Cost Accounting Policies and Procedures Manual

January 2017 Edition

California State Controller's Office

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FORWARD

The Uniform Public Construction Cost Accounting Act (Act), enacted in 1983 under Public Contract Code section 22000 et seq., allows local agencies to perform public project work of up to $45,000 with their own workforces if the agencies elect to follow the cost accounting procedures set forth in the *Cost Accounting Policies and Procedures Manual* by the California Uniform Construction Cost Accounting Commission.

Every five years, the California Uniform Construction Cost Accounting Commission reviews the informal bid limits for inflation and other factors to determine whether adjustments should be made. If an adjustment is made, the State Controller notifies the affected public agencies. The adjustment may become effective before it appears as a formal change in the Public Contract Code pursuant to Public Contract Code section 22020. The most recently posted bid limits can be found at www.sco.ca.gov/ard_cuccac.html titled under New Informal Bid Limit Increase (Pursuant to PCC 22032)

Any local agency can voluntarily elect to become a participating agency of the Act. Local agencies include cities, counties, redevelopment agencies, special districts, school districts, and community college districts. Participating agencies benefit from the raised force account limit and the informal bidding procedures. More projects are completed in a timely manner as a result of the streamlines awards process and the reduction in paperwork related to advertising and report filing.

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California Uniform Construction Cost Accounting Commission
Cost Accounting Policies and Procedures Manual

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CHAPTER 1 Information for Adoption and Implementation of the California Uniform Public Construction Cost Accounting Act

Instructions for Adoption and Implementation of the Uniform Construction Cost Accounting Procedures

1.01 Instructions for Adoption and Implementation of the Uniform Public Construction Cost Accounting Act (ACT) by Local Agencies

1) The Governing Board must elect by resolution to become subject to the uniform construction cost accounting procedures promulgated by the State Controller pursuant to the Public Contract Code section 22019. The resolution shall specify that the local agency will meet the requirements prescribed in the California Uniform Construction Cost Accounting Commission's *Cost Accounting Policies and Procedures Manual* and state the effective date the agency will implement the accounting and bidding procedures.

2) The local agency must notify the State Controller in writing of the election to become subject to the uniform construction cost accounting procedures along with a copy of the resolution mailed to the following address:

   Office of the State Controller
   Local Government Programs and Services Division
   Local Government Policy Section
   P.O. Box 942850
   Sacramento CA 94250

3) When a local agency elects to become subject to the uniform construction cost accounting procedures, the entire entity is considered subject to the Act and no departments will be exempt. However, Special Districts which are governed by a board of supervisors or city council are subject only if a separate election is made.

4) An informal bidding ordinance, or a board adopted policy equivalent to such as required by the participating agency, shall be enacted pursuant to Public Contract Code section 22034.

5) Once opting into the Act, participating agencies must always adhere to the terms of the Act until such time the agency formally opts out by resolution of its governing board. Having opted in, selective adherence to the terms of the Act is a violation.

6) The governing board may discontinue the agency's participation under the uniform public construction cost accounting procedures by adopting a resolution stating this fact. A copy of the resolution shall be filed with the State Controller.

7) The State Controller shall notify the California Uniform Construction Cost Accounting Commission (Commission) of all local agencies electing to become subject to the uniform public construction cost accounting procedures. In addition, the Commission shall also be notified of local agencies electing to discontinue participation under these procedures.

1.02 Sample Election Resolution – Model

This sample *Election Resolution* may be used by any public agency's governing body.

RESOLUTION OF THE _____, STATE OF CALIFORNIA IN THE MATTER OF
UNIFORM PUBLIC CONSTRUCTION COST ACCOUNTING PROCEDURES

Resolution No. _____

WHEREAS, prior to the passage of Assembly Bill No. 1666, Chapter 1054, Statutes of 1983, which added Chapter 2, commencing with Section 22000, to Part 3 of Division 2 of the Public Contract Code, existing law did not provide a uniform cost accounting standard for construction work performed or contracted by local public agencies; and

WHEREAS, Public Contract Code section 22000 et seq., the Uniform Public Construction Cost Accounting Act, establishes such a uniform cost accounting standard;

WHEREAS, the Commission established under the Act has developed uniform public construction cost accounting procedures for implementation by local public agencies in the performance of or in the contracting for construction of public projects; and

NOW, THEREFORE, BE IT RESOLVED that the _____ of _____, California, hereby elects under Public Contract Code section 22030 to become subject to the uniform public construction cost accounting procedures set forth in the Act and to the Commission's policies and procedures manual and cost accounting review procedures, as they may each from time to time be amended, and directs that the _____- notify the State Controller forthwith of this election.

This Resolution shall take effect upon its adoption.

PASSED AND ADOPTED this ____ day of _____, _____ by the following vote;

AYES:
NOES:
ABSENT:

Insert Seal if Applicable

_____, _____
Signature Title

City of _____ County of _____

1.03 Sample Informal Bidding Ordinance

(This SAMPLE INFORMAL BIDDING ORDINANCE or POLICY indicates action by a county board of supervisors. However, the sample format shall be modified to conform to your governing agency's rules).

ORDINANCE NO. _____
AN ORDINANCE OF THE BOARD OF SUPERVISORS OF THE COUNTY OF _____
ADDING SECTION _____ TO THE ORDINANCE CODE OF THE COUNTY OF _____
TO PROVIDE INFORMAL BIDDING PROCEDURES UNDER THE UNIFORM PUBLIC
CONSTRUCTION COST ACCOUNTING ACT (Section 22000, et seq. of the Public Contract Code)

The Board of Supervisors of the County of _____do ordain as follows:

SECTION 1
Section _____ is hereby added to the County Code of the County of_____ to provide as follows:

Section _____. Informal Bid Procedures. Public projects, as defined by the Act and in accordance with the limits listed in Section 22032 of the Public Contract Code, may be let to contract by informal procedures as set forth in Section 22032, et seq., of the Public Contract Code.

Section _____. Contractors List. The agency shall comply with the requirements of Public Contract Code Section 22034.

Section _____. Notice Inviting Informal Bids. Where a public project is to be performed which is subject to the provisions of this Ordinance, a notice inviting informal bids shall be circulated using one or both of the following alternatives:
1. Notices inviting informal bids may be mailed, faxes, or emailed to all contractors for the category of work to be bid, as shown on the list developed in accordance with Section_____,
2. Notices inviting informal bids may be mailed to all construction trade journals as specified by the California Uniform Construction Cost Accounting Commission in accordance with section 22036 of the Public Contract Code. Additional contractors and/or construction trade journals may be notified at the discretion of the department/agency soliciting bids, provided however:

(1) If the product or service is proprietary in nature such that it can be obtained only from a certain contractor or contractors, the notice inviting informal bids may be sent exclusively to such contractor or contractors.

Section _____. Award of Contracts

The County Purchasing Agent and the Director of Public Works are each authorized to award informal contracts pursuant to this Section.

SECTION 2
This Ordinance shall take effect and be in force thirty (30) days from the date of its passage, and before the expiration of fifteen (15) days after its passage, it or a summary of it, shall be published once, with the names of the members of the Board of Supervisors voting for and against the same in the _____, a newspaper of general circulation published in the County of _____.

PASSED, APPROVED and ADOPTED by the Board of Supervisors of the County of _____, State of California, this____ day of _____,_____, by the following vote:

AYES:
NOES:
ABSENT:

Procedure for Establishment and Maintenance of List of Registered Contractors

1.04 Procedure for Establishment and Maintenance of List of Registered Contractors Per Section 22034 of the Public Contract Code

Section 22034 of the Public Contract Code specifies the requirements for mailing, faxing, or emailing notices to contractors for work to be bid under the Act. As specified therein, an agency shall provide notices by electing a), b) or both methods listed as follows:

a) In lieu of a contractors list, mailing, faxing, or emailing notices to all construction trade journals specified in section 22036

b) Mailing, faxing, or emailing notices to all contractors on the list established by the agency for the work being paid

c) Both (a) and (b) pursuant to section 22034(a)(1)

In the event an agency elects to provide notice by mailing, faxing, or emailing notices to all contractors on the list established by the agency for the work being bid, the agency shall utilize the following procedure to establish and maintain the list of registered contractors outlined in section 22034 (a)(1):

a) Notice to contractors shall be provided in accordance with either paragraph (1) or (2), or both.

   1) The public agency shall maintain a list of qualified contractors, identified according to categories of work. Minimum criteria for development and maintenance of the contractors list shall be determined by the commission. All contractors on the list for the category of work being bid shall be mailed, faxed, or emailed a notice inviting informal bids unless the product or service is proprietary. All mailing of notices to contractors pursuant to this subdivision shall be completed not less than 10 calendar days before bids are due.

   2) The public agency may elect to mail, fax, or email a notice inviting informal bids to all construction trade journals specified in section 22036.

b) The notice inviting informal bids shall describe the project in general terms and how to obtain more detailed information about the project, and state the time and place for the submission of bids.

c) The governing body of the public agency may delegate the authority to award informal contracts to the public works director, general manager, purchasing agent, or other appropriate person.

d) If all bids received are in excess of one hundred seventy-five thousand dollars ($175,000), the governing body of the public agency may, by adoption of a resolution by a four-fifths vote, award the contract, at one hundred eighty-seven thousand five hundred dollars ($187,500) or less, to the lowest responsible bidder, if it determines the cost estimate of the public agency was reasonable.

   (Amended by Stats. 2015, Ch. 269, Sec. 29. Effective January 1, 2016.)

1.05 County-by-County List of Construction Trade Journals

The Commission shall determine, on a county-by-county basis, the appropriate construction trade journals which shall receive mailed, faxed, or emailed notice of all informal and formal construction contracts being bid for work within the specified county per section 22036 of the Public Contract Code.

Per Public Contract Code section 22037, notices inviting formal bids must be published at least 14 calendar days before the date of opening the bids in a newspaper of general circulation, printed and published in the jurisdiction of the public agency. In addition, the Commission has determined that all public agencies that adopt and contract under the Act shall be required to mail, email, or fax a notice to the following specified construction trade publications of all formal construction contracts being bid and all invitations to join an agency's qualified bidders list (i.e. the informal bidding list) within the specified county (as provided in sections 22034 and 22037 of the Public Contract Code). The numbers following the name of each county refer to the corresponding numbered trade journals listed starting on page 14.

Users will note that the notification of the trade journals listed in Column B for their county is required. Additionally, the user will have to notify at least two of the trade journals listed in Column C, unless there is only one listed, in which case notification of that trade journal is sufficient. The Commission urges each public agency to select additional publications from its geographical area and include them on its list of publications to be notified. Sample information to be included in the mailed notice to trade journals is listed on page 13.

Note: Users are not required to mail a notice to a trade journal if the trade journal listed under their county is now charging for its services, or is out of business. Instead, the Commission requests that users find some other method of notifying potential contractors of published jobs and how to be added to their informal bidding lists (e.g. internet – county's web page).

COUNTY NAME (A)	TRADE JOURNALS REQUIRED TO BE NOTIFIED (B)	NOTIFY TWO OF THE TRADE JOURNALS LISTED BELOW (C)
ALAMEDA	2, 3	8, 11, 14, 15, 16, 17, 18, 19
ALPINE	2, 3	11
AMADOR	2, 3	11, 13, 20
BUTTE	2, 3	5, 6, 11, 12
CALAVERAS	2, 3	11, 19, 20, 23
COLUSA	2, 3	5, 6, 11
CONTRA COSTA	2, 3	8, 11, 15, 16, 17, 19
DEL NORTE	2, 3	4, 5, 11
EL DORADO	2, 3	10, 11, 12, 13, 16
FRESNO	2, 3	11, 19, 21, 23, 24, 25
GLENN	2, 3	5, 6, 11, 12
HUMBOLDT	2, 3	4, 5, 11
IMPERIAL	2, 3	29, 31
INYO	2, 3	25
KERN	2, 3	21, 23, 24, 25, 26, 31
KINGS	2, 3	21, 23, 24, 25
LAKE	2, 3	4, 5, 7, 8, 11, 16
LASSEN	2, 3	5, 11, 12

COUNTY NAME (A)	TRADE JOURNALS REQUIRED TO BE NOTIFIED (B)	NOTIFY TWO OF THE TRADE JOURNALS LISTED BELOW (C)
LOS ANGELES	2, 3	8, 29, 31, 36
MADERA	2, 3	11, 19, 21, 23
MARIN	2, 3	7, 8
MARIPOSA	2, 3	11, 21, 23
MENDOCINO	2, 3	4, 7, 8, 11, 16
MERCED	2, 3	11, 19, 20, 21, 23
MODOC	2, 3	5, 11
MONO	2, 3	11
MONTEREY	2, 3	11, 18, 22, 26
NAPA	2, 3	7, 8, 9, 11, 16
NEVADA	2, 3	10, 11, 12, 13
ORANGE	2, 3	29, 31, 35
PLACER	2, 3	10, 11, 12, 13, 16
PLUMAS	2, 3	5, 6, 11, 12
RIVERSIDE	2, 3	29, 31, 35
SACRAMENTO	2, 3	5, 8, 10, 11, 12, 13, 16, 19
SAN BENITO	2, 3	11, 22
SAN BERNARDINO	2, 3	29, 31, 35
SAN DIEGO	2, 3	29, 31, 35
SAN FRANCISCO	2, 3	8, 11, 14, 15, 16, 17, 18
SAN JOAQUIN	2, 3	8, 11, 19, 20, 21, 23
SAN LUIS OBISPO	2, 3	22, 25, 26, 27, 31, 36, 37
SAN MATEO	2, 3	8, 14, 15, 17, 18
SANTA BARBARA	2, 3	26, 27, 28, 31, 36, 37
SANTA CLARA	2, 3	8, 11, 14, 15, 16, 17, 18
SANTA CRUZ	2, 3	18, 22
SHASTA	2, 3	4, 5, 11
SIERRA	2, 3	11, 12
SISKIYOU	2, 3	5, 11
SOLANO	2, 3	8, 9, 10, 11, 16, 19
SONOMA	2, 3	7, 8, 11, 16
STANISLAUS	2, 3	11, 19, 20, 21, 23
SUTTER	2, 3	6, 10, 11, 12
TEHAMA	2, 3	5, 11, 12
TRINITY	2, 3	4, 5, 11
TULARE	2, 3	23, 24, 25
TUOLUMNE	2, 3	11, 20, 23
VENTURA	2, 3	27, 31, 36, 37
YOLO	2, 3	8, 10, 11, 13
YUBA	2, 3	6, 10, 11, 12

1.06 Sample Information for Mailed Notice

Following provides the type of information that could be included in the mailed notice to the construction trade journals. This list should be used only as a guide.

