



Florida Department of Transportation

# Local Agency Program Negotiations Quick Reference Guide

Local Agency Program (LAP) guide to the professional services negotiations process for Federal-Aid projects to be procured in compliance with 23 CFR 172.

**FDOT Office**  
Local Programs,  
Office of Program Management

**Date of Publication**  
December 10, 2020

## Work Hours

Alternate names for work hours: work effort, staff hours, labor hours, man hours

Definition of Work Hours: the number of hours and the quantity of personnel required to perform the services under the contract. Hours and quantity of personnel will vary based on the scope of the contract and the type of professional services to be performed.

Verification: review scope of work to estimate the number of hours required to complete work based on complexity of the project.

Negotiable: **Yes.** Hours by labor classification and the number of personnel assigned to those labor classifications are all negotiable.

Samples: estimate of work effort may be organized by task or by position.

|   |  | Project Principal | Project Manager | Senior Engineer | Project Mgr/Eng | Clerical |
|---|--|-------------------|-----------------|-----------------|-----------------|----------|
|   |  |                   |                 | \$141.15        | \$114.78        |          |
| <b>Construction Phase - Resident Project Represent...</b> |  |                   |                 |                 |                 |          |
| <b>Task 1A</b>  | Pre-Bid Activities (bid reviews, pre-bid meeting, recommendations) |                   |                 |                 | 30.00           |          |
| <b>Task 1B</b>  | Coordination, Management, & Contract Adminsitration                |                   |                 |                 | 275.00          |          |
| <b>Task 1C</b>  | Pre-Construction Meeting (preparation, actual meeting)             |                   |                 |                 | 19.00           |          |
| <b>Task 1D</b>  | Progress Meetings  |                   |                 |                 | 24.00           |          |
| <b>Task 1E</b>  | Field Inspections and Daily Reports                                |                   |                 |                 |                 |          |
| <b>Task 1F</b>  | Pre-Existing Condition Photogrpahic Record and Inventory           |                   |                 |                 |                 |          |
| <b>Task 1G</b>  | VT Testing Lab   |                   |                 |                 |                 |          |
| <b>Task 2A</b>  | RFIs and Change Orders   |                   |                 |                 | 80.50           |          |
| <b>Task 2B</b>  | Quality Control Monitoring   |                   |                 | 107.25          |                 |          |
| <b>Task 2C</b>  | Review/Recommendation for Contractor Pay Applications              |                   |                 |                 | 20.00           |          |
| <b>Task 2D</b>  | Substantial Completion (incl punchlist)                            |                   |                 |                 |                 |          |
| <b>Task 2E</b>  | Final Completion and Project Closeout                              |                   |                 |                 | 30.00           |          |
| <b>Total Staff Hours</b>                                  |  |                   |                 | 107.25          | 478.50          |          |

Tasks as defined in the scope.

Positions required to complete the contract tasks.

Estimated hours to complete tasks by position.

| Position Classifications | Hourly Rate | Loaded Rate |
|--------------------------|-------------|-------------|
| Senior Engineer          | \$64.90     | \$194.70    |
| Engineering Technician   | \$22.60     | \$67.80     |
| CADD/Computer Technician | \$23.00     | \$69.00     |
| Secretary/Clerical       | \$23.08     | \$69.24     |

Development: use engineering professional judgment, use previous man hour estimates from contracts of similar size and scope.

Resources: [LAP Calculating Fee Mock Up](#); [LAP Calculating Fee Mock Up How To Guide](#); <https://www.fdot.gov/designsupport/Scope/>

## Labor Classifications

Alternate names for labor classifications: job classes/classifications, positions, roles

Definition of Labor Classifications: Categories for classifying or categorizing staff roles on the contract.

Verification: review scope of work to determine which labor classifications are required and consultant staff resumes to verify qualifications to perform the labor classification(s) proposed.

Negotiable: **Yes**. Applicable labor classifications are determined by the local agency. Hours by labor classification and the number of personnel assigned to those labor classifications are negotiable. If the original solicitation identified specific labor classifications required for the project, addition(s) of labor classifications during negotiations that were not contemplated in the original solicitation most likely will not be eligible for federal participation.

Samples: estimate of work effort may be organized by task or by labor classification or both.

