

Task Force RSA-21

Committee – Borough Substandard Road Process

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Note – This is an uncoordinated committee draft report published to foster coordination and discussions on the ‘process’ and recommendations within the Task Force. Readers should not construe any recommendations in this draft report as the Task Force’s collective opinion, nor should one draw any inferences from this document to the Task Force’s final report to the Assembly.

Committee 1 – Alternate Contract / Scalability (Shall Consider)

Findings and recommendations

To be thorough with my research I spent time reviewing the RSA contract, the many issues facing the maintenance of borough roads, and speaking with borough residents, the Director of Public Works, and previous coworkers who work with contracts often. There are some major issues we are facing as we examine and provide recommendations to the Assembly. I will limit my recommendations directly to the task committee 1 is assigned to.

Recommendation 1

Issue: Determine what contract will work best for the RSA 21.

Discussion: During my research I reached out to a few individuals I have worked with in the civil engineering field that deals with contracts. We reviewed the needs and issues facing RSA 21 that have been discussed in our meetings. We looked at a few different contract structures that could be used for the RSA contract. Each contract structure has its pros and cons as listed below.

Contract structure considered

1. Lump sum
 - a. Pro
 - i. Predictability of contract cost for budget
 - ii. Lower financial risk
 - iii. All work included in the contract will be completed within budget
 - iv. Simple accounts payable processes
 - b. Con
 - i. Contract must be thorough and clear
 - ii. Contract inflexible
 - iii. Change to contract will require change orders/additional paperwork

- iv. Normally charged a higher rate because the contractor takes more financial risk.
- v. Use of inferior materials
- vi. Short cuts or cost cuts to maximize contract profit

2. Time and materials

a. Pro

- i. Incentive for work to be done
- ii. Quality materials
- iii. Easy to add more scope to improve roads if funds are available in the RSA contract

b. Con

- i. Contractor not motivated to work efficiently
- ii. Unpredictable budget to complete required work
- iii. Rising labor and material cost
- iv. Tracking cost requires more work

3. Cost-plus

a. Pro

- i. Better materials
- ii. Pay for only work completed
- iii. Complete work on time and budget

b. Con

- i. Tracking cost requires more work
- ii. Hard to budget for the year
- iii. Rising labor and material cost
- iv. Borough carries risk of cost overruns
- v. Must have a trustworthy contractor

Lump Sum

Under a lump sum contract, also known as a stipulated sum contract, the contract provides explicit specifications for the work, and the contractor provides a fixed price for the project. These contracts require the borough to complete the project's plans, designs, specifications and schedule before the contractor can establish a price. The contractor then estimates the costs of materials, tools, labor and indirect costs such as overhead and profit margin and provides a quote.

This is the current contract structure the borough uses and there have been a few issues that we have been facing with this structure. Here is a list of issues we have brought up or discussed:

- Poor roads that cannot be maintained based off current standard
- The inventory list is put together after the contract is bid
- Not enough borough workers to ensure contract work is being completed and done correctly
- Poor or no training on current standards
- Contract has some unreasonable standards
- Contract has some unclear standards
- Contract isn't clear on an explanation of what quality work is for each trade

- The contract leaves a lot of room for the contractor to underperform on the maintenance contract

Time and materials

With a time and materials contract, instead of quoting a fixed price for the entire project, a contract will describe the rough scope of the job along with a quote for a fixed hourly wage plus the cost of materials. The contractor might also include a maximum price for the project — commonly called a “not-to-exceed” clause as a guarantee to protect the client against runaway costs.

To switch to this contract structure the borough will still need to address the previous issues described in the lump sum section as well as some additional items to make this an effective solution. Here is a list of additional items to be addressed:

- Borough will need to hire additional people to manage new tasks associated with this structure
- It’s a common issue with T&M projects to get lower quality work
- This is not a good option if we can clearly identify the scope and specification of the work

The benefit here is that the contractor won’t be paid for items in the contract that aren’t being done.

Cost-Plus

A cost-plus contract is one in which the contractor is paid for all the project’s expenses plus an additional fee for the job. The additional fee is intended to be the contractor’s profit. Also known as cost-reimbursement contracts, these arrangements contrast with fixed-price contracts, in which the contractor is paid a single set fee for a project, regardless of total expenses. Cost-plus contracts shift some of the risk from contractors to customers, who may have to pay more to cover increased expenses.

