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# CHAPTER 2

## PRICE ANALYSIS AND NEGOTIATION

### 2.1 OVERVIEW

The previous chapter outlined the steps required to initiate a task order and receive a proposal from an A/E consultant. This chapter addresses the steps necessary to award the task order to the A/E consultant. These steps include: reviewing the A/E proposal; establishing a negotiation position; developing pre-negotiation and negotiation memoranda to describe the negotiations; and documenting the final negotiated price.

The purpose of performing a price analysis is to develop a negotiation position that allows the negotiator and the offeror to reach agreement on a fair and reasonable price while providing the offeror the greatest incentive for efficient and economical performance. The objective of the negotiation process is to reach a complete and mutual understanding of the detailed scope and cost of services to be provided. Without this understanding, it is impossible for the A/E consultant to provide a quality product. Any misunderstandings may cause errors and omissions during the design phase resulting in problems during construction when corrections can be very costly.

## 2.2 PRICE PROPOSAL

A Price Proposal is required from the A/E consultant for a task order and for task order modifications involving cost adjustments, either upward or downward. The A/E consultant's Price Proposal is prepared on a spreadsheet. The spreadsheet for the consultant is created by the COTR deleting the hours and other expenses from the IGE document and providing the modified document to Acquisitions. The only information remaining on the spreadsheet is the tasks, the disciplines, the hourly rates and the non-price information on other costs. (See [Exhibit 1.4-A](#) with the hours deleted.) Both a hard copy and computer link to the SOW, IGE and any revisions should be provided to Acquisitions.

The A/E consultant may add, delete or modify with justification provided at the time of the price proposal the tasks and the personnel positions listed on the spreadsheet. The A/E consultant then places its estimate of hours and costs onto the spreadsheet, which becomes the A/E consultant's Price Proposal, and submits this to the Government prior to the negotiation meeting. Any changes to the tasks, disciplines or other direct cost areas of the spreadsheet become discussion topics for the negotiation meeting. The A/E consultant may also submit suggestions for changes to the SOW to include effort, schedule and deliverables. The Government should consider the suggestions and may accept, reject or modify them as part of the negotiations. [Exhibit 2.2-A](#) provides an example of a COTR's request for a Price Proposal review by technical disciplines.

The A/E consultant may provide a Job Classification/Responsibility List for disciplines for which the Government may require a more detailed description of the job duties of each A/E consultant personnel position listed on the Price Proposal spreadsheet.

The following are items to review or points to consider when evaluating a Price Proposal submitted by an A/E consultant:

- Review work items (and/or task item breakdowns) and determine validity.
- Are the labor hours and type of personnel assigned appropriate for the task?
- Are the labor hours appropriate for the personnel category?
- Do all the subtotals (task labor hours, personnel category and others) add up correctly?
- Does each personnel category have the correct current year salary rate as established in the IDIQ contract? (Obtain the IDIQ information from Acquisitions.)
- Are the direct costs appropriate and reasonable? Have unit costs been established in the IDIQ?
- Are any direct costs typically overhead costs? (Obtain overhead cost data from Acquisitions.)
- Is the overhead factor correct as established in the IDIQ?

- Are all calculations correct?
- Are the escalation rates for multi-year contracts those established in the IDIQ?

[Exhibit 2.2-B](#) provides a typical example of a Price Proposal evaluation by a COTR. For an additional example, see the BLRI Price Proposal Evaluation on the EFLHD server at M:\Projects\AE Manual (where M: = fhf15ntc\data).

**Exhibit 2.2-A COTR REQUEST FOR A/E PRICE PROPOSAL REVIEW**

**From:** COTR  
**Sent:** mm/dd/yy  
**To:** <insert names of Technical Discipline Team Members>  
**Cc:** <insert names of Supervisors>  
**Subject:** Technical Evaluation of Price Proposal for <insert name of project>  
**Importance:** High

Ladies and Gentlemen,

You may recall that I forwarded <insert name of A/E> fee proposal for <insert name of project> to you for review back in early November. At that time, I requested your written comments by Friday, mm/dd/yy.

I have not received any comments from your respective units yet, so I would like to offer you another chance to review the consultant's proposal and provide me your evaluation. In order to minimize additional impacts to the project schedule, I would appreciate receiving your comments by Monday, mm/dd/yy.

Please contact me if you have any questions regarding the project or this request. I would remind you that the Design Scoping Report for this project can be found on the intranet under <insert name of project>.

As always, your assistance is greatly appreciated.

COTR

**Exhibit 2.2-B PRICE PROPOSAL EVALUATION BY COTR**

Solicitation No. DTFH71-01-R-XXXX  
Project No. XX

Re: Evaluation of bid proposal from A/E

By: <insert name> COTR

In A/E' s cover letter under item 3 they have noted that "property surveys are not required". This is not completely true. Some of the private property boundaries (or Park boundary) will require field location/verification at the entrance to the Park. This work is required in order to determine work limit proximity to the private property. No additional ROW will be required, or any work requiring recordation of property by a certified Land Surveyor.

In the same cover letter item 7 enumerates A/E' s responsibility in securing environmental permits from MDE. To ensure understanding of the statement of work we should restate that EFLHD will make the initial submittal (with A/E prepared documents) to MDE for review for environmental permits, A/E will then coordinate with MDE in the resolution of all MDE comments until the permit(s) are received.

The following evaluates hours and costs associated with the Phases of Work:

**Phase IA** - Task 9. I estimate this work should be 52 hours. Location of field evidence of boundary lines is easily done during survey of the road itself. Time for research for boundary information should not exceed one day for a technician. Another day may be required for computation and location in plan view, in electronic format.

Mileage for travel seems high. They are located in Maryland. Assuming 100 miles (I'm not exact on this) of two-way travel, they would have to do 25 trips. I do not believe 25 trips are required for this phase.

**Phase IB.** Again, I question the mileage.

**Phase II** - Item 1. This needs to be evaluated by our Geotechnical personnel. The number seems excessive. Under direct costs there is already \$22,685 for work. EFLHD's estimate for this work was \$5,500.

Item 2. Our estimate was 53 hours, which included the work done under Item 1.

Item 3. Our estimate is 38 hours. For the preliminary phase (field review), we did not think effort beyond the 38 would be required as field review for the entrance road and parking areas at the Inn would be performed during the conceptual design.

Again. Travel mileage seems excessive.

**Exhibit 2.2-B PRICE PROPOSAL EVALUATION BY COTR**  
(Continued)

**Phase III** - Item 2. Our estimate for this effort is 197 hours compared to their 769. Work requiring Tabulation of the quantity sheets, plan and profile sheets, pavement elevation sheets, erosion control narrative and plans, drainage and utility plans and profiles, EFLHD std details and drwgs, and the roadway cross sections all seem too high.

Item 4. Our estimate is 11 hours. Much of the estimate should have been setup/done during conceptual.

Item 11. Our estimate is 9 hours. Generally, our level of effort is much less than this during this phase.