|   |  | Project Principal | Project Manager | Senior Engineer | Project Mgr/Eng | Clerical |
|---|--|-------------------|-----------------|-----------------|-----------------|----------|
|   |  |                   |                 | \$141.15        | \$114.78        |          |
| <b>Construction Phase - Resident Project Represent...</b> |  |                   |                 |                 |                 |          |
| <b>Task 1A</b>  | Pre-Bid Activities (bid reviews, pre-bid meeting, recommendations) |                   |                 |                 | 30.00           |          |
| <b>Task 1B</b>  | Coordination, Management, & Contract Adminsitration                |                   |                 |                 | 275.00          |          |
| <b>Task 1C</b>  | Pre-Construction Meeting (preparation, actual meeting)             |                   |                 |                 | 19.00           |          |
| <b>Task 1D</b>  | Progress Meetings  |                   |                 |                 | 24.00           |          |
| <b>Task 1E</b>  | Field Inspections and Daily Reports                                |                   |                 |                 |                 |          |
| <b>Task 1F</b>  | Pre-Existing Condition Photogrpahic Record and Inventory           |                   |                 |                 |                 |          |
| <b>Task 1G</b>  | VT Testing Lab   |                   |                 |                 |                 |          |
| <b>Task 2A</b>  | RFIs and Change Orders   |                   |                 |                 | 80.50           |          |
| <b>Task 2B</b>  | Quality Control Monitoring   |                   |                 | 107.25          |                 |          |
| <b>Task 2C</b>  | Review/Recommendation for Contractor Pay Applications              |                   |                 |                 | 20.00           |          |
| <b>Task 2D</b>  | Substantial Completion (incl punchlist)                            |                   |                 |                 |                 |          |
| <b>Task 2E</b>  | Final Completion and Project Closeout                              |                   |                 |                 | 30.00           |          |
| <b>Total Staff Hours</b>                                  |  |                   |                 | 107.25          | 478.50          |          |

Tasks as defined in the scope.

Positions required to complete the contract tasks.

Estimated hours to complete tasks by position.

| Position Classifications | Hourly Rate | Loaded Rate |
|--------------------------|-------------|-------------|
| Senior Engineer          | \$64.90     | \$194.70    |
| Engineering Technician   | \$22.60     | \$67.80     |
| CADD/Computer Technician | \$23.00     | \$69.00     |
| Secretary/Clerical       | \$23.08     | \$69.24     |

Development: use engineering professional judgment, use previous man hour estimates from contracts of similar size and scope

Resources: [LAP Calculating Fee Mock Up](#); [LAP Calculating Fee Mock Up How To Guide](#); <https://www.fdot.gov/designsupport/Scope/>

## Direct Salary or Wage Rates

Alternate names: direct rates, direct labor, direct labor rate, payroll rates, hourly rates, labor rates, raw rates, pay rates, unloaded rate, unburdened rate.

Definition: the actual rate(s) at which an employee is compensated for work performed as supported by a payroll register

Negotiable: **NO**. Direct wage rates must be supported by payroll register. Wage rates must be accepted for each employee. Voluntary reductions by the consultant are allowed. The negotiator cannot ask a consultant to reduce their direct wage rates. If applicable, subconsultants wage rates must be accepted and cannot be established on the prime consultant staff rates.

Verification: review payroll registers for each proposed employee to confirm they are current and accurate. Payroll registers include the employee name, date, date range of pay period, hours (regular and overtime), gross pay, deductions, taxes withheld, and net pay. Confidential information may be redacted (i.e. social security numbers). A payroll register is not a payroll summary, monthly projection, payroll forecast, or certified pay rate.

### Variations:

- An average rate may be calculated when multiple employees who earn different wage rates are performing the same job classification with similar proposed duties on a specific contract. The average is calculated using each employee's direct wage rate and is applied by job classification.
- A consultant may perform an alternate job classification on the contract and voluntarily accept a lower rate than their current direct wage rate (i.e. a principal engineer may serve as a CEI inspector)
- A benchmark approved by FHWA may also be established, per LAP Manual Chapter 18.7.2.
- FDOT calculates and publishes averages of rates in the form of the "Consultant Wage Rate Report" and the associated classification as a tool for negotiations. There is no such thing as an "FDOT rate" and/or rates included on the Local Agency contract with the consultant should not match the Consultant Wage Rate Report.
- FDOT is participating in a program with FHWA approval that allows the department to limit CEI consultant personnel direct salaries by job classification to the "75th percentile" of the contracting District's one-year averages for that job classification. This is applicable to the Department's CEI contracts only and is NOT allowed on local contracts.

Samples: pay periods may be, weekly, bi-weekly, bi-monthly, monthly or annual.

#Alpha Sample Client

| Payroll Register (\$109) |                          |
|--------------------------|--------------------------|
| Check Date:              | 10/24/2012-1             |
| Period Range:            | 10/14/2012 TO 10/20/2012 |
| Week Number:             | Week #43                 |

