

**City of Cleveland  
Professional Services Contracts  
Reimbursables Policy  
01/01/2014**

The following constitutes the City of Cleveland’s Reimbursables policies to be used in the City’s Professional Services Contracts.

**1. Direct Labor vs. Reimbursables**

All expenditures in Professional Service Contracts shall fall into one of two categories: Direct Labor, and Reimbursables. Direct Labor shall mean the hourly work (billed by the appropriate hourly rates and multipliers) of the Prime Consultant and all identified Professional Subconsultants. Any expenditure that is not the Direct Labor of the Prime Consultant nor the Subconsultants shall be considered a Reimbursable expenditure.

**2. Labor Multipliers**

In order to be considered responsive, the Prime Consultant and each Subconsultant shall submit with its proposal the labor multipliers to be used on this project. Each Prime Consultant and Subconsultant shall acknowledge that the following items are included in their multipliers:

**2.1 Direct Labor** 100.00%

**2.2 Fringe Benefits:**

- Vacation
- Holiday
- Sick Time
- Career Development
- Incentive Compensation
- Cap Contribution
- Social Security Taxes
- State Unemployment
- Federal Unemployment
- Health & Dental Insurance
- Worker’s Compensation
- Retirement

**2.3 Overhead Salaries**

- Admin. & Office General
- Committees & Societies
- Bids & Proposals
- Technical Research
- Marketing
- Strategic Programs

## **2.4 Overhead Expenses**

Admin & Office General Travel  
Committees and Societies  
Bid & Proposal Costs  
Technical Research  
Marketing  
Strategic Programs  
\* Rent Expense  
\* Telephone & Telegraph  
\* Engineering & Office Supplies  
\* Engineering & Office Printing  
Depreciation  
\* Furniture & Equipment Rental  
Subscriptions  
Dues to Professional Societies  
Repairs  
\* Postage  
Library  
\* Lease Car  
Temporary Help  
Recruiting  
\* Computer Expense  
Audit & General Legal  
Consulting Fees  
General Insurance  
Professional Liability Insurance  
Misc. & Other  
Legal Expenses  
Home Office Allocations  
Real Estate/Property Tax  
Fringe Benefits on Overhead Salaries  
Profit

The portions of the items designated by an asterisk (\*) above that are not dedicated to this project shall be included in the Consultant's multipliers. The Project portion of the asterisked items (\*) shall be subject to the other conditions enumerated in this policy. The Consultant shall ensure that all portions of all other items listed above are included in its multipliers, and not include portions in the reimbursables submittal. The Consultant shall also ensure that all of the following indirect labor is included in the multiplier and not in the direct labor fees: executives; business development staff; accountants; overtime, except where required by law; and time devoted to contract preparation.

## **3. Reimbursables List**

The Consultant shall submit with its Proposal an extensive and detailed list of all expected reimbursable items, with estimated cost. This list shall be finalized, in a format approved by the City, during contract negotiation. No other reimbursable expenses will be allowed on the project, unless pre-authorized by the City in writing.

Each quarter, the Consultant shall submit, for the City's review and approval, an updated projection of the reimbursables list. This projection shall indicate each item in the reimbursables list, and for each item, the original budget amount, the most recently approved budget amount, the amount spent to date, the estimated amount still needing to be expended, and the new, requested budget amount, if needed. The Consultant will be allowed to recommend moving funds between items, but the City must grant such approval in writing. The Consultant shall not be allowed to expend funds on any line item in excess of the approved budget amount for that line item, until the City approves a modification to the budget amounts that would allow for such expenditures.

#### **4. Invoicing**

The Consultant shall submit monthly a separate invoice for reimbursable expenditures. Each invoice shall be delivered to the City in less than 30 calendar days after the end of the month being billed for, and normally with the monthly labor invoice. Such reimbursable invoices shall be in a format approved by the City, and shall include all necessary supporting documentation as called for elsewhere in this policy. Such supporting documents shall be properly dated, legible and reproducible.

#### **5. General Qualifications for Reimbursables**

In general, items procured that are not Direct Labor must be devoted at least 50% of the time to the project during the duration of the project in order to be considered for direct cost reimbursement. Expenses on items (including Class 2 travel) devoted more than 50% but less than 100% to this project shall be pro-rated, with only that portion devoted to the project being billed for. Items devoted less than 50% to this project shall be included in the Consultant's multiplier. Use of items previously owned or leased by the Consultant (such as computer or CAD workstations), regardless of how much devoted to this project, shall be included in the multiplier and not be billed as a direct cost reimbursable. Assets purchased as a reimbursable for this project shall be turned over to the City when the Consultant no longer has need for them on this project. All reimbursables shall be paid on actual costs, supported by actual receipts, unless otherwise indicated. **Direct cost reimbursable items shall have no markup or multiplier applied to them.**

No expenditures for individual reimbursable items over \$10,000 shall be made without prior written approval of the City. The City reserves the right to direct the Consultant to terminate making reimbursable expenditures on any and all categories and expenses.

