

## **Federal Polaris Price Proposal Kit:**

### **A Comprehensive Guide to Articulating a Pricing Methodology and Estimating Labor and Burden**

#### **Section 1: Instructions**

##### **1. Understanding the Basics:**

- Pricing Methodology: This is the strategy or approach you use to determine how much to charge for your services or products.
- Labor: This refers to the direct costs associated with employees – their salaries, wages, and benefits.
- Burden: Also known as overhead or indirect costs, these are the additional costs associated with employing someone, such as insurance, taxes, equipment, training, etc.

##### **2. Explaining Your Pricing Methodology:**

###### **Step 1: Identify Your Costs**

- List all the costs associated with delivering your service or product. This includes materials, labor, overhead, and any other expenses.

###### **Step 2: Determine Your Profit Margin**

- Decide on a percentage of profit you want to make on top of your costs. This can be based on industry standards, your business goals, or competitive analysis.

###### **Step 3: Set Your Price**

- Add your desired profit margin to your costs. This will give you the price at which you should sell your service or product to achieve your desired profit.

###### **Step 4: Review and Adjust**

- Regularly review your pricing methodology to ensure it remains relevant. Adjust for inflation, changes in costs, or shifts in the market demand.

##### **3. Estimating Labor and Burden:**

###### **Step 1: Calculate Direct Labor Costs**

- Determine the hourly wage or salary for each employee involved in the project or task.

## Section 2. Templates:

### a. Basis of Estimate Template for [Project Title]

Date: [Insert Date]

Prepared by: [Insert Name]

#### Section 1: Pricing Methodology

- **Objective:** Begin by stating the objective of your pricing methodology. Why is this methodology chosen for this project?
- **Approach:** Describe the steps or processes you'll follow to determine the price. This could include market research, historical data analysis, or any other relevant method.
- **Key Assumptions:** List any assumptions made while determining the pricing. Assumptions could relate to market conditions, inflation rates, or any other factors that influence pricing.

#### Section 2: Labor Estimation

- **Objective:** State the purpose of your labor estimation. Why is labor estimation crucial for this project?
- **Labor Categories:** List all the labor categories required for the project.
- **Estimation Method:** Describe how you estimate the number of hours for each labor category. This could be based on historical data, expert judgment, or any other method.
- **Burden Estimation:** Explain how you calculate additional costs like benefits, taxes, and other overheads associated with labor.

#### Section 3: Supporting Documentation

- **Objective:** Explain why supporting documentation is essential for the Basis of Estimate.
- **List of Documents:** Enumerate all the attached documents, such as provisional billing rates, forward pricing rate recommendations, or agreements for direct labor and each indirect cost.
- **Relevance:** For each document listed, provide a brief description of its relevance to the project.

#### Section 4: Labor Categories without Current Employees

## Sample Basis of Estimate

### Polaris Price Proposal Basis of Estimate for Stellar Tech Solutions

#### Section 1: Pricing Methodology

##### Introduction:

At Stellar Tech Solutions, our pricing methodology is meticulously crafted to ensure transparency, competitiveness, and value for our clients. We believe in a comprehensive approach that takes into account various factors to arrive at a price that is both fair and reflective of our expertise.

##### 1. Data Sources:

- **Historical Data:** We maintain a robust database of our past projects, which gives us insights into the actual costs incurred and the challenges faced. This data serves as a foundational reference point for our pricing.
- **Market Research:** Regular market surveys and research are conducted to understand the prevailing industry rates, emerging trends, and the competitive landscape. This helps us ensure that our pricing remains competitive while also being in line with industry standards.

##### 2. Pricing Approach:

- **Bottom-Up Estimation:** Our primary approach is the bottom-up estimation, where we start by analyzing the raw labor rates. This involves understanding the skill sets required, the complexity of the tasks, and the duration for which the resources will be engaged.
- **Overheads:** Once the raw labor costs are determined, we factor in the overhead costs. These include costs related to infrastructure, utilities, and other operational expenses that support the project's execution.
- **Fringe Benefits:** Benefits provided to employees, such as health insurance, retirement contributions, and other perks, are then added to the cost. These are essential components that ensure we attract and retain top talent for our projects.