PERFORMANCE BASED PAYMENTS (PBPs)

Hosted By:
Defense Pricing and Contracting

Sponsored By:
Defense Acquisition University

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PBP Contents

- PBP Overview
- Developing PBP Events & Completion Criteria
- Valuing PBP Events
- PBP Clauses
• Generally, two types of payments:
  – **Contract Financing Payment** - a Government disbursement “Funding” made under a contract clause or other authorization prior to acceptance of supplies or services by the Government.
  – **Invoice Payment** - a Government disbursement made under a contract or other authorization for supplies or services accepted by the Government.
Basic Terms/Concepts

• **Liquidation** (of contract financing payments)
  - Process of lowering the outstanding balance of financing payments and converting some portion of them to partial or final (i.e. non-refundable) payment status
  - Un-Liquidated contract financing payments must be returned in the event of termination*

  * To the extent that they have not yet been earned through partial or complete performance

(Reference: FAR 32.1004(d))
Basic Terms/Concepts

- **Customary Contract Financing**
  Agency deemed financing that’s available for use by the Contracting Officer that generally do not require specific reviews or approvals by higher Management.

- **Unusual Contract Financing**
  Financing that’s not deemed customary by the agency but is legal and proper and requires reviews or approvals by higher Management.
Basic Terms/Concepts

• Contract “Financing Methods” are not applicable to Cost-Reimbursable Contracts
  – Cost-Reimbursable contracts generally paid every two weeks, plus fee

• Two General Categories of Contract Financing
  – Non-Commercial Item Financing
  – Commercial Item Financing
Methods

Government Contract Financing

Non-Commercial Item Financing
FAR 32.1
- Performance Based Payments
- Loan Guarantees
- Progress Payments
- Advance Payments

Commercial Item Financing
FAR 32.2
- Advance Payments
- Interim Payments
- Installment Payments

Invoice Payments are NOT Financing
Conditions for Customary Financing

• Period of performance
  – 6 months or > (large business)
  – 4 months or > (small business)

• Contract Price
  – $2.5M or > (large business)
  – > simplified acquisition threshold (small business)
PBP Definition

- Contract financing payments for non-commercial purchases that are payments made on the basis of
  
  (1) performance measured by objective, quantifiable methods;  
  (2) accomplishment of defined events; or  
  (3) other quantifiable measures of results.

(Reference FAR 32.10)
FAR PBP Policy

• “Preferred” method of financing
• Contract financing not payment for accepted items
• Fully recoverable in the event of default
• Treated like progress payments for government accounting purposes and not subject to interest penalty provisions of prompt payment
• May be used on competitive negotiations (though not on sealed bids)
• Not used for architect-engineer services or construction, or for shipbuilding or ship conversion, alteration, or repair, when the contracts provide for progress payments based upon a percentage or stage of completion
PBP Criteria For Use

• Shall be used only if the following are met:
  – Contracting Officer and contractor agree on PBP terms
  – Fixed-price type contract
  – Contract cannot also provided for progress payments
DFARs 2020 Changes & Impacts

• The PBP “cost limitation” clause previously at 252.232-7012/13 is no longer used to constrain PBP payments to cost incurred
  – PBPs can no longer be conditioned upon costs
  – Very significant change that results in the need to thoroughly vet expenditure profiles, analyze PBP values, and analyze whether events should be cumulative versus severable

• Contractor financial statements shall be in accordance with Generally Accepted Accounting Principles

• While title is still preferred for security, there are other alternatives that can be used depending on a company’s accounting system
Planning for PBP

• Assess potential for PBP during contract planning
• Include PBP as part of pricing effort
  – Educate team members up front regarding good PBP events & criteria, purpose of financing, etc.
  – Do not separate PBP negotiations from price negotiations
    • Also, be prepared for number of elements to be negotiated, e.g. event content, criteria, %/dollars, etc., as this can add time to the pre-award schedule
Planning for PBP

• Communicate expectations to Contractor early
  – Need for detailed program schedule
  – Types of events (should propose specific events)
  – Frequency of events (include planned completion date)
  – Completion criteria
  – Monthly expenditure profile

• Government and Contractor Must Agree on PBP terms – or possibly resort to Progress Payments
Planning for PBP

