October 26, 2018

VIA ELECTRONIC MAIL ONLY AT (john.don.martinez@dot.gov)

Mr. John Don Martinez, Division Administrator
Federal Highway Administration (FHWA), New Mexico Division Office
4001 Office Court Drive, Suite 801
Santa Fe, New Mexico 87507

Re: 2018 3rd Quarter Special Experimental Projects No. 14 (SEP-14) New Mexico Department of Transportation (NMDOT) Contractor Prequalification Program Update

Dear Mr. Martinez,

In accordance with FHWA’s SEP-14 reporting requirements outlined in the FHWA letter of February 26, 2015 the NMDOT is required to submit quarterly reporting to the FHWA. The NMDOT is continuing its quarterly reporting for 2018 with the submission of this report. The NMDOT requests that the New Mexico Division Office forward this correspondence and all attachments to Mr. Gerald Yakovenko with SEP-14’s approval office in the FHWA’s Office of Infrastructure. This report is for the third quarter reporting period for 2018 for the NMDOT Contractor Prequalification Program (Program).

(Tab 1) - AUI Inc. (AU), Appeal of Prequalification Score for 2017

In the last quarterly report, the NMDOT reported that a contractor, AUI, Inc., filed an appeal of its 2017 prequalification score challenging two non-conformances it received in a District 6 project, CN 6101100R, but the hearing officer denied AUI’s challenge. Instead of appealing the hearing officer’s decision in district court, AUI elected to file a declaratory judgment requesting the court to invalidate the NMDOT’s prompt payment provision contained in the NMDOT’s Standard Specifications that requires a contractor to make progress payments to its subcontractors and suppliers even when the contractor receives a zero dollar progress payment from the NMDOT. The NMDOT makes a zero dollar progress payment to the contractor towards the end of a project in order to comply with state law that requires the NMDOT to withhold the final 5% of the contract value until project completion. AUI further requested the court to enjoin the NMDOT from applying any prequalification score that includes any performance measurement associated with a contractor’s failure to make prompt payment even when it received a zero dollar progress payment. The NMDOT has filed motions requesting the court to dismiss the declaratory judgment action. The motions are pending.
(Tab 2) - Contractor Prequalification Rule 18.27.5 NMAC Rulemaking

The NMDOT at its July 19, 2018 State Transportation Commission (STC) meeting in Raton, NM requested and received approval from the STC regarding the final action to rulemaking for the Rule. The NMDOT has completed the required steps to Rule implementation with the State Records and Archives Center. The Rule attached will become effective January 1, 2019.

(Tab 3) - Vermont Agency of Transportation (VTrans) Site Visit Itinerary

VTrans visited NM October 9 - 11, 2018 after expressing interest in the NMDOT Program. The agenda the teams used for this peer exchange is listed below. Notes of the peer exchange are attached. The VTrans team that attended were, Michelle Anderson, VTrans Chief of Contract Administration, Maureen Parker, VTrans Construction Contracts Supervisor and Jeremy Reed, VTrans Construction Engineer.

The VTrans team indicated that any debriefing report shared with VTrans executive teams would be shared with the NMDOT. Upon receipt, the NMDOT will incorporate into the next quarterly update.

- October 9 Day 1 – Introduction NMDOT and VTrans @ CCRB (1570 Pacheco Street, Building A-10, Santa Fe, NM 87505) (10:00 am – 3:00 pm).
  - Web page
  - History – bar (fail), PQFRA (success)
  - Rule – old and new (lessons learned)
  - Compass Form
  - Excel Spreadsheet for program – IT, OIG, Database
  - Legal Challenges – AUI (PQFRA), US 82 (JHCC/Fisher), US 82 (bid protest), El Terrero (AUI PQFRA), AUI (PQFRA)
  - SEP-14 (Quarterly and Annual reporting)
  - Challenges

- October 10 Day 2 – ACNM and site visit/discussion (6135 Edith Blvd NE, Albuquerque, NM 87107)
  - ACNM (10 am – 12 pm)
  - Site visit and discussion (1:30 pm – 3:30 pm)
    - US 550 or Rio Bravo project
    - Non-conformance, CAR (A-1129), Disincentive
    - District 3 and 6 Project Managers for questions/discussion (Hilltop/D3)
  - Challenges

- October 11 Day 3 – Construction process (10:00 am – 2:00 pm) 1120 Cerrillos Road, Santa Fe, NM 87504-1149
  - PSE implementation (March posting of scores)
  - OIG/IT – database (December posting and appeals)
  - Project Closeout (Jan – Dec)
• Compass
• District 3 and 6 project closure processes
  • Challenges

(Tab 4) – American Association of Highway and Transportation Officials (AASHTO) Subcommittee on Construction (SOC) Pittsburg PA

In August of 2018 several members of the NMDOT Program team attended the AASHTO SOC in Pittsburg PA. The team presented a brief overview of the Program to date that concentrated on the operational aspects of the Program. The full presentation provided by the NMDOT team at the SOC is attached. The team received strong interest from states however participants expressed that challenges exist within their respective states to implement a program similar to the NMDOT’s Program.

Should there be questions or comments regarding this quarterly update please contact me.