Item 13. Our estimate is 18 hours. The draft report is done in phase II. The effort here should only reflect addressing our phase II comments.

Item 14. Our estimate is 36 hours. Most of the effort here is communicating over the phone with the utilities and one field meeting for a couple hours.

Item 15. Our estimate is 32 hours. The control and mapping will have been done in phase 1. Staking of the centerline should not take more than a day.

Item 16. There should only be 2 coordination meetings, reducing time to 18 hours.

Again. Travel mileage seems excessive.

**Phase IV and V**. Travel mileage seems excessive. If the mileage is for travel to EFLHD, progress meetings are generally held at the A/E's office.

**Phase VI** - Total hours we came up with was 27 compared to A/E's 236. We may have been a little low. However, the centerline will already have been staked from phase III. They will only need to recover the staking (i.e. remarking faded stations or resetting stakes, etc.) Our time was mostly for providing staking data, for which the 27 hour estimate is more than adequate.

Again. Travel mileage seems excessive, there shouldn't be but one trip to the site for relocating the centerline.

**Phase VII** - Item 1. Our estimate of hours is 36. At this phase there should be little to correct. Item 7. Our estimate is 4 hours. The revision of the narrative should be minor, if any. Item 9. It shouldn't take 8 hours to review for minor corrections made. Most corrections from earlier reviews should all have taken place by 99% (Phase V) submittal.

Again. Travel mileage seems excessive. There shouldn't be any travel for this phase.



## 2.3 PRE-NEGOTIATION OBJECTIVE MEMORANDUM

Pre-negotiation objectives establish the Government's initial negotiation position and are documented in the Pre-negotiation Objective Memorandum (POM). The objective is based on the results of the analysis of the A/E's proposal, taking into consideration all pertinent information including field pricing assistance, fact-finding results, the IGE and the price histories. The analysis includes a verification of the A/E consultant's formula/calculations for accuracy. The COTR provides Acquisitions the information needed to establish pre-negotiation objectives before the negotiation of any pricing action. The scope and depth of the analysis supporting the objectives is directly related to the dollar value, importance and complexity of the pricing action. The Government's pre-negotiation objective has substance, rationale and detail sufficient to explain to a third party how the overall reasonableness of the proposed prices were determined and how the objective represents a fair and reasonable amount. If the negotiation objective exceeds the IGE and funding document, then the COTR requests additional funds prior to commencing negotiations. (See [Section 1.5.](#))

The POM is written by the Acquisitions staff, marked "For Official Use Only" and included with the package that is forwarded for CO signature. See [Exhibit 2.3-A](#) for an example of a POM.

**Exhibit 2.3-A PRE-NEGOTIATION OBJECTIVE MEMORANDUM**

US Department  
of Transportation  
Federal Highway  
Administration

Subject: Pre Negotiation Objectives Memorandum  
Task Order 02-002  
Contract No. DTFH71-02-D-0XXX,  
A/E

Date: mm/dd/yy

Refer To: HFAC-15

This memorandum establishes the pre negotiation objectives for the referenced contract action in accordance with Federal Acquisition Regulation (FAR) 15.406-1 and Transportation Acquisition Manual (TAM) 1215.406-170.

**DESCRIPTION OF THE PROJECT/ACTION**

This Task Order is for all engineering services for the preparation of Plans, Specifications, and Estimates (PS&E) and other supporting documentation for the execution of Project XX.

Project XX consists of rehabilitating 10.5 miles of Newfound Gap Road, from just north of the Collins Creek intersection area (Project XX limits) to the Tennessee/North Carolina border at the Newfound Gap Parkway Area. The existing surface was last paved in 1979 and is experiencing moderate wear along edges and traveling surface, with areas of moderate to severe rutting and the presence of potholes. The majority of the roadway has a fair to poor FHWA condition rating. The rehabilitation work will include milling and/or overlaying Newfound Gap Road and resurfacing existing roadside pullouts and parking areas, including the Newfound Gap Parking area; full-depth pavement reconstruction in deteriorated and/or settled areas; repair or replacement of existing drainage structures; repair of rock fall areas at four locations identified in the Final Geotechnical Report; stabilizing and reestablishing roadside ditches; replacement of existing guardrail with steel-backed timber guardrail; repair of stone masonry guardrail; shoulder stabilizing and reseeding; pavement markings and replacing NPS signs; and turf establishment.

**PROPOSAL ANALYSIS**

A request for Proposal was submitted to the A/E by letter dated October 17, 2002. The A/E's proposal was dated November 11, 2002. The contractor proposed a firm-Fixed-price in the amount of \$XXX,000.00. The COTR <insert name> performed a technical and price analysis of the proposal which was provided 12 December 2002 at which time the undersigned requested that the COTR <insert name> provide the full detail of his price estimate which was received 16 December 2002. A comparison of the A/E's proposal, the Independent Government Estimate (IGE) and the Government's Objective follows:

**Exhibit 2.3-A PRE-NEGOTIATION OBJECTIVE MEMORANDUM  
(Continued)**

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TECHNICAL REVIEW

Under item 3., Survey and mapping, A/E added:

- Additional survey will be required in the following localized areas:*  
 -Pullout #20 located 10.0 miles from Park Boundary 30' from Edge of Pavement  
 -Pullout #29 located 14.0 miles from Park Boundary 30' from Edge of Pavement  
 -Pullout #33 located 15.3 miles from Park Boundary 30' from Edge of Pavement  
 -Pullout #34 located 16.5 miles from Park Boundary 30' from Edge of pavement

*"Field survey will be required for up to 25 selected pipes or culverts. Survey will include inverts, channel profile 25 feet up and downstream of pipe, and a cross section of the existing ground along the pipe length. For approximately 83 additional pipes, the approximate length and locations with respect to wheel line will be determined by GPS or other method. "*

Under item 4, Prepare a Draft Hydraulics Report, the third sentence was revised to read: "For up to 25 pipes to be replaced and for all (8) pipes at blue line stream crossings, provide hydrological data....."

NEGOTIATION POINTS:

General

Item 1.

G&A

The IGE did not include a cost element for "Expense Allocation" (G&A) for the overall contractual effort. Inasmuch as this element was negotiated and included in the basic contract these costs will be incorporated in the Task Order upon agreement of the overall level of effort.

Labor

Item 2.

The contractor proposed the following Direct Labor cost items for " Overall admin, invoices, progress rpt, cost est., updates" These costs appear to be duplicative of General and Administrative costs ie., 3.05 percent "Expense Allocation" negotiated under the basic contract. As such they shall be disallowed unless A/E can provide further explanation/justification.

	GM-13	GS-12	GS-5	
Phase I	6	4	3	
Phase II	24	18	6	
Phase III	12	8	6	
Phase IV	9	6	3	
Phase V	6	4	3	
Phase VI	6	4	3	<u>Total</u>
	44	24	131	
	\$2,704.59	\$1,631.52	\$414.24	\$4,750.00

Item 3.

