

# Effects of COVID-19

## on the Bidding Environment

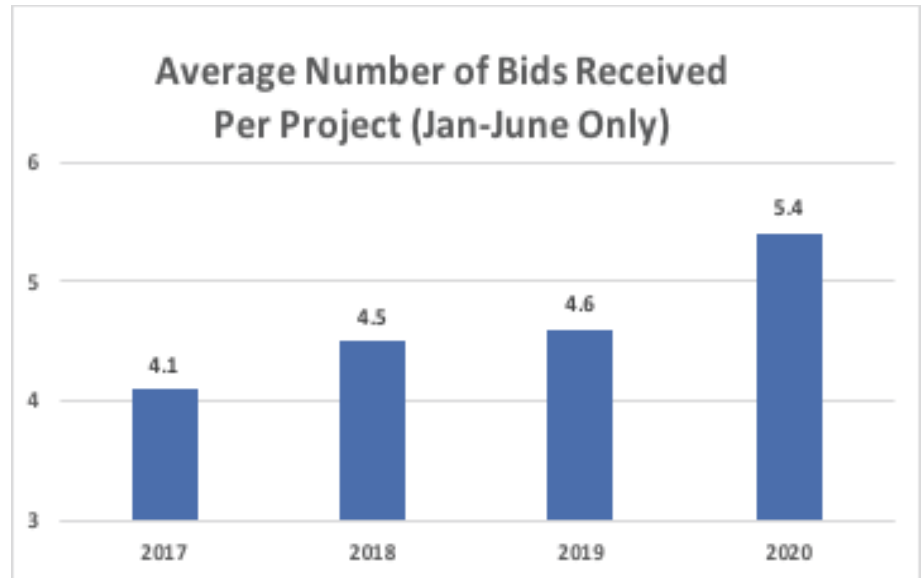
by The PennBid Team

As we adjust and accommodate to changes brought on by COVID-19, authorities must continue to provide services. Many folks responsible for these services converted dining rooms and spare bedrooms into offices, became “co-teachers” to school-aged kids, and mastered videoconferencing – well, sort of.

This article was born first from curiosity and then from a desire to share information that would help authority leaders and their design firms. As managers of the PennBid Program, we have access to a small mountain of data, which we examined to determine what, if any, impact COVID-19 has had on bidding, contracts, and the costs of products and services.

The empirical data comes primarily from water and sewer authority solicitations over a four-year period. We examined the same time frame, January through June, for each year and included many of the same authorities since they tend to conduct bidding during the same period each year. In all, our review included more than 4,000 public solicitations, roughly 90% of which were construction related. The balance included services and chemical purchases.

It is important to note that our data came only from authorities who use electronic bidding, or e-procurement. We can only speculate that authorities and design firms that still use paper-based bid management had a much more difficult time. Also, it’s important to remember that virtually all construction in Pennsylvania stopped abruptly for nearly eight weeks at the height of the bidding and early construction season.



### *A deeper dive into the numbers*

Our review revealed that 15% more sealed bids were submitted per solicitation in 2020 than in the previous three years. Digging deeper, we then analyzed only water and sanitary sewer infrastructure projects, including both new construction and maintenance.

Before 2020, these types of projects received an average of 4.4 sealed bids. In 2020, this number jumped 23% to an average of 5.4 sealed bids per project. Bidding companies gave three primary reasons for greater participation: 1) the uncertainty of when construction work would resume; 2) the comparative ease of bidding projects via e-procurement; and 3) the perceived security (or lack thereof) of project funding.

### *Project values*

To understand shifts in project values

along with specific costs, we evaluated more than \$250 million of awarded authority contracts from the past three years.

Without doubt, average project contract values have declined significantly for water/sanitary sewer projects, dipping from \$695,000 in 2018 to \$460,000 in 2020. Although significant, this 30% decrease seems to have been driven by the reduced scope of projects, and likely has nothing to do with COVID-19.

Aside from the notable reduction in paving costs to restore roads, virtually all other labor, materials, and equipment costs remained the same (*See graph on page 29*).

### *Review of chemicals*

Chemical purchases are a significant material expenditure for most water and sewer authorities. Therefore, we analyzed the data to determine if pricing has changed for such chemicals as

sodium hydroxide, sodium phosphate, PACL, soda ash, and permanganate.

Since many authorities put these items out to bid at the same time each year, the cost comparison was very straightforward. Regardless of the chemical, the data showed that the quantity ordered and the delivery methods chosen accounted for the unit price variations, not the unusual circumstances of 2020.

### *Use of technology*

One positive outcome of the dramatic shift in work environments has been the use of technology.

