

## **On-Call Construction Inspection/Surveying Cost Proposal Instructions 7/12/2018**

These Cost Proposal Instructions are for the updated On-Call Construction Inspection/Surveying Cost Proposal templates posted to the Division of Procurement and Contract (DPAC) internet website. The revised Cost Proposal templates and accompanying instructions were developed by DPAC to provide a format to identify the basis for any required adjustments to employees' rates. One of the main purposes of the Cost Proposal is to establish the proper **Loaded Hourly Billing Rates** to pay the Consultants' staff when working on prevailing wage and non-prevailing wage tasks.

Consultants must select the appropriate Cost Proposal template from DPAC's internet website, and with these instructions, prepare its Cost Proposal for submission to DPAC. The goal is for Consultants to submit complete and accurate Cost Proposals; Cost Proposals that are ultimately reviewed by the Independent Office of Audits and Investigations (A&I) during the Financial Document Review process during the contract negotiation phase. Personnel may be added after contract execution and throughout the life of a contract. The Caltrans Contract Manager should use this cost proposal and instructions to evaluate the rates for added staff, if any.

In most all cases, construction inspection and surveying scope A&E contracts will require prevailing wage rates for tasks performed; these will be reflected on the labor Cost Proposals (Attachment 2). Prevailing wages must be paid to the Consultants' employees who perform work on public works projects. The General Prevailing Wage Determinations (rates) are set by the Director of the State Department of Industrial Relations (DIR). The base salary and fringe benefits for prevailing wages are defined for crafts and trades positions. By law, Consultants must pay both the base salary and fringe benefits to the employees, which includes straight time and overtime rates, regardless of an employee's status as exempt (salaried) or non-exempt (hourly).

### **Summary of Cost Proposal Changes and New Requirements:**

1. Three (3) separate cost proposal templates are now available for consultants, based on the consultants' accounting practices (Direct Labor, Indirect Labor, or Other Direct Cost).
2. Formulas have been updated in the cost proposal template for the Direct Labor accounting methodology. The new formula allows the full multiplier on all Deltas and Premium Overtime.
3. Instructions have been embedded in comment form throughout the Cost Proposal templates to guide preparers. This document is intended to compliment the instructions included in the cost proposal templates. For example, instructions are provided on how to handle known (at the time the RFQ/RFP is advertised) predetermined increases, even though the allocation of the increase (between base and fringe) is not yet known.
4. The Prevailing Wage Determination's Effective and Expiration dates must be provided.

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5. All Consultants (Prime and Subconsultants) must now include their Tax Identification Number (or the last 4 digits of a social security number) on their respective Cost Proposal in the designated area.
6. A Consultant's Project Specific (PS) Overhead (OH) rate is now required to be included when a PS OH rate is applicable, given the scope of work and how the Consultants' employees will be utilized on the contract. This requirement is not limited to Primes only; Subconsultants must provide a PS OH rate, if applicable.
7. A designated area is available for Consultants to identify their Facilities Capitol Cost of Money (FCCM) rate if they choose to propose their rate for billing purposes.
8. More information is required from consultants in Column A – Name and Work Information, for each employee named on the Cost Proposal. For example:
  - The number of certifications should be identified, as required by the RFQ/RFP instructions.
  - The Prevailing Wage "Group Number" associated with the role the employee will perform on the project must be identified (i.e., Construction Inspector, **Group 2**).
  - Each employee must be designated as either Full Time, Part Time or Contract Employee.

### **Preparing Cost Proposals**

When a Consultant prepares its Cost Proposal, the General Prevailing Wage Determination number should be identified and should support the basis for the job classifications included, as well as the Base Salary and Fringe Benefits. The DPAC A&E Coordinator, with the Caltrans Contract Manager's assistance if necessary, will perform a technical review of the Cost Proposal to confirm the appropriate determination number and classifications, and the required professional certifications are used by the Consultant before requesting A&I perform a Financial Document Review.

Generally, for lower paid employees, an adjustment to the compensation is necessary so the employee is paid the minimum of the Base Salary and Fringe Benefits established by the DIR. Adjustments, called **DELTAS**, may be needed. There are two **DELTAS: BASE** and **FRINGE**. Higher compensated employees whose Actual Hourly Rate may be higher than the compensation required by the DIR's base salary and fringe benefits, may not require any adjustments (**DELTAS**). In this case, there will be a "0" in the applicable **DELTA BASE** and **DELTA FRINGE** columns.

The following information is to assist with completing a Cost Proposal and to provide the logic behind the cost proposal calculations. Column numbering is at the bottom of the cost proposal to assist in following along and with understanding the description of the logic and calculations. The cost proposal will show the employee's Actual Hourly Rate (as of the date of the RFQ/RFP advertisement) in Columns 8 & 30. This is the employee's **Standard Hourly Rate** (based on 2,080 hours) paid when the employee works on a non-prevailing wage task. Refer to the **Labor** and **Uncompensated**

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**Overtime Interpretive Guidance Documents** on A&I's Internet

[Independent Office of Audits and Investigations](#) website, in the Architectural & Engineering Contracts Section.

Column 1 will have the prevailing wage base salary per the wage determination. In the Cost Proposal template, the wage determination is SD-22-63-32017-1D, with an issue date of August 22, 2017; an effective date of September 1, 2017, and an expiration date of June 30, 2018. It is important to note whether there are one or two asterisks (\* or \*\*) associated with this wage determination. In this case, there are two (\*\*) asterisks which means there is a predetermined increase of a certain amount; a rate increase that Consultants must pay to employees. In this case, the predetermined increase is known, \$2.30. Most of the time, the DIR will instruct how the increase should be allocated between **DELTAS (BASE and FRINGE)**. For this example, guidance is provided on how to handle a predetermined increase when the intended allocation is unknown when preparing a cost proposal submittal.

