

# The Value of Job Order Contracting for Facility Owners

By Greg Ohrn, M.S., P.E., Northern Arizona University

**J**ob Order Contracting (JOC) is a form of alternative project delivery method (APDM) that is becoming more popular with public organizations such as school districts, universities, and state/local agencies. These organizations have found that Job Order Contracting fills a need by providing a systematic process to manage the large number of relatively small and routine construction projects that facility owners always seem to have. Typically, without a system to manage these types of projects, they are assigned a low priority by management and are completed when someone finds the time. While this might work on a small number of these types of projects, it is not an efficient way to manage a large number of these projects over an extended period of time. Job Order Contracting is proving to be that indispensable management tool in the facility manager's tool box by providing a systematic mechanism to complete these types of projects in an efficient manner without creating another bureaucracy for the facility owner to manage and pay for. Said differently, JOC provides an expert staff on an as-needed basis, when and if needed rather than the Owner having to hire and support full-time staff to do a part-time job of administration.



struction services were a commodity whose only differentiating quality between responsive contractors was low cost. After much discussion, Mellon and his staff developed a type of indefinite delivery/indefinite quantity (ID/IQ) of project delivery where a contractor develops a long term relationship with an owner to meet the owner's needs for small and routine construction work — JOC.

*"I just started using JOC about a year and a half ago. I've been very pleased with the work and cooperation. The JOC contractor has gone out of its way to make sure I get what I'm looking for... I contact them if I have a question and they are always there to answer it for me... There are some things that JOC works very well on. It's especially good because it eliminates the prolonged bidding process."*

— Brian DeBreceny, Parks and Facility Manager  
Town of Sahuarita, AZ

Since its European debut, Job Order Contracting has made its way back to the states and out into other branches of the federal government where it has acquired a variety of names and acronyms along the way such as "work-order-contracting" (WOC) and "simplified base acquisition engineering requirements" (SABER). Despite the superficial differences, Job Order Contracting, as a delivery method, has remained pretty much the same over the years. It is a project delivery method designed to provide quality and responsive construction services to facility owners in a timely, cost effective manner.

## Why owners choose JOC

With the wide range of project delivery methods now available, owners need to determine the right project

## Background

Job Order Contracting was developed in the early 1980s by the U. S. Army in Europe as a means of addressing the needs of facilities that were in the constant need of maintenance, renovation and/or repair. Colonel Harry Mellon and his staff at the Strategic Headquarters Allied Powers Europe (SHAPE) were faced with a backlog of small and routine construction projects and a project delivery system that was based on the concept that con-

delivery method for the right project. This begins with examining the project and the owner's ability to manage the project. For relatively small and routine construction projects, Job Order Contracting is proving to be one of those project delivery tools that should definitely be in the owner's tool box.

*"We needed to get some projects done with a quick turn-around and my boss suggested JOC. I was new to the process and quickly realized that when you need to get a project done in a hurry and when you have a really reliable job contractor, it's a great tool! ... You definitely get your money's worth because the contractor takes care of administrative things and construction management you may not have time to do. ... We're a large school district with over 200 schools and more than 18 million square-feet of space. Things pop up all the time and I don't have time to bid out each project. That's when we rely on JOC. When you have to accomplish a lot of work in a short period of time, the JOC contractor takes a lot of responsibility off your shoulders and them puts them on his. ... It's not a one-night stand. It's a partnership developed over the years and you develop a respect and trust. The rest is easy!"*

*— Vince Curl, Facilities Coordinator  
Prince George's County  
School District*

While there has been some research to suggest that Job Order Contracting helps owners achieve their goals of quality projects completed on time and within budget, there has been no definitive research that demonstrates this. Proponents of Job Order Contracting point to the following advantages:

- **Cost.** Job Order Contracting takes an averaging approach to costs by applying a coefficient equally to all of the unit price items that make up the total construction costs. It is natural to expect that some of the costs contained in the unit price book are going to be somewhat higher than the market rate, and some are

going to be somewhat lower. The contractor is aware of this fact and is going to propose a coefficient that covers their risk while remaining competitive within the current market conditions. The most likely alternative to this is to bid each small and routine project separately. This results in additional cost to the owner due to the need to prepare construction documents for each project no matter how small or routine. In addition, there are administrative costs with each project to put the bid together, advertise, review, award, and oversee the work. If the owner does several of these types of projects each year, it is possible that these design and administrative costs could use up a significant portion of the construction budget that might otherwise have been spent on the actual construction.

