



PEPS Negotiations Center *Annual Negotiations Process*

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Presentation Topics



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Negotiations History

Annual Negotiations History



- Approval of an annual rate negotiation process by the Texas Transportation Commission on May 30, 2019
- PEPS Negotiation Center formed on June 03, 2019
- PEPS Negotiation Center Manager chosen on June 06, 2019



- Submitted a request to ACEC to form a Negotiation Task Force (NTF) on June 14, 2019
- First NTF meeting was held on July 25, 2019
- The basic concept for the annual negotiation was shared by a NTF member in the August 2019 meeting

GOAL

An annual negotiation process of substantiating reasonable and accurate industry rates (costs) that is simpler, less contentious, and recognizes changing market conditions while providing for fair and reasonable compensation considering the scope, complexity, professional nature, and value of the services provided.



Rate Negotiations - Then and Now

Historical Process

110 hours per contract (14 days)

Communicate through email

Prime negotiates for sub-providers

Significant time and labor required

New Annual Negotiations Process

Three to five days to complete

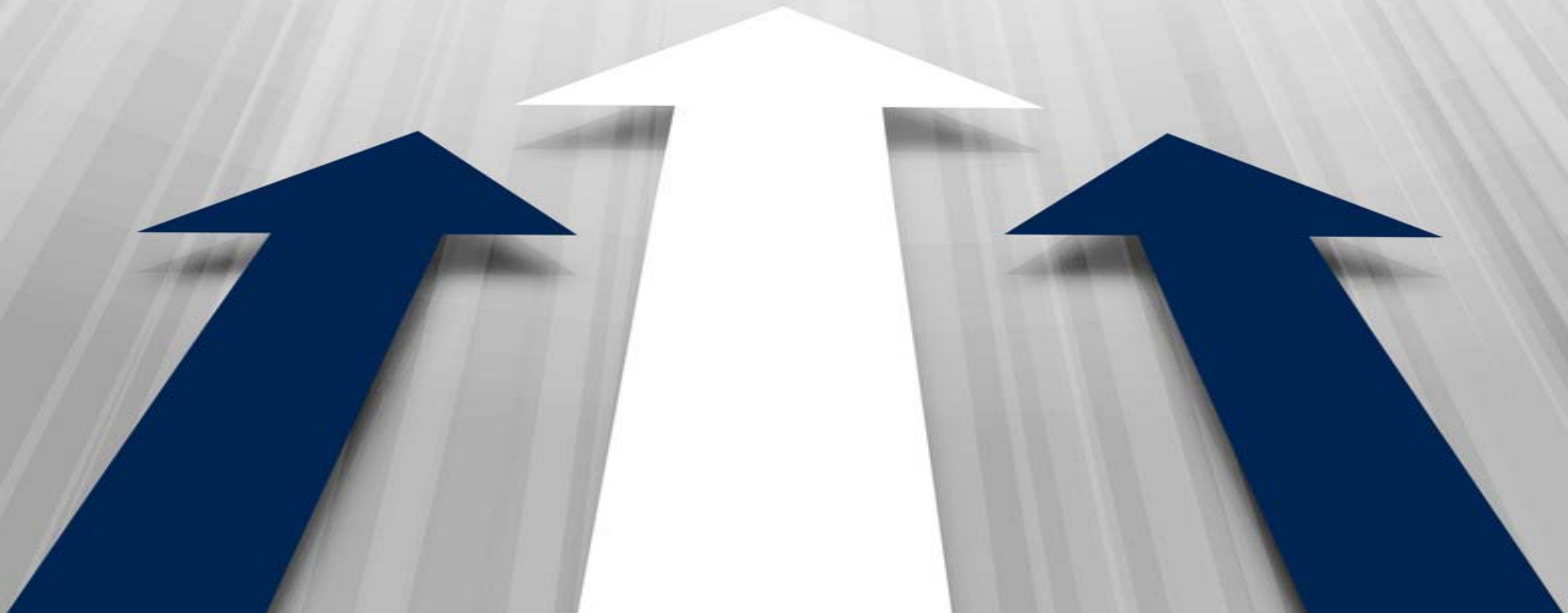
Communicate through virtual meetings

All firms negotiate their own rates

Minimal time and labor required

Success going forward

Communication and partnering to develop an annual negotiation process through the monthly meetings between the TxDOT PEPS leadership and the ACEC Negotiation Task Force



Communication and Partnering

Unit Cost Workshops



Workshops with consultant representatives as subject matter experts to:

- Improve the line item definitions of Unit Costs and Other Direct Expenses (ODEs)
- Develop an single ODE list of maximum and fixed rates
- Refine labor classification descriptions

Each of the workshop attendees were chosen from existing contracts

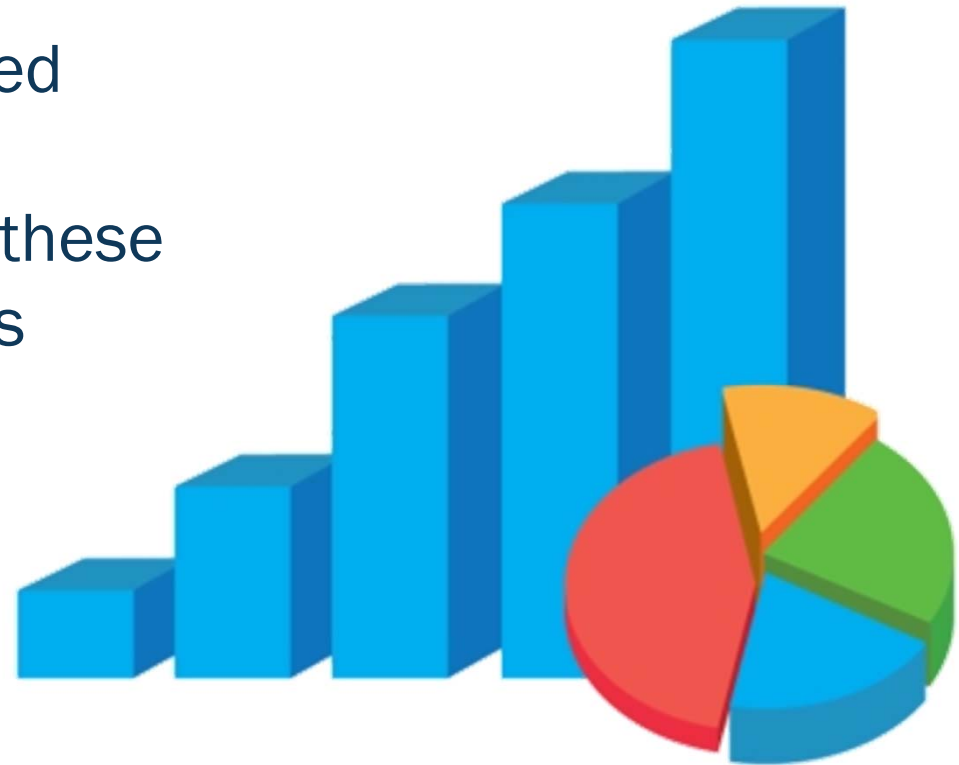


The Pilot

- Began in February with preparations
- Three options
- 52 chose to participate
- Completed the pilot negotiations on May 01
- Participants began using the negotiated rates on newly awarded contracts after pilot completion

Newly Awarded Contract Stats

- Since May 1st – 70 procurements have involved annual rate negotiation participants on 231 newly awarded contracts
- The 231 contracts have involved these participants more than 939 times



Expanded Participation



Wave 4 FY 20	6 ID contracts for districts use All 6 completed 98 new participants
Wave 1 FY 21	Full implementation for awarded contracts All consultants on teams will participate

Consultant Firm Experience



Portfolios are growing

Negotiations can be customized for unique contracts and projects

Allows for more informed planning for the consultant

Platform to discuss consultant challenges by individual firms

Consistent application of profit and escalation

Adversarial aspect is diminishing

Industry Engagement

ACEC Industry committee of 10 firms (variety of sizes and work efforts)

PEPS initiated 7 work groups of 6 industry representatives to explore standardized UCs and ODEs (51 different firms from across the state and a variety of sizes were invited to participate; approximately 1 in 7 firms were involved)

- PSE - Design
- CEI
- Geotech/Materials
- Survey
- Utilities
- Traffic Engineering
- Schematic/Environmental

4 virtual presentations on Partial Implementation – with over 60 participants

2 ACEC Chapter and 2 ASHE Chapter briefings

Next Steps



A policy for the assignment of percentage of profit will be developed. A procedure may be developed based on project risk profile for the specific project or contract.

Provisions for escalation on longer-term projects may be applied to address market conditions and provide for a consistent policy across the department. A policy for escalation is also in development.



A dispute resolution process will be developed and administered through a committee of PEPS Senior Leadership.



More work to do

- Development of communication plan for the consultant community
- Development of Validation Process
- Development of SOPs

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