

A. Statement of Purpose:

This document will explore the various methods for using the imputed historical costs method for developing a baseline.

B. Definition

The Imputed Historical Costs method is an approach whereby pricing, terms and peripheral costs in the baseline are established by one of the following:

1. The **initial quoted price** for a basket of goods, processes and/or services
2. The **average** of all **responsive, non-awarded bids** from a multi-vendor RFP process
3. The **budget, index**, or other **benchmark**

The imputed method is used when previously contracted pricing and actual historical pricing cannot be determined or is not reflective of the goods or services being baselined.

C. Descriptions

Included here are descriptions of when to use each of the variations of the imputed method:

1. **Initial quoted price** – this is a good option when:

- You receive a quote from a supplier and conduct negotiations to reduce the price
- The budget allocated for the purchase is a rough estimate and not based on any benchmarking or index

This is not a good option if you don't conduct negotiations with the supplier (i.e., you accept their initial quote). If you accept their first quote but you believe the quote is better than what would have been achieved without procurement's involvement, see method #3 below.

2. **Average of all responsive, non-awarded bids** – this option is very similar to the first, except that it involves conducting a competitive RFX. This is a good option when:

- You conduct an RFP, RFQ, or solicit pricing from multiple suppliers
- The budget allocated for the purchase is a rough estimate and not based on any benchmarking or index

This is not a good option if the awarded bid is the only responsive bid.

3. **Budget, index, or other benchmark** – this is a good option when:

- The price quoted by a supplier (whether it be the result of receiving just one quote or through a multi-vendor RFX) is not reflective of what the cost would have been without the involvement of the procurement organization
- The budget for the purchase has been sensibly developed through pricing research, stakeholder estimates, and industry standards (you should check with the budget owner to learn about what went into developing the budget for the purchase)
- A price can be estimated using a historical price and an increase or decrease in a relevant index
- Benchmarked pricing can be determined by looking at pricing for similar goods or services paid by peer educational institutions or by public sector entities

D. Examples

Benefit Tracking: How to Use the Imputed Method

1. A buyer receives a requisition for a new piece of technology for the physics department that has not been purchased before, but the equipment is highly specialized and a sole source can provide it. The person who submitted the requisition received a quote for the equipment totaling \$30,000. The buyer contacts the supplier and is able to achieve a lower price of \$29,500.

The baseline is \$30,000, and the benefit is \$500.

2. The facilities organization for a campus decides to hire a contractor for landscaping services that have historically been handled by UC employees. Procurement is engaged to conduct an RFP on behalf of the department, and five proposals are received in response to the RFP. One proposal is not responsive as they have not agreed to a critical provision in the RFP. The four responsive proposals are valued at \$150,000, \$180,000, \$220,000, and \$230,000. The lowest proposal is accepted.

The baseline is \$210,000 (average of the three responsive, non-awarded bids), and the benefit is \$60,000.

3. A buyer conducts an RFP for power generators. The university has not bought power generators in 20+ years but is updating its equipment as part of a new systemwide emergency facility plan. The project manager has determined through research that the 20 generators it plans to buy with the required specifications should cost \$1,800. The project manager contacts procurement and provides them with the market research they've conducted. Using an RFP, a buyer is able to achieve a price of \$1,600 per generator.

The baseline is \$45,000, and the benefit is \$5,000.