

# DEFINING A SPENDING PLAN

## *An Excerpt from the F&W Project Manager's Manual*

As of July 22, 2004

### A. Introduction

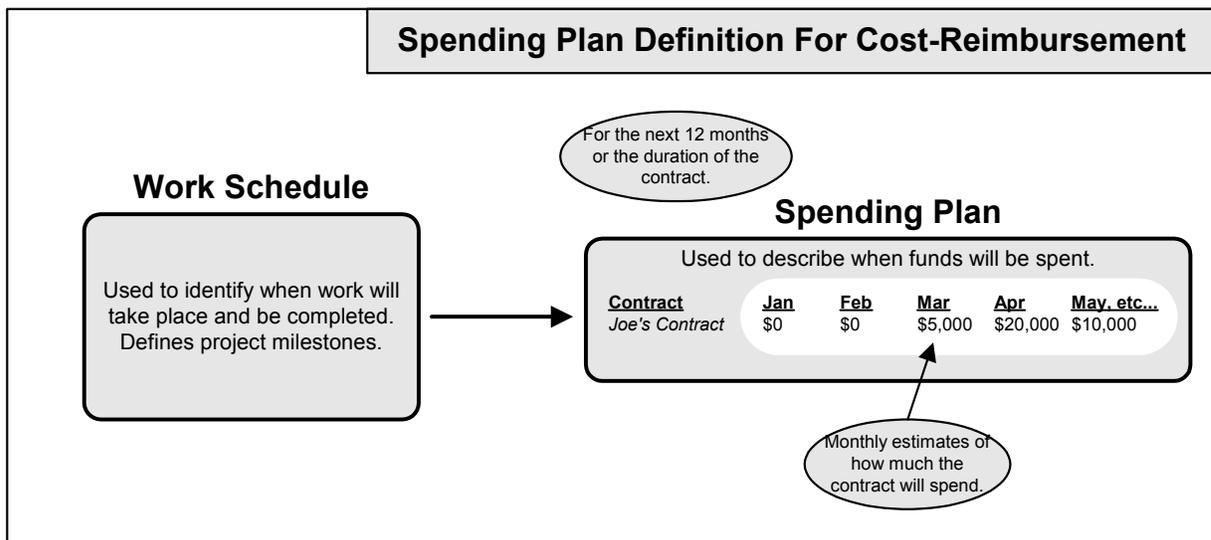
In addition to BPA project managers employing work schedules and status reports, BPA also has an important responsibility to manage its cash flow. The primary tool for addressing this need is a spending plan. All contracts beginning or renewing in FY'05 (both capital and expense) are required to complete a spending plan.

The below guidance outlines how FY'05 contracts should create spending plans and is not guidance on the summer 2004 accrual exercise.

If a project has multiple contracts, each contract will be required to complete a spending plan.

Although all types of contracts must include spending plans with the same information, how they are created is different for a cost-reimbursement contract versus fixed-price and financial-assistance.

**Figure A-1: Spending Plan Definition for Cost-Reimbursement Contracts**



For cost-reimbursement spending plans:

- Include an estimate of how much the contract will spend each month for the next 12 months, or a lesser period if the contract is shorter.
- Monthly estimates are for how much the contract will spend in a given month, not when the costs will be billed to BPA.
- For each month, the figure should include all costs including direct costs, overhead, and subcontracts.

This is the minimum amount of information that is required for all contracts. Project managers may request more detailed spending plans for some contracts, based on the needs of the individual contract.

Spending plans for fixed-price and financial assistance contracts will be generated automatically by Pisces, relying on information that is part of the work schedule. Work schedules will be discussed in another document.

## **B. Specific Guidance**

- SP1. Each contract is required to have a spending plan that begins on the renewal date and includes the performance period of the contract (usually 12 months). If the contract is a multi-year agreement, create a spending plan for the next 12 months only.
- SP2. All costs should be included in the monthly spending estimates, including direct costs, overhead, and subcontracts. For fixed-price and financial assistance contracts, all costs are included in the milestone payment(s) used to produce the spending plan.
- SP3. Subcontracting costs cannot be billed to BPA until the prime vendor has approved them. This can be some time after the work was done. Therefore, subcontracting costs will be reflected in the spending plan for a month different than when the work will be performed. This is not an issue for fixed-price and financial-assistance contracts because subcontract costs are included in the milestone payment(s) and can be paid regardless of whether or not a subcontractor was used.
- SP4. Spending plans will be updated quarterly. Eventually, contractors will be able to submit their information on-line through Pisces. For fixed-price and financial-assistance contracts, the work schedule will also be updated quarterly, which in turn will update the spending plan.
- SP5. Changes to spending plans will be housed in the Pisces system so that spending plan history is archived and available on-line. This is also true for work schedules upon which fixed-price/financial assistance spending plan are based.
- SP6. BPA will use spending plans to help manage cash flow and conduct quarterly and year-end accrual estimates.
- SP7. Spending plans will not be used to restrict payment on cost-reimbursement invoices. For cost-reimbursement contracts, invoices will be paid based on work completed and costs incurred. Spending plans will be used by BPA's financial department only to forecast cash flow associated with F&W project work. While BPA's project managers will assist in updating spending plans, they will use the work schedule to track contract progress. This is consistent with BPA's intention to place greater emphasis on the work.
- SP8. Contractors should make their best effort to ensure spending plans are accurate. BPA recognizes that as a forward-looking exercise, the final numbers may change. An appropriate margin of error is about 5%.
- SP9. Spending plan accuracy will be monitored and calculated by BPA Finance, and will not be the job of the project manager. In some cases, the project manager may be called upon to

discuss how a spending plan can be improved, but comparing invoices to spending plans will be accomplished by BPA Finance.

SP10. If BPA Finance finds a spending plan to be significantly inaccurate on a consistent basis, BPA Finance, F&W Management, and the project manager may work with the contractor to assess the problem and help make the information more accurate.

SP11. If, after a period of mentorship, a contractor is unable to complete a reasonably accurate spending plan, this may be considered when awarding contracts in the future.

SP12. Spending plans will be required at the time of contract renewal. It is not part of the contract, although the contract will call out the need to complete the spending plan and update it quarterly. For fixed-price and financial assistance contracts, a work schedule with costs instead of a spending plan is required.