

JJZZ Company Computation of Fixed Billable Rates

Name/Position	Basic Direct Labor Rate	Name/Position	Basic Direct Labor Rate
Senior Inspector		Senior Inspector	
Grey Bag	\$23.00	John Johns	\$19.23
Peanut Joe	25.00	Girl Boy	15.96
Waters Dog	22.75	Dog Dog	14.24
Liver Pool	26.79	ABC Abc	21.44
Average Labor Rate	\$24.39	Average Labor Rate	\$17.72

Year 1

Average Direct Labor Rate	Average Direct Labor Rate	VDOT Capped Rate	Allowable Rate	Escalation @ 1.5%	Total D/L Rate	Overhead @ 163.47%	Fee Base @ 148%	Net Fee @ 7%	Fixed Billable Rate
Senior Inspector	\$24.39	\$22.87	\$22.87	\$0.34	\$23.21	37.95	57.57	4.03	\$65.19
Inspector	\$17.72	18.35	17.72	0.27	17.99	29.41	44.62	3.12	\$50.52

Year 2

Average Direct Labor Rate	Average Direct Labor Rate	VDOT Capped Rate	Allowable Rate	Escalation @ 3%	Total D/L Rate	Overhead @ 163.47%	Fee Base @ 148%	Net Fee @ 7%	Fixed Billable Rate
Senior Inspector	\$23.21	Not Applicable	\$23.21	\$0.70	\$23.91	39.08	59.30	4.15	\$67.14
Inspector	\$17.99	Not Applicable	17.99	0.54	18.53	30.29	45.95	3.22	\$52.04

Year 3

Average Direct Labor Rate	Average Direct Labor Rate	VDOT Capped Rate	Allowable Rate	Escalation @ 3%	Total D/L Rate	Overhead @ 163.47%	Fee Base @ 148%	Net Fee @ 7%	Fixed Billable Rate
Senior Inspector	\$23.91	Not Applicable	\$23.91	\$0.72	\$24.63	40.26	61.07	4.28	\$69.16
Inspector	\$18.53	Not Applicable	18.53	0.56	19.09	31.20	47.33	3.31	\$53.60

Allowable Direct Labor Rates Per Classification

As shown above in year 1, the proposed average rate of \$24.39/hr. for the senior inspector is higher than the maximum allowable rate of \$22.87 and accordingly, the proposed average rate for the senior inspector is reduced to \$22.87/hr. to ensure compliance with VDOT policy on maximum allowable direct labor rate per classification. The proposed direct labor rate for the inspector is less than the maximum allowable rate of \$18.35 and is acceptable.

Computation of Net Fee Base

In absence of any limitation, the Net Fee Base is the sum of the proposed direct labor and overhead costs. VDOT policy requires the computation of overhead expenses included in net fee base to be equal to or less than 148% of direct labor cost. In other words, the overhead rate used in computing the fee base must not be greater than 148% of direct labor cost. It should be emphasized that the 148% limitation applies only to the overhead expenses included in the net fee base.