- Project title and contract number, if any
- Cost range
- Site location
- Who is taking bids/date and time due
- Owner's address and phone number
- Architect's address and phone number
- Brief description of work to be done
- Where plans may be obtained/deposit required/whether or not refundable
- Percentage of bid bond/percentage of performance bond/percentage of payment bond

1.07 List of Construction Trade Journals

The following organizations have indicated to the Commission that they:

a) Publish a newsletter or trade journal, on a weekly or more frequent basis, that contains a section listing projects being bid; or provide a telephone notice service to their members.

b) Do not charge for publishing or otherwise disseminating a Notice to Contractors.

These organizations have indicated to the Commission that they serve subscribers or members in the counties listed to the right of each organization.

Organizations that meet criteria (a) and (b) above may be added to the list, or changes or corrections can be made to the list by contacting:

Office of the State Controller
Local Government Programs and Services Division
Local Government Policy Section
P. O. Box 942850
Sacramento, CA 94250

	ORGANIZATION	AREAS OF MEMBERS OR SUBSCRIBERS BY COUNTY
1	CMD (Construction Market Data) Document Processing Center 30 Technology Parkway South, Suite 100 Norcross, GA 30092-2912 Phone: 800-424-3996 Email: customercare@cmdgroup.com Website www.cmdgroup.com	California
2	Construction Bidboard (Ebidboard) 11622 El Camino Real, #100 San Diego, CA 92130 Phone: 800-479-5314 Email: support@ebidboard.com Website: www.ebidboard.com	California
3	Dodge Data & Analytics 830 Third Avenue, 6th Floor New York, NY 10022 Phone: 877-784-9556 Email: support@construction.com Website: www.construction.com	California
4	Humboldt Builders' Exchange, Inc. 1213 5th Street Eureka, California 95501 Phone: 707-442-3708 Website: www.humbx.com	Del Norte, Humboldt, Lake, Mendocino, Shasta, and Trinity
5	Shasta Builders' Exchange 5800 Airport Road Redding, CA 96002 Phone: 530-221-5556 Email: info@shastabe.com Website: www.shastabe.com	Butte, Colusa, Del Norte, Glenn, Humboldt, Lake, Lassen, Modoc, Plumas, Sacramento, Shasta, Siskiyou, Tehama, and Trinity
6	Valley Contractors Exchange, Inc. 951 East Eighth Street Chico, CA 95928 Phone: 530-343-1981 Email: info@vceoneline.com Website: www.vceonline.com	Butte, Colusa, Glenn, Plumas, Sutter, and Yuba

	ORGANIZATION	AREAS OF MEMBERS OR SUBSCRIBERS BY COUNTY
7	North Coast Builders Exchange 1030 Apollo Way Santa Rosa, CA 95407 Phone: 707-542-9502 Fax: 707-542-2027 Website: www.ncbeonline.com	Lake, Marin, Mendocino, Napa, and Sonoma
8	Marin Builders Association 660 Las Gallinas Avenue San Rafael, CA 94903 Phone: 415-462-1220 Fax: 415-462-1225 Email: mba@marinbuilders.org Website: www.marinba.org	Alameda, Contra Costa, Lake, Los Angeles, Marin, Mendocino, Napa, Sacramento, San Francisco, San Joaquin, San Mateo, Santa Clara, Solano, Sonoma, and Yolo
9	Solano-Napa Builders Exchange 135 Camino Dorado Napa, CA 94558 Phone: 707-255-2515 Fax: 707-255-2749 Email: membership@snbe.com Website: http://snbe.org	Napa and Solano
10	Sacramento Regional Builders' Exchange 1331 T Street Sacramento, CA 95811 Phone: 916-442-8991 Fax: 916-446-3117 Email: tbrennan@srbx.org Website: www.srbx.org	El Dorado, Nevada, Placer, Sacramento, Solano, Sutter, Yolo, and Yuba
11	Placer County Contractors Association & Builders Exchange 10656 Industrial Avenue, Suite 160 Roseville, CA 95678 Phone: 916-771-7229 Fax: 916-771-0556 Website: www.pccamembers.com	Alameda, Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Fresno, Glenn, Humboldt, Lake, Lassen, Madera, Mariposa, Mendocino, Merced, Modoc, Mono, Monterey, Napa, Nevada, Placer, Plumas, Sacramento, San Benito, San Francisco, San Joaquin, Santa Clara, Shasta, Sierra, Siskiyou, Stanislaus, Solano, Sonoma, Sutter, Tehama, Trinity, Tuolumne, Yolo, and Yuba

	ORGANIZATION	AREAS OF MEMBERS OR SUBSCRIBERS BY COUNTY
12	Nevada County Contractors' Association 149 Crown Point Court Grass Valley, CA 95945 Phone: 530-274-1919 Email: nccaexec@pacbell.net Website: www.nccabuildingpros.com	Butte, El Dorado, Glenn, Lassen, Nevada, Placer, Plumas, Sacramento, Sierra, Sutter, Tehama, and Yuba
13	El Dorado Builders' Exchange 3430 Robin Lane, Suite 7 Shingle Springs, CA 95682 Phone: 530-672-2955	Amador, El Dorado, Nevada, Placer, Sacramento, and Yolo
14	The San Francisco Builders Exchange 850 South Van Ness Avenue San Francisco, CA 94110-1911 Phone: 415-282-8220 Email: deanna@bxofsf.com Website: www.bxofsf.com	Alameda, San Francisco, San Mateo, and Santa Clara
15	Bay Area Builders Exchange 3055 Alvarado Street San Leandro, CA 94577 Phone: 510-483-8880 Email: info@bayareabx.com Website: www.bayareabx.com	Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara
16	Bay Area Builders Exchange 2440 Stanwell Drive, Suite B Concord, CA 94520 Phone: 925-685-8630 Website: www.bayareabx.com	Alameda, Contra Costa, El Dorado, Lake, Mendocino, Napa, Placer, Sacramento, San Francisco, Santa Clara, Solano, and Sonoma
17	Peninsula Builders Exchange 735 Industrial Road San Carlos, CA 94070 Phone: 650-591-4486 Website: www.safetystar.org/safetystar	Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara
18	Builders' Exchange of Santa Clara County 400 Reed Street Santa Clara, CA 95050 Phone: 408-727-4000 Fax: 408-727-2779 Website: www.bxscco.com	Alameda, Monterey, San Francisco, San Mateo, Santa Clara, and Santa Cruz

	ORGANIZATION	AREAS OF MEMBERS OR SUBSCRIBERS BY COUNTY
19	Builders' Exchange of Stockton 7500 West Lane Stockton, CA 95210 Phone: 209-478-1000 Email: crobinson@besonline.com Website: www.besonline.com	Alameda, Calaveras, Contra Costa, Fresno, Madera, Merced, Sacramento, San Joaquin, Solano, and Stanislaus
20	Valley Builders Exchange, Inc. 1118 Kansas Avenue Modesto, CA 95351 Phone: 209-522-9031 Email: info@valleybx.com Website: www.valleybx.com	Amador, Calaveras, Merced, San Joaquin, Stanislaus, and Tuolumne
21	Builders Exchange of Merced & Mariposa 646 CA-HWY 59 Merced, CA 95341 Phone: 209-722-3612 Website: www.bxmm.org	Fresno, Kern, Kings, Madera, Mariposa, Merced, San Joaquin, and Stanislaus
22	Central Coast Builders Association 242 East Romie Lane Salinas, CA 93907 Phone: 831-758-1624 Email: staff@ccbabuilds.com Website: www.ccbabuilds.com	Monterey, San Benito, San Luis Obispo, and Santa Cruz
23	Central California Builders Exchange 1244 N. Mariposa Street Fresno, CA 93703 Phone: 559-237-1831 Email: info@cencalbx.com Website: http://cencalbx.com/	Calaveras, Fresno, Kern, Kings, Madera, Mariposa, Merced, San Joaquin, Stanislaus, Tulare, and Tuolumne
24	Tulare & Kings Counties Builders Exchange 1223 S. Lovers Lane Visalia, CA 93292 Phone: 559-732-4568 Email: info@tkcbe.com Website: www.tkcbe.com	Fresno, Kern, Kings, and Tulare
25	Kern County Builders' Exchange, Inc. 4310 Ardmore Avenue, Ste. 100 Bakersfield, CA 93309 Phone: 661-324-4921 Website: www.kcbex.com	Kern

	ORGANIZATION	AREAS OF MEMBERS OR SUBSCRIBERS BY COUNTY
26	San Luis Obispo County Builders Exchange 153 Cross Street, #130 San Luis Obispo, CA 93401 Phone: 805-543-7330 Email: info@slocbe.com Website: www.slocbe.com	Kern, Monterey, San Luis Obispo, and Santa Barbara
28	Ventura County Contractors Association 1830 Lockwood Street, No. 110 Oxnard, CA 93036 Phone: 805-981-8088 Email: vcca@vccainc.com Website: www.vccainc.com	Santa Barbara and Ventura
29	Southern California Builders Association 732 N. Diamond Bar Blvd. #224 Diamond Bar, CA 91765 Phone: 909-396-1451 Email: scba@socalbuilders.org Website: www.socalbuilders.org	Imperial, Los Angeles, Orange, Riverside, San Bernardino, and San Diego
30	Construction Data Company 2001 9th Avenue, 2nd Floor Vero Beach, FL 32960 Phone: 800-800-652-0008 Email: service@cdcnews.com Website: www.cdcnews.com/	Southern California-Imperial, Kern , Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Luis Obispo, Santa Barbara, and Ventura
31	BidAmerica 41085 Elm Street Murrieta, CA 92562 Phone: 951-677-4819 Email: support@bidamerica.com Website: www.bidamerica.com	Imperial, Kern, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Luis Obispo, Santa Barbara, and Ventura
32	Construction Bid Source Interactive 6265 HWY 9 Felton, CA 95018 Phone: 888-786-9450 Website: www.constructionbidsource.com	California

	ORGANIZATION	AREAS OF MEMBERS OR SUBSCRIBERS BY COUNTY
33	Demandstar – Onvia Supplier Services 509 Olive Way, Suite 400 Seattle, WA 98101 Phone: 800-575-1736 Website: www.demandstar.com or Website: www.onvia.com	California
34	Challenge News 1276 Lincoln Avenue, Suite 203 San Jose, CA 95125 Phone: 408-998-2534 Email: challengenews@yahoo.com	California
35	Associated General Contractors of America San Diego Chapter, Inc. 6212 Ferris Square San Diego, CA 92121 Phone: 858-558-7444 Email: planroom@agcsd.org Website: www.agcsd.org	Orange, Riverside, San Bernardino, and San Diego
36	Builders Notebook P.O. Box 4883 Santa Barbara, CA 93140 Phone: 877-776-5436 Email: planroom@buildersnotebook.com Website: www.buildersnotebook.com	Los Angeles, San Luis Obispo, Santa Barbara, and Ventura
37	Tri-Co Reprographics 513 Laguna Street Santa Barbara, CA 93101 Phone: 805-966-1701 Email: sbplots@tricoblue.com Website: www.tricoblue.com	Santa Barbara, Ventura, and San Luis Obispo

Accounting Procedures Review Process

1.08 Accounting Procedures Review

A. Pursuant to the provisions of Public Contract Code section 22042, the Commission has adopted the following procedures for conducting an Accounting Procedures Review, where an interested party presents evidence that the work undertaken by the public agency falls within any of the following categories:

   1) It is to be performed by a public agency after rejection of all bids, claiming work can be done less expensively by the public agency.

   2) It exceeded the force account limit.

   3) It has been improperly classified as maintenance.

B. As used in the Accounting Procedures Review, "interested party" shall mean: a licensed contractor eligible to bid on the public project involved in the review; a labor organization whose members would be eligible to perform work on the public project if it were performed by contract; an association of licensed contractors and/or labor organizations; or a taxpayer of the public agency cited in the account review request.

