



Capital Contracting Office

New Hourly Rate Review Process

City of Austin – Capital Contracting Office (CCO)
Tel. (512) 974-7026

January 14, 2016

Agenda

- Purpose of New Hourly Rate Review**
- Hourly Rate Review Process**
- Loaded Hourly Rate Composition**
- Implementation Schedule**
- Next Steps and Questions**

Purpose of Hourly Rate Review Enhancements

- ❑ **To ensure the City pays a fair and reasonable price for professional and consulting services.** *(Source: Texas Government Code Title 10, Subtitle F, Chapter 2254: PROFESSIONAL AND CONSULTING SERVICES Sec. 2254.003)*

- ❑ **To provide consistency in the rate review process.**
 - Reduce work and time commitment.
 - Expedite the contract execution phase.

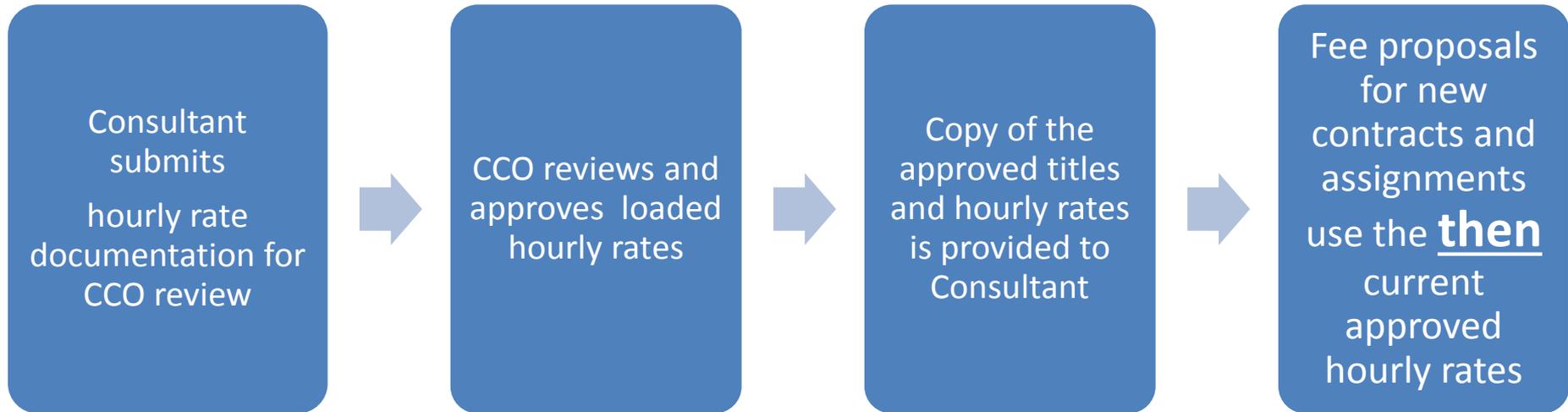
- ❑ **To minimize the number of Supplemental Amendments (SAs) that need to be executed on contracts.**

Hourly Rate Review Process

□ **Key Change to Hourly Rate Review Process:**

- Current Process – Hourly rates are negotiated for each Consultant and Subconsultant for EACH contract awarded.
- New Process – Hourly rates will be negotiated for each Consultant and Subconsultant on an annual basis to be used for every contract or proposal.

Hourly Rate Review Process



Example Contract Process Using New Process

February 2016 – New Professional Services Agreement (PSA) for Preliminary Phase Services only

- Proposal uses “current” Feb 2016 Hourly Rates
- Feb 2016 rates remain in effect through completion of Preliminary Phase services included in the PSA

July 2016 – Supplemental Amendment (SA) for Design Phase Services

- Unless new titles are needed, use “current” Feb 2016 rates in the proposal
- Rates remain in effect for the duration of Design Phase work

April 2017 – SA for Additional Design Phase Services

- Proposal for additional services negotiated with the then “current” Feb 2017 rates
- Rates remain in effect through completion of additional services work

