



Hawaii
State Procurement Office

Procurement Pricing

A Fundamentals class on cost & pricing analysis for the Procurement Lifecycle

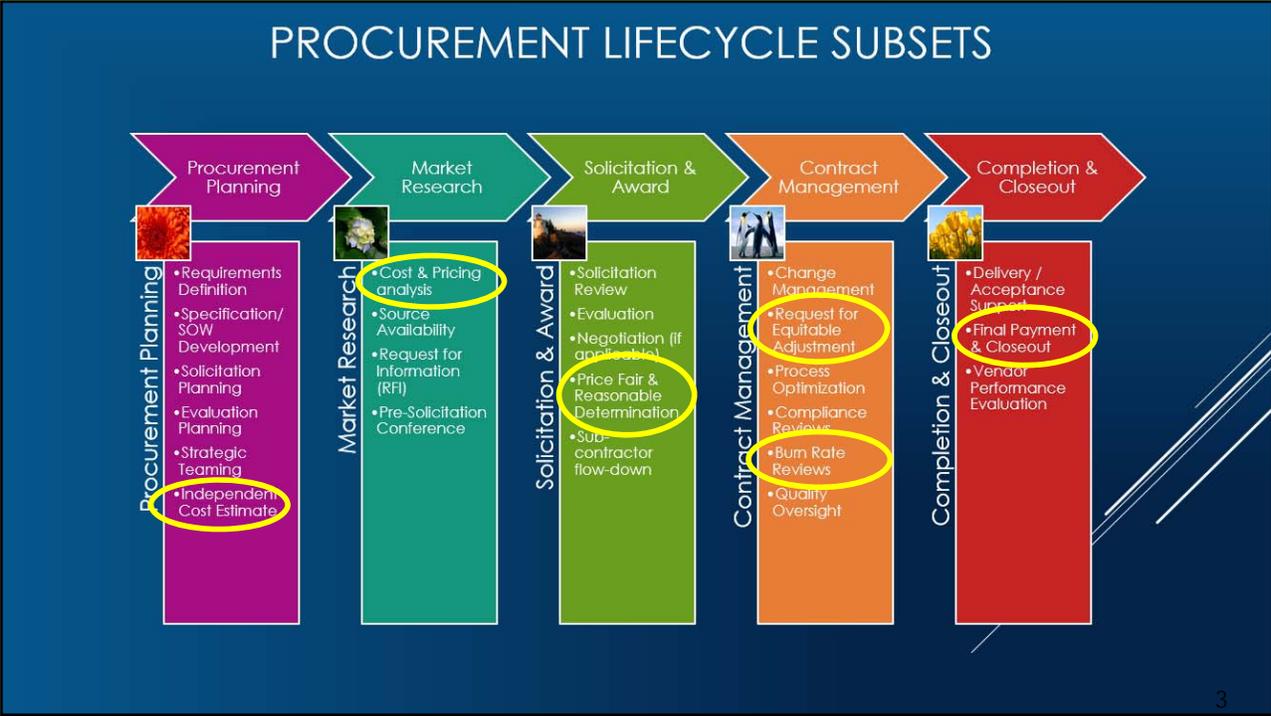
Sarah Allen – Administrator 2016



AGENDA

- ▶ Procurement Life Cycle
- ▶ The Regulations
- ▶ What is Fair and Reasonable Pricing?
- ▶ Planning
 - ▶ IGE
 - ▶ MR
 - ▶ Strategy
- ▶ Solicitation & Award
 - ▶ Price Analysis
- ▶ Contract Management & Closeout/Handover
 - ▶ Burn Rate & Obligation Logs
 - ▶ Request for Equitable Adjustment
 - ▶ Closeout issues

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The Regulations

- ▶ HRS 103D-312 : Fair & Reasonable Pricing Policy; cost or pricing data.
 - ▶ Legislative Session 2016, HB2060 HD1 SD2

- ▶ HAR 3-122-121 to 130 : Cost or Pricing data

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What is Fair and Reasonable Pricing?

- ▶ Identify Government’s Pricing Objectives
 - ▶ Pay a Fair and Reasonable Price
 - ▶ Price Each Contract Separately
 - ▶ Exclude Contingencies
- ▶ Identify Government Approaches to Contract Pricing
 - ▶ Price Analysis
 - ▶ Cost Analysis
 - ▶ Cost Realism Analysis

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Identify Government’s Pricing Objectives

- ▶ Identify Government’s Pricing Objectives
 - ▶ Pay a Fair and Reasonable Price
 - ▶ Price Each Contract Separately
 - ▶ Exclude Contingencies

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Fair and Reasonable

- ▶ Fair to the Buyer
- ▶ Fair to the Seller
- ▶ Price Evaluation Factors

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Fair and Reasonable Pricing

- ▶ Price Each Contract Separately
- ▶ Exclude Contingencies

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What is Fair and Reasonable Pricing?

- ▶ Identify Government Approaches to Contract Pricing
 - ▶ Price Analysis
 - ▶ Cost Analysis
 - ▶ Cost Realism Analysis

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Two Methods for Determining Price Reasonableness?

- Price Analysis - Always
- Cost Analysis - As Required



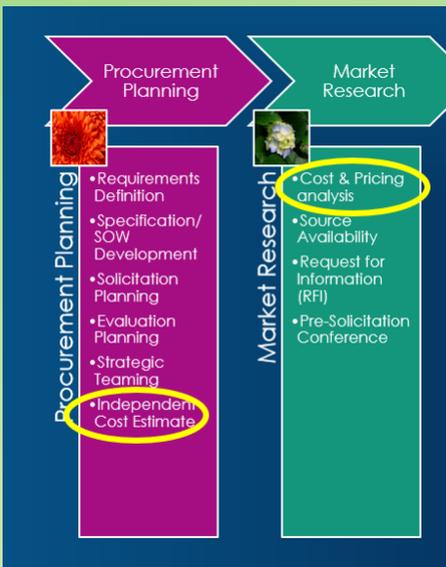
Analysis Routes

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PLANNING and MARKET RESEARCH Steps 1 & 2

- ▶ Market Research
- ▶ Overall Procurement Strategy



The diagram illustrates the relationship between Procurement Planning and Market Research. Procurement Planning includes: Requirements Definition, Specification/SOW Development, Solicitation Planning, Evaluation Planning, Strategic Teaming, and Independent Cost Estimate. Market Research includes: Cost & Pricing analysis, Source Availability, Request for Information (RFI), and Pre-Solicitation Conference. The Independent Cost Estimate and Cost & Pricing analysis are highlighted with yellow circles.

