



**COMMONWEALTH OF KENTUCKY
TRANSPORTATION CABINET**

Frankfort, Kentucky 40622
www.transportation.ky.gov/

Matthew G. Bevin
Governor

Greg Thomas
Secretary

August 11, 2016

Mr. Thomas L. Nelson, Jr., P.E.
FHWA Kentucky Division Administrator
330 West Broadway
Frankfort, KY 40601

Subject: Use of Multistep Competitive Sealed Bidding Procurement on Commodities
which may be Furnished on Federal-aid Highway Projects

Dear Mr. Nelson:

As suggested in your August 3, 2016 letter please see attached KYTC's request under FHWA Special Experimental Project 14 (SEP-14) to seek reimbursement for commodities procured utilizing Multistep Competitive Sealed Bidding as defined in 200 KAR 5:375 furnished on Federal-aid projects. KYTC believes that this method can be utilized when appropriate to ensure the lowest cost or the best value on commodities for the people of the Commonwealth. With the limited amount of funds available to Cabinet and the growing list of needs it is critical that we consider all procurement methods available to us within our laws and regulations to ensure the most efficient use of our resources.

Thank you for your consideration and support of this request. If you have any questions or concerns please contact Jason Siwula at 502.564.3730.

Sincerely,

/S/

Greg Thomas
Secretary of Transportation

PGT:JJS
Attachments

cc: Patty B. Dunaway, P.E., State Highway Engineer
Steve Mills, Assistant Division Administrator
Duane Thomas, P.E., Area Engineer



FHWA Special Experimental Project 14 Work Plan

Federal Participation on Commodities Procured by KYTC via Multistep Competitive Sealed Bidding

Introduction

As recommended by the FHWA KY Division, the Kentucky Transportation Cabinet (KYTC) is submitting this work plan for review and approval for procurements of commodities utilizing Multistep Competitive Sealed Bidding under the provisions of Special Experimental Project No. 14 (SEP-14) for the use of innovative contracting practices. KYTC has traditionally used standard competitive sealed bidding methods for purchases of commodities in situations where state furnished materials may be used on federal-aid projects such as Emergency Relief (ER) projects as well as other federal-aid projects where utilizing such materials are in the best interest of the travelling public. KYTC is determining on a case-by-case basis what method of procurement provides the best opportunity to obtain commodities for the lowest price or the highest value as appropriate. KYTC, as well as many federal agencies (as documented by the [Government Accountability Office](#) and the [Office of Federal Procurement Policy](#), attached), have realized savings by using this procurement method under similar circumstances. As a result of four procurements that KYTC has done utilizing this method to date, it is estimated that a savings of \$1,166,812.50 will be realized over the life of these procurement contracts.

Purpose:

Multistep Competitive Sealed Bidding (as defined by 200 KAR 5:375, attached) is a two phase process consisting of a technical first phase composed of one (1) or more steps in which bidders may submit unpriced technical offers to be evaluated by the purchasing agency, and a second phase in which those bidders whose technical offers are determined to be acceptable during the first phase have their price bids considered. One of the accepted methods to accomplish the second phase is the utilization of a reverse auction. A reverse auction is a real-time, structured bidding process, usually lasting less than one (1) hour and taking place during a previously scheduled time and Internet location, during which multiple suppliers, anonymous to each other, submit revised, lower bids to provide the solicited good or service. A reverse auction may be used as a form of competitive bidding in a multistep bidding process, and as an alternative to sealed bidding if it is determined by the purchasing officer that it is in the best interest of the Commonwealth. KYTC is seeking approval to use this type of competitive bidding procurement for materials that may be furnished for use on federal-aid projects.

Scope

Approval is sought to ensure federal participation and reimbursement of state furnished materials obtained through Multistep Competitive Sealed Bidding utilized on federal-aid projects on which the use of such materials would otherwise be permitted and reimbursed by FHWA. Federal procurement regulations will be followed as applicable (such as Buy America, 21 day advertisement, prevailing wage requirements, etc.). Commodities obtained utilizing this procurement method will be required to meet all other requirements as set forth by KYTC in the same manner as commodities obtained through the standard competitive sealed bidding method. The only change from current practice would be in how state furnished materials used on Emergency Relief (ER) and other Federal-aid construction projects are procured. State furnished materials are rarely used on non-ER Federal-aid construction projects and each usage must have a Public Interest Finding that is concurred in by FHWA. By allowing this innovative procurement method, it is expected that KYTC will be able procure the state furnished material at a lower cost. The use of this procurement method for “state-furnished materials” will have

