



NAVFAC Environmental Restoration Program Performance-Based Contracting Policy, Perspective, and Implementation

***Performance-Based Acquisitions (PBA)
E2S2 Conference
April 2011***

***Brian P. Harrison, MPA, P.E.
Naval Facilities Engineering Command HQ
Director, Environmental Restoration Division***

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE MAY 2011		2. REPORT TYPE		3. DATES COVERED 00-00-2011 to 00-00-2011	
4. TITLE AND SUBTITLE NAVFAC Environmental Restoration Program Performance-Based Contracting Policy, Perspective, and Implementation				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Facilities Engineering Command HQ,Environmental Restoration Division,1322 Patterson Ave. SE, Suite 1000 ,Washington Navy Yard,DC,20374-5065				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES Presented at the NDIA Environment, Energy Security & Sustainability (E2S2) Symposium & Exhibition held 9-12 May 2011 in New Orleans, LA.					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 13	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

Agenda:

- **What is the Navy's Approach to PBC?**

- Structure task order scopes that focus on performance and provide contractors with opportunities to innovate
- Based on the specific site and project realities, manage risks to the contractor and government to control costs

- **Why take this approach?**

- Tailor PBC implementation to the specific needs of the site and the project acquisition strategy
- Maintain internal technical capabilities and governmental oversight
- Maximize Cost Savings
- Maximize success towards Defense Management Goals

Navy Approach to PBC

NAVFAC PBC Policy



DEPARTMENT OF THE NAVY
NAVAL FACILITIES ENGINEERING COMMAND
1322 PATTERSON AVENUE SE SUITE 1000
WASHINGTON NAVY YARD DC 20374-5004

MAILED 11/2/04

5090
Ser 040024/ENC-RS
26 October 2004

Subj: PERFORMANCE BASED CONTRACTING GUIDELINES FOR SERVICES
ACQUISITIONS UNDER ENVIRONMENTAL BUSINESS LINE

training our workforce in PBC. Therefore, each Component Command Environmental Services Business Line Manager and Acquisition Support Lead shall ensure that personnel involved in the development of statements of work for environmental services contract actions, as well as in the award and administration of such actions, receive the proper training in PBC in order to effectively execute DOD's PBC objectives.

5. NAVFACENGCOM points of contact for this document are Mr. Robert Sadoerra (202-685-9306) for Environmental, Mr. Ted Zagrobelny (202-685-9303) for Community Management and PBC training, and Ms. Evelyn Ortiz (202-685-9164) for Acquisition.


S. L. ALLISON, P.E.
Director, Environmental Programs


ROBERT M. GRIFFIN, JR.
Director, Acquisition

From: Commander, Naval Facilities Engineering Command

Subj: PERFORMANCE BASED CONTRACTING GUIDELINES FOR SERVICES
ACQUISITIONS UNDER THE ENVIRONMENTAL BUSINESS LINE

Ref: (a) COMNAVFACENGCOM ltr 5090 Ser 0400-211/ENC-RS of 29 Sep 04

Encl: (1) Performance Based Service Contracting Guidelines for NAVFAC
Environmental Services Business Line

1. DOD has established performance-based contracting to increase the use of PBC in acquiring services by contract, recognizing the value, better value, and greater competition has been a strong advocate of PBC techniques. Our recently issued Environmental Services Business Line Policy affirms our goal to increase PBC methods in the acquisition process.

2. During August 2004 NAVFAC Headquarters conducted a performance-based contracting training session for Environmental Services Business Line representatives from all Component Commands. The session emphasized the Environmental Services Business Line's commitment to innovative performance approaches in some of the PBC elements established by DOD more recently.

3. As requested by the training participants, this document provides a better understanding of PBC requirements across Component Commands for acquisitions for the business line. Enclosure (1) is the Environmental Services Business Line Policy, except for contract actions directly acquired through the acquisition process. The document provides the basic guidance to determine whether contracts or task orders are classified and reported as performance-based contracting.