Sincerely,

[Signature]

Armando M. Armendariz, PE
Division Director

Enclosure(s)

Rule – effective January 1, 2019
VTrans Peer Exchange Notes
AASHTO COC Presentation

cc: Tom Church, Cabinet Secretary NMDOT
Anthony Lujan, Deputy Secretary, NMDOT
Prequalification Team, NMDOT
Mike Beck, ACNM Executive Director
Tab 1
Tab 2
18.27.5.1 ISSUING AGENCY: The New Mexico Department of Transportation, PO Box 1149, Santa Fe, New Mexico, 87504-1149.
[18.27.5.1 NMAC - Rp, 18.27.5.1 NMAC, 1/1/2015]

18.27.5.2 SCOPE: This rule applies to the New Mexico Department of Transportation construction projects and to all contractors and subcontractors seeking or anticipating the performance of work within the project limits.
[18.27.5.2 NMAC - Rp, 18.27.5.2 NMAC, 1/1/2015]

[18.27.5.3 NMAC - Rp, 8.27.5.3 NMAC, 1/1/2015; A, 1/1/2019]

18.27.5.4 DURATION: Permanent.
[18.27.5.4 NMAC - Rp, 18.27.5.4 NMAC, 1/1/2015]

18.27.5.5 EFFECTIVE DATE: January 1, 2015, unless a later date is cited at the end of a section.
[18.27.5.5 NMAC - Rp, 18.27.5.5 NMAC, 1/1/2015]

18.27.5.6 OBJECTIVE: To establish policies and procedures for a determination of responsibility through a contractor prequalification system that directly rewards good performers and encourages poor performers to improve.
[18.27.5.6 NMAC - Rp, 18.27.5.6 NMAC, 1/1/2015]

18.27.5.7 DEFINITIONS:
A. This rule adopts the abbreviations, symbols and definitions in the division 100-General provisions of the New Mexico Department of Transportation current edition of the standard specifications for highway and bridge construction and incorporates the same by reference.

B. CID is the abbreviation of construction industries division.

C. Compass form means the New Mexico Department of Transportation form generated at project closure that documents certain contractor performance measurement data.

D. Innovative contracting is an alternate form of competitive bidding consistent with federal and state procurement laws that can result in work being awarded to a responsible bidder that may not submit the lowest monetary bid.

E. Modified bid amount means the contractor’s bid multiplied by the contractor’s prequalification factor rolling average or PfRfA. The modified bid amount will be used solely for determining the apparent lowest responsible bidder. The modified bid amount will not be used for payment.

F. Packet means the current New Mexico Department of Transportation contractor prequalification application from the office of inspector general.

G. Performance factor or Pf means the numerical quantification of a contractor’s past performance on closed projects for certain objectively measurable criteria.

H. Pf claim or PfC means the performance measurement of a contractor’s unsuccessful demand for reconsideration seeking additional compensation or contract time beyond the cabinet secretary administrative remedy level.

I. Pf dis incentive or PfD means the performance measurement of a contractor’s quality of work related to certain contract items. Applicable contract items for dis incentive are the following sections 401 pavement smoothness measurement, 403 open graded friction course, 403 - a warm mix asphalt - open graded friction course, 404 rubberized open graded friction course, 416 minor paving, 417 miscellaneous paving, 423 hot mix asphalt - major paving, 424 warm mix asphalt - major paving, 450 major portland cement concrete pavement, 451 minor portland cement concrete pavement, 456 continuously reinforced concrete pavement, and division 900 quality criteria.
J. Pf liquidated damages or Pfld means the performance measurement of a contractor's timely completion of the contract.

K. Pf non-conformance or Pfnc means the performance measurement of a contractor’s compliance with the terms and conditions of the contract.

L. Pf safety or Pfs means the performance measurement of a contractor’s safety reflected by the contractor's experience modifier rate or emr provided by the contractor's bonding company.

M. Pf subcontractor or Pfsc means the performance measurement of a contractor’s prompt payment of its first tier subcontractors.

N. Pqf rolling average or Pqfna means the final measure of responsibility that is applied to the contractor’s bid resulting in the modified bid amount.

O. Prequalification factor year or Pqfy means the yearly calculation of a contractor's performance factors.

P. Prequalification factor or Pqf means the overall mathematical analysis of the performance factors that measures contractor responsibility. Prequalification factor is abbreviated Pqf.

Q. Prequalification packet means the New Mexico department of transportation form submitted annually.

R. Project closure means completion of the project and occurs on the date that the state construction engineer or New Mexico department of transportation designated signs the compass form.

S. Responsibility means an objective determination based on past performance by the New Mexico department of transportation of the contractor's capability in all respects to perform fully and make satisfactory delivery of the requirements of the contract including the integrity and reliability that will assure good faith performance.

T. Rolling average means a calculation to analyze data points by creating a series of averages of different subsets of the full data set.

[18.27.5.7 NMAC - Rp, 18.27.5.7 NMAC, 1/1/2015; A, 1/1/2019]

18.27.5.8 PREQUALIFICATION PROCEDURE: The most current version of the prequalification packet to obtain prequalified status must be obtained from the office of inspector general of the New Mexico department of transportation website. Each contractor and subcontractor seeking to become prequalified shall submit the prequalification packet and any supporting information to the New Mexico department of transportation office of inspector general as indicated in the prequalification packet. Deadlines are calculated from the date office of inspector general receives the new or renewal packet. Requests for prequalification will not be processed without the submission of a timely, complete and conforming packet. All packets shall contain a complete affidavit, executed under penalty of perjury by an authorized individual, certifying that the information contained in the packet is true and correct. Until completed, incomplete and non-conforming packets will not be processed.

A. Prequalified status will be granted upon the approval of a timely, complete and conforming prequalification packet by the office of inspector general.

B. An timely, incomplete, or nonconforming packet will result in delays affecting prequalification status and will negatively impact the prime contractor's ability to bid on New Mexico department of transportation projects.

(1) Obtaining prequalified status is a condition to submitting a bid. Prime contractors submitting a new prequalification packet or renewal prequalification packet must be approved no later than seven calendar days before the opening of any bid.

(2) Prime contractors submitting a bid without timely obtaining prequalified status shall result in a determination that its bid is non-responsive and the bid shall be rejected.

C. Subcontractors, at any tier, must obtain prequalified status before performing any work on the project. Work performed without prequalified status shall be non-compensable.

D. For prime contractors and subcontractors who are currently prequalified by the effective date of this rule the applicant will not need to submit a new prequalification packet until the anniversary date of their last packet.

E. For prime contractors and subcontractors submitting packets, within five calendar days from the receipt of a prequalification packet the office of inspector general will provide notice of receipt of the packet.

(1) If the packet submitted is complete and conforming then the office of inspector general will provide written notice to the applicant of approved prequalified status.

