

# LPA Consulting Contract Financial Review



# Purpose of this Presentation

This presentation contains financial templates and resource locations that will provide additional information in the analysis and review of consultant fee proposals.



# Topics

- Profit Matrix
- Home Office vs. Field Office Overhead Rates
- Unit Pricing
- Employment Cost Index (ECI) vs. Fixed Rate Increase



# Profit Matrix

Profit Margin Calculation
---------------------------

Base = 7.00%

	% Add On	<u>Select</u>		% Add On	<u>Select</u>	
<b>Complexity</b>				<b>Overhead</b>		
Low	0.0			>190%	0.0	
Low/Mid	0.5			>180% & <=190%	0.7	
Mid	1.0			>160% & <=180%	1.4	
Mid/High	1.5			>120% & <=160%	2.1	
High	2.0		0.00%	<=120%	2.8	
						0.00%
<b>Cost</b>				<b>Duration</b>		
>\$10,000,000	0.0			<3 years	0.0	
>\$2,000,000 & <=\$10,000,000	0.5			>=3 years & <5 years	0.3	
>\$500,000 & <=\$2,000,000	1.0			>=5 years	0.7	
<=\$500,000	1.5		0.00%			
						0.00%
					Calculated Total	7.00%

Minimum Possible Rate 7.0%

Maximum Possible Rate 14.0%



# Profit Matrix

## Profit Margin Calculation

Base = 7.00%

	% Add On	Select		% Add On	Select	
<b>Complexity</b>						
Low	0.0			>190%	0.0	
Low/Mid	0.5	1		>180% & <=190%	0.7	
Mid	1.0			>160% & <=180%	1.4	1
Mid/High	1.5			>120% & <=160%	2.1	
High	2.0		0.50%	<=120%	2.8	1.40%
<b>Cost</b>						
>\$10,000,000	0.0			<3 years	0.0	1
>\$2,000,000 & <=\$10,000,000	0.5			>=3 years & <5 years	0.3	
>\$500,000 & <=\$2,000,000	1.0			>=5 years	0.7	0.00%
<=\$500,000	1.5	1	1.50%			
					Calculated Total	10.40%

Minimum Possible Rate 7.0%

Maximum Possible Rate 14.0%



# Profit Matrix

## Complexity Level – Low:

- On-call contracts that do not include preparation of construction plans.
- Traffic Data Collection and Forecasting
- Environmental Document Preparation –CE/Section 4(f)
- Environmental Services 5.4 to 5.12
- Right of Way Plan Development
- Training
- Shop Plan Review
- Non-bridge inspection services
- Bridge Load Capacity Rating and other Bridge Analysis/Testing
- Operational staffing (such as for TMC dispatch)
- Assistance Program Services



# Profit Matrix

## Complexity Level - Low/Mid:

- On-call contracts that include preparation of construction plans.
- Construction Inspection
- Systems Planning
- Non-Complex Traffic Capacity and Operations Analysis
- Non-Complex Roadway Design
- Level 1 Bridge (inspection and design)
- Topographic Survey Data Collection
- Traffic Design 10.1 to 10.6
- Subsurface Utility Engineering



# Profit Matrix

## Complexity Level – Mid:

- Environmental Document Preparation -EA
- Traffic Safety Analysis
- Studies requiring special expertise.





# Profit Matrix

## Complexity Level - Mid/High:

- Level 2 bridge (inspection and design)
- Complex Traffic Capacity and Operations Analysis
- Complex Roadway Design



# Profit Matrix

## Complexity Level - High:

- Environmental Document Preparation -EIS
- Multilevel interchange design
- Level 3 bridge (inspection and design)



# Home Office vs. Field Office Overhead Rates

- Look for opportunities to apply Field Office Overhead Rates. Costs can be substantially lowered. Request from the consultant a copy of their most recent pre-qualification letter for approved overhead rates.
- Inspection services often lend themselves to field rates.
- Here are a couple of examples of the home office vs. field office rates submitted recently by our consultants:
  - Home Office 147.90% vs. Field Office 107.48%
  - Home Office 160.88% vs. Field Office 121.51%



# Unit Pricing

- Many LPA contracts contain work that have Unit Price elements.
- Refer to the Consultant web page for detailed INDOT approved unit price information on specific consultant services.
- Watch for consultant “management fees” associated with unit price services. They are negotiable fees.



# ECI vs. Fixed Rate Increases

- The Employment Cost Index should be used to determine consultant rate increases on multi-year contracts.
- Refer to the Consultant web page for more information on ECI contract language.
- Watch for automatic 4% billing rate adjustments common with negotiable billing rate contracts.



# Analysis Resources

## Unit Prices

- <http://www.in.gov/indot/div/consultants/real-estate-fee-schedules.htm>

## Profit Matrix

- <http://www.in.gov/indot/files/ProfitMatrix.pdf>
- <http://www.in.gov/indot/files/ComplexityLevels.pdf>
- <http://www.in.gov/indot/files/ProfitMatrixAppGuidelines.pdf>





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- [Consultant Prequalification Manual](#) (updated 3/9/10)
- [Consultant Prequalification Process - Web-based training module](#)
- [List of Prequalified Consultants](#)
- [DBE Sub-Consultants Not Requiring Prequalification](#)
- [Audit Information](#)

Submit questions regarding Consultant Prequalification to [ConsultantPreQualification@indot.in.gov](mailto:ConsultantPreQualification@indot.in.gov) and add the consulting firm's name to the subject line.

**Request for Proposal (RFP) Information**

- [RFPs Currently Advertised](#)
- [Professional Services Contracting Systems \(RFP Submittal Portal\)](#)
- [RFP Archive](#)
- [Professional Services Bulletins Archive](#)
- [RFP Notification Listserv](#)
- [LPA RFP Currently Advertised](#)
- [Joint Venture and Team Lead Business Rules](#)
  - [Joint Venture Registration and Prequalification Submittal Instructions](#) (06/28/10)
- [Submitting a Letter of Interest \(LOI\)](#) - (PowerPoint Presentation)

**Consultant Contract Information**

- [Standard Consultant Contract Terms](#)
- [INDOT conflict of Interest Policy](#)
- [Subconsultant Acknowledgement Form](#)
- [LPA Consultant Boilerplate Contract - 8/19/09](#)
- [Negotiated Labor Rates With ECI Escalation](#)
  - [Bureau Of Labor And Statistics Web Site](#)
- [Profit Matrix](#)
- [Profit Matrix Complexity Levels](#)
- [Profit Matrix Application Guidelines](#)

**Project Commitments Documents**

- [Database Procedure](#)
- ["Getting Started" Help Document](#)
- [Import Spreadsheet - Commitments Database](#)



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