

CHAPTER 7 – EVALUATION FOR UNBALANCED BIDS

ODOT's Estimating Group in the [Office of Project Letting \(OPL\)](#) will perform an evaluation on each apparent low Bid for unbalanced bidding.

There are two types of unbalanced Bids—mathematical and material:

- A **mathematically** unbalanced Bid is one that contains lump sum or unit bid items that do not appear to reflect reasonable actual costs. Those reasonable actual costs would include a reasonable proportionate share of the Bidder's anticipated profit, overhead costs, and other indirect costs that the Bidder anticipates for the performance of the items in question. While mathematically unbalanced bids are not prohibited per se, evidence of a mathematically unbalanced bid is the first step in proving a bid to be materially unbalanced.
- A **materially** unbalanced Bid is one that produces a reasonable doubt that Award to the low Bidder, who submitted the mathematically unbalanced Bid, would result in the lowest ultimate cost to the Agency.

There are numerous reasons why a Bidder may want to unbalance a Bid. One reason is to get more money at the beginning of the Project by overpricing the Work done early in the Project. This is called "front loading" the Contract. Another reason is to maximize profits. This is done by overpricing bid items the Bidder believes will be used in greater quantities than estimated and underpricing items that will be used in significantly lesser quantities.

The Estimating Group uses the following guidelines when evaluating Bids to identify materially unbalanced Bids:

- After Bid Opening, evaluate all bid item prices, as submitted by the Bidders, for unreasonable deviations from the Engineer's Estimate. The Agency reserves the right to review all Bids for material unbalancing regardless of the deviation from the Engineer's Estimate.
- If bid item prices deviate more than a reasonable amount from the Engineer's Estimate, request responsible unit to re-check the bid item quantities.

Items that may contribute to material unbalancing are:

- Obvious errors in the Plans or estimates.
- Front-end loading where the Bids indicate that the Contractor will receive disproportionate payment for work done during early stages of the Project.

- Anticipated underruns or overruns of items.
- Token Bids which indicate that the Bid(s) are disproportionately higher than the value of the work to be done under the Contract.

After evaluation, the Estimating Group makes a recommendation to the Chief Engineer regarding the presence or absence of a materially unbalanced Bid. This recommendation and other relevant factors will be considered to determine the proper action, consistent with public interest, to take regarding the Bids received. A Bid found to be mathematically unbalanced to some degree, but not found to be materially unbalanced may still be awarded to the low Bidder.

Although the Estimating Group evaluates unbalanced Bids, it is important that the Project Manager (PM) and Region/Bridge Delivery Unit (BDU) promptly advise the Estimating Group when an error or omission in the Plans or quantities is discovered, both during pre-bid reviews and during construction. The Estimating Group may also request the assistance of the PM in evaluating Bids for unbalancing.

When the Contractor's Bid proposal contains unbalanced items, the Estimating Group will notify the PM and Region/BDU in writing so that they can administer the Contract with knowledge of the apparent unbalanced prices ([See Exhibit 7\(A\)](#)).

The PM should consider either redesigning or deleting portions of Work containing unbalanced bid items so as not to do the overpriced Work (*See 00140.30 – Agency Required Changes to the Work*).

At the completion of the Project, the PM will be required to identify any bid items noted as having potentially unbalanced bids on the Project Managers Narrative, as well as identifying the efforts made to manage these items. [*Refer to Chapter 37 – Submittal of Final Project Documentation*]

If a Project includes bid items that are significantly overpriced or under priced, avoid changes to the Project that increase or reduce the quantities of those bid items. Consider other alternatives, wherever possible, to avoid conflict with the public policy on competitive bidding.

Refer to 00195.50(a-4) regarding progress payments for items with unbalanced prices.

OREGON DEPARTMENT OF TRANSPORTATION
CONSTRUCTION MANUAL

Oregon

DATE: June 4, 2009

TO: Rhoda Head
Project Manager

FROM: Dave Parker
Cost Estimator

SUBJECT: Unbalanced Bid Evaluation
PROJECT: *CONSTRUCTION MANUAL EXAMPLE*
Contract No.: C12345
Key Number: 54321

I have reviewed this project for unbalanced bids. I have compared bids received to the Engineer's Estimate and to the other bids received. I have identified unbalanced items and they are listed in the attached pages. Based upon the best information available at this time, we have determined that the bid is not materially unbalanced. The items identified as unbalanced should be monitored during construction for underruns and overruns.

CC: Kevin Thiel, Construction Contracting Manager

Attachment



UNBALANCED BID EVALUATION

Project: CONSTRUCTION MANUAL EXAMPLE
County: Marion
Proj. Mgr: Rhoda Head, PM
Low Bidder: Prime Construction Company

Contract No: C12345
Prepared by: Dave Parker
Cost Estimating Unit
June 4, 2009

<u>Bid Item/(unit)</u>	<u>Qty.</u>	<u>Engr.Est</u>	<u>Bid Amt.</u>	<u>Recommended Action</u>
0200 Construction Survey Work LS	All	15,000	41,500	For information only. Average of remaining bidders is \$41,900.
0220 Construct and Remove Detour LS	All	52,000	20,000	For information only. Average of remaining bidders is \$43,400.
0240 General Excavation M3	15,400	9.00	6.80	For information only. Average of remaining bidders is \$8.00.
0660 LVL 3, 19 MM DS HMAC MG	9,700	23.00	29.40	For information only. Average of remaining bidders is \$28.70.