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(2) If the packet submitted is incomplete or does not conform to the requirements then the office of inspector general will provide written notice to the applicant that the packet will not be processed until the packet is complete and conforms to the requirements.

(3) The date of the written notice of approved prequalified status shall establish prequalification eligibility for a period of one year. Prequalified status shall automatically terminate if not renewed prior to the expiration date established by the written notice of approved prequalification status.

F. Renewal packets shall be submitted no more than 30 calendar days before the expiration date on the document published by the office of inspector general titled prequalified contractors and subcontractors list. Prequalified status shall automatically terminate for the failure to submit a timely, complete and conforming renewal packet. Prequalified status shall be re-established upon the approval of a complete and conforming renewal packet.

G. Appeal of the denial of prequalification eligibility based upon the receipt of untimely, incomplete or non-conforming packet shall be submitted in writing to the office of inspector general with supporting documentation within seven calendar days of the denial of prequalified status. If the appeal is untimely the aggrieved party waives the right to appeal. The inspector general, or designee, will issue a final written decision upholding or reversing the denial of prequalified status within seven calendar days of the receipt of a timely appeal. The inspector general’s decision constitutes the final action taken by the office of inspector general related to a denial of prequalified status under this section.

H. Obtaining prequalification status, a performance factor, or a prequalification factor rolling average does not grant a license to do business, a right to bid or to be awarded a contract.

I. In the event a contractor or subcontractor is suspended or debarred, its prequalification status shall immediately and automatically terminate without further notice. In order to obtain renewed prequalification status after a period of suspension or debarment a new complete and conforming prequalification packet must be submitted and approved.

[18.27.5.8 NMAC - Rp, 18.27.5.8, 18.27.5.9, 18.27.5.10, 18.27.5.11, 18.27.5.12 NMAC, 1/1/2015; A, 1/1/2019]

18.27.5.9 DEFICIENT, FALSE OR MISLEADING STATEMENTS: Any deficient, deceptive, false, fraudulent or misleading statements in the prequalification packet or incomplete affidavit may subject the offending party to an automatic rejection or revocation of prequalified status, suspension, debarment proceedings or other civil and criminal penalties under the New Mexico department of transportation rules and may be reported to the New Mexico attorney general and the federal highway administration for further action.

[18.27.5.9 NMAC - Rp, 18.27.5.14 NMAC, 1/1/2015]

18.27.5.10 LICENSING: Only contractors licensed in New Mexico may perform highway construction work for the New Mexico department of transportation. The timing and requirements for licensure appear in the invitation for bids for the project. All persons seeking additional information should refer to the New Mexico CID rules and regulations and the Construction Industries Licensing Act. Contractors are not required to have the necessary construction industry licenses to submit a prequalification packet.

[18.27.5.10 NMAC - Rp, 18.27.5.9 NMAC, 1/1/2015]

18.27.5.11 PREQUALIFICATION CALCULATION: The New Mexico department of transportation will gather prime contractor performance data from each project upon project closure. The data collected will be used to calculate a yearly prequalification factor. The prequalification factor rolling average will be applied to each prequalified prime contractor to evaluate the prime contractor’s bid for department projects as indicated in the invitation for bids.

A. The performance factors are claims, disincentives, liquidated damages, non-conformance, safety, and subcontractor.

1. PF claim data will be documented on the compass form and will be collected from the New Mexico department of transportation’s closed project records.

2. PF disincentive data will be documented on the compass form and will be collected from the New Mexico department of transportation’s closed project records indicating whether disincentives were assessed on standard specification division for surface treatment and pavements and division for quality criteria items.

3. PF liquidated damages data will be documented on the compass form and will be collected from the New Mexico department of transportation’s closed project records indicating whether liquidated damages were assessed.

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Pf non-conformance data will be documented on the compass form and will be collected from the New Mexico department of transportation's closed project records indicating whether non-conformances were assessed.

Pf safety data will be the contractor's experience modifier rating as reported on its prequalification packet.

Pf subcontractor data will be documented on the compass form and will be collected from the New Mexico department of transportation's construction and civil rights bureau records indicating findings for the failure to promptly pay subcontractors without good cause.

B. The performance factors are assigned percentage values within the yearly prequalification factor calculation.

(1) The percentage associated with claims is fifteen percent.
(2) The percentage associated with incentives is thirty percent.
(3) The percentage associated with liens is thirty percent.
(4) The percentage associated with non-conformances is ten percent.
(5) The percentage associated with safety is five percent.
(6) The percentage associated with subcontractor is ten percent.

C. Pf claim or Pf is calculated in the following manner:

(1) Claims that are not pursued beyond the cabinet secretary administrative remedy level will not be included in the calculation for Pf claim.
(2) For claims that are pursued beyond the cabinet secretary administrative remedy level a binary system will be used to assign a value of zero or one to evaluate claims.
   (a) Claims resolved for the value of the claim or more brought beyond the cabinet secretary level will be assigned a value of zero.
   (b) Claims resolved for less than the value of the claim brought beyond the cabinet secretary level will be assigned a value of one.
(3) Pf claim is calculated by adding the number one to the outcome of the sum of the claim value divided by the total number of closed projects.
(4) Pf claim resulting in a value of one will be assigned a bonus value for Pf claim equal to 0.9.
(5) Pf claim will then be multiplied by the percentage associated with Pf claim. The resulting value will be incorporated into Pf\(\text{yr}^2\).

D. Pf disincentive or Pf\(\text{d}^\) is calculated in the following manner:

(1) For each closed project:
   (a) Sum paid and accepted applicable contract items.
   (b) Sum of paid and accepted applicable contract items less applicable contract disincentives.
   (c) Divide the total of Subparagraph (a) by the total of Subparagraph (b) of Paragraph (1) of Subsection D of this Section.
   (d) If Subparagraph (a) is equal to zero of Paragraph (1) of Subsection D of this Section Subparagraph (c) of this Section will be assigned a value of one.
   (e) If the result of Subparagraph (c) of Paragraph (1) of Subsection D of this Section is exactly one with paid and accepted applicable contract items Subparagraph (c) of this Section will be assigned a value equal to 0.9.
(2) Sum all closed projects of Subparagraph (c) of Paragraph (1) of Subsection D of this Section in a given year and divide by the count of closed projects resulting in Pf\(\text{d}^\).
(3) Pf disincentive will then be multiplied by the percentage associated with Pf disincentive.

