



July 3, 2013

Special Joint Subcommittee  
Virginia Procurement Act  
General Assembly Building, Room 523  
Capitol Square  
Richmond, Virginia 23219

The Honorable S. Chris Jones

Reference: House Bill Number 2079

Subject: Limits, ceilings, or cap amounts on Job Order Contracting.

Dear Mr. Jones:

Regarding the above referenced House Bill and Subject, please find below information regarding my experiences with Job Order Contracting. I first become acquainted with this method of contract delivery at the USDA in 1983. I have spent the better part of the past 30 years utilizing this delivery method on Federal, State, Local, and private contracts.

My experience is learned by accomplishment; not through belief or theory. Using Job Order Contracting or related methods, I have completed roughly 4,000 projects valued in the range of a half billion dollars. The numbers are not relevant, other than to provide a frame of reference for my experience.

When properly utilized, JOC is an invaluable tool in the procurement stream. When not executed correctly, it is fraught with the same perils as other procurement tools – but often at lesser overall risk.

My simple message to you is – do not limit the contracts with dollar caps that may or may not be appropriate to the local procurement agency; rather – control the contracts with tact, creativity, need, and performance factors that are appropriate for the procurement tasks facing the local jurisdiction. Frame the process with eloquent assistance; as opposed to controlling it with subjective restraint.

1. Meaningful controls on Job Order Contracting are prudent, where arbitrary limits or caps based solely on dollar amounts are not in the best interest of local business or the Commonwealth.
2. Meaningful controls:
  - a. Limits and structures set by the using municipal or jurisdictional contracting office, under guide by the Commonwealth of Virginia. (COV)
  - b. Volume of use is structured by AHJ based on type, amount, and need of projects to be accomplished;
  - c. Tempered by safety, quality, performance, and effectiveness of program;
  - d. Prequalified local jurisdictional sub/ vendor/ tradesmen are preferred;
  - e. Engage sub/ vendor/ trades only in their areas of expertise or reasonably related ventures;
  - f. Create a formula for JOC management based on User need; availability of agency funding; Safety, Quality, and Performance Criteria.
  - g. JOC; IDIQ; and/ or Term contract work is best when flowing like water – following the natural path of least resistance.



3. Job Order Contracts with larger amounts and limited controls attract more competition from highly capable larger General Contractors geared for this type of operation. Fees are accumulated on volume, not by individual projects. Unit cost of construction in place is lowered through higher contract volume.
4. Job Order Contracts with smaller amounts and increased controls attract competition from smaller Contractors geared for specific task operation. Fees are accumulated on individual projects; volume is not a factor. Unit cost of construction in place is increased through lower contract volume.
5. Job Order Contract dollar limits and/ or caps will increase direct cost to the COV; increase work load on procurement agencies; and stall production and completion of work especially for unique, urgent, or highly detailed requirements.
6. Large General Contractors bring substantial benefit to the COV:
  - a. Experience with many thousands of projects
  - b. Expedited purchasing power across a broad spectrum
  - c. Expertise immediately available from existing business relationships
  - d. Higher level of Safety and Quality controls
  - e. Ability to immediately contract work tasks
  - f. Potential to fund work immediately
  - g. Compliant and available bonding and insurances
  - h. Large labor pool and broad sub/ vendor base
  - i. Broker smaller contractors into the world of Government contracting
  - j. Utilize multiple small contractors on single JOC jobs
  - k. Buffer between smaller contractors and regulation
7. Smaller Contractors bring limited benefit to the COV:
  - a. Limited JOC and job experience
  - b. Breadth of expertise stunted by fewer personnel
  - c. Often wary of involvement with Government
  - d. Lesser pool of available labor for increased performance
  - e. Available funding is usually limited
  - f. Cash flow dictates ability to perform
  - g. Lower insurance and Bonding amounts
8. Individual contract Using Agencies benefit from Larger GC's and Less Limitation by:
  - a. Utilizing large GC as an arm of the agency.
  - b. Gaining immediate expertise from thousands of projects accomplished.
  - c. Gaining immediate access to market driven economic and supply factors.
  - d. Ability to mass many sub/ vendors to one or multiple location through a single contract delivery.
  - e. Ability to forge long lasting, key business networking relationships not normally available in ITB or RFP single award lob bid scenarios.
  - f. Ease of control – turn on or turn off the work – simply through gauge of contractor performance.
9. Large General Contractors can act; and should be directed by contract to act; as a business partner to the COV to develop JOC as a viable tool for:
  - a. Expediting maintenance/ repair / construction
  - b. Increasing Safety and Quality consciousness
  - c. Developing local sub/ vendor/ trades whenever appropriate



- d. Using financial resources to buoy local economy
  - e. Introducing Small Business to Government.
  - f. Bringing Large Business to bear when appropriate
  - g. Acting as true business partner and quasi-Commonwealth agency for the best interests of the State and Local Government, while promoting good business practices for all involved.
  - h. Relieve State and legislative burden by promoting and exercising ethical free enterprise and sound business practices.
10. HITT Contracting operates in an entrepreneurial, old style business model:
- a. Ethics and morality are corporate business behaviors.
  - b. We are your business partner first; and your general contractor second.
  - c. We prequalify all subs/ vendors/ and tradesmen; ensuring the right people are performing properly on tasks well suited for their current business acumen.
  - d. We ensure compliance with full and complete task assignments for each discipline; and then set the tasks for success with education, communication, verification, and documentation.
  - e. We promote local businesses large and small, with a preference that local state and / or federal funding remain directly in the local economy.
  - f. We assist smaller businesses with compliance to Government regulation, mentor them through the processes, and promote their success in the local economy.
  - g. We assist smaller businesses with insurance needs; bonding capacities; management expertise, and direct project support.
  - h. In short, we act on behalf of the Government and perform many functions in a quasi-government fashion; as would the Commonwealth if resources were available to support local business in a highly detailed fashion.

Mr. Jones, I hereby express my desire to speak to the Special Joint General Laws Subcommittee Studying Virginia Procurement, and would enjoy an open discussion with the Subcommittee to effectively communicate my experiences and knowledge regarding the nuances of Job Order Contracting.

I thank you for your valuable time, and assure you that I and HITT Contracting will continue for many decades to promote good business practices in the Commonwealth of Virginia.

Respectfully submitted,

Michael J. Filipowicz  
Vice President  
HITT Contracting