C. If an inquiry comes to the State Controller's Office (SCO) and/or a single Commissioner, and the assistance of the Commission is needed, the inquiry will be sent to the Chair of the Commission. The Chair will then appoint one or more Commissioners, not to constitute a quorum, from the public and private sectors to assist with responding to the inquiry in a timely manner. A summary of the inquiry and response will be forwarded to the SCO upon completion for incorporation into Frequently Ask Questions as appropriate.

D. Request for Accounting Procedures Review

   1) Pursuant to Public Contract Code section 22043(a), in those circumstances as set forth in subdivision (a) of section 22042 above, a request for Commission review shall be in writing, by certified or registered mail received by the Commission postmarked no later than eight business days from the date the public agency has rejected all bids.

   2) In those circumstances set forth in subdivision (b) or (c) of section 22042, a request for Commission review shall be in writing, sent to the Commission by certified or registered mail, postmarked no later than eight business days from the date an interested party formally complains in writing to the public agency.

   3) The address for purpose of notice herein is:

CALIFORNIA UNIFORM CONSTRUCTION COST ACCOUNTING COMMISSION
Office of the State Controller
Local Government Programs and Services Division
Local Government Policy Section
P.O. Box 942850
Sacramento, CA 94250

4) Such written notice shall include the following information:

   a) The name, address, phone number of interested party as defined on page 20, and person to be contacted presenting evidence.

   b) An indication that work undertaken by the public agency falls within one of the following categories:

      1) It is to be performed by a public agency after rejection of all bids, claiming work can be done less expensively by the public agency.

      2) It exceeded the force account limits.

      3) It has been improperly classified as maintenance.

   c) The name, address, and phone number of the public agency involved.

   d) The project name, location, or other project identification number.

   e) The bid date and rejection date, if application.

   f) The low bid dollar amount, if applicable.

   g) The agency estimate, if available.

   h) Other documentation supporting the request. If the requestor is unable to obtain information from the participating agency, the request should so note the fact and include an explanation of the circumstances. The statutory limit to complete the account review begins as of the day the request is received by the SCO. Incomplete review requests may affect the ability of the Commission to render a timely decision.

5) At the time it transmits its request to the Commission for review, the interested party shall mail a copy of the request by first class mail, postage prepaid, to the public agency involved.

E. The Commission shall approve and designate in writing the consultants available to investigate requests for Accounting Procedures Review, if needed. Such consultants shall be prequalified as follows:

   1) They shall submit resumes including experience to the Commission for prequalification.

   2) Each applicant shall have at least five years' experience with, and be knowledgeable of, public works construction or accounting under contracts let by public agencies.

   3) They shall submit their schedule of fees required to perform such service.

F. Immediately upon receipt of a request for Accounting Procedures Review, the Chairperson shall assign it to a working group consisting of two or more Commissioners. Each working group must have both private and public representations.

   1) The working group may contact either the interested party or the signatory agency involved for additional information. They may also request a statement of the public agency's position with respect to the claim being set forth. Participating agencies are required to cooperate with any

account reviews pursuant to this Act. Agencies failing to cooperate fully, either through unwillingness or inability, may be found to be non-compliant.

2) If the work group deems it necessary, it may utilize the SCO audit division or a consultant deemed qualified for the purpose of this investigation. The auditor or consultant will conduct a thorough investigation of the facts surrounding the claim. This investigation may include any field work deemed necessary by the auditor or consultant. The auditor or consultant shall interview the public agency involved and submit as a part of the findings a complete statement of the public agency's position with respect to the review being conducted.

3) The auditor or consultant shall prepare written findings and a recommended decision within twenty calendar days from the date the request for review was received by the Commission.

G. The Commission shall review the findings of the work group and the report of the auditor or, consultant, if utilized, and render its final decision within thirty calendar days of the date on which the request was received by the Commission. A copy of the decision shall be mailed by first class mail, postage prepaid, to each Commission member, the interested party, and the public agency involved.

H. Decisions on Accounting Procedures Reviews shall be collected and maintained at the offices of the Commission and shall be available for public inspection during regular working hours. Such decisions may be cited and relied upon by interested parties and public agencies in subsequent reviews.

I. Pursuant to Public Contract Code section 22044.5, if the Commission makes a finding(s) on three separate occasions within a 10-year period, the Commission shall notify the public agency of the finding in writing by certified mail and the public agency shall not use the bidding procedures provided by the Act for five years from the date of the commission's finding. For the purposes of these review procedures, one investigation resulting in a finding(s) shall equate to one occasion. These review procedures are based on current statutory law.

J. Changes to statutory law shall be deemed to be automatically adopted into these procedures.

Uniform Public Construction Cost Accounting Act

1.09 California Public Contract Code

Chapter 2 Bidding on Public Contracts (The following statute is current as of January 1, 2017)

Article 1. Legislative Intent and Definitions.

Code	Statute
22000 Name of the Act	This chapter shall be known and may be cited as the "Uniform Public Construction Cost Accounting Act."
22001 Legislative Findings and Declaration	The Legislature finds and declares that there is a statewide need to promote uniformity of the cost accounting standards and bidding procedures on construction work performed or contracted by public entities in the state. This chapter provides for the development of cost accounting standards and an alternative method for the bidding of public works projects by public entities.
22001.5 Notice describing chapter provisions to public agencies	On or before January 1, 2009, the State Controller shall send a notice to all public agencies describing the provisions of this chapter and the benefits of using its provisions. This notice shall also be included in any notification issued by the State Controller pursuant to Section 22020.
22002 Definitions	a) "Public agency" for purposes of this chapter, means a city, county, city and county, including chartered cities and chartered counties, any special district, and any other agency of the state for the local performance of governmental or proprietary functions within limited boundaries. "Public agency" also includes a nonprofit transit corporation wholly owned by a public agency and formed to carry out the purposes of the public agency. b) "Representatives of the construction industry" for purposes of this chapter, means a general contractor, subcontractor, or labor representative with experience in the field of public works construction. c) "Public project" means any of the following: 1) Construction reconstruction, erection, alteration, renovation, improvement, demolition, and repair work involving any publicly owned, leased, or operated facility. 2) Painting or repainting of any publicly owned, leased, or operated facility. 3) In the case of a publicly owned utility system, “public project” shall include only the construction erection, improvement, or repair of dams, reservoirs, powerplants, and electrical transmission lines of 230,000 volts and higher. d) "Public project" does not include maintenance work. For purposes of this section, "maintenance work" includes all of the following: 1) Routine, recurring, and usual work for the preservation or protection of any publicly owned or publicly operated facility for its intended purposes. 2) Minor repainting.

Code	Statute
	3) Resurfacing of streets and highways at less than one inch. 4) Landscape maintenance, including mowing, watering, trimming, pruning, planting, replacement of plants, and servicing of irrigation and sprinkler systems. 5) Work performed to keep, operate, and maintain publicly owned water, power, or waste disposal systems, including, but not limited to, dams, reservoirs, powerplants, and electrical transmission lines of 230,000 volts and higher. e) For purposes of this chapter, "facility" means any plant, building, structure, ground facility, utility system, subject to the limitation found in paragraph (3) of subdivision (c), real property, streets and highways, or other public work improvement.
22003 Public Agency Subject to Uniform Cost Accounting Procedures, Bidding Procedures	A public agency which has, by resolution, elected to become subject to the uniform construction cost accounting procedures set forth in Article 2 (commencing with Section 22010), may utilize the bidding procedures set forth in Article 3 (commencing with Section 22030) when contracting for "maintenance work," as defined in Section 22002, or when contracting for any other work which does not fall within the definition of "public project," as defined in Section 22002.

Article 2. California Uniform Construction Cost Accounting Commission

Code	Statute
22010 Creation; Membership; Appointment	There is hereby created the California Uniform Construction Cost Accounting Commission. The commission is comprised of 14 members. a) Thirteen of the members shall be appointed by the State Controller as follows: 1) Two members who shall each have at least 10 years of experience with, or providing professional services to, a general contracting firm engaged, during that period, in public works construction in California. 2) Two members who shall each have at least 10 years of experience with, or providing professional services to, a firm or firms engaged, during that period, in subcontracting for public works construction in California. 3) Two members who shall each be a member in good standing of, or have provided professional services to, an organized labor union with at least 10 years of experience in public works construction in California. 4) Seven members who shall each be experienced in, and knowledgeable of, public works construction under contracts let by public agencies; two each representing cities, counties, respectively, and two members representing school districts, and one member representing a special district. At least one of the two county representatives shall be a county auditor or his or her designee.

Code	Statute
	b) The member of the Contractors' State License Board who is a general engineering contractor as that term is defined in Section 7056 of the Business and Professions Code shall serve as an ex officio voting member. *(Amended by Stats. 2015, Ch. 269, Sec. 24. Effective January 1, 2016.)*
22011 Appointment Recommendations	The Controller, in an effort to select highly qualified commission members, shall solicit from organized representatives of the construction industry and public agencies recommendations for appointments to the commission.
22012 Members; Accounting Experience	At least one commission member of the seven representing the construction industry and at least one of the seven representing public agencies shall have previous accounting experience.
22013 Chairperson; Term	The commission members shall select a chairperson from among its membership. The chairperson shall serve as chair for a term of two years from the date of selection. In no event shall two consecutive chairpersons be appointees representing either the construction industry or public agencies.
22014 Members; Term; Vacancies	a) The members of the commission shall hold office for terms of three years, and until their successors are appointed. b) Members may be reappointed, by the Controller, for subsequent terms of three years. c) The Controller may appoint a successor for any commissioner after his or her three-year term expires. d) The Controller shall, within 120 days, appoint a replacement to fill any vacancy on the commission. *(Amended by Stats. 2015, Ch. 269, Sec. 25. Effective January 1, 2016.)*
22015 Staff; Members' Compensation; Grants	a) The Controller shall make available for the conduct of the commission's business, such staff and other support as does not conflict with the accomplishment of the other business of the office of the Controller b) Each member of the commission shall serve without compensation, but shall be reimbursed for travel and other expenses necessarily incurred in the performance of the member's duties. Reimbursement rates shall conform to the Controller's travel guideline rates. c) The commission may accept grants from federal, state, or local public agencies, or from private foundations or individuals, in order to assist it in carrying out its duties, functions, and powers under this chapter. *(Amended by Stats. 2015, Ch. 269, Sec. 26. Effective January 1, 2016.)*
22016 Meetings	The commission shall meet not less than once each year, at a time and place chosen by its membership.

Code	Statute
22017 The Commission's Four Principle Duties	The commission shall do all of the following: a) After due deliberation and study, recommend for adoption by the Controller, uniform construction cost accounting procedures for implementation by public agencies in the performance of, or in contracting for, construction on public projects. The procedures shall, to the extent deemed feasible and practicable by the commission, incorporate, or be consistent with construction cost accounting procedures and reporting requirements utilized by state and federal agencies on public projects, and be uniformly applicable to all public agencies that elect to utilize the uniform procedures. As part of its deliberations and review, the commission shall take into consideration relevant provisions of the Office of Management and Budget Circular A-76, as periodically revised. b) After due deliberation and study, recommend for adoption by the Controller cost accounting procedures designed especially for implementation by California cities with a population of less than 75,000. The procedures shall incorporate cost accounting and reporting requirements deemed practicable and applicable to all cities under 75,000 population which elect to utilize the uniform procedures. For the purpose of these cost accounting procedures, the following shall apply: 1) Cities with a population of less than 75,000 shall assume an overhead rate equal to 20 percent of the total costs of a public project, including the costs of material, equipment, and labor. 2) Cities with a population of more than 75,000 may either calculate an actual overhead rate or assume an overhead rate equal to 30 percent of the total costs of a public project, including the costs of material, equipment, and labor. c) Recommend for adoption by the Controller, procedures and standards for the periodic evaluation and adjustment, as necessary, of the monetary limits specified in Section 22032. d) The commission shall make an annual report to the Legislature with respect to its activities and operations, together with those recommendations as it deems necessary. *(Amended by Stats. 2015, Ch. 269, Sec. 27. Effective January 1, 2016.)*
22018 Recommended Procedure; Controller's Review	The Controller shall, upon receipt of the commission's recommendations, review and evaluate the recommended procedures and either formally adopt or reject the recommended procedures within 90 days of submission by the commission.
22019 Adoption; Promulgation of Uniform Procedure	Upon determining that the recommended uniform construction cost accounting procedures will serve the best interest of the state and public agencies, and upon formal adoption by the Controller, the Controller shall promulgate the uniform procedure for all public agencies electing to participate, together with instructions for their adoption and implementation by any public agency.

Code	Statute
22020 Five Year Consideration; Material Changes; Adjustments	In accordance with procedures and standards adopted pursuant to Section 22017, every five years the commission shall consider whether there have been material changes in public construction costs and make recommendations to the Controller regarding adjustments in the monetary limits prescribed by Section 22032, but in no case shall the amount, as adjusted, be less than fifteen thousand dollars ($15,000). Any adjustment shall be effective beginning with the fiscal year that commences not less than 60 days following the Controller's notification to all public agencies of the adjustment. That notification shall also describe the provisions of this chapter and the benefits of using its provisions.

