



PEPS Updates

Enhancing Quality of Life for All Texans

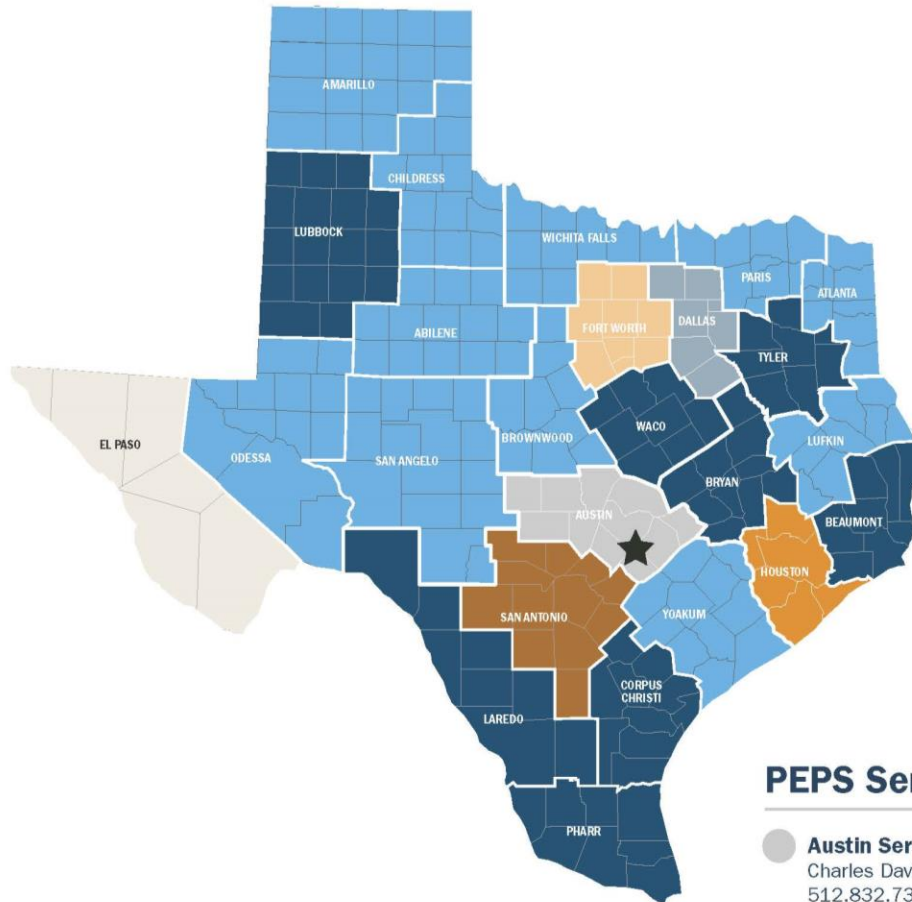
October 8, 2019

The PEPS Story: Then and Now

Gail Eileen Morea, P.E.
PEPS Houston Service Center Director



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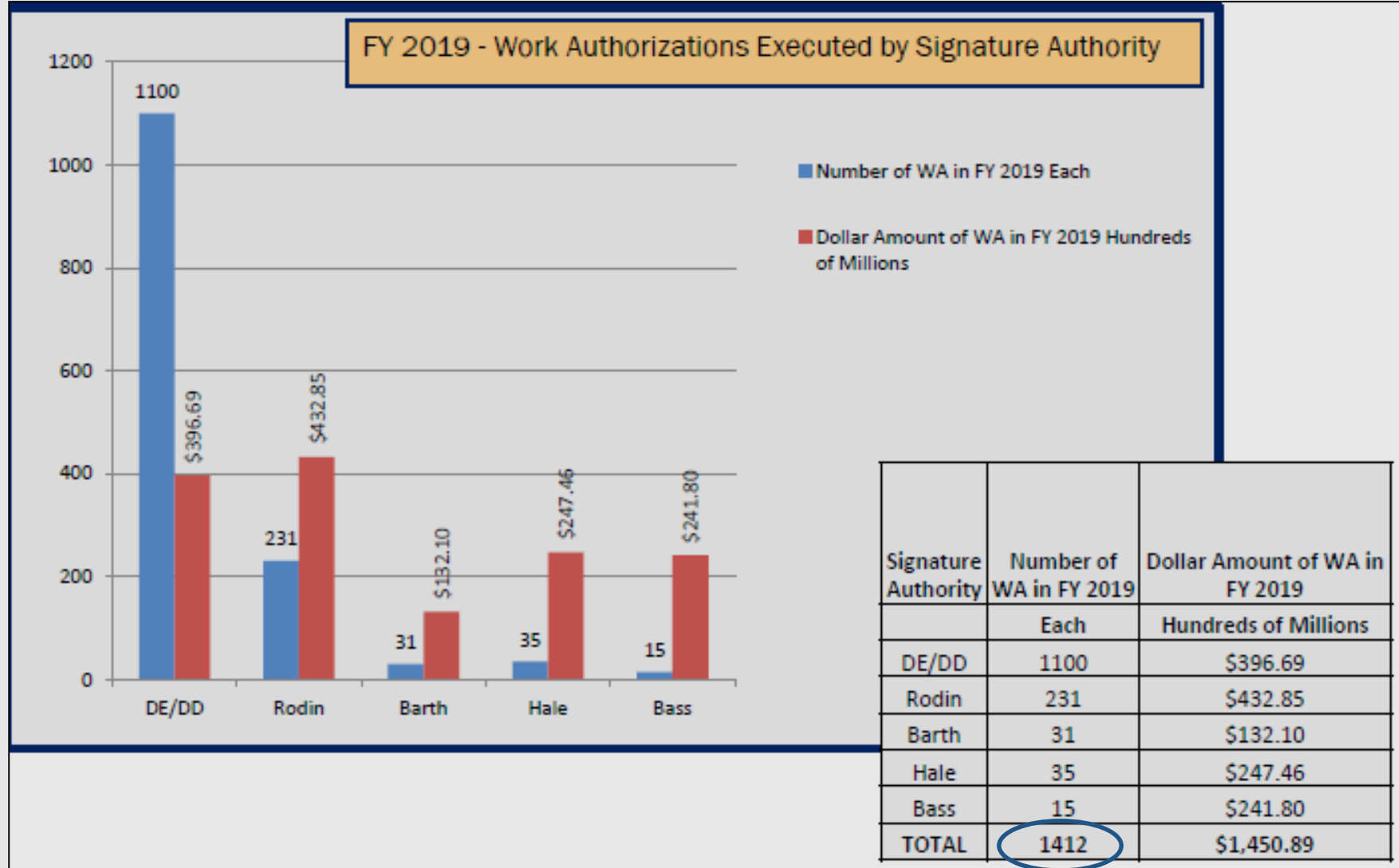
THEN – 2015

No. of PEPS Employees	69 FTE
TxDOT Annual Letting	\$3.4 B
Procurement Amount	\$695 M
No. of Contracts	170 EA
No. of Work Authorizations	600 EA
No. of Late WA	139 EA
No. of Invoices	4,000 EA
% of Invoices Paid On Time	86%

