



**FAA
Airports**

**ARP SOP
11.00**

Effective Date:

10/1/2018

Standard Operating Procedure (SOP)

Consultant Fee Analysis

1. PURPOSE

Federal Aviation Administration (FAA) Advisory Circular 150/5100-14E, Architectural, Engineering (A/E), and Planning Consultant Services for Airport Grant Projects, requires sponsors to perform a cost analysis for every A/E contract for which reimbursement is expected under the Airport Improvement Program (AIP). The level of effort and detail required as part of this analysis varies based on the anticipated contract value of the A/E services. Use of this SOP will ensure that the requirements are appropriately and consistently applied.

2. SCOPE

This SOP establishes uniform procedures for the Federal Aviation Administration (FAA) Office of Airports (ARP) for receiving, evaluating, and accepting Consultant Fee Analysis for development projects funded with Airport Improvement Program (AIP) grants.

3. CANCELLATION

This SOP does not cancel a previous version.

4. APPLICABLE REGULATIONS, POLICY, AND GUIDANCE

Requirements identified within this SOP originate in or are further described in various FAA publications including Orders, regulations, and Advisory Circulars. See the current versions.

- a. FAA Order 5100.38D, Airport Improvement Program Handbook
- b. FAA Advisory Circular 150/5100-14E, Architectural, Engineering, and Planning Consultant Services for Airport Grant Projects

5. IMPLEMENTATION

This SOP is to be implemented at applicable FAA Airports offices that administer the AIP; and as such, review and accept consultant fees associated with AIP funded development projects.

6. DISTRIBUTION

This SOP is distributed to the Federal Aviation Administration (FAA) Office of Airports (ARP) and all interested parties. The SOP will be available electronically on the Airports section of the FAA website.

7. CHANGE TABLE

Date of Change	SOP Version	Page Changed	Reason for Change



Elliott Black

Director, Office of Airport Planning and Programming

7/13/2018

Date



John Dermody

Director, Office of Airport Safety and Standards

6/13/2018

Date



Kristi A. Warden

Acting Director, Alaskan Region Airports
Division



Randall Fiertz

Director, Northwest Mountain Region
Airports Division



Jim A. Johnson

Director, Central Region Airports Division



Steven Hicks

Director, Southern Region Airports Division



Steve Urlass

Director, Eastern Region Airports Division



Ignacio Flores

Director, Southwest Region Airports Division



Susan Mowery-Schalk

Director, Great Lakes Region Airports
Division



Mark A. McClardy

Director, Western-Pacific Region Airports
Division



Gail Lattrell

Acting Director, New England Region
Airports Division

This page intentionally left blank.

1. ROLES AND RESPONSIBILITIES

This section defines the parties of interest that may have a role in the consultant fee analysis process. It is intended for the purposes of understanding the process; all projects may not require the involvement of all parties listed and in some instances other parties, not defined here, may have a role.

1.1. Airport Sponsor

The Airport Sponsor is an entity that owns or controls an airport. The airport sponsor is the sole party responsible for ensuring AIP funded projects are executed in accordance with AIP rules and requirements including FAA Order 5100.38D, Airport Improvement Program Handbook and FAA Advisory Circular 150/5100-14E, Architectural, Engineering, and Planning Consultant Services for Airport Grant Projects. As part of the consultant fee analysis, the sponsor's responsibilities include but are not limited to:

- a.** Define a scope of work via scoping meeting with appropriate parties.
- b.** Prepare a formal scope of work or approve a formal scope of work prepared by others.
- c.** Engage the services of an Independent Fee Estimator (if applicable, see Table 1 of this document).
- d.** Ensure standards and rules for preparing an Independent Fee Estimate (IFE) are met, if applicable.
- e.** Accept prepared IFE, if applicable.
- f.** Accept fee proposal of sponsor's consultant.
- g.** Negotiate items such as:
 - (1) scope of work elements,
 - (2) estimated hours to complete tasks,
 - (3) labor classification work distribution (i.e., how hours are distributed to Project Manager, Senior Engineer, Engineer, Tech, Admin, etc.), and
 - (4) profit, which must be negotiated as a separate line item.
- h.** Prepare a Record of Negotiation memorandum.
- i.** Make a determination of cost reasonableness.