E. Pf liquidated damages or Pf\(\text{ld}^\) has two separate methods of calculation one for mandatory completion date projects and one for calendar or working day projects:

(1) For mandatory completion date projects liquidated damages equivalence is calculated:
   (a) Subtract the mandatory completion date including any awarded time from the notice to proceed date to equate to a whole number.
   (b) Subtract the actual completion date from the notice to proceed date to equate to a whole number.
   (c) Divide the total of Subparagraph (b) by the total of Subparagraph (a) of Paragraph (1) of Subsection E of this Section.
(d) A resulting value less than or equal to one from Subparagraph (c) of Paragraph 1 of Subsection E of this Section will be assigned a bonus value equal to 0.9.

(2) For calendar or working day projects liquidated damages equivalence is calculated:

(a) Sum of the total days charged.
(b) Sum of the total days contracted.
(c) Divide the total of Subparagraph (a) by Subparagraph (b) of Paragraph (2) of Subsection E of this Section.
(d) A resulting value less than or equal to one from Subparagraph (c) of Paragraph 2 of Subsection E of this Section will be assigned a bonus value equal to 0.9.

(3) Pf liquidated damages for a given year is the calculated from all project liquidated damages. Pf liquidated damages is the sum of liquidated damages equivalence for mandatory completion date, calendar or working day projects divided by the count of closed projects resulting in Pfld.

(4) Pf liquidated damages will then be multiplied by the percentage associated with Pfld. The resulting value will be incorporated into Pfyr.

F. Pf non-conformance or Pf is calculated in the following manner:

(1) Sum the number of progress payments per project.
(2) Sum the number of progress payments without non-conformance.
(3) Divide Paragraph (1) by Paragraph (2) of this Subsection.
(4) A resulting value of one for Paragraph (3) of this Subsection will be assigned a bonus value equal to 0.9.

(5) Sum all closed projects of Paragraph (4) of this Subsection in a given year and divide by the count of closed projects resulting in Pf.
(6) Pf non-conformance for a given year will then be multiplied by the percentage associated with Pf. The resulting value will be incorporated into Pfyr.

G. The performance factor for safety or Ps is the contractor's experience modifier rate supplied annually by the contractor at the time of submission of the prequalification packet.

(1) Ps for a given year is the numerical value of the contractor's experience modifier rate.
(2) If the experience modifier is equal to or less than one the Ps is assigned a value of 0.9.
(3) The experience modifier rate is multiplied by the percentage associated with Ps. The resulting value will be incorporated into Pfyr.

H. Pf subcontractor or Pfs is calculated in the following manner:

(1) Negative findings against the prime contractor per project will result in a value of one per finding.
(2) Pfs for a given year is the sum of all negative findings in the year.
(3) Zero findings on all closed projects within the year will receive a bonus of Pf subcontractor equal to 0.9.

(4) The sum of Pfs for a given year is multiplied by the percentage associated with Pfs. The resulting value will be incorporated into Pfyr.

I. The contractor's yearly performance factor is the sum of the individual performance factors multiplied by their associated percentages.

J. The equation is Pfyr=Pf*five percent+Pf*thirty percent+Pf*thirty percent+Pf*ten percent+Pf*five percent+Pf*ten percent.

K. In the absence of data for any given year a contractor's Pfyr will be assigned a value of one.

L. For joint ventures the higher value of all joint venture applicant's Pfyr will be used for the modified bid amount.

M. The contractor's prequalification factor rolling average will be denoted as Pqf.

(1) The Pqf will be calculated through the use of a rolling average covering a period of three years. Each rolling average year will be assigned a weighting factor and will be multiplied by the appropriate weighting factor starting with the most recent year.
(2) The most recent year, denoted as Pqfy, will be multiplied by the weighting factor of 0.9.
(3) The preceding year, denoted as Pqyr 2, will be multiplied by the weighting factor of 0.6.
(4) The preceding year, denoted as Pqyr 3, will be multiplied by the weighting factor of 0.3.
(5) The sum of Pqyr 1 through Pqyr 3, is multiplied by their appropriate weighting factors and then divided by the sum of all weighting factors to result in the contractor's overall Pqf.

N. The equation for Pqf=(Pqfy1 * 0.9+Pqyr2 * 0.6+Pqyr3 *0.3)/(0.9+0.6+0.3).

18.27.5 NMAC
O. All equations and calculations whether interim or final will be rounded to the thousandths place.

18.27.5.12 POSTING, REVIEW AND APPLICATION OF PREQUALIFICATION FACTOR: The following procedures will apply to the posting, review and application of the prequalification factor:

A. The Pqía will be calculated once a year on projects closed between January first and December thirty-first of the previous year.
B. The Pqía will be posted on the office of inspector general list titled prequalified contractors and subcontractors list by the second Friday in January on the department’s website.
C. The Pqía will be applied to a prime contractor’s bid(s) beginning with the March bid opening until superseded by an updated Pqía.
D. The Pqía will be used to determine the modified bid amount.
E. A Pqía may be re-calculated and reposted at times other than the second Friday in January in order to implement the decision of a hearing officer, a court order or a required correction.

