



PEPS Annual Negotiation Process Partial Implementation of Annual Rate Negotiations WV 4 FY20

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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.





- The Partial Implementation is limited to Indefinite Deliverable (ID) Contracts for use by the districts in the Wave 4 Procurements:

- CPM Scheduling	DAL & WAC	4 contracts @ \$2M ea
- Geotech Engineering	HOU	3 contracts @ \$2M ea
- PS&E	FTW	6 contracts @ \$5M ea
- Schematic/ENV	Urban	15 contracts @ \$8M ea
- Traffic Engineering	SAT	4 contracts @ \$3M ea
- Utility Engineering	ELP & SAT	7 contracts @ \$1.5M ea

- All providers on teams that are awarded ID contracts for the districts will negotiate annual rates with the representatives of the PEPS Negotiation Center

Partial Implementation in Wave 4 FY20 Facts

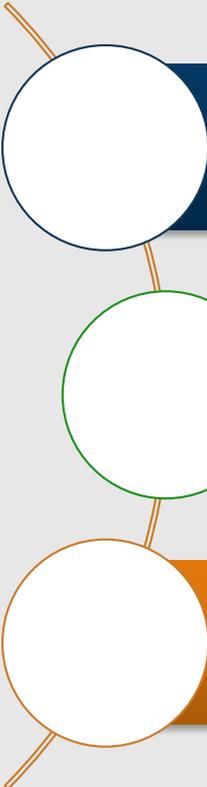


- All providers includes both Prime and Sub-providers.
- The rates negotiated will be effective for all contracts awarded to that firm in the twelve months following the completion of the annual rate negotiation
- After the rates for the WV 4 FY20 contracts are finalized, negotiations for requested labor classifications will be the responsibility of the Negotiation Center beginning with the next contract awarded
- Only the labor classifications necessary for the discipline of the awarded contracts will be negotiated.
- The firm portfolio will grow with added labor classifications as new contracts are awarded



- Percentage of profit and escalation are directly associated with the specific contract and will be negotiated for each individual contract.
- Percentage of profit and escalation are negotiated with the Prime for the contract and applied to the prime and all sub-providers on that contract.
- If you are in the process of negotiating a contract from another procurement, you will complete that process with the procurement engineer for the associated service center.
- Full implementation for the annual rate negotiations is scheduled in Wave I of FY 2021

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



1. Each firm prepares and submits the range of actual wage rates (raw rates) paid to employees by labor classification. No individual names will be associated with the rates submitted.



2. Each firm will submit a single offer within the range for their firm of actual wage rates (raw rates) for each labor classification.

The PEPS Negotiation Center will review the individual firm's distribution of rates for the labor classification.



3. Normalized curves for data derived from industry rates supplied by ACEC and the first-offers submitted by consultant teams from the years FY 16 through FY 19 have been built for each labor classification. The rates a firm submits will be compared to the information derived from this combined data.



4. The offer will be compared to the normalized curves for first-offer and industry data for that specific labor classification. If the offer is fair and reasonable considering the firm's distribution and falls within 1 standard deviation on the "First Offer" curve, the offer is accepted.

If the offer is greater than 1 standard deviation, the distribution of the rates by the individual firm will be analyzed and a discussion will begin between the PEPS Negotiation Center representative and the firm's negotiator.



5. The negotiation discussion will be by webex or by phone. It will not be limited to email exchanges.

The discussion will center on the individual firm's distribution compared with the data collected from the first-offers and industry data and what is fair and reasonable for both the individual firm and for TxDOT.



For each firm's negotiated approved wage rate in each category, the approved indirect cost rate is applied. The overhead for the firm will not be considered at any time during the labor classification negotiation.



For firms that are not Administratively Qualified and do not participate in Safe Harbor, the base wage rates will be negotiated for each labor classification and a single multiplier will be negotiated for the firm. The multiplier will be applied to the negotiated labor classification rates. No additional percentage of profit is applied to loaded rates.



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

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



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



- Your rates for this contract are negotiated and will be used in contracts that are awarded in the next year
- The rate portfolio for your firm will grow as labor classifications are needed in the awarded contracts
- If you are in the process of negotiating a contract from another procurement, you will complete that process with the associated service center procurement engineer.
- Negotiations for your future labor classifications will be the responsibility of the Negotiation Center with the contracts awarded after the rates for the partial implementation are finalized.



- When the one year mark arrives,
 - The options for the renewal process are being considered by the Negotiation Task Force.
 - The process will not have every consultants rates due for renewal on the same date. The renewals will be spread throughout the year and will be related to the award of a new contract whether the firm is a prime or a sub-provider.



- Full implementation for the annual rate negotiations is scheduled in Wave I of FY 2021

Questions and Discussion





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