| Employee Name   | Rate of Pay | Hours        | Current Amount  | YTD Amount   | Hours           | Amount            | Salary Deductions Description | Current Amount  | YTD Amount      | Taxes Description  | Check Number | Check Date | Check Type     | Net Check       |                 |
|---|-------------|--------------|-----------------|--------------|-----------------|-------------------|-------------------------------|-----------------|-----------------|--------------------|--------------|------------|----------------|-----------------|-----------------|
| <b>Department: 1 - Dept One</b>                                   |             |              |                 |              |                 |                   |                               |                 |                 |                    |              |            |                |                 |                 |
| 10 - Direct Deposit, Employee - 123-25-6833 - 1                   |             |              |                 | VT VT        |                 |                   | 1000.00                       |                 | Weekly          | -99985874 Memo     | 10/24/2012   | Regular    |                | 0.00            |                 |
| 01 Regular Earn   | 0.00        | 40.00        | 20.00           | 40.00        | 20.00           | 01 Checking       | 2,804.77                      | 2,804.77        | Federal (S/0)   |                    |              | Regular    | 2,484.88       | 2,484.88        |                 |
| 02 Salary   | 0.00        | 0.00         | 1,500.00        | 0.00         | 1,500.00        | 02 Savings        | 100.00                        | 100.00          | OASDI           |                    |              | Regular    | 273.10         | 273.10          |                 |
| 05 Bonus  | 0.00        | 0.00         | 5,000.00        | 0.00         | 5,000.00        | 08aPretax Medical | 17.52                         | 17.52           | Medicare        |                    |              | Regular    | 94.29          | 94.29           |                 |
|   |             |              |                 |              |                 |                   |                               |                 |                 | State VT (S /0)    |              |            | Regular        | 495.32          | 495.32          |
|   |             |              |                 |              |                 |                   |                               |                 |                 | New York City Res. |              |            | Regular        | 250.12          | 250.12          |
| <b>Check Totals:</b>  |             | <b>40.00</b> | <b>6,520.00</b> | <b>40.00</b> | <b>6,520.00</b> |                   |                               | <b>2,922.29</b> | <b>2,922.29</b> |                    |              |            | <b>Regular</b> | <b>3,597.71</b> | <b>3,597.71</b> |
| <b>Department: 20 - Child Support, Employee - 123-78-9426 - 1</b> |             |              |                 |              |                 |                   |                               |                 |                 |                    |              |            |                |                 |                 |
| 01 Regular Earn   | 0.00        | 37.50        | 0.00            | 37.50        | 0.00            | 03 Child Support  | 250.00                        | 250.00          | OASDI           |                    | 10/24/2012   | Regular    | 252.00         | 252.00          |                 |
| 02 Salary   | 0.00        | 0.00         | 1,000.00        | 0.00         | 1,000.00        |                   |                               |                 | Medicare        |                    |              | Regular    | 87.00          | 87.00           |                 |
| 05 Bonus  | 0.00        | 0.00         | 5,000.00        | 0.00         | 5,000.00        |                   |                               |                 | State NY (S /)  |                    |              | Regular    | 423.28         | 423.28          |                 |
| <b>Check Totals:</b>  |             | <b>37.50</b> | <b>6,000.00</b> | <b>37.50</b> | <b>6,000.00</b> |                   |                               | <b>250.00</b>   | <b>250.00</b>   |                    |              |            | <b>Regular</b> | <b>762.28</b>   | <b>762.28</b>   |
| <b>Department: 40 - Garnishment, Employee - 123-98-7654 - 1</b>   |             |              |                 |              |                 |                   |                               |                 |                 |                    |              |            |                |                 |                 |
| 01 Regular Earn   | 0.00        | 40.00        | 0.00            | 40.00        | 0.00            | 07 Garnishment #1 | 150.00                        | 150.00          | Federal (S/0)   |                    | 10/24/2012   | Regular    | 1,998.82       | 1,998.82        |                 |
| 02 Salary   | 0.00        | 0.00         | 2,000.00        | 0.00         | 2,000.00        |                   |                               |                 | OASDI           |                    |              | Regular    | 294.00         | 294.00          |                 |
| 05 Bonus  | 0.00        | 0.00         | 5,000.00        | 0.00         | 5,000.00        |                   |                               |                 | Medicare        |                    |              | Regular    | 101.50         | 101.50          |                 |
|   |             |              |                 |              |                 |                   |                               |                 | State VT (S /0) |                    |              | Regular    | 539.10         | 539.10          |                 |
| <b>Check Totals:</b>  |             | <b>40.00</b> | <b>7,000.00</b> | <b>40.00</b> | <b>7,000.00</b> |                   |                               | <b>150.00</b>   | <b>150.00</b>   |                    |              |            | <b>Regular</b> | <b>2,933.42</b> | <b>2,933.42</b> |
| <b>Department: 90 - PreTax, Employee - 123-47-8989 - 1</b>        |             |              |                 |              |                 |                   |                               |                 |                 |                    |              |            |                |                 |                 |
| 01 Regular Earn   | 17.00       | 40.00        | 680.00          | 40.00        | 680.00          | 08aPretax Medical | 12.50                         | 12.50           | Federal (M/2)   |                    | 10/24/2012   | Regular    | 1,371.41       | 1,371.41        |                 |
| 05 Bonus  | 17.00       | 0.00         | 5,000.00        | 0.00         | 5,000.00        |                   |                               |                 | OASDI           |                    |              | Regular    | 243.75         | 243.75          |                 |
| 198Incentive Pay  | 17.00       | 8.00         | 136.00          | 8.00         | 136.00          |                   |                               |                 | Medicare        |                    |              | Regular    | 84.15          | 84.15           |                 |
|   |             |              |                 |              |                 |                   |                               |                 | State VT (M /2) |                    |              | Regular    | 378.88         | 378.88          |                 |
| <b>Check Totals:</b>  |             | <b>48.00</b> | <b>5,816.00</b> | <b>48.00</b> | <b>5,816.00</b> |                   |                               | <b>12.50</b>    | <b>12.50</b>    |                    |              |            | <b>Regular</b> | <b>2,078.19</b> | <b>2,078.19</b> |

