

Examples of Application of Contract Duration Adjustment Factor (CDAF)

CDAF Guidelines:

For contracts of longer duration, the Department shall allow a Contract Duration Adjustment Factor (CDAF). CDAF is defined as an economic price adjustment, necessitated by instability of labor costs for an extended period of contract performance. CDAF is not negotiated, but shall be a fixed number of points based on the overall anticipated length of contract (project schedule). Contract length shall be as assessed by reviewing the anticipated project schedule at the time of contract negotiation. CDAF points shall be allocated by the Department as follows:

Operating Margin Criteria Plus CDAF	
Operating Margin Criteria	Range
Project Complexity	5% to 7%
Degree of Risk (Financial)	3% to 5%
Project Schedule	1% to 3%
Cost Control Efforts	3% to 27%
Total Operating Margin Points	12% to 42%
CDAF Points	0% to 5.5%
Operating Margin plus CDAF	12% to 47.5%

Anticipated Length of Contract	CDAF- Contract Duration Adjustment Factor (Percentage Points applied to direct labor)
0- 12 months	0
13- 24 months	0
25- 36 months	3
37- 48 months	4.5
49- 60 months	5.5
+ 60 months	Renegot w/ new rates

Ground rules for applying CDAF (applies to all professional services contracts):

1. For new contracts, CDAF is applied beginning with the first labor hour incurred.
2. CDAF shall only be applicable for contracts selected (contract final ranking) on or after November 1, 2014.
3. In the event a contract selected on or after November 1, 2014 is extended (time extension) by six or more months, CDAF shall be applied prospectively to the extended/remaining services only, in accordance with the table above.
4. CDAF shall **not** be applied to contracts selected before November 1, 2014, nor contract amendments/time extensions for contracts selected before November 1, 2014.
5. For calculation purposes, CDAF shall be added to operating margin and applied to unloaded direct salaries.
6. CDAF is applicable only to consultant firms who are awarded operating margin points.

Example Scenarios: *(Contract Numbers and Descriptions do not represent real contracts)*

Example No. 1

Contract No. C9H17

Contract Description: Design, SR 56 to SR 54

The contract was final selected on November 3, 2014.

It is comprised of two project numbers: 42715313201 (Project #1), and 4271653201 (Project #2).

According to the schedule, Project #1 for \$53,000 is to be completed in 6 months. Project #2 for \$265,000 is to be completed in 26 months.

Is the contract eligible for CDAF? Yes.

CDAF points to be added to operating margin for the contract (including both projects): 3

CDAF is applied to the entire contract, which means it is applied to both projects despite the shorter length of Project #1.

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Example No. 2

Contract No. C8W44

Contract Description: Design, US 41 Greenway Road

The contract was executed **August 2, 2013**

Financial Project Number: 41304443201

The contract was originally scheduled to be completed in 28 months. Due to delays beyond the control of the consultant, a time extension will need to be issued to extend the contract through 48 months.

Is the contract eligible for CDAF? No (pre-dates implementation of CDAF).

Is the time extension eligible for CDAF? No.

CDAF points to be added to operating margin for the contract: 0

Contract is eligible for rate adjustment for services that extend beyond the fifth year. Reference:

Negotiation Handbook, *Rate Adjustments to Professional Services Consultant Contracts*

Example No. 3

Contract No. C9G52

Contract Description: PD&E, Gandy from US19

The contract was final selected on November 3, 2014

Financial Project Number: 25455212212

The contract is scheduled to be completed in 24 months.

Is the contract eligible for CDAF? No

CDAF points to be added to operating margin: 0

Example No. 4

Contract No. C9G52

Contract Description: PD&E, Gandy from US19

The contract was final selected on November 3, 2014

Financial Project Number: 25455212212

Due to delays beyond the control of the consultant, the 24 month schedule will be extended by 4 months.

Is the 4 month time extension eligible for CDAF? No; because services were extended less than 6 months.