• If Converting to PBPs (FAR 32.005 (a)(2))
  – **Consideration is required** for changes to, or the addition of, contract financing after award (including an undefinitized contract where progress payments are provided at award)
  – Amount of new consideration:
    • Monetary or nonmonetary means, provided the value is adequate
    • The fair and reasonable consideration should approximate the amount by which the price would have been less had the contract financing terms been contained in the initial contract.
    • In the absence of definite information on this point, the contracting officer should apply the following criteria in evaluating whether the proposed new consideration is adequate:
      – Value to the contractor of the anticipated amount and duration of the contract financing at the imputed financial costs of the equivalent working capital
      – The estimated profit rate to be earned through contract performance
PBP Key Steps

1. Establish Detailed Program Schedule
2. Identify Key Performance Milestones (PBP Events)
3. Establish Completion Criteria for PBP Events
4. Determine/Evaluate Monthly Expenditure Profile
5. Establish Event Values and Create Win-Win Scenario
Developing PBP Events & Completion Criteria
FAR Requirements for PBP Events

- Basis may be specifically described event or some measurable criterion of performance
- Events must be integral, necessary part of performance
- Events must be identified, with description of what constitutes successful completion
- Events need not be critical, but performance must be readily verifiable
FAR Requirements for PBP Events

• Events may be cumulative or severable*
  – Severable – successful completion is independent of other events
  – Cumulative – successful completion is dependent upon previous accomplishment of another event (must identify dependent event)

* Note – This is an area where the best of intentions can lead to unintended consequences, which will be discussed in later slides

Typical PBPs contain both severable and cumulative events
• Whole Contract or Deliverable Item Basis
  – Whole Contract – financing payments are applicable to entire contract
  – Deliverable Item – financing payments are applicable to a specific individual deliverable item
FAR Guidelines for PBP Events

• **Not** designed to reward for performance above contract requirements

• Signing of contracts shall **not** be used as basis for event
How to Develop Events/Criteria

- PBP Key Step 1 – Establish detailed program schedule
  - Work with Program Management & technical personnel
  - What is program critical path?
  - What are key activities that must be completed to ensure contract delivery?
  - Are there significant subcontractor activities?
  - Utilize Integrated Master Plan & Schedule
How to Develop Events/Criteria

- PBP Key Step 2 – Identify Key Performance Milestones – PBP Events
  - Use Defense Contract Management Agency (DCMA), Program Management & Technical Personnel
  - Use Meaningful and Objective Events
  - Consider Whether Events Should be Cumulative or Severable
  - Structure Events on Whole Lot or Line Item Basis (Contract must be one or other)
How to Develop Events/Criteria

• PBP Key Step 2 – Identify Key Performance Milestones – PBP Events (cont)
  – Consider Frequency of Events (& burden to administer)
  – Use Appropriate Anticipated Event Completion Dates
  – Don’t Use Prime Contract Award to Trigger a PBP
  – Don’t Use Invoices to Trigger a PBP
How to Develop Events/Criteria

• PBP Key Step 3 – Establish Completion Criteria for PBP Events
  – Use Specific, Objective and Clear Criteria
  – Make Sure Criteria for Cumulative Events Identifies Related Events
  – Obtain DCMA Input
  – Identify Appropriate Person/Organization for Verification of Events

• First three steps are an iterative process
• Contractor may take first cut at events/criteria
• Each event must have an associated completion criterion!
PBP Exercise

Examples of PBP Events & Completion Criteria
Event: Award of Contract F33657-03-C-0001

Completion Criteria: Complete upon contractor signature on contract

Is this a good or bad event?
A. Good
B. Bad, cannot do per FAR 32.10004
PBP Example 1

Event: Award of Contract F33657-03-C-0001

Completion Criteria: Complete upon contractor signature on contract

Is this a good or bad event?

A. Good

B. Bad, cannot do per FAR 32.10004
PBP Example 2

Event: Award of Subcontract #xyz

Completion Criteria: Complete upon subcontractor signature on subcontract

Choose the best answer from the following:
A. Good event and criteria.
B. Okay, but consider significance of subcontract & “value” of event. Event should be cumulative.
C. Okay, but consider significance of subcontract & “value” of event. Event should be severable.
Event: Award of Subcontract #xyz

Completion Criteria: Complete upon subcontractor signature on subcontract

Choose the best answer from the following:
A. Good event and criteria.
B. Okay, but consider significance of subcontract & “value” of event. Event should be cumulative.
C. Okay, but consider significance of subcontract & “value” of event. Event should be severable.
Event: Initiate testing of avionics software

