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2.5.1 PRICE NEGOTIATION MEMORANDUM

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CHAPTER 2

PRICE ANALYSIS AND NEGOTIATION

2.1 OVERVIEW

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

The purpose of performing 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 to provide a quality product. Any misunderstandings may cause errors and omissions during the construction phase 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 Microsoft Excel 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 [Section 1.4.1.](#))

The A/E consultant may add, delete or modify the tasks and the personnel positions listed on the Excel 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 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 negotiation.

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 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?

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 offeror's proposal, taking into consideration all pertinent information, including field pricing assistance, fact-finding results, the IGE and price histories. The analysis includes a verification of the A/E consultant's formula/calculations for accuracy.

Project managers and Acquisitions 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 initial IGE and funding document, then the project manager requests additional funds prior to commencement of negotiations. (See [Section 1.5.1.](#))

The POM is marked "For Official Use Only" and is included with the package. See [Exhibit 2.3-A](#) (for projects that are more than \$500,000) and [Exhibit 2.3-B](#) (for projects that are less than \$500,000) for examples of POMs.

Exhibit 2.3-A PRE-NEGOTIATION OBJECTIVE MEMORANDUM, MORE THAN \$500,000

U.S. Department
of Transportation
**Federal Highway
Administration**

Memorandum

WESTERN FEDERAL LANDS HIGHWAY DIVISION
610 EAST FIFTH STREET
VANCOUVER, WA 98661-3801

Subject: Pre-Negotiation Memorandum
FIRM NAME, Inc.
IDIQ Contract No. DTFH70-0X-D-000XX
Task Order 0X-XXXXX

Date: 01/27/03

From: XXXXXX
A/E Contracts Coordinator

In Reply Refer to: HPA-17
preneg_XXXX phase II.doc

To: Contract File

cc: XXXXXXXXXXXX, COTR

I. INTRODUCTION - This task order is for the development of an XXXX for the XXXXXX area in the City of XXXXX, XXXXX as per the Statement of Work (SOW).

II. COMPLIANCES - The tasks ordered are not allocable to the statutory limit imposed by 10 U.S.C. 2306(e) and 41 U.S.C. 254(b), in accordance with FAR 15.404-4(c)(4)(i)(B).

III. CONTRACT TYPE - Firm Fixed Price.

IV. SUMMARY OF KEY DOCUMENTS (attached)

<u>Item</u>	<u>Dated</u>
• Independent Government Estimate	12/16/02
• Procurement Request	08/22/02
• Statement of Work	12/17/02
• Request for Proposal (RFP)	10/16/02
• A/E Fee Proposal	01/13/03

V. EVALUATION OF PROPOSAL/PRENEGOTIATION OBJECTIVES – XXXXXXXX, A/E Coordinator; XXXXX ,CO; XXXXX, COTR; XXXXX, Asst. DOE and XXXXXXXX, Environmental Specialist reviewed the proposal and had the following questions as part of the evaluation of the proposal.

Exhibit 2.3-A PRE-NEGOTIATION OBJECTIVE MEMORANDUM, MORE THAN \$500,000
(Continued)

Pre-Negotiation Memorandum

Task Order No. XXXXXXX

- 1.) Review and reduce the number of hours in several areas. All tasks have too many hours and personnel assigned to perform the tasks.
- 2.) Reduce the number of employees on this project or at least talk about what each employee's role in the project.
- 3.) Need to review the rates, overhead and profit with the XXXXX for XXXXXX and their sub-consultants.
- 4.) Talk about the number of trips to the project site for XXXXXXXX employees.
- 5.) Review the direct expense cost for newsletter mailings. There will be seven mailings at a cost of \$24,500, we will need to talk about these costs and how they arrived at this figure.
- 6.) The total proposal for travel look's high, \$184,095. Need to check ticket costs and the number of trips. Talk about the people attending these meetings. Are they all required to be there?
- 7.) Reduce the cost for Geo-Tech Drilling; \$45,240 looks high. Explain what this is for and how many holes will be required?
- 8.) Need to review the time line with the firm during the negotiations phase.
- 9.) Public opinion survey cost is \$31,260. Explain what this will involve from the firm and how these costs were arrived at.
- 10.) Public opinion survey cost is \$4,500 for trans script and meeting assistance. Explain what these costs are for and how these costs were arrived at.

After our review and placing effort where we felt it would best be used along with personnel, we were able to come up with a pre-negotiation goal. However there are a lot of unanswered questions at this point. See notes below from XXXXXXXX review on 01/13/03 and 01/14/03/

Notes from XXXXX review on 1/13/03 and 1/14/03. XXXXXXX, XXXXXXX, XXXXXXX and XXXXXXX were in attendance.

Items that we had questions on listed below.

420- Task-5. Who is writing the 4f document?

Task-6. Why do they have planners doing this task?

Needs to have hours in the area of Environmental Specialist.

Task-7. Move hours from project manager to Environmental Specialist.

Why so many hours for GIS? Reduce these hours.

Task-8. No hours for Environmental Engineer in this task; we added hours.

Task-9. Move hours from Project Manager to Environmental Specialist.

Task-10. Why are Planners hours needed? Delete the Planners hours.