**iSystems**  
 phone: (802) 655-8347 116  
 fax: (802) 655-7263  
 e-mail: Rhanley@isystemsllc.com

Date Printed: 12/19/2012 3:54:55 PM

| Payroll Register * Week ended 2/14/-- |                               |                     |                |                   |                 |                   |                 |                |                 |                |                  |                   |
|---------------------------------------|-------------------------------|---------------------|----------------|-------------------|-----------------|-------------------|-----------------|----------------|-----------------|----------------|------------------|-------------------|
| Name                                  | Marital Status/<br>Allowances | No. of Hours Worked | Wages per Hour | Earnings          |                 |                   | Deductions      |                |                 |                | Total Deductions | Net Pay           |
|                                       |                               |                     |                | Regular           | Overtime        | Gross             | FICA SS         | FICA Medicare  | Fed. Income Tax | Medical Ins.   |                  |                   |
| Jones, J.                             | Married/1                     | 44                  | 8.70           | 348.00            | 52.20           | 400.20            | 24.81           | 5.80           | 22.00           | 17.50          | 70.11            | 330.09            |
| Hart, B.                              | Married/3                     | 40                  | 6.60           | 264.00            | 0.00            | 264.00            | 16.37           | 3.83           | 0.00            | 17.50          | 37.70            | 226.30            |
| Davis, L.                             | Married/0                     | 48                  | 7.40           | 296.00            | 88.80           | 384.80            | 23.86           | 5.58           | 28.00           | 17.50          | 74.94            | 309.86            |
| Ely, K.                               | Married/2                     | 42                  | 8.60           | 344.00            | 25.80           | 369.80            | 22.93           | 5.36           | 13.00           | 17.50          | 58.79            | 311.01            |
| Lang, C.                              | Married/1                     | 48                  | 9.00           | 360.00            | 108.00          | 468.00            | 29.02           | 6.79           | 31.00           | 17.50          | 84.31            | 383.69            |
| <b>Totals</b>                         |                               |                     |                | <b>\$1,612.00</b> | <b>\$274.80</b> | <b>\$1,885.80</b> | <b>\$116.99</b> | <b>\$27.36</b> | <b>\$94.00</b>  | <b>\$87.50</b> | <b>\$325.85</b>  | <b>\$1,560.95</b> |

Resources: See Section 4 of the FDOT Negotiations Handbook

<http://www.fdot.gov/procurement/pdf/negot.pdf>

## Overhead (OH) Rate

Alternate names: indirect cost rate, home office rate, field office rate

Definition: costs that are not directly identified with a single project (i.e. fringe benefits, rent, utilities, taxes, etc.). A field office rate is used in lieu of the home office rate when the project requires the establishment (or use) of a field office (i.e field office overhead should be used for CEI services)

Negotiable: **NO**. Audited rate updated on an annual basis in accordance with the consultant’s annual accounting period and in compliance with Federal cost principles. Self-audited rates may be obtained from the FDOT Procurement Office and are also updated annually as applicable. Voluntary reductions offered by the consultant are allowed but must not be requested by the local agency.

Verification: Agency shall use rates that were established by the FDOT Procurement Office, an independent Certified Public Accountant, or another cognizant agency for the current year. Audited rates are provided on the FDOT Prequalification Letter and the letter must be used to verify when FDOT Procurement Office has established rates. Self-Certified rates are also provided by FDOT, via the FDOT Prequalification Letter for Prequalified firms, or in an alternate format, as applicable, for non-professional services firms.

Samples:

Your firm is now technically prequalified with the Department for Professional Services in the above referenced work types. The overhead audit has been accepted, and your firm may pursue in the referenced work types with feeds of any dollar amount. This status shall be valid until June 30,2019, for contracting purposes.

| Approved Rates       |                |                                  |                  |                           |                     |                      |
|----------------------|----------------|----------------------------------|------------------|---------------------------|---------------------|----------------------|
| Home/Branch Overhead | Field Overhead | Facilities Capital Cost of Money | Premium Overtime | Reimburse Actual Expenses | Home Direct Expense | Field Direct Expense |
| 151.52%              | 122.38%        | 0.317%                           | Reimbursed       | No                        | 3.09%               | 8.92%*               |

\*Rent and utilities excluded from field office rate. These costs will be directly reimbursed on contracts that require the consultant to provide field office.