#### **6. Office Expenses**

In some cases the City will allow and even expects the Consultant to establish a Project Office dedicated solely to a project and from which no other business shall be conducted. In such cases, the Consultant can include the following expenses generated by the Project Office either in the multipliers, or in the reimbursables provided actual invoices are submitted:

- Equipment maintenance
- Recurring communication expenses (including leased lines, cellular phones, pagers, telephones)
- Office Supplies
- External reproduction/binding
- Film developing
- Postage
- Office rent

It must be clear in the Consultant's proposal whether all such and similar expenses are accounted for in the reimbursables or in the multipliers.

For a Consultant with a dedicated Project Office, those office expenses generated by other offices (the Prime's other offices, Subconsultants' offices) can be paid as a direct cost reimbursable only if the item is 100% devoted to this project (e.g. postage and long distance phone calls made on behalf of this project), and only if backed up by actual invoices. Otherwise, all non-Project Office expenses (e.g. rent for other offices) must be included in the Consultant's or Subconsultants' multipliers.

For projects in which there is no dedicated Project Office, the Consultant can include as reimbursables only those office expenses devoted 100% to this project (like postage and long distance calls made on behalf of this project,) and only when supported by actual invoices. Office expenses less than 100% devoted to this project (like rent, utilities, use of Consultant's computer workstations) must be included in the Consultant's multiplier. Smaller items, such as office supplies and hand calculators, even if 100% dedicated to the project, shall be included in the Consultant's multiplier.

It is anticipated that any necessary trailer space for the Consultant at the project/construction site will be provided by the construction contractor.

## **7. Equipment**

Equipment to be purchased or leased that will be at least 50% dedicated to this project, and meeting the other qualifications above, including computer hardware and software, fax machines, copying equipment, plotters, printers, communication equipment, cameras/camcorders, overhead projectors, and walky talkies, can be included with the direct cost reimbursables for this project. It is expected that virtually all equipment needing to be acquired, especially computer hardware, shall be leased as opposed to purchased. Only in special cases (such as specialty software like Primavera) and only with the prior approval of the City, shall a Consultant be allowed to purchase equipment for this project. The Consultant shall provide copies of the lease agreements and shall include with its invoices copies of its invoices from the supplying vendor.

## **8. Vehicles and Local Travel**

In some cases the City will allow the Consultant to obtain Project Vehicles, dedicated solely to this project. Project Vehicles shall be leased only, not purchased. Copies of the leasing agreement and vendor invoices must be submitted for direct cost reimbursement. Related Project Vehicle costs, such as fuel, parking, maintenance, and insurance shall be included in direct cost reimbursables, and shall be paid on actual costs, supported by actual invoices.

For the use of personal (i.e. non-Project) vehicles, the Consultant shall be paid at the per mile rate (\$0.565 per mile as of January 1, 2013) that the City pays internally to its staff for mileage. For such vehicle use, the Consultant shall be paid out of direct cost reimbursables, but only if the travel is work related.

## **9. Markup on Subconsultants**

Indirect costs related to the Subconsultants, like the liability/risk of hiring Subconsultants, Subconsultant oversight, cost of negotiations/business procurement, and interest on cash flow, shall be included in the Consultant's multipliers. Any other actual direct cost shall be billed as a reimbursable expense supported by actual invoices. Effort expended on managing Subconsultants shall be billed as a direct

labor charge. **The Consultant shall not include in the direct cost reimbursables any indirect costs or markups on Subconsultants' labor or reimbursables.**

## **10. Special Services**

Special Services, used solely for the benefit of this project and not performed by the Prime Consultant or by the Subconsultants, such as electrical testing, hazardous material testing, training, deliveries, diving services, office and field office setups and maintenance, and telephone and network installations and maintenance, shall be included in the direct cost reimbursables. All such services must receive prior written permission from the City. **No markups or other indirect handling costs on these Special Services shall be included in the direct cost reimbursables.** The Consultant shall include any such indirect costs or markups in its multipliers. Any direct labor involvement by the Prime Consultant or Subconsultants in managing these services shall be billed in the labor charges.

## **11. Personal Allowances**

Reimbursement on all items in this category shall be from the direct cost reimbursables, supported by actual receipts and invoices, except as noted. All regulations in this category shall apply to the Prime Consultant, all Subconsultants, and Special Services staff. Consultant's staff shall be classified into four classes:

**Class 1.**        Staff Already Living in the Greater Cleveland Area.

**Class 2.**        Infrequent Travelers to Cleveland. Those staff coming to Cleveland for less than a two week stay. Staff hired by the Consultant after the Notice To Proceed has been issued and assigned to this project can only be classified as Class 1 or Class 2.