18.27.5.13 APPEAL PROCEDURE: In the event of the appeal of a contractor’s prequalification factor the following procedures shall apply:

A. Only a contractor disputing their own prequalification factor shall have the right to appeal their factor to the New Mexico department of transportation under this section.
B. To be considered an appeal must conform in timing, form and service to all requirements in this section or the appeal shall be rejected.
C. A contractor disputing only the misapplication of its prequalification factor to their bid shall file the appeal according to the bidding dispute resolution procedures in the division 100-general provisions of the New Mexico department of transportation current edition of the standard specifications for highway and bridge construction at time of bid.
D. A contractor disputing only the calculation of its prequalification factor shall file its appeal within seven calendar days of the publication of their prequalification factor.
E. The appeal filed must conform to the requirements below and contain the following information:
   (1) The appeal shall be in writing.
   (2) Appeals made by electronic mail shall not be considered.
   (3) The appeal shall clearly and concisely state the party’s right to appeal, the grounds for appeal, the requested relief, and contain relevant laws, rules, regulations and documents to support the appeal.
      (a) Sufficient copies of cited laws, rules, regulations, or documentary evidence shall be included with the appeal.
      (b) Supporting documentary evidence not submitted at the time of filing the appeal shall be submitted no later than five calendar days before the hearing.
   (4) The documents submitted in the appeal process shall not be considered confidential and will be subject to the Inspection of Public Records Act, Sections 14-2-1 to 14-2-12 NMSA 1978 (1993, as amended through 2011).
F. Service of the appeal shall occur as follows:
   (1) A contractor disputing its prequalification factor shall serve the appeal upon the New Mexico department of transportation’s cabinet secretary. The contractor shall contemporaneously provide a copy of the appeal to the office of general counsel and the office of inspector general at the respective address for each.
   (2) Service upon the cabinet secretary must be made either in person, by certified mail return receipt requested, or by delivery by a nationally recognized courier.
   (3) Service must be made during regular business hours.
   (4) Service made outside of regular business hours will be considered effective the next business day.
G. 10 calendar days after receipt of a timely and complete appeal the cabinet secretary shall provide the following:
   (1) Notice to all parties advising the parties that an informal hearing will be convened and designating a neutral hearing officer or designating the cabinet secretary as the hearing officer.
   (2) Within seven calendar days of the cabinet secretary’s designation the hearing officer will provide a notice to all parties of hearing with the date, time and location of the hearing. The notice of hearing will be provided no later than seven calendar days before the chosen hearing date for the informal hearing.
H. The formal rules of civil procedure, formal discovery processes, and the formal rules of evidence shall not apply to the informal hearing.
   (1) Any party to the appeal may choose to have legal counsel present.
   (2) The hearing officer has the authority to determine the degree of formality of the hearing.
   (3) The hearing officer has the authority to determine the total time allotted for the informal hearing and how the time will be apportioned between the parties.

I. The hearing officer shall be responsible for maintaining a record of the evidence and proceedings.
   (1) The hearing officer will weigh the credibility of the evidence provided by both parties.
   (2) The hearing officer may use any reliable information, no matter the source, in arriving at a determination.
   (3) If the hearing officer uses information in the determination not provided by either party then the hearing officer will allow a reasonable amount of time for rebuttal from either party.

J. The hearing officer shall issue a decision regarding the appeal within seven calendar days of the hearing unless otherwise extended by the hearing officer in writing, no extension shall exceed 21 calendar days from the hearing.
   (1) The hearing officer’s decision will constitute the final department action on the appeal.
   (2) No further action on the appeal may be taken by the either party if the hearing officer’s decision is accepted by both parties.
   (3) If either party does not fully accept the hearing officer’s decision then that party may proceed with an appeal in state district court by filing the appropriate pleadings.

K. Record of the appeal through the hearing officer’s decision will be maintained by the office of inspector general for seven years after the date of the informal hearing.
   For bidding purposes and during the period of appeal the contractor’s previous prequalification factor will apply.
   [18.27.5.13 NMAC - N, 1/1/2015; A, 1/1/2019]

18.27.5.14 PREQUALIFICATION COMMITTEE: Members of the prequalification committee will be designated by the cabinet secretary of the New Mexico department of transportation and shall meet annually to review the prequalification process. Any information reported by a prime contractor or subcontractor during the prequalification process may be reviewed by the prequalification committee to determine responsibility.
   [18.27.5.14 NMAC - N, 01-01-15]

18.27.5.15 PREQUALIFICATION FOR CONSOLIDATED CORPORATIONS, MERGED CORPORATIONS, AND JOINT VENTURES: The following prequalification packet procedure and Pqfia will apply to consolidated corporations, merged corporations and joint ventures:
   A. For a consolidated corporation pursuant to Subsection A of 54-1A-303 NMSA 1978, or a similar statutory provision, the new corporation must be prequalified no later than seven calendar days before the opening of any bid.
   B. For a merged corporation pursuant to Subsection A of 54-1A-303 NMSA 1978, or a similar statutory provision, the surviving corporation must be prequalified no later than seven calendar days before the opening of any bid. The Pqfia score of the surviving corporation will be the highest Pqfia of the individual corporations who merged and will be used for the modified bid amount.
   C. Each prime contractor participating in the joint venture must be individually prequalified seven calendar days before bid opening to join forces as a joint venture for bidding and performing work related to a single project. The joint venture itself need not prequalify.
      (1) The joint venture shall file with the office of inspector general at least seven calendar days before the opening of any bid a completed statement of joint venture form. The most current version of the statement of joint venture form must be obtained from the New Mexico department of transportation website.
      (2) For joint ventures the higher value of all joint venture applicant’s Pqfia will be used for the modified bid amount.
      (3) Each prime contractor participating in the joint venture will receive a compass form for the project to be used in calculating the prime contractor’s individual prequalification factor.
   [18.27.5.15 NMAC - Rp, 18.27.5.15, 1/1/2015; A, 1/1/2019]

18.27.5.16 ADOPTION OF THE NEW MEXICO STATE DEPARTMENT OF TRANSPORTATION CURRENT EDITION OF THE STANDARD SPECIFICATIONS FOR HIGHWAY AND BRIDGE...
CONSTRUCTION: This rule adopts by reference the current edition of the New Mexico state department of transportation standard specifications for highway and bridge construction, as amended by this rule.
[18.27.5.17 NMAC - N, 1/1/2015]

HISTORY OF 18.27.5 NMAC:

