October 1, 2019

Richard Wooten, Deputy Officer  
Municipality of Anchorage Purchasing Department  
632 W 6th Avenue, Suite 520  
Anchorage, Alaska 99501

RE: CHANGES IN MUNICIPALITY OF ANCHORAGE PROCUREMENT PROCEDURES

Dear Mr. Wooten,

ACEC Alaska represents the engineering consulting industry within the State of Alaska and in doing so promotes sound and competitive engineering practices in the State. These endeavors result in a professional industry that serves the greater good of the local community. As such, ACEC and our member firms have well established and mutually beneficial connections with the Municipality of Anchorage (MOA) through years of cooperative relationships between the MOA and private industry.

Based on several recent requests for proposals (RFPs), it appears that MOA Purchasing is currently revising the RFP advertising process to include the following language under the “Fee Schedule” requirements:

1. “…submit one (1) copy of the firms State of Alaska Department of Transportation (AKDOT) Audit and Audited Rates…If the firm does not have an AKDOT audit/rates then the proposer will need to provide a fee schedule to show direct labor, indirect labor, and proposed fee (profit) in a tabular format”.
2. “”Markup” of Expenses is prohibited”

We assume MOA Purchasing made these changes in an attempt to save on project costs through Cost Plus Fixed Fee (CPFF) contracting. However; we are not aware of evidence that shows these modifications would actually save on project related costs or how they would be regulated. In fact, the agencies that have adopted this contracting approach (some arms of the Federal Government and regions of the AKDOT) agree it is more expensive; however, it is the best method to assure that funds are being expended judicially. In addition, the MOA is requesting private consulting firms provide the Pre-Award Audit that was jointly paid by AKDOT and the Consultant. ACEC questions MOA rights to this audit as well as management oversight/training, and institutional regulatory guidelines to administer CPFF contracting accordingly.
Furthermore, in coordination with the local consulting community the MOA has established the historically accepted expense markup of 10 percent to offset a consulting firm’s accounting and administrative costs related to preparing client invoices, paying direct expenses, procuring project related insurance certificates, etc. This income directly offsets a firm’s overhead cost and recent internal audits at many of our member firms indicate that the 10 percent markup does not adequately compensate the consultant for these costs. If expense markups are no longer allowed, the consultants will need to charge these labor and direct expenses to each project (as allowed on AKDOT projects), negating any cost saving (and potentially resulting in cost increases) to the MOA.

These changes represent a significant departure from conventional contracting approaches historically taken by the MOA and we do not believe that they will result in reduced costs to the MOA for consulting work. We respect the right of the MOA to undergo contracting in the manner that they see fit, however, it is our opinion based on prior coordination and our experience with alternative contracting mechanisms, that the design consultant community should be included in the decision-making process. We believe that we can provide valuable input into the real consequences of the changes and challenge apparent assumptions or biases towards the historic fee structures and compensation.

On behalf of ACEC Alaska and our member organizations, we appreciate the many years of coordination and cooperation we have enjoyed with the MOA and hope that that cooperation can continue into the future. As business owners and MOA tax payers, we believe that the consulting community can help the MOA achieve their goal of delivering quality public projects at reasonable cost, putting our own tax dollars to efficient use. If you have any questions regarding the information included in this letter, please contact the undersigned. We are prepared to meet with you in person to discuss these issues in greater detail.

Sincerely,

Kyle Brennan, P.E.
President, ACEC of Alaska
PO Box 200345
Anchorage, AK 99520-0345

cc: Mr. Lance Wilber; Director, Office of Management & Budget