Though not necessarily required, performing these steps in order will help to establish a fair process for negotiations and add integrity.

1.2. Airport Consultant

An Airport Consultant is a firm, individual, partnership, corporation, or joint venture that performs architectural, engineering or planning services, employed to undertake work funded under an FAA airport grant assistance program. The Airport Sponsor often requires an airport consultant to develop a scope of work for AIP funded projects (if not prepared by sponsor's

staff) and to provide an associated fee proposal prior to beginning any work associated with the project. The airport consultant's responsibilities may include:

- a. attendance at a project scoping meeting,
- b. preparation of a clearly defined scope of work,
- c. preparation of a detailed hourly cost estimate identifying:
 - (1) estimated effort by labor classification associated with tasks identified in the scope of work,
 - (2) subconsultant fees,
 - (3) estimated consultant expenses,
 - (4) overhead rates,
 - (5) profit, and
- d. submission of blank fee estimate spreadsheets for use in the preparation of an IFE.

Costs incurred that create value-added technical information that is beneficial for the project may be reimbursable. However, consultant costs incurred as part of the negotiation of their actual fee are not normally eligible for AIP funding as a direct cost. This is because such cost represents business development. Additional fee preparation may be considered in circumstances where the FAA is requesting "unusual and additional" fee preparation, in addition to usual and customary consultant cost fee preparation. This requires specific FAA approval in advance.

1.3. Independent Fee Estimator

An Independent Fee Estimator is employed or contracted by the Sponsor and communicates directly with the Sponsor only. An estimator is often invited to participate in a project scoping meeting for purposes of understanding the scope of work; in no instance can the estimator negotiate the scope of work. In many cases the process for developing a clear scope of work and a reasonable fee is iterative and may require the estimator to be at the disposal of the sponsor for numerous revisions to the independent fee estimate.

1.4. State Agency

A State Agency is an organization of state government dealing with transportation or aviation. They may also be Airport Sponsors in some states. In some instances, particularly with block grant states, the State Agency may have certain development or review responsibilities associated with the scope of work and fee acceptance or approval.

1.5. FAA Project Manager

An FAA Project Manager (also known as a Program Manager) is an FAA employee in the Office of Airports. The FAA Project Manager who reviews and accepts scopes of work and associated fee proposals may be in the Regional Office (RO) or in an Airports District Office (ADO). The FAA Project Manager role can be filled by a number of different positions, including: Community Planners, Compliance Officers, Civil Engineers, Environmental Specialists, etc. The FAA Project Manager is responsible for ensuring Sponsors meet federal requirements when

establishing consultant fees for development projects. See Section 2 of this document for more details on this.

2. PROCESS AND PROCEDURES

The Sponsor is required to determine the level of cost analysis required for all Planning, Environmental, Architectural, and Engineering consultant contracts associated with AIP development projects prior to initiating scope of work discussions. However, if through those discussions it becomes apparent the effort required to perform the anticipated scope will exceed the original estimate, the sponsor should reevaluate the level of detail needed for the cost analysis.

Table 1 Analysis Type Requirement, shown below, captures the types of reviews that meet federal requirements and when to appropriately use each of the types. All consultant contracts require some form of review and determination by the sponsor. Additionally, the FAA Project Manager has the discretion to require a detailed fee estimate for contracts of any value even when not required by the table below. Should an independent fee estimate be required to properly evaluate the cost of professional services, the preparation should be performed by someone with experience in estimating professional services and negotiation contracts or experience with the scope of services involved.

Table 1. Analysis Type Requirement

Anticipated Consultant Fee	Type of Analysis	Type Description
Less than \$100,000	Contract Comparison	Compare proposed consultant fee to previously negotiated fees for projects of similar type and similar scope.
\$100,000 or more	Detailed Fee Analysis	Task-based line item review to include direct labor work hours, labor and overhead rates, expenses, and profit.

2.1. Receiving Sponsor Documentation

The FAA project manager cannot simply accept FAA Form 5100-134, Selection of Consultants Airport Improvement Program Sponsor Certification as the necessary documentation for compliance with federal requirements in determining a fair and reasonable fee.