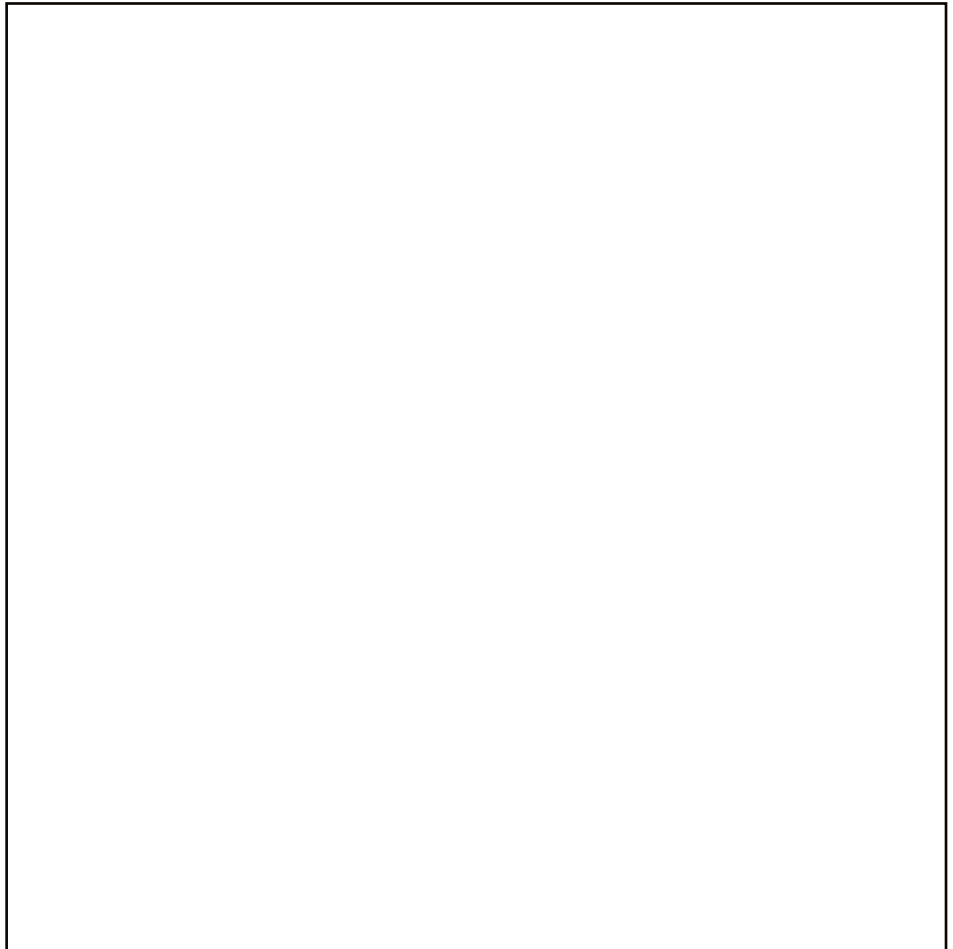
For many, their first exposure to electronic meetings occurred within the past few months. Many agencies or their design professionals conducted virtual pre-bid and bid opening meetings, which can result in tremendous long-term efficiencies if these changes become the authority's new normal.

We also saw a substantial uptick in authorities and design firms that wanted to shift from paper-based bid management to electronic procurement. This not only eliminates the in-person distribution of bid packages but also the possibility of less-than-sanitary paper bids from contractors and vendors.

### *In reflection*

Over the past six months, COVID-19 has not greatly changed the overall bidding process and results. Speculating, it appears some agencies have reduced available funding for contract awards, perhaps deferring some capital or maintenance projects until 2021.

*(continued on page 29)*



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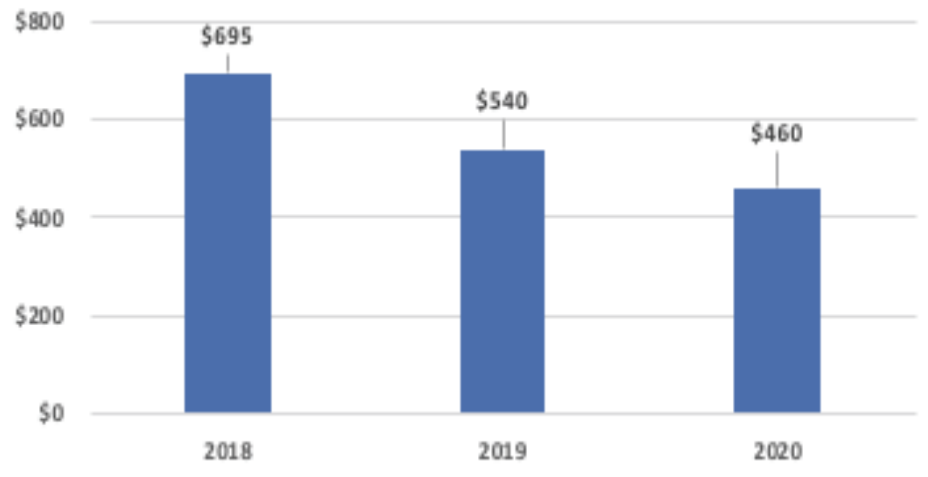


That said, the most notable thing about the COVID-19 pandemic has been the resilience of authorities, which quickly adopted new, efficient work methods to avoid disrupting critical community services.

### **About PennBid**

A PMAA-endorsed program, PennBid streamlines the sealed bid management process with a state-of-the-art, web-based platform that saves considerable time and resources for public agencies. Provided at no cost to authorities and design firms in Delaware, Maryland, New York, Ohio, and Pennsylvania, PennBid leverages deep vendor pools to promote aggressive pricing – all while dramatically reducing costs for producing documents, advertising, and performing other time-consuming tasks. By promoting a “best-practices” approach to procurement, PennBid allows authorities to focus their energy on better data collection and decision-making. For more information about PennBid or to arrange a demo of the program, visit PennBid’s website.

**Average Water / Sanitary Project Value  
(x\$1,000)**



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