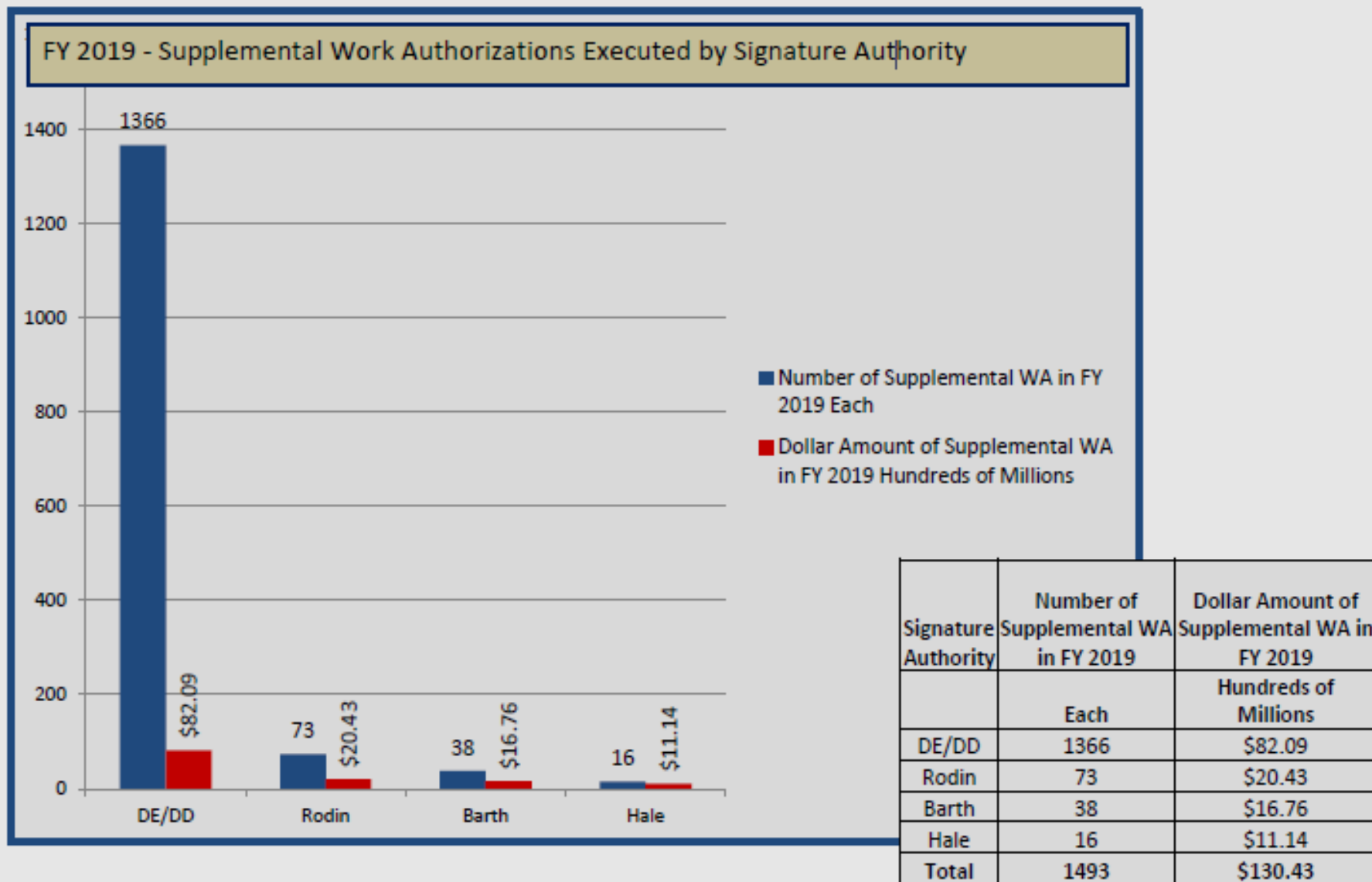
NOW – 2019

No. of PEPS Employees	136 FTE
TxDOT Annual Letting	\$10 B
Procurement Amount	\$1.5 B +
No. of Contracts	300 EA +
No. of Work Authorizations	1,600 EA +
Number of Late WA	57 EA
No. of Invoices	13,000 EA +
% of Invoices Paid On Time	87%