no impact on the administration of construction projects that include the use of these materials. Due to the limited circumstances under which state furnished materials are able to be reimbursed on federal-aid projects, it is expected that only a small amount of the commodities acquired through this innovative procurement method would be utilized in this manner. Nevertheless, KYTC strives to be good stewards of the public funding that it receives on both the federal and state level and would like to pursue this opportunity to reduce costs. The list below of materials are examples where KYTC may use this procurement method. KYTC has previously requested approval to use items 1 – 5 on Federal-aid projects based on Public Interest Findings. It is expected that items 6-10 would only be used on Emergency Relief (ER) projects to expedite the reopening of a roadway.

1. Steel Strain Poles
2. Traffic Signal Cabinets
3. Traffic Signal Components
4. Traffic Signal Controllers
5. Communications components
6. Guardrail and components
7. Pipes
8. Box Culverts (precast or aluminum)
9. Headwalls
10. Metal End Sections

After the interim report described in section F is submitted, KYTC would work with the FHWA KY Division Office to determine if additional opportunities exist to seek Federal-aid reimbursement for services procured through this method.

Schedule

KYTC anticipates procurements of various commodities which may be state furnished materials for federal-aid projects utilizing Multistep Competitive Sealed Bidding over the next 18 months if this request is approved. As stated above, the amount of each commodity that would be furnished for federal-aid projects would be small. Denial of this request may require KYTC to establish separate procurement procedures and distribution processes for these commodities when federal participation is involved. In short, denial may ultimately result in increased prices for federal projects and/or complications/delays in project development and delivery on federal projects.

Measures

This innovative procurement method will be evaluated primarily based on the cost savings realized by utilizing Multistep Competitive Sealed Bidding. This can be done both by comparing the cost of

commodities against KYTC estimates as well as against historical costs for commodities that have been purchased in the past utilizing other procurement methodologies.

Reporting

KYTC intends to evaluate each procurement utilizing Multistep Competitive Sealed Bidding to gain additional insight into the best use for this innovative procurement method. If this request is approved KYTC will issue an interim report detailing estimated cost savings per contract after the first 10 procurements utilizing this method. A final report at the end of the experiment period detailing cost savings realized to date will be issued by KYTC for all materials procured by this method that either:

Have been furnished by KYTC on a federal-aid project for reimbursement

Have been historically furnished by KYTC on federal-aid projects

The final report will contain an overall evaluation for this procurement method as well as evaluations for each contract as described above. Suggestions for possible improvements, challenges and a recommendation as to further use of the innovation will be included in the final report.



U.S. Department
of Transportation

**Federal Highway
Administration**

Memorandum

Subject: KYTC SEP-14 Request on Commodities
Procured by KYTC via Multistep
Competitive Sealed Bidding

Date: September 19, 2016

From: /S/Thomas L. Nelson, Jr., P.E
Division Administrator, HDA-KY
Frankfort, KY

To: Thomas Everett
Associate Administrator, FHWA-HIF
Washington, DC

The Kentucky Division Office has reviewed the above referenced request and recommends approval. We do not see any issues or impact on federal-aid projects if this experiment is approved. As stated in KYTC's request, the only changes from current practice would be in how state furnished material used on Emergency Relief (ER) and other Federal-aid construction projects is procured. State furnished materials are rarely used on non-ER Federal-aid construction projects and each usage must have a public interest finding that is concurred in by FHWA.

By allowing this innovative procurement method, it is expected that KYTC will be able procure the state furnished material at a lower cost. The use of this procurement method for "state-furnished materials" will have no impact on the administration of construction projects that include the use of these materials. Please contact me with questions or concerns at (502) 223-6721. Thank you.

FHWA



U.S. Department
of Transportation
**Federal Highway
Administration**

Kentucky Division

February 23, 2015

330 West Broadway
Frankfort, KY 40601
PH (502) 223-6720
FAX (502) 223 6735
<http://www.fhwa.dot.gov/kydiv>

In Reply Refer To:
HPD-KY

Mr. Michael W. Hancock, PE
Secretary
Kentucky Transportation Cabinet
200 Mero Street, Room 613
Frankfort, Kentucky 40622

Dear Mr. Hancock:

We have reviewed the Cabinet's February 4, 2015, request to supply common materials required for the installation/modification of electrical traffic control devices on Federal-Aid projects.