Article 3. Public Projects; Alternative Procedures

Code	Statute
22030 Application of Article	a) This article applies only to a public agency whose governing board has by resolution elected to become subject to the uniform construction cost accounting procedures set forth in Article 2 (commencing with Section 22010) and which has notified the Controller of that election. In the event of a conflict with any other provision of law relative to bidding procedures, this article shall apply to any public agency which has adopted a resolution and so notified the Controller. b) A county, whether general law or charter, containing a population of less than 500,000 may award individual annual contracts as provided in Section 20128.5. *(Amended by Stats. 2015, Ch. 269, Sec 28. Effective January 1, 2016)*
22031 Alternative Procedures	a) Prior to January 1, 2013, this article shall not prohibit a board of supervisors or a county road commissioner from utilizing, as an alternative to the procedures set forth in this article, the procedures set forth in Article 25 (commencing with Section 20390) of Chapter 1. b) On or after January 1, 2013, this article shall not prohibit a board of supervisors or a county road commissioner from utilizing, as an alternative to the procedures set forth in this article, the procedures set forth in Article 25 (commencing with Section 20390) of Chapter 1 for both of the following: 1) Maintenance and emergency work. 2) New road construction and road reconstruction as long as the total value of the new road construction and the road reconstruction performed under the procedures set forth in subdivision (c) of Section 20395 during a fiscal year does not exceed 30 percent of the total value of all work performed by force account other than maintenance as reported in the Controller's Streets and Roads Annual Report as of March 1 of each year prior to the fiscal year. c) The value of force account work necessary to facilitate capital projects for the purpose of contracting to the private sector, including design, engineering, inspection, testing, and other force account work necessary to administer private contracts, shall be excluded from the 30-percent limit in subdivision (b).

Code	Statute
	d) The value of force account work necessary to facilitate projects performed by county employees, including design, engineering, inspection, testing, and other force account work necessary to administer work performed under subdivision (b), shall apply to the 30-percent limit in subdivision (b). e) On or after January 1, 2013, for a county with a population of less than 50,000, this article shall not prohibit a board of supervisors or a county road commissioner from utilizing, as an alternative to the procedures set forth in this article, the procedures set forth in Article 25 (commencing with Section 20390) of Chapter 1. f) The requirements set forth in Section 22038 shall apply to any county subject to this section. g) Any county board of supervisors or county road commissioner acting pursuant to the authority granted in paragraph (2) of subdivision (b) shall publicly declare its intention to use this authority prior to commencing work. The public declaration may be on a project-by-project basis, via a list of anticipated projects for the fiscal year, or via a list that may be included in the county's annual budget. *(Amended by Stats. 2014, Ch. 345, Sec. 3. Effective January 1, 2015.)*
22032 Contracting Procedures; Dollar Amount Limitations	a) Public projects of forty-five thousand dollars ($45,000) or less may be performed by the employees of a public agency by force account, by negotiated contract, or by purchase order. b) Public projects of one hundred seventy-five thousand dollars ($175,000) or less may be let to contract by informal procedures as set forth in this article. c) Public projects of more than one hundred seventy-five thousand dollars ($175,000) shall, except as otherwise provided in this article, be let to contract by formal bidding procedure. *76 Op. Atty. Gen. 126,7-14-93 = Job order contracts - General law county or general law city may not enter into a "job order contract" in excess of $50,000 for the performance of public projects involving minor construction, and the renovation, alteration, painting, and repair of existing facilities, except under narrowly defined statutory conditions applicable only to counties.*
22033 Separation of Work orders of Projects; Evasion of Provision of Article	It shall be unlawful to split or separate into smaller work orders or projects any project for the purpose of evading the provisions of this article requiring work to be done by contract after competitive bidding.
22034 Informal Bidding Ordinance	Each public agency that elects to become subject to the uniform construction accounting procedures set forth in Article 2 (commencing with Section 22010) shall enact an informal bidding ordinance to govern the selection of contractors to perform public projects pursuant to subdivision (b) of Section 22032. The ordinance shall include all of the following:

Code	Statute
	a) Notice to contractors shall be provided in accordance with either paragraph (1) or (2), or both. 1) The public agency shall maintain a list of qualified contractors, identified according to categories of work. Minimum criteria for development and maintenance of the contractors list shall be determined by the commission. All contractors on the list for the category of work being bid shall be mailed, faxed, or emailed a notice inviting informal bids unless the product or service is proprietary. All mailing of notices to contractors pursuant to this subdivision shall be completed not less than 10 calendar days before bids are due. 2) The public agency may elect to mail, fax, or email a notice inviting informal bids to all construction trade journals specified in Section 22036. b) The notice inviting informal bids shall describe the project in general terms and how to obtain more detailed information about the project, and state the time and place for the submission of bids. c) The governing body of the public agency may delegate the authority to award informal contracts to the public works director, general manager, purchasing agent, or other appropriate person. d) If all bids received are in excess of one hundred seventy-five thousand dollars ($175,000), the governing body of the public agency may, by adoption of a resolution by a four-fifths vote, award the contract, at one hundred eighty-seven thousand five hundred dollars ($187,500) or less, to the lowest responsible bidder, if it determines the cost estimate of the public agency was reasonable. *(Amended by Stats. 2015, Ch. 269, Sec. 29. Effective January 1, 2016.)*
22035 Emergencies	a) In cases of emergency when repair or replacements are necessary, the governing body may proceed at once to replace or repair any public facility without adopting plans, specifications, strain sheets, or working details, or giving notice for bids to let contracts. The work may be done by day labor under the direction of the governing body, by contractor, or by a combination of the two. b) In case of an emergency, if notice for bids to let contracts will not be given, the public agency shall comply with Chapter 2.5 (commencing with Section 22050).
22035.5 Overcrowded Justice Facilities; Court Ordered Relief; Application of Section 22034	In counties that are under court order to relieve justice facility overcrowding, the procedures and restrictions specified in Section 20134 shall apply to all contracts issued under this chapter.

Code	Statute
22036 Determination of Construction Trade Journals to Receive Notice of Informal and Formal Construction Contracts	The commission shall determine, on a county-by-county basis, the appropriate construction trade journals which shall receive mailed, faxed, or emailed notice of all informal and formal construction contracts being bid for work within the specified county. *(Amended by Stats. 2015, Ch. 269, Sec. 30. Effective January 1, 2016.)*
22037 Notice Inviting Formal Bids; Information; Publication	Notice inviting formal bids shall state the time and place for the receiving and opening of sealed bids and distinctly describe the project. The notice shall be published at least 14 calendar days before the date of opening the bids in a newspaper of general circulation, printed and published in the jurisdiction of the public agency; or, if there is no newspaper printed and published within the jurisdiction of the public agency, in a newspaper of general circulation which is circulated within the jurisdiction of the public agency, or, if there is no newspaper which is circulated within the jurisdiction of the public agency, publication shall be by posting the notice in at least three places within the jurisdiction of the public agency as have been designated by ordinance or regulation of the public agency as places for the posting of its notices. The notice inviting formal bids shall also be sent electronically, if available, by either facsimile or electronic mail and mailed to all construction trade journals specified in Section 22036. The notice shall be sent at least 15 calendar days before the date of opening the bids. In addition to notice required by this section, the public agency may give such other notice as it deems proper.
22038 Rejection of Bids; Failure to Receive Bids; Options	a) In its discretion, the public agency may reject any bids presented, if the agency prior to rejecting all bids and declaring that the project can be more economically performed by employees of the agency, furnishes a written notice to an apparent low bidder. The notice shall inform the bidder of the agency's intention to reject the bid and shall be mailed at least two business days prior to the hearing at which the agency intends to reject the bid. If after the first invitation for bids all bids are rejected, after reevaluating its cost estimates of the project, the public agency shall have the option of either of the following: 1) Abandoning the project or readvertising for bids in the manner described by this article. 2) By passage of a resolution by a four-fifths vote of its governing body declaring that the project can be performed more economically by the employees of the public agency, may have the project done by force account without further complying with this article. b) If a contract is awarded, it shall be awarded to the lowest responsible bidder. If two or more bids are the same and the lowest, the public agency may accept the one it chooses.

Code	Statute
	c) If no bids are received through the formal or informal procedure, the project may be performed by the employees of the public agency by force account, or negotiated contract without further complying with this article. *(Amended by Stats. 2003, Ch. 296, Sec. 29. Effective January 1, 2004.)*
22039 Adoption of Plans, Specifications, and Working Detail	The governing body of the participating public agency or its designated representative shall adopt plans, specifications, and working details for all public projects exceeding the amount specified in subdivision (c) of Section 22032. *(Amended by Stats. 2015, Ch. 269, Sec. 31. Effective January 1, 2016.)*
22040 Plans, Specifications of Working Details; Examination	Any person may examine the plans, specifications, or working details, or all of these, adopted by the public agency for any project.
22041 Exemptions	This article does not apply to the construction of any public building used for facilities of juvenile forestry camps or juvenile homes, ranches, or camps established under Article 15 (commencing with Section 880) of Chapter 2 of Part 1 of Division 3 of the Welfare and Institutions Code, if a major portion of the construction work is to be performed by wards of the juvenile court assigned to those camps, ranches, or homes.
22042 Accounting Procedures Review	The commission shall review the accounting procedures of any participating public agency where an interested party presents evidence that the work undertaken by the public agency falls within any of the following categories: a) Is to be performed by a public agency after rejection of all bids, claiming work can be done less expensively by the public agency. b) Exceeded the force account limits. c) Has been improperly classified as maintenance.
22042.5 Informal Bidding Procedures Review	The commission shall review practices of any participating public agency where an interested party presents evidence that the public agency is not in compliance with Section 22034. *(Added by Stats. 2015, Ch. 269, Sec. 32. Effective January 1, 2016.)*
22043 Work Done by Public Agency; Commission Review Request	a) In those circumstances set forth in subdivision (a) of Section 22042, a request for commission review shall be in writing, sent by certified or registered mail received by the commission postmarked not later than eight business days from the date the public agency has rejected all bids. b) In those circumstances set forth in subdivision (b) or (c) of Section 22042, a request for commission review shall be by letter received by the commission not later than eight days from the date an interested party formally complains to the public agency.

Code	Statute
	c) The commission review shall commence immediately and conclude within the following number of days from the receipt of the request for commission review: 1) Forty-five days for a review that falls within subdivision (a) of Section 22042. 2) Ninety days for a review that falls within subdivision (b) or (c) of Section 22042. d) During the review of a project that falls within subdivision (a) of Section 22042, the agency shall not proceed on the project until a final decision is received by the commission. e) A request for commission review pursuant to Section 22042.5 shall be in writing, sent by certified or registered mail, and received by the commission no later than eight days from the day an interested party formally complains to the public agency. The commission review shall commence immediately and conclude within 90 days from the receipt of the request for commission review. *(Amended by Stats. 2015, Ch. 269, Sec. 33. Effective January 1, 2016.)*
22044 Written Findings; Failure to Comply with Chapter; Action	The commission shall prepare written findings, which shall be presented to the public agency within 30 calendar days of formal commission review. Should the commission find that the provisions of this chapter or of the uniform cost accounting procedures provided for in this chapter were not complied with by the public agency, the following steps shall be implemented by that agency: a) On those projects set forth in subdivision (a) of section 22042, the public agency has the option of either (1) abandoning the project, or (2) awarding the project to the lowest responsible bidder. b) On those projects set forth in subdivision (b) or (c) of section 22042, the public agency shall present the commission's findings to its governing body within 30 calendar days of receipt of written notice of the findings and that governing body shall conduct a public hearing with regard to the commission's findings within 60 calendar days of receipt of the findings. c) 1) On findings of noncompliance pursuant to section 22042.5, the public agency shall notify its governing body of the commissioner's findings within 60 calendar days of receipt of written notice of the findings from the commission. 2) The public agency shall notify the commission in writing, within 90 days of receipt of written notice of the findings, of the public agency' best efforts to comply. *(Amended by Stats. 2015, Ch. 269, Sec. 34. Effective January 1, 2016.)*
22044.5 Compliance; Removal from Act	If the commission makes a finding, in accordance with section 22043, on three separate occasions within a 10-year period, that the work undertaken by a public agency falls within any of the categories described in section 22042, the commission shall notify the public agency of that finding in writing by certified mail and the public agency shall not

Code	Statute
	use the bidding procedures provided by this article for five years from the date of the commission's findings. *(Amended by Stats. 2015, Ch. 269, Sec. 34. Effective January 1, 2016.)*
22045 Implementation of Procedures Review: Commission Recommendations	a) No later than January 1, 1985, the commission shall recommend, for adoption by the Controller, written procedures implementing the accounting procedures review provided for in this article. b) The Controller shall, upon receipt of the commission's recommendation, review and evaluate the recommended procedures and either formally adopt or reject the recommended procedures within 90 days of submission of the commission.

