mesa, we respectfully request that Mesa City Council consider increasing the allowable job work order limit to \$1,500,000 per job order.

Alternatives

An alternative to increasing the job order limit is to maintain the existing limit of \$1,000,000. Projects can continue to be built, but the value of future projects will be reduced as compared to a similar project that would have been built in 2012. This is not recommended due to the ongoing escalation of construction costs and lack of interest from available contractors.

Fiscal Impact

The increased job order limits will allow the City to complete projects using the Job Order Contracting method up to \$1,500,000 instead of the current maximum of \$1,000,000.

Coordinated With

Recommendations to increase the job-order limits were presented to the Directors (and their associated staff) of the following departments: Facilities Maintenance, Transportation, Energy Resources, Water Resources, Parks, Recreation & Community Facilities, Housing, Purchasing, and Development & Sustainability. These departments support this request to increase the job-order limits and supports this action.