In the cost proposal templates, the predetermined increase was split 60-40 between **BASE** and **FRINGE**, respectively. More information about this can be found in the embedded comments included throughout the Cost Proposal template. Column 12 shows the value of the employee's actual hourly rate plus the fringe benefits amount (Column 11), when working on non- prevailing wage tasks. For prevailing wage work, Column 5 will show the value for the base salary and fringe benefits amounts (as seen on the Prevailing Wage determination).

If Column 12 - Column 5 is zero or greater than zero, then the value in Column 15 is zero. This means the employee is paid more compensation in their regular actual salary rate plus fringe benefits than the prevailing wage base salary plus prevailing wage fringe benefits. There is no increase in compensation required in this case, and the value added to the **Loaded Hourly Billing Rate** will not increase. But, this may not always be the case, when looking at the salary and fringe benefits, separately. Therefore, the cost proposal breaks down the salary and fringe benefits to individual columns so they can be looked at separately.

If Column 12 - Column 5 is less than zero (negative), the value shown in Column 15 is positive. It is shown in red text with parenthesis. This value maintains a negative value in the cost proposal computations, yet is turned into a positive value in the calculations. Meaning, the compensation needs to be adjusted (increased), and the **Loaded Hourly Billing Rates (Columns 24 to 26)**, will be increased to compensate for the short fall.

The same logic applies to the fringe benefits for the employee. Column 4 shows the fringe benefit for prevailing wages conditions and is directly from the DIR determination. Column 11 is for the employees' actual fringe benefits amount, provided by the Consultant's accounting personnel. The Consultant's calculated value is placed in Column 11.

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If Column 11 - Column 4 is zero or greater than zero, there is no increase in compensation and a zero is placed in Column 21.

If Column 11 – Column 4 is less than zero (negative), the value shown in Column 21 is positive. It is shown in red text with parenthesis. This value maintains a negative value in the cost proposal computations and is turned into a positive value in the calculations. Meaning, the compensation needs to be adjusted (increased), and the **Loaded Hourly Billing Rates (Columns 24 to 26)**, will be increased to compensate for the short fall.

The rule of thumb for the cost proposal is to increase compensation when the employee's actual hourly and/or fringe benefits are **less than** those required by the prevailing wage determination. If an employee's actual hourly and fringe benefits combined are **greater than** the DIR determination, then no increase is made since the employee is already being paid more than what the DIR determination requires.

The cost proposal calculations are in the hidden columns and reported in Columns 15, 18 and 21 for the Straight Time hourly rate calculations. Overtime hourly rates are shown in the adjacent columns.

When overtime is worked, the employee making a higher straight time hourly rate than what the DIR determination requires could now be making less than the compensation required under the DIR determination (during overtime). So, overtime calculations need to be performed for overtime hourly rates to determine if increases are required.

Column 15 is the **APPLICABLE DELTA TOTAL** (for Straight Time) and is the **APPLICABLE DELTA BASE** plus the **APPLICABLE DELTA FRINGE** (Column 18 +Column 21, respectively).

Column 18 is the **APPLICABLE DELTA BASE** (for Straight Time) and is the difference between the **Actual Hourly Rate** (Column 8) and the **Prevailing Wage Base Salary** (Column 1).

Column 21 is the **APPLICABLE DELTA FRINGE** (for Straight Time) and is **DELTA TOTAL – DELTA BASE** (Column 15 – Column 18, respectively).

The cost proposal uses the term **DELTA** for adjustments (increases) in the final compensation or **Loaded Hourly Billing Rate** columns. Again, **DELTA BASE** is the difference in the Actual Base Hourly Rate to the Base Salary from the DIR determination (Column 8 – Column 5). **DELTA FRINGE** is the difference between the Actual Fringe Benefit accrued/paid and the DIR Fringe Benefit (Column 11 – Column 4). **DELTA TOTAL** is the addition of the **DELTA BASE** and **DELTA FRINGE** (Column 15 = Column 18 + Column 21). The cost proposal may calculate the **DELTA TOTAL** differently from the equation above, yet the logic is the same. A&I, along with DPAC, are using the term “**DELTA**” and maintain that verbiage here and elsewhere in A&E contract documents.

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The Applicable Multipliers (Full, 1 and 0), will not be discussed in this write-up except that they are to be used in the final compensation calculations (**Loaded Hourly Billing Rates**). For more information on this, refer to the document, Loaded Hourly Billing Rate Calculations & Instructions, posted to the DPAC internet website. The following pages show these calculations. A&I will rule on the appropriate values for Consultants' Cost Proposals, which should be supported by each Consultants' accounting policies, records, and compensation practices. Depending on the values for the "Applicable Multipliers", the calculations will adjust the **BASE, FRINGE, or both**, in line with how the firm accounts for the **DELTAS**.

These instructions were prepared to supplement the On-Call Construction Inspection/Surveying Cost Proposal Templates posted to the DPAC internet website.

There are three (3) methods a Consultant may account for the DELTAS and Premium Overtime (Direct Labor, Indirect Labor, and Other Direct Cost). Information related to accounting methodologies and other requirements can be found in the [Caltrans Prevailing Wage Interpretive Guide](#).