Chapter 2.5 Emergency Contracting Procedures

Code	Statute
22050 Contract Without Bids; Procedures	a) 1) In the case of an emergency, a public agency, pursuant to a four-fifths vote of its governing body, may repair or replace a public facility, take any directly related and immediate action required by that emergency, and procure the necessary equipment, services, and supplies for those purposes, without giving notice for bids to let contracts. 2) Before a governing body takes any action pursuant to paragraph (1), it shall make a finding, based on substantial evidence set forth in the minutes of its meeting, that the emergency will not permit a delay resulting from a competitive solicitation for bids, and that the action is necessary to respond to the emergency. b) 1) The governing body, by a four-fifths vote, may delegate, by resolution or ordinance, to the appropriate county administrative officer, city manager, chief engineer, or other nonelected agency officer, the authority to order any action pursuant to paragraph (1) of subdivision (a). 2) If the public agency has no county administrative officer, city manager, chief engineer, or other nonelected agency officer, the governing body, by a four-fifths vote, may delegate to an elected officer the authority to order any action specified in paragraph (1) of subdivision (a). 3) If a person with authority delegated pursuant to paragraph (1) or (2) orders any action specified in paragraph (1) of subdivision (a), that person shall report to the governing body, at its next meeting required pursuant to this section, the reasons justifying why the emergency will not permit a delay resulting from a competitive solicitation for bids and why the action is necessary to respond to the emergency. c) 1) If the governing body orders any action specified in subdivision (a), the governing body shall review the emergency action at its next regularly scheduled meeting and, except as specified below, at every regularly scheduled meeting thereafter until the action is terminated, to determine, by a four-fifths

Code	Statute
	vote, that there is a need to continue the action. If the governing body meets weekly, it may review the emergency action in accordance with this paragraph every 14 days. 2) If a person with authority delegated pursuant to subdivision (b) orders any action specified in paragraph (1) of subdivision (a), the governing body shall initially review the emergency action not later than seven days after the action, or at its next regularly scheduled meeting if that meeting will occur not later than 14 days after the action, and at least at every regularly scheduled meeting thereafter until the action is terminated, to determine, by a four-fifths vote, that there is a need to continue the action, unless a person with authority delegated pursuant to subdivision (b) has terminated that action prior to the governing body reviewing the emergency action and making a determination pursuant to this subdivision. If the governing body meets weekly, it may, after the initial review, review the emergency action in accordance with this paragraph every 14 days. 3) When the governing body reviews the emergency action pursuant to paragraph (1) or (2), it shall terminate the action at the earliest possible date that conditions warrant so that the remainder of the emergency action may be completed by giving notice for bids to let contracts. d) As used in this section, “public agency” has the same meaning as defined in Section 22002. e) A three-member governing body may take actions pursuant to subdivision (a), (b), or (c) by a two-thirds vote. f) This section applies only to emergency action taken pursuant to Sections 20133, 20134, 20168, 20193, 20205.1, 20213, 20223, 20233, 20253, 20273, 20283, 20293, 20303, 20313, 20331, 20567, 20586, 20604, 20635, 20645, 20685, 20736, 20751.1, 20806, 20812, 20914, 20918, 20926, 20931, 20941, 20961, 20991, 21020.2, 21024, 21031, 21043, 21061, 21072, 21081, 21091, 21101, 21111, 21121, 21131, 21141, 21151, 21161, 21171, 21181, 21191, 21196, 21203, 21212, 21221, 21231, 21241, 21251, 21261, 21271, 21290, 21311, 21321, 21331, 21341, 21351, 21361, 21371, 21381, 21391, 21401, 21411, 21421, 21431, 21441, 21451, 21461, 21472, 21482, 21491, 21501, 21511, 21521, 21531, 21541, 21552, 21567, 21572, 21581, 21591, 21601, 21618, 21624, 21631, 21641, and 22035.

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CHAPTER 2 THE UNIFORM PUBLIC CONSTRUCTION COST ACCOUNTING ACT

Uniform Public Construction Cost Accounting Act

2.01 The Uniform Public Construction Cost Accounting Act

As specified in the State of California Public Contract Code, all governmental jurisdictions are limited to the dollar amount of public project work that can be performed using internal resources. The jurisdictions are further required to follow various bidding procedures in undertaking construction work performed or contracted in the jurisdiction. The passage of Chapter 1054, Statues of 1983, Uniform Public Construction Cost Accounting Act (Act), and subsequent amendments provides for alternative bidding procedures by public agencies in undertaking public project work, provided they subscribe to uniform construction cost accounting policies and procedures developed in accordance with the law.

The purpose of this document is to give public agencies those construction cost accounting policies and procedures required in accordance with this above-mentioned legislation. To assist in understanding these policies and procedures, we have provided examples throughout the manual. These examples are for illustrative purposes only and, although they may be used, should not be considered required formats for public agencies operating under this program.

2.02 Public Agency

Public Contract Code section 22002(a) provides the definition of a public agency for the purposes of the Act. Public agencies are cities, counties, a city and county, chartered cities and chartered counties, any special district and any other agency of the state responsible for the local performance of governmental or proprietary functions within limited boundaries. Public agency includes a nonprofit transit corporation wholly owned by a public agency and formed to carry out the purposes of the public agency.

2.03 Public Project

As defined in Public Contract Code section 22002(c), all public projects performed by public agencies may include:

- Construction, reconstruction, erection, alteration, renovation, improvement, demolition and repair work involving any publicly owned, leased or operated facility.
- Painting or repainting of any publicly owned, leased or operated facility.
- In the case of publicly owned utility system, construction, erection, improvement or repair of dams, reservoirs, power plants and electrical transmission lines of 230,000 volts and higher.

2.04 Exemptions

Construction of any public building used for facilities of juvenile forestry camps or juvenile homes, ranches, or camps established under Article 15 (commencing with section 880) of Chapter 2 of Part 1 of Division 2 of the Welfare and Institutions Code, if a major portion of the construction work is to be performed by wards of the juvenile court assigned to those camps, ranches or homes, is exempt from the provisions of the Act.

In addition, in cases of great emergency, as determined by the governing body of the public agency, including, but not limited to, states of emergency defined in Government Code section 8558. When repair or replacements are necessary to permit the continued conduct of the operation or services of a public agency or to avoid danger to life or property. The governing body by majority vote, may proceed at once to replace or repair any public facility without adopting plans, specifications, strain sheets, or working details, or giving notice for bids to let contracts. The work may be done by day labor under the direction of the governing body, by

contract, or by a combination of the two. The governing body, by majority vote, may delegate to the appropriate county administrative officer or city manager the power to declare a public emergency subject to confirmation by the governing body, by a four-fifths vote, at its next meeting.

2.05 Bid Limitations

For those agencies whose governing board has by resolution elected to become subject to the uniform construction cost accounting policies and procedures and which have notified the State Controller of that election, the following bid limitations will be in effect pursuant to Public Contract Code section 22032 and 22034(d):

- Public projects of $45,000 or less may be performed by the employees of a public agency by force account (for definition see page 39 section 2.2), by negotiated contract, or by purchase order.
- Public projects of $175,000 or less may be let to contract by informal procedures as set forth in this legislation.
- Public projects of more than $175,000 shall, except as otherwise provided in this legislation, be let to contract by formal bidding procedures.
- If all bids received are in excess of $175,000, the governing body of the public agency may by adoption of a resolution by a four-fifths vote, award the contract, at $187,500 or less, to the lowest responsible bidder, if it determines the cost estimate of the public agency was reasonable.

2.06 Award of Bid

Public Contract Code section 22038 allows the public agency in its discretion to reject any bids presented. If the agency prior to rejecting all bids and declaring that the project can be more economically performed by employees of the agency provides a written notice to an apparent low bidder that:

- Informs the lowest responsible bidder of the agency's intention to reject the bid.
- Is mailed to at least two business days prior to the hearing at which the agency intends to reject the bid.

If after opening bids all bids are rejected, the public agency shall have the option, after reevaluating its cost estimates of the project, of one of the following:

- The public agency may abandon the project or re-advertise for bids in the manner described by this legislation; or
- By passage of a resolution by a four-fifths majority of its governing body declaring that its employees can perform the project more economically, the public agency may have the project done by force account without further complying with this legislation.

If a contract is awarded, it shall be awarded to the lowest bidder. If two or more bids are the same as the lowest, the public agency may accept the one it chooses.

If no bids are received, the project may be performed by employees of the public agency by force account or by informal bidding procedures set forth in section 22034 of the Public Contract Code.

California Uniform Construction Cost Accounting Commission

2.07 California Uniform Construction Cost Accounting Commission

Chapter 1054, Statutes of 1983, created the California Uniform Construction Cost Accounting Commission (CUCCAC or the Commission). The Commission is comprised of 14 members, 13 members are appointed by the State Controller and one member of the Contractors' State License Board pursuant to section 22010 of the Public Contract Code.

a) Thirteen of the members shall be appointed by the Controller as follows:

   1) Two members who shall each have at least 10 years of experience with, or providing professional services to, a general contracting firm engaged, during that period, in public works construction in California.

   2) Two members who shall each have at least 10 years of experience with, or providing professional services to, a firm or firms engaged, during that period, in subcontracting for public works construction in California.

   3) Two members who shall each be a member in good standing of, or have provided professional services to, an organized labor union with at least 10 years of experience in public works construction in California.

   4) Seven members who shall each be experienced in, and knowledgeable of, public works construction under contracts let by public agencies; two each representing cities, counties, respectively, and two members representing school districts, and one member representing a special district. At least one of the two county representatives shall be a county auditor or his or her designee.

b) The member of the Contractors' State License Board who is a general engineering contractor as that term is defined in Section 7056 of the Business and Professions Code shall serve as an ex officio voting member.

2.08 Implementation

The public agency must perform several administrative steps to comply and elect into the law. The major steps include:

- Adopting a resolution electing to become subject to the Act.
- Adopting ordinances or regulations providing informal bidding procedures as required by the law.
- Notifying the State Controller of the election.
- Complying with the cost accounting construction policies and procedures presented in this manual.

The Commission shall review the accounting procedures of any participating agency where an interested party presents evidence that the work undertaken by the public agency falls within any of the following categories stated in Public Contract Code section 22042:

- Is to be performed by a public agency after rejection of all bids, claiming work can be done less expensively by the public agency.
- Exceeded the force account limits.
- Has been improperly classified as maintenance.

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CHAPTER 3 UNIFORM PUBLIC CONSTRUCTION COST ACCOUNTING POLICIES AND PROCEDURES

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CHAPTER 3 UNIFORM PUBLIC CONSTRUCTION COST ACCOUNTING POLICIES AND PROCEDURES

Uniform Public Construction Cost Accounting Policies and Procedures

The California Uniform Construction Cost Accounting Commission (CUCCAC or the Commission) is responsible for the review and development of uniform public construction cost accounting policies and procedures to be followed by public agencies electing to participate in the program. This section of the manual discusses the basic philosophy and intent of the Commission in developing these cost accounting policies and procedures, the range of public construction projects that may be undertaken by a public agency that would utilize the cost accounting policies and procedures, and the support systems deemed necessary to comply with this program.

3.01 CUCCAC Philosophy

The policies and procedures, as dictated by Public Contract Code section 22017, shall, to the extent deemed feasible and practicable, incorporate or be consistent with construction cost accounting guidelines and standards and reporting requirements utilized by state and federal agencies on public projects and be uniformly applicable to all public agencies which elect to utilize the policies and procedures. The Commission recognizes the wide divergence in the size, capabilities and scope of operations of various public agencies operating under this legislation. Therefore, in developing this manual, the Commission wishes to present policies and procedures that are reasonable and do not demand extensive tracking of detail. The Commission feels that all cost elements, including personnel, materials, supplies and subcontracts, equipment, and overhead, associated with a project must be recorded and reported at the project level. Each of the cost elements is to be expressed in the initial bid/estimate process, captured and recorded during the construction period and compared to the initial estimate at the conclusion of the public project. This shall require the existence of a project tracking system, as discussed later in this section. The Commission refrains from dictating a specific system but requires a system to estimate for bidding purposes, and to capture the actual costs in a manner consistent with the bid estimate. In this manner, the policies and procedures are results-oriented. The Commission has determined that the Standardized Account Code Structures meets the requirements of the Act.

3.02 Applicable Projects

In keeping with the Commission's objective of providing cost accounting policies and procedures that are specific in concept yet broad enough to encompass all public agencies, regardless of size and scope of services, these policies and procedures should enable the public agencies to track all applicable construction-oriented public projects.

While allowing for the divergence of activities performed, these policies and procedures should parallel construction cost accounting practices as much as possible to allow for a comparability of private and public estimates and actual costs incurred in constructing public projects.

3.03 Definitions

The definitions listed below will assist users of the manual in interpreting and understanding the policies and procedures as stated in this manual. It is important to note that these definitions pertain only to the contents of this manual.

Cost Finding. A less formal method than project accounting of cost determination or estimation on an irregular basis. There may be no formal accounting entries during the year to record costs incurred in specific cost accounts. Instead, cost finding usually involves taking available fund financial accounting data and recording it and adjusting it to devise the cost data or estimate needed. This approach will be used in selected instances as defined in this manual.

Direct Costs. Direct costs represent economic resources that can be specifically identified with a particular construction activity or function. To the extent possible, such costs should be charged directly to the project for purposes of cost determination rather than being subjected to allocation procedures.

End Cost Objective. An end cost objective is a cost center or activity established for the accumulation of the direct costs of performing government services. All costs should be considered to indirectly support the performance of these services.

