

4. REMUNERATION FOR CONSULTING ENGINEER'S SERVICES

Remuneration for engineering services in connection with security issue financing may be on various bases, depending on the circumstances. Where the project may be clearly defined, and the extent of work is known, the fee for the consulting engineer's services may be on a lump-sum basis. Often the engineer is engaged to prepare feasibility studies and data for security issue financing at a time when the extent of the project and the amount of services to be rendered cannot be fully defined.

In such instances it is advisable that the engagement be on a fee basis commensurate with the amount of service performed. In this instance, either a per diem or a cost-plus fee may be used, with or without a maximum limit, depending upon the situation.

The consulting engineer is often asked to review a project and offer opinions and recommendations with regard to the feasibility of a project which is being offered. At the initiation of the engagement, such reviews are not definable as to extent of services required since some reviews of work well prepared and well conceived may require comparatively little time on the part of the consulting engineer, but in instances of a marginal project extensive surveys, analysis, review, and revision may be required. On such occasions a variable cost basis will be of benefit of both the client and the consulting engineer.

The fee for consulting engineering services related to bond feasibility and financial studies is seldom tied to the bond fee, nor is it a percentage of the project construction cost, or of the amount of the security issue. Ordinarily, cost of engineering services bear little relationship to the amount of dollars involved in the financing. The fee will ordinarily be influenced by the complexity and scope of the project.

The consulting engineer's services should not be furnished on a contingent fee basis such such a basis of remuneration would give the engineer an interest in the feasibility of the project and could, at least in the eyes of others, affect his objectivity. For this reason, the basis of fees should be independent of the project feasibility or consummation. Consulting engineering services, taken on a firm basis, should result in lower fees than would be possible for the same engineer to undertake work on a contingent basis, since over a period of time the engineer's average fee basis would have to reflect the costs of contingent work, as well as engagements where the project sale was consummated.