Task- 11. Why have hours here for the planner? Delete the Planners.

540- The role of XXXXXXX in this task is unclear. We would like to have this explained during the meeting.

Exhibit 2.3-A PRE-NEGOTIATION OBJECTIVE MEMORANDUM, MORE THAN \$500,000
(Continued)

Pre-Negotiation Memorandum
Task Order No. xxxxxxxx

540- What is the function of Senior Engineer and Admin Asst in this task? Hours for these two personnel look high and would like these hours explained.

580- Why is there a five man survey crew in this task when the SOW states a three man crew will be used for this task?

600- Quality Control, who is doing this task? Why is it shown under several different people when you have a Quality Control Engineer listed in your project proposal but not listed in your Fee proposal?

Direct Costs:

- 1.) Mailing costs look high explain how you came up with \$25,000.
- 2.) What is xxxxxxxx and why does it cost \$2900?
- 3.) Final Draft copy cost looks high. Explain the \$9600.
- 4.) What is xxxxx and why the \$100 cost?
- 5.) The \$3000 Fedex cost to send the Rod looks high. Explanation needed.

Miscellaneous Costs.

- 1.) Haz Mat Fee- OK
- 2.) Web site Fee- OK.
- 3.) Fedex OK
- 4.) Printing- OK
- 5.) Film- OK
- 6.) 300 CD's - cost looks ok but the number is high. The SOW calls 100; explain the high number.
- 7.) CT binders- OK
- 8.) Public opinion survey costs looks high explain these numbers.
- 9.) Reporter costs- OK
- 10.)The mileage costs have changed to a flat .36 cents per mile. Needs to be changed.

See attached sheet for additional notes by Item number.

Exhibit 2.3-B PRE-NEGOTIATION OBJECTIVE MEMORANDUM, LESS THAN \$500,000

U.S. Department
of Transportation
**Federal Highway
Administration**

Memorandum

WESTERN FEDERAL LANDS HIGHWAY DIVISION
610 EAST FIFTH STREET
VANCOUVER, WA 98661-3801

Subject: Pre-Negotiation Memorandum
XXXXXX No. DTFH70-XX-D-000XX
Task Order XXXXXXXX??

Date: ?????

From: Ken Oltmann
A/E Contracts Coordinator

In Reply Refer to: HPA-17
preneg_??_doc

To: Contract File

cc: ??????????????, COTR

- I. INTRODUCTION** - This task order??? modification adds???? is for retaining wall design and analysis per the Statement of Work (SOW).

CHOOSE "II" BASED ON TASK ORDER.....

For design projects use the following statement:

- II. COMPLIANCES** - This task order meets the requirements set forth in FAR15.404-4(c)(4)(i)(B) and is subject to the 6% limitation.

Construction Cost Estimate

Current: \$3,400,000
This Modification: 0
New Cost Estimate: \$3,400,000

Design Costs

Current: \$159,904
This Modification: \$ 15,555
Total New Costs: \$ 175,459 Brooks Act: 5.4%

Negotiated amount for Task Order (Modification No. 0004) \$21,355

Use the following statement if not a design project:

- II. COMPLIANCES** - The tasks ordered are not allocable to the statutory limit imposed by 10 U.S.C. 2306(e) and 41 U.S.C. 254(b), in accordance with FAR 15.404-4(c)(4)(i)(B).

Exhibit 2.3-B PRE-NEGOTIATION OBJECTIVE MEMORANDUM, LESS THAN \$500,000
(Continued)

Pre-Negotiation Memorandum
Task Order No. xxx??

Reviewed &
Approved By: _____
XXXXXXXXXX, Contracting Officer Date

<p>Total Labor Hours - 132</p> <p>Total Labor Costs – \$9,729.34</p>
--

2.4 NEGOTIATIONS

The negotiation meeting, or meetings if necessary, is conducted between the Government team (usually the COTR, the CO and others as needed) and the A/E consultant team for a new task order and for task order modifications. The A/E consultant team usually includes representatives from the subconsultants as well as from the prime. 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 consultant for negotiations, each team member's role must be understood and agreed to. If the COTR requires clarification of items on the contractor'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 consultant to achieve a reasonable profit for its work.

During the negotiation meeting(s), portions of the SOW may need to be revised due to changes in work requirements, funding availability, or the 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 revised SOW and final costs to the contractor 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 at WFLHD 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 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.

The Government must document the minutes and results of each negotiation meeting using a Negotiation Memorandum. (See [Exhibit 2.4-A.](#)) Be sure to include documentation of changes agreed to in the SOW, as well as cost agreements and other relevant information.

Exhibit 2.4-A NEGOTIATION MEMORANDUM

Memorandum

WESTERN FEDERAL LANDS HIGHWAY DIVISION
610 EAST FIFTH STREET
VANCOUVER, WA 98661-3801

Subject: Negotiation Memorandum: XXXXXXXXXXXX Negotiation

Date: January xx, 200x

From: XXXXXXXXXXXX

To: File

Negotiations were conducted on 01/28/03, at the XXXXXXXXXXXX Headquarters office in Vancouver, WA. XXXXXXXX CO, XXXXXXXXXXXX COTR, XXXXXXXXXXXX Admin. Asst and XXXXXXXXXXXX, A/E Contracts Coordinator met with XXXXXXXXXXXX, XXXXXXXXXXXX, XXXX and XXXXX from XXXXXX and XXXXXXXX from XXXXXXXXXXXX. NOTE: For the purposes of this memo, XXXXXXXX will be referred to as "XXXXXX" and XXXXXXXX will be referred to as "XXXXXX".

