

INDEPENDENT COST ESTIMATE

When conducting local purchases, the Federal Transit Administration (FTA) requires subrecipients to determine price reasonableness. In addition to FTA requirements, NCDOT-IMD requires subrecipients to provide documentation supporting their determination of price reasonableness. An Independent Cost Estimate (ICE) is the first step in determining price reasonableness. FTA Circular 4220.1F states:

FTA Circular 4220.1F, Chapter VI, 6.:
6. COST AND PRICE ANALYSIS. The Common Grant Rules require the recipient to perform a cost analysis or price analysis in connection with every procurement action, *including* contract modifications. The method and degree of analysis depends on the facts and circumstances surrounding each procurement, *but as a starting point, the recipient must make independent estimates before receiving bids or proposals.*

An ICE is a benchmark for evaluating the reasonableness of the contractor's proposed cost or price, and may range from a simple budgetary estimate to a complex estimate, based on inspection of the product, review of drawings or specifications, and prior procurement data.

An ICE is an independent assessment of what you would expect to pay for goods or services, based on reliable sources, such as paid historical prices, industry standard, or market survey. Subrecipients may also request informal cost estimates from suppliers or manufacturers when developing an ICE. If any outside party assists in developing the ICE, appropriate steps must be taken to ensure that organizational conflicts of interests are avoided and that the outside party does not obtain any competitive advantage from advance knowledge of the estimate. For contracts with optional extensions or other modifications, a subrecipient must make an ICE before executing the option or modification.

An ICE must be completed before receiving bids or proposals. FTA is flexible as how a subrecipient typically documents and determines a fair and reasonable price range. All prices must be documented in the procurement file and submitted to NCDOT-IMD for FTA audit purposes. The most common methods that an ICE is performed are as follows:

- Publicly published price lists
 - Recently invoiced price/prior project purchase orders
 - Outreach/market survey
- A. Publicly published price lists
Typically appropriate for goods and materials. Price lists, other existing government contracts or catalogs are acceptable price sources for off-the-shelf items such as technology, office supplies, vehicle equipment, etc... Price lists are often available online or in printed advertisements. Price quotes that are posted in-store are acceptable as well.
- B. Recently invoiced price
Typically appropriate for goods *or* services. If a subrecipient recently purchased similar goods or services, a recent invoice may help determine a fair and reasonable price. NCDOT-IMD may consider outdated quotes (older than a year or potentially 6 months in the case of technology) to be insufficient documentation to support a fair and reasonable price determination.
- C. Outreach/market survey
Typically appropriate for goods *or* services. A subrecipient may contact other agencies to determine a fair and reasonable price, so long as the agency has a similar project scope and the system is relatively comparable.

Cost Analysis:

A cost analysis typically applies to situations where the product or services being offered are not susceptible to being evaluated against other commercially available items of similar products or services. Examples include architectural engineering (A&E) services where only one cost proposal is solicited from the highest ranking firm, or a sole source procurement for other types of services (see FTA Best Practices Procurement Manual, Chapter 5.2, Cost and Price Analysis for further information)

HOW TO PREPARE INDEPENDENT COST ESTIMATE

1. Prepare the ICE for submittal:
A subrecipient attaches the ICE to your Combined Capital Grant Application (an ICE is needed for each individual line item/G-code where applicable)
 - a. Project point of contact information
 - b. Project description and scope of work (including associated G-codes)
 - c. FTA Grant program/funding split
 - d. Grant application number
 - e. Documentation of price reasonableness gathered from the agency's procurement research in addition to the pricing that is determining from the documentation to be fair and reasonable
 - f. Signature or person identified as completing the ICE form

2. Submittal to NCDOT-IMD
Forms will be attached to the subrecipients Combined Capital Application electronically through EBS. If the Ice is for a new contract, include other documents and forms for concurrent review. These may include: micro purchase, small purchase, or RFP/RFQ/IFB forms and documents. If the ICE is for the exercise of an option or for an amendment/modification of an existing contract, include a copy of the contract and of the proposed modification.

3. NCDOT-IMD Review
After NCDOT-IMD determines the ICE to be complete, establishing the price range for your project, this request will move forward to review and approval by NCDOT-IMD management.

Quick-Reference Purchasing Guide/When to Submit a Formal Independent Cost Estimate

Note: The following procurement thresholds meet dollar amounts required by IMD. Your agency may set more stringent requirements.

< \$9,999 Micro-Purchases - **NEW**

- ◆ May be made without obtaining price quotes
- ◆ Must document how price was determined to be fair & reasonable (comparison of catalog/online prices, etc.) **NO FORMAL INDEPENDENT COST ESTIMATE FORM NEEDED.**
- ◆ Procurement History Form may be used to document
- ◆ Obtain written approval (in accordance with local policy) prior to purchase—submit Procurement History Form & other documentation to:
 - Executive Director/Other
 - Board of Directors
- ◆ Vendor does not have to comply with Federal requirements, except if federal funds are used for construction. The Davis-Bacon Act applies to costs of \$2,000 or more, and this requirement must be included with solicitation.