### Current Department Limits on Consultant Overhead Rates

**Date:** February 2, 2018

**Subject:** Department Limits on Consultant Overhead, Direct Expense, and FCCM for unaudited rates, including interim, self-certified, and job cost accounting system review rates

The Department will cap unaudited rates, including interim reimbursement rates, self-certified reimbursement rates, and job cost accounting system review reimbursement rates submitted by consultant firms for use on professional services contacts.

Based on the latest review of the three previous years of overhead audit statements submitted by qualified professional services consultants, the resulting limits are established as follows:

|  |         |
|--|---------|
| Home Office Overhead (Home Office Indirect Rate)   | 167.77% |
| Field Office Overhead (Field Office Indirect Rate) | 121.38% |
| FCCM   | 0.396%  |
| Home Office/Direct Expense Rate                    | 8.72%   |
| Field Office/Direct Expense Rate                   | 12.35%  |

**Resources:** <http://www.fdot.gov/procurement/pdf/Changes%20to%20Overhead%20Audit.pdf>  
<http://www.fdot.gov/procurement/Negotiations.shtm>, Attachment D

## Facilities Capital Cost of Money Rate (FCCM)

Alternate names: FCCM

**Definition:** costs associated with a consultant's investment in fixed assets.

**Negotiable:** **NO.** Audited rate updated on an annual basis in accordance with the consultant's annual accounting period and in compliance with Federal cost principles. Self-audited rates may be obtained from the FDOT Procurement Office and are also updated annually as applicable. Voluntary reductions offered by the consultant are allowed but must not be requested by the local agency.

**Verification:** Agency shall use rates established by the FDOT Procurement Office, an independent Certified Public Accountant, or a cognizant agency for the current year. Audited rates are provided on the FDOT Prequalification Letter and the letter must be used to verify when FDOT Procurement Office has established rates. Self-Certified rates are also provided by FDOT, via the FDOT Prequalification Letter for Prequalified firms, or in an alternate format, as applicable, for non-professional services firms.

**Samples:**

Your firm is now technically prequalified with the Department for Professional Services in the above referenced work types. The overhead audit has been accepted, and your firm may pursue in the referenced work types with feeds of any dollar amount. This status shall be valid until June 30,2019, for contracting purposes.

| Approved Rates       |                |                                  |                  |                           |                     |                      |
|----------------------|----------------|----------------------------------|------------------|---------------------------|---------------------|----------------------|
| Home/Branch Overhead | Field Overhead | Facilities Capital Cost of Money | Premium Overtime | Reimburse Actual Expenses | Home Direct Expense | Field Direct Expense |
| 151.52%              | 122.38%        | 0.317%                           | Reimbursed       | No                        | 3.09%               | 8.92%*               |

\*Rent and utilities excluded from field office rate. These costs will be directly reimbursed on contracts that require the consultant to provide field office.

Current Department Limits on Consultant Overhead Rates

**Date:** February 2, 2018

**Subject:** Department Limits on Consultant Overhead, Direct Expense, and FCCM for unaudited rates, including interim, self-certified, and job cost accounting system review rates

The Department will cap unaudited rates, including interim reimbursement rates, self-certified reimbursement rates, and job cost accounting system review reimbursement rates submitted by consultant firms for use on professional services contracts.

Based on the latest review of the three previous years of overhead audit statements submitted by qualified professional services consultants, the resulting limits are established as follows:

|  |         |
|--|---------|
| Home Office Overhead (Home Office Indirect Rate)   | 167.77% |
| Field Office Overhead (Field Office Indirect Rate) | 121.38% |
| FCCM   | 0.396%  |
| Home Office/Direct Expense Rate                    | 8.72%   |
| Field Office/Direct Expense Rate                   | 12.35%  |

**Resources:** <http://www.fdot.gov/procurement/Negotiations.shtm>, Attachment D

## Direct Expense (DE) Rates

Alternate names: direct cost rate, home office expense rate, field office expense rate

Definition: costs that are calculated on a ratio of direct expenses to actual direct labor for both a home office location and a field office location.

Negotiable: **NO.** Direct expense rate is updated on an annual basis in accordance with the consultant's annual accounting period and in compliance with Federal cost principles. Self-audited rates may be obtained from the FDOT Procurement Office and are also updated annually as applicable. Voluntary reductions offered by the consultant are allowed but must not be requested by the local agency. A local reimburses direct costs or applies the direct expense rate to the contract; not both.

Verification: Agency shall use rates established by the FDOT Procurement Office, an independent Certified Public Accountant, or a cognizant agency for the current year. Audited rates are provided on the FDOT Prequalification Letter and the letter must be used to verify when FDOT Procurement Office has established rates. Self-Certified rates are also provided by FDOT, via the FDOT Prequalification Letter for Prequalified firms, or in an alternate format, as applicable, for non-professional services firms.