The negotiations opened with introductions of each individual and their roles for the negotiations.

Xxxxx X informed every one of the restroom and drinking fountain locations.

Xxxxx X stated there were two items to be discussed prior to beginning the negotiation of the hours and application of personnel.

1. The revised proposal submitted by xxxx included the Quality Control individual by name on the personnel chart but not the price proposal. The Government is working off the pretense that the QC individual hours are under xxxxx's column for Project Manager on the QC role for 160 hours. xxxxxstated that xxxxxxxx is the individual doing the QC and that it is his 160 hours under project manager. When xxxx revises their proposal based on negotiated hours a column will be added to reflect the QC individual with their hours spread across major tasks. (Hours per subtask do not have to be further defined)
2. The Government stated the firm(s) appear to have an excessive amount of individuals listed in the proposal and asks if any of these positions can be cut. xxxxx and xxxxxxx stated this was the approach used to maintain efficiency and each person has a specific role and input into the project.

Exhibit 2.4-A NEGOTIATION MEMORANDUM
(Continued)

2

Xxxxx X stated that the negotiation will follow xxxxxx's revised proposal. The approach will be to negotiate each contractor separately by major task and subtask going left to right on the sheet. We will skip items where the Government accepts the contractors proposal.

The following is a brief overview of the hourly figures per task:

PRIME PROPOSAL		
TASK	SUBTASK	DISCUSSION
110	1	Xxxxx X - Is it required that principal needs 40 hours? Xxxxx X – Principal is oversight for the company, helps set-up accounting and in tune with the way WFL likes it – role is directory, advisory to bring it together. Xxxxx X – resources to execute project are there – 30 OK with him. AGREE on 30 hours principal. 120 in Project Manager everything else OK
120	ALL	Contractors proposed hours accepted.
200		Xxxxx X – we added 20 hours to the principle where you had none. Xxxxx X - Basically Xxxxx X's role but as Principal I have to be sure resources are there for him. AGREE – 20 hours on principal Xxxxx X - Public Agency 60 hours not enough for Project Manager. 150 seems more appropriate for the task. AGREE – leave at 150 hours
300	ALL	Contractors proposed hours accepted.
410	1	Xxxxx X – difference in design planner Xxxxx X – area that leads to other tasks... Xxxxx X - 410 data collection for 420 task Xxxxx X – why design planner and not biologist Xxxxx X – xxxx from Spokane, rate only fit category but xxx's a wildlife biologist Xxxxx X – didn't have a wildlife biologist rate so used the design planner rate...creativity used in more than this instance. Didn't have rate to fit so found rates that matched. AGREE : Xxxx doing it 92 hours understanding wildlife biologist Environmental specialist xxxxx accepted 60.
420		With a brief discussion on the project managers role in assisting xxxxxxxxx, all agreed to the Principle with 16 hours and Project Manager with 165 hours.
	1	Transportation Project Manager I AGREE - 40 hours Project Designer III AGREE - 20 hours

Exhibit 2.4-A NEGOTIATION MEMORANDUM
(Continued)

		3
420 (Cont...)	3	Transportation Project Manager I XXXXX X -WFL took 80 total they proposed and WFL split it between this task and task 1 AGREE - 40 hours
	4	XXXXX X - Project Designer II - explain 160 hours XXXX :Formal consultation XXX – Wildlife Biologist (Design Planner) need 120 hours to go through 3 weeks worth of work. Critical habitat issue at the moment so it’s a little complex. Originally 500 hours. 120 for Project Designer Planner II. 120 Environmental Specialist II. 40 Original environmental. 2 people doing tasks..other one is Fish Biologist...XXX w/XXX working on fishery stuff. And supervisor review (XXXX). AGREE Project Design planner II – 140. Environmental Specialist II 220 total 160 hours in task 4, 20 hours in task 7, 10 hrs in task 8, 10 hrs in task 9 and 20 hours in task 10. 220 TOTAL. Clerical reduced to 0. WFL question Project Designer III? XXXXX graphics, exhibits etc...cheaper person
SOW		XXXXXX concerned about their risk on a firm fixed price contract and comments/changes between tasks 420 and 430. Asks if the SOW can be revised to mitigate risks and allow for a more firm/reasonable number of hours. Firm will be proposing via letter the following: “If the preferred alternative is changed after completion of Item 420, Task 9, then additional hours in Item 430 can be negotiated.”
	8	Transportation Program Manager II. XXXXX X - XXXXX X clarify why we should look at hours again: XXXXX X – looking at original obvious had XXXXX X and I addressing the comments the most and then WFL spread out and added hours XXXXX X – now that clarified that wouldn’t be changing preferred alternatives, it helps but we’re at 94 hours and XXXXXXXX 600 hours to respond to environmental hours (XXXXX X XXXX at 300 hours) XXXXX X – there won’t be a lot of road way comments but could be in respect to bridges and traffic transportation issues. Traffic transportation – XXXXX X most concerned. Not as concerned about roadway. XXXXX X – agrees with the concerns being traffic transportation rather than roadway. XXXXX X - After seeing XXXX hours concerned XXXX a little thin across the board in this task. XXXXX X - XXXX just doesn’t have the technical skills in transportation XXXXX X - would you accept 40 hours in lieu of 10 hours? XXXXX X - would that give us a better product? XXXXX X – yes AGREE Transportation Planner II from 10 to 40 hours
	10	Clerical - NOA’s, environmental should be doing. AGREE - Clerical is 0

Exhibit 2.4-A NEGOTIATION MEMORANDUM
(Continued)

			4
430		<p>AGREE - Principal – 8 hours, - Transportation Project Manager I – 40 CADD Operator – refining exhibits etc..more assisting as EIT rather than Cadd AGREE 40 HOURS Traffic Engineer I II and Cadd 3 operator AGREE 40, 10 & 40 (TEI-40, TEII-10, Cadd 3 - 40) Engineering Tech 2: AGREE - 0</p>	
510	1&2	<p>Task 1 Initiate Design Project Manager II - AGREE 10 Task 2 AGREE 20 for conceptual design AGREE total 30</p>	
520	2	WFL believes Xxxxxxx requires 8 hours AGREE 8 hours	
530	1	Project Surveyor II: AGREE 40 hours; Project Surveyor I: AGREE 40 hours; Clerical AGREE 20 hours	
	3	Cadd Operator III preparing exhibits, graphic work...XXX (EIT) AGREE 24 hours	
	4	AGREE : PE II - 8 hours ROW II - 40 hours	
	5	ROW II - AGREE 40 Project Surveyor II AGREE 0	
540		Project Manager: FULL column total 42	
	1	Transp PM I - AGREE 72	
	2	<p>Cadd Operator II - AGREE 40 Cadd Operator III - AGREE 80 Eng Tech II - AGREE 60 Traffic Engr I - AGREE 420 Traffic Engr III - AGREE 60 TE III has big role in working with area model; Urban area model Traffic Eng I & III Traffic Eng II more oversight not hands on person</p>	
	3	<p>Cadd Operator III doing data collection and CADD work- AGREE 120; Eng Tech II - AGREE 80; Traffic Eng III - 96 main modeling person – setup, validation, coordination, initial trip. NOTE: Traffic Eng I – running the model</p>	
	4	<p>Traffic Engr I - AGREE 172; Eng Tech II - AGREE 10; Traffic Eng III – 30; Traffic Eng II - 16 (two people 8 hours)</p>	
550	1,2,4,5 & 6	Project Mgr. AGREE 4 hours in each	

Exhibit 2.4-A NEGOTIATION MEMORANDUM
(Continued)

		5
560	2,3,4 & 5	Principle. Change from a total of 72 hours for task 560 to a total of 40. AGREE 8 hours per subtask.
560 (cont...)	2,3,4 & 5	Project Manager II. AGREE 42 total
	3	Xxxxxxx, recommend reduce from 24 to 8 hours – AGREE 8
570	1	Project Engineer II - XXXX - development of alternatives and refinement and make it through the public involvement process. Basically coordinating within the XXXX XXX office. AGREE 200 Project Designer III - AGREE 590
580		Cadd Operator III (really is a CADD person) processing data, mapping, topos AGREE 80 ; Project Surveyor II - AGREE 10 Project Surveyor I - AGREE 40 Xxxxx X – SOW calls for 3-man survey crew and looks like they’re proposing a 5-man crew. Xxxxx X – 3 man-survey consists of Party Chief, Instrument Operator & Survey Tech. Project Surveyor II licensed in (State), Surveyor I directs crew to go do the work.
590		Principal - 4 hours to review PM - 30 hours to write Clerical 20
SUB PROPOSAL		
Clarification Requested		Xxxxx X - Project Manager... who is it? Xxxxx X heading up environmental, xxxxx’s right hand person for EIS documentation. Planner I and II? PII – graphics - xxxxx, visual simulation – xxxx (landscape architect) xxxxxx PI – xxxxx – majority of website but fit in category, 2 other people who are in correct spot.
410		OK for 120 hours for PM (now that knows what this position does) Environmental Specialist - majority of hours doing HM investigation so data collection part of task. Previous uses of site. Clarification of positions Xxxxx X asked xxxxxx to address: Planner II - primarily xxxx...GIS data manager. Quite a bit of upfront work of what county has and they can use in documentation and then get it in GIS format. Planner I – water quality, flood plains and assisting wetlands. Also assisting xxxxx with GIS data collection to prepare for water quality, flood plains and wetlands.