Equipment Usage Tracking System. An equipment usage tracking system allows for the identification, recording, accumulation and reporting of usage of a specific piece of equipment or type of equipment and the unit of usage, e.g., hours, days, mileage, to a particular activity.

Force Account. A force account accurate for work performed on public projects using internal resources, including but not limited to labor, equipment, materials, supplies, and subcontracts of the public agency.

Government-Wide Overhead. Government-wide overhead is defined to include all costs of a public agency not associated with organizational units performing services which support all end cost objectives of the government entity.

Materiality. It is the Commission's position that, if the value of those goods obtained from inventory is material, the cost must be recorded to the public project code as a direct cost item. Materiality is defined for purposes of this manual to be any item that has a unit or aggregate value of $25 or more.

Materials, Supplies, and Subcontracts Tracking System. A materials, supplies, and subcontracts tracking system allows for the identification, recording, accumulation, and reporting of materials, supplies, and subcontracts used on a particular activity.

Object Cost. A cost center or activity (account code assigned to a department or project) established for the accumulation of the direct and indirect cost to arrive at a total cost of performing government services.

Overhead Costs. Overhead costs represent economic resources that are employed for common or joint purposes benefiting several projects or functions. As such, overhead costs are not as readily chargeable to individual projects and, therefore, generally require allocation based upon statistical relationships.

Personnel Tracking System. A personnel tracking system allows for the identification, recording, accumulation, and reporting of personnel working on a particular activity.

Project Accounting. Project accounting is the continuous process of analyzing, classifying, recording, and summarizing cost data within the confines and controls of a formal project accounting system and reporting them to users on a regular basis.

Project Tracking System. A project tracking system allows for the identification and establishment of cost (account) codes to particular activities. The system would be used to record, accumulate, and report personnel costs; equipment costs; material, supplies, and subcontracts costs; and allocated overhead to activities identified.

Public Project Unit. A public project unit (e.g. public works department) is an identifiable organizational unit of any size within a public agency whose primary goals include the undertaking and completion of public projects as defined in Public Contract Code section 22002. The Commission would, in general, consider a unit to be a public project unit when over 25% of the total unit's annual budget is expended on public projects. It is more common to have these organizational units in the larger public agencies - urban counties, cities, and school districts.

Subcontract. A subcontract provides for the use of an outside contractor with specialized skills and/or equipment needed to complete an element of work on the public project.

Unit Overhead. Unit overhead is defined as all costs incurred by an organizational unit, such as a public project unit, department, division or section, that are not directly attributable to any end cost objective, whether it be a public project or not. These costs include personnel costs, materials, supplies and subcontracts, and equipment costs not directly attributable to any end cost objective.

Work Order. A work order is written authorization for the performance of a particular project. It contains a description and location of the project and specifications for the work to be performed. Work orders are assigned an identification code and are used to record all costs both direct and indirect incurred in completing the project.

3.04 Public Agency Organization Structure

In general, public agencies will contract out design-and-build and heavy construction projects and perform only general building projects and specialty construction projects with internal resources. Frequently, this decision to undertake general building and specialty construction projects is made based on the agency's organization structure, current workload requirements, and available staffing resources.

Often, in large organizations, due to the ongoing workload, there are organizational units whose stated objective is to undertake and complete on an as-needed basis general building and specialty construction projects. These organizational units are project-oriented. Their end cost objectives primarily consists of the performance of public projects. Costs specifically incurred in connection with individual end cost objectives are considered to be direct costs. Costs not specifically incurred to support individual and cost objectives are considered to be overhead costs associated with the organizational units taken as a whole. To recognize all the costs associated with an end cost objective, these overhead costs must be allocated back to this end cost objective. Examples of end cost objectives include public projects, such as the construction of a warehouse, renovation of a lunch room, or street reconstruction and resurfacing over 1 inch. Smaller public agencies, which comprise the majority of public agencies in the state, usually do not have organizational units whose annual budgets represent more than 25% of public project work. Frequently, these employees perform general maintenance duties in addition to working on public projects. The public project costs incurred by these employees are more difficult to identify yet equally important.

3.05 Classification of Costs

It is the stated objective of the law and the Commission to have public agencies estimate the cost of public projects and track these project costs in a manner similar to private industry. Essential to achieving this objective is the understanding and agreement by both parties as to the components of costs that are included in public projects.

The major classification of cost components for construction projects includes: direct, indirect, and overhead costs.

3.06 Direct Costs

Direct costs generally include these categories of costs: labor, bonds, permits, licensing fees (if any), equipment, permanent materials and supplies, subcontracts, nonpermanent materials and supplies. Components of each of these direct project cost categories are shown below and include costs applicable to the construction industry.

Labor

Hourly Pay/Salary
Payroll Taxes (Employer Contribution)
Worker's Compensation Insurance (Allocation of Self Insurance)
Group Health Insurance
Group Life Insurance
Retirement Plan (Employer Contribution)
Holiday Leave
Vacation
Sick Leave
Unassigned Time
Disability Insurance
Unemployment Insurance
Military Leave
Jury Duty Leave
Management Leave/Compensatory Leave
Uniform/Uniform Allowance
Tuition Reimbursement
Union Time Off
Time Off for Illness or Death of Family Member
Personal Liability Insurance
Administration/Employer Contribution of Deferred Compensation Program/401K
Overtime Premium

Use employee's productive hourly rate to calculate direct labor costs.

Equipment

Internal Equipment Rate

Depreciation
Insurance (Allocation of Self Insurance)
Initial Assembling and Dismantling Costs
Maintenance Costs
Repair Costs
Provision for Major Overhauls
Unassigned Time
Maintenance and Storage Yard Facilities Costs
Fuel and Oil
Tires and Grease

Or Use:
Caltrans Equipment Rental Rates and Labor Surcharge Book:
http://www.dot.ca.gov/hq/construc/equipmnt.html

External Equipment Rate (Leased or Rented from Commercial Dealer) which includes, if charged by the Lessor or are the responsibility of the agency, the following costs:

Rental Rate
Maintenance Costs
Assembling and Dismantling Costs
Insurance Costs
Fuel and Oil
Tires and Grease

Permanent Materials and Supplies

Cost of Permanent Materials and Supplies-Charged Directly to Job

Permanent Materials and Supplies Cost
Sales/Use Tax
Freight
Discounts Taken

Cost of Permanent Materials and Supplies Costs

Substantiated by most recent Invoice
Handling
Warehouse and Transportation Costs

Subcontracts

Payments made to Subcontractors

Nonpermanent Materials and Supplies/Miscellaneous Costs

Permits
Fees
Performance Bonds
Licenses

3.07 Indirect Costs

Indirect costs can be identified with a project but not with a specific job or unit of production within the project.

Indirect costs generally include two categories of costs: labor and other miscellaneous project site expenses. Components of each of these indirect cost categories are shown below.

Labor

Quality Control and Inspection
Field Supervisors
Security Guards
Superintendent
Job Secretary

Other Project Expenses

Mobilization, Assembly, Move-Out Costs
Yarding and Hauling
Trailer
Utilities
Telephone
Warehouse Costs
Spoilage, Loss and Theft
Other Costs

3.08 Overhead Costs

Simplified Overhead Rate

Prior to January 1, 2004, the Commission allowed all agencies to use a 20% overhead rate applied to all direct costs in lieu of calculating their overhead rates. An amendment to Public Contract Code section 22017 provides that cities with a population of less than 75,000 can assume the 20% rate. Cities with a population of 75,000 or over can either assume a 30% overhead rate or calculate an actual overhead rate.

Calculated Overhead Rate

The Commission determined that counties, special districts, and school districts can use a 30% rate or calculate an actual overhead rate, which is the same rule that applies to cities with a population of over 75,000.

Agencies may elect to calculate their overhead rates by one of the three following methods:

1) Appendix A describes the federal government's method of calculating overhead (2 CFR Part 220).

2) Appendix B describes a method of calculating overhead by allocating overhead costs as a percentage of direct labor costs.

3) Any method of calculating overhead is satisfactory with the Commission, provided that acceptable accounting procedures are used and all administrative costs are included.

Overhead costs should be applied on total project costs, including costs of material, equipment, and labor.

Overhead costs cannot be identified with or charged to jobs or units of production unless some more or less arbitrary allocation basis is used.

Components of overhead are shown below and include costs applicable to the construction industry, public agencies or both, e.g., public agencies do not have to pay surety bond premiums as does the construction industry to perform construction work, but both have costs incurred due to the processing of payroll.

Payroll
Personnel
Purchasing/Procurement
Bid/Estimate Expense
Advertising Expense
Legal Costs
General Government
General Accounting/Finance
Departmental Accounting/Finance
Facilities
Data Processing
Top Management
Management Expenses

Typically public agencies recognize only two classifications of costs: direct and overhead.

It is important to note that this does not suggest that public agencies exclude indirect costs but rather that they classify a majority of them as direct costs. For example, in the construction industry a foreman supervising employees working at the job site would have his personnel costs pooled and allocated to a job or unit of production. In a public agency, the foreman's labor cost would be charged directly to the appropriate public projects.

Regardless of the differences in how the various costs are classified, both the construction industry and public agencies recognize that the significant cost elements of any construction project include:

- Personnel
- Materials, supplies and subcontracts
- Equipment
- Overhead

3.09 Project Identification

Public projects, as defined in section 2.03, shall be identified and given specific project codes. These codes are generally referred to as project or work order numbers. These codes shall enable the public agency to segregate the cost elements discussed above, thereby allowing for the proper estimation, tracking, and comparison of estimated vs. actual cost elements incurred at the completion of a public project.

3.10 Project Tracking

The public agency shall have a manual or automated system that records, accumulates, and periodically reports the cost elements - personnel; materials, supplies and subcontracts; equipment; and overhead - incurred in completing all public projects. The public agency shall be required to account for the costs of the public project in a manner consistent with the way in which the project was bid/estimated. An audit trail of the accumulation of these cost elements shall be maintained. Source documents shall be retained identifying costs incurred on the project. These documents may include timesheets, equipment tracking records, requisitions of materials

and supplies used at the project site, and the documentation of the development of overhead rates. The project tracking system does not have to be a part of the public agency's fiscal system but should capture the major cost elements and comply with the other requirements stated in this manual. This may require the agency to establish a project tracking system or alter an existing cost accounting system.

Project Tracking Systems

Project tracking refers to the management of projects which includes but is not limited to measuring and reporting the status of milestones, tasks and activities required in achieving the pre-defined project results. Project tracking can also refer to project management software which automates the tracking of tasks, assignments, event and activities related to the project.

Most counties and larger school districts, cities, and special districts have established automated cost accounting systems that can track all identified public projects. Other project tracking systems include work order systems and project ledger card systems.

Work orders are written authorizations for the performance of a particular project. They contain a description and location of the project and the specifications for the work to be performed. These authorizations, used extensively by public agencies, are assigned an identification code and are used to accumulate and report labor, materials and supplies, and other costs associated with the project. Work orders can be used to cost public project work, as well as maintenance work and other types of end cost objective work.

A project ledger card system establishes a single ledger card to be used in recording, in summary, all cost elements associated with a particular public project.

Discussion of Example

An excel spreadsheet, is listed as a template named *Sample Estimating Form* and is available online at http://www.sco.ca.gov/ard_cuccac.html

The sample project ledger card has been established by the school district's accounting area to estimate the costs of remodeling the Main Street School. This sample can be used for estimating a project. The following data elements are included on the ledger card to establish the public project:

- Project code
- Start date
- End date
- Person responsible for work
- Name of project

Chapter 4 IDENTIFICATION, REPORTING, AND COMPUTATION OF PERSONNEL COSTS

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CHAPTER 4 IDENTIFICATION, REPORTING, AND COMPUTATION OF PERSONNEL COSTS

Identification, Reporting, and Computation of Personnel Costs

The accurate estimating, tracking and costing of personnel costs is imperative to ensure accurate reporting and future estimating of these costs. Personnel costs are those costs associated with employing public agency personnel in the performance of a specific job. They include three elements:

1) Annual salary or wage paid by the public agency.
2) Benefits received by employees such as a public agency's contribution to employee retirement programs, group health plans, and unemployment insurance.
3) Benefits paid to employee such as salaries or wages paid to employees who are on holidays, vacation leave, and sick leave.

This section of the manual describes the systems and methods used to track personnel time, determine the costs associated with personnel, and record these costs to a project tracking system.

Tracking Personnel Time

Critical to the public agency's determination of personnel costs is the ability to identify time spent by employees performing work on all public projects.

4.01 Timekeeping System

A public agency shall have a timekeeping system that accumulates hours worked by employees and assigns these hours to all public project codes. Typically, this project code is assigned by the agency's accounting department and conveyed to the person responsible for the public project, generally the foreman or equivalent position. This system shall enable the agency to track hours worked on public projects to allow for the subsequent distribution of the appropriate personnel costs.

4.02 Examples of Timekeeping Systems

The simplest of timekeeping records is a foreman's time book. These books usually have 50 pages and the foreman records on a daily or weekly basis the employee and his daily time spent on a particular project. These books have heavy tagboard covers so they can remain at the job site and be carried in a foreman's pocket. Typically, at the week's end, the foreman's time book is copied onto timesheets or timecards. This may be done at the central office by the foreman, timekeeper, payroll clerk or bookkeeper. This timekeeping system has the advantage of actual timekeeping being performed at the job site; but if the book is lost, the entire project's time record is lost.