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Independent Government Estimate (IGE)

- ▶ How Was The Estimate Made?
- ▶ What Assumptions Were Made?
- ▶ What Information And Tools Were Used?
- ▶ Where Was The Information Obtained?

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Market Research

- ▶ Historical Pricing Data For Market Research
- ▶ Published Data For Market Research
- ▶ Market Research Data From Buyers And Other Experts
- ▶ Market Research Data From Prospective Offerors
- ▶ Market Research Data From Other Sources
- ▶ Using Market Research To Estimate Probable Price

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Procurement Data Sites

Title	Website
HI-SPO Website	www.spo.hawaii.gov
GSA Supply Schedules & GSA Advantage	www.gsaelibrary.gsa.gov/ElibMain/home.do www.gsaadvantage.gov/advantage/main/elib.do?pg=home&src=elib
USAspending.gov	www.usaspending.gov
Dynamic Small Business Search	http://dsbs.sba.gov
Federal Business Opportunities	www.fbo.gov

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State Websites

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GSA Schedules

<http://www.gsaelibrary.gsa.gov/ElibMain/home.do>

The above is the main page for the GSA eLibrary. These categories will show the contractors' GSA contract along with price information.

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GSA Schedules, ctd...

Below, you will see all the main categories that fall under laboratory, Scientific, & Medical. Let's pick Medical Equipment and Supplies:

GSA eLibrary GSA Federal Acquisition Service

Category Guide

Laboratory, Scientific, & Medical

GSA provides a full range of commercial products and services covering such areas as scientific and medical research, public safety, electrical and electronic param

Source	Description
621 I	PROFESSIONAL AND ALLIED HEALTHCARE STAFFING SERVICES
65 I B	PHARMACEUTICALS AND DRUGS - Includes Antiseptic Liquid Skin Cleansing Detergents and Soaps, Dispensers and Accessories.
65 II A	MEDICAL EQUIPMENT AND SUPPLIES ←
65 II C	DENTAL EQUIPMENT AND SUPPLIES
65 II F	PATIENT MOBILITY DEVICES - Includes Wheelchairs, scooters, walkers.
65 V A	X-RAY EQUIPMENT AND SUPPLIES - Includes medical and dental x-ray film.
65 VII	INVITRO DIAGNOSTICS, REAGENTS, TEST KITS AND TEST SETS
66	SCIENTIFIC EQUIPMENT AND SERVICES - Test and Measurement Equipment, Unmanned Scientific Vehicles; Laboratory Instruments, Furnishings and L Geophysical Testing Services
66 III	CLINICAL ANALYZERS, LABORATORY, COST-PER-TEST

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GSA Schedules, ctd...

Okay, now here is a category list of all the medical equipment and supplies. Let's pick Adhesive Tapes and Adhesive bandages:

GSA eLibrary GSA Federal Acquisition Service

Schedule Summary
 For general questions, contact:
 VA FSS Help Desk
 Phone: 703-756-7737
 E-mail: helpdesk.ammhrfss@va.gov

Laboratory, Scientific, & Medical

65 II A MEDICAL EQUIPMENT AND SUPPLIES

Vendors
 Click Here to view the current solicitation on FedBizOpps

65 II A Category list:

[Download Contractors \(Excel\)](#)

Category	Description
A-1	Adhesive Tapes and Adhesive Bandages ←
A-10	Cannulas, Airways, Tubes and Accessories - All styles, types and sizes, except those relating to blood transfusion and IV apparatus
A-12	Colostomy/Ostomy Products
A-16	Stockings (Anti-embolism/compression only)
A-17	Sutures, Suture Needles, Staples and Extractors (all types and sizes)
A-19	Wound Drainage Systems and Kits/Evacuators - Excludes equipment and equipment accessories
A-200	Equipment Maintenance and Repair
A-24	Bands, Patient Identification
A-27	Brush-Sponge Surgical Scrubs
A-28	Charts and Chart Racks (Medical Only)
A-30	Restraints, Adult and Pediatric - Medical application only

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GSA Schedules, ctd...

Okay, now here is a list of all the vendors that have a contract on GSA. For goods information, you can either click on their contract or directly to GSA Advantage.

Contractor	Contract #	Phone	City, State	Contractor TBCs
3M MEDICAL DEVISION	V797D-40228	855-733-0311	WASHINGTON, DC	Advantage
ACTINED PRODUCTS, CO.	V797D-21320	809-753-0302	DECATUR, GA	Advantage
ANCHOR MEDICAL SUPPLY INC.	V797D-40028	212-663-6228	NEW YORK, NY	Advantage
ARGENTUM MEDICAL, LLC	V797D-40098	800-951-0059	GRENEA, IL	Advantage
ASPER SURGICAL	V797D-40759	604-666-7550 EXT 243	CALEDONIA, MI	Advantage
AVCOR HEALTH CARE PRODUCTS, INC.	V797D-40257	817-951-0565	ARLINGTON, TX	Advantage
AVKARE, INC.	V797D-40768	811-950-0023	MURKIN, TN	Advantage
BAVENSIDE MEDICAL SUPPLY CO., INC.	V797D-50449	813-879-2711	TAMPA, FL	Advantage
BEST MEDICAL WEAR LTD.	V797D-20129	513-261-0230	BRIDGEVILLE, PA	Advantage
BEST MEDICAL PRODUCTS, INC.	V797D-40268	914-343-3800 EXT 1127	BRIDGEVILLE, PA	Advantage
BIO APPLE BUYING GROUP CORPORATE (SBA: 803-APPL)	V797D-39079	800-929-2800 EXT 211	ROSELIE, NY	Advantage
BIOMAX CORPORATION (SBA: AMERICAN MEDICAL)	V797D-40268	504-630-9451	JACKSONVILLE, FL	Advantage
CARDINAL HEALTH 200, LLC	V797D-40246	847-760-4889	WILMINGTON, IL	Advantage
COVENTURE I, LLC THE SHOWER SLEE	V797D-40276	602-889-1266	INDIANAPOLIS, IN	Advantage
COVIBEN SALES, LLC	V797D-40524	503-261-0230	BRIDGEVILLE, PA	Advantage
CPR SAVERS AND FIRST AID SUPPLY	V797D-40268	304065277	SCOTTSDALE, AZ	Advantage
DYNASTRONICS CORPORATION	V797D-22750	(261) 960-7000	SALT LAKE CITY, UT	Advantage
ELGINEX CORPORATION (SBA: TARTAN GROUP)	V797D-40246	630-260-1000	HEMPHART, IL	Advantage
ERA HEALTH, LLC (SBA: VETRO'S HEALTH)	V797D-40122	817-807-2218	ROST MIGHT, TX	Advantage
EUROAMERICAN SP, LLC	V797D-22820	954-977-2929	FORBAND BEACH, FL	Advantage