Completion Criteria: Aircraft arrives in test station #12

Choose the best answer from the following:
A. Good event and criteria.
B. Bad event, but good criteria.
C. Good event, but bad criteria.
D. Bad event and criteria.
Event: Initiate testing of avionics software

Completion Criteria: Aircraft arrives in test station #12

Choose the best answer from the following:
A. Good event and criteria.
B. Bad event, but good criteria.
C. Good event, but bad criteria.
D. Bad event and criteria.
PBP Example 4

Event: Completion of fabrication of forward fuselage

Completion Criteria: 100,000 hours charged to work order 387 as verified by DCMA

Choose the best answer from the following:
A. Good event and criteria, but should be cumulative to another event.
B. Bad event, but good criteria and should be cumulative to another event.
C. Good event, but bad criteria and should be cumulative to another event.
D. Good event, but bad criteria and should be a severable event.
E. Bad event and criteria.
PBP Example 4

Event: Completion of fabrication of forward fuselage

Completion Criteria: 100,000 hours charged to work order 387 as verified by DCMA

Choose the best answer from the following:
A. Good event and criteria, but should be cumulative to another event.
B. Bad event, but good criteria and should be cumulative to another event.
C. **Good event, but bad criteria and should be cumulative to another event.**
D. Good event, but bad criteria and should be a severable event.
E. Bad event and criteria.
Event: Fabrication complete for forward fuselage

Completion Criteria: Shop inspection record indicates an earned operation for fabrication as signed off by DCMA. (Cumulative to Event #4)

Choose the best answer from the following:
A. Good event and criteria.
B. Good event and criteria, but should be severable.
C. Good event, but bad criteria.
D. Good event, but bad criteria and should be a severable event.
E. Bad event and criteria.
Event: Fabrication complete for forward fuselage

Completion Criteria: Shop inspection record indicates an earned operation for fabrication as signed off by DCMA. (Cumulative to Event #4)

Choose the best answer from the following:

A. **Good event and criteria.**
B. Good event and criteria, but should be severable.
C. Good event, but bad criteria.
D. Good event, but bad criteria and should be a severable event.
E. Bad event and criteria.
Event: Attendance at Management Status Review (MSR)

Completion Criteria: Administrative Contracting Officer validates meeting minutes which show the contractor’s attendance at the MSR

Choose the best answer from the following:

A. Good event and criteria.
B. Good event and criteria, but should be severable.
C. Good event, but bad criteria.
D. Good event and criteria, but should be cumulative.
E. Bad event and criteria.
Event: Attendance at Management Status Review (MSR)

Completion Criteria: Administrative Contracting Officer validates meeting minutes which show the contractor’s attendance at the MSR

Choose the best answer from the following:

A. Good event and criteria.
B. Good event and criteria, but should be severable.
C. Good event, but bad criteria.
D. Good event and criteria, but should be cumulative.
E. Bad event and criteria.
Event: Completion of PMR

Completion Criteria: Mutual agreement that contractor action items are closed

Choose the best answer from the following:
A. Good event and criteria.
B. Meetings should never be used.
C. Good event, but bad criteria.
D. Meetings are tricky events and care should be taken when using them. What is the proposed value?
E. Bad event and criteria.
Event: Completion of PMR

Completion Criteria: Mutual agreement that contractor action items are closed

Choose the best answer from the following:

A. Good event and criteria.
B. Meetings should never be used.
C. Good event, but bad criteria.
D. Meetings are tricky events and care should be taken when using them. What is the proposed value?
E. Bad event and criteria.
Event: 6 Months prior to delivery

Completion Criteria: DCMA reviews the Contractor’s Master Scheduling Plan (MSP) and confirms the current projections of delivery at not more than 6 months from the date of review.

Choose the best answer from the following:
A. Good event and criteria.
B. Good event, but bad criteria.
C. Bad event, but good criteria.
D. Bad event and criteria.
Event: 6 Months prior to delivery

Completion Criteria: DCMA reviews the Contractor’s Master Scheduling Plan (MSP) and confirms the current projections of delivery at not more than 6 months from the date of review.

Choose the best answer from the following:
A. Good event and criteria.
B. Good event, but bad criteria.
C. Bad event, but good criteria.
D. Bad event and criteria.
Event: Aircraft moved to paint facility

Completion Criteria: Aircraft assembly completed per Contractor’s major assembly sequence chart and aircraft moved to paint facility. Assembly verified by DCMA. (Cumulative to event #5).