4. Performance-based contracting for service acquisitions is a collective responsibility of the entire acquisition process. Contracting Officers each share the task of ascertaining the maximum extent practicable use of PBC under the business line. We will not be

- **NAVFAC Environmental Acquisition Strategy**
- **NAVFAC issued specific PBC Policy on 26 Oct 04 to address:**
 - Directs increased use of PBC
 - PBC eligibility (applies to non-Brooks Bill work only)
 - Explains the elements of PBC
 - Responsibilities and level of approval
 - Train our workforce
 - Establish reporting requirements

- **PBC techniques applied throughout the toolbox**
 - **Less prescriptive statements of work...more performance work statements (PWS) and statement of objectives (SOO)**
 - Performance Objectives
 - Performance Standards
 - Acceptable Quality Levels
 - Quality Assurance Surveillance Plan
 - Incentives or Penalties

PBC is integral to the NAVFAC Environmental Acquisition Strategy

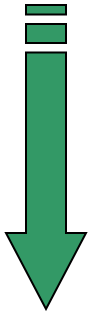
- Not a type of contract, but an approach to contracting**
- The majority of our contracting vehicles can have PBC components**
- Can be implemented at different stages in the cleanup process**
- Different degrees of implementation depending on the project situation**

Navy Approach to PBC

The Basic Analysis

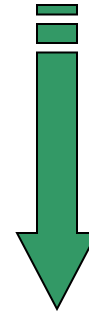


- ☐ Project Uncertainty
 - ☐ Level of site data / info
 - ☐ Regulators and community



- ☐ Contractual / Business Arrangement
 - ☐ Fixed versus Cost
 - ☐ Small versus Large Business
 - ☐ Single versus Multiple Award

- ☐ Innovation Potential
 - ☐ Phase of Cleanup
 - ☐ Performance Work Statement



- ☐ Shift risk/uncertainty to Contractor
- ☐ Increased cost to assume risk



- ☐ Encourages Contractor innovation, flexibility and accountability
- ☐ Potential cost savings to the Government

Why the Navy Approach

Diverse Acquisition Strategy



Goals:

- Provide best contractual solutions
- Establish a balanced and diversified contract tool box to meet the broad array of program requirements

Objectives:

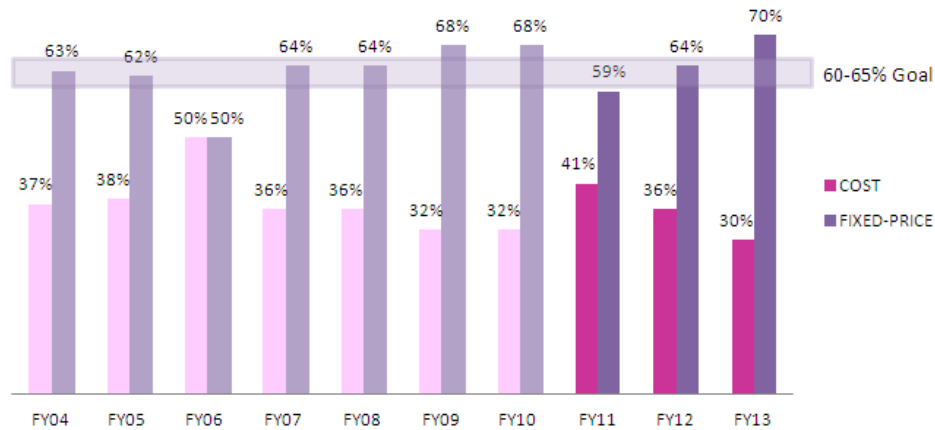
- Increase acquisition options and flexibility
- Effectively manage cost and risk
- Maintain an environment of competition
- Meet political and legislative contracting mandates