GSA Schedules, ctd...

We clicked on a contract. Here's a look at some prices:

Argentum Medical, LLC: Silverlon™ Family of Advanced 7 Day Antimicrobial Wound, Burn, Surgical and Negative Pressure Dressings.

Authorized Federal Supply Schedule Price List 2/15/14 to 2/14/19 Contract No. V797D-40098

Silverlon™ Wound Contact Dressings

FSS NET IN UOM	PRODUCT NO.	PRICE/UOM	PRODUCT DESCRIPTION	QTY/UOM
A-4(b) Box	WCD-22	\$ 29.65	2" x 2"	10
A-4(b) Box	WCD-44	\$ 105.53	4" x 5"	10
A-4(b) Box	WCD-412	\$ 334.17	4" x 12"	10
A-4(b) Box	WCD-1012	\$ 347.24	10" x 12"	5
A-4(b)	WCD-466	\$ 139.30	4" x 66"	1 EA

Silverlon™ Wound Packing Strips

FSS NET IN UOM	PRODUCT NO.	PRICE/UOM	PRODUCT DESCRIPTION	QTY/UOM
A-4(b) Box	WPS-112	\$ 35.73	1" x 12"	5
A-4(b) Box	WPS-124	\$ 71.11	1" x 24"	5

Silverlon™ Adhesive Strips

FSS NET IN UOM	PRODUCT NO.	PRICE/UOM	PRODUCT DESCRIPTION	QTY/UOM
A-1 Box	AS-6001	\$ 74.62	1" x 3"	150



GSA Schedules, ctd...

Okay, now here is a list of all the vendors that have a contract on GSA. For services information, you can either click on their contract or directly to GSA Advantage.

66 SCIENTIFIC EQUIPMENT AND SERVICES

Mechanical, Chemical, Electrical, and Geophysical Testing Services

Category Description

873 3 Electric Testing And Analysis Services Services for electrical testing and analysis include, but are not limited to, qualification, inspection, safety, performance, certification, and compliance testing of manufactured goods to nationally and internationally recognize reliability standards and regulatory requirements and directives (UL, CSA, FCC, ANSI, MIL-STD, etc.); marking services; circuit testing of semiconductors and microprocessors; EMI/EMC testing; dielectric strength and dielectric constant; dissipation factor; electrical insulating materials testing; electrostatic discharge testing; arc resistance testing; hi-pot testing, electrical power system components testing (transformers, dielectric oil, relays, circuit breakers, switchboards, power plants, substations, etc.) screening and dest analysis of electronic components; and related training.

3 contractors

Display: All Socio-Economic Indicators
Small Business

Search Contractor T&Cs/P

Download Contractors (Excel)

Contractor	Contract #	Phone	City, State	Socio-Economic	Contractor T&Cs /Pricelist	View Catalog
FRANKLIN APPLIED PHYSICS, INC	GS-07F-96985	6106666645	OAKS, PA	s		
INTERTEK TESTING SERVICES, NA, INC.	GS-07F-0158V	770-280-7431	CORTLAND, NY	o		
SOUTHWEST RESEARCH INSTITUTE	GS-07F-6887P	210-522-2238	SAN ANTONIO, TX	o		

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GSA Schedules, ctd...

We clicked on a contract. Here's a look at some labor rates (full burdened to include fringe benefits, overhead and profit):

CUSTOMER INFORMATION:

Prices shown herein are Net (discount deducted).

1a. TABLE OF AWARDED SPECIAL ITEM NUMBERS (SIN's)
873 3 Electric Testing and Analysis Services

1b. LOWEST PRICE TEST: N/A

1c. **HOURLY RATES:** *Prices shown herein are Net (discount deducted).*

commercial job title	experience	functional responsibility	education	hourly rate
sr. staff scientist	34 yr. at this job	supervises tests, interprets military and commercial specifications, plans the work in accordance with timetables and budgets, analyzes data, writes technical reports	Ph.D.(physics)	\$186.74
staff scientist	21 yr. at this job	plans and conducts tests, designs and fabricates instrumentation, writes technical reports	Ph.D.(physics)	\$102.84

2. MAXIMUM ORDER: \$100,000

3. MINIMUM ORDER: \$100

4. GEOGRAPHIC COVERAGE: Domestic, 50 states, Washington, DC, Puerto Rico, US Territories and to a CONUS port or consolidation point for orders received from overseas activities.