Exhibit 2.4-A NEGOTIATION MEMORANDUM
(Continued)

		Lead: xxxx, Biologist; xxxxx, xxxxx Planner II – most is GIS – xxxx Senior Tech and Biologist will collect data from the field When xxxxxx goes out xxxxx will bring GPS and assist	6
410 (cont...)		GIS is base data for the graphics. AGREE Planner II - 140 hours, Planner I -120 hours	
420	1	Take 40 hours off task 1 Environmental Specialist and shift some to Project Manager. AGREE - Senior PM 40, Project Manager 100 xxxxxx – nothing to do with GIS – document prep only.incorporation of all graphics through pagemaker/quark.... Also tracks changes. Planner II – xxxxxxxx, with GIS pulls off factual stuff for purpose and need. AGREE - Admin Ass't – 20	
	2	Senior Project Manager AGREE 60 Project Manager AGREE 80 Environmental Specialist AGREE 0 Clerical AGREE 20	
	3	Leave xxxx whole Take hours off Env Specialist Senior GIS – xxxx – document. AGREE 40 Planner II – several people...this would be graphics plus GIS person. xxxxx X - what new graphics would be generated? Wouldn't they use the ones already prepared? xxxxx – should be some overlap, hours can go down. Although we do have some other folks working on Chapter 3: xxxxxx, public involvement and assisting with affected environment. AGREE 80 Planner I xxxx, xxxxx & xxxx- general data collection for each of the sections of affected environment. AGREE : 56 hrs Senior Tech – xxxxx & xxxxx. Writing when it comes to land use / socio economics – would mostly be xxxxx. xxxxx will write-up wetlands but not as heavy a writing task. Some 4F issues involved. AGREE 120 hours Admin Ass't. AGREE 40	
	4	Senior PM - AGREE 40 PM – xxxxx primary person, coordination with xxxx and subs preparing resource reports - AGREE 184 Env Specialist - AGREE 24 Planner II - graphics and GIS to support reports, OK as hours proposed. Senior Tech - wetland and vegetation AGREE 80 Admin - AGREE 40	
	5	Admin - AGREE 8	

Exhibit 2.4-A NEGOTIATION MEMORANDUM
(Continued)

		7
420 (cont...)	6	SPM - AGREE 40 PM - AGREE 80 Env Engineer - AGREE 0 Senior GIS Spec. - xxxxx - tracks... AGREE 8 Planner II, xxxx - helping xxxxx in public involvement, categorizes list of everything received and organizes it for xxxxxx or xxxxxxxx. AGREE 20 hours Admin - AGREE 20 hours
	7	PM - AGREE 204 hours Env - technical editing with ??xxxxxx?? and HM person AGREE 40 hours Senior GIS, document prep person - AGREE 100 Admin - AGREE 80
	8	Senior PM AGREE 40 Proj Manager AGREE 100 (xxxxx - key person) Env 0 Planner II - AGREE 40 Planner I AGREE 10 Senior GIS (Tracy tracking changes) AGREE 22 Admin AGREE 80 32 hours Senior Tech (xxxxx & xxxxx - refining what they wrote, rewrites)
	9	PM - AGREE 120 Eng/Env Specialist (was going to be primarily the technical editor) AGREE 40 Planner II AGREE 24 Planner I AGREE 24 Senior Tech 0 and moved hours to Task 8 Admin - AGREE 16
	10	Planner II AGREE 0 Admin - AGREE 4
	11	Planner II AGREE 0 Admin - AGREE 32
430		Senior PM - AGREE 100 PM - AGREE 160 (Diana) Env spec II (technical writing) AGREE 40 Senior GIS AGREE 160 Planner I AGREE 8 (webmaster) Planner II AGREE 16 Senior Tech AGREE 20 Admin - (includes mailing) xxxxx will do mailing AGREE 60

Exhibit 2.4-A NEGOTIATION MEMORANDUM
(Continued)

		8
520	1	WFL recommended the Senior PM and PM have hours in this task for Conceptual Geotech and Materials. AGREE SPM 5 and PM 20 hours. Env Specialist AGREE 0 (moved hours to PM)
540	2	Senior Eng. xxxxxx – specific to the model itself. Knows the model the best on the team. Reality check on the urban area model. Kind of a 3 rd party review. xxxxx owns the software, xxxxxx's going to use their software. AGREE 20
	3	Senior Eng AGREE 20
SUB A PROPOSAL		
		Xxxxx X clarify – overhead rate <u>xxx%</u> ? And profit <u>xx%</u> Xxxxx X – correct
410		Show no time Scott/Xxxxx X -XXXXXXXX have all their hours rolled into 420 and some covers 410 tasks Xxxxx X/Xxxxx X - SOW Air,noise Scott/Xxxxx X - need to move some hours into 410. Decided: 410/420 redundant so leave hours as shown in 420. xxxx/Xxxxx X 6 model runs written as 1 model run. Xxxxx X if changing Scope anyway, can change to add this...scope doesn't address it. xxxx/Xxxxx X xxxxxxx budget based on additional TNM analysis. Xxxxx X . if change scope it only affects xxxxxx. xxxxx will request a scope of work change and wfl will change it. Xxxxx X – not 6 model runs but rather noise analysis of existing conditions and all build alternatives **xxxxxxx will draft proposed scope of work change**
420	4	PM I – AGREE 160 (Xxxxx X – primary, runs TNM, documentation, documentation analysis for noise and ?) PM II – AGREE 20 (xxxxxxxxx oversight, principle of company) Project Eng assisting in building of model (xxxxxxx) AGREE 52 Tech Writer (xxxxxxxxx)
430		Proj Mgr I - AGREE 0 Xxxxx X – what does air and noise have to do with the final? Xxxxx X – if they get out of DEIS OK, then xxxxx/xxxxx should be able to handle the rest PM 2 – AGREE 8 hours TW - AGREE 4 hours Clerical - AGREE 4 hours