- **Quality.** The success of a job-order contractor is dependent upon receiving and completing an adequate volume of work in orders to cover the cost of the overhead invested in servicing the construction needs of the owner in a timely manner. Under most job-order contracts, the owner is only obligated to provide some defined minimum volume of work. Once that volume has been completed, the owner is under no obligation to provide additional work unless they are satisfied with the work previously completed. Therefore, the contractor is highly motivated to meet the owner's expectations with respect to the quality and timeliness of the work. Perhaps one job-order contractor stated it best when he said "Each project is an audition for the next project."



- **Schedule.** Probably one of the most noteworthy aspects of Job Order Contracting is its ability to provide timely response to the owner's need for construction services. The initial procurement of the contract is similar in duration to that of design-build and construction-management-at-risk, but after the procurement phase, individual projects can be awarded in an expedient manner, typically in 30 to 45 days. This is a critical issue to many facility owners who have small windows of opportunity to complete projects during low facility usage periods like during school breaks. Thus, the contractor that has a vested interest in maintaining a good relationship with the owner understands the owner's needs and can respond to them. A contractor with a single stand alone contract, based upon a lump sum price, will more likely be more concerned with profitability on that one project than meeting the owner's needs for a timely response.

While Job Order Contracting may not be right for every facility owner, it is proving its value as the project delivery method of choice for owners with a steady stream of small and routine construction projects. It provides a system where by those projects that would normally have been postponed or moved to the bottom of the priority list, can now be completed in a timely, cost effective manner.



*“Surprise, Arizona is the fastest growing school district in the state. We’re opening three elementary schools, a high school and a pre-school. JOC helps us do the smaller jobs that large contractors are just not interested in doing. Plus, JOC gets things done quickly. It speeds up the whole process by not having to go through several bids. ... Our JOC contractor does a lot of our remodeling. We have a great relationship with them. They’ll work weekends and nights to protect the kids from being around dangerous construction. Basically, it’s a win-win for the district.”*