### Samples:

Your firm is now technically prequalified with the Department for Professional Services in the above referenced work types. The overhead audit has been accepted, and your firm may pursue in the referenced work types with fees of any dollar amount. This status shall be valid until June 30, 2019, for contracting purposes.

| Approved Rates       |                |                                  |                  |                           |                     |                      |
|----------------------|----------------|----------------------------------|------------------|---------------------------|---------------------|----------------------|
| Home/Branch Overhead | Field Overhead | Facilities Capital Cost of Money | Premium Overtime | Reimburse Actual Expenses | Home Direct Expense | Field Direct Expense |
| 151.52%              | 122.38%        | 0.317%                           | Reimbursed       | No                        | 3.09%               | 8.92%*               |

\*Rent and utilities excluded from field office rate. These costs will be directly reimbursed on contracts that require the consultant to provide field office.

Current Department Limits on Consultant Overhead Rates

**Date:** February 2, 2018

**Subject:** Department Limits on Consultant Overhead, Direct Expense, and FCCM for unaudited rates, including interim, self-certified, and job cost accounting system review rates

The Department will cap unaudited rates, including interim reimbursement rates, self-certified reimbursement rates, and job cost accounting system review reimbursement rates submitted by consultant firms for use on professional services contracts.

Based on the latest review of the three previous years of overhead audit statement submitted by qualified professional services consultant, the resulting limits are established as follows:

|  |         |
|--|---------|
| Home Office Overhead (Home Office Indirect Rate)   | 167.77% |
| Field Office Overhead (Field Office Indirect Rate) | 121.38% |
| FCCM   | 0.396%  |
| Home Office/Direct Expense Rate                    | 8.72%   |
| Field Office/Direct Expense Rate                   | 12.35%  |

**Resources:** <http://www.fdot.gov/procurement/pdf/Changes%20to%20Overhead%20Audit.pdf>  
<http://www.fdot.gov/procurement/Negotiations.shtm>, Attachment D

## Direct Expenses

Alternate names: actual expenses, expenses

Definition: direct project costs related to performance of the services under a professional services contract (i.e. photocopies, travel, postage, etc.)

Negotiable: Not applicable. A local reimburses direct costs or applies the direct expense rate to the contract; not both.

Verification: review of paid invoices or receipts that reflect the actual cost or price paid by the consultant for an item. A contracting agency shall use the Federal cost principles in determining the reasonableness, allowability, and allocability of direct contract costs as set forth in 48 CFR 1.

Variations:

- A local may reimburse for direct expenses that the department does not.
- The department generally reimburses for travel costs under a direct expense rate, unless the firm doesn't have an audited direct expense rate.
- The department does not reimburse consultants who have an audited direct expense rate for actual expenses.

Samples:

| Non-Personnel Reimbursable Expenses and Costs   |                     |
|---|---------------------|
| Consultant or Sub-Consultant Name _____<br>(Separate Attachment No. 2 should be included for each SUB-CONSULTANT) |                     |
| Item  | Basis of Charge     |
| Telephone (Long Distance)   | Actual Cost         |
| Other Communications  | Actual Cost         |
| Postage   | Actual Cost         |
| Shipping Material   | Actual Cost         |
| Commercial Air Travel   | Actual Cost (Coach) |
| Automobile and Truck Travel   | NTE \$0.44.5/Mile   |
| Lodging (per person) Actual expense up to maximum \$80  | NTE \$80.00/Night   |
| Meals - breakfast   | NTE \$6.00          |
| Meals - lunch   | NTE \$11.00         |
| Meals - dinner  | NTE \$19.00         |
| Reproduction - photocopy  | \$0.20/page         |
| Reproduction - blue/white prints  | \$0.20/Sq. Ft.      |
| Printing  | Actual Cost         |
| Binding   | Actual Cost         |
| Mylar Sheets  | \$1.10/Sq. Ft.      |
| Photographic Supplies and Services  | Actual Cost         |

Resources:

[www.myfloridacfo.com/Division/AA/Manuals/documents/ReferenceGuideforStateExpenditures.pdf](http://www.myfloridacfo.com/Division/AA/Manuals/documents/ReferenceGuideforStateExpenditures.pdf)  
and Department of Financial Services Attachment F to the LAP Agreement

## Fixed Fee (FF)

Alternate names: operating margin (OM), profit margin, profit, markup

Definition: compensates consultants a reasonable fee for normal business expenses that are excluded from allowable overhead by Federal regulation (i.e. advertising, interest, etc.). May not exceed 15 percent of the total direct labor and indirect (overhead rate) costs of the contract without concurrence from FHWA. Justification is required to request FHWA review. The formula for calculating fixed fee using this method is  $\{(Direct\ Labor\ Rate + Overhead) \times Fixed\ Fee\ multiplier\}$ .

Negotiable: YES. Fixed fee must be negotiated for each unique contract or task order award. Fixed fee is determined through the consideration of scope, complexity, contract duration, degree of risk borne by consultant, amount of subcontracting, and professional nature of the services as well as the size and type of contract. Standard formulas may not be used to calculate the percentage to be applied. Fixed fee is primarily based on cost control efforts.

