

Best Value Source Selection

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Methods of Selecting a Source

- Price Only/Low Cost Technically Acceptable
 - Offerors must meet minimum requirement
 - Price is the discriminating factor
- Best Value
 - Credit is given to the offerors whose proposals exceed the minimum requirement with benefit to the government
 - Trade-Off analysis considering a variety of technical and price factors

Best Value vs. Price Only

- Best Value source selection criteria should be applied where the products or services to be provided are complex or may vary widely in quality or usefulness.
- Well defined, low complexity, supplies or services may still be acquired via IFB or on a low cost, technically acceptable basis.

Best Value Procurement Benefits

- Best Value Procurements allow award to other than the lowest cost offeror
 - An offeror is selected on the basis of that offeror's proposal being the most advantageous
 - Proposals are evaluated on a cost vs. benefit basis, which permits award to a technically superior offeror having a realistic and reasonable price
 - Payment of a cost or price premium acceptable

FAR 15.605

- Requires inclusion of certain factors
 - Price or cost to the Government
 - Past Performance (phased in)
 - Quality (may be covered through past performance)
 - Environmental Objectives, when appropriate
- Any other relevant factors or subfactors, such as cost realism, may also be included

Weighting of Cost

- FAR does not state that cost must be a significant factor in the evaluation
- However, the Comptroller General has held that a 90% technical and 10% cost weighting may not be consistent with CICA

Relative Weighting of Factors

- Typically, in best value source selections, technical factors are more important than cost or price.
- However, the Comptroller General has upheld several NAVAIR protests where price was considered the most important factor and award was made to other than the low offeror.

Low Price, Technically Acceptable Awards

- Offers are evaluated for technical merit.
Either they:
 - Meet the minimum requirement, or
 - Do not meet the minimum requirement
- Award is made to the lowest price offeror that meets the minimum technical requirement

Best Value Selection Criteria

- Multiple Factors, such as:
 - Technical Capability
 - Management Approach
 - Corporate Experience
 - Past Performance
 - Quality and Systemic Improvement
 - Performance Risk
 - Environmental Impact
 - Life Cycle Cost
 - Price or Cost

FAR 15.605(d)(1)

- The solicitation should be structured to provide for the selection of the source whose proposal offers the greatest value to the Government in terms of performance, risk management, cost or price, and other factors. . . .

Evaluation Factors - Award to Most Advantageous Proposal

- Prospective Offerors are forewarned that a proposal meeting solicitation requirements with the lowest price may not be selected if award to a *higher* priced proposal is determined to be most **advantageous to the Government**. [emphasis added]

Payment of a Price Premium

- A Best Value award may be made to a higher priced offeror
- Such an award would require payment of a price premium
- The premium is the difference between the technically superior proposal and the lowest priced technically acceptable proposal.

Note: The price premium is unbounded.

Evaluation Factors - Elimination Due to Critical Deficiency

- The failure of an offeror's proposal to meet any given requirement of the RFP may result in the entire proposal being unacceptable and thus eliminated from the competition.
- A Critical Deficiency is one which would require a major change in the offeror's proposal to remedy

Evaluation Factors -Award Without Discussions

- The Government intends to evaluate proposals and award a contract without discussions with offerors. Therefore, each initial offer should contain the offeror's best terms from a cost or price and technical standpoint. However, the Government reserves the right to conduct discussions if later determined by the Contracting Officer to be necessary.

Past Performance

- Evaluation of past performance is required for all competitively awarded acquisitions in excess of:
 - \$1M issued on or after 1 July 1995
 - \$500K issued on or after 1 July 1997
 - \$100K issued on or after 1 July 1999

(FAR 15.605)

Past Performance Evaluation

- Objectives
 - Reward good performers
 - Avoid poor performers
 - Hold contractors accountable for past performance
 - Reduce performance risk
 - Obtain the Best Value

Evaluation of Proposals

- Proposals are evaluated in accordance with the evaluation factors contained in the solicitation and source selection plan
- Qualitative evaluations are conducted using:
 - Descriptive ratings
 - Assessments of proposal strengths, weaknesses, and performance risks

Quantitative Scoring

- FAR 15.605(d)(2) allows numerical weighting.
- NAVAIR does not use pre-established point systems because NAVAIR does not want the source selection decision determined solely by a numeric score.
- A numeric score may not accurately reflect an offerors true value and relative worth.

