



Memorandum

Subject: **ACTION:** Indiana Indefinite Delivery/ Indefinite Quantity (ID/IQ) Mark-up Contracting for Bridge Preservation under Special Experimental Project No. 14 (SEP-14)

Date: July 14, 2021

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From: Brian J. Fouch, P.E.
Director, Office of Preconstruction, Construction, and Pavements

In Reply Refer To:
HICP-20

To: Jermaine Hannon
Division Administrator
Indianapolis, IN

This is response to a May 17, 2020 email sent by Ms. Ting Nahrwold of your office, which transmitted an Indiana Department of Transportation (INDOT) workplan proposing the use of Indefinite Delivery/ Indefinite Quantity (ID/IQ) Mark-up Contracting for Bridge Preservation under Special Experimental Project No. 14 (SEP-14).

INDOT states that the purpose of their application is to shorten the development process for bridge preservation projects. Under this proposed workplan, INDOT would provide a package that generally describes the work to be done. Generally, locations and anticipated quantities based on previous ID/IQ contracts will be described. An estimate would be developed using previous ID/IQ contracts as a guide.

The intention is for the contract to be similar to a routine extra work agreement developed in accordance with [INDOT Standard Specifications Section 109.05\(b\) Force Account](#), which outlines how to track such costs, and establishes standard allowable mark-up percentages for labor, materials, and equipment.

For the ID/IQ mark-up contract, INDOT requests bidders supply mark-up percentages for labor, materials, and equipment on the bid form, rather than using the standard allowable mark-up percentages in the INDOT Standard Specifications listed above. INDOT's bid form will include an estimated percentage of the anticipated work elements (for example: 30% of the work is anticipated to be labor, 30% will be materials, and 40% will be equipment) to facilitate bid analysis. The composite percentage is the sum of each bid mark-up rate multiplied by the percentage of each estimated work element and serves as INDOT's basis for competitive award. INDOT intends to award the contract to the bidder with the lowest composite percentage. The mark-up percentages supplied in the bid are used as the allowable mark-ups during the contract.

Per the workplan, once a contract is awarded to the lowest, responsive, responsible bidder, and projects are identified, the contractor and INDOT will meet at the project site and discuss the

work to be performed. After the site meeting, INDOT will develop a detailed Scope of Work and issue a Request for Proposal to the contractor. The contractor will then build a proposal package which includes the price proposal, a construction schedule, and a list of subcontractors and will submit the Proposal Package to INDOT for review and approval. INDOT will develop a project estimate based on historical pricing as a comparison. Once the Proposal Package is approved by INDOT, a task order will be issued to the contractor.

Other details are contained in INDOT's SEP-14 workplan.

INDOT's SEP-14 workplan for the use of ID/IQ markup contracting is conditionally approved, subject to the following:

1. The only project approved will be an ID/IQ District Wide Bridge Maintenance contract in the Fort Wayne District, which is scheduled to be let July 14, 2021.
2. Use of this method on future projects will require a formal request to the FHWA Office of Preconstruction, Construction, and Pavements, based upon a review of INDOT's evaluation of the cost effectiveness of the method, competition, and other factors outlined in the workplan.
 - a. We would further recommend that INDOT compare Construction Engineering costs using the mark-up technique with other ID/IQ projects not using the mark-up technique.

On November 16, 2020, FHWA published an Interim Final Rule for ID/IQ in the Federal Register. INDOT may proceed with the implementation of this project based on the approved SEP-14 workplan provided the obligation of funds is consistent with 23 CFR 635.605. Future ID/IQ projects will be subject to the requirements of 23 CFR 635 Subpart F including FHWA's approval of INDOT's ID/IQ procurement procedures in 23 CFR 635.606.

Thank you for the opportunity to review and comment on this SEP-14 request. If you have any questions, please contact Brian Hogge at (334) 399-0081, or John Huyer at (720) 437-0515.

Attachment