CDAF points to be added to operating margin for the time extension: 0

Example No. 5

Contract No. C9M22

Contract Description: Construction Engineering Inspection (CEI), SR 835

The contract was final selected on December 1, 2014

Financial Project Numbers: 43006116201 (Project #1), 43006126201 (Project #2), and 43006136201 (Project #3)

Per the schedule, Project #1 is a 12 month project. Project #2 is an 18 month project. Project #3 is anticipated to be completed in 26 months.

Is the contract eligible for CDAF? Yes

CDAF points to be added to operating margin for the contract: 3 points.

CDAF is applied to the entire contract, which means it is applied to all three projects on the contract despite the shorter length of Projects #1 and #2. Overall contract time is the determining factor in whether CDAF is applicable.

Example No. 6

Contract No. C9M22 CEI SR 835 (above) is extended, due to project delays beyond the control of the consultant. A time extension will be issued to extend Project #3 from 28 months to 50 months. Project #1 and Project #2 are completed on schedule.

Is the time extension eligible for CDAF? Yes

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CDAF points to be applied to the contract time extension: 5.5 points. Since CDAF for the original agreement was already at 3 points, it is increased 2.5 points by contract amendment, to 5.5 points. The extra 2.5 points added to operating margin are only applied prospectively, to the services that yet remain to be performed on the contract. Additional funds will need to be added to the contract to address the CDAF (economic price adjustment).

Please note; if the contract were to go beyond 60 months, there would be a rate adjustment. Contracts are eligible for rate adjustment for services that extend beyond the fifth year. Reference: **Negotiation Handbook, *Rate Adjustments to Professional Services Consultant Contracts***

Example No. 7

Contract No. C9H01

Contract Description: District-wide Architectural Services Contract

Project Numbers: TBD

The contract was final selected on December 18, 2014

Contract length- 5 years

Is the contract eligible for CDAF? Yes

CDAF points to be added to operating margin and applied to all task work orders, regardless of task work order length: 5.5 points

Example No. 8

Contract No. C9XYZ

Contract Description: District-wide Bridge Inspection

Project Numbers: TBD

The contract was final selected on January 5, 2015

Contract length- 3 years

Is the contract eligible for CDAF? Yes

CDAF points to be added to operating margin and applied to all task work orders, regardless of task work order length: 3 points

Example No. 9

Contract No. C9J02

Contract Description: Design, SR 710/Beeline Highway

Project Number: 42800913201

The contract was final selected on November 3, 2014

Original contract duration was 24 months

18 months into the contract, work was stopped.

On month 24, the contract was time extended for one additional year. No change in scope.

Is the contract eligible for CDAF? Yes

3 CDAF points to be applied prospectively, to the services that yet remain to be performed on the contract. As a result, additional funds will need to be added to the contract to address the CDAF (economic price adjustment).

Example No. 10

Contract No. C9M12

Contract Description: Design Services for I-95 Express Lanes

Project Number: 22939623201

The original contract was final selected on December 19, 2014

Basic design services will be completed in 24 months.

After design services were completed, contract was extended for post design services. Post design services are estimated to be completed in another 24 months.

Are basic design services eligible for CDAF? No

Are post design services eligible for CDAF? Yes, 4.5 CDAF points to be applied prospectively, ONLY to the post design services that yet remain to be performed on the contract.

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Example No. 11

Contract No. C9M13

Contract Description: CEI Hybrid Continuing Services Contract

Project Number(s): Varies

The contract is a five year continuing services agreement. The original agreement was awarded a CDAF of 5.5 points. Sub XYZ is added to the contract in month 24 of the five year contract, which means that three years of contract time remain on the agreement.

Is the sub eligible for CDAF, and if so, how many points? Yes, the new sub would receive CDAF. The CDAF would be 3 for the new sub to be added, since the new sub will be on the contract for 3 years (only three years remain for the contract).