

Calculations for Bids

The following is a list of added expenses that will vary based on your base salary. You must include them in your costing structure on each contract.

These figures may change, but at this time: FICA – (Federal Insurance Contributions Act) – 12.4 % of an employees earned income must be paid into Social Security and an additional 2.9% of earned income must be paid into Medicare. As an employer you are responsible for paying only 7.65% of an employee's earned income.

- Therefore when you cost out a job you must make the following calculation: $\text{FICA} = \text{base hourly salary} * 7.65\%$

- This result will yield an hourly FICA rate for you to include in your hourly billable rate:

FOR EXAMPLE: An employee earns \$20.00 per hour. In order to calculate an hourly rate for FICA you would take $\$20.00 \text{ per hour} * 7.65\% = .76 \text{ per hour}$. You know now that with salary and FICA included your cost per hour will be \$21.53.

However, employees who pay State Unemployment tax will receive a credit of up to 5.4% regardless of the rate of tax they pay in their respective state. Therefore, the net federal tax rate is generally 0.8% (6.2% - 5.4%) on \$7,000 of wages or $(\$7,000.00 * 0.8\%) \56.00 per employee per annum.

Under those parameters your premium will be “x” dollars per month. Say your firm picks up two more jobs and your payroll now exceed 30,000 per annum. Now you must contact your workers comp provider and update the total payroll to the actual amount and your premium will rise. This is why as each bid/job comes in you must cost out for that increase to the client. One key factor in billing the client correctly is to get a good idea of the total billable hours weekly you will be providing security services.

This will help you determine the total billable hours per annum (weekly hours * 52 weeks per year) and in turn the total payroll amount yearly. Simply divide the total workers comp premium by the total billable hours yearly and you now have an hourly rate for this expense.

In order to calculate the net profit margin for a particular government contract utilize the costing formulas we learned above for the required expenses, starting with your base pay per hour to your guards, in order to arrive at your total expense per hour amount. Then, based upon previous bid opening results and a good understanding of your local competition, multiply the total expense per hour amount by a margin of between 8% - 13%.

How do you find government contract opportunities?

You need to sign up with a service that seeks out government bids. Onvia may answer your prayers. They provide government business intelligence to companies that do business with the government. We recommend that you sign up with Onvia.

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