February 2016 Hourly Rates are reviewed and approved using the new process

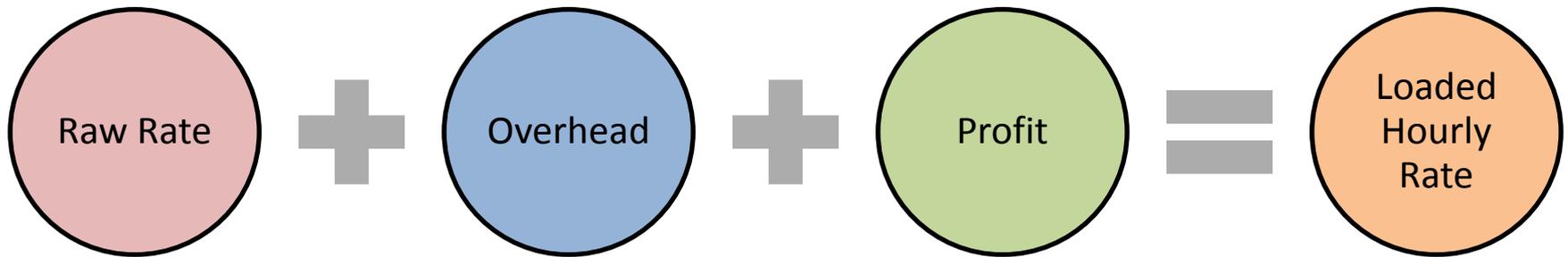
- Once approved, these become the “current” rates
- “Current” Feb 2016 hourly rates are used in proposals during the next 12 months - for both Project and other contracts

February 2017 – Anniversary of Hourly Rates approval.

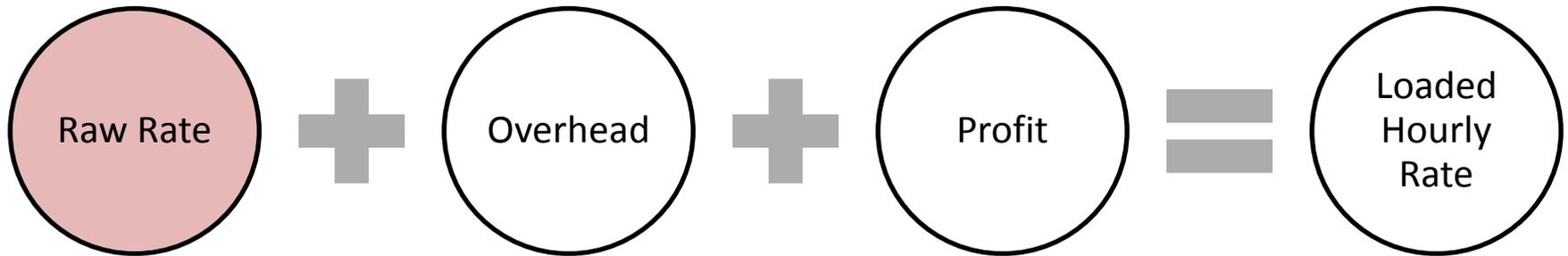
- CCO will send a reminder 45 days before renewal date
- Prior to anniversary of rates approval, Consultant submits updated documentation for renewal
- Upon approval, the Feb 2017 Rates become the then “current” rates and are used in all new proposals

Hourly Rates Review

Composition of Loaded Hourly Rate



Raw Hourly Rate



Rates for Key Personnel

- ❑ “Key Personnel” means those individuals evaluated in the Statement of Qualifications (SOQ) and named by the Consultant. They will continue to be named in each contract/assignment (i.e. Project Principal, Project Manager and /or Project Professional [Engineer or Architect]).
 - “Key Personnel” rates will be reviewed and approved annually per individual (per role), not per Standard Title process as used for “Other Personnel”.
- ❑ The Subconsultant’s Principal will be considered “Key Personnel” for the contract.
 - Other personnel of Subconsultants, including Project Managers and Project Professionals , will be classified as “Other Personnel” unless identified and evaluated as the Key Project Manager or Project Professional for the team.
- ❑ Uniquely qualified individuals will be considered “Key Personnel” (*i.e. Nationally recognized bridge expert conducting QA/QC reviews on a bridge rehabilitation project*).

FAIR AND REASONABLE

Rates for Other Personnel

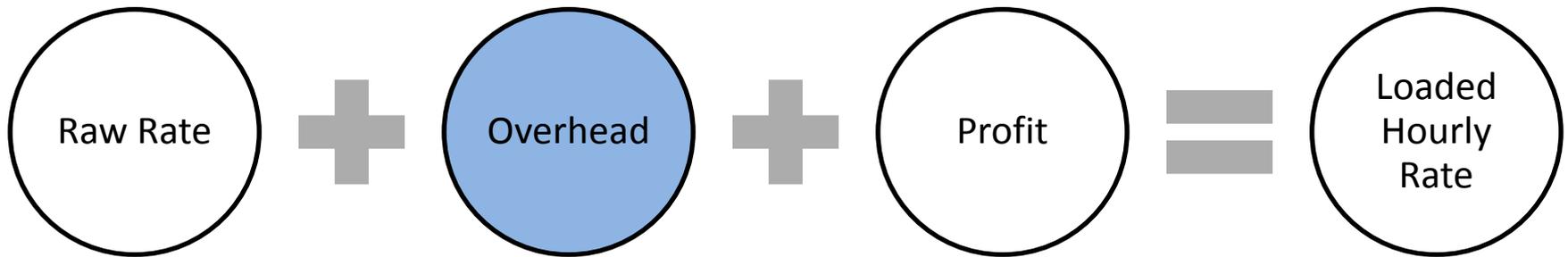
- ❑ City has established a schedule of Standard Titles based on industry research and City of Austin data.
- ❑ All “Other Personnel” will now be listed by Standard Title and will not be individually named in the contract.
- ❑ Consultant/Subconsultants will propose a raw hourly rate for each Standard Title utilized by their firm.
 - Staff must meet the minimum qualifications to bill at that title.
 - Consultant can request new Standard Title if a specific title is not available.
 - Consultant must provide justification to support titles used.
- ❑ Raw rate information will be stored in an internal database for use by CCO Staff.
- ❑ Standard Titles can be found at: <http://www.austintexas.gov/department/contract-development-administration-division>