Choose the best answer from the following:
A. Good event and criteria.
B. Good event, but bad criteria.
C. Bad event, but good criteria.
D. Bad event and criteria.
Event: Aircraft moved to paint facility

Completion Criteria: Aircraft assembly completed per Contractor’s major assembly sequence chart and aircraft moved to paint facility. Assembly verified by DCMA. (Cumulative to event #5).

Choose the best answer from the following:

A. Good event and criteria.
B. Good event, but bad criteria.
C. Bad event, but good criteria.
D. Bad event and criteria.
Event: Delivery of Aircraft #1

Completion Criteria: Execution of DD Form 250

Choose the best answer from the following:

A. Good event and criteria.
B. Good event, but bad criteria.
C. Bad event, but good criteria.
D. Bad event and criteria.
Event: Delivery of Aircraft #1

Completion Criteria: Execution of DD Form 250

Choose the best answer from the following:
A. Good event and criteria.
B. Good event, but bad criteria.
C. Bad event, but good criteria.
D. Bad event and criteria.
Event: APU Engine Delivery

Completion Criteria: Delivery of APU Engine to Prime Contractor. The APU Engine must be delivered and accepted defect free. (Severable)

Choose the best answer from the following:

A. Good event and criteria.
B. Good event and criteria, but should be cumulative.
C. Good event, but bad criteria.
D. Bad event and criteria.
E. Bad event, but good criteria.
Event: APU Engine Delivery

Completion Criteria: Delivery of APU Engine to Prime Contractor. The APU Engine must be delivered and accepted defect free. (Severable)

Choose the best answer from the following:

A. Good event and criteria.
B. Good event and criteria, but should be cumulative.
C. Good event, but bad criteria.
D. Bad event and criteria.
E. Bad event, but good criteria.
Event: Receipt of all Production Material

Completion Criteria: Longest lead time part, Decoder, Part #X11115AC has been received or is being reported as “Late” on the weekly Material Action Report.

Choose the best answer from the following:

A. Good event and criteria.
B. Good event and criteria, but should be cumulative.
C. Good event, but bad criteria.
D. Bad event and criteria.
E. Bad event, but good criteria.
Event: Receipt of all Production Material

Completion Criteria: Longest lead time part, Decoder, Part #X11115AC has been received or is being reported as “Late” on the weekly Material Action Report.

Choose the best answer from the following:
A. Good event and criteria.
B. Good event and criteria, but should be cumulative.
C. Good event, but bad criteria.
D. Bad event and criteria.
E. Bad event, but good criteria.
Event: Main landing gear bulkhead frames machined

Completion Criteria: Shipset of 10 bulkhead frames complete through machining, document stamped/signed by DCMA.

Choose the best answer from the following:
A. Good event and criteria.
B. Good event and criteria, but should be cumulative.
C. Good event, but bad criteria.
D. Bad event and criteria.
E. Good event and criteria, but should be severable.
Event: Main landing gear bulkhead frames machined

Completion Criteria: Shipset of 10 bulkhead frames complete through machining, document stamped/signed by DCMA.

Choose the best answer from the following:
A. Good event and criteria.
B. **Good event and criteria, but should be cumulative.**
C. Good event, but bad criteria.
D. Bad event and criteria.
E. Good event and criteria, but should be severable.
Event: Completed 50 percent of software coding

Completion Criteria: Completion of 5,000 lines of code based on initial estimate of 10,000 lines of code.

Choose the best answer from the following:
A. Good event and criteria.
B. Good event and criteria, but should be cumulative.
C. Good event, but bad criteria.
D. Bad event and criteria.
E. Good event and criteria, but should be severable.
Event: Completed 50 percent of software coding

Completion Criteria: Completion of 5,000 lines of code based on initial estimate of 10,000 lines of code.

