

# RSMeans Business Solutions

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## Technical White Paper

### Methods and Techniques of JOC Implementation

Presented by RSMeans Business Solutions

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#### *Executive Summary*

Job Order Contracting (JOC), is a general contracting method for the delivery of maintenance, upgrade and refurbishment services for buildings. JOC greatly reduces the amount of estimating and bidding activities needed to precede the work, allows for quicker delivery, and helps foster long-term relationships between the client and the general contractor which are based on the quality delivery of services.

JOC is philosophically similar to the design-build methodology that is used for “ground up” (e.g., new buildings) facility construction. Construction professionals who are familiar with design-build should be comfortable with the use of JOC. JOC was developed in the early eighties by the U.S. Department of Defense to expedite the routine repair and maintenance of worldwide military facilities in order to decrease the inherent inefficiencies in traditional design-bid-build practices when applied to a large volume of small projects.

From the experiences of those who have implemented it, the key to the successful application of JOC is to understand the fundamental methodology and its strengths and limitations. JOC is most successful when applied to the general contracting situations for which it was designed — a large number of repair, refurbishment and upgrade projects performed by a single contractor, or limited number of general contractors, under a fixed-price bid. The contractors are constantly evaluated on the quality of the work delivered. However, for either end of the contracting spectrum, ground up (new) or specialty (craft) contracting, JOC is not an optimal solution.

Since JOC revolves around the use of a mutually accepted Unit Price Book (UPB) and estimating techniques, accurate and timely location construction data is critical. To this end, it is fundamental to the success of JOC that both parties understand the components of the JOC line-item estimates, and the workup of JOC estimates for any given scope of work.

*In this RSMeans Technical White Paper, we present a discussion of the findings of our interviews with construction executives who use JOC across a range of settings — from the general contractor’s perspective, as well as that of the client, to private and public construction markets. Our discussions have shown that construction innovators on both sides of the table (client and contractor alike) are expanding the application of JOC — successfully modifying the original methodology to suit their needs, which are always centered around the quality delivery of a large number of simultaneous repair, refurbish and upgrade projects. Benefits in terms of quicker scheduling and completion, better quality work, better value over traditional design-bid-build methods, and higher end-user satisfaction are commonplace.*

## JOC Utilization Among Various Industries

In the school and municipal sectors, there appears to be growing adoption of the JOC methodology. The critical factor always seems to be the amount of experience and familiarity with JOC procedures. In some cases, state legislation can pose obstacles (having been written in an era of multiple bid, lowest price contracting, and without the awareness of the single-award, multiple-project nature of JOC), but in many states, the legislation is simply silent on the issue. Certain states (most notably, Texas, Arizona and Washington, to name a few) have embraced JOC as a contracting tool for state contracts. In certain cases, facilities engineering and construction managers who are ex-military have been hired and can bring the JOC methodologies into the organization.

Another issue that is driving the adoption of JOC is reduced budgets. The budgets require owners to obtain more value for the construction dollar, and often, owners attempt to utilize in-house maintenance staffs for repair, renovation and refurbishment projects. In-house staffs may not be well-suited for these projects, and other maintenance duties are detracted from. All of these factors together tend to push organizations toward the adoption of JOC.

*The JOC approach dramatically cuts engineering, design, and contract procurement time by awarding long-term contracts for a wide variety of renovation, repair and minor construction jobs. JOCs typically are awarded with durations of 3 to 6 years. Annual volumes on specific JOCs can range from \$1 million to \$100 million. Typical average values are in the range of \$50,000 to \$5,000,000. The method of pricing under the terms of a JOC contract is a Unit Price Book (UPB) which has 40,000 to 60,000 line items organized in the Construction Specifications Institute's CSI Divisions.*

JOCs are usually awarded on the basis of a combination of the contractor's technical/management proposal and coefficient, with strong consideration given to the contractor's past performance on similar work. Many JOCs are awarded to contractors who do not submit the lowest coefficient, but rather have a superior technical/management proposal and demonstrate strong past performance. Using contract coefficients and the RSMeans UPB minimizes the potential for differences of opinion between the owner and contractor over pricing of the individual delivery orders. The owner's review of the contractor's proposal usually focuses on three basic issues:

- Is the line item selected appropriate for the scope of the work?
- Does the line item in the proposal reflect the correct quantity of work involved?
- Is the proposal within the owner's budget?

## Current JOC Practices

The implementation of JOC has expanded beyond its original methodology, and diverse practices that enhance the benefits of JOC (e.g., substantial reductions in project bid-to-completion time, better value for the construction dollar, better contractor/client relationships, and high levels of end-user satisfaction with construction services for the owner) are noted.

## Size of Contractor — Orientation Toward JOC and Owner View

Several construction services clients observed that JOC seems to be favored by medium-sized contractors (ranging from \$20 million to \$50 million in annual billings) who would typically have about 20% to 25% of their annual revenue in JOC awards. The contractors use this relatively predictable work to smooth out cash flow during the year.

The contractor has to be of sufficient size and have a field supervisor on site, sometimes as a "working" supervisor. Typically, this would be a contracting firm with at least four or five field supervisors on staff. Conversely, this tends to limit the participation of the larger contractors, whom, the client respondents believe, tend not to assign the proper level of field supervision to the JOC contracts since they expect their field supervisors to oversee a larger size and scope of work for each project.

## Advantages of JOC Contracting

*Successful implementation of JOC is dependent on knowledge, by both the contractor and the client, of the strengths and limitations of JOC and a keen understanding of the common language of estimating as expressed in the Unit Price Book — the key document that provides the mutually accepted basis for the JOC awards. The benefits of a well-administrated JOC program (involving both experienced clients and contractors) are well documented: increased construction dollar value, steady and profitable work for qualified contractors, and satisfied clients and end users. The procurement and contract process for each delivery order is greatly simplified because the owner does not need a complete engineering and design package and does not have to spend the time and money to advertise for public bids for each project. Also, the work is generally started more quickly. Few construction methodologies can match this menu of benefits for all parties involved.*

The owner has the benefit of using a contractor who is well qualified. Usually the contractor is required to submit a technical/management proposal that is evaluated to confirm capability and past performance. References on similar contracts are also carefully checked. These two factors, combined with the price proposal, are usually the basis for award of a JOC. In this way, long-term partnering relationships are fostered. Emergency and urgent projects can also be responsively accomplished. For facilities that have strict security requirements, the contractor will have a staff with security clearances that can perform the work without delay. JOC contracting is an effective means for government and institutional owners to accomplish construction work on existing facilities. When properly managed by both the owner and contractor, JOC provides responsive work at a fair price.

### JOC Services from RSMeans Business Solutions

- On-site consultation for JOC “best practices” and contracting methods
- RSMeans JOC Unit Price Book for associated JOC Costs and demolition lines
- JOCWorks software for producing detailed cost estimates and project management tasks
- Training on cost estimating and development of the JOC coefficient

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