Phase I calls for the development of a Quality Assurance Plan and Phases II through VI of the proposal include cost items for "written verification of QA Plan". There are also direct labor costs for "QA/QC" in each of these phases. The contractor will be asked to clarify the nature of these distinct cost items and confirm that this is not a duplication of effort. The COTR concurs with the proposed level of effort for development of QA plans and verification of the questioned costs are 304 hours, \$10,294.56

**Exhibit 2.3-A PRE-NEGOTIATION OBJECTIVE MEMORANDUM  
(Continued)**

Item 4.

Direct Costs

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For total number of plan sheets, the IGE itemized 170 total sheets, whereas, A/E itemized 191 total plan sheets. The IGE total plan sheets count will be increased by 17 sheets (4 plan and profile sheets for the added pullouts, 12 drainage & utility plan sheets and 1 survey reference sheet), for the added work. Even though there are differences in the number of sheets for the various plan sections, the number of sheets proposed by A/E, 191, is reasonable considering the type and complexity of work included in the Statement of Work and how the plans will be organized. To make sure there is no misunderstanding as to the work involved, the following plan sheet sections will be discussed during negotiations:

- Drainage summary
- Guardrail schedule
- Erosion Control Narrative and Plans
- Permanent Signing & Striping Plans
- Drainage & Utility Plans
- Drainage Cross Sections
- Roadway Cross Sections

Item 5.

The IGE did not include any cost for "Plots" and none are required for Project XX.

The IGE did not include any cost for Copies (external printer). This is an oversight in the IGE since there will be copying cost to produce the Hydraulics Report, Special Contract Requirements, Engineer's Estimate, Unit Price Analysis, Design Quantity Computations, Construction Staking Data, etc. as part of the Deliverables. Furthermore, the IGE did not include any cost for Color Copies.

Inasmuch as the COTR does not require plots under this effort these costs will be disallowed. Furthermore, A/E shall be asked to clarify what necessitates color copies. During negotiations the Government will discuss and reach a consensus on the copying requirements and the number of plan sheets needed of each of the phases under this effort.

	Contractors Proposal							
	Plan Sheets	Color Copies	Copies	Copies	Plots			
Phase I	0		0		0		0	
Phase II	1100	\$385.00	140	\$210.00	500	\$50.00	450	\$675.00
Phase III	6876	\$2,406.60	60	\$90.00	4000	\$400.00	2100	\$3,150.00
Phase IV	7500	\$2,625.00	60	\$90.00	6500	\$650.00	2100	\$3,150.00
Phase V	2500	\$875.00	30	\$45.00	4000	\$400.00	2100	\$3,150.00
Phase VI	2675	\$936.25	30	\$45.00	4500	\$450.00	2100	\$3,150.00
Phase VII	0		0		400		0	
		\$7,227.85		\$480.00		\$1,950.00		\$13,275.00

Item 6.

Sub-Contracting

In the direct labor schedule for Phases, II, III and VII A/E included an un-priced item for Survey sub consultant fee and the cost was identified under Direct Cost schedule as Survey and Mapping however, Phase II did not provide price. In addition Phase I included a price under direct cost but did not

**Exhibit 2.3-A PRE-NEGOTIATION OBJECTIVE MEMORANDUM**  
(Continued)

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include a reference in the labor schedule. A/E will be asked if this is an oversight or if the price is included in the total of another phase. The proposed costs are as follows:

	Proposed	Gov. estimate
Phase I	\$ 1,760.00	2,000.00
Phase II	\$37,316.00	31,000.00
Phase III	\$ 0.00	8,000.00
Phase VII	\$ 2,340.00	10,000.00
Total	\$41,416.00	51,000.00

A/E's proposal did not identify their proposed sub-contractor or provide a subcontracting plan. A/E will be asked to do so and provide further detail as to their qualifications, the level of effort they are expected to perform and any management issued that might arise.

Irrespective of the issues noted above, A/E proposed a total cost of \$41,416 as opposed to the Government's estimate of \$51,000.00.

Item 7.

Travel

The COTR did not take issue with the Contractors proposed travel requirements and associated cost. The Government estimated a cost of \$16,000.00 compared to A/E's proposed total of \$10,112.00. The Government will accept A/E's price and adjust the IGE accordingly.

The following is the COTR evaluation and items for discussion/resolution for each of the individual Phases:

Phase I

Even though there are a number of minor differences, there appears to be no misunderstanding in the scope of work. Total cost is comparable.

Phase II

As a result of the changes discussed in the Technical Review discussed above the COTR revised the Governments Estimate to incorporate an additional \$6,000.00.

For Phase II, the IGE had a total of 1770 hours vs. 2090 hours for A/E. Of the total hours, two items represent the majority of the difference.

1. "Conduct Field Reviews", the IGE had 168 hours vs. 306 hours for A/E. As part of this item, A/E included "Review Government provided data" of 98 hours and "Revise/document revisions" of 88 hours.

"Revise/document revisions" appears to be work also included as part of "Preparing Conceptual Plans" and appears to be a duplication of hours.

For "Review Government provided data", this is a big item since a large amount of government provided data was provided to A/E. The IGE did not include this work which is considered reasonable. The IGE for this item should be increased by 98 hours resulting in a total of 266 hours (168 + 98).

2. "Review environmental documents", the IGE had 20 hours vs. 224 hours for the A/E. For this project, the Government will be handling environmental compliance. However, Phase II does require an "Environmental Recommendation Memorandum" as a Deliverable. The Phase II requirement for the

## Exhibit 2.3-A PRE-NEGOTIATION OBJECTIVE MEMORANDUM (Continued)

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Memorandum is specific and detailed as to what is required. In revisiting the SOW for this item, it is now estimated that the work effort for this item will be approximately a week and a half of effort or 120 hours. The IGE for this item should be increased by 100 hours for a total of 120 hours.

"Coordinate with the NPS", was not included in the IGE. A/E had 35 hours for this item and the work is required as the first item of work under Phase II. It is clearly an allowable cost and should be added to the IGE. The 35 hours is considered reasonable and should be added to the IGE.

As a result in increasing the IGE total hours from 1770 to 2003 (98 + 100 + 35 hours) and increasing the "Survey and Mapping" cost by \$6000, Phase II IGE cost will increase from \$201,548.79 to \$233,718.58.

### Phase III

For Phase III, A/E had a sub-consultant direct cost of \$0 for "Location Survey", vs. \$8,000 cost for the IGE. In revisiting the SOW, Item #12 of Phase III, it requires "Flag, or otherwise mark, the proposed centerline(s) of the project for the Plan-in-hand field review. No backup was provided for this subcontracted work including the name of the sub-consultant. This information needs to be provided. Additionally, Item #12 may need to be clarified based upon the backup from the sub-consultant.

The IGE had a total of 1612 hours for Phase III vs. 2214 hours for A/E. A comparison of the items resulted in the following differences requiring discussions:

In reviewing the SOW and A/E's proposal, 2 of the items were underestimated by the government. For "Progress meetings/preparing minutes" the IGE only included one meeting (52 hours) vs. three meetings (216 hours) for A/E. It is estimated that 3 meeting will be held during Phase III (two Progress Meetings and one Pre-submittal Meeting). The IGE needs to be increased by 2 meetings resulting in 156 hours an increase in the IGE by 104 hours. The difference between 216 hours vs. 156 hours still needs to be resolved for this item.