Pre-NMAC History: None

History of the Repealed Material:
18 NMAC 27.5, Highway Construction General Provisions-Contractor Prequalifications, filed 11/13/1998. This was a temporary rule expiring 120 days from effective date of 11/30/1998.
18.27.5 NMAC, Contractor Prequalification Rule, (filed 12/07/2000) repealed and replaced by 18.27.5 NMAC, Contractor Prequalification Rule, effective 01/01/2015.
Tab 3
October 9, 2018

Prequalification Vermont Visit Day 1 – CCRB

- Introductions of all Prequal team and visitors from Vermont.
- History – bar (fail), PQFRA (success) – Discussion of pass/fail bar that was set up initially. Was presented to Commission. There was not a method to allow contractors to improve to passing if they were failing. As a result, the method did not proceed forward. There was push back from contracting community that the problems were with the Department’s plans, contract and specifications. Discussion of the dynamics of the team. Reviewed how the performance factors came about. They needed to be objective. Reviewed all of the factors and their history. Discussion of the fact that the prequal rule is a measure of responsibility. Three year rolling average allows contractors to improve over time. Discussion of the $5 million dollar threshold.
- Rule – old and new (lessons learned) – Review of the new prequalification packet and discussion of how this form has changed over time.
- Compass Form – Developed page 2 of the compass form as a result of the prequal program. Reviewed the form and one of D3’s project forms.
- Excel Spreadsheet for program – reviewed the spreadsheet with Vermont.
- Legal Challenges – General discussion of the legal challenges.

October 10, 2018

Prequalification Vermont Visit Day 1 – ACNM and site visit/discussion

- ACNM (10 am – 12 pm) – Visit with ACNM, NMDOT staff did not attend this portion of the agenda, this was a meeting for ACNM and Vermont staff only.
- Non-conformance, CAR (A-1129) & Disincentive (discussion with D3 & D6 staff) –
  - D6 PM discussed project with FNF and the project being shut down to troubleshoot the HMA. Reviewed the form and explained the intent of the form. Discussion with ACNM that it’s the discretion of the PM on what items the contractors will receive a CAR. Question of when does the PM decide to use CAR. Verbal request first, then CAR issued. How many are issued on a $3 million dollar project? Answer was it depends on the contractor. Discussion of consistency of issuing CAR’s.
  - Discussion of the PM’s experiences – D3 PM discussed an issue with material issues from a concrete supplier. Discussion of other issues in D3 with suppliers and how the CAR assisted with material quality. Asked Vermont what they use. They use Non-conformance report but is rarely used. Don’t use for administrative items. D3 PM discussed the precon requirements for paperwork submittals. Vermont has a kick off meeting where they give a list of items needed with when they need to be submitted. Alternate D3 PM discussed the schedule requirements in our spec. and how this positively impacts the submittals for a project. Also, discussed the non-conformance and how this also positively impacts submittals. Ramp up time also helps with submittals for projects. Vermont has administrative submittal period instead of ramp up time. April to November is the construction window.
Another alternate D6 PM discussed non-conformances. They discussed the confermemo and how these were not taken seriously. The CAR gets attention. Have weekly meetings with the contractor and the CAR is a good tool we can use the close the loop right away. We deal with these items right away and not wait. Alternate D3 PM would mention that the contractor also did not educate their personnel in the field. It is less confrontational now after everyone better understands the process. He also discussed the Division 100’s and how we improved this specification. The new spec has automatic non-conformances where we would not issue a CAR. CAR is spelled out in the spec. Safety is now up to the PM. CAR developed because of the push back from the contracting community.

Alternate D3 PM gave an example of bad material placed which ended in claim. For projects now, they take it out by themselves without being told. Also discussed smoothness and contractors not wanting disincentives that would affect their prequal score. In D3, primes have hired a subcontractor to pave so have a better contractor pave. They have even switched suppliers for better material. Vermont asked about the HMA mix design procedure for NM.

A D3 acting PM discussed how the CAR documents issues on the project. The CAR protects the Department. ADE D3 discussed the legal benefits of this type of documentation. Vermont asked if the CAR’s are over burdensome. Answer was the CAR is used based on the severity of the issue and not for every issue. Alternate D3 PM mentioned that this has reduced the letter writing between the Department and contractor.

ADE D3 discussed consistency within the Department. PM’s also discussed this issue is also with the contractors as well.

D3 Audit Supervisor discussed the timely response from the contractors. Everything is taken care of within a month. It has led to the timely closure of projects for D3. This has also helped with receiving certifications for materials.

Vermont’s objectives – $60 million dollars of claims on projects right now. Want a tool in the toolbox to address this. Also, timely submissions of documents. No way to recognize which contractors are entering into a contract in good faith vs those contractors low balling and trying to make up costs during construction. Want projects done at a certain level of quality and willing to pay more. Want to level the playing field.

Challenges

October 11, 2018

Prequalification Vermont Visit Day – Construction process (10:00 am – 2:00 pm)

Review of yesterday’s meeting with ACNM and PM’s.

Cabinet Secretary – This has not been easy but has been the most successful thing we have done. We have seen change orders reduced from 15-20% to less than 1%, reduced the contingency to 3%, inactive obligations are about 1%, claims $90-$150 million to zero, design turn around increased - $150 to $200 million increase by freeing up funds, issues are being resolved early on and projects are closing. Our money has never been more effective. We are getting better work. Individual contractors like it. Collectively as a group contractors have expressed dissatisfaction of
the program. Will it continue? Administrations come and go. We have been using SEP-14 to protect it. After SEP-14, doesn’t know what will happen to the program. High level management perspective it is highly recommended. Vermont question of how got the backing. Used the contractor’s program numbers to prove the point. Able to demonstrate the performance of our contractors has gotten better. The numbers speak for themselves. The program is not damaging any company’s ability to get work. The DOT has a good relationship with the legislature.

