

Prevailing Wage Cost Proposal Template Instructions

These Cost Proposal Instructions are for the updated Cost Proposal templates included in the Financial Documents Structure folder sent to consultants. The revised Cost Proposal templates and accompanying instructions were developed by DPAC to provide a format to identify the basis for any required adjustment to employees' rates. One of the main purposes of the Cost Proposal is to establish the proper **Loaded Hourly Billing Rates** to pay the consultants' staff when working on prevailing wage and non-prevailing wage tasks.

Consultants must use drop-down list to select employment status (Exempt Salary/Exempt Hourly/Non-Exempt). Prevailing Wage/Non-Prevailing Wage, Home/Field Rate, and Applicable Delta Multipliers, and with these instructions, prepare its Cost Proposal for submission to DPAC. The goal is for consultants to submit complete and accurate Cost Proposals, Cost Proposals that are ultimately reviewed by the Independent Office of Audits and Investigations (IOAI) during the Financial Document Review process during the contract negotiation phase. Personnel may be added after contract execution and throughout the life of a contract. The Caltrans Contract Manager should use the cost proposal and instructions to evaluate the rates for added staff, if any.

In most all case, construction inspection and surveying scope A&E contracts will require prevailing wage rates for tasks performed, these will be reflected on the labor Cost Proposals (Attachment 2). Prevailing wages must be paid to the consultants' employees who perform work on public works projects. The General Prevailing Wage Determinations (rates) are set by the Director of the State Department of Industrial Relations (DIR). The base salary and fringe benefits for prevailing wages are defined for crafts and trades positions. By law, consultants must pay both the base salary and fringe benefits to the employees, which includes straight time and overtime rates regardless of an employee's status as exempt (salaried) or non-exempt (hourly).

Summary of Cost Proposal Changes and New Requirements:

1. The prevailing wage cost proposal template for all methods is now available for consultants, based on the consultants' accounting practices (Direct Labor, Indirect Labor, or Other Direct Cost) for prevailing wage deltas.
2. Formulas have been programmed in the cost proposal template for the proper accounting methodology. The formula allows the applicable multiplier on Prevailing Wage Deltas. Premium Overtime is reimbursed as Other Direct Cost.
3. Instructions have been embedded in comment form throughout the Cost Proposal templates to guide preparers. This document is intended to compliment the instructions included in the cost proposal templates. For example, instructions are provided on how to handle know at the RFQ is advertised) predetermined increases, even though the allocation of the increase (between base and fringe) is not yet known.
4. The Prevailing Wage Determination's Effective and Expiration dates must be provided.

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5. All consultants (Prime and Subconsultants) must now include their Tax Identification Number (or the last 4 digits of a social security number) on their respective Cost Proposal in the designated area.
6. A Consultant's Project Specific (PS) Overhead (OH) rate is now required to be included when a PS OH rate applicable, given the scope of work and how the consultants' employees will be utilized on the contract. This requirement is not limited to Primes only; Subconsultants must provide a PS OH rate, if applicable.
7. A designated area is available for consultants to identify their Facilities Capitol Cost of Money (FCCM) rate if they choose to propose their rate for billing purposes.
8. More information is required from consultants in Column A-Name and Work Information, for each employee named on the Cost Proposal. For example:
 - The number of certifications should be identified, as required by the RFQ instructions.
 - Company's position should be identified.
 - The Prevailing Wage "Group Number" associated with the role the employee will perform on the project must be identified (i.e., Construction Inspector, Group 2).
 - Employee's year of experience should be identified.
 - Each employee must be designated as either Full time, Part Time or Contract Employee.

Preparing Cost Proposals:

When a consultant prepares its Cost Proposal, the General Prevailing Wage Determination number should be identified and should support the basis for the job classifications include, as well as the Base Salary and Fringe Benefits. The DPAC A&E Facilitator, with the Caltrans Contract Manager's assistance, if necessary, will perform a technical review and classifications, and the required professional certifications are used by the consultant before requesting IOAI to perform a Financial Document review. Generally, for lower paid employees, an adjustment to the compensation is necessary so the employee is paid the minimum of the Base Salary and Fringe Benefits established by the DIR. Adjustments, called **DELTAS**, may be needed. There are two **DELTAS BASE** and **FRINGE**. Higher compensated employees whose Actual Hourly Rate may be higher than the compensation required by the DIDR's base salary and fringe benefits, may not require any adjustments (**DELTAS**). In this case, there will be "0" in the applicable **DELTA BASE** and **DELTA FRINGE** columns.

The following information is to assist with completing a Cost Proposal and to provide the logic behind the cost proposal calculations. Column numbering is at the bottom of the cost proposal to assist in following along and with understanding the description of the logic and calculations. The cost proposal will show the employee's Actual Hourly rate (as of the date of the RFQ advertisement) in Column AD. This is the employee's **Standard Hourly Rate** (base on 2,080 hours) paid when the employee works on a non-prevailing wage task. Refer to the **Uncompensated Overtime Interpretive Guidance Documents** on the [A&E Contract Information Website](#).

