

# Incentive/Disincentive in SDDOT Contracts



Informational Item for 8/26/2021 SDDOT Commission Meeting



# Incentive/Disincentive Clauses

## ➤ Background

- Competition for contracts is **Critical**
- Specifications define the general who, what, when, where, why, & how.
- Material specifications (placement, timing, etc.) are specific in nature but provide a “range” for contractors.
  - 1990, 1999, 2014
- Incentives help foster bidding competition allowing for a large number of bidders
  - Incentivizing high quality work
  - Disincentivizing lower quality work



# Incentive/Disincentive Clauses

## ➤ Background

### ➤ By incentivizing better quality

- Less variability. Variability causes decreased asset life.
- Generally higher in the “range” usually costs the contractor more time, effort, dollars
- Some contractors plan on earning the incentive when compiling their bid.
- Increase Customer Satisfaction
- Decreased Maintenance
- Shorter Construction Timeframes



# Incentive/Disincentive Clauses

## ► Types

- Asphalt Concrete Mix Quality (Air Voids & Density)
- Asphalt Concrete Pavement Smoothness
- Portland Cement Concrete Pavement Smoothness
- Contract Time
- *Bridge Deck and Approach Smoothness*
  - *Coming Soon (October 2021)*



# Incentive/Disincentive Clauses

- ▶ Asphalt Concrete Mix Quality
  - ▶ Large asphalt paving projects
  - ▶ Based on laboratory tests for air voids and density
  - ▶ Max incentive = 5% of unit price
  - ▶ Max disincentive = remove and replace

# Incentive/Disincentive Clauses

## ➤ Asphalt Concrete Mix Quality

Year	Incentive	Disincentive	Net
2016	\$292,153.69	(\$343,623.36)	(\$51,469.67)
2017	\$253,695.18	(\$92,301.00)	\$161,394.18
2018	\$215,016.49	(\$115,357.55)	\$99,658.94
2019	\$460,960.68	(\$490,308.03)	(\$29,347.35)
2020	\$730,282.03	(\$276,399.62)	\$453,882.41

# Incentive/Disincentive Clauses

- Pavement Smoothness
  - International Roughness Index (IRI)  
high speed inertial profiler used on  
AC and PCCP pavements





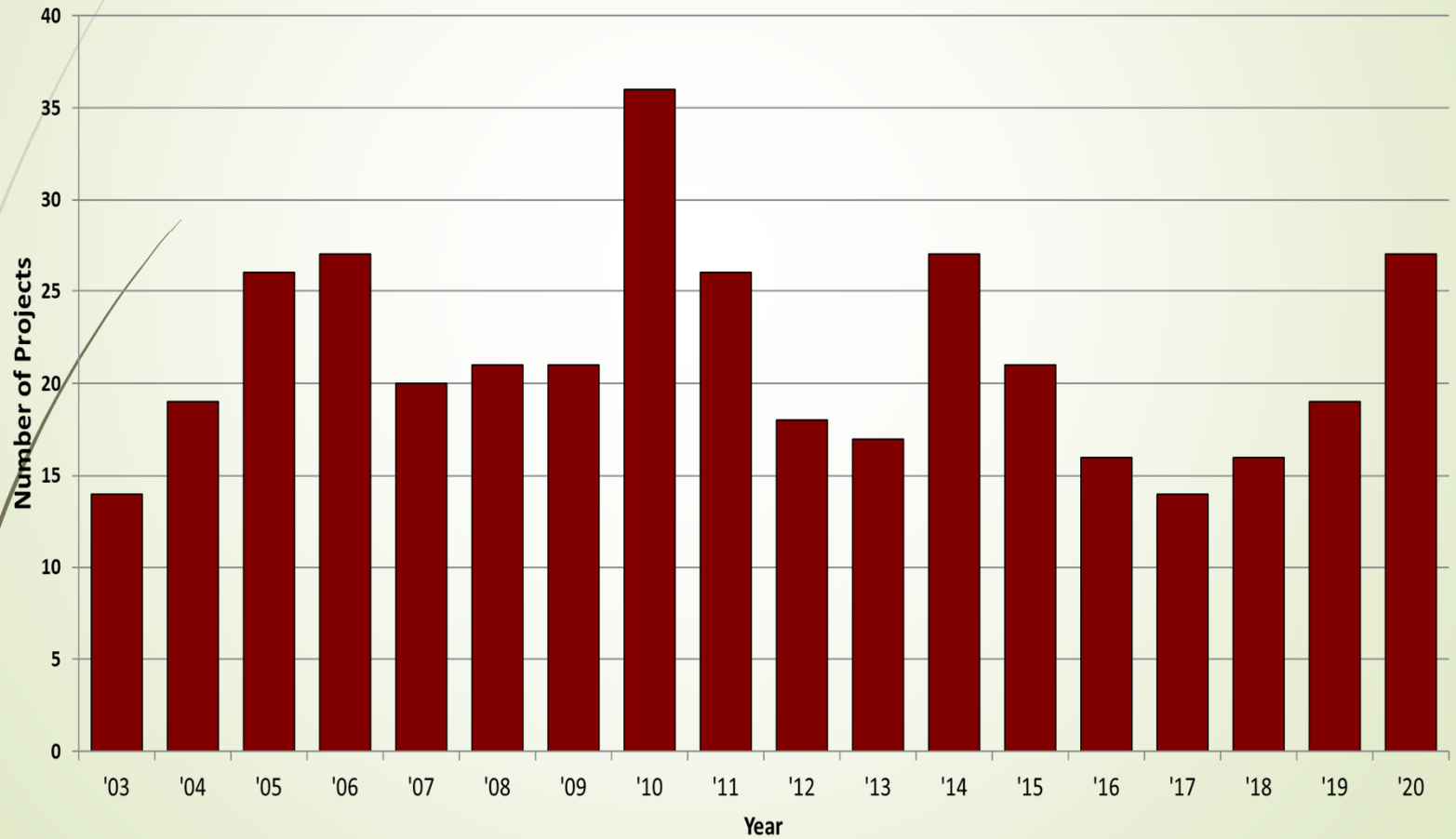
# Incentive/Disincentive Clauses

- ▶ Pavement Smoothness (cont.)
  - ▶ Department Use Criteria
    - ▶ Asphalt & Concrete Pavements
      - ▶ Large rural paving projects at least 3 miles in length
  - ▶ Defined \$ amount Incentive/Disincentive for each .1-mile segment
    - ▶ Corrective Grinding and remove & replace in addition to defined disincentive