- PSE implementation (March posting of scores) – Division Director discussed the process for bidding. Used to accept paper bids and now have moved to electronic bidding with Bid Express. Had to start with the advertisement and it says that the projects (engineer’s estimate) exceeding $5 million will have the prequal score applied to the bids. Looking at a process that will allow the contractors to enter their prequal score which would modify the bid. If the number is not entered correctly, the bidder would be considered unresponsive. Vermont question - do contractors know the difference between a $4.5 million and $5.5 million project. On the DOT’s external website, they can view the programmed amount on ESTIP. The contractors want the engineers estimate to be published and the FHWA discourages that. Currently, we apply the prequal score by hand calculation. Contractors are concerned because the apparent low bidder is not shown correctly if the prequal score caused a flip. All NTC’s were updated and now used hyperlinks. The other item that was done was updating the Division 100’s.

- OIG/IT – database (December posting and appeals) – Inspector General discussed the implementation of the database. OIG requested IT support. If there are errors on the spreadsheet, how would OIG know? IT created a database specifically for prequal scores. The application was tested to try to crash it and the worst that was found was rounding errors. Legal claims caused issues if hearing officers sided with the contractor and a score had to be changed. There is a process for that. So far it has been successful. The rule change will also affect the spreadsheet and application. IT discussed the web application that is controlled by a user name. It is very auditable and anyone could understand the calculations. The new rule will change some items which will be updated. The application was demonstrated. ADE D3 mentioned that there has never been a challenge on the application or the portion of the rule that describes the calculation.

- Project Closecut (Jan – Dec) Data collection goes from January to December. The score is published the 2nd week in January. Contractors can appeal their own score for a limited amount of time (7 days). No contractor can appeal another contractor’s score. The first challenge was from AUI. The scores are republished in March. Any hearings need to take place in February to March 1st. Discussion of the legal challenges. Discussion of out of state contractors being able to bid and get awarded projects in NM. Discussion of smaller contractors having to compete with larger contractors just so the bigger companies can establish a score. Discussion of long lead items and what affect this has on prequal scores (i.e. LD’s). Answer was ramp up time.

- Project Closure – Discussion of project closure processes from D3 and D6. ADE D3 reviewed their spreadsheet that D3 uses for project closure. ADE D6 shared the IDC’s and project closure checklist that are used for project closure.

- Reviewed a past SEP-14 report to show the AUB’s for major items did not go up with the implementation of the program.

- Discussion of future trip to Vermont.
Tab 4
NMDOT PERFORMANCE-BASED CONTRACTOR PREQUALIFICATION

Rewarding Good Performers and Encouraging Poor Performers to Improve

Sally Reeves P.E. – State Construction Engineer
Lisa Vega P.E. – District Construction Engineer
Geraldine Aguilar – Office of Inspector General
Pam Gallegos – Office of Inspector General
NMDOT Prequalification Information

- [http://dot.state.nm.us/content/nmdot/en.html](http://dot.state.nm.us/content/nmdot/en.html)
  - Doing Business
  - Contractor Prequalification


- NMDOT-#GO-prequal-questions@state.nm.us

- prequal.answers@state.nm.us
NMDOT Prequalification Information

- The Magazine of the American Society of Civil Engineers (ASCE), Kevin Wilcox, NMDOT Tests New Contracting Plan, https://www.asce.org/magazine/20150407-nmdot-tests-new-contracting-plan/


- The Report to the Utah Legislature, Office of the Legislative Auditor General, A Performance Audit of the Utah Department of Transportation, https://le.utah.gov/audit/16_06rpt.pdf
Outline of Presentation

- Sally Reeves
  - Brief History
- Geraldine Aguilar
  - Where to start the Contractor Prequalification process
- Lisa Vega
  - Equation and example
  - Performance Factors
    - Claims
    - Disincentive
    - Liquidated Damages
    - Non-Conformances
    - Safety
    - Subcontractor
- Sally Reeves
  - Challenges
- Q&A
Brief History

- Old rule was basically a registration process (1998)
- 2005 - 1st attempt was a pass fail system (never implemented)
- 2013 – State Transportation Commission requested change - 2nd attempt is NMAC 18.27.5 – Implemented Jan 2015 Letting
  - Determines Contractor “Responsibility” by measuring performance factors – Section 102.2 “Prequalification of Bidders”

- Special Experimental Program (FHWA SEP -14 Alternative Contracting)
- https://www.fhwa.dot.gov/programadmin/contracts/sep_a.cfm

- 2nd attempt modified NMAC 18.27.5 (revised) – Implementing Jan 2018 Letting
Where to Start

- [http://dot.state.nm.us/content/nmdot/en/prequalification.html](http://dot.state.nm.us/content/nmdot/en/prequalification.html)

- Exiting NMAC
- Revised NMAC
- Contractor Prequalification Packet
- Contractor Prequalified List
- Growth of Contractor Scores
## Growth in Number of Prequalified Contractors with a score

### Contractors with Yearly Rating-PQFYR (NOT POFRA Rolling Average)

<table>
<thead>
<tr>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<tbody>
<tr>
<td>AUI Inc 0.000</td>
<td>Albuquerque Asphalt 0.900</td>
<td>Albuquerque Asphalt 0.900</td>
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<tr>
<td>Fisher Sand &amp; Gravel 0.900</td>
<td>AUI Inc 0.900</td>
<td>AUI Inc 1.018</td>
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<tr>
<td>FNF Construction 0.900</td>
<td>C &amp; E Concrete 0.906</td>
<td>C &amp; E Concrete 0.900</td>
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<tr>
<td>Kimo Constructors 0.960</td>
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<td>Constructors Inc 0.900</td>
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<td>Mountain States Construction 0.900</td>
<td>El Terrero Construction 0.900</td>
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<td>Fisher Sand &amp; Gravel 0.933</td>
<td>FNF Construction 0.900</td>
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<td>Highway Supply 0.900</td>
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<td>Hasse Contracting Company 0.908</td>
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<td>Interstate Highway 0.911</td>
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<td>Kimo Constructors 1.000</td>
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<td>MWI Inc 1.110</td>
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<td>Vital Consulting 0.934</td>
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<td>Vital Consulting Group 0.900</td>
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### Compass Report