Example OF CCO's Standard Titles

Professional Engineer – Professional Engineer (P.E.) License required. Under general supervision and using moderate latitude for independent judgment, perform routine engineering work that includes: designing, planning, overseeing work in support of construction, maintenance, alteration of structures, facilities, processes, equipment, and systems.

<ul style="list-style-type: none"> • Professional Engineer I (4+) 	<p>P.E. License required. Graduation from an accredited four-year college or university with major course work in engineering, plus 4+ years of engineering work experience acquired either before or after licensing as a P.E.</p>
<ul style="list-style-type: none"> • Professional Engineer II (8+) 	<p>P.E. License required. Graduation from an accredited four-year college or university with major course work in engineering, plus 8+ years of engineering work experience acquired either before or after licensing as a P.E.</p>
<ul style="list-style-type: none"> • Professional Engineer III (10+) 	<p>P.E. License required. Graduation from an accredited four-year college or university with major course work in engineering, plus 10+ years of engineering work experience acquired either before or after licensing as a P.E.</p>
<ul style="list-style-type: none"> • Professional Engineer IV (15+) 	<p>P.E. License required. Graduation from an accredited four-year college or university with major course work in engineering, plus 15+ years of engineering work experience acquired either before or after licensing as a P.E.</p>
<ul style="list-style-type: none"> • Professional Engineer V (20+) 	<p>P.E. License required. Graduation from an accredited four-year college or university with major course work in engineering, plus 20+ years of engineering work experience acquired either before or after licensing as a P.E.</p>
<ul style="list-style-type: none"> • Professional Engineer VI (25+) 	<p>P.E. License required. Graduation from an accredited four-year college or university with major course work in engineering, plus 25+ years of engineering work experience acquired either before or after licensing as a P.E.</p>

Overhead

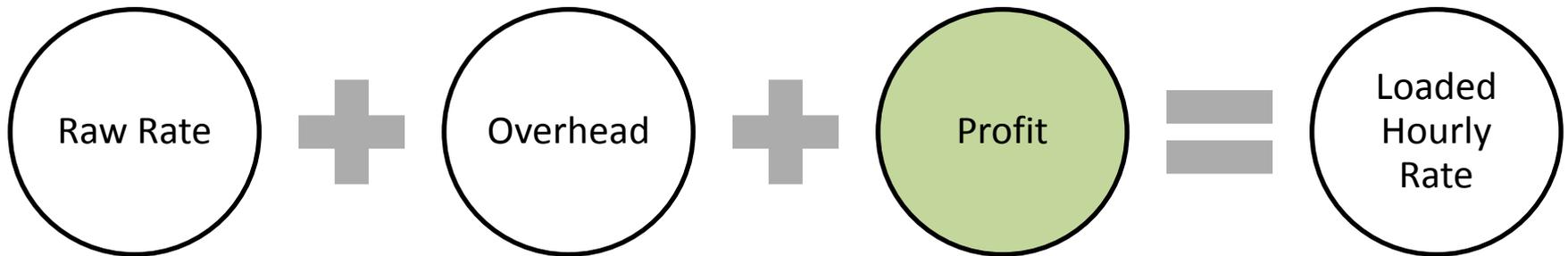


Documentation of Overhead Rate

- ❑ **CCO Requires Documentation to Support the Consultant's Overhead. There are several ways that the Consultant can satisfy this requirement:**
 - The CCO requires that the Consultant provide (if available):
 - an audited overhead in compliance with *Federal Acquisition Regulations (FAR) Part 31 - Contract Cost Principles and Procedures* within the prior year; or
 - a Texas Department of Transportation (TX DOT) approved Schedule of Indirect Costs within the prior year.
 - If the Consultant does not have required information listed above:
 - Consultant prepares and submits a signed Statement of Overhead Rate.
 - In the future, the City will pursue establishing a default overhead rate program similar to TXDOT (based on COA Data).

Profit

If we are looking at rates per firm (rather than per contract)
how do we know what is fair and reasonable?