To switch to this contract structure the borough will still need to address the previous issues described in the lump sum section as well as some additional items to make this an effective solution. Here is a list of additional items to be addressed:

- Contractors putting their profit in the bid is not great because it makes the bid come down to who is willing to take less money as profit. This is not good because you will lose quality of work.
- Budgeting in a cost plus tends to go over the expected budget.
- More change orders

Recommendation: Continue using lump sum contract structures while addressing the concerns mentioned above.

Recommendation 2

Issue: Roads that are unable to be held to current road standard. This is due to old roads that were accepted into the borough that can’t meet the current standards and is unable to be serviced fully under an RSA contract.

Discussion: I want to recommend developing a few different road classifications. Each classification will be held to a reasonable standard associated with each RSA contract. This will help clear up any confusion on what shall be done even if the road can't be maintained in accordance with a road that meets all the standards. What this does is makes sure certain tasks are completed and there is no interpretation of what should and should not be done. It is the contracts job to clearly say what the scope of work should be. It is not fair to have a contractor make road improvements under an RSA contract. It's not the job of the contractor under the RSA contract to make sure a road has the ability to be fully serviced as a standard road. Like wise we should be able to hold them to a maintenance standard that corresponds to the exiting road. As roads are improved through other funds, they are then moved to a classification that now meets that road and how it should be serviced.

The idea is to have a clear list of task and responsibilities that must be meet/done to provide the best road we can with what we have at the moment. As the borough moves forward and fixes all the road then these different road classifications should go away, and we will again have a single standard that all roads shall meet. This is a temporary solution that will help the borough and the contractor meet the needs of the borough citizens.

Recommendation: Develop 3ish different road classifications and how each should be maintained.

Recommendation 3

Issue: Contract has unrealistic requirements and expectations

Discussion: There are a few situations in the contract that require the contractor to fix or respond to certain problems in a very short time frame. The idea here is that safety is the number one priority and anything that is associated with safety is highly important and should be addressed right away. The issues are the time frame for some of these repairs or tasks are not realistic. This can leave the contractor in a bind but can also put the borough in a bind as they can be held to this same standard. This allows citizens to call the borough out even if it is an unrealistic request.

Recommendation: A review of the contract to determine if certain tasks must be performed within an unrealistic time frame and update them to a realistic time frame.

Recommendation 4

Issue: Start up inventory

Discussion: A start up inventory is a great tool that can be used to manage roads that don't meet current design standards as well as issues that develop over time. I have used an inventory format in the past that works as follows and has been extremely successful in maintaining exiting infrastructure as well as planning for infrastructure improvements. The bases of how this would work is three parts. The owner/borough would do an in-depth inventory and develop a tracking system. This large effort would only be a one-time task to get a baseline. Then each year the borough would do a check up on all inventory issues and update the inventory as needed. Third, have the contractor also perform a start

inventory. The last two tasks could be done at the same time having a borough representative (who is properly trained) and the contractor go over the roads or issues of concern together.

Recommendation: Develop an in-depth start up inventory and work with the contractor to continually update and monitor inventory.

Recommendation 5

Issue: borough follow through

Discussion: It has come up a few times in our meetings where roads that should be maintained properly are not being maintained properly. It seems like the RSA managers need additional help (that is trained) to monitor and make sure the contracts are being fulfilled. There is currently a part in the contract that says if the current RSA contractor is not completing work correctly then a different contractor can be called in to perform the work. Then the price it took to complete the work by the new contractor will be withheld from the original contractor to pay for the work. I think this is an underutilized item in the contract. The problem still remains that the borough doesn't have enough of a work force to fully complete this work. It is clear that the new public works director is fixing issues that have been going on for some time. It looks like the borough is already headed in a direction that will better serve the people of this borough.

Recommendation: The borough needs more labor to fully execute contracts properly.

Recommendation 6

Issue: Borough wide scalability

Discussion: After reading through the current contract, it seems as though there are not many alterations between RSA's. I think keeping the exiting contract structure as a lump sum while fixing the issues previously discussed will do extremely well borough wide. I would like to bring up one more time that I think it is extremely important for 4 things to happen to make this work well. One, updating the contract to include different standards for different road conditions. Two, completing a thorough and trackable inventory. Three, ensure that the borough has enough workers to perform work. Four, make sure all employees working on this are properly trained.

Recommendation: This would do well borough wide.