Choose the best answer from the following:
A. Good event and criteria.
B. Good event and criteria, but should be cumulative.
C. Good event, but bad criteria.
D. **Bad event and criteria.**
E. Good event and criteria, but should be severable.
Categorizing events as severable can have unintended consequences for the Government

- If a severable event is priced based on an expenditure profile and performed early, the company will likely receive costs for activities that are scheduled to take place in the future
- One way to mitigate this is to include in the PBP clause that the contractor cannot be paid for a severable event before a certain date or X days early from the PBP scheduled date
### Cumulative vs Severable Determination

#### Unintended Consequence of Severable Events Example

<table>
<thead>
<tr>
<th>Month</th>
<th>Cumulative Cost Expenditures</th>
<th>PBP Event</th>
<th>PBP Event Value</th>
<th>Cumulative PBPs</th>
<th>Cumulative (C) or Severable (S)</th>
</tr>
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<tbody>
<tr>
<td>Jan</td>
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<td></td>
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<td></td>
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<tr>
<td>Feb</td>
<td>$150</td>
<td>Event 1</td>
<td>$100</td>
<td></td>
<td>S</td>
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<tr>
<td>Mar</td>
<td>$500</td>
<td>Event 2</td>
<td>$600</td>
<td>$700</td>
<td>S</td>
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<tr>
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<tr>
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<tr>
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<tr>
<td>Jul</td>
<td>$1,700</td>
<td></td>
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<td>Mar</td>
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<tr>
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<td>$600</td>
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<td>Jul</td>
<td>$1,700</td>
<td></td>
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</tbody>
</table>

- As can be seen from the above example, negotiating all severable events has resulted in PBP payments that are in excess of costs for four months.
### Mitigating Unintended Consequences

#### Negotiated

<table>
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<tr>
<th>Month</th>
<th>Cumulative Cost Expenditures</th>
<th>PBP Event</th>
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<td>S</td>
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<tr>
<td>Mar</td>
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<tr>
<td>Apr</td>
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<td>Jun</td>
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<td>S</td>
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<tr>
<td>Jul</td>
<td>$1,700</td>
<td>Event 4</td>
<td>$600</td>
<td>$1,500</td>
<td>C to 2</td>
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#### Actual

<table>
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<tr>
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<td>$1,500</td>
<td>C to 2</td>
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<td>Jul</td>
<td>$1,700</td>
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</table>

- By changing two of the events to cumulative, the contracting officer was able to reduce the number of months where PBPs exceeded costs incurred to one month.
Mitigating Unintended Consequences

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<td>$1,700</td>
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*Clause language includes stipulation that event 4 cannot be paid earlier than 30 days before the PBP scheduled date.

Further, by including language within the PBP clause that restricts the contractor to only receiving Event 4 payment 30 days early, the contracting officer has eliminated an advanced payment situation.
Valuing PBP Events & Creating a Win-Win Scenario
• Total PBPs must reflect prudent contract financing only to extent needed for contract performance
• Total PBPs shall not exceed 90%* of contract price or delivery item price
• Contracting Officer (CO) must establish a rational basis for PBP amounts

*90% is not an entitlement, but rather negotiable
FAR Requirements for Valuing Events

• CO must ensure the total contract price is fair and reasonable, considering all factors (including the cost to the treasury)

• CO must ensure amounts are commensurate with the value of the event/criteria and are not expected to result in an unreasonably low or negative level of contractor investment in the contract
In this example, every month, the company gets paid in excess of incurred costs – what is the incentive to deliver?
When does Contractor Investment Become Negative or Unreasonably Low?

Profit, Payment Frequency and Lag Time affect Investment
How to Value Events

• Generally, most proposed PBP “values” are based on an expenditure profile
  – Contract financing assists contractor in payment of cost related to performance
  – Events should be significant and reflect true performance on contract
  – Unrealistic to “cost” out events such as, “completion of fabrication of forward fuselage”
    – Due to this reality, it is critical to ensure that the expenditure profile is analyzed to ensure it is not front loaded
How to Value Events

• PBP Key Step #4 – Determine/Evaluate Monthly Expenditure Profile
  – Obtain Contractor Expenditure Profile
  – Validate Expenditure Profile
    • Should reflect same profile as contract proposal
    • Should not be front loaded
    • Should not include termination liability
    • Defense Contract Audit Agency (DCAA) can help
    • Consider contract history (very important, especially in a recurring production program situation)
Due to front loaded expenditure profile, cumulative PBPs are well in excess of actual cumulative cost.
Valuing Events & Get to Win-Win

• PBP Key Step #5 – Establish Event Values and Create Win-Win Scenario
  – Compare proposed event values to expenditure profile
    • What is relationship between PBP values and expenditure profile?
    • Will PBPs result in Advance Payments?
    • Does contractor have an investment in contract?
  – Evaluation Tool = PBP Analysis Model
Ensuring Win-Win Scenario