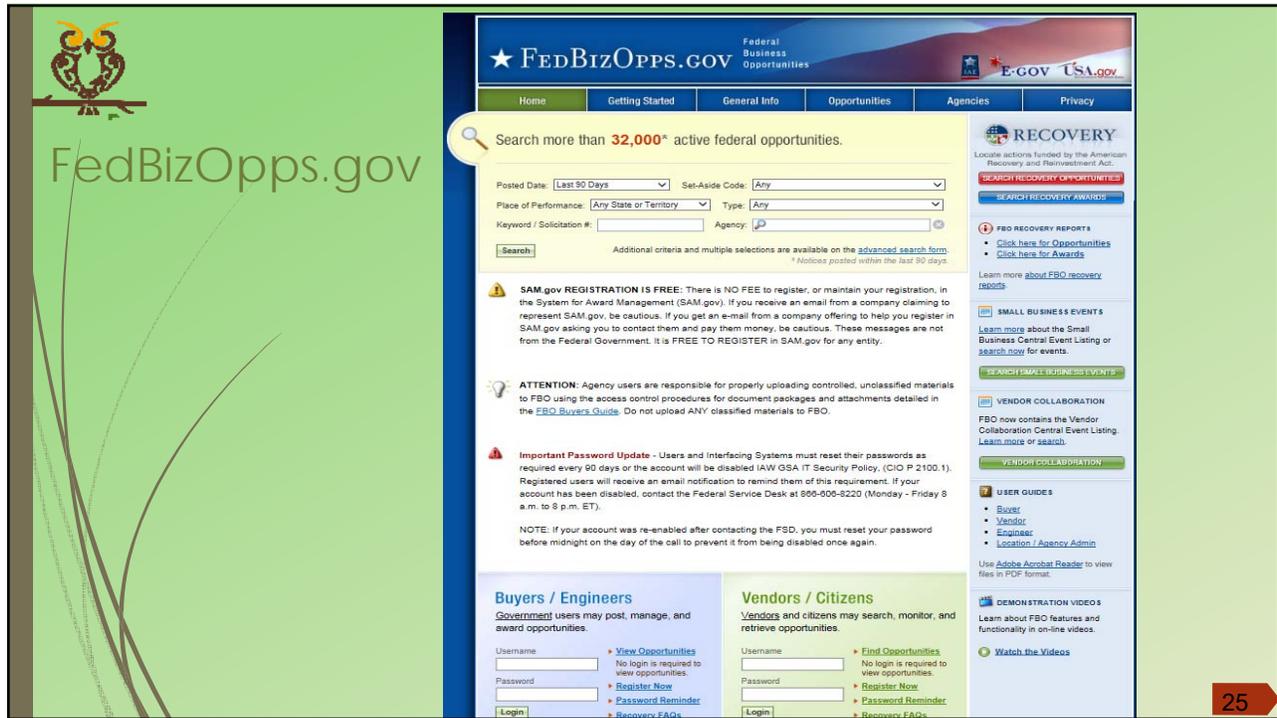
5. POINTS OF PRODUCTION: N/A

6. DISCOUNT FROM LIST PRICES: Government discount is 7.31% from accepted price list.
Prices shown herein are Net (discount deducted).

7. QUANTITY DISCOUNT: None

8. PROMPT PAYMENT TERMS: Net 30

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The image shows the home page of FedBizOpps.gov. The header includes the logo and navigation tabs: Home, Getting Started, General Info, Opportunities, Agencies, and Privacy. A search bar at the top indicates over 32,000 active federal opportunities. Below the search bar are filters for Posted Date (Last 90 Days), Set-Aside Code (Any), Place of Performance (Any State or Territory), and Type (Any). A search button is present. The page contains several informational sections: a warning about SAM.gov registration being free, an attention notice for agency users regarding document uploads, and a password update reminder. On the right, there is a 'RECOVERY' section with links for searching recovery opportunities and awards, and a 'SMALL BUSINESS EVENTS' section. At the bottom, there are login sections for 'Buyers / Engineers' and 'Vendors / Citizens'.



The image shows the 'Opportunities' page on FedBizOpps.gov. It features a search results table with columns for Opportunity, Agency/Office/Location, Type / Set-aside, and Posted On. The table lists five opportunities, including 'Preventative Maintenance on Boring Machines', 'Dental Hygienist', 'Radio Pharmaceuticals', 'Antenna Repair', and 'ONE-TIME ENHANCEMENT FEE/ ENHANCEMENT & SUPPORT'. The page includes navigation links for 'Opportunities List', 'Advanced Search', 'Search Results', and 'Archives'. A warning message at the top states that results are based on agency input. The page also shows pagination (1-20 of 86) and sorting options (Posted On (Desc.)).

Opportunity	Agency/Office/Location	Type / Set-aside	Posted On
J--Preventative Maintenance on Boring Machines N0060416T3131 J -- Maintenance, repair & rebuilding of equipment	Department of the Navy Naval Supply Systems Command NAV/SUP Fleet Logistics Center Pearl	Combined Synopsis/Solicitation (Modified)	Jun 30, 2016
Dental Hygienist N62645-12-D-5010-0013 Q -- Medical services	Department of the Navy Bureau of Medicine and Surgery Naval Medical Logistics Command	Award	Jun 30, 2016
Radio Pharmaceuticals W81K02-16-T-1036 65 -- Medical, dental & veterinary equipment & supplies	Department of the Army U.S. Army Medical Command Pacific Regional Contr Of: TAMC	Combined Synopsis/Solicitation / Total Small Business	Jun 29, 2016
Antenna Repair WX01960V2016T J -- Maintenance, repair & rebuilding of equipment	Department of Homeland Security Federal Emergency Management Agency National Continuity Branch	Combined Synopsis/Solicitation	Jun 21, 2016
ONE-TIME ENHANCEMENT FEE/ ENHANCEMENT & SUPPORT N88094-16-T-0036 D -- Information technology services, including tele communications services	Department of the Navy Bureau of Medicine and Surgery Naval Hospital Camp	Combined Synopsis/Solicitation	Jun 21, 2016



