



October 14, 2020

City of Bay City
Attn: Shawna Burkhart, City Manager
1901 Fifth St.
Bay City, TX 77414

Re: City of Bay City CDBG-MIT

Dear Ms. Burkhart:

To comply with federal procurement regulations at 2 CFR 200.323, a non-Federal entity (city or county) must negotiate profit as a separate element of the price for each contract in which there is no price competition and in cases where cost analysis is performed. To establish a fair and reasonable profit, consideration must be given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work.

Lynn Engineering's proposed fee for engineering services is \$1,840,500 out of the \$14,110,545.00 of the total funds budgeted for engineering and construction. This is within the General Land Office's engineering fee cap of 15%. Of this fee, our level of profit for this contract is \$276,075. We believe this profit level is justifiable for several reasons: the extensive work Lynn Engineering undertakes in the preparation of project design, surveying, Geotech, construction plans and specs, bid documents, and construction management as well as our investment in hiring and training highly qualified licensed engineers; and the quality of our past work as demonstrated in our proposal.

Since the City must consider our profit and negotiate it separately from our overall contract price, please respond to this proposal with either (1) your signature indicating agreement with the proposed level of profit or (2) your counterproposal amount, if any. We must submit this information along with your CDBG-MIT application so please provide it back to us by Monday, October 19th.

Sincerely,

Mitchell Carrillo, PE

NMC/lm

Shawna Burkhart, City Manager
City of Bay City