



# Controlling UST Cleanup Costs

## Fact Sheet 3: Interpreting The Bill

### Figuring the Figures

Competition among gasoline stations may keep the prices at your pump just about the same as the prices at the station down the street or across town. These prices may vary a few cents from week to week, but not by much. In contrast, site assessment and cleanup costs can vary tremendously.

Your day-to-day operations tell you there are almost as many ways to be charged for vendor services as there are vendors. In the cleanup business, charges for similar services or items may be worlds apart. That's because of the different rates contractors can charge you. And the ways that they bill you.

### Matching the Items

Understanding your bill — what the charges are and how they are determined — is essential to keeping down the cost of the cleanup. Your bill needs to match the contract and provide top-to-bottom detail. That means you need to carefully examine your first bill.

Then sit down with your contractor and ask questions about charges you think are too high. Verify that charges are legitimate, correct, and timely.

And establish a billing schedule. Tell your contractor you need bills at regular intervals, and examine each one carefully.

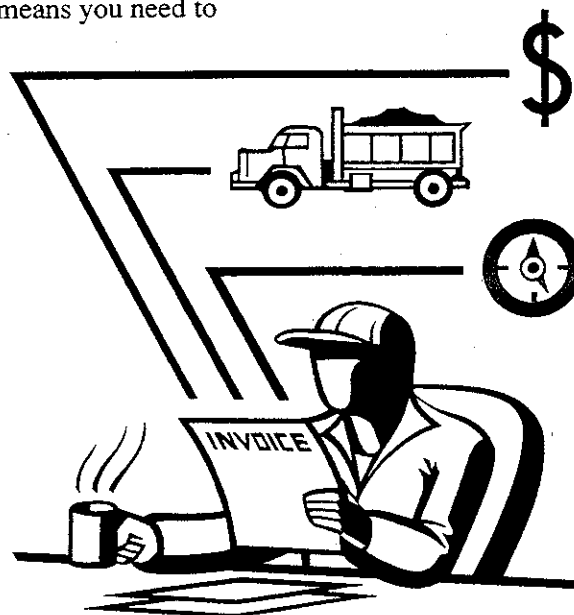
### Knowing State Limits

Most States have a fund to help underground storage tank (UST) owners pay for cleaning up tank leaks. The fund is generally managed by a State Fund Administrator. Check with your State Fund Administrator to see if you're eligible to receive these funds and to learn about other requirements (for example, invoices).

Remember that good cost management is one of your strengths as a business owner. Though you may be eligible for payment for certain tasks or services, don't depend on the State Fund to pay for your cleanup. Review each of your costs carefully to be sure you weren't charged unfairly. It's your responsibility.

### Straight Rates and Loaded Rates

Contractors may list labor, overhead costs, other business expenses, and profits as separate cost elements (straight rates) or group them into fewer charges (loaded rates). The method of billing depends on the agreement in the contract. Whatever the agreement, be sure it is followed in the field and in billing. For your own financial well being, you need a clear understanding of



every step of the process. For example, one contractor's labor rate for a senior engineer may be \$50 per hour while another may charge \$100 per hour. You should check to see whether the second contractor is quoting a loaded rate (that is, a rate that includes salary, fringe benefits, and overhead).

Fact Sheet 2, *Negotiating the Contract*, gives details on time-and-materials, fixed-price, and unit-price contracts. For fixed-price contracts, you negotiate the scope of the work and a fixed dollar amount to be paid for the completion of the work. For time-and-materials contracts, you pay for labor by the hour, not for the completed job. For unit-price contracts, you pay for individual work units.

### Sorting Cost Elements

In order to understand the differences in billing procedures, you need to know what and how the contractor charges you. Most contractors calculate costs with the following charges in mind:

- **Direct Labor:** Employee salaries, not including benefits.
- **Fringe (Employee) Benefits:** Vacation, sick, and holiday time and sometimes insurance and retirement benefits. This cost is calculated as a percentage of direct labor.
- **Other Direct Costs (ODCs):** Equipment, supplies, travel, soil disposal, and other costs associated directly with the site assessment or cleanup. Refer to the contract to see if these expenses are included.
- **Overhead:** Rent, utilities, and phone bills associated with the operation of the facility where the contractor works. This cost is calculated as a percentage or a multiple of direct labor.
- **General Administrative (G&A) Costs:** Expenses associated with tasks necessary to run a business that are not billable directly to customers. For example, paying bills, preparing internal reports, and holding meetings. Sometimes these costs are included in overhead. G&A costs are often calculated as a percentage of direct labor, overhead, or other direct costs.
- **Subcontractor Costs (When Appropriate):** Costs for contractors who provide specific services under the direction of the main (prime) contractor. They include the subcontractor's general and administrative costs and profit percentage.

Using subcontractors always means added expense because the prime contractor increases his/her rates to cover the expense of hiring and managing a subcontractor. For example, your general contractor, hired to clean up a spill at your station, hires another group to remove the tank or haul soil from the site. Your bill for the removal from the general contractor will include charges for the contractor's finding and managing a subcontractor.

- **Fee/Profit:** Earnings from the contract to help the contractor recover the costs of investing in equipment. Typically figured as a percentage of all contractor costs, this charge may be negotiated to your advantage when working out the contract. For example, a contractor may be willing to reduce the fee for a big job or for one that requires only equipment they already have.
- **Reported Costs:** The total expenses incurred by the contractor, often reported as summary (loaded) costs. The extent of detail of the reported costs depends on how much detail you want the contractor to include. To help the State Fund Administrator understand and pay your claim, make sure reported costs are as detailed as your State Fund demands.
- **Loaded Rates:** The number calculated by adding together costs, such as salary, fringe benefits, and overhead. One contractor's loaded rates may include all three of these; another's may include these plus fees.

**And Remember:** The sooner a spill is cleaned up, the better. The longer you wait, the more the damage will spread and the more the cleanup will cost.

Fact Sheet 3 was developed by the Environmental Protection Agency's Office of Underground Storage Tanks in conjunction with State Fund Administrators. It is one of a series; the others are: *Hiring a Contractor*, *Negotiating the Contract*, *Managing the Process*, and *Understanding Contractor Code Words*. For copies of these fact sheets or more information, contact your State Fund Administrator for USTs and/or your State Underground Storage Tank program.