
Appendix H

COST LIMITATIONS

The Department has established the following cost limitations for negotiating agreements with professional service firms.

OVERHEAD COSTS

Professional service firms seeking to do business with the Department are required to submit overhead rates audited in accordance with the Federal Acquisition Regulations (FAR).

The consultant's FAR overhead audit is to be submitted annually within six months of the close of the consultant's fiscal year. The Department annually reviews the consultant's FAR overhead rate to determine the allowable combined overhead rate.

The Department will issue either an allowable FAR or provisional overhead rate for a given period of time which corresponds to their fiscal year.

The Department is not participating in Facilities Cost of Capital.

Computer and CADD usage costs must be included in the overhead calculation and cannot be billed as a direct cost. This does not include operator labor costs, which can be billed as direct labor.

All Consultant insurance is considered an overhead expense. Consultant insurance costs are not paid as a direct expense. The Department requires General Liability, Automobile, Workman's compensation, and professional liability insurance coverage.

DIRECT NON-SALARY COSTS

Lodging and Subsistence when necessary and pre-approved should be accomplished at the most economical and reasonable means possible. Reimbursement will be made at actual cost not to exceed CONUS (Continental United States) Per Diem rates set for the location by the U.S. General Services Administration. Costs for the first and last day of travel cannot exceed 75% of the daily per diem for the travel location

Mileage for the use of personal vehicles on a project will be reimbursed in accordance with the Consultant's written policy, up to the current Internal Revenue Service's allowable rate. Company vehicle use will be reimbursed at the demonstrated cost per mile of the vehicle, up to the current Internal Revenue Service's allowable rate.

Commuting to the Department's work location on a routine basis serving as a proxy for Department personnel is not chargeable to the Department.

DIRECT LABOR RATES

Direct labor rates for the various occupational classifications must be established during the negotiation stage for the agreement. The Department's maximum direct salary rate is \$65.00 per hour.

Annual cost of living adjustments to direct labor rates are determined by the CPI-U for the region, not to exceed five (5) percent.

Overtime may be allowed with prior approval by the Department's Project Manager and Consultant Control Coordinator.

FIXED FEE

The Fixed-Fee associated with tasks must be negotiated, and the Fixed-Fee stated as a fixed-dollar amount. Fixed-Fee expressed as a percentage cannot be used.

The Departmental guideline for negotiating the fixed-fee dollar amount consists of weighting factors based on complexity, risk, and schedule; combined with overhead weighting factors.

There are two approaches to computing the task-related weighting factors – one for construction inspection and one for all other tasks. The total fixed fee weighting factor will be the sum of the overhead-related factor and the task-related factor.

Fixed-Fee for sub consultants are treated independently of the prime consultant using the same guidelines.

This guideline is effective for tasks issued on and after July 1, 2008. All previously issued tasks remain in effect as issued.

Overhead-related Weighting Factors:

115% and less	15%
> 115% - 120%	12%
> 120% - 125%	10%
> 125% - 130%	8%
> 130% - 135%	6%
> 135% - 140%	5%
> 140% - 150%	4%
> 150% - 160%	2%
> 160%	1%

Task-related Weighting Factors:

		Inspection	Other
Complexity	Low	0%	2%
	Normal	1%	4%
	High	2%	6%
Risk	Low	0%	2%
	Normal	0%	4%
	High	0%	8%
Schedule	Normal	0%	2%
	Expedited	0%	4%
	Emergency	0%	6%

Fixed-Fee Calculation Definitions

The Fixed Fee Calculation is designed where the majority (80%) of work performed falls within the “normal” category. The following definitions provide guidance in determining when tasks are outside the “normal” category.

- Complexity
 - Low: Tasks with a limited scope of work. Examples of low complexity tasks are construction inspection, restoration, resurfacing.
 - High: Tasks with unusual, multi-disciplined, and highly specialized requirements/tasks.
- Risk
 - Low: Tasks with a low risk of claims or lawsuits. Examples of low risk tasks are studies, surveys, inspections, IT services, landscaping.
 - High: Tasks with a high risk of claims or lawsuits. Examples of high risk tasks are experimental designs, bonus/penalty tasks.
- Schedule
 - Expedited: Tasks on which DeIDOT requests a schedule to be reduced by more than 20% from the normal time periods.
 - Emergency: Tasks that require initiation of work with less than two days notice.