**Class 3.**        Staff with Extended Stays in Cleveland. Out of towners who will work in Cleveland for stretches longer than two weeks, but less than one year.

**Class 4.**        Relocated Staff. Key, full time project staff (e.g. project manager) who relocate from out of town to work full time for the duration of the project, and for a minimum of one year's time.

- **11.1 Class 1:** Such staff qualify for no reimbursement expenses (travel, lodging, meal, per diem, etc...) whatsoever.
- **11.2 Class 2: Travel:** Actually incurred expenses (air, bus, rail, car rental, taxi, etc...) shall be paid for Class 2 staff. However, the charges shall not exceed Federal guidelines (as the guidelines were at the time the expenditure was made; regular economy class fares for air travel.) Class 2 travel shall require prior City approval. Rental car optional insurance is not reimbursable.
- **11.3 Class 2: Per Diem Expenses:** Class 2 daily expenses for meals, telephone, etc. shall be paid out of direct cost reimbursables, based on actual costs, with actual receipts submitted with invoices. Reimbursement shall not be made for alcohol, private phone calls, nor for meals for guests or associates of Class 2 staff. Gratuities of up to 15% on meals shall be allowed, but no other gratuity of any type shall be allowed. If a weekend or other non-workday occurs in the middle (but not at either end) of a Class 2 person's stay, that person shall be entitled to per diem and lodging expenses for those non-work days. For days worked in the Cleveland office, Class 2

daily expenses for meals, telephone, etc. shall not exceed \$40.00/day to cover all travel and living expenses other than airfare (actual receipts are required); actual expenses for airfare will be reimbursed when travel takes place and must be submitted with supporting receipts, with travel to/and from the airport in Cleveland covered at actual cost, with receipts required. Travel to the airport from home, and travel from the airport back home is not a reimbursable expense.

- **11.4 Class 2 Lodgings and Related Services:** Direct cost reimbursement shall be made, based on actual expenses, for apartments or hotels. The charges shall not exceed Federal guidelines (as the guidelines were at the time the expenditure was made), and shall be supported by actual receipts. The City shall also reimburse for any City/County Hotel Taxes over and above the Federal guideline.
- **11.5 Class 2 Commute Time:** Class 2 travelers shall be allowed to bill their time commuting between Cleveland and home as a labor expense, if such travel occurs during normal working hours. No other Class shall be allowed to bill any commute time as a labor expense.
- **11.6 Class 3 Travel:** Class 3 staff shall be allowed intermittent travel back home. Consultant shall remain within the initial contract budget for this item. Additionally, the City will only pay actual invoiced amounts, and in no case more than a cap of \$800.00 per month for such travel for each Class 3 staff member. Only Class 3 staff shall qualify for this allowance. Travel expenses for Class 3 staff's initial trip to and final trip from Cleveland shall be paid on an actual basis, and shall not apply against any month's cap. These expenses shall be included in the direct cost reimbursables.
- **11.7 Class 3 Per Diem Expenses:** Class 3 staff shall be given an allowance for each full calendar day (including non-working days) spent in the Cleveland area, to be included in the direct cost reimbursables. The Consultant shall submit with its monthly invoices a log for each Class 3 person, indicating the date in town and the allowance being requested. In no case shall the allowance exceed \$40.00/day per individual in the Cleveland area. This allowance shall cover daily meals, telephone, television, laundry, local travel, etc. Actual receipts for this particular item are required. Travel to/and from the airport in Cleveland is covered at actual cost, with receipts required.
- **11.8 Class 3 Lodgings:** Class 3 staff are expected to secure apartments in the Cleveland area. Direct cost reimbursements shall be made for actual rental costs, supported by actual receipts. Rental for weekend and other non-working days shall be reimbursable. In no case shall rent exceed a cap of \$1,000/month per person.
- **11.9 Class 3 Inflation:** Inflation shall be measured by the Consumer Price Index for Urban Wage Earners and Clerical Workers for the Midwest Region, as tracked by the Federal Bureau of Labor Statistics. The amount of inflation shall be determined each year, beginning one year after Notice to Proceed, and shall be re-determined on each anniversary of Notice to Proceed. The \$800 per month cap for Class 3 Travel, and the \$1000 per month cap for Class 3 Lodgings, will be allowed to increase annually by the amount of inflation so determined.

- **11.10 Class 4 Relocation Expenses:** Reasonable relocation to Cleveland expenses (including transportation of household items and two cars, incidentals, temporary lodging and meals for family [not to exceed one month in duration], and one, 3-day spousal trip to Cleveland) shall be allowed based on actual expenditure, with an upper limit of \$20,000 per individual. Only Class 4 staff qualify for relocation expenses. Class 4 staff qualify for relocation expenses, but for no other Personal Allowance expenses.

## **12. Taxes**

Purchases for this project are exempt from state and local sales taxes. The Consultant shall use the City's tax exempt number (available as necessary) for such purposes.