

Price/Costs Analysis

PGL 12-03

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**Federal Aviation
Administration**



Price or Cost Analysis

Program Guidance Letter 12-03, January 13, 2012

- Requires Sponsors to perform a cost or price analysis per 49 CFR 18.36 (f) for every procurement action that uses AIP funding.
- Tool to ensure expenditures are justifiable.
- Used by FAA to verify reasonableness of cost.
- The website for PGLs is:

http://www.faa.gov/airports/aip/guidance_letters/



Price Analysis

Analysis of proposed total price without evaluating separate cost elements or proposed profit/fee

- Purpose is to solely ensure the end product can be obtained at a fair and reasonable cost.



Cost Analysis

Evaluation of separate elements such as labor, materials, etc., that make up the total price

- Costs must be allowable, allocable, and reasonable.
 - **Allowable:** Comply with the appropriate set of cost principles as identified in FAA Order 5100.38 - AIP Handbook, Office of Management and Budget (OMB) Circular A-87 for State, local and Indian tribal governments, and 48 CFR Part 31 when related to “for-profit organizations”.
 - **Allocable:** Costs are logically related to, or required in the performance of the contract.
 - **Reasonable:** Defined by what a prudent business would pay in a competitive marketplace.



Sponsor Requirements

Perform an analysis on each procurement and modification to procurement (Change Order)

Perform Cost Analysis if:

- Procurement does not have competition
- Sponsor is using a negotiated procurement method
- Sponsor is negotiating a contract with sole source
- Sponsor is negotiating a modification to an existing contract (Change Order)
- The proposed price is NOT within +/- 10% of Sponsor's estimate.



Discussion