Verification: A contracting agency shall use the Federal cost principles in determining the reasonableness, allowability, and allocability of indirect contract costs as set forth in 48 CFR 1.

Variations:

- The department method allows operating margin from 12 to 42 percent as shown below, but the formula for calculating is only applied to direct labor rates. Use the Calculating Fee Mock Up resource to calculate operating margin on the direct labor rates.

| Operating Margin Percentage Calculation for Direct Salaries |                     |
|---|---------------------|
| Criteria  | Range of Percentage |
| Project Complexity  | 5% to 7%            |
| Degree of Risk (Financial)                                  | 3% to 5%            |
| Project Schedule  | 1% to 3%            |
| Cost Control Effects  | 3% to 27%           |
| <b>TOTAL</b>  | <b>12% to 42%</b>   |

- A contract may have different operating margin percentages for home and field office rates. Operating margin is **primarily** based on cost control efforts. It may be that the cost elements for the home office (i.e., overhead, direct expense, direct labor rates) are more reasonable than the cost elements of the field office when considered in total and as compared to the averages and would account for awarding a slightly higher operating margin for field. The opposite may also occur.

Resources: [FDOT Form No. 375-030-82 Operating Margin Justification](#); [LAP Calculating Fee Mock Up](#); [LAP Calculating Fee Mock Up How To Guide](#)

### Loaded Rates

Alternate names: fully loaded rates, loaded rates, burdened rates, specific rates of compensation

Definition: loaded rates are calculated by multiplying the direct wage rates by the contract multipliers. Most common method found in LAP is where the agency derives the overall multiplier from adding together the indirect rates {Multiplier = (DL + OH + FCCM + DE + FF) x 0.01}. This method does not include indirect rates in the calculation of the fixed fee and therefore the fixed fee may exceed 15%. Examples of all three methods including the LAP common, the Department’s and the FHWA methods may be found in the “Calculating Fee Mock Up” resource.

| Approved Rates       |                |                                  |                  |                           |                     |                      |
|----------------------|----------------|----------------------------------|------------------|---------------------------|---------------------|----------------------|
| Home/Branch Overhead | Field Overhead | Facilities Capital Cost of Money | Premium Overtime | Reimburse Actual Expenses | Home Direct Expense | Field Direct Expense |
| 151.52%              | 122.38%        | 0.317%                           | Reimbursed       | No                        | 3.09%               | 8.92%*               |

\*Rent and utilities excluded from field office rate. These costs will be directly reimbursed on contracts that require the consultant to provide field office.

The rates shown above would translate as follows: (Direct Labor = 100%) + [OH (Home Office) = 151.52%] + (FCCM = 0.317%) + [DE (Home) = 3.09%] + (FF = 10%) = (Total Multiplier = 2.64927)

Negotiable: **NO**. See definition above.

Verification: contract includes fee summary or work effort estimate of raw rates, indirect rates, multiplier, and loaded rates.

Samples:

|                                     |  |   |                         |  |                     |                     |
|-------------------------------------|--|---|-------------------------|--|---------------------|---------------------|
| <b>Salary Related Costs:</b>        |  |   |                         |  | <b>\$123,650.68</b> |                     |
| <b>Overhead</b>                     |  |   |                         |  | <b>185.74%</b>      | <b>\$229,668.77</b> |
| <b>Operating Margin</b>             |  |   |                         |  | <b>12.28%</b>       | <b>\$15,184.30</b>  |
| <b>FCCM</b>                         |  |   |                         |  | <b>0.482%</b>       | <b>\$596.00</b>     |
| <b>Expenses</b>                     |  |   |                         |  | <b>8.56%</b>        | <b>\$10,584.50</b>  |
| <b>Survey (Field - if by Prime)</b> |  | 0 | 4-person crew<br>Days @ |  | \$ /day             | \$0.00              |
| <b>SUBTOTAL ESTIMATE FEE</b>        |  |   |                         |  |                     | <b>\$379,684.25</b> |

Resources: [LAP Calculating Fee Mock Up](#); [LAP Calculating Fee Mock Up How To Guide](#)



## What is Capping?

Alternate names: cap, limitation, de facto ceiling, administrative ceiling

Definition: imposed limit or reduction of contract costs. Impositions may occur on individual cost elements (i.e. direct rate of one employee or one indirect cost rate) or to the total contract cost.

Variations:

- A local agency forces or requests a consultant to accept a lower direct wage rate than is reflected on the employees' payroll registers.
- A local agency forces a consultant to accept lower indirect cost rate(s) or multiplier(s) than provided in their consultant audit package.
- A local imposes a limiting amount or administrative ceiling on the fixed fee or operating margin. Common wording found in audits: "This contract award is subject to a maximum 10% for administrative costs."
- A local agency limits or caps the negotiations by imposing an overall contract ceiling that matches available FDOT funding levels. Common example found in audits: the costs found in the final contract match the LAP Agreement Exhibit B to the dollar.
- A consultant's offer of a lower indirect cost rate is a condition of award or qualification to be considered for the work of contract award.
- Direct wages cannot be capped based on "averages", "FDOT rates", or the "75th percentile". Common key words to look for include: "The city used average wage rates for positions based on prior City contracts." Or "The city used the consultant's FDOT rates for the contract."

