

**MEMORANDUM**

TO: Department Facilities and Financial Managers

FROM: Scott Jones, VP Design & Construction  
David Goldfarb, Director Finance  
Facilities Management

DATE: December 19, 2016

RE: Change in Fee Structure for Design & Construction Projects

Facilities has received and listened to comments and concerns that clients have had regarding the current budget-based approach to our project management (PM) fees. These concerns include:

- The current approach is too complex and difficult for clients to understand.
- Project budgets which are the basis for the fee calculations can fluctuate early in the process thus changing the fee amount.
- The sliding scale structure for the PM fee rate adds another layer of complexity.
- Campus clients cannot easily determine what the exact amount of the fee should be in order to determine if they are being billed correctly or not.

As a result, Facilities Management is revising the PM fee structure *for new projects initiated on or after January 1, 2017*. The changes will be:

- Adoption of a two-tier rate structure going forward
  - 3.5% for projects less than \$1 million
  - 1.0% for projects equal to or greater than \$1 million
- Application of the new rates to the actual encumbered amount for a contract award or the cost of change order as it is executed.

How will the transition from the old budget-based approach to the new encumbered-based methodology work?

- Current projects that have already started and received at least one billing will continue to be billed under the old budget-based methodology. This will continue until the project is completed and closed out.
- New projects initiated next calendar year will begin under the new encumbered-based approach and continue through their completion.

The in-house design fee rate also will be simplified, by moving to a two-tier rate structure. The rates will be:

- 5.0% for projects less than \$1 million
- 4.0% for projects equal to or greater than \$ 1 million

Less complex and more cost-based approach to our design and project management fees will increase transparency for our clients and reduce the level of misunderstanding that some are experiencing.

If you have any questions about the changes, please contact David Goldfarb, Director of Facilities Finance, or Scott Jones, Assistant Vice President of Design and Construction.