



**PEPS Annual
Negotiation Process**
2019 PEPS Conference

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November 20, 2019

Presentation Topics



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PEPS Then and Now



<u>2015</u>		<u>2019</u>	
No. of PEPS Employees	69 FTE	No. of PEPS Employees	136 FTE
TxDOT Annual Letting	\$3.4 B	TxDOT Annual Letting	\$10 B
Procurement Amount	\$695 M	Procurement Amount	\$1.5 B +
No. of Contracts	170 EA	No. of Contracts	300 EA +
No. of Work Authorizations	600 EA	No. of Work Authorizations	1,600 EA +
No. of Late WA	139 EA	Number of Late WA	57 EA
No. of Invoices	4,000 EA	No. of Invoices	13,000 EA +
% of Invoices Paid On Time	86%	% of Invoices Paid On Time	87%

Incremental Improvements



Consultants complete the initial rate card offer

Indicate if similar rates were negotiated that can be considered

Expanded the range of the PEPS Rate Tool

Proceeding to live after two to three rounds

Service Center manager review and approval of all rates



PEPS Division Director approval of new job classifications

Procuring more Federal contracts with proposal

Providing more DBE and HUB opportunities

Transitioning to annual rate negotiations per TAC Rule changes

Added a labor rate appeal procedure

Why an Annual Negotiation Process?



In FY18, PEPS executed 304 contracts but negotiated 2,006 times

Negotiations may take up to 110 hours per contract (14 days)

Annual negotiations:

- could provide a significant time savings
- could provide a significant cost savings
- could provide streamlining, increased consistency and efficiency in operations

May 30, 2019 Texas Transportation Commission Meeting

TAC 9.34 - Rule Revisions:

- 90 Day Extension of Administrative Qualifications Rate
- Negotiation of Annual Labor Rates
- Approved Overhead Rate Implemented at Time of Negotiations
- Bonus Policy Requirements

A New Beginning

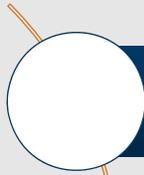
- PEPS Negotiation Center was formed June 3, 2019
- PEPS Negotiation Center Manager was chosen - June 6, 2019
- Request submitted to ACEC to form a Negotiation Task Force - June 14, 2019
- First meeting - July 25, 2019

GOAL

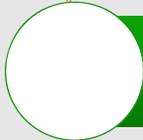
An annual negotiation process of substantiating reasonable and accurate industry rates (costs) that is simpler, less contentious, and recognizes changing market conditions while providing for fair and reasonable compensation considering the scope, complexity, professional nature, and value of the services provided.



Annual billing rates are composed of three elements:



An audited FAR compliant overhead rate. This will vary based on how a firm chooses to do business.



An hourly salary rate (raw rate or wage rate) based on actual salaries of professionals within a band of experience or discipline.



A percentage of profit

Process Under Discussion



Each firm prepares and submits a list of positions by category with the range of proposed wage rates (raw rates) paid to employees within each category.

Submissions are compared against ACEC Texas salary survey data (reconfigured if needed to match TxDOT's rate categories) and other third party surveys.

Process Under Discussion



PEPS uses the information to determine that proposed rates are accurate, reasonable, and allowable and discussed with the firm.

For each firm's negotiated approved wage rate in each category, the approved indirect cost rate is applied

Process Under Discussion



Labor classification descriptions are in development. These are needed:

- to pay sufficient and correct rates for the PM and Key Task Leaders that are selected in the Qualifications-Based Selection process
- to inform consultants of the expectations for the contract(s) advertised.

Process Under Discussion



The RFP or the RFQ may contain the labor classification descriptions for the PM and key task leaders for the advertised contracts.

Provisions for escalation on longer-term projects may be applied to address market conditions and provide for a consistent policy across the department.

Process Under Discussion



A procedure for the assignment of percentage of profit may be developed based on project risk profile for the specific project or contract.

A dispute resolution process will be developed and administered through a committee of PEPS Senior Leadership.

Accomplishments to date



Communication and partnering through the monthly meetings between the TxDOT PEPS leadership and the ACEC Negotiation Task Force



Workshops with consultant representatives as subject matter experts

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Workshop Objectives

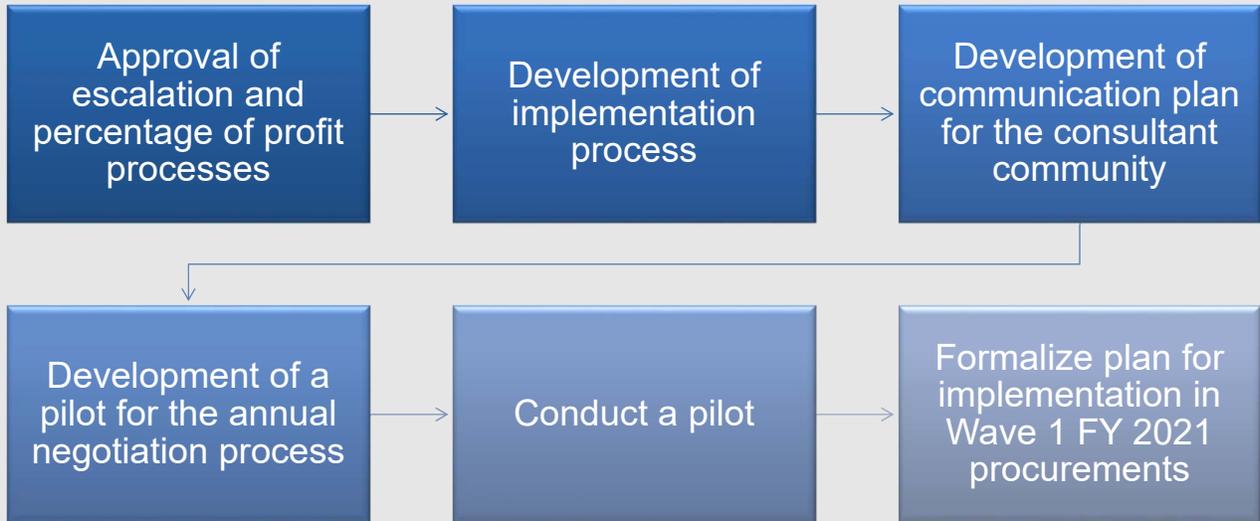
Improve the line item definitions of Unit Costs and Other Direct Expenses (ODEs)

Develop a single ODE list of maximum and fixed rates

Refine labor classification descriptions

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Future Work



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Questions and Discussion



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