Work Authorizations Executed in FY 2019 by Signature Authority



Supplemental Work Authorizations Executed in FY 2019 by Signature Authority



Latest FY 2020 Procurement Plan-Subject to Change



Wave	Discipline of Procurement	District or Division	Procuring Service Center	Procurement Contact	Procurement Engineer	Description of Procurement (Location, project limits, type of work, unique services, etc.)	FY	Place of need (County, District, Statewide)	SD or ID	Funding Type (State or Federal)	CSJ (required for SD contracts)	Number of contracts
1	GEC/PMC	Houston District (HOU)	Houston	Gail Morea	Farshid Faramarzi	Design Build Viability for SH 99 Seg. B & C, Hempstead Managed Lanes, IH 610 West Loop West & IH 10	FY2020	Houston District	SD	Federal	Various	2
1	Hydraulics & Hydrology	Houston District (HOU)	Houston	Gail Morea	Kimlinh Nguyen	Hydraulics and Hydrology services for projects in Houston District, including the IH 45 NHHIP Corridor	FY2020	Houston	ID	Federal	Various	7
2	Construction, Engineering, Inspection (CEI)	Houston District (HOU)	Houston	Gail Morea	Nita Upadhyaya	CEI services for the Houston District: SH 105	FY2020	County	SD	Federal	0338-04-060/065/066, 0338-06-011	1
2	Construction, Engineering, Inspection (CEI)	Houston District (HOU)	Houston	Gail Morea	Nita Upadhyaya	CEI services for the Houston District: I-45	FY2020	Galveston	SD	Federal	0500-04-104/103; 0500-01-144	1
2	Independent Engineer	Houston District (HOU)	Houston	Gail Morea	Kimlinh Nguyen	Independent Engineer for SH 288 in Harris County (O&M)	FY2020	Houston	SD	Federal		1
ADD TO WV 2	CPM Scheduling Support	Houston District (HOU)	Houston	Gail Morea	Basem Dia	Houston District, Scheduling	FY2020	Houston	ID	Federal	Various	3
STAYS IN WV 3	Surveying	Houston District	Houston	Gail Morea	David Walden	Surveying services for Houston District	FY2020	Houston District	ID	State	Various	20
STAYS IN WV 4	GEC/PMC	Houston District (HOU)	Houston	Gail Morea	Farshid Faramarzi	NHHIP Segment 3 DB, focus on I-10 Corridor	FY2020	Houston District	SD	Federal	0500-03-599/598/601, 0500-08-001; 0027-13-200/221	1
STAYS IN WV 4	GEC/PMC	Houston District (HOU)	Houston	Gail Morea	Farshid Faramarzi	NHHIP Segment 3 DB, focus on entire Segment 3	FY2020	Houston District	SD	Federal	0500-03-599/598/601, 0500-08-001; 0027-13-200/221	1
STAYS IN WV 4	GEC/PMC	Houston District (HOU)	Houston	Gail Morea	Farshid Faramarzi	NHHIP Segment 3 DB, focus on I-69 Corridor	FY2020	Houston District	SD	Federal	0500-03-598,601 0027-13-200,221	1
MOVES TO WV 4	Owner Verification, Testing and Inspection (OVTI)	Houston District (HOU)	Houston	Gail Morea	Kimlinh Nguyen	Owner Verification, Testing and Inspection for the Houston District: NHHIP Segment 3	FY2020	Houston District	SD	Federal	0500-03-599,598 0500-08-001,03-601 0027-13-221,200	1
STAYS IN WV 3	Schematic / Environmental	Houston District (HOU)	Houston	Gail Morea	Nita Upadhyaya	Schematic/Environmental Services for the Houston District	FY2020	Houston District	ID	Federal	Various	5
STAYS IN WV 3	Signal Timing	Houston District (HOU)	Houston	Gail Morea	Basem Dia	Traffic Signal Timing for the Houston District	FY2020	Houston	ID	State	Various	4
MOVES TO WV 1	Construction, Engineering, Inspection (CEI)	Houston District (HOU)	Houston	Gail Morea	Lewis Walden	CEI-Various Projects bundled with BMT (1) and HOU (3)	FY2020	Houston	ID	Federal	Various	4



SERVICE TYPE	ANNUAL PROCUREMENT
Architecture	\$32,000,000
Bridge Inspection	\$42,000,000
Bridge On/Off Replacement	\$45,000,000
Construction Engineering Inspection (CEI)	\$260,215,000
CPM Scheduling Support	\$8,000,000
Engineering	\$9,000,000
Engineering Facilities	\$32,000,000
Environmental	\$1,000,000
GEC/PMC	\$199,500,000
Geotechnical	\$20,000,000
Hydraulics & Hydrology	\$35,000,000
Materials Engineering	\$7,000,000
Owner Verification, Testing and Inspection (OVTI)	\$45,000,000
Planning	\$19,000,000
PS&E	\$327,800,000
Program Management Consultant (PMC)	\$80,000,000
Schematic	\$8,000,000
Schematic / Environmental	\$116,000,000
Schematic / Environmental / PS&E	\$43,300,000
Signal Timing	\$6,000,000
Surveying	\$83,000,000
Traffic & Revenue	\$30,000,000
Traffic Engineering	\$21,000,000
Utility Engineering	\$37,000,000
Independent Engineer	\$3,500,000
Owner Verification Testing (OVT)	\$6,000,000
Procurement Engineering	\$30,000,000
GRAND TOTAL FY 2020	\$1,546,315,000



TAC 9.34 - Rule Changes Approved

■ Bonus Policy Requirements:

- An allowable cost per the FAR
- Must be consistent with AASHTO Uniform Audit and Accounting Guide
- PEPS provided clarity on specifically what the eligibility requirements are
- Requires a written bonus plan that details how bonus payments are determined
- Defines the performance measures the firm uses to determine bonus amounts (e.g. firm's revenue growth, and a firm's approach to cost containment)
- PEPS ADMIN QUALS group will continue to audit overhead rates for compliance to all of the above and negotiate as necessary.