Why the Navy Approach

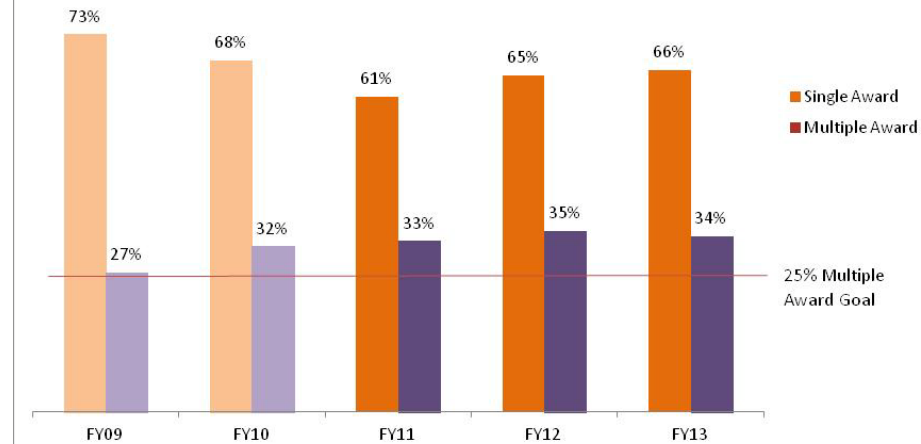
Diverse Acquisition Strategy - Metrics



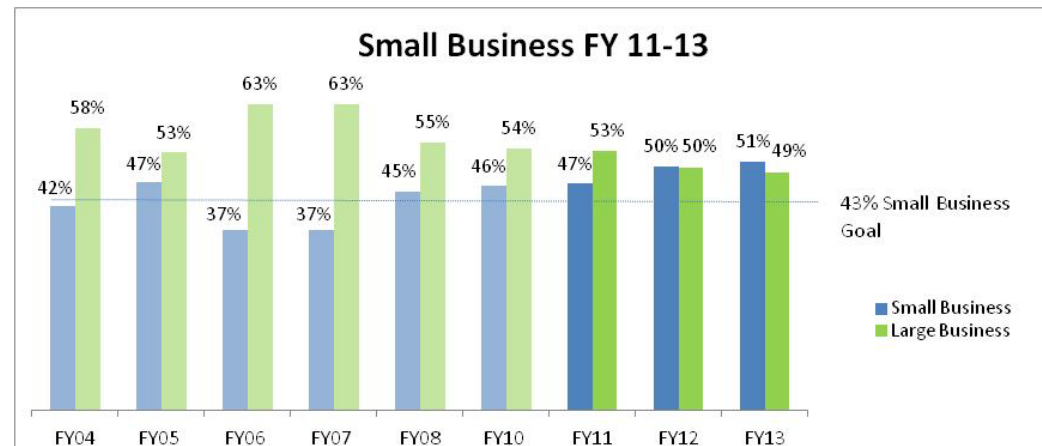
Fixed-Price Contracts



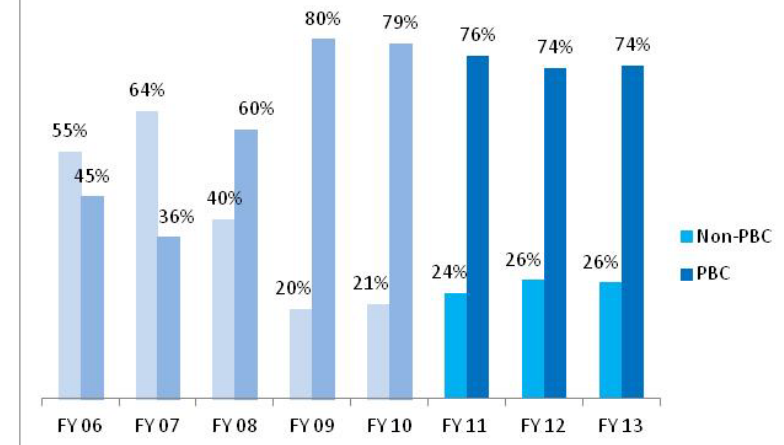
Multiple Award



Small Business FY 11-13



Performance of Eligible Work



Why the Navy Approach *Maintain Technical Capabilities and Oversight*



- **Internal technical capability is a NAVFAC core competency**
 - **Expanding in-house work in certain areas to maintain expertise**
 - Examples: EE/CAs, Action Memos, LTM Plans, 5-Year Reviews, Community Relations Plans, ESS, Optimization Studies, etc.
- **NAVFAC promotes a PBC approach that ensures RPM's are central to the decision-making process**
 - **Commitment of funding obligation and assignment of risk is an inherently Governmental function**
 - **Primary interface with regulators and the public**

Why the Navy Approach Maximize Cost Savings



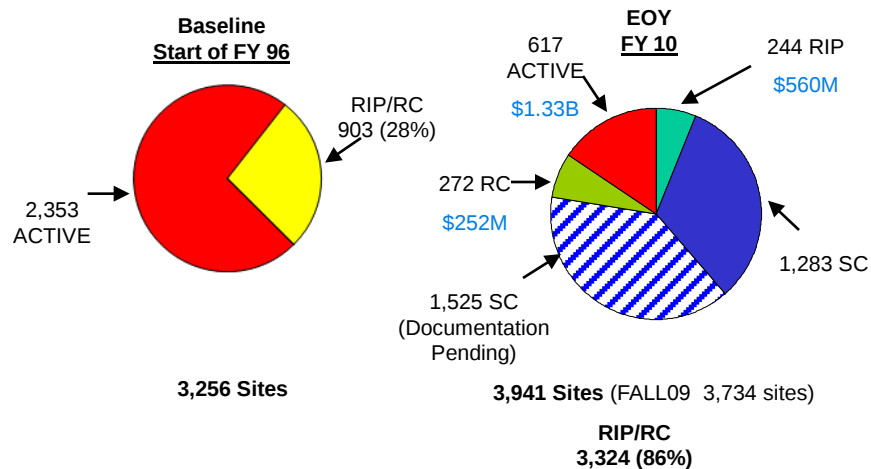
Optimization Study/ Review Costs	Costs to Implement Optimization Recommendations	Actual Cost Avoidance
\$12,145,264 (441 sites)	\$ 8,114,241	\$129,401,224

- **For FY 2010**
 - 55 additional sites reported optimization
 - \$20.7 million actual cost avoidance
- **Implementation Costs include: pilot studies and remedy modification**
- **Cost avoidance is calculated after all study and implementation investments are completed (ROI)**
- **Return on Investment: 6.4**

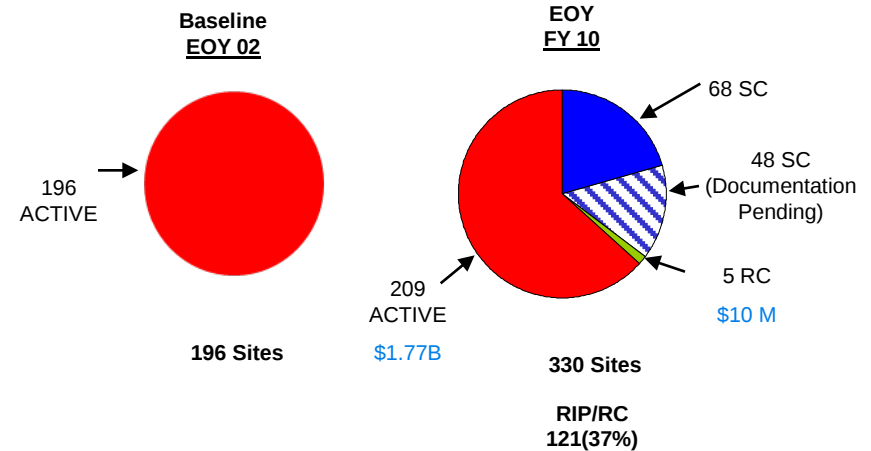
Why the Navy Approach Maximize DMGs and Program Performance



Snapshot Of The ER,N IR Program



Snapshot Of The ER,N MR Program



IRP – Goals

	<u>PROJECTION</u>	<u>FY10 STATUS</u>
>EOY2002 - 50% of High RR sites reduced or RIP/RC		59%
> EOY07 - 100% of High RR sites RIP/RC		86%
> EOY11 - 100% of medium (and high) RR sites RIP/RC	60%	74%
>EOY14 - 100% of low RR sites RIP/RC	98%	85%
- 36 Sites will not RIPRC by FY14		

MRP – Goals

	<u>PROJECTION</u>	<u>FY10 STATUS</u>
>EOY2007 – 100% of Sites Completed Preliminary Assessments	100% (100%)	100%
> EOY10 - 100% of Sites completed Site Investigations	97%	97%
> EOY20 - 100% of all Sites RIP/RC	99.7%	37%
-9 sites not meeting FY10		
-1 site not meeting FY20		

- **Summary**

- **PBC is not a type of contract, but a way of contracting**

- Provides valuable tools and concepts to contracting

- **Focus to provide opportunities for innovation/flexibility while managing risks and costs**

- Encourages innovation and utilization of Contractor's expertise (saves money)
 - Transfers risk from Government to Contractor (costs money)

- **Surgical approach to implementation tailored to the situation**

- **Not a panacea...Navy focus considers other opportunities for achieving program efficiencies and effectiveness.**

Brian Harrison, MPA, P.E.

**Director, Environmental Restoration Program
Naval Facilities Engineering Command**

(202) 685-9318

brian.p.harrison@navy.mil