This request is approved based upon our determination that the Cabinet supplying certain key materials to contractors from its own inventory is in the best interest of the public. As discussed in your letter, it is advantageous to supply materials from your own inventory as that supports synergy with existing systems and ensures electrical contractors are utilizing materials with proven performance that can be readily maintained by the Cabinet in later years.

Should the Cabinet have any questions regarding the approval provided herein, please contact Mr. Ryan Tenges, Highway Safety Engineer, at (502) 223-6750

Sincerely,

/s/

S.Mills

Steve Mills
Assistant Division Administrator

cc: Steve Waddle, KYTC, State Highway Engineer
Nancy Albright, KYTC, Assistant State Highway Engineer
Jeff Wolfe, KYTC, Director of Traffic Operations



TRANSPORTATION CABINET

Frankfort, Kentucky 40622
www.transportation.ky.gov/

Steven L. Beshear
Governor

Michael W. Hancock, P.E.
Secretary

February 4, 2015

Steve Mills
Assistant Division Administrator
John C Watts Federal Building
330 W Broadway
Frankfort, KY 40601-1922

SUBJECT: Public Interest Finding - Method of Supplying Materials for Electrical Traffic Control Devices

Dear Mr. Mills:

The Kentucky Transportation Cabinet would like to submit a Public Interest Finding (PIF) request for our proposed method of supplying common materials required for the installation/ modification of electrical traffic control devices on Federal-Aid projects. If approved, the PIF would allow the Cabinet to supply certain key materials to contractors from our own inventory, which are purchased through existing Cabinet contracts and master agreements, and allow federal reimbursement for the cost of these materials. We feel that our proposed method is advantageous and beneficial to all parties involved, including the Cabinet, FHWA, and contractors.

The specific materials that we would like to provide to contractors are identified in the attachment. According to recent records, the Cabinet provides approximately \$800,000 worth of these materials on an annual basis for Federal-Aid projects. If the PIF is approved, the materials required for specific projects would be identified and approved by the Traffic Design Services Branch of the Division of Traffic Operations. The approved materials would be charged to the associated project when transferred from our inventory to the contractor.

For several years, the Division of Traffic Operations has been utilizing a twenty-one day solicitation for all traffic material contracts and master agreements in an effort to be more compliant with federal purchasing requirements. If this PIF is approved, we will continue using twenty-one day solicitations and physically incorporate the FHWA-1273 form into future contracts.

Benefits of Proposed Method:

As stated earlier, we feel the proposed method is preferable to everybody involved, including the Cabinet, FHWA, and contractors. From the Cabinet's standpoint, supplying materials from our own inventory supports synergy with our current systems and ensures electrical contractors are utilizing materials with proven performance that can be readily maintained by the Cabinet in later years. If the PIF is not approved, it will likely force us to pay for these materials using state



An Equal Opportunity Employer M/F/D

Method of Supplying Materials for Electrical Traffic Control Devices

Page 2

maintenance funds, which will further limit our ability to adequately maintain our existing highway system.

FHWA benefits in that KYTC is able to provide materials at a lower price since our materials are purchased in larger quantities. In addition, use of Cabinet supplied materials provides more assurance of MUTCD compliance as there are fewer opportunities for non-compliant devices to enter into the design and construction processes.

The fact that KYTC is able to provide access to a readily available stock of traffic signal materials is a benefit to the contractors as well. For example, KYTC is normally able to provide the contractors with required materials within a few days of notification. This includes items with long lead times for fabrication, such as steel strain poles. Without access to our materials, contractors (and projects) could be delayed for several months waiting for materials supplied by their vendors. In addition, our proposal eliminates the need for shop drawing approvals which can be time consuming, delay construction, and complicate inspection.

In short, our proposal will expedite the project development and project delivery processes, which is mutually beneficial to everybody involved.

Duration:

We request that this PIF be effective until December 31st, 2016. As the expiration date for this PIF approaches, we will reevaluate the merits of the approved process and investigate any new alternative solutions.

We appreciate your consideration of this request. If you have any questions regarding these matters, please contact Jeff Wolfe with the Division of Traffic Operations at 502-782-5546.