# Incentive/Disincentive Clauses

Total Asphalt Projects Profiled

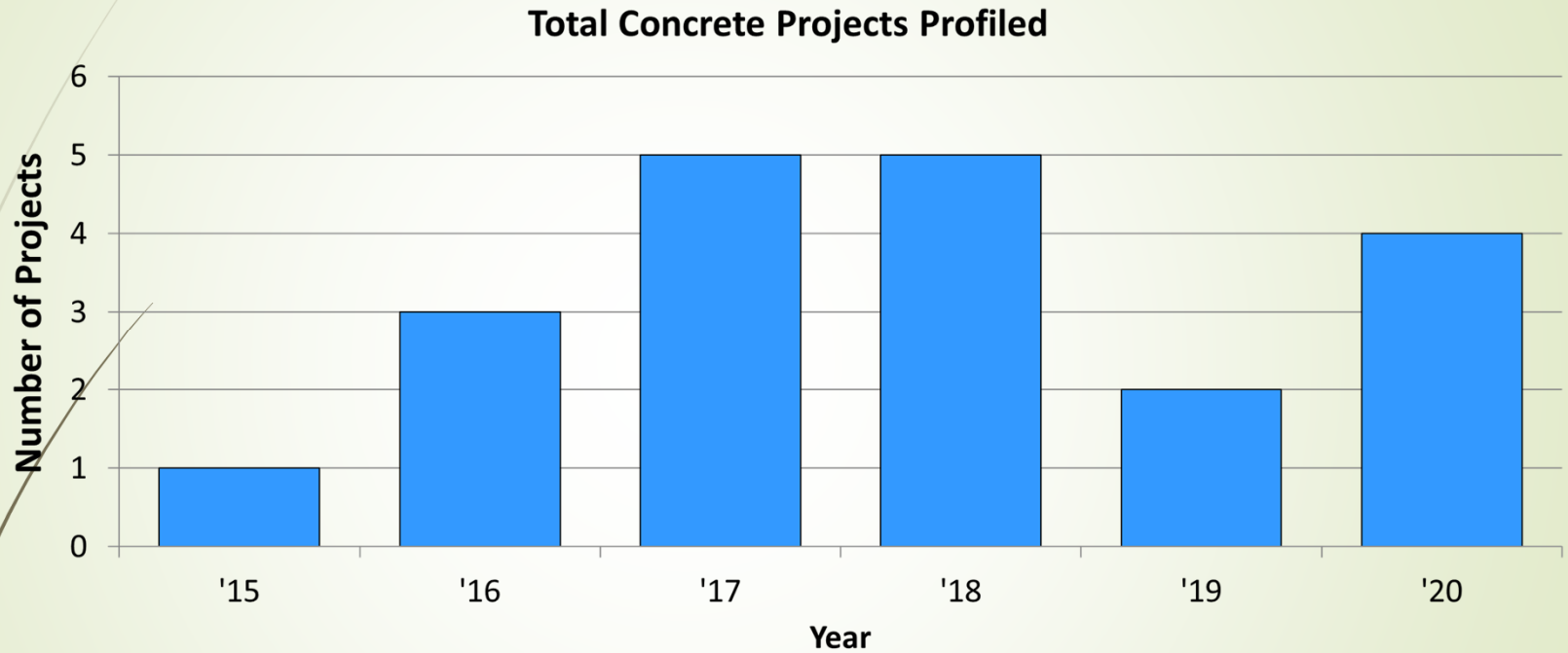


# Incentive/Disincentive Clauses

## ➤ Asphalt Concrete Ride Quality

Year	Incentive	Disincentive	Net
2016	\$547,005.00	(\$11,822.00)	\$535,183.00
2017	\$858,876.00	(\$38,957.00)	\$819,919.00
2018	\$545,017.00	(\$47,647.00)	\$497,370.00
2019	\$668,735.00	(\$116,460.00)	\$552,275.00
2020	\$849,362.00	(\$107,978.00)	\$741,384.00

# Incentive/Disincentive Clauses



# Incentive/Disincentive Clauses

## Concrete Ride Quality

Year	Incentive	Disincentive	Net
2016	\$61,530.00	(\$14,701.00)	\$46,829.00
2017	\$164,786.00	(\$49,451.00)	\$115,335.00
2018	\$204,092.00	(\$5,680.00)	\$198,412.00
2019	\$77,918.00	(\$2,180.00)	\$75,738.00
2020	\$7,156.00	(\$152,200.00)	(\$145,044.00)



# Incentive/Disincentive Clauses

## ➤ Contract Time

- A+B, Lane Rental, Block Rental, I/D

- Use based on project specific items

- Sequence of construction

- Traffic control

- Area office recommendations

- Timeframes available for construction

- Frequently specified as only disincentive by other types of contract time clauses



# Incentive/Disincentive Clauses

➤ Questions?

➤ Thank you!