## Consultant Fee Schedules

Alternate names: standard fees, published fee schedule, fee schedule, pay items

Definition: list of pay items for defined services measured in unit prices; each consultant firm publishes a unique fee schedule of prices for the services.

Negotiable: **YES**. Prices for services listed in the consultant's published fee schedule may be negotiated. Information on Geotechnical and Materials Testing Pay Items are available in an internet report and a complete listing of each pay item can be referenced in the Negotiations Handbook, Attachment L.

### Fee Schedule, 2017

| Item # | Item Description   | Unit | Unit Price |
|--------|--|------|------------|
| 212    | Asphalt Pavement Coring - 6" dia without Base Depth Check  | Each | \$100.00   |
| 305    | Concrete Pavement Coring - 4" dia                          | Each | \$108.00   |
| 401    | Geo Auger Borings - Hand and Truck/Mud Bug                 | Foot | \$11.00    |
| 402    | Geo Auger Borings - Track                                  | Foot | \$14.00    |
| 413    | Geo Crosshole Sonic Logging (CSL) - Equipment              | Each | \$2,000.00 |
| 415    | Geo Double Ring Infiltration (ASTM D3385)                  | Each | \$440.00   |
| 418    | Geo Drill Crew Support Vehicle                             | Each | \$160.00   |
| 419    | Geo Drilling Crew 2-Person                                 | Hour | \$150.00   |
| 421    | Geo Dynamic Pile Testing/Pile Driving Analysis - Equipment | Day  | \$2,900.00 |

## Documenting Negotiations

### Authorities:

- Chapter 286.0113, Florida Statutes provides that negotiations meetings may be exempt. A complete recording shall be made of any portion of an exempt meeting.
- Reference 23 CFR 172.7(a)(1)(v)(E) requires documenting negotiation activities and resources.

### Variations:

- Common formats for records: audio recordings, video recordings, typed meeting minutes, hand written meeting minutes, copies of emails, records of telephone calls, etc.
- Records must be retained 5 years (or longer per F.S.).
- The agency is expected to maintain complete records and those records must be accessible and available to auditors upon request.
- Types of records or documentation applicable to the negotiations proceedings are solely in the purview of that agency's general counsel. The department does not provide legal advice or make recommendations on compliance with Florida public records laws.

## Negotiations Verification and Concurrence

The following statements also appear in the LAP Professional Services Checklist and must be verified by the Local Agency and District prior to providing concurrence to award the contract. The information serves to document the negotiations process identified in the flow chart was followed by the agency per regulations. Any responses in contradiction to the flow chart should be followed up on to ensure compliance prior to contract award. The District will request the Local Agency confirms the following statements are true by signing the Checklist. If the Checklist is not ready for final execution, the District may request the assurances by email prior to contract concurrence.

*Please confirm the following statements are accurate regarding the professional services contract negotiations conducted by <insert local name> for <insert project number/description> by responding to this email communication.*

- *The <insert local name> verified direct wages of consultant and subconsultant personnel for each job classification identified.*
- *The <insert local name> accepted overhead rates for home or field as evidenced by consultant and subconsultant audit packages.*
- *The <insert local name> accepted the FCCM Rates as evidenced in the consultant and subconsultant audit packages.*
- *The <insert local name> accepted the direct expense rate as evidenced by the consultant and subconsultant audit packages.*
- *The <insert local name> will reimburse for direct expenses related to the contract deliverables.*
- *The <insert local name> negotiated a fixed fee of 15% or less of the total direct labor and indirect costs on the contract.*
- *The <insert local name> documented/recorded negotiations activities in the project file.*

## Quality Assurance Monitoring and Reviews

District Local Programs Responsibility: Document District staff concurrence points in the negotiations process. Review or request assistance when a local agency provides information that appears contradictory to the flow chart, definitions, or regulations. Report project specific monitoring requirements based on risk to Central Office to include in annual compliance reviews.

District Procurement Responsibility: Provide technical assistance with documentation reviews for compliance upon request by the District Local Programs staff.

Central Office Local Programs Responsibility: Provide assistance with documentation reviews for compliance upon request from District staff. Coordinate as needed with State Procurement Office and FHWA on compliance review requests by the Districts. Lead annual compliance reviews of a minimum of 10% of new professional services procurements for LAP projects. Reviews may be performed pre- or post- contract award. Perform project specific monitoring reviews of negotiations documentation as required by District monitoring plans. Coordinate and provide training to the Districts and local agencies as needed.

Central Office Procurement Responsibility: Provide technical assistance with documentation reviews and compliance reviews as needed. Provide information to the Local Agency on subconsultant self-certifications if previously performed/available.