<p>J--Vessel Maintenance, Repair and Overhaul Services of 7 Facility Response Team (FRT) boats, 2 work boats (WB), 9 paint maintenance barges (PMB), and 40 pneumatic fenders. N0060416T3062 J -- Maintenance, repair & rebuilding of equipment</p>	<p>Department of the Navy Naval Supply Systems Command NAVSUP Fleet Logistics Center Pearl</p>	<p>Combined Synopsis/Solicitation (Modified) / Total Small Business</p>	<p>Jun 09, 2016</p>
<p>65--Carefusion Software Windows 7 Upgrade Pyxis VA26116Q0325 65 -- Medical, dental & veterinary equipment & supplies</p>	<p>Department of Veterans Affairs Fresno VAMC Department of Veterans Affairs Central California Health Care System</p>	<p>Combined Synopsis/Solicitation</p>	<p>Jun 08, 2016</p>
<p>Prep Tables, Various HDEC04-16-T-0001 73 -- Food preparation and serving equipment</p>	<p>Other Defense Agencies Defense Commissary Agency Contracting Business Unit/Equip. & Maint Div (HDEC04)</p>	<p>Award / Total Small Business</p>	<p>Jun 08, 2016</p>
<p>Safety IV Catheters MP-1508-51 65 -- Medical, dental & veterinary equipment & supplies</p>	<p>Defense Logistics Agency DLA Acquisition Locations DLA Troop Support - Medical</p>	<p>Combined Synopsis/Solicitation</p>	<p>May 24, 2016</p>
<p>Web-based self-assessment for leader development training W912CN-16-T-0019 U -- Education & training services</p>	<p>Department of the Army Army Contracting Command, ECC 413th CSB (W912CN) RCO Hawaii</p>	<p>Combined Synopsis/Solicitation (Modified) / Total Small Business</p>	<p>May 23, 2016</p>
<p>Suction Canister Reusable and Disposable Canister Liners IAP-1503-10 65 -- Medical, dental & veterinary equipment & supplies</p>	<p>Defense Logistics Agency DLA Acquisition Locations DLA Troop Support - Medical</p>	<p>Combined Synopsis/Solicitation</p>	<p>Mar 29, 2016</p>
<p>Sterile Disposable Operating Room Towels MP-1511-62 65 -- Medical, dental & veterinary equipment & supplies</p>	<p>Defense Logistics Agency DLA Acquisition Locations DLA Troop Support - Medical</p>	<p>Combined Synopsis/Solicitation</p>	<p>Mar 29, 2016</p>
<p>Disposable ECG Electrodes IAP-1603-57 65 -- Medical, dental & veterinary equipment & supplies</p>	<p>Defense Logistics Agency DLA Acquisition Locations DLA Troop Support - Medical</p>	<p>Combined Synopsis/Solicitation</p>	<p>Mar 28, 2016</p>
<p>Suction Canister Disposable IAP-1501-08 65 -- Medical, dental & veterinary equipment & supplies</p>	<p>Defense Logistics Agency DLA Acquisition Locations DLA Troop Support - Medical</p>	<p>Combined Synopsis/Solicitation</p>	<p>Feb 29, 2016</p>



Government Economic Data – Bonnie’s Example

In a recent analysis to determine whether or not to allow a price increase on the car rental contract, several factors were taken into consideration; 1) Inflation rate, 2) Industry rates, 3) Gasoline prices and 4) New vehicle costs. All information gathered from the United States Department of Labor, Bureau of Labor Statistics (not adjusted for Hawaii specifically).

1. Inflation rate 2016 – approximately 1.5 %

Table A. West Region CPI-U monthly and annual percent changes (not seasonally adjusted)

Month	2011		2012		2013		2014		2015		2016	
	Monthly	Annual										
January	0.5	1.4	0.4	2.6	0.3	1.7	0.3	1.7	-0.3	0.7	0.5	2.6
February	0.6	1.9	0.4	2.5	0.8	2.0	0.4	1.3	0.6	0.9	0.1	2.1
March	0.9	2.6	0.9	2.4	0.4	1.5	0.6	1.5	0.8	1.1	0.2	1.5
April	0.6	3.0	0.2	2.1	0.0	1.3	0.3	1.8	0.3	1.0	0.5	1.8
May	0.3	3.2	0.2	2.0	0.2	1.3	0.6	2.3	0.8	1.2	0.5	1.5
June	-0.2	3.1	-0.2	2.0	0.1	1.5	0.1	2.3	0.0	1.1		
July	-0.1	2.9	-0.3	1.8	0.0	1.9	0.1	2.3	0.3	1.3		
August	0.2	3.0	0.5	2.1	0.1	1.5	-0.1	2.1	-0.1	1.3		
September	0.4	3.5	0.5	2.2	0.2	1.3	0.1	2.0	-0.2	1.0		
October	0.0	3.4	0.4	2.5	-0.1	0.9	-0.1	2.0	0.0	1.1		
November	-0.2	3.2	-0.7	1.9	-0.4	1.3	-0.6	1.7	-0.2	1.5		
December	-0.3	2.7	-0.5	1.7	0.0	1.8	-0.5	1.3	-0.1	1.8		



Bonnie's Example, ctd..

1. Passenger Car Rental Rates (May 2016) 2% increase in prices (preliminary calculations)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	3.2	4.2	2.3	2.9	-3.1	0.9	1.6	0.3	-1.8	-1.9	3.8	5.3
2007	-0.4	-1.1	-5.3	-1.5	-5.3	-3.6	5.0	11.3	3.6	-0.5	-2.3	4.7
2008	2.1	-0.3	2.3	-5.8	-1.4	0.0	19.9	15.1	5.7	-5.4	-5.0	-4.8
2009	1.5	8.8	13.5	5.3	-1.4	2.4	7.3	9.6	3.7	-5.7	-10.2	-10.6
2010	-4.5	4.1	3.6	-1.0	-10.1	-1.9	13.0	9.1	-2.3	-7.4	-1.0	-0.8
2011	-6.9	-3.3	8.3	-0.5	-7.5	-6.7	14.2	20.5	1.5	-12.0	-13.5	-15.7
2012	-12.1	-3.9	27.7	7.4	-3.3	-16.0	9.4	14.6	6.1	-1.7	2.3	2.7
2013	-5.5	-0.7	6.5	0.4	-14.6	-7.1	7.7	20.2	1.6	-2.8	-9.6	-6.2
2014	2.5	7.1	20.8	12.5	0.5	-9.6	2.1	9.1	-0.2	-16.0	-17.1	-12.0
2015	-0.6	4.3	12.8	0.1	-2.4	-10.0	4.3	7.2	1.0	-5.8	-10.5	-4.7
2016	-7.0	-2.3(P)	1.6(P)	1.8(P)	0.2(P)							

P : Preliminary. All indexes are subject to revision four months after original publication.



Bonnie's Example, ctd..

