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### Contracting Tips

An important goal with contractors is to make a few of them into team members. They can help with all kinds of decisions relating to maintenance (particularly during shutdowns). To foster the partnership allow these contractors to make some profit on your work. As team members and over time they will look out for your interests when you are not around.

Even when the craft is in-house continue to occasionally use other contractors. This action acts as a check and balance on the team member to see if the pricing, quality or delivery has drifted out of line.

The degree of outside contracting has no impact on your need for a PM system, for effective root failure analysis or for a responsive organization. Even with good contractors the manager needs to be involved in the root failure analysis and PM.

Types of work commonly contracted:

1. Seasonal (grounds, snow removal)
2. One time work (construction)
3. Low skill work (where the vendor can hire at a lower rate than you and has supervision in place to manage these lower paid workers, (example: custodial)
4. High skill work (trouble shooting electronics)
5. Work requiring a license or certificate that you don't have in-house (certified welding).
6. You can contract out any function including the complete operation of your maintenance department.

The best managers balance their needs for work with the true overall economics.

Fifteen Reasons to hire a contractor:

1. Save money (#1)
2. Too big a job (#2)
3. Improve quality
4. Lack of skill in house (computer server service, alarms, etc.).
5. Lack of appropriate license (even if you have the skills)
6. Lack of specialized equipment
7. Reduce liability (elevators, fire systems).
8. Reduce hazard to own employees (tank service, asbestos removal).
9. You want an outside opinion or you need an outside `expert' to show you a whole new approach.
10. Training (send your mechanic to help or tag along to improve their skills).
11. Save time when you are already busy.

12. Don't want to manage job (hiring the contractor to do that such as for a partial shutdown).
13. Want the flexibility.
14. Politics, such as disagreement with top management about the number of hours a job should take, or other political reasons.
15. You don't want to lose control of existing projects to make room for a large new one.

Nine Reasons not to hire a contractor (Common concerns):

1. Loss of control
2. Too slow or high cost for fast response.
3. Is the job well defined enough to contract out. How will you know if you are getting your money's worth. You don't have time to define the scope of work.
4. Is there a negative image to using contractors?
5. Possible quality problems where the contractor knowingly cuts corners.
6. Problems completing the last 5% of the job (even when you hold back money)
7. Dependency, you can become dependant and can't make a move without the contractor.
8. You get ripped off by a con artist
9. A well meaning contractor is out of his/her area of expertise in your job.

Tips from the people in the trenches to make contracting go smoother

1. Define work to be contracted. The better the definition at the early stages the better the job will go. Avoid loose specifications (on both materials and work to be done).
2. Along with 1 above communicate your ideas to contractor (make sure they understand, was there a meeting of the minds?) Discuss the quality of materials needed.
3. Negotiation and award the contract. On larger jobs check-out finances, credit, insurance, and staff. Visit other jobs to see their quality, call references. Of course don't lose track of the contract documents (Keep a fair and complete set of contract documents).
4. Be aware of and avoid, if possible, low ball bids. Negotiate a schedule of extras. A common ploy is to low ball the bid to get the job and flood the company with small extras. Add in for clauses like "all extras not included in the original price have to be agreed to in writing prior to the commencement of the work."
5. Be sure to spell out deduction clauses in the contract. Spell out what you will charge back and when you will charge it. Examples would be debris removal, clean-up, missing firm completion dates.
6. Negotiate cancellation clauses. You need to spell out how and why you can cancel the contract. Otherwise you make find yourself with a mechanic's lien over an inadequate job after you did not pay the final payment.
7. On ongoing service bids avoid both too short of a contract term and too long of a contract term. If the term is too short then the contractor will chart excessively for mobilization costs. If the term is too long you might be stuck with a barely adequate vendor with no easy way to improve the situation.

8. Be as complete as possible about responsibilities, who supplies what, where to unload, site rules (safety, user contact, clean-up, security, keys etc.). There should be statements about how the site is to be left at the end of each work day. Who is responsible for locking up, barricades, traffic management, cleaning, and debris removal? The agreement should also include who is responsible for municipal permits and plans.

9. Inspect contractor's insurance policies. Have an agreement about what happens when (if) the contractor damages your property (or worse yet damages a neighbor's property who then might sue you or it might spoil a good relationship). Require an up to date certificate of insurance covering: General liability, Casualty (property damage), Workmen's compensation, Auto liability and if they did the design Malpractice and Errors and Omissions. The smallest contractors (sole proprietors) don't need workmen's comp (check with your attorney or your insurance professional).

10. Define performance and what would a good job look like. Add clause like "all work is expected to be done in a professional and workmanship manner. All work will be in compliance with applicable city building codes."

11. Prepare the area to be worked on. Remove as much as possible to avoid breakage and theft. If indicated isolate area so contractors have no reason to wander around.

12. Manage the contractor. Keep a record of the job as it unfolds and provide feedback. Perform frequent inspections and document results. Have a functional planned schedule and compare progress to projections. Problems should be identified as early as possible.

13. Agreements about when and amounts of payments to be made, etc. Avoid sloppy record keeping. Require paid receipts to prove subcontractors and material vendors have been paid. Get a release of all liens form signed before last payment. If you don't, you could have paid off the general contractor and still be hit with liens from unpaid subs. Consult with your legal department about lien laws in your state and be sure you are covered.

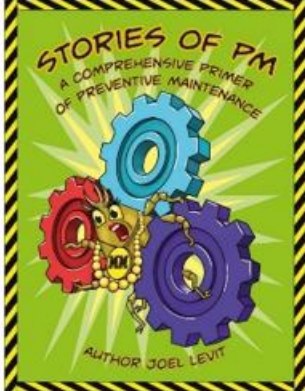
14. Resolve disputes promptly. Avoid endless delay in resolution of disputes or you'll end up in court.

15. Evaluate each contractor on a regular basis for quality, service, cost, and fulfillment of contract terms. Write up a short narrative to put into the file how the job went.

Good luck  
Joel

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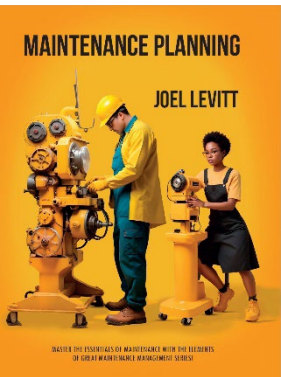
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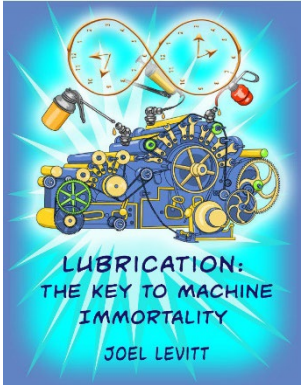
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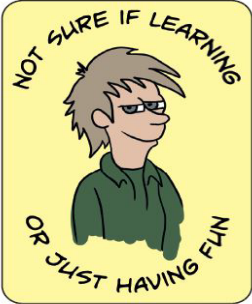
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