Weekly timesheets or timecards and electronic timekeeping systems can also be used to record time. These documents should be completed by employees no later than at the end of the week showing the hours worked on each public project. For the employees to complete the cards or sheets, they must be informed of the appropriate project code to charge. This appears to be an insignificant issue; but without the establishment of a project code and the conveyance of that information to personnel working on the public project, the costs may never get recorded accurately. This decentralization of timekeeping presents the opportunity for possible inaccuracies in the recording of time spent on public projects. Therefore, this system may warrant additional review by management.

Work orders can be used to record time by the appropriate employee. As discussed in the project tracking requirements, work orders are written authorization for the performance of a particular job containing a project code, a description and location of the job, and specifications for the work to be performed. Work orders are the most frequent public project timekeeping systems used by public agencies. These are generally completed by the supervisor of the public project who records the employees' time spent on a public project.

It is important to note that work performed on public projects, unlike timekeeping in the construction industry, requires close supervision by management to ensure that hours worked on end cost objectives as defined by this manual are recorded properly.

4.03 Application of Timekeeping Systems

As discussed earlier, there are two types of organizational units within public agencies that may perform public project work. These are (1) public project units and (2) other organizations that may, in addition to their primary duties, work on public projects.

Public Project Unit

A public project unit is an identifiable organizational unit of any size whose primary goals include the undertaking and completion of public projects. Typically, these units perform construction, reconstruction, erection, alteration, renovation, improvement, demolition, repair work, and painting of any publicly owned, leased, or operated facility. For example, a public works department may have a division/section comprised of employees who as defined by this bill are dedicated to the undertaking and completion of public projects such as road resurfacing, painting, landscaping and building/remodeling. The Commission would, in general, consider a unit to be a public project unit when over 25% of the total unit's annual budget is expended on public projects. It is more common to have these organizational units in the larger public agencies--urban counties, cities and school projects.

Timekeeping Requirements

Employees who generally are considered direct labor and are assigned to a public project unit shall record their time on an hourly basis and record all hours of a full work day. This includes time spent on public projects as well as time spent on projects excluded from this program. Unassigned time by these employees will also be recorded and charged to an appropriate code.

Employees not performing labor on public projects, but who provide administrative support services to the employees of the public project unit, shall also record their time on an hourly basis and record all hours of a full work day. This time will be charged to an appropriate overhead account and will be used in the development of the organizational unit's overhead rate as discussed in Chapter 7.

Other Organizational Units Performing Work on Public Projects

There are other organizational units that have employees who perform work on public projects but whose primary goal is the performance of routine maintenance work and/or other general government services. Typically, these organizational units include: parks and recreation departments; divisions of public works agencies that have not been identified specifically as public project units, such as engineering; water and sewer; street maintenance; and routine maintenance.

a. Timekeeping Requirements
Employees of these organizational units shall report time worked on public projects. Although the Commission strongly believes that it is advisable for employees to record an eight-hour day to various end cost objectives, work performed outside of public projects is excluded from the scope of the program and is not required to be reported. All time worked on public projects by a public agency employee shall be posted to a project tracking system on a timely basis with an adequate audit trail maintained.

b. Discussion of Example
An employee of an organizational unit who performs work on a public project, but whose organization is not identified as a public project unit, must report his time. The employee has recorded only the time worked on a public project. Unit management, employees performing maintenance work, and unassigned employees need not record their time as do similar employees in a public project unit.

4.04 Recording Time to Public Projects

A public project's direct labor time shall be recorded to a project code under the following circumstances:

- The employee worked on a public project.
- The employees were in transit to or from a project site.
- The employee performed clean-up work on a public project, e.g., the employee returned to central headquarters to complete paperwork attributable to a public project.
- The employee was assigned to work on a public project but was unable to work due to unforeseen circumstances, e.g., equipment breakdown or inclement weather, and was therefore idle.

Computing Personnel Costs

In determining personnel costs, three different rates must be determined and applied: the employee's productive hourly rate, the department's overhead rate, and the general government overhead rate.

4.05 Productive Hourly Rate

Personnel costs in many public projects represent the single largest cost of a public project. In calculating these costs it is important to include the three components of personnel costs:

1) Annual salary/wages
2) Benefits received
3) Benefits paid

The calculation of an hourly rate integrating these three costs components is commonly called a "productive hourly rate."

A productive hourly rate shall be used to cost time reported to public projects. A productive hourly rate determines the full costs per hour of employing public agency personnel on a public project. A productive hourly rate is calculated by dividing annual personnel costs by an employee's available hours for work assignment.

Annual Personnel Cost

The annual personnel costs of an employee or class of employees shall be determined by the public agency. These costs shall include annual salary/wages and fringe benefits paid by the public agency.

Fringe benefits are generally calculated as a percentage of annual salary/wages or as an annual cost per employee.

If the productive hourly rate is calculated by employee class, members of each class should have reasonably comparable fringe benefits. Otherwise, further division of the employee class should be performed.

Fringe benefit calculations shall take into consideration, but not be limited to, the employer contribution portion of the following costs:

- Disability insurance
- Life insurance
- Retirement plan
- Unemployment insurance
- Worker's compensation insurance
- Personal liability insurance

The fringe benefits calculation is not required to include accrued benefits, such as sick leave or vacation earned but not taken, as a component of personnel costs. It is recognized that these accrued benefits represent a significant future cost to the public agency. Yet, many public agencies do not account for these costs and would have difficulty in developing accurate figures. If further pronouncements concerning accrued benefits of public agencies are issued, the Commission will determine whether inclusions of these costs are appropriate.

Productive Hours

The public agency shall start with the assumption of 2,080 productive hours in a year if a 40-hour work week is the standard for the public agency. If a 40-hour work week is not the standard, the appropriate number of annual productive hours must be determined by the agency. The public agency shall then determine average annual nonproductive time either by employee, class of employee, or agency-wide. Nonproductive time is time when the employee is not available to work or assignment to work and includes but is not limited to:

- Vacation
- Sick leave
- Holidays
- Military leave
- Jury duty
- Training

4.06 Unit Overhead Rate

Public Project Unit

A unit overhead rate shall be developed for each public project unit. This unit overhead rate shall include all public project costs that are not direct costs. The overhead rate shall be developed and added to the productive hourly rate.

Organizational Unit Performing Public Project Work

A unit overhead rate shall be developed for each organizational unit performing work on public projects in addition to its primary duties. This unit overhead rate shall include all of the organizational unit's costs that are not direct costs. The overhead rate should be developed and applied to the employee's productive hourly rate.

4.07 Government-Wide Overhead Rate

A government-wide overhead rate shall be developed to include all costs of a public agency not associated with organizational units performing services that support all end cost objectives of the government entity. The government-wide rate shall be developed and applied to the productive hourly rate after unit overhead has been applied.

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CHAPTER 5 IDENTIFICATION, REPORTING, AND COSTING OF MATERIALS, SUPPLIES, AND SUBCONTRACTS

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CHAPTER 5 IDENTIFICATION, REPORTING, AND COSTING MATERIALS, SUPPLIES, AND SUBCONTRACTS

Identification, Reporting, and Costing of Materials, Supplies, and Subcontracts

Materials, supplies, and subcontracts used on public projects are considered a cost element by the Commission and include such items as lumber, bricks, cement, doors, paint, asphalt, wire, sand, gravel, pipe, and work performed under a subcontract. Materials and supplies used on public projects shall be tracked and charged to project codes as discussed in Chapter 2 and can be accounted for either as direct purchase or inventory.

This section of the manual describes the systems and methods used to track materials, supplies, and subcontracts; determine their value, as well as the other costs associated with providing materials and supplies; and record these costs to a project tracking system.

Materials and Supplies

Critical to the public agency's determination of personnel costs is the ability to identify time spent by employees performing work on all public projects.

5.01 Tracking Materials and Supplies

The Commission wishes to provide policies and procedures so that public agencies account for public projects in a manner similar to the construction industry. The nature of governmental procurement and inventory practices presents challenges to the public agency's ability to meet the Commission's objective of effectively measuring material and supply costs for public projects.

Direct Purchases

Materials and supplies are often purchased directly for use on a public project. The public agency can thus identify the associated dollar value of items purchased to the public project code, which should be identified on the purchase order when the procurement is initiated.

Inventory

It is more difficult to identify the associated costs of items obtained from the public agency's inventory of materials and supplies, generally maintained at a warehouse or stockroom. The major challenge is identifying and recording the costs of material and supplies utilized for the public project which are obtained from the public agency's inventory. It is the Commission's position that, if the value of these goods obtained from inventory is material, the cost must be recorded to the public project code as a direct cost item. Materiality is defined for purposes of this manual to be any item that has a unit or aggregate value of $25 or more.

Items purchased and placed into inventory that would subsequently be used on public projects and which may exceed the $25 limit shall be issued to projects in a manner consistent with good accounting controls.

5.02 Costing Materials and Supplies

Direct Purchase

The total material and supplies costs are the invoiced amount. This amount should be posted to the project tracking system for direct purchases on a timely basis. This recorded amount should include the cost of the materials and supplies, freight, sales tax, use tax and any other appropriate costs.

Inventory

The public agency shall have a method to provide for the valuation of the inventory it releases to public projects. Acceptable methods include:

First-In, First-Out (FIFO) – The earliest acquired stock is assumed to be used first, the latest acquired stock is assumed to be still on hand. Therefore, when inventory is issued, it is valued at the cost of the earliest acquired stock.

Last-In, First-Out (LIFO) – The earliest acquired stock is assumed to be still on hand, the latest acquired stock is assumed to have been used immediately. Therefore, when inventory is issued, it is valued at the cost of the most recently (latest) acquired stock.

Weighted Average – In this type of inventory valuation system, each purchase of stock is aggregated with the former inventory balances so that a new average unit price is used to price the subsequent issues of inventory.

Recent Costs – The most recent unit costs is applied to units consumed to yield total cost.

5.03 Handling/Carrying Cost

Personnel, equipment and facilities costs are incurred by the public agency to store and transport inventoried items. This is separate and distinct from the cost of procurement that is considered to be recaptured through general government overhead, as discussed in Chapter 4. (If warehousing and transportation costs are not provided by a central organization, it is assumed that these costs are recovered through the government-wide overhead rate).

5.04 Subcontracts

A public agency may wish to complete work on a public project by subcontracting, i.e., hiring an outside contractor to perform a portion of the work.

Subcontractors shall be accounted for in a manner similar to a direct purchase of materials and supplies. Contracts or purchase orders should be coded with the appropriate project code and the subcontract costs recorded onto the project tracking system in a timely manner. The handling/carrying overhead rate shall be calculated to recover:

- Warehouse/storeroom personnel costs
- Facility costs of storeroom/warehouse
    - Utilities
    - Rent
    - Insurance
- Transportation costs associated with the receipt/delivery of materials and supplies.

CHAPTER 6 IDENTIFICATION, REPORTING, AND COSTING EQUIPMENT

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CHAPTER 6 IDENTIFICATION, REPORTING, AND COSTING EQUIPMENT

Identification, Reporting, and Costing Equipment

Usage of equipment on public projects is a cost element of performing those public projects. Equipment usage, excluding passenger riding sedans, must be tracked when a piece of equipment is assigned to a public project. Equipment used on public projects shall be charged to a project cost code. This section describes the systems and methods used to track equipment usage, determine equipment costs, and record the costs to a projects tracking system.

6.01 Equipment Tracking Systems

The public agency shall have a manual or automated system that tracks the appropriate equipment by time, mileage or other usage factor to a public project. The system shall have the capability to track equipment usage to a public project:

- When it is in motion to/from a project site;
- When at a public project site (whether in use or not), if time is the means of equipment tracking and
- When at public project site and in use, if mileage or some other mechanism is the means of equipment tracking.

Examples of Tracking Systems

One of the simplest forms for tracking equipment is a weekly timesheet for each piece of equipment that has been assigned to the public project and the time or mileage incurred by the public project. These sheets should be submitted weekly with labor timesheets or cards. They should then be sent to the accounting area and charged to a project tracking system.

6.02 Equipment Tracking of Agency Owned/Operated Equipment

As will be seen in this chapter heading Equipment Usage Rates on page 68, the public agency can cost out equipment it owns and operates in one of two ways. The public agency can either utilize internally developed equipment rates or rates from industry equipment rate books.

Internal Rates

When an agency develops internal equipment rates for certain or all types of equipment, that agency must track the time that equipment was used on end cost objectives such as public projects, maintenance work, and unassigned time. This enables the public agency to determine what the equipment's history of productive hours has been. This enables a better forecast of projected productive hours to be made for rate development purposes.

Equipment Rate Book Rates

When an agency utilizes the calculated equipment rate from rate books, it must record the time or mileage the equipment is used on public projects. Since these equipment rates generally factor in idle time, a full tracking of the equipment as performed for "internal rate" equipment is not mandated.

Equipment Usage Rates

There are three acceptable means of determining equipment rates. They include rates developed internally for public agency owned and operated equipment, equipment rate books used by the construction industry and rental or lease rates charged by commercial vendors. Each of these methods attempts to recapture the costs associated with the equipment's purchase and operations, such as depreciation, fuel, maintenance, repair and insurance.

