

Part I Chapter 49

Best Value and Return on Investment

- A. General.** While low price is properly the deciding factor in many award decisions, best value and return on investment are the criteria to be used by Agencies in making selections from certain multiple award contracts.
- B. Definitions.**
- 1. Best Value.** The process of selecting the offer which provides the greatest value to the Agency based on evaluating and comparing all pertinent factors, including price, so that the overall combination that best meets the Agency's needs is selected. Factors to consider include, but are not limited to: product performance, maintenance costs, life cycle costs, trade in value, warranty, quality, durability, past contractor performance, training, discounts, support and service, suitability for a particular purpose, and environmental considerations.
 - 2. Return on Investment.** Takes into consideration what the Commonwealth receives in return for its procurement from the selected contractor, such as payment of taxes, increased or continued employment of Pennsylvania citizens, and investment in infrastructure in Pennsylvania.
- C. Application.** When using a multiple award contract, an agency should determine which materials, services, or construction meet its basic needs and what additional factors are important to the agency. The materials, services, or construction that best meets the Agency's needs taking into consideration the additional factors should be purchased from the contract.
- 1.** Factors agencies should consider when procuring based upon best value include:
 - a.** Total cost of ownership (this includes operational and replacement costs).
 - b.** Performance history of the bidder.
 - c.** Quality of materials, services, or construction.
 - d.** Delivery.
 - e.** Product performance.
 - 2.** Other relevant factors for consideration may include:
 - a.** Financial stability of the bidder.
 - b.** Timeliness.
 - c.** Cost of necessary training.
 - d.** Qualifications of individuals proposed for the project.

e. Durability of materials and work.

- D. Example.** A multiple award contract may, for example have 3 different contractors' material that meet the Agency's basic needs. If the material is used on a daily basis and its use is a critical part of the success of the daily operation of the agency, factors like product performance, warranty, quality, durability, and contractor performance are considered to determine the best value.

	Product A	Product B	Product C
Initial Cost	\$300.00	\$350.00	\$400.00
Product Performance	Average	Good	Very good
Warranty	1 year parts	1 Year Parts 1 Year Labor	2 Year Parts 1 Year Labor
Quality	Average	Good	Very good
Durability	Average	Good	Good
Contractor Performance	No history	Average	Good
Delivery	Average	Average	Good

Because of the importance of the material to the Agency's daily operations, **Product C** was picked as the best value. The additional cost of \$100 over the price of Product A would be viewed as a good investment. **Product C** appears to be the best material with the best warranty (which could pay for itself if there is a warranty problem in the second year) and provided by a good company with which the Agency has good past experience.

- E. Written Evaluation.** The evaluation process must be documented in writing and attached to the procurement file.