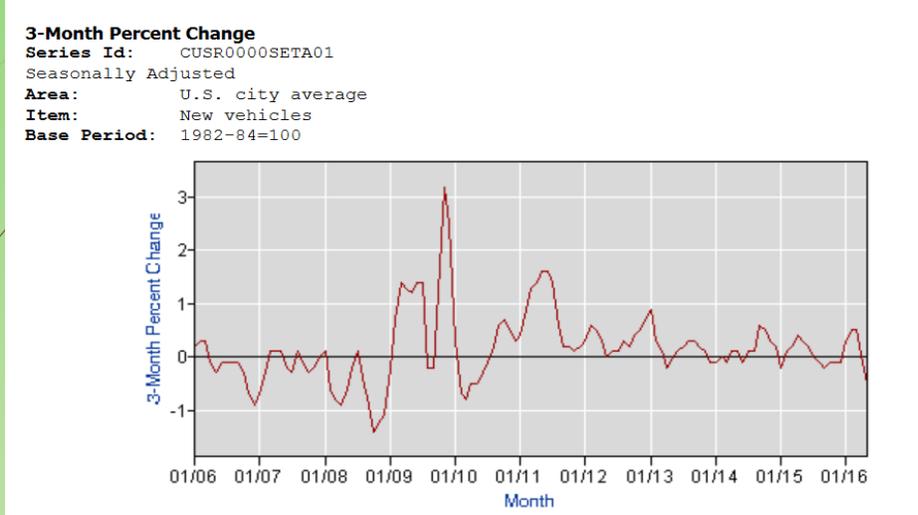
1. Gasoline prices declined January to April, with increases beginning in May 2016

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	HALF1	HALF2
2006	-10.8	4.1	3.9	5.1	8.2	9.5	9.5	11.1	-3.0	-19.7	-22.8	-4.5		
2007	4.2	6.8	5.4	11.7	15.4	8.2	5.6	-1.7	1.4	1.7	13.4	11.2		
2008	11.1	3.4	2.7	1.1	4.6	15.2	20.8	10.1	-0.1	-16.7	-39.9	-52.0		
2009	-42.2	-9.3	8.1	4.7	1.7	27.7	25.7	26.4	6.2	8.0	6.5	4.9		
2010	5.9	-1.0	-1.7	-3.9	-3.4	-4.4	-1.5	2.2	5.8	9.1	10.3	15.2		
2011	10.4	9.1	8.6	12.4	12.4	3.2	-1.7	-2.7	1.6	0.3	0.8	-2.8		
2012	0.3	2.8	6.6	4.6	-4.3	-9.6	-11.1	2.0	12.9	17.0	2.4	-5.9		
2013	-8.1	4.1	1.0	-3.5	-11.6	-5.3	0.0	2.7	2.1	1.2	0.6	2.2		
2014	4.0	1.4	-3.3	-1.9	-2.6	-0.3	-3.5	-3.1	-2.5	-3.4	-5.8	-15.3		
2015	-28.7	-24.0	-13.7	3.2	7.7	6.7	8.4	-1.2	-9.6	-9.4	-5.5	-3.1		
2016	-8.6	-21.1	-15.4	-4.0	12.9									



Bonnie's Example, ctd..

1. New vehicle cost shows very minor deviations since the beginning of CY 2016.



Bonnie's Example, ctd..

I also did a current price comparison (for Hawaii only) for April through December 2016 on Excel. Here is a sample:

May 1, 2016										
HONOLULU	Alamo	Enterprise	National	Dollar	Thrifty	Budget	Hertz	Avis	Advantage	ADR
Compact	\$50	\$56.00	\$75	\$50	\$48	\$55	\$82	\$81	\$49	\$60.67
Minivan	\$80	\$88.00	\$138	\$83	\$81	\$89	\$140	\$139	\$84	\$102.44
Standard SUV	\$64	\$70.00	\$108	\$67	\$65	\$71	\$110	\$109	\$73	\$81.89
KONA	Alamo	Enterprise	National	Dollar	Thrifty	Budget	Hertz	Avis	Advantage	ADR
Compact	\$58	\$58.00	\$61	\$55	\$53	\$58	\$61	\$61	NA	\$66.43
Minivan	\$75	\$75.00	\$111	\$97	\$90	\$75	\$111	\$111	NA	\$106.43
Standard SUV	\$73	\$73.00	\$92	\$92	\$90	\$73	\$105	\$92	NA	\$98.57
LIHUE	Alamo	Enterprise	National	Dollar	Thrifty	Budget	Hertz	Avis	Advantage	ADR
Compact	\$56	\$62.00	\$63	\$57	\$54	\$57	\$63	\$64	\$53	\$75.57
Minivan	\$83	\$86.00	\$112	\$87	\$84	\$87	\$114	\$115	\$84	\$121.71
Standard SUV	\$72	\$75.00	\$86	\$75	\$73	\$75	\$87	\$88	NA	\$90.14
KAHULUI	Alamo	Enterprise	National	Dollar	Thrifty	Budget	Hertz	Avis	Advantage	ADR
Compact	\$56	\$61.00	\$61	\$56	\$55	\$56	\$61	\$67	\$48	\$57.89
Minivan	\$85	\$85.00	\$111	\$85	\$91	\$85	\$112	\$111	\$84	\$94.33
Standard SUV	\$96	\$101.00	\$97	\$104	\$103	\$101	\$108	\$105	\$84	\$99.89
HILO	Alamo	Enterprise	National	Dollar	Thrifty	Budget	Hertz	Avis	Advantage	ADR
Compact	\$57	\$60.00	\$61	\$55	\$55	\$57	\$62	\$67	NA	\$59.25
Minivan	\$66	\$68.00	\$111	\$67	\$67	\$68	\$112	\$111	NA	\$83.75
Standard SUV	\$69	\$71.00	\$93	\$69	\$69	\$71	\$93	NA	NA	\$66.88

We ultimately negotiated with the vendor a 1-2% (depending on car size) increase for the 2016-2017 contract period.