Other items requiring clarification and discussion are:

"Prepare Design Quality Calculations" - 32 hours IGE vs. 94 hours A/E,  
"Prepare Draft Design Narrative" - 10 hours IGE vs. 54 hours A/E,  
"Prepare Final Hydraulics Report" - 48 hours IGE vs. 122 hours A/E; and  
"Attending Plans-in-Hand field review" - 84 hours IGE vs. 136 hours A/E.

As a result of increasing the IGE total hours from 1612 to 1732 (104 + 16 hours), Phase III IGE cost will increase from \$166,025.96 to \$179,791.87.

### Phase IV

For Phase IV, the IGE has a total cost of \$91,774.26 vs. \$79,475.73. In reviewing A/E's proposal the major difference is the hours for direct labor cost. The major item is for "Revise plans". The IGE has 715 hours vs. 236 hours for A/E. Due to the large difference in hours, this item needs to be discussed to make sure there is no misunderstanding on work effort.

### Phase V

Even though there are a number of minor differences, there appears to be no misunderstanding in the scope of work.

### Phase VI

Even though there are differences for hours by A/E (231) vs. the IGE (173), there appears to be no misunderstanding in the scope of work.

**Exhibit 2.3-A PRE-NEGOTIATION OBJECTIVE MEMORANDUM  
(Continued)**

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The major difference between the IGE and A/E's proposal is Direct Cost. The IGE has \$1,932.14 for total Direct Cost vs. \$5,093.43 for A/E. As noted under GENERAL, there should be no Plots required for this project. Thus, A/E's proposed cost of \$3,150.00 for Plots appear not to be necessary. Other major differences in Direct Cost are the quantity of "Printing plan sheets" and "Copies (external printer)", as previously mentioned, needs to be discussed.

Phase VII

The majority of the work in Phase VII is "Survey and mapping" which is a sub-consultant item as discussed earlier. The Government had originally estimated \$10,000 for this item vs. \$2,340 proposed by A/E. Due to this difference, this item needs to be discussed during negotiations.

PROFIT

A/E has proposed a profit of 10% on direct labor and overhead. Their overhead includes 2.02 Facilities cost of Capital. The government will not pay profit of FCC. The proposed 10 percent profit is considered fair and reasonable in accordance with FAR guidance and in consideration of the 12% objective proposed in the COTR's estimate, and historical practice for this type of effort, will be accepted by the Government

PRE NEGOTIATION OBJECTIVE

A/E Proposal	IGE	Percentage Above IGE	Government's Objective	Percentage Above Objective
	Original \$562,000	18.83%		
\$667,400	Revised \$607,580	9.85%	\$607,308	9.89%

This objective is base on the COTR's revised IGE with the following adjustments.

Labor	\$160,694.01	no change
Overhead	270,833.68	no change
Profit	43,152.77	changed to reflect 10%
G&A Direct costs	15,104.47	added as an allowable cost
	-5,888	acceptance of proposed travel cost
	-9,584	acceptance of proposed sub contractor effort

A/E's price is considered unreasonable. It is apparent from the Contractor's proposal that clarification of the Scope of Work is required. During discussions the Government's requirement and recommended approach will be explained. Negotiations will focus on those elements outlined above.

Upon approval of this memorandum, negotiations will begin with A/E.

Recommended:

<insert name>  
COTR  
<insert name>  
Contract Specialist

Concur:  
<insert name>  
Highway Design  
Engineer

Legal Sufficiency:

<insert name>  
Division Counsel

Approve:

<insert name>  
Contracting Officer

## 2.4 NEGOTIATIONS

The negotiation meeting or teleconference is conducted between the Government team (usually the COTR, the CO and others as needed) and the A/E consultant team. In addition to members from its team, the A/E consultant usually includes representatives from the subconsultants as well. The intent of the negotiations is to reach an agreement between the Government team and the A/E consultant team on the SOW requirements, level of effort, risks, costs and tasks/schedule(s) included in the task order or the task order modification.

Prior to the negotiation meeting(s) with the A/E consultant, it is imperative that the appropriate Government personnel (Acquisitions, the CO, the COTR, the CFT as applicable and others as needed) review the A/E consultant's proposal (including modifications to the SOW and schedule), compare the A/E consultant's Price Proposal against the IGE, identify key issues/items for discussion and accomplish the pre-negotiation objectives. Prior to meeting with the A/E for negotiations, each team member's role must be understood and agreed to. If the COTR requires clarification of items on the A/E's proposal, the COTR must coordinate with Acquisitions, which will then determine the best process to obtain the information.

All members of the Government team must be willing to enter into negotiations without preconceptions of "written in stone" results. To be successful, all members have to be ready to discuss items with an open mind and to listen to and consider the A/E consultant's opinions and position. Both the Government team and the A/E consultant team must enter into the sessions with the opinion that the results will be win-win and that the Government will pay a fair and reasonable price, allowing the A/E to achieve a reasonable price for its work.

During the negotiation meeting(s), portions of the SOW may need to be revised due to changes in work requirements or funding availability or due to resolution of any disagreements between the A/E consultant and the Government about portions of the SOW or levels of effort. If the negotiations require revisions to the SOW, it should be revised immediately after the negotiation meeting to reflect the revisions agreed to in the meeting. Revisions may include specific tasks, general requirements, deliverable expectations, level of effort and schedule. Acquisitions will provide the final SOW and final costs to the A/E consultant for signature actions.

Negotiations are also intended to reach an agreement on the cost of the effort defined in the SOW and the IGE and presented by the A/E consultant in its Price Proposal. The IDIQ contracts usually contain pre-established hourly rates. Therefore, the negotiations must focus on the hours required for the tasks, the positions under which the hours are applied and other direct costs such as copies, mailing and travel expenses. During negotiations, the Government team should not disclose the information in the IGE to the A/E consultant.

Acquisitions must document the minutes and results of each negotiation meeting using a Negotiation Memorandum. Documentation should include agreed to changes in the SOW, as well as cost agreements and other relevant information.

See [Exhibit 2.4-A](#) and [Exhibit 2.4-B](#) for examples of an initial SOW and IGE for an environment task order; see [Exhibit 2.4-C](#) and [Exhibit 2.4-D](#) for examples of the revised SOW and IGE after negotiations. For an example of a revised highway design task order, go to the EFLHD server at M:\Projects\AE Manual\DEWA SOW and IGE Revision (where M: = fhfl15ntc\data).



**Exhibit 2.4-A INITIAL SOW****Delaware Water Gap National Recreation Area  
Project PRA-DEWA 14(6)  
Monroe and Pike Counties, Pennsylvania****PROPOSED WETLAND AND STREAM DELINEATION  
STATEMENT OF WORK**

The contractor will perform the following tasks of work as related to activities and occurrences resulting from current Eastern Federal Lands Highway Division construction at along US Route 209 in the Delaware Water Gap National Recreation Area. All survey work will be conducted within the right-of-way of the National Park. This project has been designated PRA-DEWA 14(6).

## Tasks –

- 1) Prepare a wetland and stream delineation report. Provide field delineation and graphic plan sheets of jurisdictional wetlands and waters of the US (as defined by the Army Corps of Engineers) and a separate delineation (graphic) by Cowardin classification within the limits identified in this document. The Consultant will plot the streams and both types of wetlands GPS points on the project's design plans.

**Wetland Delineation Report Outline and Contents**

1. Delineate the potential wetland areas within the project's potential impact area for the following:
  - A. Cove Wetlands (as annotated on the NPS marked-up plans dated December 2001) - where retainage measures are proposed. This area of delineation includes the area immediately south of the Cove Wetlands and identified on the December 2001 plans as "wetlands associated with spring discharge".
  - B. MP 3.2 Rt - the area across from the rock outcrop, and any adjacent areas that could be impacted by the proposed realignment of US Route 209.
  - C. Bushkill Access - where the December 2001 plans identifies "replacement wetlands".
2. Provide the stream boundaries within the project's potential impact area for the following:
  - A. Sand Hill Creek (MP 0.8 arch culvert and MP 0.9 retaining wall)
  - B. Bushkill Creek (MP 1.2)
  - C. "Unnamed tributary to Delaware River"\* (MP 2.5, Sta. 4+022±)
  - D. Randall Creek (MP 2.7)
  - E. "Unnamed tributary to Delaware River"\* (MP 4.0, Sta. 6+080±)

\* As annotated on the NPS marked-up plans dated December 2001.
3. Review USGS Geological Survey 7.5 minute topographic maps, USDA Soil Conservation Service county soils survey, US Fish and Wildlife Service, National

**Exhibit 2.4-A INITIAL SOW**  
(Continued)

Wetland Inventory (NWI) maps to identify the presence of jurisdictional and Cowardin wetlands within the identified project areas.

4. Identify Plant community and soils assessment procedures based in accordance with the USACOE, 1987 Wetlands Delineation Manual and the Cowardin classification system as adopted by the NPS. (See Attachment A: Standard Wetlands Delineation Protocol for the NPS.)
5. Delineate the wetlands using the parameters acceptable to USACOE and flagged approximately every 50 feet. Identify the boundaries of all wetlands including jurisdictional wetlands and other "waters of the United States" under the authority of Section 404 of the Clean Water Act, and all wetlands for which Director's Order #77-1 procedures apply.
6. Prepare a Wetlands & Waters of the U.S. Delineation report to summarize Project Description, Objectives, Methods, and Results; with location, soils, NWI, and delineation maps included in the Appendices.
  - A. Identify Cowardin classification for each delineated wetland.
  - B. Calculate acreage figures (nearest 0.01 acre) for each delineated wetland. If a wetland site includes more than one Cowardin type, break the acreage of that site down by type.
7. Potential Mitigation Measures
  - A. Identify potential mitigation measures.
  - B. Identify potential monitoring and evaluation plan to measure the success or failure or the mitigation measures.
  - C. Identify a fallback or emergency action that would be enacted should the mitigation measures fail.
8. Appendix
  - A. References cited
  - B. Maps of surveyed areas
  - C. Maps of NWI, soils, and wetlands delineation on base maps provided by FHWA

**Schedule**

<b>TASK</b>	<b>Schedule</b>
Task 1	30 days after notice to proceed (weather dependent)

## Exhibit 2.4-B INITIAL IGE

<b>Wetland Delineation Estimate</b>					
3 people/ 3 days/ mileage/ perdiem/ M&IE/ report/ review/ finalization/ overhead/ printing/ mail/ G&A/profit					
	rates	hours	salary		
<i>prep work</i>					
1 Engr/Professional	29.67	4	118.68		
<i>field work</i>					
1 Engr/Professional	29.67	24	712.08		
1 Technician	24.24	24	581.76		
1 Technician	24.24	24	581.76		
					<b>1994.28</b>
	miles	mileage			
<i>driving</i>	400	0.375			<b>150</b>
	perdiem	M & IE		people	
<i>3 days</i>	60	31	273	3	<b>819</b>
	rates	hours	salary		
<i>report generation</i>					
1 Engr/Professional	29.67	16			<b>474.72</b>
<i>mapping</i>					
1 Technician	24.24	4			<b>96.96</b>
<i>management review</i>					
1 project Manager	68.55	2			<b>137.1</b>
<i>finalization</i>					
1 Engr/Professional	29.67	8			<b>237.36</b>
<i>Printing</i>					<b>100</b>
<i>Mail</i>					<b>25</b>
Subtotal					<b>4034.42</b>
Overhead (1.1957%)					<b>4823.95599</b>
G&A (5.2%)					<b>209.78984</b>
Profit (10%)					<b>403.442</b>
Total					<b>9471.60783</b>

Add 15% contingency and round up

GRAND TOTAL (rounded): **\$11,000**

**Exhibit 2.4-C REVISED SOW**

**Delaware Water Gap National Recreation Area  
Project PRA-DEWA 14(6)  
Monroe and Pike Counties, Pennsylvania**

**PROPOSED WETLAND AND STREAM DELINEATION  
STATEMENT OF WORK**

The contractor will perform the following tasks of work as related to activities and occurrences resulting from current Eastern Federal Lands Highway Division construction at along US Route 209 in the Delaware Water Gap National Recreation Area. All survey work will be conducted within the right-of-way of the National Park. This project has been designated PRA-DEWA 14(6).

Tasks –

- 1) Prepare a wetland and stream delineation report. Provide field delineation and graphic plan sheets of jurisdictional wetlands and waters of the US (as defined by the Army Corps of Engineers) and a separate delineation (graphic) by Cowardin classification within the limits identified in this document. The Consultant will plot the streams and both types of wetlands GPS points on the project's design plans.

**Wetland Delineation Report Outline and Contents**

1. Delineate the potential wetland areas within the project's potential impact area for the following:
  - A. Cove Wetlands (as annotated on the NPS marked-up plans dated December 2001) - where retainage measures are proposed. This area of delineation includes the area immediately south of the Cove Wetlands and identified on the December 2001 plans as "wetlands associated with spring discharge".
  - B. MP 3.2 Rt - the area across from the rock outcrop, and any adjacent areas that could be impacted by the proposed realignment of US Route 209.
  - C. Bushkill Access - where the December 2001 plans identifies "replacement wetlands".
2. Provide the stream boundaries within the project's potential impact area for the following:
  - A. Sand Hill Creek (MP 0.8 arch culvert and MP 0.9 retaining wall)
  - B. Bushkill Creek (MP 1.2)
  - C. "Unnamed tributary to Delaware River"\* (MP 2.5, Sta. 4+022±)
  - D. Randall Creek (MP 2.7)
  - E. "Unnamed tributary to Delaware River"\* (MP 4.0, Sta. 6+080±)

\* As annotated on the NPS marked-up plans dated December 2001.
3. Review USGS Geological Survey 7.5 minute topographic maps, USDA Soil Conservation Service county soils survey, US Fish and Wildlife Service, National

**Exhibit 2.4-C REVISED SOW**  
(Continued)

Wetland Inventory (NWI) maps to identify the presence of jurisdictional and Cowardin wetlands within the identified project areas.

4. Identify Plant community and soils assessment procedures based in accordance with the USACOE, 1987 Wetlands Delineation Manual and the Cowardin classification system as adopted by the NPS. (See Attachment A: Standard Wetlands Delineation Protocol for the NPS.)
5. Delineate the wetlands using the parameters acceptable to USACOE and flagged approximately every 50 feet. Identify the boundaries of all wetlands including jurisdictional wetlands and other "waters of the United States" under the authority of Section 404 of the Clean Water Act, and all wetlands for which Director's Order #77-1 procedures apply.
6. Prepare a Wetlands & Waters of the U.S. Delineation report to summarize Project Description, Objectives, Methods, and Results; with location, soils, NWI, and delineation maps included in the Appendices.
  - A. Identify Cowardin classification for each delineated wetland.
  - B. Calculate acreage figures (nearest 0.01 acre) for each delineated wetland. If a wetland site includes more than one Cowardin type, break the acreage of that site down by type.
7. Prepare environmental application forms, analysis, plans, sketches and other data needed for the Government to use when preparing or obtaining any environmental, archeological, or land use permits or approvals required for construction of the project.
8. Prepare an Appendix that includes the following:
  - A. References cited
  - B. Maps of surveyed areas
  - C. Maps of NWI, soils, and wetlands delineation on base maps provided by FHWA

**Additional Work Required on an As Needed Basis**

Provide the following work as required by the COTR:

Option A - US Army Corps of Engineers (USACOE) Jurisdictional Determination

- A. Prepare mapping for a Jurisdictional Determination with USACOE.
- B. Attend Jurisdictional Determination field review.

**Schedule**

<b>TASK</b>	<b>Schedule</b>
Task 1	30 days after notice to proceed (weather dependent)

## Exhibit 2.4-D REVISED IGE

<b>Wetland Delineation Estimate</b>					
3 people/ 3 days/ mileage/ perdiem/ M&IE/ report/ review/ finalization/ overhead/ printing/ mail/ G&A/profit					
	rates	hours	salary		
<i>prep work</i>					
1 Engr/Professional	38.33	4	153.32		
<i>field work</i>					
1 Engr/Professional	38.33	24	712.08		
1 Technician	25.20	24	581.76		
1 Technician	25.20	24	581.76		
					<b>2028.92</b>
	miles	mileage			
<i>driving</i>	400	0.375			<b>150.00</b>
	perdiem	M & IE		people	
<i>3 days</i>	60	31	273	3	<b>819.00</b>
	rates	hours	salary		
<i>report generation</i>					
1 Engr/Professional	38.33	16			<b>613.28</b>
<i>mapping</i>					
1 Technician	25.20	4			<b>100.80</b>
<i>management review</i>					
1 project Manager	68.55	2			<b>137.10</b>
<i>finalization</i>					
1 Engr/Professional	38.33	8			<b>306.64</b>
<i>additional environmental permitting</i>					
1 Engr/Professional	38.33	16			<b>613.28</b>
1 Technician	25.20	4			<b>100.80</b>
<i>Printing</i>					
					<b>100.00</b>
<i>Mail</i>					
					<b>25.00</b>
<i>Subtotal</i>					
					<b>4994.82</b>
<i>Overhead (4.1957% 1.31%)</i>					
					<b>6543.21</b>
<i>G&amp;A (5.2%)</i>					
					<b>0.00</b>
<i>Profit (10%)</i>					
					<b>1153.80</b>
<i>Total</i>					
					<b>12691.84</b>

Add 15% contingency and round up

= Revised Inputs/Equations

GRAND TOTAL (rounded): **\$15,000**

**Exhibit 2.4-D REVISED IGE**  
(Continued)

<b>Option A</b>					
US Army Corps of Engineers (USACOE) Jurisdictional Determination					
	rates	hours	salary		
<i>Prepare mapping for a JD</i>					
1 Engr/Professional	29.67	4	118.68		
1 Technician	24.24	8	581.76		
<i>Attend JD field review</i>					
1 Engr/Professional	29.67	8	712.08		
1 Technician	24.24	8	581.76		
					<b>1994.28</b>
	miles	mileage			
<i>Driving</i>	400	0.375			<b>150</b>
	perdiem	M & IE		people	
<i>1 days</i>	60	31	182	2	<b>364</b>
	rates	hours	salary		
<i>Management Review</i>					
1 Project Manager	68.55	2			<b>137.1</b>
<i>Printing</i>					
					<b>100</b>
<i>Mail</i>					
					<b>25</b>
Subtotal					<b>2770.38</b>
Overhead (1.1957%)					<b>3312.54337</b>
G&A (5.2%)					<b>144.05976</b>
Profit (10%)					<b>277.038</b>
Total					<b>6504.02113</b>

Add 5% contingency and round up

GRAND TOTAL (rounded): **\$7,000**

## 2.5 PRICE NEGOTIATION MEMORANDUM

The Price Negotiation Memorandum (PNM) provides a narrative of the process by which the A/E consultant (offeror) and the Government (negotiator) arrived at a fair and reasonable price. The FAR and TAR require the preparation of a PNM on each negotiated procurement as indicated below.

Acquisitions documents in the task order file contain the principal elements of the negotiated agreement. The documentation shall include:

- The purpose of the negotiation.
- A description of the acquisition, including the base contract and the task order number.
- The name, position and organization of each person representing the A/E and the Government in the negotiation.
- A summary of the A/E's proposal and field pricing recommendations, the Government's negotiation objective, and the negotiated position.
- The most significant facts or considerations controlling the establishment of the pre-negotiation objectives and the negotiated agreement including an explanation of any significant differences between the two positions.
- Documentation of fair and reasonable pricing.

The COTR, Acquisitions and Legal Counsel sign the PNM. If negotiations result in an agreement higher than the current Purchase Request, the Purchase Request must be adjusted before formal acceptance of the negotiations. The CO is the final approval authority for all task orders and task order modifications issued under the IDIQ contract. See [Exhibit 2.5-A](#) for an example of a PNM.



**Exhibit 2.5-A PRICE NEGOTIATION MEMORANDUM**

US Department  
of Transportation  
Federal Highway  
Administration

Subject: Price Negotiation Memorandum  
Task Order 01-001  
Contract No. DTFH71-02-D-0XXXX,  
A/E

Date: mm/dd/yy

Refer To: HFAC-15

This memorandum details the negotiations for reference acquisition in accordance with Federal Acquisition Regulation (FAR) 36.606, 15.406-3 and Transportation Acquisition Manual (TAM) 1215.406-370.

**DESCRIPTION OF THE PROJECT/ACTION**

This Task Order is for all engineering services for the preparation of Plans, Specifications, and Estimates (PS&E) and other supporting documentation for the execution of Project XX.

Project XX consists of rehabilitating 10.5 miles of Newfound Gap Road, from just north of the Collins Creek intersection area (Project XX Limits) to the Tennessee/North Carolina border at the Newfound Gap Parkway Area. The existing surface was last paved in 1979 and is experiencing moderate wear along edges and traveling surface, with areas of moderate to severe rutting and the presence of potholes. The majority of the roadway has a fair to poor FHWA condition rating. The rehabilitation work will include milling and/or overlaying Newfound Gap Road and resurfacing existing roadside pullouts and parking areas, including the Newfound Gap Parking area; full-depth pavement reconstruction in deteriorated and/or settled areas; repair or replacement of existing drainage structures; repair of rock fall areas at four locations identified in the Final Geotechnical Report; stabilizing and reestablishing roadside ditches; replacement of existing guardrail with steel-backed timber guardrail; repair of stone masonry guardrail; shoulder stabilizing and reseeded; pavement markings and replacing NPS signs; and turf establishment.

**PROPOSAL ANALYSIS**

A Request for Proposal was submitted to the A/E by letter dated October 17, 2002. A/E's proposal was dated November 11, 2002. The Contractor proposed a firm-fixed-price in the amount of \$667,000.00. The COTR <insert name> performed a technical and price analysis of the proposal which was provided 12 December 2002. The Contracting Officer requested that the COTR <insert name> provide the full detail of his price estimate, which was received 16 December 2002.

**DISCUSSIONS**

Negotiations were conducted 17 January 2003 with the following participants:

Contract Specialist, EFLHD  
Project Manager/COTR, EFLHD  
Vice President, A/E  
Lead Designer, A/E

## Exhibit 2.5-A PRICE NEGOTIATION MEMORANDUM (Continued)

2

### Technical

The Government agreed that the technical changes the A/E submitted in their proposal would be incorporated in the work statement. In addition, the Government will provide a schedule with the award document.

The number of plan sheets was discussed at some length to ensure that there was no misunderstanding. A/E will be providing 191 sheets of which 33 are for the additional pullouts that were added to the work statement. Furthermore there was discussion of the requirement for color copies. A/E noted that a number of deliverables, the hydraulic report in particular, will include color photos. The Government agreed to A/E's proposed color copy costs.

### Administrative Costs

A/E had proposed a direct labor item under Phases I through VI for. Overall admin, invoices, progress rpt, cost est., updates" which appeared to be a duplication of General and Administrative costs i.e., 3.05 percent "Expense Allocation" negotiated under the basic contract. A/E advised that their proposal is based on guidance received from EFLHD Contracting Officer, on 30 May 2001 that these costs can be direct charged to the contract (see attachment 1). The Government agreed to these costs in as much as the same conditions exist under this Task Order.

### Quality Assurance

Phase I calls for the development of a Quality Assurance Plan and Phases II through VI of the proposal include cost items for "written verification of QA Plan". There are also direct labor costs for "QA/QC" in each of these phases which appeared to the Government as a duplication. A/E explained that "written verification" pertained specifically to the QA Plan where as QA/QC charges relate A/E's internal reviews and approvals of documentation prepared under each phase. While the Government agreed that the cost elements were acceptable, the total number of hours was considered excessive.

### Plots

The IGE did not include any costs for "Plots" and none are required for Project XX. The A/E explained that they will be used internally by their engineers. The Contract Specialist noted that A/E has an overhead pool for these costs and the charges should be to that pool.

### Sub-Contracting

Prior to negotiations A/E identified XX as their subcontractor. XX has worked on EFLHD projects in the past and is acceptable to the Project Manager.

Phases, II, III and VII of A/E's proposal included an un-priced item for Survey Sub consultant in the Direct Labor schedule and identified the cost in the Direct Cost schedule as "Survey and Mapping" however, Phase III did not provide a price. In addition Phase I included a price under direct cost but did not include a reference in the labor schedule. A/E stated that these were oversights and that their proposal should have included an additional \$740.00 for subcontract work under Phase III for a total of \$42,156.00 and the appropriate reference in Phase I.

### Level of Effort

There was discussion and agreement on the number of meetings and the number people in attendance.

**Exhibit 2.5-A PRICE NEGOTIATION MEMORANDUM**  
(Continued)

3

As noted earlier the government considered the number of hours for QA/QC to be excessive. The other focus was Phase II hours and in particular item 7, Review Environmental Documents. The Government could prepare the blue line stream documentation with 40 hours of effort. If A/E couldn't do the same the task would be removed from the SOW and performed by the Government. A/E agreed to perform the task with the allotted 40 hours. As a result of our discussions it was determined that the Government had underestimated elements of Phase III and that A/E's projections were realistic.

As a result of the discussions above the A/E and the Government agreed to a total Firm-Fixed Price in the amount of \$648,000.00.

Proposed	IGE	Original Objective	Negotiated Price
667,400.00	607,580.00	607,308.00	648,000.00

Though the price is approximately 7% above the Government's objective, the price proposed is considered fair and reasonable based on the contractor's explanation of its approach to performing the work and the Government's technical and cost analysis of the proposal. Recommend award of Task Order 0001 to A/E for the sum of \$648,000.00.

Recommend:

<insert name>  
COTR

<insert name>  
Contract Specialist  
Acquisition

Concur:

<insert name>  
Highway Design Engineer

Legal Sufficiency:

<insert name>  
Division Counsel

Approve:  
Contracting Officer

## 2.6 PRE/POST-NEGOTIATION MEMORANDUM

A combined Pre/Post-Negotiation Memorandum (POM/PNM) is acceptable and can be used in lieu of the separate POM and PNM forms if it provides for the pre-negotiation position and objective as well as the negotiation outcome. Acquisitions is responsible for providing documentation of this negotiated agreement in the task order file.

The following reviews and approvals are required for the POM and the PNM under TAM Subchapter 1204.70 – Review and Approval of Contracts and Contract Related Documents. (See [http://fasteditapp.faa.gov/dot/do\\_action?do\\_action=ListTOC&contentUID=1](http://fasteditapp.faa.gov/dot/do_action?do_action=ListTOC&contentUID=1).)

The CO responsible for the acquisition shall review the solicitation, the POM, the PNM and the task order or task order modification, as applicable, prior to the other reviews required by this subchapter of the TAM. The CO has the authority to approve all proposed solicitations, pre-negotiation objectives, documentation of price negotiations, task order awards and task order modification awards valued at or below \$500,000. (See [Exhibit 2.6-A](#) and [Exhibit 2.6-B](#).) Actions exceeding \$500,000 shall be approved by an individual at least one level above the CO responsible for the acquisition. (See [Exhibit 2.6-C](#).)

All solicitations, POMs, PNMs, task order awards and task order modification awards expected to exceed \$500,000 shall be reviewed for legal sufficiency.