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Column 1 will have the prevailing wage base salary per the wage determination. In the Cost Proposal template, the wage determination is NC-63-3-9-2002-1, with an issue date of August 22, 2022, an effective date of September 1, 2022, and an expiration date of June 30, 2023. It is important to note whether there are one or two asterisks (* or **) associated with this wage determination. In this case, there are two (**) asterisks which means there is a predetermined increase of a certain amount; a rate increase that consultants must pay to employees. In this case, the predetermined increase is known, \$2.75. Most of the time, the DIR will instruct how the increase should be allocated between **DELTAS (Base and FRINGE)**. When the intended allocation is unknown, the predetermined increase may be split 60-40 between BASE and FRINGE, respectively. More information about this can be found in the embedded comments included through the Cost Proposal template.

Column 10 shows the value of the employee's actual hourly rate plus the fringe benefits amount (Column 9), when working on non-prevailing wage tasks. For prevailing wage work, Column 5 will show the value for the base salary and fringe benefits amounts as seen on the Prevailing Wage determination).

If Column 10 – Column 5 is zero or greater than zero, then the value in Column 12 is zero. This means the employee is paid more compensation in their regular actual salary rate plus fringe benefits than the prevailing wage base salary plus prevailing wage fringe benefits. There is no increase in compensation required in this case and the value added to the **Loaded Hourly Billing Rate** will not increase. But this may not always be the case, when looking at the salary and fringe benefits, separately. Therefore, the cost proposal breaks down the salary and fringe benefits to individual columns so they can be looked at separately.

If Column 10 – Column 5 is less than zero (negative), the value shown in Column 12 is positive. It is shown in red text with parenthesis. This value maintains a negative value in the cost proposal computations yet is turned into a positive value in the calculations. Meaning the compensation needs to be adjusted (increased), and the **Loaded Hourly Billing Rates (Columns 21 to 23)**, will be increased to compensate for the short fall. The same logic applies to the fringe benefits for the employee. Column 4 shows the fringe benefit for prevailing wages conditions and is directly from the DIR determination. Column 9 is for the employees' actual fringe benefits amount, provided by the consultant's accounting personnel. The consultant's calculated value is placed in Column 9.

If Column 9 – Column 4 is zero or greater than zero, there is no increase in compensation and a zero is placed in Column 15.

If Column 9 – Column 4 is less than zero (negative), the value shown in Column 15 is positive. It is shown in red text with parenthesis. The value maintains a negative value in the cost proposal computations and is turned into a positive value in the calculations. Meaning the compensation needs to be adjusted (increased), and the **Loaded Hourly Billing Rates (Columns 21 to 23)**, will be increased to compensate for the short fall. The rule of thumb for the cost proposal is to increase compensation when the employee's actual hourly and/or fringe benefits are **less than** those required by the prevailing wage determination. If an employee's actual hourly and fringe benefits combined are **greater than** the DIR determination, then no increase is made since the employee is already being paid more than what the DIR determination requires.

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The cost proposal calculations are in the hidden columns and reported in Columns 11 and 13.

When overtime is worked, the employee making a higher straight time hourly rate than what the DIR determination requires could now be making less than the compensation required under the DIR determination (during overtime). Overtime calculations need to be performed for overtime hourly rates to determine if increases are required.

Column 12 is the **APPLICABLE DELTA TOTAL** (for Straight Time) and is the **APPLICABLE DELTA BASE** plus the **APPLICABLE DELTA FRIGE** (Column 14 + Column 15, respectively).

Column 14 is the **APPLICABLE DELTA BASE** (for Straight Time) and is the difference between the **Actual Hourly Rate** (Column 6) and the **Prevailing Wage Base Salary** (Column 1).

Column 15 is the **APPLICABLE DELTA FRINGE** (for Straight Time) and is **Delta Total – Delta Base** (Column 12 – Column 14, respectively).

The cost proposal uses the term **DELTA** for adjustments (increases) in the final compensation or **Loaded Hourly Billing Rate** columns. The Independent Office of Audits and Investigations (IOAI) along with DPAC are using the term “**DELTA**” and maintain that verbiage here and elsewhere in A&E contract documents.

The table below provides the applicable Prevailing Wage Delta Multiplier for consultants when preparing their cost proposal, consultants must use the applicable multiplier that is consistent with their established written policy on how they account for the Prevailing Wage Deltas (Base and Fringe).

Prevailing Wage (PW) Delta Cost Accounting Method

Classified as Direct Labor

Classified as Other Direct Costs

Classified as Indirect Labor

PW Delta Multiplier Value

$(1 + \text{Field/PS/Office OH}) \times (1 + \text{Fee}) = \text{Full Multiplier}$

1.00 Multiplier

0.00 Multiplier

These instructions were prepared to supplement the Prevailing Wage Cost Proposal Template included in the Financial Documents Structure folder.

Information related to accounting methodologies and other requirements can be found in the [Caltrans Interpretive Guidance – General A&E Resources](#)