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## INDOT Preconstruction Phase Hourly Rate Policy – Progressive Delivery Projects

### General Policy Statement

All fully-loaded hourly rates, for engineering firms and non-engineering firms, are set under this Preconstruction Phase Hourly Rate Policy (Policy) for Progressive Delivery contracts on a project-specific basis. A new approval is required for each project and may not be obtained programmatically.

On a project specific basis, the Department may require the setting of project-specific fully-loaded hourly rates for individuals performing Preconstruction Work or for categories of professionals or consultants (or categories of professional or consulting services). The Department will provide direction in the Request for Proposals.

To enable payment for Preconstruction Work performed under Progressive Delivery projects, which are based on hourly rates, the Department will require that each firm supporting the Preconstruction Phase develop fully-loaded hourly rates for the specific Progressive Delivery project based on the requirements of this Policy.

If the Preconstruction Phase will last for more than a year, then firms may update their fully-loaded hourly rates annually.

### FAR Firms' Fully-Loaded Hourly Rate

Any engineering firm that will provide professional or consulting services during the Preconstruction Phase (FAR Firm) shall use an existing Department-approved FAR-complaint indirect cost rate and direct hourly billing rates **or** obtain Department approval as described in [the Department's "Professional Services Contract Administration Manual"].

The fully-loaded hourly rates for a specific Progressive Delivery project shall be calculated based upon the formula below, consisting of the following factors: the direct hourly billing rates, audited FAR-compliant indirect cost rate, facilities capital cost of money (FCCM) (expressed as a rate), and profit (also expressed as a rate):

$$\text{Fully-Loaded Hourly Rate (FAR Firm)} = \text{Base} * (1 + \text{FAR}) * (1 + \text{Profit}) + \text{Base} * \text{FCCM}$$

The profit rate will be established by Department on a project specific basis. FAR Firms shall calculate fully-loaded hourly rates using the rate buildup spreadsheet provided by Department.

### Non-FAR Firms' Fully-Loaded Hourly Rate

Contractors and other non-engineering firms (Non-FAR Firms) shall follow the process described below for building a non-FAR, fully-loaded hourly rate so as to obtain the Department's approval of the fully-loaded hourly rate developed for the specific Progressive Delivery project.

#### Process for Building Non-FAR Firm Fully-Loaded Hourly Rate

Non-FAR Firms shall provide the information identified in Table 1 (Indirect Cost Factors), as further described below, to the [Department's External Audit Section] with supporting documentation and a certification from the firm's Chief Financial Officer, or equivalent role, that the provided information is true and accurate.

The Department will review the information for reasonableness and notify the firm that the information is acceptable. The Department will consider the completeness of the information and whether the information aligns with statewide averages of indirect cost rates, industry benchmarks for home office general and administrative (G&A) costs or bonus/fringe/tax/other costs, other states' comparable rates, and other relevant sources, it being the Department's policy that the information provided, when used

in the calculation, provides a rational basis for a Non-FAR Firm’s fully-loaded hourly rate. Upon notification by the Department that the information provided is acceptable, the Non-FAR Firm shall calculate fully-loaded hourly rates for the specific Progressive Delivery project using the rate buildup spreadsheet provided by the Department.

**Fully-Loaded Hourly Rate (Non-FAR Firm) = Base\*(1+Approved Markup)\*(1+Profit)**

*Employee Direct Hourly Rates for Salaried Employees of Non-FAR Firms*

Non-FAR Firms shall provide a list of the direct hourly billing rate for each employee that will support the Preconstruction Phase of the Progressive Contracting project. For salaried employees of Non-FAR Firms, the hourly direct billing rate shall be calculated by dividing the employee’s base weekly salary by 45. The base salary shall exclude bonuses, fringes, taxes, and other costs as well as G&A costs, as described below. This list may be updated any time additional resources are added to a Progressive Delivery project.

*Bonuses, Fringes, Taxes, and other Costs of Non-FAR Firms*

Non-FAR Firms shall also provide information related to its labor burden (bonuses, fringes, taxes, and other costs) identified in Table 1 (Indirect Cost Factors) expressed as the average percentage of salary. This information may be provided using firmwide averages or on an employee-specific basis. The Department-provided rate buildup spreadsheet includes options for calculation of fully-loaded rates based on firmwide averages or employee specific information. “Other costs” under this calculation shall generally consist in demonstrable labor burden costs and expenses that would apply to all individuals working on the Progressive Delivery project. If any cost or expense cannot be reduced to a per-employee labor burden cost, then it is a direct cost and not an “other cost” for purposes of this calculation. In each case “other costs” exclude the G&A costs (calculated and described below).

*General and Administrative (G&A) Costs of Non-FAR Firms*

G&A costs, generally, are non-project-specific costs that relate to the general operations of the Non-FAR Firm’s business, which are not generally charged to projects. If a Non-FAR Firm has an audited G&A rate, then the firm shall provide this rate, along with evidence of external auditor certification. If a Non-FAR Firm does not have an audited G&A rate, then the firm shall provide the G&A cost information described in Table 1 (Indirect Cost Factors) along with the most recent audited financial statements that support the data and provide and provide the total number of employees to calculate a G&A rate per employee.

Table 1 (Indirect Cost Factors)

<b>Labor Burden – Bonuses, Fringes, Taxes, and Other Labor Burden Costs</b>	
Bonus, if any	Avg % of salary
Fringe Benefits	
PTO/Holiday	Avg % of salary
Retirement Matching / Pension, if any	Avg % of salary
Health / Dental / other Employee Insurance	Avg % of salary
Taxes	
Social Security	Avg % of salary
Medicare	Avg % of salary
Federal / State Unemployment	Avg % of salary
Other	Avg % of salary
Workers’ Comp	Avg % of salary
Other Costs	Avg % of salary
<b>Home Office G&amp;A</b>	
Audited Rate (certified by an external auditor)	% per employee

<b>OR</b>	
Calculated Rate Equivalent	\$ per employee hour
Number of employees	# of employees
Facilities	
Depreciation on Buildings	\$ Annual
Interest on Debt Associated with Certain Buildings	\$ Annual
Equipment and Capital Improvements	\$ Annual
Operations and Maintenance Expenses	\$ Annual
Other	\$ Annual
Administrative	
Director's Office	\$ Annual
Accounting	\$ Annual
Admin Personnel	\$ Annual
Other	\$ Annual
<i>Subtotal G&amp;A Line Items</i>	\$ Annual