TAC 9.34 - Rule Changes Approved

- **Overhead Rate Implemented at Time of Negotiations:**
 - Per Federal Policy, the department will use the selected firm's indirect cost rate information that is in effect at the time the negotiations begin.
 - PEPS had to provide clarity as to its policy
 - What triggers negotiations beside the award?
 - The department will treat all cost data as confidential pursuant to 23 U.S.C. Section 112 and 23 C.F.R. Part 172



TAC 9.34 - Rule Changes Approved

- 90 Day Extension of Administrative Qualifications
 - Firms continue to submit their annual renewals after June 30th deadline.
 - What were the FY 2019, Wave 4 impacts, if any?
 - Promotes streamlining and more flexibility to execute contracts during the annual overhead renewal period.
 - This rule change enabled a 90 day extension of a firm's existing overhead rather provided they have already submitted their overhead renewal package for audit.
 - Reduces the number of disqualifications due to ADMIN QUALS
 - Reduction in disqualifications allows for more competition



TAC 9.34 - Rule Changes Approved

▪ Negotiation of Annual Labor Rates:

- Improves consistency by moving control of negotiations from nine individual PEPS Service Centers to a single Negotiations Center
- Annual rate negotiations meaning rather than performing labor negotiations with the same firms over and over the time for negotiations will decrease substantially
- Norma Glasscock, P.E. along with Martin Rodin will lead this initiative.
- Work with industry to define processes for the FY 2020 rollout
- The confidentiality of the annual employee rate information will be maintained and is clearly defined within the rule changes.
- Negotiation Center will Review salary rates for reasonableness and consistency with industry norms and when approved, the rates will apply contract negotiated within the next 12 month period



TAC 9.34 - Rule Changes Approved

- Negotiation of Annual Labor Rates: (continued)
 - The provider must submit the salary rate for any employee if used on a contract
 - The department will continue to negotiate contracts on an individual basis during the initial 12 month implementation period.



Third Annual PEPS Conference November 20th and 21st Embassy Suites Conference Center San Marcos, Texas

Third and Final Round of Labor Rate Negotiations-Final Offer Letter



125 EAST 11TH STREET, AUSTIN, TEXAS 78701-2483 | 512.463.8588 | WWW.TXDOT.GOV

September 27, 2019

**Project Manager Name, PE
Title
Company Name
Company Address
Houston, TX, 77042**

RE: Best and Final Offer - Solicitation 601CT000000XXXX (Legacy Contract # XX-XSDP5XXX)

Dear Mr./Ms. [REDACTED]

The purpose of this letter is to provide TxDOT's final offer in these negotiations.

After a number of rounds of negotiations, TxDOT has attached its final offer. If the final offer is accepted, we will continue the process of developing and executing the contract. Should this offer not be acceptable, then we **MAY** have come to an impasse on the labor rates. If you agree that an impasse has been reached, then the negotiations will be terminated and TxDOT will proceed to negotiate with the next highest qualified provider.

This letter references that we **MAY** have reached an impasse if TxDOT's offer is not acceptable. Prior to enacting the appeal process with the Professional Engineering Procurement Services (PEPS) Division Director, I encourage you to reach out to me as the PEPS Houston Service Center Director for **one** final attempt to wrap things up during a face to face meeting. If you elect to request such a meeting, you are to come fully prepared to negotiate for the team. Remember, the rates that your team had submitted prior to our 3rd round counter are no longer under consideration but rather what we are looking for from you is a Best and Final Offer (BAFO). Also, you should assess which staffing positions you have some leeway on and move to accept those rates prior to this meeting so they are off the table and we can focus on staffing levels with the rates that are the furthest apart. This will ensure a successful and productive negotiation.

Please reply with your decision on whether **Company Name** accepts the final offer or we are at an impasse by **5:00PM CT on 10/01/2019**.

However, should you disagree that an impasse has occurred; you may appeal the determination to PEPS Division Director, prior to the deadline referenced above at (512) 416-2038.

Sincerely,

Gail Eileen Morea, P.E.
Houston Service Center Director
Professional Engineering Procurement Services Division

cc: Martin L. Rodin, P.E. TxDOT Director, PEPS Division

OUR VALUES: People • Accountability • Trust • Honesty

OUR MISSION: Through collaboration and leadership, we deliver a safe, reliable, and integrated transportation system that enables the movement of people and goods.

An Equal Opportunity Employer

Three possible outcomes prior to enacting an appeal:

- **Consultant will be asked to accept TxDOT's third and final offer**
- **Consultant will be given the opportunity during a face to face meeting to provide their BAFO**
- **TxDOT will cease negotiations and either the firm may appeal or TxDOT will go to the next provider**



When you reach an impasse on labor rate negotiations and have received a Best and Final Offer (BAFO) from TxDOT, the prime provider may appeal to the PEPS Division Director



Three possible outcomes in an appeal:

- Consultant will be asked to accept the BAFO**
- Consultant will be given a counter offer to BAFO**
- TxDOT will cease negotiations and go to the next provider**

The PEPS Division Director's appeal decision is final!



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