

Prequalification of Contractors

Effective: July 1, 1975

UDOT 08B-01

Revised: January 12, 2015

Purpose

To establish a policy for the Utah Department of Transportation (Department) to establish a Prequalification Board (Board) to direct the prequalification of contractors, review and analyze prequalifications, and establish the amount and type of prequalification to be granted to contractors.

Policy

Contractors desiring to submit bid proposals for construction contracts will be prequalified by the Department to ensure they have the resources and capability to successfully complete awarded contracts. Contractors wishing to bid on projects advertised for less than \$3,000,000 will not be required to prequalify.

Qualification ratings will establish the type of construction a contractor will be permitted to perform and the maximum dollar value of contracts they will be allowed to undertake at any one time.

Contractors who attain a prequalification of \$50,000,000 represented by a total of their Financial, Experience, and Performance Ratings will be classified as Unlimited.

Ratings will be based on an evaluation of the contractor's experience, past performance, and analysis of certified Financial Statements, including Balance Sheet, Income Statement, and Changes in Financial Condition. Contractor ratings will be reviewed at least once yearly, as application is made and more often if the circumstances warrant.

Board membership:

Director of Construction and Materials - Chair
State Construction Engineer
Comptroller
Prequalification Specialist

Any of the board members may designate a substitute. The Contracts, Compliance and Certification Manager will serve in an advisory capacity to the Board.

The Contractor's application for prequalification will be received by the Specialist, who will be responsible to acquire any omitted information from the contractor, assure prompt action on properly executed applications, and maintain appropriate confidential files and lists. The Specialist will arrange for a meeting of the Board when conditions warrant.

The Specialist will keep a current qualification file for three years on each contractor eligible to bid Department projects.

The dollar amount of prequalification a contractor may be granted will be calculated by the following formula:

$$\text{Prequalification Amount:} \\ \text{Adjusted Equity} \times A \times (B+C+D)$$

Where: Adjusted equity is determined from financial information submitted by the contractor.

A = Contractor Performance Factor from Resident Engineer, Form C119.

B = Experience Rating Factor from Contracts, Compliance and Certification Manager.

C = Financial Rating Factor from Comptroller.

D = Additional Experience Factor from Contracts, Compliance and Certification Manager

Unlimited prequalification will be granted if the calculated amount is \$50,000,000 or greater.

The requirements listed in the following procedure does not exclude the Board's right with cause to reduce the calculated Prequalification Amount obtained using the formula or deny the application.

Background

This procedure was prepared to establish the formula for determining the total dollar amount of contracts for which a contractor may be prequalified and to establish the procedure for processing contractor applications for prequalification.

Procedures

Prequalification of Contractors

UDOT 08B-01.1

Responsibility: Prequalification Board

Actions

1. Meet when necessary to review contractor request for prequalification, consider contractor experience and performance ratings, consider changes in policies and procedures, and hear appeals from contractors on their application for prequalification.

Responsibility: Resident Engineer

2. Complete the Contractor Rating Form C119 at the completion of the contract work and prior to December 31 of each year for on-going projects.
3. Submits completed Form C119, Contractor Rating, to the Prime contractor for signature at the post construction meeting.
4. Submit a signed copy to Contracts, Compliance and Certification Manager.
5. Include a signed copy with final estimate documents.

Responsibility: Contracts, Compliance and Certification Manager

6. Average the last three year's ratings (a minimum of 3 ratings) to determine the contractor's performance rating.
7. Determine the Contractor Performance Factor (A in formula) from the equation: $A=(X-45)2.5/100$ where X is the average Contractor Rating.
 - a) A contractor with an average performance rating below 70 percent will fail to obtain prequalification.
 - b) The contractor may appeal at a hearing before the Board.
 - c) A Rating of 85 percent or a Contractor Performance Factor of 1 will be given when a contractor has fewer than three ratings or they have no experience working in the State of Utah.

8. Submit the Contractor Performance Factor (A in formula) to the Comptroller's Office for use in computing a contractor's amount of prequalification.
 - a) This factor will vary from 0.62 to 1.37.
9. Compute and submit the Contractor's Experience Rating (B in formula) to the Comptroller's Office for use in computing the contractor's amount of prequalification.
 - a) This factor will vary from 0 to 3.7.
 - b) Contractors with no Department experience but whose experience justifies some value for the type of work they wish to perform, will be given an experience rating (Factor B) of 2.5.
10. Use the A Factor Average Rating for an Additional Experience Factor (D in formula), using only the current year ratings applied to the following information:

$$100-95 = 1.3$$

$$94-85 = 1.0$$

$$84-0 = 0$$

- a) Contractors with no performance ratings in the current year or no experience working as a prime contractor on Department projects will receive a factor of 0.
- b) The Additional Experience Factor will vary from 0 to 1.3 and will be added to the Experience Rating Factor (B in formula) provided by the Contracts, Compliance and Certification Manager.
- c) The two factors combined will not exceed 5.

Responsibility: Prequalification Specialist

11. Send a renewal notification to the contractor two months and one month prior to the prequalification expiration date.
12. Send the renewal notification to any contractor immediately following the expiration date if they have not renewed.

13. Review application forms and supporting documents for completeness after the contractor has submitted application forms.
 - a) The Board Prequalification Specialist may grant an extension of up to sixty days if it is necessary for the contractor to request an extension of their prequalification.
 - b) The Director of Construction and Materials may approve an extension if a ninety-day extension is requested.
 - c) Derive work classification from Contractor's submitted Work History.
14. Obtain information from the contractor if omissions are noted.
15. Transmit the application and documents to the Comptroller's Office.
 - a) The prequalification period cannot extend more than eighteen months beyond the end of the contractor's fiscal year to which the financial statements apply.

Responsibility: Comptroller's Office

16. Compute the contractor's Adjusted Equity (See Formula) and Financial Rating Factor (C in Formula) from information abstracted from the contractor's financial statement.
 - a) The Financial Rating Factor may be based on either audited or reviewed financial statements.
 - b) Reviewed statements, which must include a copy of the corresponding Corporate Federal Income Tax Return, will reduce the computed Financial Rating Factor by 50 percent.
 - c) The Financial Rating Factor will vary 0 to 5.
17. Combine Experience Rating Factor (B in Formula), Financial Rating Factor (C in Formula), and Additional Experience Factor (D in Formula).
 - a) This combined rating will vary from 0 to 10.
18. Use formula, compute Prequalification Amount, and give completed schedule to the Prequalification Specialist.

Responsibility: Prequalification Specialist

19. Tabulate action of the Board to show the contractor's name, type and value of work, and expiration date for which they are prequalified.
20. Route completed applications and financials to the Deputy Construction Engineer in behalf of the Director of Construction and Materials for review of work classifications and signature of approval.
21. Notify each applicant contractor requesting prequalification of the Board's action on their behalf.
22. Coordinate Board meetings when necessary.
23. Prepare minutes of Board meetings.
24. Transmits board meeting minutes to Board members for approval.
25. Make available to the Board via the Project Development Business System a list of all prequalified contractors, indicating the type of work and amount for which each contractor is prequalified.
26. Post to the Department Web site a list of prequalified contractors, type of work, and expiration date.