Sincerely,

/S/

Steve Waddle
State Highway Engineer

Attachment
c: Division of Traffic Operations

DIVISION OF TRAFFIC OPERATIONS
ITEMS FOR INSTALL

Item Number	_____	Project No.	_____
County	_____	Project Manager	_____
Description	_____	Office Charge No.	_____
Fund	_____	Function	_____
Department	625	Activity	4260
District	_____	Object Code	E369
County	_____	Program	_____

Cabinets			Master code	Unit Cost	Cost
0	T-01-0000	Aluminum Cabinet (Beacon)		\$303.49	\$0.00
0	T-01-0010	Pole Mounted 336 Cabinet		\$3,583.52	\$0.00
0	T-01-0020	Base Mounted 332 Cabinet		\$4,067.24	\$0.00
0	T-01-0100	170 Controller		\$1,179.38	\$0.00
0	T-01-0200	School Clock		\$225.65	\$0.00
0	T-01-0501	Conflict Monitor, Model 2018		\$583.31	\$0.00
0	T-01-0510	Isolator, Model 242 (for pad detector and railroad)		\$21.74	\$0.00
0	T-01-0600	Loop Detector, Model 222		\$142.01	\$0.00
0	T-01-0700	Load Switches		\$15.40	\$0.00
				Total	\$0.00
Signals					
0	T-02-0001	1-section beacon backplate		\$49.00	\$0.00
0	T-02-0009	Siemens 3 Section Signal		\$162.37	\$0.00
0	T-02-0015	Siemen 3 Section backplate w/tape		\$58.96	\$0.00
0	T-02-0016	Siemen 4 Section in-line backplate w/tape (poly only)		\$69.00	\$0.00
0	T-02-0021	McCain 3 section backplate		\$25.00	\$0.00
0	T-02-0032	Siemen 3 section backplate		\$41.61	\$0.00
0	T-02-0033	Siemen 4 section 12" Signal (poly)		\$189.00	\$0.00
0	T-02-0034	Siemen 4 section 12" signal double red		\$499.00	\$0.00
0	T-02-0040	Siemen 5 section 12" signal (poly)		\$239.00	\$0.00
0	T-02-0041	Siemen 5 section backplate		\$224.00	\$0.00
0	T-02-0042	4-sec dbl red backplate only		\$88.00	\$0.00
0	T-02-0043	Siemen 4 sec. straight signal backplate		\$65.00	\$0.00
0	T-02-0045	Siemen 5 section 12" signal w/backplate (aluminum)		\$347.30	\$0.00
0	T-02-0046	Siemen 5 section 12" w/backplate and tape (aluminum)		\$337.00	\$0.00
0	T-02-0049	Siemen 5 section backplate w/tape (poly only)		\$119.00	\$0.00
0	T-02-0051	2" wide fluorescent yellow reflective tape		\$1.26	\$0.00
0	T-02-0080	12 inch red/yellow beacon		\$117.02	\$0.00
0	T-02-0090	Pedestrian signal housing		\$140.55	\$0.00
0	T-02-0099	Audible pedestrian detector		\$563.98	\$0.00
0	T-02-0300	LED Module 12" red arrow		\$45.28	\$0.00
0	T-02-0310	LED Module 12" yellow arrow		\$45.85	\$0.00
0	T-02-0320	LED Module 12" green arrow		\$59.74	\$0.00
0	T-02-0330	LED Module 12" red ball		\$35.69	\$0.00
0	T-02-0340	LED Module 12" yellow ball		\$53.35	\$0.00
0	T-02-0350	LED Module 12" green ball		\$45.59	\$0.00
0	T-02-0365	LED Countdown Pedestrian Module		\$161.99	\$0.00
				Total	\$0.00
Special Items					
0	T-02-0400	Video Detection System Camera Detector, SP	# of left turns put here	\$2,737.55	\$0.00
0	T-02-0401	Camera Mounting System		\$128.93	\$0.00
0	T-02-0500	MDS Radios 9810		\$1,139.61	\$0.00
0	T-02-0510	Antenna 6 db omni		\$500.23	\$0.00
0	T-02-0520	Antenna 10 db yagi		\$136.29	\$0.00
0	T-02-0530	Antenna 9 db omni		\$698.59	\$0.00
0	T-03-0230	Jumper 3' N-N RG-58		\$12.57	\$0.00
0	T-03-0240	Jumper 60'N-N RG-213		\$69.23	\$0.00
0	T-06-0800	Surge Protector for Radio		\$30.60	\$0.00
0	T-09-0410	Sign Hanger for 48" Signs		\$125.00	\$0.00
0	T-09-0415	30 X 36 through 36 X 36 sign hanger (New)		\$79.40	\$0.00
0	T-02-0650	PedstL top mntg bkt One-way		\$50.27	\$0.00
0	T-02-0660	PedstL top mntg bkt Two-way		\$144.32	\$0.00
0	T-02-0661	Post Top for Pedestal (each)		\$15.00	\$0.00
0	T-02-0670	Pedestal		\$222.38	\$0.00
0	T-06-0705	Ped Detector Flat Mount FSA Box		\$18.49	\$0.00
0	T-06-0710	Ped Detector Pole Mount FSA Box		\$21.32	\$0.00
0	T-06-0730	Ped Button w/o Plunger		\$61.84	\$0.00
0	T-17-0015	9 X 15 Countdown Ped Sign DBL Sided		\$4.88	\$0.00
0	T-01-0609	Epoxy Applicator		\$148.00	\$0.00
0	T-01-0611	Access Point Controller Card		\$2,850.00	\$0.00
0	T-01-0612	Access Point Expansion Card		\$337.00	\$0.00
0	T-01-0613	Access Point Remote Radio		\$698.00	\$0.00
0	T-01-0614	Access Point Accessory Isolator		\$296.00	\$0.00
0	T-01-0615	Repeater		\$1,343.00	\$0.00
0	T-01-0616	Type T Sensor		\$365.00	\$0.00
0	T-01-0618	Sensor Clamshell Enclosure		\$7.50	\$0.00
0	T-01-0620	Sensor Installation Kit		\$85.00	\$0.00
				Total	\$0.00
Poles					
0	T-04-0010	Steel Strain Pole 28 Foot		\$1,653.32	\$0.00
0	T-04-0020	Steel Strain Pole 30 Foot		\$2,596.68	\$0.00
0	T-04-0030	Steel Strain Pole 32 Foot		\$2,224.05	\$0.00
0	T-04-0040	Steel Strain Pole 34 Foot		\$3,321.03	\$0.00
0	T-04-0051	Steel Strain Pole 36 Foot		\$3,678.34	\$0.00
0	T-04-0054	Steel Strain Pole 38 Foot		\$3,973.75	\$0.00
0	T-04-0055	Steel Strain Pole 40 Foot		\$3,502.20	\$0.00
				Total	\$0.00
				FINAL TOTAL	\$0.00



