



# DIVISION OF PURCHASING & GENERAL SERVICES



## POLICIES AND PROCEDURES

Policy # 015

**Subject:** Multiple Stage Cost Qualification RFP Process

**Effective:** September 25, 2015

**Ref:** UCA 63G-6a-710

### **Purpose:**

Utah Code 63G-6a-710 authorizes procurement units to use a multiple stage RFP process. This policy sets forth the Division of Purchasing's policy for issuing a multiple stage RFP process where cost is evaluated prior to the technical requirements. The concept behind this "multiple stage cost qualification RFP process" is that for certain types of procurements, the Division (State Agencies) may not want to spend time evaluating the technical responses of proposals with cost estimates that exceed the stated budget or significantly exceed the lowest cost proposal.

Statute does not restrict the following:

1. The number of stages that may occur in a multiple stage RFP;
2. The number or type of criteria that a procurement unit may use to evaluate proposals; or
3. The sequencing of when evaluation criteria must be evaluated.

However, statute does place restrictions on procedures such as separating cost, when the evaluation committee can and cannot change scores, issuing a justification statement and, if applicable, conducting a cost-benefit analysis, and so on. The instructions contained in this multiple stage cost qualification RFP process comply with all provisions set forth in Utah Code 63G-6a, Part 7 and associated Administrative Rule R33 - 7.

Note: Additional multiple stage RFP processes may be developed and used to cover the wide range of different procurements that public entities face, provided the processes developed and used comply with the requirements set forth in statute and rule.

## Definitions

“Multiple stage cost qualification RFP process” means a multiple stage RFP process in which cost proposals are evaluated prior to the evaluation of technical criteria and are used to reject offerors based on established cost criteria.

“Maximum cost differential percentage threshold” is a cost ceiling that is established by the conducting procurement unit that an offeror’s cost proposal must not exceed or the offeror’s proposal will be rejected and the offeror will not be allowed to proceed to a subsequent stage. The maximum cost differential percentage threshold may be based on the following:

1. The lowest cost proposal submitted;
2. The conducting procurement’s stated budget; or
3. A combination of #1 and #2 above.

Examples of a maximum cost differential percentage thresholds include but are not limited to:

**Lowest Cost Proposal** – Maximum Cost Differential Percentage Threshold = within 10% above the lowest cost proposal: Offerors with cost proposals that exceed 10% above the proposal with the lowest cost will be rejected. Offerors with cost proposals that do not exceed 10% above the proposal with the lowest cost will move on to the subsequent stage;

**Stated Budget** – Maximum Cost Differential Percentage Threshold = within 5% above the conducting procurement unit’s stated project budget: Offerors with cost proposals that exceed 5% above the stated budget will be rejected. Offerors with cost proposals that do not exceed 5% above the stated budget will move on to the subsequent stage; and

**Combination** – Maximum Cost Differential Percentage Threshold = within 8% above the lowest cost proposal and within 2% above the conducting procurement unit’s stated project budget: Offerors with cost proposals that exceed 8% above the proposal with the lowest cost will be rejected **and** offerors with cost proposals that exceed 2% above the stated budget will be rejected. Offerors with cost proposals that do not exceed 8% above the proposal with the lowest cost and do not exceed 2% above the stated budget will move on to the subsequent stage.

## Multiple Stage Cost Qualification RFP Process

(1) The chief procurement officer may issue a multiple stage RFP where cost is used to qualify offerors for subsequent stages or to narrow the number of offerors that will move on to subsequent stages in accordance with the requirements set forth in Utah Code 63G-6a, Part 7 and administrative rule R33-7.

(2) When using the multiple stage cost qualification RFP process the conducting procurement unit shall establish and include in the RFP:

- (a) The minimum mandatory pass or fail requirements that proposals must meet in stage one in order to move on to stage two;

(b) The maximum cost differential percentage threshold that proposals must not exceed in stage two in order to move on to stage three;

(c) The technical criteria and a score threshold that proposals must meet in stage three in order to be eligible to move on to stage four; and

(d) If applicable, the total combined score threshold in stage four that proposals must meet to determine best value and be eligible for contract award.

(3) Except as provided in Utah Code 63G-6a-707(8), the following process shall be used to evaluate proposals and award a contract under this multiple stage process:

(a) During stage one, an individual assigned by the conducting procurement unit shall evaluate each offeror's proposal in response to the minimum mandatory pass or fail requirements set forth in the RFP:

(i) Offerors with proposals that do not meet the mandatory minimum pass or fail requirements shall be rejected and are not allowed to move on to subsequent stages and are not eligible to receive a contract award;

(ii) Offerors with proposals that meet the mandatory minimum pass or fail requirements shall be deemed qualified to move on to stage two;

(b) During stage two, the issuing procurement unit shall assign an individual, who is not a member of the evaluation committee, to evaluate the cost proposals of offerors qualified in stage one in response to the cost criteria and maximum cost differential percentage threshold set forth in the RFP.

(i) The individual assigned by the issuing procurement unit to evaluate cost proposals shall do so outside the presence of the evaluation committee and shall not share the cost proposals or the results of the cost proposal evaluations with the evaluation committee until all technical scoring is completed in stage three;

(ii) Offerors with cost proposals that exceed the maximum cost differential percentage threshold shall be rejected, not allowed to move on to subsequent stages, and not eligible to receive a contract award;

(iii) Offerors with cost proposals that do not exceed the maximum cost differential percentage threshold shall be deemed qualified to move on to stage three;

(iv) Cost shall be evaluated in accordance with Utah Code 63G-6a-707(5)(b)(i); and

(v) A cost score shall be calculated based on the cost formula set forth in the RFP for each proposal identified in Subsection (3)(b)(iii);

(c) During stage three, the evaluation committee shall score the proposal of each offeror qualified in stage two, in response to the technical evaluation criteria set forth in the RFP, without having access to any information relating to the cost or the scoring of the cost. Technical criteria shall be scored in accordance with R33-7-704 or rules established by the applicable rule making authority;

(d) During stage four, the individual assigned by the issuing procurement unit, who is not a member of the evaluation committee, shall add the cost scores to the evaluation committee's final recommended technical scores to derive the total combined score for each proposal in accordance with the process set forth in Utah Code 63G-6a-707(5)(a) through (c);

(e) In order to determine best value to the procurement unit, the evaluation committee shall prepare a justification statement and, if applicable, a cost-benefit analysis; in accordance with Utah Code 63G-6a-708 and 709; and

(f) A contract may be awarded to the offeror with the proposal having the highest total combined score, or multiple contracts may be awarded to offerors with proposals meeting the total combined score threshold set forth in the RFP, in accordance with Utah Code 63G-6a-709.