6.03 Internal Rates (Equipment Owned by Public Agency)

Public agencies shall utilize internally developed equipment usage rates that reflect the full cost of owning, operating and maintaining types of equipment. Rates should be developed for classes of equipment and should comply with the following guidelines:

- The internal equipment rate methodology shall be documented and an adequate audit trail provided.
- The costs of depreciation, fuel and oil, equipment storage, and income are to be included in the internally developed rates.

Depreciation

Depreciation is the method used to spread the cost of equipment, capital lease, or replacement value less residual value, over a piece of equipment's useful life. The public agency's capitalization policy should be used to determine whether a piece of equipment should be depreciated. Generally, equipment that costs more than $1,000 and has a useful life of more than one year should be depreciated.

Depreciation should be calculated as follows:

1) Useful Life
   Depreciation should be based on the average useful life for the piece of equipment in a particular operation. Determination of useful life should be based on actual or planned retirement and replacement practices.

2) Residual Value
   Residual value is the value at disposition (less costs of disposal) estimated at the time of acquisition. In many cases, the estimated residual value is so small and occurs so far in the future that it has no significant impact. As well, residual value may be almost or completely offset by removal and dismantling costs. Normally, public agency equipment will be used through the end of its estimated useful life and the residual value may be carried at zero. In the event that it is known at the time of acquisition that the capital equipment will not be used for at least 75% of its scheduled useful life, residual value should be estimated.

3) Capital Improvements
   Capital improvements are the costs of major overhauls and modifications that add value and prolong the life of a piece of equipment. These costs should be treated as capital expenditures and depreciated over the extended or remaining useful life of either the asset or improvement, whichever is less.

4) Straight Line Depreciation Method
   The straight-line depreciation method charges an equal amount for each period of useful life (generally a year). This method is considered the most practical and reasonable method for determining equipment usage costs.

5) Calculation of Depreciation Method

For annual depreciation for capitalized equipment will be estimated as follows:

A. Start with the acquisition cost (purchase price) plus capital improvements, plus all other costs incurred to place the equipment in usage, e.g., transportation, installation. The public agency may choose to utilize replacement value for this calculation.

B. Determine the useful life of the equipment, utilizing applicable guides such as the IRS guide.

C. Compute annual depreciation by dividing the depreciable basis (acquisition cost plus capital improvements less residual value) by the useful life.

D. Maintenance and Repairs
These are costs (labor and parts) that are incurred for maintenance repairs to keep the equipment in normal operating condition. These costs do not include capital improvements that add value to equipment and are accounted for under depreciation. Tires and grease are included in this classification of cost. Typically, a ledger card for each piece of equipment will be necessary to record these costs.

E. Fuel and Oil
These costs include the labor and fuel costs of supplying the equipment with fuel of any type and oil.

F. Equipment Storage Costs
Equipment storage costs include the cost of facilities associated with the use of equipment. These costs include equipment yards, warehouse facilities, and the cost of guards and other security measures.

G. Insurance
These costs include the premiums paid by the public agency (whether self-insured or paid to an outside agency) for equipment insurance.

A good discussion of the calculation of internal equipment rates can be found in State Controller's Office website, http://www.sco.ca.gov/pubs_guides.html *Accounting Standards and Procedures for Counties* in the Road Fund Accounting section.

6.04 Equipment Rate Books (Equipment Owned by Public Agency)

Public agencies that own equipment used on public projects but do not calculate internal equipment rates shall utilize appropriate private industry equipment rate books. It is understood that industrial rates may include certain costs that are not incurred by public agencies, such as personal property taxes paid on the assessed value of the equipment and interest charges. However, these equipment usage rates in some cases do not include: the cost of fuel or other energy costs to operate a particular piece of equipment; the cost of preparatory work performed before a piece of equipment can be made operative; the costs of dies, blades or welding rods that are normally consumed in the operation of a piece of equipment; or the costs of extraordinary wear and tear. Therefore, the use of industrial rates is assumed to provide a reasonable approximation of internal rates.

Equipment rate books that are acceptable to the commission for use in lieu of internal rates include:

- *Caltrans Labor Surcharge and Equipment Rental Rates*
  http://www.dot.ca.gov/hq/construc/equipmnt.html
- *Mechanical Contractors Association Tool and Equipment Rental Guide*
- *National Electrical Contractors Association Tool and Equipment Rental Schedule*

Use of other guides must first be reviewed and approved by the Commission.

These guides are maintained and updated on a periodic basis by the appropriate agency or association to accurately reflect current costs associated with equipment usage. If a piece of equipment or comparable piece of equipment is not included in an established guide, an internal rate shall be developed or a documented quote from an equipment leasing or rental agency may be utilized.

6.05 Rental or Lease Rates

Rented or leased equipment to be used partially or completely on public projects shall be tracked and have the appropriate amount charged to the public project. Additional costs associated with the leasing or renting of equipment used partially on a public project shall be charged on a pro rata basis, if appropriate to that project. Costs related to renting or leasing equipment generally include, but are not limited to:

- Rates
- Moving, loading, and assembly costs
- Maintenance and repairs
- Insurance
- Fuel (under some rate schedules)

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CHAPTER 7 IDENTIFICATION, RATE DEVELOPMENT, AND ALLOCATION OF OVERHEAD

Identification, Rate Development, and Allocation of Overhead

7.01 Commission Adopted Simplified Overhead Rate

Prior to January 1, 2004, the Commission allowed all agencies to use a 20% overhead rate applied to all direct costs in lieu of calculating their overhead rates. Amendments to Public Contract Code section 22017 provides that cities with a population of less than 75,000 can assume the 20% rate. Cities with a population of 75,000 or over can either assume a 30% overhead rate or calculate an actual overhead rate.

The Commission determined that counties, special districts, and school districts can use a 30% rate or calculate an actual overhead rate, which is the same rule that applies to cities with a population of over 75,000.

Agencies may elect to calculate their overhead rates by one of three following methods:

1) Appendix A describes the federal government's method of calculating overhead (2CFR Part 200).
2) Appendix B describes a method of calculating overhead by allocating overhead costs as a percentage of direct labor costs.
3) Any method of calculating overhead is satisfactory with the Commission, provided that acceptable accounting procedures are used and all administrative costs are included.

Chapter 3, Definitions, lists items that define overhead.

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APPENDIX A COST PRINCIPLES FOR STATE, LOCAL AND INDIAN TRIBAL GOVERNMENTS

2 CFR Part 200
(OMB Circular A-87)
Please refer to:

www.ecfr.gov

Browse: Title 2 – Grants and Agreements
Volume 1, Chapter II, Part 200

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APPENDIX B OVERHEAD DETERMINATION AND ALLOCATION PERCENTAGE OF DIRECT LABOR COSTS METHOD

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APPENDIX B OVERHEAD DETERMINATION AND ALLOCATION PERCENTAGE OF DIRECT LABOR COSTS METHOD

Identification, Rate Development, and Allocation of Overhead

B.01 Identification, Rate Development, and Allocation of Overhead

Overhead is the one cost element most frequently misunderstood and absent from public agency costs. This section defines overhead costs and the various methods used to identify, track, and allocate these costs. The Commission believes that overhead is a significant factor and that it is essential that public agencies record and allocate their costs to fairly reflect the total cost of performing public projects. It is not intended that public agencies be required to recover all their overhead costs but that overhead costs reasonably borne by public projects be allocated to these projects.

Overhead includes all costs except:

- Labor performed at the site and directly charged to any end costs objective (including other than public projects) including a pro rata share of payroll taxes and related employee benefits, such as workers' compensation, group insurance, holiday and sick leave, and similar "fringe benefits." As discussed previously, an end cost objective is a pool, center, or activity established for the accumulation of the direct cost of performing fundamental government services. Labor charged to an end cost objective should be traceable to the finished goods or services performed.
- Materials, supplies, and subcontracts actually consumed on and directly charged to any end cost objective, including related freight, sales or use tax, and handling/carrying charges if appropriate. Materials and supplies charged to an end cost objective should be traceable to the finished goods or services provided.
- Equipment costs directly charged to any end cost objective. Equipment costs charged to an end cost objective should be traceable to the finished goods or services provided.

Overhead costs represent economic resources that are employed for common or joint purposes benefiting several end cost objectives and are not identifiable to an individual end cost objective. The challenge is to achieve an equitable allocation of overhead costs to these various end cost objectives of the public agency.

Public agencies shall calculate two overhead rates or use the simplified overhead rates noted in Chapter 7:

- Unit overhead rate
- Government-wide overhead rate

Unit overhead is defined as all costs incurred by an organizational unit, such as a public project unit, department, division or section, which are not directly attributable to any end cost objective whether it be a public project or not. These costs include personnel costs, materials, supplies and subcontracts and equipment costs not directly attributable to any end cost objective. As was discussed in Chapter 4, unit overhead must be developed for public project units and organization units performing public project work.

Government-wide overhead is defined to include all costs of a public agency not associated with organizational units performing services which support all end cost objectives of the government entity.

The unit and government-wide overhead rates must be developed on an annual basis. These rates should be developed prior to the fiscal year and applied to the productive hourly rate as discussed in Chapter 4.

B.02 Unit Overhead

Unit overhead is made up of personnel costs, materials, supplies and subcontracts, equipment usage and facilities costs that are not identified as direct costs. As was stated in Chapter 4, unit overhead rates shall be developed for public project units and any other organizational units whose employees may perform work on public projects.

Cost Components

Components which shall be included in the calculation of unit overhead include, but are not limited to, costs incurred within the organizational unit related to:

- Administration
- Accounting/finance
- Clerical assistance
- Facilities
  - Rental costs (Depreciation of facilities purchased or constructed by a public agency is not required by the Commission).
  - Utilities
  - Insurance
- Data processing
- Direct labor not charged to direct activities
- Materials and supplies not charged to direct activities
- Under-realization of labor and equipment rates

Unit overhead components shall not be included in the government-wide overhead.

Tracking of Unit Overhead

The tracking of overhead costs can be performed in two ways. Overhead can be determined through the utilization of a formal cost accounting system. This system allows for the identification of such costs as salaries and indirect materials and supplies as overhead costs, and records these costs to management overhead codes. Alternatively, cost-finding studies can be performed. A cost finding study, a less precise method of overhead determination, is usually performed on an annual basis and generally involves taking available financial accounting data and determining the value of overhead pools through various estimation techniques.

a. Public Project Unit
   As discussed in Chapter 4, a public project unit's personnel shall record and account for a full workday. This enables the public project unit to track and record time spent on overhead activities and unassigned time on an actual basis. As well, the public project shall record equipment usage costs, subcontractor costs, materials, supplies and subcontracts, and facilities costs to overhead codes when not identifiable to a specific project. Thus, the public project unit accounts for all of its

costs, whether they are direct costs or overhead. The public project unit will use the resulting data to develop its unit overhead rate.

b. Organizational Unit Performing Public Project Work
Personnel working for an organizational unit whose primary goals include the performance of routine maintenance work and/or other general government work are not required to account for a full workday. However, these employees must record all hours of work performed on public projects. This organizational unit shall develop a unit overhead rate through an annual cost finding study which distinguishes direct costs for end cost objectives from indirect (overhead) costs.

B.03 Government-Wide Overhead

Government-wide overhead represents costs incurred by the support functions of the governmental entity, which are not associated with an organizational unit performing end cost objectives. As was stated in Chapter 4, government-wide overhead rates shall be determined by each public agency.

Internally Developed Government-Wide Overhead Rate

Public agencies shall utilize an internally developed government-wide overhead rate. The rate methodology shall be documented and an adequate audit trail provided.

a. Cost Components
The government-wide overhead rate shall include but not be limited to costs associated with the functions shown below to the extent that they are not included in specific unit overhead rates:

- Payroll department
- Procurement/purchasing department
- Legal function
- Central administrative function
- Accounting/finance budget function
- Data processing
- Insurance (whether self-insured or premiums are paid to an agency)
- Public Relations
- Vehicle Pool

The government-wide overhead rate may exclude the costs associated with the legislative and judicial branches of the public agency.

b. Rate Development
The public agency shall develop the government-wide overhead rate of the public agency using direct labor dollars to allocate these government-wide overhead costs in a manner similar to the allocation of unit overhead.

Government-Wide Overhead

Where a government-wide cost allocation plan has been prepared under the auspices of 2 CFR Part 200 or other government-wide rate methodologies, the public agency may utilize the overhead costs or rates developed in lieu of an internally developed government-wide overhead rate, as described in this manual. The Commission recognizes that public agencies may consider these rates imprecise or inappropriate. It is acknowledged that, in developing these rates, some costs are not included because they are considered "not allowable." Thus, the rate may not recover all costs associated with the program. In contrast, an argument could be made that the rates are calculated to recover the costs of government-wide overhead, which would occur whether or not the specially funded program was undertaken. In this instance, the rate would be considered too high.

In acknowledging these arguments, the Commission wishes to identify the issues but still allow the use of these rates as a reasonable alternative for the calculation of government-wide overhead.

Overhead Allocation

The government-wide overhead rate shall be applied to the appropriate productive hourly rate after the unit overhead has been applied. See Chapter 4 for a more detailed discussion.

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