Developing Your Price Estimate

Preliminary Estimate of Contract Price	
Price Estimate	Estimating Rationale
\$19,700	Estimate based on the price determined fair and reasonable 11 months ago under contract XX-9X-XXXX.
\$20,488	Estimate based on the price determined fair and reasonable 11 months ago under contract XX-9X-XXXX plus 4 percent inflation estimated using the Producers Price Index for similar items.
\$19,750	Estimate based on current FloMo Systems catalog price for the quantity required.
\$19,900	Estimate based on current Acme Products catalog price for the quantity required.

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Procurement Strategy

- Identify Procurement Team Members
- Life-cycle Costs

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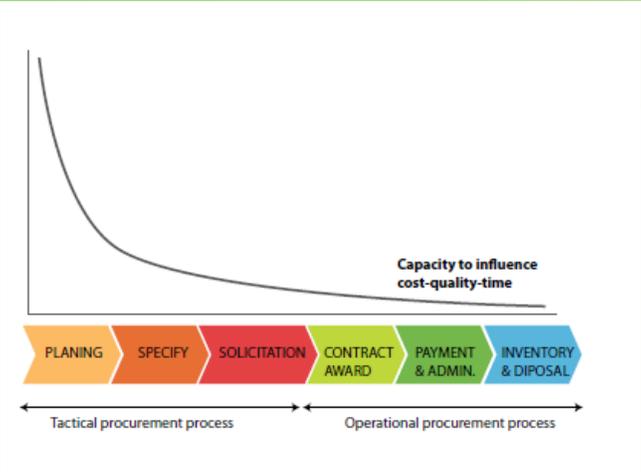
Who is Responsible for Determining Price Reasonableness?

The Procurement Officer is responsible for documenting the determination of price reasonableness in all procurements and contracting actions but may obtain assistance from:

- Procurement Specialist
- Legal Counsel
- Administrative Services Officer
- Project Managers (in-house estimates, technical evaluations, labor mix evaluation, etc.)
- Estimators
- Auditors (desk audits, detailed audits of cost or pricing data)



Procurement Strategy: Life-Cycle Costs



Capacity to influence cost-quality-time

PLANING
SPECIFY
SOLICITATION
CONTRACT AWARD
PAYMENT & ADMIN.
INVENTORY & DIPOSAL

Tactical procurement process Operational procurement process



Procurement Strategy: Lease vs. Purchase

Offer	Government Expenditure Beginning of Year 1	Government Expenditure End of Year 1	Government Receipt End of Yr 2	Evaluated Price
1 (Purchase)	\$146,000	N/A	\$12,000 Discounted to \$9,917	\$136,083
2 (Lease)	\$70,500	\$70,500 Discounted to \$64,091	N/A	\$134,591

Excel:
 =PV(Rate,#Periods, Pmts, FV, Type)
 Type: pyt at beginning of period =1
 Pyt at end of period = 0

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SOLICITATION & AWARD Step 3

- Responsibility
- Price Analysis
- Unbalanced Bids
- Price-Related Decision Process

Solicitation & Award

Solicitation & Award

- Solicitation Review
- Evaluation
- Negotiation (if applicable)
- Price Fair & Reasonable Determination
- Sub-contractor flow-down

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Price Analysis

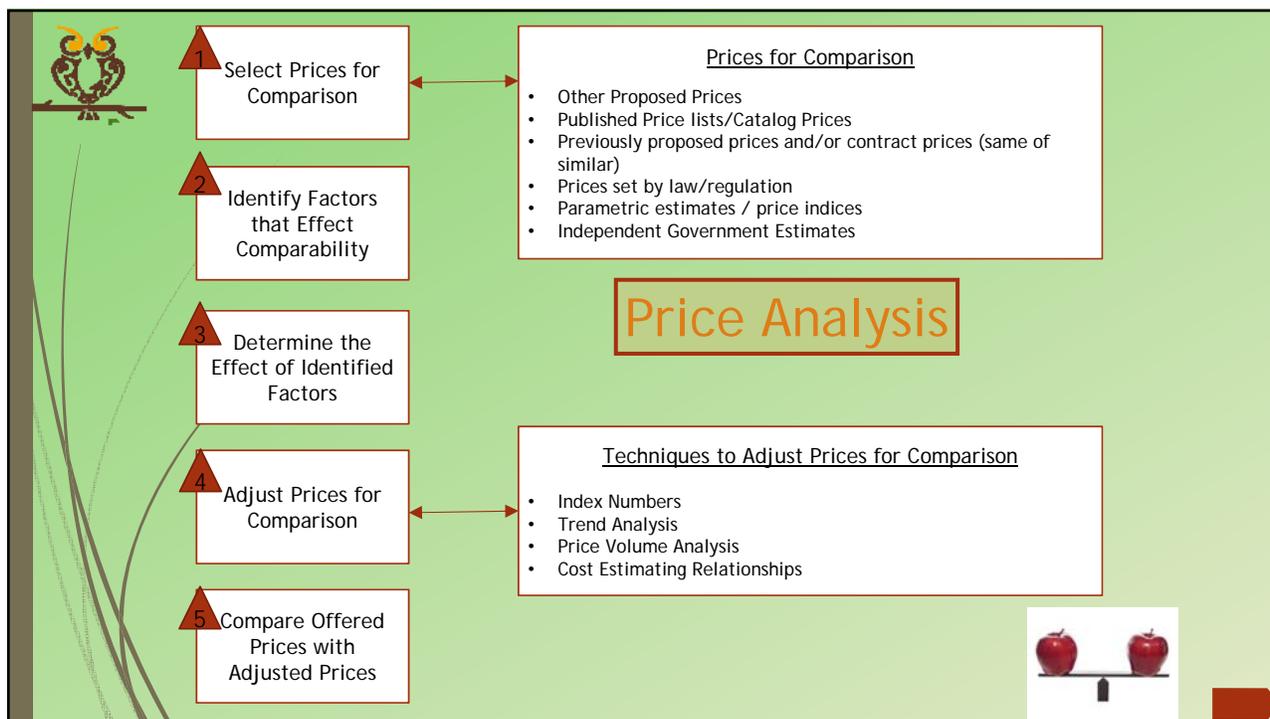
The process of examining and evaluating a “proposed price” to determine if it is fair and reasonable without evaluating its separate cost elements and profit.