Proposed High and Low Profit Percentages

☐ Consultant will:

- propose profit risk based on degree of cost responsibility.
- provide proposed high risk and low risk profit percentage resulting in two loaded hourly rates for each title.
- provide valid justification when requesting the use of high risk percentage.

☐ City PMs will review the request, and approve which projects or assignments can use the high risk profit hourly rate.

☐ All projects or assignments will use the low risk profit hourly rate unless projects or assignments meet the high risk criteria.

Composition of Low Risk and High Risk Profit

□ CCO's Profit Determination:

▪ Low Risk:

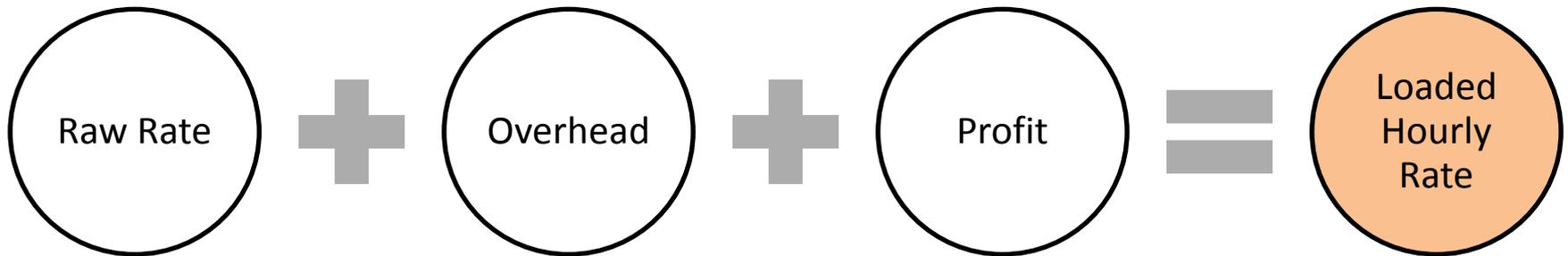
- Loaded hourly rate proposal and assignment in every case is low risk.
- Stipulated sum proposal together with short duration (less than 2 years) and low complexity (routine) is low risk.

▪ High Risk:

- Stipulated sum proposal with either high complexity or long duration is high risk.
- Justified basis for high risk by Consultant which is confirmed by City's Project Manager.

Loaded Hourly Rate

Consultants will provide each piece of information below for City review and approval and a Loaded Hourly Rate Sheet will be included in the approved proposal.



City of Austin
 Capital Contracting Office
 REQUEST FOR TITLE AND HOURLY RATE APPROVAL FORM

Please complete and return this form to: name of contract developer @austintexas.gov			
Name of Firm:		Date Submitted:	
Contact Person Name & Title:		Contact Person Phone & Email:	

Titles/Minimum Qualifications* (Choose from City of Austin Standard Titles)	Raw Rate (A)	Overhead Rate ____% (B) (C)	High Risk Profit ____% (D) (E)	Low Risk Profit ____% (F) (G)	High Loaded Hourly Rate (H)	Low Loaded Hourly Rate (I)	Comments

A –Raw Rate determined by consultant; **C** -Overhead calculated [A x B = C]; **E**-High Profit [(A+ C) x D = E]; **G** - Low Profit [(A+C) x F = G]; **H** –High Loaded Hourly Rate [A +C + E = H] **I** – Low Loaded Hourly Rate [A +C + G = I]

NOTE: The information you provide will be used to negotiate your loaded hourly rates. Once approved, the loaded hourly rates are included in respective contracts, proposals or assignments. The raw rates, overhead and profit are not included in the contract; however, they are subject to Public Information Requests. If we receive a request for your information, we will send the request to the Attorney General’s Office for their determination. You would be notified if this happens and given an opportunity to send a letter stating why your information should be withheld.

The City may request additional information, and audit documentation provided by the consultant, to verify titles, job descriptions, raw rates and overhead.

Implementation Schedule of New Process

- ❑ **Implementation begins with new contracts authorized by City Council on January 28, 2016.**

- ❑ **In order to stagger the review process on existing contracts:**
 - New hourly rate reviews for all Consultants will be required with any new contract awarded after January 28, 2016.

 - On existing contracts executed prior to the new process implementation, Consultants will have the opportunity to opt-in to the new hourly rate process if contract amendments are required or for new assignments on an existing Rotation List.
 - This will require revising the base contract terms.

- ❑ **Otherwise, existing contract terms will prevail.**

Next Steps / Questions

- New hourly rate language will be included in all new contracts awarded after the implementation date of January 28, 2016 and for any contract that chooses to “opt in” as previously described.**
- CCO will be developing new Standard Titles as new contracts and assignments are being processed and executed.**

Questions?