



GSA Public Buildings Service

AUG 17 2004

MEMORANDUM FOR ASSISTANT REGIONAL ADMINISTRATORS

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

SUBJECT: Pricing Policy Clarification #15
Operating Costs & Extra Services

The attached pricing policy clarification covers operating costs and extra services. The clarification was initiated based on a regional request to clarify standard level of services. The clarification was drafted in coordination with the Regional Pricing Points of Contact (POC's) and the Pricing Network. 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 Steve Peters at 215-446-4670.

Attachments

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



Effective Date:

Leases:

New Leases: August 16, 2004

Existing Leases (leases awarded prior to August 16, 2004): Dependent on the terms and conditions of the lease. Subject to the Federal budget process.

Federally Owned:

New Assignments: August 16, 2004

Existing Assignments (assignments effective prior to August 16, 2004): Dependent on current practice. Subject to the Federal budget process.

Purpose: Policy Clarification #15 on Operating Costs and Extra Services

Existing Desk Guide Language:

Desk Guide Sections 3.2.3, page 3-6 and 3.2.7, page 3-10, contains the current policy on Operating Costs and Extra Services.

Clarification:

The Operating Costs and Extra Services sections have been clarified. Replace Desk Guide Sections 3.2.3 and 3.2.7 in their entirety with the Attachment. This policy clarification incorporates and replaces pricing policy clarification #2 on the STAR 7.0 Recurring RWA Feature.

Delete Companion Document Sections 3.2.3, page CD-1-15 and 3.2.7, page CD-1-19 in their entirety. No replacement issued.

Attachments

3.2.3 Operating Costs

Federally Owned Space

Operating Rent Rates in federally owned space are extracted from Fair Annual Rental (FAR) appraisals rather than actual PBS costs. An exception is Return on Investment (ROI) pricing, where actual PBS operating expenses may be billed. The use of appraisal-based FAR operating costs provides the customer agency with industry benchmarked operating costs. This practice insulates customer agencies from the risks PBS undertakes in operating buildings.

The appraisal-based Operating Rent Rate for a building classified as general use covers the provision of building services and utilities typical for the operation of an office building. Operating Rent Rates in federally owned space are escalated annually by OMB's inflation factor on the anniversary date of the CBR. Standard utility, maintenance and janitorial services are summarized below.

Utilities

Standard utilities are based on a one-shift office operation, Monday through Friday, excluding Federal holidays. PBS provides a consistent heating or cooling temperature for 10 operating hours. For buildings with 24 hours per day operation, PBS provides one 10-hour shift, Monday through Friday, excluding Federal holidays. Service beyond these hours is reimbursable.

Without additional charge, GSA customers may use their assigned space and supporting automatic elevator systems, lights, and small office and business machines (including personal computers) on an incidental basis, unless specified otherwise in the Occupancy Agreement. This is subject to limitations required by building control systems or planned outages associated with scheduled system maintenance.

GSA does not charge for incidental utility usage associated with antennas assigned to building tenants. The antenna charge includes utility consumption.

Maintenance

GSA maintains all of the following according to appropriate laws, codes, regulations or industry standards:

- Building standard systems and operating equipment for heating and cooling
- Building standard plumbing and electrical systems
- Building standard elevators and escalators
- Building standard safety and fire-protection devices, equipment, and systems
- Building exterior
- Sidewalks and driveways
- Parking areas

- Directory board in building lobby
- Building standard entrance/exit door locks and closures
- Other building standard equipment
- Building and floor common areas

Janitorial Service

GSA provides cleaning for assigned space equal to commercial cleaning for similar commercial general use office space. The Property Manager, in consultation with building tenants, determines whether daytime or after hours cleaning will be standard for the building. The standard is set based on the requirements of the majority of tenants (based on square footage). Deviation from the standard will require reimbursement from the tenant of the increase in cost (if any). Standard janitorial service during one 10 hour shift, 5 days a week (Monday through Friday, excluding Federal holidays) includes:

- Vacuuming, sweeping and dusting
- Damp mop and spray buff resilient floors
- Emptying trash
- Servicing restrooms, lobbies, corridors, and other common areas
- Servicing loading docks and platforms
- Washing windows (frequency determined by Region)
- Carpet spot cleaning
- Snow removal, lawn and grounds
- Integrated pest management

Above Standard Services

Many of the tenant spaces in a general use building may have operating and maintenance requirements that are different than conventional office space. This may be due either to the particular space use or to the presence of special tenant equipment or fixtures. The following services are provided on a reimbursable basis. Non-payment will result in discontinuation of the above standard service.