**Exhibit 2.6-A PRE/POST-NEGOTIATION MEMORANDUM 1**

1



---

Subject: Pre & Post Negotiation Memorandum  
Task Order 05-029  
Contract No. DTFH71-02-D-00XXX,  
A/E

Date: mm/dd/yy

This memorandum documents negotiations for the referenced contract action in accordance with Federal Acquisition Regulation (FAR) 15.406-1 & 15.406-3 and Transportation Acquisition Manual (TAM) 1215.406-170 & 1215.406-370.

**DESCRIPTION OF THE PROJECT/ACTION**

This requirement is for aerial photography, photographic processing of the Antietam National Battlefield Park, project PRA-ANTI 300(1), 900(2).

The Government's independent estimate was for \$XXXXX based on the number of hours and labor categories if the Government were to perform the work in house.

The requirement was received October 28, 2004 "Subject to Availability of Funding" and a request for proposal was issued to A/E. A/E submitted a proposal on November 8, 2004 in the amount of \$XXXXX. In as much as the proposed price was less than the Government's estimate the COTR <insert name> recommended award of the Task Order.

Funds become available on December 27, 2004.

Based on the above, the undersigned has determined that execution of Task Order 05-029 to Contract DTFH71-02-D-00XXX fulfills a bonafide Government requirement. The price is considered fair and reasonable in comparison with the Government's independent estimate and the Project Manager's recommendation.

---

<insert name>  
Contract Specialist

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<insert name>  
Contracting Officer

**Exhibit 2.6-B PRE/POST-NEGOTIATION MEMORANDUM 2**

1



Subject: Pre & Post Negotiation Memorandum  
 Task Order 05-030  
 Contract No. DTFH71-03-D-00XXX,  
 A/E

Date: mm/dd/yy

This memorandum documents negotiations for the referenced contract action in accordance with Federal Acquisition Regulation (FAR) 15.406-1 & 15.406-3 and Transportation Acquisition Manual (TAM) 1215.406-170 & 1215.406-370.

**DESCRIPTION OF THE PROJECT/ACTION**

This requirement is for the development of two additional conceptual alternatives for VA Route 24 bypass north of the park. A description and assessment of right-of-way, natural and cultural resource determinants of these conceptual alternatives will be accomplished in order to understand the issues and levels of impact anticipated in road relocation. The project will serve as an addendum to the study, and increase the total number of alternatives to nine.

The Government's independent estimate was for \$XXXXX based on the number of hours and labor categories if the Government were to perform the work in house.

The requirement was received June 29, 2004 and a request for proposal was issued to A/E on July 1, 2004. Contractor's proposal was received in the amount of \$XXXXX on July 19, 2004. This proposal was below the IGE and was found technically acceptable by COTR<insert name>.

Based on the above, the undersigned has determined that execution of Task Order 05-030 to Contract DTFH71-03-D-00XXX fulfills a bon-a-fide Government requirement. The price is considered fair and reasonable in comparison with the Government's independent estimate and the Project Manager's recommendation.

\_\_\_\_\_  
 <insert name>  
 Contract Specialist

\_\_\_\_\_  
 <insert name>  
 Contracting Officer

**Exhibit 2.6-C PRE/POST-NEGOTIATION MEMORANDUM 3**

1



Refer To: HFAC-15  
Date: mm/dd/yy

Subject: Pre-negotiation Objectives & Post-negotiation Memorandum  
Task Order 02-009, Contract No. DTFH71-02-D-00XXX,  
A/E

This memorandum establishes the pre-negotiation objectives for the referenced contract action in accordance with Federal Acquisition Regulation (FAR) 15.406-1 and Transportation Acquisition Manual (TAM) 1215.406-170.

**DESCRIPTION OF THE PROJECT/ACTION**

This Task Order is for an Environmental Assessment (EA) for the Richmond Highway and Telegraph Road Connector. The objective of the EA will be to evaluate all reasonable alternatives to the proposed roadway improvements and their impact on the environment. Among other tasks, analyze existing and planned conditions, develop a range of alternatives and discuss the reasons why alternatives, which may have been considered, were eliminated from the evaluation, and why the preferred/recommended alternative was chosen over others. The EA will also include other studies, reviews, consultations, and results of coordination as required by environmental laws or Executive Orders (EO) to the extent appropriate for each stage of the environmental process.

**BACKGROUND**

A request for Proposal was issued on Aug 27, 2004 under contract DTFH71-02-D-00XXX for Task Order Number 02-009 for this project. A proposal was received from A/E dated September 14, 2004. The contractor proposed a firm-fixed-price in the amount of \$XXXXXXXX. <insert name>, Project Manager, performed a technical and price analysis of the proposal on September 22, 2004. On September 24, 2004, negotiations were held between A/E and FHWA. Based on the negotiations the A/E sent in a revised proposal which was received on September 27, 2004. <insert name>, Project Manager, performed a second technical and price analysis of the proposal on September 28, 2004.

**DISCUSSIONS**

Based on the Prenegotiation Objectives established on September 22, 2004, discussions were held with A/E on September 24 and September 27, 2004. The discussions were about specific Government concerns regarding the contractor's proposal and requested review of the proposed hours for the different phases to the project and level of effort for each phase.

**Exhibit 2.6-C PRE/POST-NEGOTIATION MEMORANDUM 3**  
(Continued)

2

Government's PositionContractor's Final Proposal

\$XXXXXXX

\$XXXXXXX

<insert name>, Project Manager, recommends the acceptance of this proposal. The price proposal is considered fair and reasonable based on the contractor's explanation of its approach to performing the work.

Recommend award of this contract to A/E for the sum of \$XXXXXXX.

Recommended:

Legal Sufficiency:

\_\_\_\_\_  
<insert name>  
Project Manager

\_\_\_\_\_  
<insert name>  
Division Counsel

\_\_\_\_\_  
<insert name>  
Contract Specialist

Approve:

Concur:

\_\_\_\_\_  
<insert name>  
Chief Acquisition or CO

\_\_\_\_\_  
<insert name>  
Planning and Programming Engineer

1. Government Estimate
2. Original A/E Proposal
3. Revised A/E Proposal
4. Technical/Cost Evaluation



## **2.7 A/E PRICE AGREEMENT**

After negotiations have been successfully completed, the A/E consultant may document its understanding of the negotiations, including the final fee amount, and submit this documentation to the CO. Having the A/E consultant document its understanding of the negotiations serves two purposes: it ensures agreement between the A/E and the Government, and it serves as an offer to the Government that the CO can accept and award without an extensive duplication of paperwork.

If good faith negotiations with the final selected A/E consultant do not produce an agreement on price in a predetermined reasonable period of time, then it is the CO's prerogative to terminate negotiations. If this is the case, the CO will obtain a written final proposal revision from the A/E within an acceptable time frame and notify the A/E that negotiations have been terminated. The CO can then begin negotiations with the second selected A/E by retracing the steps outlined in Chapters 1 and 2 of this manual.