— Craig Converse, Construction Manager  
Dysart Unified School District #89

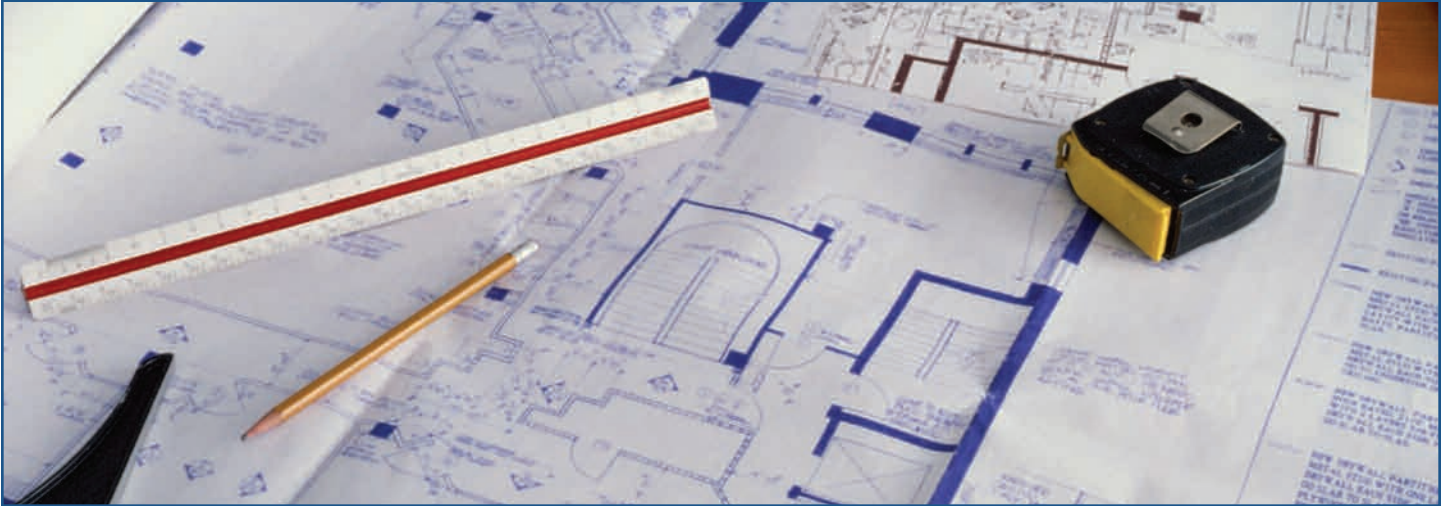
## 2006 JOC Awards January through June



- State of Missouri JOC (Awarded CJE Member)
- University of New Mexico JOC (Awarded CJE Member)
- JOC with Dallas Independent School District in Texas (Awarded CJE Member)
- JOC agreement with the Baltimore City Public School System (Awarded CJE Member)
- JOC program for Los Alamos Public Schools in New Mexico (Awarded CJE Member)
- JOC for San Diego State University in California (Awarded CJE Member)
- JOC Cooperative Educational Services in New Mexico (Awarded CJE Member)
- Re-procurement JOC Loudoun County Public Schools (Awarded CJE Member)
- JOC for Clear Creek Independent School District in Texas (Awarded CJE Member)
- Re-procurement of JOC for the U.S. Army Corps of Engineers, Seattle District, at Fort Lewis and other locations in WA, ID, MT, and OR (Awarded CJE Member)
- Re-procurement JOC for Oklahoma State University (Awarded CJE Member)
- SABER at Tyndall Air Force Base (Awarded CJE Member)
- JOC Housing Authority of Baltimore City (Awarded CJE Member)
- Washington State University JOC (Awarded NON CJE Member)
- Task Order Contract Georgia Institute of Technology (Awarded NON CJE Member)
- COE Little Rock District JOC (Awarded CJE Member)

Contact Information: Greg Ohrn, P.E., Assistant Professor, College of Engineering and Natural Sciences, Construction Management Program Northern Arizona University, Phone: 928-523-8080, e-mail: [Greg.Ohrn@nau.edu](mailto:Greg.Ohrn@nau.edu)

## Popular Project Delivery Methods Currently in Use



### • Design-Bid-Build

Design-bid-build (low-bid) is the standard or traditional form of project delivery method. Under this method an owner desiring new construction such as a new facility or remodeling hires a design professional. The design professional, usually an architect or engineer, meets with the owner to determine the budget and scope of work for the project. The design professional then converts the budget and scope into a set of construction documents—plans and specifications—for the owner to use in hiring a construction contractor. The owner then bids the construction work and awards to the lowest responsible and responsive bidder. The contractor is then responsible to construct the work in strict compliance with the construction documents. The contractor's financial success on the project is dependent on his or her ability to manage the project within the time and budget established by the bid. If the bid was squeezed to a minimum to win the project, it is very likely the contractor may squeeze the quality to assure a profit. Another problem is that the design professional is responsible for the design while the contractor is responsible for the construction. If there are any problems with the construction of the project, the owner must first determine if the problem is a design issue or a construction issue. This often results in unwanted and/or unexpected change orders and an adversarial relationship between the parties to the contract.

### • Design-Build

Design-build is an alternative project delivery method that has become very popular in recent years. Design-build rectifies the dual points of responsibility problem inherent in the Design-bid-build method by allowing the owner to contract with one design-build entity for both the design and construction phases of the project. This alleviates the owner's need to become a referee in disputes between the designer and the constructor. In addition, one of the most significant values of design-build comes from having the constructor involved (and typically leading) in the design process. The owner benefits by acquiring a design that is not only

technically competent, aesthetically pleasing, and code compliant but also a design that is economical and buildable.

### • Construction-Management-At-Risk

Construction-management-at-risk is another alternative project delivery method that is gaining a lot of popularity and attention. Here the construction contractor is hired at about the same time the owner hires the design professional. Through the design and construction phases of the project, the construction contractor acts as the owner's agent, bringing their expertise into the design and construction processes very early. In much the same manner as with design-build, the owner benefits from the construction manager's input into the design process by assuring an economical and constructible initial design rather than having to insert that process after design has been completed.

### • Job Order Contracting

Job Order Contracting is similar to design-build in that the owner is contracting with one entity, the job order contractor. This contractor brings his or her expertise into the scoping and design process. Where Job Order Contracting differs from the other project delivery methods is that it is a long-term indefinite delivery/indefinite quantity type of contract. When the contractor is hired there is an anticipation of work that will require construction within a very broad scope, but the exact nature, timing and the quantity of that work are still unknown. As the owner becomes aware of the construction needs, they request a cost proposal in accordance with a specified unit price book from the contractor. The typical JOC proposal would include a lump sum cost estimate, the scope of work covered by the proposal and a schedule for the project. If the cost proposal and other aspects of the contractor's proposal meet the owner's expectations, then a purchase order can be issued for the work in accordance with the provisions of the job-order contract.