- Operation and maintenance and additional utility costs related to agency program equipment
- Utility costs for areas that require 24 hour HVAC (For 24 hours per day operation, PBS provides 10 operating hours of HVAC service, 5 days a week (Monday through Friday), excluding Federal holidays. Service beyond 10 hours is reimbursable.)
- Special cleaning (above office standard)
- Equipment maintenance costs for supplemental air conditioning equipment in conference spaces, computer facilities, laboratories, chemical or film storage, libraries, and other special use space

- Frequent plumbing service calls for pantries, plumbing fixtures associated with laboratory use, and private bathrooms. Service calls resulting in only incidental expense to GSA should be performed at no charge to customers
- Uninterruptible power services

PBS policy is to request additional reimbursement for the cost to service the following space types only when the overall cost to maintain the space exceeds the operating cost component of the Rent for the space type that PBS is already billing.

- Tenant Floor Cut (TFC) space such as Private Elevators, Dumbwaiters & Courtrooms
- Firing Ranges
- Sallyports

PBS must consider that in some instances costs are avoided even while new or different costs are incurred (e.g., firing ranges may be cleaned less frequently than office space, even though each periodic HEPA cleaning is more costly). Also, in the case of space entailing tenant floor cut areas, PBS may be incurring additional operating expenses (e.g., the cost to maintain equipment for a private elevator) but also receiving Rent for the area on each floor penetrated by the elevator shaft. These offsetting effects must be considered before PBS requires that the tenant provide additional operating cost reimbursement. In no event, however, will PBS rebate Rent or process a credit to a tenant agency when the cost of operating expenses, accounting for all differences, works out to be less than the standard Rent charge for operating costs.

Costs of above standard operating expenses can be billed via the traditional RWA process (Form 2957) or on the PBS Bill through Star. If the RWA mechanism is used, the fixed fee of \$100 or the sliding scale fee will be applied in accordance with the RWA policies. If the STAR mechanism is used for billing reimbursable services, the cost of the service must be identical each month. An annual fee, currently \$100 per service rendered, will be charged to the customer when billing for reimbursable services on the PBS Bill. The process regarding STAR billing can be found in Section 3.2.7 Extra Reimbursable Services on PBS Bill. Regardless of the mechanism of payment, enhanced services are a reimbursable expense. Reimbursement for new above standard services requested by the customer should begin immediately. GSA must give agencies adequate time to budget (by July 31st for second following October) for reimbursement of above standard services which were previously provided but not previously charged.

Leased Space

The operating costs that PBS pays to the lessor are passed through to the customer agency. Operating cost escalations in leases are usually tied to the Consumer Price Index (CPI). When PBS adjusts payment to the lessor, the Rent to the customer agency is also adjusted.

Daytime or after hours cleaning will be stipulated in the lease based on tenant preference and considered a standard service therefore, reimbursement is not required.

The following costs may be included in the lease contract and passed through to the customer agency.

- Above standard or “enhanced” operating expenses
- Standard utilities are based on a one-shift office operation, Monday through Friday, excluding Federal holidays. PBS provides a consistent heating or cooling temperature for 10 operating hours. For 24 hours per day operation, PBS provides one 10-hour shift, 5 days a week (Monday through Friday, excluding Federal holidays). Service beyond 10 hours is reimbursable.
- Operation and maintenance of agency program equipment

Although above standard services can be included in the lease, the customer agency must pay GSA as a reimbursable payment, either with the traditional RWA process or through STAR. STAR RWA billing is applicable only to recurring type RWAs. The process regarding STAR billing can be found in Section 3.2.7 Extra Services. Regardless of the mechanism of payment, above standard services are a reimbursable expense. Customer agencies may not pay for above standard services with their Rent account (OMB Object Class 23.1).