**Prequalification Performance Factor Measurements**

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<th>Pf liquidated damages (Pfld)</th>
<th>For MCD Projects:</th>
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<tr>
<td><strong>Mandatory Completion Date</strong></td>
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<tr>
<td><strong>CO Time Extensions # of Days</strong></td>
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<tr>
<td><strong>Adjusted Mandatory Completion Date</strong></td>
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</tr>
<tr>
<td><strong>Notice to Proceed Date (as indicated in SiteManager)</strong></td>
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<tr>
<td><strong>Substantial Completion Date (Actual Completion Date)</strong></td>
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<th>For WD or CD Projects:</th>
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<tbody>
<tr>
<td>§</td>
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<tr>
<td><strong>Original Contract Time</strong></td>
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<tr>
<td><strong>CO Time Extensions # of Days</strong></td>
</tr>
<tr>
<td><strong>Adjusted Contract Time</strong></td>
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<tr>
<td><strong>Total Days Charged</strong></td>
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<th>Pf claim (Pfc)</th>
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<tr>
<td><strong>Yes or No. If yes, indicate level of claim at this time.</strong></td>
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<thead>
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<th>Pf non-conformance (Pfn)</th>
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<tr>
<td><strong># of Progress Payments (including zero dollar payments)</strong></td>
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<tr>
<td><strong># of Progress Payments without a non-conformance</strong></td>
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Compass Report cont.

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<tr>
<th>Pf disincentive (Pfd)</th>
<th>$ Value of applicable item</th>
<th>$ Value of Disincentive</th>
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<td>901</td>
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<tr>
<td>Sums</td>
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<table>
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<tr>
<th>Pf subcontractor (Pfsc)</th>
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<tbody>
<tr>
<td># of findings from the State DBE Liaison. Attach letter(s) from the DBE Liaison.</td>
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<table>
<thead>
<tr>
<th>Project Manager</th>
<th>Date</th>
<th>Project Manager Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pf claim (Pfc)</td>
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<tr>
<td># of Claims resolved for less than the value of the claim</td>
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</table>
Equation, Score & Examples

\[ Pqfyr1 = Pfc \times 15\% + Pfd \times 30\% + Pfld \times 30\% + Pfn \times 10\% + Pfs \times 5\% + Pfsc \times 10\% \]

\[ Pqfra = \frac{Pqfyr1 \times 0.90 + Pqfyr2 \times 0.60 + Pqfyr3 \times 0.30}{0.900 + 0.600 + 0.300} \]

- Example:
  
  \[ 1.0 \times \$5,000,000.00 = \$5,000,000.00 \]
  \[ 1.05 \times \$4,950,000.00 = \$5,197,500.00 \]
  \[ 0.95 \times \$5,250,000.00 = \$4,987,500.00 \]
Change in Order of Bidders

- In 2016, there were 2 projects where the prequalification factor resulted in a change of the apparent low bidder:
  - CN A301181 – Contractor #2 had a prequal factor of 0.95 and contractor #1 had a prequal factor of 1.0.
  - CN 2101771 – Contractor #2 had a prequal factor of 0.95 and contractor #1 had a prequal factor of 1.0.

- In 2017 there was 1 project:
  - CN 2101320 – Contractor #2 had a prequal factor of 0.933 and contractor #1 had a prequal factor of 1.0.
Performance Factor Claims (15%)

- The performance factor for Claims is our objective measurement of whether a Claim was made on a project, elevated past the cabinet secretary level, and unsuccessful, meaning a resolution less than the request for compensation or time at the cabinet secretary level.

- Statewide there have not been any claims that have elevated past the cabinet secretary level since the implementation of this program.
Performance Factor Disincentive (30%)
Performance Factor Disincentive (30%) cont.

- From this graph, you can see the trend over time.

![Disincentive Change Orders Graph]

- Finally, the NMDOT is also working toward including more disincentives for this performance factor.
Performance Factor Liquidated Damages (30%)

- The performance factor for liquidated damages is the objective measurement of the Contractor’s timely completion of the Project.
- With this performance factor, contractors will now implement strategies earlier to ensure all work is completed within the allotted contract time.
- Contractors pay more attention to the CPM schedule updates.
Performance Factor Liquidated Damages (30%) cont.

- This graph
Performance Factor Non-Conformance (10%)

- The objective measurement of non-conformances evaluates the Contractor’s compliance with the terms and conditions of the Contract.
- When contractors receive a Notice of a Potential Non-conformance, they are much more responsive.
Performance Factor Safety (5%)

- The objective performance factor for safety evaluates and measures the Contractor’s experience modifier rate reported on the prequalification packet.
- Overall, this performance factor has also shown improvement since the implementation of this program.
EMR Graph
Performance Factor Subcontractor (10%)

- This objective performance factor measures a Contractor’s prompt payment of its subcontractors and suppliers.
- Before this program, there was no way for the NMDOT to enforce this requirement.
- Since implementation, contractors are promptly paying their subcontractors.
Legal Challenges

- AUI challenge to their 2015 score (2016)
- El Terrero challenges AUI award due to score change (early 2017)
- El Terrero appealed Hearing Officer’s decision in District Court (2017)
- AUI challenged score (2017)
Legal Challenges cont.

- JHCC challenged their 2016 score due to project not closing (2017)
- JHCC filed bid protest on award to Fisher Sand & Gravel on US 82 project (2017)
- JHCC filed administrative appeal in District court to overturn Hearing Officer’s decision (2017)
- JHCC filed complaint for Declaratory Judgement and Application for Restraining Order (2017)
Legal Challenges cont.

• AUI challenges the 2017 score based on two non-conformances (2018)
• AUI has filed a Declaratory Judgement in District Court requesting the Court to find that the NMDOT’s contractual requirement that contractors pay its subcontractors when it receives a zero dollar pay estimate is contrary to law (2018)
Conclusion

- Contractors are more responsive/responsible
- No claims past Cabinet Secretary
  - Resolving issue at the lowest possible level
  - No new law suits
- Fewer Disincentives (removing or fixing at their expense)
  - Increasing quality
- Closing projects faster
- Time impacts resolved real time
- Improving our process to be more consistent statewide