Evaluations

- Evaluations must reflect:
 - Conformance with the evaluation plan
 - Consistent treatment of offerors
 - Adequate identification of proposal strengths, weaknesses, and risk
 - Adequate distinguishing of differences in Offerors
- Any evaluation deficiencies may necessitate re-evaluation and revision to the evaluation report

Best Value Case Studies

Ratings Key

- O - Outstanding
- HS - Highly Satisfactory
- S - Satisfactory
- M - Marginal
- U - Unsatisfactory or Unrealistic (cost)

- R - Realistic (cost)
- Risk is rated High, Medium, or Low (H, M, or L)
- + or - ratings may be used (e.g. HS > S+ > S)

Sample Situation

Offeror	Tech	Mgt	Risk	Price
A	O	S	M	\$ 90.1M
B	S+	HS	M	\$ 94.2M
C	HS	HS	L	\$ 99.4M
D	S+	S	M	\$ 91.8M
E	M	U	H	\$105.1M
F	U	S	H	\$ 65.2M

Sample Situation

	Tech	Mgt	Cost/Realism	Risk	Crit. Def.
A	HS	S	\$ 4.75M/R	Med	No
B	S	S	\$ 5.04M/R	Low	No
C	O	HS	\$ 3.98M/U	High	Yes

Sample Situation

Offeror	Sample Overall			Mgt Corp Overall			Price	Realism
	Pers	Tasks	Tech	Plan	Exp	Mgt		
IRT	S	S	S	S	S	S	\$8.92MR	
BMT	HS	HS	HS	S	HS	S+	\$9.34MR	
NBA	HS	O	HS+	HS	S	HS	\$9.89MR	
GOP	S*	HS	S	S	HS	S+	\$9.03MU	
MLB	M*	S	M	M	U	U	\$9.29MU	
WWF	M*	U	U	S	M	S	\$6.54MU	

* Rating adjusted downward because of unrealistic salary or fully burdened rate

Price and Technical Tradeoffs

- GAO requires that tradeoffs be:
 - Reasonable and fact based
 - Consistent with stated evaluation criteria

Award on Initial Offers

- An award without discussions can and should be made to the offeror whose proposal:
 - Represents the “Best Value”
 - Has no material defects
 - Noncompliances with the solicitation
 - Exceptions to solicitation terms and conditions
 - Requires no revisions

Source Selection Misconceptions

- There is a perfect correlation between price and quality
- High quality and low price are mutually exclusive
- Best Value awards always result in additional dollars spent through payment of price premiums
- The Government always saves money by awarding to the low priced offeror.

Award to a Higher Priced Offeror May Result in Cost Savings (T&M)

- A technically superior offeror should perform an effort more efficiently, effectively, and require fewer hours

– For example:

Contractor A: $\$30/\text{hr} \times 700\text{hrs} = \$21,000$

Contractor B: $\$25/\text{hr} \times 1000\text{hrs} = \$25,000$

Fewer hours expended would offset higher rates

Award to a Low Priced Offeror May Result in Additional Costs

- An award to a low priced offeror with high performance risk could result in:
 - Delayed Performance
 - Questionable or deficient performance
 - Offeror attempting to “get well” after contract is awarded

Benefits of Best Value

- More flexibility to exercise informed business judgment
- Reduces pressure on industry to be the low cost offeror by:
 - Assuming too much risk
 - Knowingly underbidding and hoping to get well
- Protects responsible offerors from offerors who knowingly underbid

Criticisms of Best Value

- Solicitations are not written clearly
- Government is using Best Value to steer awards to favored contractors
 - Solicitation language appears arbitrary
 - Approach is too subjective
- Best value awards end up being Low Cost, Technically Acceptable awards
- Best value awards just result in higher prices

NAVAIRHQ Protests

Year	Competitive Awards	Protests	Percent	Sustained
FY91	46	4	9%	0
FY92	41	10	25%	1
FY93	41	19	47%	0
FY94	40	12	30%	0

NAVAIRHQ BAFO Statistics

Fiscal Year	Number of RFPs	Award on Initials	One BAFO	Two BAFOs
1991	41	17	23	1
1992	39	13	26	0
1993	34	17	17	0
1994	32	9	22	1
1995	40	21	19	0
Total	186	77	107	2
Percent		41.4%	57.5%	1.1%