U.S. Department
of Transportation

**Federal Highway
Administration**

Memorandum



U.S. Department
of Transportation

**Federal Highway
Administration**

Kentucky Division

October 30, 2015

330 West Broadway
Frankfort, KY 40601
PH (502) 223-6720
FAX (502) 223 6735
<http://www.fhwa.dot.gov/kydiv>

In Reply Refer To:
HPD-KY

Michael W. Hancock, PE
Secretary
Kentucky Transportation Cabinet
200 Mero Street, Room 613
Frankfort, Kentucky 40622

Dear Mr. Hancock:

We have reviewed the Kentucky Transportation Cabinet's (KYTC) October 29, 2015, request to provide state-owned "high mast control cable" for use on federal project 0241090 (KYTC project 1-800.00) which is included in the November 20, 2015, letting. We concur with the request for this specific project as well as other federal projects requiring this cable over the next three years.

High mast control cable is used to communicate with cameras installed on high mast lighting poles. Our concurrence is based on the finding that it is in the public interest for KYTC to provide this specialized cable since it can only be reasonably procured in 5,000 foot rolls, and only a relatively small amount is needed on projects that call for the use of cameras on high mast poles.

Should the KYTC have any questions regarding the approval provided herein, Duane Thomas can be contacted at (502) 223-6749.

Sincerely,

/s/ S. Mills

Steve Mills
Assistant Division Administrator

cc: Bob Lewis, KYTC, Acting State Highway Engineer
Jon Wilcoxson, KYTC, Director of Maintenance
Jeff Wolfe, KYTC, Director, Division of Traffic Operations

FHWA Special Experimental Project 14 Work Plan

Federal Participation on Commodities Procured by KYTC via Multistep Competitive Sealed Bidding

Attachments

The Multistep Competitive Sealed Bidding regulations are in the Kentucky Administrative Regulations at 200 KAR 5:375 (<http://www.lrc.state.ky.us/kar/200/005/375.htm>).

Government Accountability Office <http://www.gao.gov/assets/660/659530.pdf>

Office of Management and Budget, Office of Federal Procurement Policy

<https://www.whitehouse.gov/sites/default/files/omb/procurement/memo/effective-use-of-reverse-auctions.pdf>