

18.05 Establishing Fair Market Prices

Policy:

It is the policy of Licking/Knox Goodwill Industries, Inc. to follow established procedures when calculating Fair Market Prices for customer contract purposes.

Procedure:

Fair Market Price (FMP) is established using DOL, WDR, minimum wage rates, Prevailing Wage Rate or other standard wage methods to calculate direct labor costs.

Use a minimum percentage above the established indirect labor rates, raised from direct labor rates.

When applicable, establish a minimum percentage of labor hours to calculate supervisory hours and adjust upward depending on the job, logistics, tasks and scope of work. Establish labor hours from industry standards, time studies, historical or other viable means of calculating labor hours.

Procure or establish a statement of work (SOW), a performance work statement (PWS), or a list of specifications for every contract, service, sales agreement, or lease.

If a SOW/PWS or list of specifications cannot be obtained from the customer in writing, verbal instructions will be used in a plan draft. The draft will be submitted along with the proposal to document work requirements.

The SOW/PWS for a particular service will provide the basis for establishing the Fair Market Price. The Fair Market Price will be derived by:

- Labor rate, direct and indirect
- Fringe benefits
- Taxes and insurance (benefits)
- Holidays, vacation and sick leave
- Supplies
- Equipment
- Vehicle operation (including mileage, gasoline and/or repairs)
- Communication
- Sub-contractors, leases, rental
- Overhead and profit (burden)
- Association or service costs
- Other associated direct or indirect costs

Add-on years and re-determinations will be calculated based on wage changes in the WDR, Prevailing Wage, Minimum Wage and current market availability of labor. An increase for supervision will be utilized, when possible, in establishing annual salary adjustments. Customer approval (or requests for higher adjustments) will dictate wage adjustments. It will be the intent in the adjustment of all wages, to obtain the best possible wages balanced with sound business judgments. Direct and indirect fringe benefits under the WDR, will be adjusted as required to reflect changes in the Health and Welfare benefit. A change in the scope of work will trigger an adjustment in labor hours commensurate to the work load

Supply and equipment increases will be in accordance with Possitivity and NISH compliance rules and regulations. Prices will be established by buying supply and equipment costs down (see Policy & Procedure 17.1, *Purchasing Supplies and Equipment*). Any needed supply and equipment quantity and costing adjustments will be done at the time of contract renewal. Increases in costing will be substantiated by utilizing the purchasing procedures outlined in Policy Section 18. Increases in quantity or replacement of equipment will need proper justification, i.e. equipment has been stolen, lost or broken, equipment has amortized to its fullest extent and needs replacement, or adequate equipment or quantities are not sufficient.

Sub-contractor, leases and rental fees, vehicle and communication costs will be re-assessed annually. If unreasonable increases occur, or services supplied are inadequate, alternate sources will be investigated. Increases or changes will be identified and firm fixed costs obtained for the contract period. These changes will be incorporated into the revised re-determination.

Bid worksheets will be used for costing and re-costing business. Smaller projects and unusual specifications or contract functions may require revised worksheets however; basic costing procedures will remain constant. Follow-on year prices will be calculated at the request of the customer.

Federal and state contracts will cost based on the JWOD pricing memorandum #3, as required by 41CFR51 and FAR Subpart 8.7, and state use requirements, rules and regulations as appropriate using the Federal Fair Labor Standards Act, Service Contract Act, National Labor Relations Act, Family Medical Labor Act, JWOD Act, Walsh-Healey Act and all other applicable State & Federal laws and regulations.

See Policy & Procedure 18.04, *Plan of Action for Procurement of Business*.