Exhibit 2.4-A NEGOTIATION MEMORANDUM
(Continued)

9		
SUB B PROPOSAL		
		Xxxxx X - Overhead rate 170% and 10% profit? Xxxxx X – yes, per IDIQ
520	1	<p>Xxxxx X - office review, evaluation subtask or task 1 that they'll take care of. They would be out in the field as alternatives are developed so they'll know where cutting and filling. Overall task, view in field, gather all data from existing info, look at XXXXX design and see what impacts have on information. Bridge crossings would do borings...2 at each abutment for total of 8. Office time in office they suggested not 168 but 160 on that task.</p> <p>Xxxxx X – hard time seeing all those hours based on data already gathered that's available from the County and State. Agree need to go to the field but doesn't seem there should be 4 weeks involved in that. Xxxxx X – if being out there when drilling to grab samples</p> <p>Xxxxx X only talking 4 borings. Xxxxx X – they countered with 4 borings, less drilling.</p> <p>XXXXX X will get back to us on these hours Project Mgr – WFL proposes .80 Sr. Geotechnical – interprets the data, not at drilling site, and recommendations. WFL proposes80 AGREE Engineering Technician 92.</p>
Sub C PROPOSAL		
410	1	<p>They're including testing of up to 3 sites in this. They have to do testing if they suspect something. Page 20 does say testing in the scope. ADDING SCOPE to read up to 3 test sites. xxxxxx: Production Specialist – this position Assembles and formats the report. Production Ass't AGREE 0 hours Archy - field assistant to Research Arch. Requires two. Task – walk the study area and do preliminary assessment so xxxxxx can do fatal flaw screening. Direction from XDOT cultural resource S. Archeologist - Project Manager xxxxxxxxx Assoc Historian – Research Arch head arch and also does GIS and graphics work. Ass't Arch - Research Arch assistant. Associate Arch – AGREE 40 Assoc. Historian – AGREE 24 Research Arch – AGREE 60 Assist Arch – – AGREE 32</p>
420		WFL proposes to reduce the total from 292 to 280. AGREE 280

Exhibit 2.4-A NEGOTIATION MEMORANDUM
(Continued)

		10
DIRECT EXPENSES		
200	11	<p>XXXXX X - 800 newsletters...xxxxxx – incorrect number, had them all as newsletters. Assumed a 4 page 11x17 with color but don't have to go that route. Still recommend color in spite of size, easier to show differences. Changed from 25/5 to 18/7 Where newsletters at – when mailings depends how extensive they have to be. \$1,000+ for 8 ½ x 11. 5 newsletters, 3 colors and 2 postcards MAILINGS: 7 AGREE \$24,000 reduced to \$15, 700</p>
430	2	<p>xxxxxx – assumed going out by fedex \$15 charge per document 'cause fairly heavy 2 rounds of delivery of 40 = \$1200 XXXXX X/XXXXX X \$1200 for draft and \$3000 for final. What's the difference? xxxxxx - Final includes ROD. XXXXX X - Shouldn't be 3 times thicker than draft. xxxxxx did math...\$1784..round to \$1800 AGREE \$1800 for final from \$3000</p>
Public Opinion Survey		<p>xxxxxx: \$31,000 version includes 3,000 surveys being mailed for both surveys +/- 3% confidence interval. One survey - Attitudes values; Second Survey - alternatives Can go with cheaper 1,200 surveys then have +/- 5% confidence interval. Scientific method of who receives surveys and analysis when come back in. Someone who specializes in surveys. (a sub?) A vendor, xxxxxx, they'll develop survey. xxxxxx gives input of what they want out of it. xxxxxx has used them before....Adds credibility, helps the decision making process and clarifies if not a lot of attendance at public meeting. 1/3 of cost – hard cost, data, printing Rest designing, analyzing Could go to one survey too. AGREE - \$24,350 – go with 5% confidence but keep two surveys.</p>
420	9	<p>XXXXX X -What's difference between 2 drafts price is double? xxxxxx - 40 for 1st draft and 100 for final. It's just a printing cost. Yes want 100. AGREE \$9,616.50</p>
520	1	<p>Based on 8 borings Can reduce to 4 borings Plus other direct expenses (mileage, per diem) XXXXX X – what's direct costs? XXXXX X – he shows: Misc office</p>

Exhibit 2.4-A NEGOTIATION MEMORANDUM
(Continued)

		materials - \$200. \$2200 for dealing with Railroad Right of Way. XXXXX concern not paying twice for something covered in overhead rates. XXXXX - \$58.73 a foot for drilling costs, mob/demob included in cost AGREE 4 borings reduced from \$45,240.00 to \$28,924 Scope change request coming from xxxxxx to show 4 borings and no recon report.	11
		XXXXX - Explain xxxxxx expenses \$2920 and \$100 Response: It's xxxxxx travel expenses \$2920 \$100 could be printing and reproduction costs, probably have it in wrong place...they'll move \$200 it into right spot. Resource Reports. Item 420 task 4. Also will change to xxxxx travel	
TRAVEL		Changed from \$36.5 cents to flat \$.36 cents. AGREE comes out to \$720; 17 trips OK	

Other Comments:

XXXXX X stated there is not enough funds currently in place for WFL to make a firm commitment to the price and give xxxx permission to proceed. We will work on obtaining the funds increase and will provide xxxxx information/updates as they come available. IF the funds are made available, xxxxx may receive a verbal notification to proceed, allows for scheduling meetings, trips, etc... and then the modification will follow.