3.2.7 Extra Services

Extra services apply equally to federally owned and leased space. This component on the PBS bill can be used to recover the cost of reimbursable services that are over and above standard operating expenses. STAR provides the capability to recover expenses when the monthly cost of the reimbursable services rendered to a customer agency is identical from month to month. The reimbursable recurring services billed through STAR are limited to:

- Overtime Utilities
- Enhanced Custodial Services
- Mechanical O&M HVAC
- Mechanical O&M Other

In order to participate in this program the person who receives the agency PBS bill must agree, in writing, to have the reimbursable services billed to the same IPAC or BOAC number their Rent is billed to. Upon the receipt of written acceptance, the agency will be identified as a “participating agency” by the Office of the Chief Financial Officer (PF). An OA amendment by letter will be used to document the reimbursable service agreement between PBS and the tenant agency each year. The billing and services will automatically be discontinued at the end of each fiscal year and must be renewed by the tenant agency to continue receiving services and be billed via the PBS bill. An annual administrative fee, currently \$100 per service rendered, is charged to the user for this billing accommodation. The fee will be reflected the first month the charge is billed.

The cost for the reimbursable services must be paid from and reimbursed to either BA61 (Building Operations) or BA53 (Rental of Space). Regardless of whether BA61 or BA53 is used to pay the cost of reimbursable services, there is an additional requirement of ensuring that appropriate budget authority exists. GSA may not accept reimbursement for anything for which we receive obligational authority in our appropriations. Doing such would be considered an augmentation to our appropriations. The vehicle used for reimbursement does not override the requirement to ensure that the appropriate budget account is used and is properly reimbursed.

Sample Format for Recurring Reimbursable Billing

ABC Agency
123 Agency Drive
ABC Agency City, VA 11111

Dear Agency:

(If OA is in place.)

The purpose of this letter is to amend your current Occupancy Agreement (OA) to include recurring reimbursable charges on the PBS Bill. The following information is provided for your approval and concurrence.

(Or if there is no OA in place.)

The purpose of this letter is to obtain your approval to include recurring reimbursable charges on the PBS Bill. The following information is provided for your review and concurrence.

(Check appropriate box, a separate letter should be prepared for each service.)

1. Service to be billed for:

Overtime Utilities

Gas

Electricity

Steam

Coal

Oil

Chilled Water

Water

Renewable Energy

Enhanced Custodial Services

Mechanical O & M HVAC

Mechanical O & M Other (explain) _____

2. OA Number: **(If there is an OA in place indicate number. If no OA in place eliminate this item.)**

3. OA Amendment Number: **(If there is an OA in place indicate amendment number. If there is no OA in place eliminate this item.)**

4. CBR Number: **(Indicate CBR number.)**

5. Lease or Building Number: **(Indicate lease or building number.)**

6. Start Date: **(May start at any time during the FY, the norm will be October of each year.)**

7. Termination Date: **(For owned, terminate at the CBR expiration date or the end of the FY, whichever date occurs first. For leased, terminate at the lease termination date or the end of the FY, whichever date occurs first.)**

8. Annual Amount: **(Indicate annual amount for current FY.)**

9. Monthly Amount: **(Indicate monthly payment.)**

An annual administrative fee, currently \$100 per service rendered, is charged to the user for this billing accommodation. The fee will be reflected in the first month the charge is billed.

This agreement will terminate on: **(Indicate end of FY, the CBR expiration date for owned or lease expiration date, whichever occurs first.)** A new OA amendment **(if existing OA)** or a new agreement **(if no OA in place)** will be required for the succeeding fiscal years.

Please indicate your concurrence and return to me via fax at 111-456-8910. **(Fax or email to customer agency for concurrence and approval.)**

Sincerely,

Signature Block
GSA

AGENCY CONCURRENCE

NAME/TITLE

DATE

(Ensure agency is a “participating” agency by verifying with the Office of the Chief Financial Officer (PF), John Wilson at 202-501-0876. If input is made into STAR and the agency is not a participating agency, it CANNOT be deleted in STAR. The existing chargeback procedures and rules will apply.)

(Upon receipt of concurrence, process billing through STAR.)