Should-Pay Price

- ❑ Should-pay price - *the price that the State should reasonably expect to pay for the item based on available information concerning competitive offers, historical prices, commercial prices, pricing yardsticks, and Internal Government Estimates.*
- ❑ Apples-to-apples
 - ❑ For price analysis, the items being compared must have enough similar characteristics or qualities to make the comparison meaningful.





Price Analysis

- ❑ Price Analysis always involves some form of comparison with other prices.
- ❑ Purchasing Specialist / Procurement Officer is responsible for selecting basis for comparison and determining whether a price is fair and reasonable.
- ❑ Must Document the basis of
 - ❑ Proposed Price
 - ❑ Comparison Price



Price Analysis

❑ Basis for Price Analysis comparisons (in order of desirability):

- ❑ Comparison of competitive proposals. Adequate price competition
- ❑ Comparison to prior competitive purchase orders/contracts for same or similar items/services.
- ❑ Comparison with previous invoices for same or similar item.
- ❑ Comparison with a published price list, catalog or GSA Federal Supply Schedule.
- ❑ Prices or Labor Rates set by law/regulation (e.g., Davis Bacon, Service Contract Act, Minimum Wage, Union Labor Agreements, utilities)
- ❑ Recognized Price Indices (professionals, materials, equipment) National, regional, or local agreements.
- ❑ Comparison with internal or independent estimate.

Relationship between Market Research and Price Analysis?



Price Analysis - Example

Fair and Reasonable Justification
HP Designjet T1200 HD Multifunction Printer

Agency is unable to join / enroll in WSCA 10-01 due to the cooperative agreement's start a year ago. HP is able to provide the HP Designjet T1200 HD Multifunction Printer for \$17,913.00, Four Year Next Business Day Hardware Support for \$3,827.00, and the required ink cartridges for \$414.00. Amazon.com was able to provide the same printer and ink cartridges at \$18,561.24 and \$449.34 respectively. CDW.com's pricing was quoted at \$19,795.99 and \$383.94. A comparative table below displays the price of the 3 companies while supplying the warranty directly from HP as the manufacturer. Below are the quotes that support this justification.

	<u>HP</u>	<u>Amazon.com</u>	<u>CDW.com</u>
HP Designjet T1200	\$17,913.00	\$18,561.24	\$19,795.99
Ink Cartridges	\$414.00	\$449.34	\$383.94
Warranty	\$3,827.00	\$3,827.00	\$3,827.00
Total	\$22,154.00	\$22,837.58	\$24,006.93



Factors That Affect Comparability

- Market conditions;
- Quantity or size;
- Geographic location;
- Purchasing power of the dollar;
- Extent of competition;
- Terms and conditions
- Technology; and
- Government unique requirements.



How do we know we are getting a fair and reasonable price in the following?

- Sole Source
- Exemption
- Emergency
- Procurement Violation
- Professional Services
- Extensions to the period of performance
- Change Orders / Amendments with Price Adjustments





Solicitation & Award: Unbalanced Bids

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Solicitation & Award: Price-Related Decision Process

Cost Element	Proposed	Objective	Considered Achieved	Reference
Computer Hardware	\$1,000,000	\$900,000	\$925,000	See Para A
IT Help Desk Services	\$2,500,000	\$2,025,000	\$2,127,500	See Para B
Subtotal	\$3,500,000	\$2,925,000	\$3,052,500	
G&A	\$350,000	\$292,500	\$305,250	See Para C
Total Cost	\$3,850,000	\$3,217,500	\$3,357,750	

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CONTRACT MANAGEMENT AND CLOSEOUT Steps 4 & 5

- Contract Management
- Closeout & Completion



The diagram shows two vertical columns of tasks. The left column, 'Contract Management', includes Change Management, Request for Equitable Adjustment, Process Optimization, Compliance Reviews, Burn Rate Reviews, and Quality Oversight. The right column, 'Completion & Closeout', includes Delivery / Acceptance Support, Final Payment & Closeout, and Vendor Performance Evaluation. Arrows at the top point from 'Contract Management' to 'Completion & Closeout'.

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Contract Management

- Request for Equitable Adjustments

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Contract Management

Burn Rate Logs

Date	Description	Estimated Burn	Estimated \$	Actual Burn	Actual \$	Under / (Over) Variance	Contract Balance	Notes
Feb-16	Base Funding						450,000	
Mar-16	IT Services & N 60 hrs @ \$320/hr	19,200	65hrs @ \$320/hr	20,800		(1,600)	448,400	
Apr-16	IT Services & N 60 hrs @ \$320/hr	19,200	58hrs @ \$320/hr	18,560		640	449,040	
May-16	IT Services & N 60 hrs @ \$320/hr	19,200	90hrs @ \$350/hr	31,500		(12,300)	436,740	Sprint had to be reperfomed, and rates increased
Jun-16	IT Services & N 60 hrs @ \$320/hr	19,200	90hrs @ \$350/hr	31,500		(12,300)	424,440	Additional sprints added to scope
Jun-16	Modification 001					24000	448,440	Additional funds for sprints
Jul-16	IT Services & N 60 hrs @ \$320/hr	19,200	85hrs @ \$350/hr	29,750		(10,550)	437,890	
Aug-16	IT Services & N 60 hrs @ \$320/hr	19,200	85hrs @ \$350/hr	29,750		(10,550)	427,340	
Sep-16	IT Services & N 60 hrs @ \$320/hr	19,200	85hrs @ \$350/hr	29,750		(10,550)	416,790	
Grand Total		134400	191610					

Row Labels	Sum of Estimated \$	Sum of Actual \$
Feb-16		
Mar-16	19200	20800
Apr-16	19200	18560
May-16	19200	31500
Jun-16	19200	31500
Jul-16	19200	29750
Aug-16	19200	29750
Sep-16	19200	29750
Grand Total	134400	191610



Closeout

Termination Settlements



Mahalo!

- ▶ Visit us on the web at: SPO.Hawaii.gov
- ▶ Follow us on Twitter at: [@HawaiiSpo](https://twitter.com/HawaiiSpo)
- ▶ Email us at: state.procurement.office@Hawaii.gov
- ▶ Call us at: 808-586-0554