XXXXX X asked for clarification on the task order. Will there be a new task order for the negotiated portion? XXXXX X stated no. This is phase II of the existing task order. The funds for the work will be added to the task order by a modification.

XXXXX X stated that employee xxxxxx is listed on the Team Chart but is not reflected as being used on the proposal. xxxx was reminded that in accordance with the SOW if there is a desire to change personnel or roles, this request must be submitted in writing for pr-approval by the CO. XXXXX X stated they will be submitting a request due to an employee and maternity leave. He also asked if this is required for name changes since another employee has recently married. XXXXX X stated that any changes, to include name changes, have to be accomplished in writing and the SOW will have to be changed to reflect the changed Team Chart.

Invoice format was discussed. xxxxx will format a "mock" invoice and coordinate with the sub consultants to ensure compatibility. The "mock" invoice will then be submitted for WFL personnel to review. This will allow everyone the opportunity to give input and make it easier to ensure tracking of the contract progress.

The negotiations were concluded at 1615 on Jan xx, 200x. The following items are still open:

Proposed changes to the SOW: xxx drafting changes for 3 site tests for xxxx, 4 borings, firm alternatives on task 420, Model runs, and Team Chart changes.

xxxxxx acceptance of WFL proposed hours.

Exhibit 2.4-A NEGOTIATION MEMORANDUM
(Continued)

12

Xxxxx X Oltmann
A&E Contracts Coordinator

xxxxxx
Contracting Officer

Xxxxx X
xxxxxxxxxxxxxxxxxxxx

2.5 PRICE NEGOTIATION MEMORANDUM

The Price Negotiation Memorandum (PNM) provides a narrative of the process by which the A/E firm (offeror) and the Government team (negotiator) arrived at a fair and reasonable price. (See [Exhibit 2.5-A](#).) Information from the negotiation minutes document may be copied and pasted into the PNM to ensure that all pertinent information is captured. The FAR and TAR require the preparation of a PNM on each negotiated procurement as indicated below.

Document in the task order file 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 offeror and the Government in the negotiation.
- A summary of the offeror'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 the negotiations result in an agreement higher than the current Purchase Request, the Purchase Request must be adjusted before formal acceptance of the negotiations can be accomplished. The CO is the final approval authority for all task orders issued under the contract.

2.5.1 Forms and Templates

To view or download the template, use the link below:

- [Price Negotiation Memorandum](#).

Exhibit 2.5-A PRICE NEGOTIATION MEMORANDUM



U.S. Department
of Transportation
**Federal Highway
Administration**

Memorandum

WESTERN FEDERAL LANDS HIGHWAY DIVISION
610 EAST FIFTH STREET
VANCOUVER, WA 98661-3801

Subject: Price Negotiation Memorandum
XXXXXXXXXXXXXXXXXXXX
IDIQ Contract No. DTFH70-0X-D-000XX
Task Order 0?-xx00?

Date: ?????

From: XXXXXXXXXXXXXXX
A/E Contracts Coordinator

In Reply Refer to: HPA-17
priceneg_xx0???.doc

To: Contract File

cc: ??????????????, COTR

- I. INTRODUCTION** - This task order??? modification adds???? is for XXXXXXXXXXXX per the Statement of Work (SOW).

CHOOSE "II" BASED ON TASK ORDER.....

For design projects use the following statement:

- II. COMPLIANCES** - This task order meets the requirements set forth in FAR15.404-4(c)(4)(i)(B) and is subject to the 6% limitation.

Construction Cost Estimate

Current: \$3,400,000
This Modification: 0
New Cost Estimate: \$3,400,000

Design Costs

Current: \$159,904
This Modification: \$ 15,555
Total New Costs: \$ 175,459 Brooks Act: 5.4%

Use the following statement if not a design project:

- II. COMPLIANCES** - The tasks ordered are not allocable to the statutory limit imposed by 10 U.S.C. 2306(e) and 41 U.S.C. 254(b), in accordance with FAR 15.404-4(c)(4)(i)(B).

Exhibit 2.5-A PRICE NEGOTIATION MEMORANDUM
(Continued)

Price Negotiation Memorandum
Task Order No. xxxx?

III. CONTRACT TYPE - Firm Fixed Price.

IV. SUMMARY OF KEY DOCUMENTS (attached)

<u>Item</u>	<u>Dated</u>
• Independent Government Estimate (IGE)	????
• Revised IGE	
• Procurement Request	???
• Statement of Work	??
• Revised Statement of Work	??
• Final Statement of Work	
• Request for Proposal (RFP)	????
• A/E Fee Proposal	???
• Revised Proposal	
• Final Proposal	

V. NEGOTIATIONS

Negotiations were conducted on date, in Vancouver, WA. insert names and titles of those representing WFL and xxxxxxxxxxxxxx, A/E Contracts Coordinator met with name, title, firm.

insert narrative of negotiation meeting and outcome.

Hours per Phase				
Phase	IGE	FIRM	PreNeg	NEG
A	2427	3798	2524	2645
B	1785	2266	1478	1508
C	1496	1838	1652	1690
Total				

SPECIFIC TASK COMPARISON

Total Cost Firms Proposal	\$xxxx
Total Cost Prenegotiation Objective	\$xxxx
Revised Proposal	\$xxxx
Revised Prenegotiation Objective	\$xxxx
Final Negotiated Cost	\$xxxx

2.6 PRE/POST-NEGOTIATION MEMORANDUM

A combined Pre/Post-negotiation Memorandum (POM/PNM) is acceptable if it provides for the pre-negotiation position and objective as well as the negotiation outcome. (See [Exhibit 2.6-A](#).)

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.)

The CO responsible for the acquisition reviews the solicitation, the POM, the PNM and the contract or contract 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, contract awards and contract modification awards valued at or below \$500,000. Actions exceeding \$500,000 shall be approved by an individual at least one level above the CO responsible for the acquisition.

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

Exhibit 2.6-A PRE/POST-NEGOTIATION MEMORANDUM, LESS THAN \$25,000

U.S. Department
of Transportation
**Federal Highway
Administration**

Memorandum

WESTERN FEDERAL LANDS HIGHWAY DIVISION
610 EAST FIFTH STREET
VANCOUVER, WA 98661-3801

Subject: Pre-Post Negotiation Memorandum (<\$25,000)
XXXXXXXX Contract No. DTFH70-0x-D-000xx
Task Order xx-xxx??

Date: ?????

From: XXXXXXXXX
A/E Contracts Coordinator

In Reply Refer to: HPA-17
pre-post_xx??.doc

To: Contract File

cc: ??????????????, COTR

- I. **INTRODUCTION** - This task order??? modification adds???? is for retaining wall design and analysis per the Statement of Work (SOW).

CHOOSE "II" BASED ON TASK ORDER.....

For design projects use the following statement:

- II. **COMPLIANCES** - This task order meets the requirements set forth in FAR15.404-4(c)(4)(i)(B) and is subject to the 6% limitation.

Construction Cost Estimate

Current: \$3,400,000
This Modification: 0
New Cost Estimate: \$3,400,000

Design Costs

Current: \$159,904
This Modification: \$ 15,555
Total New Costs: \$ 175,459 Brooks Act: 5.4%

Negotiated amount for Task Order (Modification No. 000x) \$21,355

Use the following statement if not a design project:

- II. **COMPLIANCES** - The tasks ordered are not allocable to the statutory limit imposed by 10 U.S.C. 2306(e) and 41 U.S.C. 254(b), in accordance with FAR 15.404-4(c)(4)(i)(B).

Exhibit 2.6-A PRE/POST-NEGOTIATION MEMORANDUM, LESS THAN \$25,000
(Continued)

Pre-Post Negotiation Memorandum
Task Order No. xxx??

III. CONTRACT TYPE - Firm Fixed Price.

IV. SUMMARY OF KEY DOCUMENTS (attached)

<u>Item</u>	<u>Dated</u>
• Independent Government Estimate	????
• Procurement Request	???
• Statement of Work	??
• Request for Proposal (RFP)	????
• A/E Fee Proposal	???

V. EVALUATION OF PROPOSAL/PRENEGOTIATION OBJECTIVES - xxxxxxxxx

reviewed the proposal and evaluated it as follows:

- See attached e-mail/memo.

Proposal evaluation summary for xxxxxxxxxxxxxxxxx

- IGE for the work totals \$???????
- Pre-negotiation goal \$???????
- DJ&A proposal total \$???????
- Final Negotiated Amount \$???????

Negotiation Notes

??COTR?? and ??Contractor Representative?? met on ??/??/0? and completed the negotiation of this task order.

In reviewing the estimate and the spreadsheet that ??contractor?? provided ??COTR?? and ??other wfl rep?? agreed their proposal was too low and agreed to add hours to Designer II and to CADD time. This increased the modification from DJ&A proposal to the Final Negotiation amount. See attached memo.

VI. SPECIAL REQUIREMENTS - N.A.

VII. SIGNATURES

The following signatures represent: (1) agreement with the information contained in this document; and (2) that the final negotiated price is fair and reasonable.

Exhibit 2.6-A PRE/POST-NEGOTIATION MEMORANDUM, LESS THAN \$25,000
(Continued)

Pre-Post Negotiation Memorandum
Task Order No. xxx??

Recommended by: _____
xxxxxxxxxxxxxx, A/E Contracts Coordinator Date

Reviewed &
Approved By: _____
xxxxxxxxxxxxxx, Contracting Officer Date

<p>Total Labor Hours - 132</p> <p>Total Labor Costs – \$9,729.34</p>
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2.7 A/E PRICE AGREEMENT

After negotiations have been successfully completed, the A/E consultant may document its understanding of the negotiations and submit this documentation to the CO. Having the A/E firm document its understanding of the negotiations serves two purposes: it ensures alignment (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.