



APR 7 2003

MEMORANDUM FOR ASSISTANT REGIONAL ADMINISTRATORS

FROM: WILLIAM H. MATTHEWS *William H Matthews*
ASSISTANT COMMISSIONER – PT

SUBJECT: Pricing Policy Clarification #8
4% Project Management Fee

The attached pricing policy clarification further defines Project Management Services and the application of the separate 4% Project Management Fee.

The clarification was initiated based on regional request to clarify the 4% Project Management Fee. The clarification was drafted in coordination with the Regional Pricing Points Of Contact (POC's) and the Pricing/Billing Panel. A copy of this clarification is being provided to the Regional Pricing POC's for dissemination within each Region.

If you have questions regarding this clarification, please contact the National Pricing Points of Contact, Kevin Rothmier at 816-926-1100 or Mary Gibert at 202-501-0096.

Attachments

cc: Assistant Commissioners, Regional PT Directors, Regional Pricing POCs



Pricing / Billing Panel

Effective Date: May 1, 2003

Purpose: Policy Clarification #8 on Project Management & The Separate 4% Project Management Fee

Desk Guide 3.2.10 Post Award Services, pages 3-20 through 3-21

Existing Desk Guide Language:

Pages 3-20 through 3-21 include the current policy regarding Project Management and The Separate 4 Percent Project Management Fee.

Clarification:

The policy as it relates to Project Management and the Separate 4 Percent Project Management Fee has been clarified. Replace the Project Management section on page 3-20 and The Separate 4 Percent Project Management Fee section on pages 3-20 through 3-21 with the Attachment.

Attachment

3.2.10 Post Award Services

Project Management

Project Management is defined as an oversight role over the project functions of design, estimating, management and inspection, and client relationship efforts for a specific project. These project functions may be accomplished by PBS Associates or by Contract Associates hired by PBS to work as project managers. The tasks include the following:

- Schedule development, review, and enforcement
- Cost estimation (initial project cost estimate of shell, TI, A/E & CM fees)
- Price negotiation of specialty items and change orders
- Milestone and final inspections (not daily inspections)
- Project cost reconciliation
- Follow-up enforcement to ensure punch list items are performed
- Space measurement and acceptance

The level of project management oversight applied to the project including the frequency of site visits will be based upon the complexity and uniqueness of the project and will be determined by PBS. The PBS fee covers only initial space alterations within the tenant improvement allowance. For tenant improvements above the allowance or after occupancy commences, PBS will provide project management services for space alterations for a separate fee, discussed below.

The Separate 4 Percent Project Management Fee

PBS pricing policy is to charge a fixed 4 percent fee for PBS Associates' oversight of tenant improvement work as outlined in this section. The intent of the 4% project management fee is to cover PBS's indirect project costs nationwide, not necessarily on each individual project. The 4% fee does not apply to physical moves, relocation management or personal property such as telecommunication equipment and furniture. Telecommunication wiring/cabling may be funded within the tenant improvement allowance or provided by the customer agency. If funded by the tenant improvement allowance, the 4% project management fee is only applicable to tenant improvement costs that exceed the tenant improvement allowance.

The 4% project management fee covers indirect project costs such as salary and benefits of PBS Associates and contract employees hired by PBS to work as project managers when they are overseeing (supporting) tenant improvement work. In addition, it is intended to cover business line overhead such as the cost of furniture, information technology, telephones, office equipment and supplies for PBS Associates.

The 4% project management fee does not cover contract costs (space programming, design, construction, the cost of a Construction Management (CM) firm hired by PBS to oversee a specific project), purchases or the cost of PBS Associates who actually perform the work. For example, the 4% project management fee does not cover the PBS Associate's time performing the CM services. However, if PBS hires a CM firm the PBS Associate is considered oversight and the 4% project management fee would cover their time overseeing the project. The direct costs (contract costs, purchases, PBS Associates who actually perform the work) are applied to the tenant improvement allowance or Reimbursable Work Authorization (RWA) depending on funding responsibility.

The 4% fee is applied to the sum of the following direct costs:

- Contract A/E and CM services for space alteration work
PBS Associate's time actually performing the work
- Construction Costs
- Travel to remote locations

It is no longer policy to charge actual costs for project management oversight by PBS Associates. However, actual cost should be charged for work actually performed by PBS Associates. Generally PBS does not charge for travel associated with oversight of a project unless the agency requests more site visits than PBS deems necessary. In circumstances where the work site is remote (outside of commuting area), PBS can request that the customer agency agree to reimburse PBS for the travel expenses (per diem, air fare, car rental, mileage) of PBS Associates overseeing the project, beyond 4% project management fee. In these cases, PBS must estimate the travel costs, and secure the customer agency's consent to the charges in the OA. Chargeable travel expenses do not include the salary of the PBS Associate overseeing the project. The 4% project management fee covers the PBS Associate's salary for project oversight.

The 4% project management fee applies to projects that exceed \$2,500 in value as follows:

Owned Space

- **Initial Occupancy:** Shell Rent covers PBS Associates' project oversight of tenant improvements within the allowance. The 4% project management fee applies to the value of the tenant improvements over the tenant improvement allowance. When an agency waives all or a portion of their customization allowance and instead funds for the tenant improvement work via a reimbursable payment, e.g., RWA, the 4% fee is applied to the tenant improvement work funded via RWA. In "second generation" or "relet" space, the agency can pay lump sum via an RWA for all the tenant improvements (providing the space is not taken back to

shell). The 4% project management fee is applied to the tenant improvement work funded with an RWA.

- **Post Initial Occupancy:** The 4% project management fee applies to all post initial occupancy (same OA term, same space) tenant improvement work.
- **Continuing Occupancy:** The 4% project management fee applies to the total value of the tenant improvement work in the case of continuing occupancy (new OA term, same space), whether the work is funded by GSA with a tenant improvement allowance amortized in Rent or via a reimbursable payment, e.g., RWA.

If the tenant improvements are funded via a reimbursable payment, e.g., RWA, the sliding scale overhead charge, which covers non-business line overhead costs, should be applied to the total value of RWA, including the 4% fee for project management. The 4% project management fee is not automatically charged to the RWA and must be accomplished by PBS financial staff via a manual cost transfer.

Leased Space

- **Initial Occupancy:** The 8% PBS fee covers PBS Associates' oversight of tenant improvements amortized in Rent. The 4% project management fee applies to the value of the tenant improvements over the tenant improvement allowance. When an agency waives all or a portion of their customization allowance and instead funds for the tenant improvement work via a reimbursable payment, e.g., RWA, the 4% fee is applied to the tenant improvement work funded via RWA. In "second generation" or "relet" space, the agency can pay lump sum via an RWA for all the tenant improvements (providing the space is not taken back to shell). The 4% project management fee is applied to the tenant improvement work funded with an RWA.
- **Post Initial & Continuing Occupancy:** The 4% project management fee is applied only to tenant improvement work funded by RWA. The 8% PBS fee covers PBS Associates' oversight of tenant improvements amortized in Rent whether funded by the lessor or GSA. GSA funds tenant improvement work in leased space only when the work must be completed and no alternative exists through lessor amortization in Rent or via RWA.

If the tenant improvements are funded via a reimbursable payment, e.g., RWA, the sliding scale overhead charge, which covers non-business line overhead costs, should be applied to the total value of RWA, including the 4% fee for project management. The 4% project management fee is not automatically charged to the RWA and must be accomplished by PBS financial staff via a manual cost transfer.