• PBP Trade-offs
  – Holding costs as fixed, trade-offs can be made between profit and financing that benefit both Contractor and Government
  – Since its cheaper for the Government to borrow dollars than for a company to do so
    • The Government can provide more financing (benefiting Contractor)
    • The Contractor can accept a lesser contract price (benefiting Government)
    • Both entities are better off from a Time Value of Money Standpoint!
Ensuring Win-Win Scenario

• PBPs & Weighted Guidelines (WGL)
  – No working capital adjustment
  – Increased contract type risk range for contracts w/PBPs (over those with progress payments)
    • Adjust contract type risk based on
      – Frequency of payments
      – Total amount of payments compared to max allowable
      – Risk of payment schedule to contractor
    – However…
      • Use of the PBP Tool is still mandatory, meaning:
        – a WGLs position must be developed using progress payments to establish the baseline for input into the tool
        – the tool will establish the objective profit rate/dollars for a PBP scenario
Ensuring Win-Win Scenario

• DFARS 232.1004 Procedures.

  – (b) Establishing performance-based finance payment amounts

  • (ii) The contracting officer shall analyze the performance-based payment schedule using the performance-based payments (PBP) analysis tool. The PBP analysis tool is on the DPC website in the Cost, Pricing & Finance section, Performance Based Payments - Guide Book & Analysis Tool tab, at https://www.acq.osd.mil/dpap/cpic/cp/Performance_based_payments.html
Ensuring Win-Win Scenario

- PBP Analysis Model
  - Calculates Internal Rate of Return (IRR) to contractor
  - Calculates the Net Present Value (NPV) of cash flows to the contractor under both progress payment and PBP scenarios
  - Calculates Cost to Government under both scenarios
  - Provides “win-win” solution(s)
  - Provides a means to convert from a progress payment situation to PBPs (including an undefinitized contract situation)
  - Model results are only as good as the inputs
    - A non-scrutinized or lightly scrutinized cost expenditure profile can lead to advanced payments
    - Model does not account for unintended consequences of making events severable that should be cumulative (or vice versa)
DFARs Update Inclusions

• DFARS additional instructions:

  – The contracting officer should include in a solicitation both the progress payments and performance-based payments provisions and clauses prescribed in this part, when considering both types of payments methods (can only have one in resultant contract)

  – The contracting officer shall document adequate consideration received in the contracting file
PBPClauses
PBP Special Contract Provision

• PBP Key Step #6 Develop Special Contract Provisions
  - Provides Schedule of Events, Criteria, Amounts
  - Helpful to include projected completion dates
  - Identifies cumulative versus severable events
  - Identifies line item basis (or whole contract lot)
  - Provides instructions to Government payment office for multiple appropriations
  - Specifies the liquidation of the PBP
  - Reminder: May require adjustment for contract modifications
**PBP “I” DFARS Clause**

- **Section I, 252.232-7012/7013 PBPs – Whole-Contract Basis / PBPs – Deliverable-Item Basis**
  
  - Table showing how contractors request payments – includes reporting of incurred costs
  - Requires contractor to provide access to accounting books and records to verify incurred costs (upon Contracting Officer request)
  - Although Title is still the preferred form of security, allows Contracting Officers to accept alternate forms of security sufficient to constitute adequate security for the PBPs (in lieu of Title to the assets associated with all work up to and including the specific PBP event)
PBP “I” FAR Clause

• Section I, 52.232-32 Performance-Based Payments
  – Contractor requests for PBPs not more frequently than monthly
  – Not entitled to a payment prior to successful completion of the event
  – Liquidate by deducting % or designated dollar amount from delivery payment
  – May reduce or suspend PBPs
  – Title (or an alternate form of security approved by the Contracting Officer) vests with the Government upon the date of the first PBP
PBP Benefits

Government
- Paying for actual, meaningful performance (not presumed progress)
- Potential for less administration
- PBP's are self-policing
- Less oversight of contractor’s accounting system necessary
PBP Benefits

Contractor

• Potential for more favorable cash flow (than is available with Progress Payments)
• Greater incentive for underrunning a contract
• Does not require approved accounting system
• Potential for less Government oversight
Conclusion

By following the “Six PBP Key Steps,” teams can establish win-win PBPs that are well worth the payoff for both Government and contractor.

Financing POC
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