The FAA project manager must review sponsor submitted documentation per FAA Order 5100.38D, Airport Improvement Program Handbook, Section 3-103, for all contracts regardless of value, to determine compliance with federal requirements; this may include, but is not limited to:

- a. timeline of events Including the following key milestones:
 - (1) scoping meeting,
 - (2) preparation/submission of final scope,
 - (3) preparation/receipt of IFE*,
 - (4) submission of proposed fee, and
 - (5) negotiation of scope and fee.

- b. final scope of work,
- c. final negotiated fee*, and
- d. record of negotiation memo/letter*.

Items identified with an asterisk are required items per FAA Order 5100.38D, Airport Improvement Program Handbook, Section 3-102.

2.2. Evaluating Sponsor Documentation

The FAA project manager must be satisfied that the Airport Sponsor has fulfilled two primary requirements when reviewing the Sponsor documentation:

a. The Sponsor has met the requirements of the current version of FAA Advisory Circular 150/5100-14, Architectural, Engineering, and Planning Consultant Services for Airport Grant Projects as it relates to the process of determining a reasonable cost and negotiating fees. As part of this requirement the FAA project manager must be satisfied of the following:

- (1) IFE was received prior to consultant proposal.
- (2) IFE was performed by qualified person or consultant.
- (3) Profit was negotiated as a separate item.
- (4) Appropriate IFE analysis was performed.
- (5) Allowable contract format was used.

b. The final negotiated fee is in fact reasonable, justified, and eligible for reimbursement using AIP funds. Simply satisfying the process should not be the sole determining factor of cost reasonableness. FAA project managers should rely on their experience and previous comparable project records in assessing cost reasonableness.

2.3. Accepting Sponsor Documentation

In instances where development of project scope and negotiation of consultant fees are completed prior to the application for a development grant using AIP funds, the acceptance of Sponsor documentation can be satisfied in one of two ways:

a. Issuance of a grant, or

b. Issuance of a letter or email notifying the sponsor that the appropriate documentation has been submitted and the FAA has accepted the scope and negotiated fee (see Appendix A for sample letter. The Appendix A sample is shown as an engineering consultant agreement acceptance letter; however, this sample may apply to planning and environmental consultant agreements as well.)

In the cases where a grant is issued prior to the Sponsor's completion of the scope development and fee negotiation, grants must be issued with a special condition indicating no reimbursement will be made on the consultant contract portion of the grant until the appropriate documents are submitted and FAA has accepted the scope and negotiated fee.

It is the FAA project manager's responsibility to ensure grant reimbursements are made in accordance with this special condition. FAA Project Managers may elect to send a letter or

email as described in paragraph 2.3.b. once sponsor documentation is received, reviewed, and accepted by the FAA project manager.

APPENDIX A. SAMPLE LETTER



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

Month DD, YYYY

[Recipient Name]
[Recipient Title]
[Address Line 1]
[Address Line 2]

Re: [Airport Name]
AIP No. [AIP No.]
[Project Title]

Subject: Engineering Agreement Acceptance

Dear [Recipient Name]:

FAA Determination

Based upon our review of the submitted documentation associated with the subject engineering agreement between [Consultant Firm] and the [Sponsor Name], the FAA has determined the negotiated fee to be reasonable, justified, and eligible for reimbursement using AIP funds. This engineering agreement includes the following compensation:

Services	Compensation	Fee Type
Design Phase	\$10,000.00	Fixed Lump Sum
Bidding Phase	\$10,000.00	Cost Plus a Fixed Fee (NTE)
Construction Observation Phase	\$10,000.00	Cost Plus a Fixed Fee (NTE)
AGIS Survey	\$10,000.00	Fixed Lump Sum
Close Out	\$10,000.00	Cost Plus a Fixed Fee (NTE)
Total Compensation	\$50,000.00	

What you need to submit now

If you have not done so, please submit a copy of the executed engineering agreement for our file. [Per the schedule, 30% plans and specifications are due no later than Month DD, YYYY.] [Per the engineering agreement, plans and specifications are due no later than Month DD, YYYY.]

Questions

If you have any questions, please contact me at [FAA Project Manager phone #] or [FAA Project Manager email].

Sincerely,

[FAA Project Manager]
[FAA Project Manager title]

cc: