



City Council Meeting

October 8, 2013

Response to

Agenda Item #16E.1

Mobilization Limit on Construction Contracts



Mobilization

- Once a contract is awarded, multiple processes involved before project can actually begin. Some of those tasks are:
 - Securing bonds, licenses and insurances for the project;
 - Setting up mechanisms for accountability and implementation of the budget;
 - Mobilization of resources-equipment and labor
 - Division of labor among workers and supervisors
- Vendor submits this is first invoice



Mobilization

- Industry practice to include a mobilization within bid and contract
- Avoids contractors from billing more than they are due in progress payments to make up for mobilization costs they incurred up front
 - Example: 20% of project completed but billing 25% to make up for up front expenses on their part



History

- Implemented as internal City Engineering Department policy several years ago
- Industry standard is 5% on street & drainage projects
 - Las Cruces – no cap
 - Albuquerque – 5% cap
- “Mobilization” is a factor in bid tab evaluation (*as is price, insurance, reference checks*)
- Have generally not had pushback from industry on having mobilization
- Often contractors exceed 5% on bid proposals which deems them non-responsive



Alternatives

1. Allow for mobilization but do not place a cap
 - Ultimately based on lowest bid; eliminates evaluation factor
 - City could potentially pay large mobilization cost (perhaps more than worth)

2. Vary the percentage for mobilization based on project estimate/anticipated bid amount
 - \$100K bid; 5% mobilization = \$5,000
 - \$1M bid; 1% = \$10,000

3. Engineering Department establishes allowance for mobilization depending on total estimated contract amount; fill in that portion of bid tab form



Recommendation

- Adopt #3 - Establish an allowance for mobilization depending on total estimated contract amount
 - Flat rate established at beginning
 - Avoids processing time in verifying calculations
 - Reduces opportunity for errors
 - Eliminates another evaluation factor



Questions/Comments