

MEMORANDUM

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Department of Defense  
OFFICE OF PREPUBLICATION AND SECURITY REVIEW

Date: 15 October 2018

To: Chris Evans

From: RPEC CESU Program

Subject: CESU Cooperative Agreement Fee Schedule Analysis

**Introduction:** This memorandum presents an updated and simplified rate schedule for Fort Worth District (SWF) delivery of the FY19 CESU Cooperative Agreement (CA) Program. We analyzed the most current 2016 OSD customer Fee Schedule (shown below in Appendix A) against SWF’s total labor cost to deliver the FY19 CESU Program. We considered fees under a simplified fee structure for three alternatives; one based solely on installation fees received at the time of request and the other two based on receiving a portion of annual Programmatic costs in the first quarter with the fee schedule prorated accordingly. Of the Alternatives presented below,

**Alternative 1. Revised Fee Schedule Assuming No Up Front Costs (Not Recommended):**

Our revised fee table to execute installation CESU requirements without any up front funding each from OSD (i.e. status quo) is presented below in Table 1.

Key Assumptions (applies to all alternatives):

1. Projected FY19 workload is similar to FY18 and is comprised of approximately 150 competed actions of varying value. The majority of actions are valued between \$100k and \$500k.
2. Based on actual FY18 FTE utilization and projected FY19 workload, eight FTEs are needed to solicit, award, manage, and administer the CESU program throughout the fiscal year.
3. Rates for each type of action are inclusive of SWF’s contracting, management, and administrative costs.
4. The rate schedule is simplified from the eleven categories published in the 2016 MOA to five categories.

**Table 1. Simplified FY19 CESU Rate Schedule (Pre and Post Award Costs Combined)**

Type of Action	Value	Cost Per Action	No. of Actions	Total Cost
Competed (New or Re-competed)	Less than \$100k	\$11,000	34	\$374,000
	\$100-\$499k	\$13,000	76	\$988,000
	\$500k and greater	\$20,000	8	\$160,000
Modification	Any value cost modification	\$5,000	32	\$160,000
PI Initiated	any action	\$6,000	0	\$0
<b>TOTAL</b>			<b>150</b>	<b>\$1,682,000</b>

The bottom line total in Table 1 represents SWF’s turnkey cost to execute the FY19 CESU Program based on the projected workload and current SWF labor rates. The distribution and number of the types of FY19 actions were based on our FY18 workload and modestly increased by four actions. The 2016 rate schedule

shows rates for competed and non-competed CA actions, however since all CA actions performed under CESU require competition, rates are shown only for competed actions. All modifications regardless of value are now one fee.

This alternative represents our current state of affairs. As a reimbursable (fee for service) organization SWF cannot initiate work on any new actions until funding (based on the fee structure in Table 1) is received. The main disadvantage of this alternative is that we cannot initiate work on new actions without funding and because funding is delayed until the second quarter or later new actions are not worked on, requirements stack up, and a significant surge in workload is created when funding becomes available.

**Alternative 2. Prorated Fee Schedule Assuming Receipt of Up Front OSD Funding (Recommended):**

In this alternative we assume OSD will provide approximately one third or \$560k of total annual cost for SWF to deliver the program up front (i.e. early in the fiscal year). This funding will support early engagement of planning, coordination, and acquisition activities of known requirements by dedicated staff. This alternative provides significant benefit to USACE and the installations involved in the CESU Program. Since many installation’s CESU requirements are known early in a given fiscal year but actual project funding is typically delayed until the second quarter or later, receiving up front OSD funding would allow SWF to initiate and work on known CESU actions (up to the point of award) earlier in the fiscal year. Receipt of bulk funding early in a fiscal year gives SWF the flexibility to direct funds to targeted resources as required to work on new requirements. This approach reduces the backlog of requirements in the last half of the fiscal year when project/installation level funding becomes available and allows USACE to better manage resource workloads, minimize overtime and stress on USACE resources, and allows us to be more responsive to customer changes.

Table 2 below presents a prorated fee schedule that simply reduces Table 1 fees by one third.

Table 2. Prorated and Simplified FY19 Rate Schedule *assuming \$560k upfront OSD Funding*

Type of Action	Value	Cost Per Action*	No. of Actions	Total Cost
Competed (New or Re-competed)	Less than \$100k	\$7,300	34	\$248,200
	\$100-\$499k	\$9,100	76	\$691,600
	\$500k and greater	\$13,300	8	\$106,400
Modification	Any Value Cost Modification	\$3,300	32	\$105,600
PI Initiated	any action	\$4,000	0	\$0
<b>TOTAL</b>			<b>150</b>	<b>\$1,151,800</b>

\*rounded up or down to the nearest hundred dollars

This prorated rate schedule is easily scalable depending on how much OSD up front funding is provided and workload projections. Bottom line, the earlier in the fiscal year the funding is received the better and any amount provided up front is better than none at all.

**Alternative 3. Prorated Fee Schedule Assuming Centrally Funded Grants Officer and Grants Specialist (Not Recommended):**

This alternative assumes OSD will centrally fund for a full year dedicated contracting staff consisting of a Grants Officer and Grants Specialist (2 FTE). The estimated labor cost for these FTEs is approximately

\$450k. This cost is comparable to the early funding objective assumed in Alternative 2, which considered the impact of up front (early FY) bulk funding of \$560k on schedule rates. A prorated fee schedule is not presented for this alternative, because the difference in assumed OSD funding between Alternative 2 and Alternative 3 is minimal and there is little difference in prorated fees between the two alternatives. The main disadvantage of Alternative 3 is that it only provides up front funding for contracting and does not allow early engagement by the rest of the SWF's CESU team. From the SWF perspective, Alternative 2 is preferred over Alternative 3 because it offers much more flexibility in engaging all resources on early acquisition activities (not just contracting).

**Appendix A. ACTIVITY-BASED COST SCHEDULE FOR CESU AGREEMENTS (2016 Fee Schedule)**

**ANNEX A. ACTIVITY-BASED COST SCHEDULE FOR CESU AGREEMENTS**

Initial Award (CA Amount)	Fort Worth District Costs With No Competition Required / Competition Required
1. Less than \$50,000	\$7,000.00 / \$8,250.00
2. \$50,000 - \$100,000	\$8,750.00 / \$11,000.00
3. \$100,000 - \$150,000	\$10,250.00 / \$13,625.00
4. \$150,000 - \$200,000	\$11,500.00 / 16,000.00
5. Greater than \$250,000	\$12,500.00 / \$17,500.00

Modification (CA Amount)	Fort Worth District Costs
1. Unilateral	\$2,500.00
2. Bilateral	\$3,500.00
3. No Cost	\$2,000.00

Post Award (CA Amount)	Fort Worth District Costs
1. Administrative	\$500.00
2. Closeout	\$500.00
3. Invoicing/year	\$1,000.00