Price Quotes (\$10,000 - \$29,999) - **NEW**

- ◆ IMD must review new or adapted specifications prior to solicitation of all “new type” rolling stock.
 - “New-Type” Rolling Stock excludes vehicles available on IMD contracts.
- ◆ Solicit from at least 3 suppliers/vendors by email, mail, or in person.
- ◆ **FORMAL INDEPENDENT COST ESTIMATE FORM NEEDED WHEN SUBMITTING APPLICATION UNLESS PROCURING OFF AN EXISTING NCDOT CONTRACT (SUCH AS CONTRACT# SG-50602022 THAT INCLUDES RAISED ROOF VANS AND CUTAWAYS/LTVS)**
- ◆ Applicable Federal requirements & certifications must be included with solicitation (if funded in part with Federal funds).
- ◆ Document quotes solicited and received (at least **3 quotes** should be received) on Procurement History Form & **complete IMD Procurement Checklist**
- ◆ If vendor with lowest price is not selected, include basis/reason for selection (delivery date; better warranty/service; etc.); **prior IMD approval is required.**
- ◆ Obtain written approval (in accordance with local policy) prior to purchase—submit Procurement History Form & other documentation to:
 - Executive Director/Other
 - Board of Directors
- ◆ **Procurement Checklist must be submitted to IMD for prior approval on all purchases over \$10,000.**

Informal Bids (\$30,000 - \$89,999)

- ◆ IMD must review new or adapted specifications prior to solicitation of all “new type” rolling stock and **ALL** construction related procurements.
 - “New-Type” Rolling Stock excludes vehicles available on IMD contracts.
- ◆ **FORMAL INDEPENDENT COST ESTIMATE FORM NEEDED WHEN SUBMITTING APPLICATION UNLESS PROCURING OFF AN EXISTING NCDOT CONTRACT (SUCH AS CONTRACT# SG-50602022 THAT INCLUDES RAISED ROOF VANS AND CUTAWAYS/LTVS)**
- ◆ Solicit written quotes from at least 3 suppliers/vendors.
- ◆ Applicable Federal requirements & certifications must be included with solicitation (if funded in part with Federal funds)
- ◆ Construction – MBE or DBE verifiable goals for construction procurements must be established (IMD must be contacted for goal)
 - Required steps must be taken to satisfy MBE requirements—G.S. 143-128.2(f)
- ◆ Document quotes solicited and quotes received (at least **3 quotes** should be received) on Procurement History Form, attach written quotes, & **complete IMD Procurement Checklist and submit to IMD for prior approval.**

- ◆ Obtain written approval (in accordance with local policy) prior to award—submit Procurement History Form, **Procurement Checklist**, & any other documentation to:
 - Executive Director/Other
 - Board of Directors
- ◆ **IMD requires pre-award approval for all procurements > \$30,000. Submit Procurement Checklist (History form may be included), and any other related documentation for review.**
- ◆ Maintain written documentation to support that each requirement was met.

Formal (Sealed) Bids - NEW

(State funds only-----\$90,000 or more – Equipment & Supplies; \$500,000 or more – Construction)

(Federal & State funds--\$90,000 or more – Equipment & Supplies; \$150,000 or more – Construction)

- ◆ IMD must review all RFPs/RFQs or any other solicitation documents along with specifications prior to solicitation.
- ◆ **FORMAL INDEPENDENT COST ESTIMATE FORM NEEDED WHEN SUBMITTING APPLICATION UNLESS PROCURING OFF AN EXISTING NCDOT CONTRACT (SUCH AS CONTRACT# SG-50602022 THAT INCLUDES RAISED ROOF VANS AND CUTAWAYS/LTVS)**
- ◆ Publish advertisement (electronic ad may be used) for the bid, at least once, 7 days prior to opening.
- ◆ All bids must be sealed and opened at stated time and place in advertisement.
- ◆ At least 3 suppliers/contractors must be solicited (in addition to advertisement, at least 3 suppliers/contractors must be notified)
- ◆ Applicable Federal requirements & certifications must be included with solicitation (if funded in part with Federal funds).
- ◆ Additional requirements for **construction procurements**:
 - A minimum of 3 sealed bids must be received. If less than 3 bids are received, agency must re-advertise for bids; and if as a result of such second advertisement, less than 3 competitive bids are received from reputable and qualified contractors, the Agency may open bids.
 - Bid guarantee bond (5% of bid price)
 - Performance and payment bonds (100% of contract price)
 - MBE or DBE verifiable goals for all construction procurements must be established (IMD must be contacted to set goal)
 - Required steps must be taken to satisfy MBE requirements—G.S. 143-128.2(f)
 - Any of the following methods may be used for construction contracts (*over \$300,000*):
 - Separate-prime bidding
 - Single-prime bidding
 - Dual bidding pursuant to subsection (d1) of G.S. 143-128
 - Construction management at risk contracts pursuant to G.S. 143-128.1
 - Alternative contracting methods authorized pursuant to G.S. 143-135.26(9)
- ◆ Obtain written approval (in accordance with local policy) prior to award—submit Procurement History Form, **Procurement Checklist**, & any other documentation to:
 - Executive Director/Other
 - Board of Directors
- ◆ **Procurement Checklist must be submitted to IMD for review and approval prior to award for all formal bids.**
- ◆ Maintain written documentation to support that each requirement was met

Note: When submitting Claim for reimbursement in EBS, an approved Procurement Checklist is required as part of your documentation.

A written record of procurement history must be maintained for at least five (5) years after project closeout. Minimum documentation requirements are listed above with each procurement threshold.