

California Uniform Construction Cost Accounting Commission

Meeting Agenda

December 13, 2013
10:00AM to 2:00PM

Teleconference Number: (877) 581-9247
Participation Code: 221558

Locations

California State Controller's Office
300 Capitol Mall, 6th Floor Room 635
Sacramento, CA 95814

1. **Call to Order**
2. **Introductions**
3. **Oath of Office**
4. **Approval of the Minutes for the Meeting of August 22, 2013 (Refer to attachment Item 4)**
5. **Commission Update (Refer to attachment Item 5)**
 - a. Report on new participating agencies.
 - b. Funding update.
6. **Public Comment**
(Limit of five minutes, unless the item you are addressing is on the agenda. If the item is on the agenda, notify the chair and you will be recognized at that time.)
7. **Staff Comment/Requests**
8. **Commissioner Comments/Requests/Questions**
9. **Old Business (Refer to attachment Item 9)**
 - a. Final updates for the manual
 - i. Manual Changes
 1. Section I
 2. Deletion of Appendix C
 - ii. Legislative Changes
 1. Changes to the statute language – outlined with proposed language
 2. Institution of the fee structure – proposed language

California Uniform Construction Cost Accounting Commission

3. Strategic plan for presenting this information to the legislature and for gaining support from member agencies and industry supporters via Omnibus bill
- b. Proposed initial changes for Section II
- c. Discuss methodology for changes in Sections III – V and Appendices A & B

10. New Business

- a. Cleanup legislation for PCC 22010(b)
- b. Commission Vacancies

11. Annual Report to the Legislature

12. Next Meeting

13. Adjournment

If you would like further information regarding this meeting or require special accommodation for attending this meeting, please contact:

State Controller's Office
Local Government Programs and Services
Divisions Local Government Policy Section
LocalGovPolicy@sco.ca.gov

Item 5 – Commission Update

5a. Report on new participating agencies.

19 new agencies have opted into the UPCCAA, bringing the number of agencies participating in the Act to 869.

5b. Funding update.

The Commission has \$4,298.03 of unrestricted donations available for its use.

California Uniform Construction Cost Accounting Commission

Cost Accounting Policies and Procedures Manual



September~~January~~ 20122013

Controller John Chiang
California State Controller's Office

Preface

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. The most recent informal bid limits can be found at www.sco.ca.gov/ard/local/index.shtml.

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 streamlined awards process and the reduction in paperwork related to advertising and report filing.

~~The Act allows agencies to apply an overhead rate in a simplified or calculated method. Local agencies with a population of less than 75,000 may use the simplified method to apply an overhead rate of 20% of all direct costs. Local agencies with a population of 75,000 or more may use an overhead rate of 30% of all direct costs. If a local agency elects to calculate an overhead rate, it can use Appendices A and B in this manual as a reference, or it may calculate an overhead rate on its own, provided that it uses acceptable accounting procedures and includes all administrative costs.~~

Delete, confusing when inserted here.

**Instructions for Adoption and Implementation
of the Uniform Construction Cost Accounting Procedures
by Local Agencies**

- (1) The Governing Board must elect by resolution to become subject to the uniform construction cost accounting procedures promulgated by the Controller pursuant to Public Contract Code Section 22019. The resolution shall specify that the local agency will meet the requirements prescribed in the California Uniform Public 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 Controller in writing of the election to become subject to the uniform construction cost accounting procedures. A copy of the resolution shall also be filed with the Controller. Send it to: Office of State Controller, Division of Accounting and Reporting, Local Government Policies 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 policy 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 Controller.
- (7) The Controller shall notify the 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.

SAMPLE INFORMAL BIDDING ORDINANCE or POLICY (as stipulated by the participating agency)

(This SAMPLE INFORMAL BIDDING ORDINANCE indicates action by a county board of supervisors. However, the sample format can be modified for use by any public agency's governing body.)

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 ordains 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. A list of contractors shall be developed and maintained in accordance with the provisions of Section 22034 of the Public Contract Code and criteria promulgated from time to time by the California Uniform Construction Cost Accounting Commission.

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~~ may be faxed, e-mailed or mailed to all contractors for the category of work to be bid, as shown on the list developed in accordance with Section _____, and shall be sent by fax, email, or mail 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 there is no list of ~~registered/qualified~~ contractors maintained by the County for the particular category of work to be performed, the notice inviting bids shall be sent only to the construction trade journals specified by the Commission.

(2) 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 QUALIFIED REGISTERED CONTRACTORS
PER SECTION 22034 OF THE PUBLIC CONTRACT CODE**

Section 22034 of the Public Contract Code specifies the requirements for mailing notices to contractors for work to be bid under the Act. As specified therein, an agency shall provide notices either a) by mailing notices to all construction trade journals specified in Section 22036, or b) by mailing notices to all contractors on the list established by the agency for the work being bid, or by both a) and b). In the event an agency elects to provide notice by mailing 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~~ qualified contractors outlined in Section 22034 a).

~~1. During November each year, each Public Agency which has elected to become subject to the Uniform Public Construction Cost Accounting Act and intends to utilize the notice provisions outlined in section 22034 a) shall establish a new or update its existing list of ~~registered~~ qualified contractors by mailing a written notice to all construction trade journals designated for that Agency under Section 22036, inviting all licensed contractors to submit the name of their firm to the Agency for inclusion on the Agency's list of qualified bidders for the following calendar year.~~

~~During November each year, each Public Agency which has elected to become subject to the Uniform Public Construction Cost Accounting Procedures shall mail a written notice to all construction trade journals designated for that Agency under Section 22036, inviting all licensed contractors to submit the name of their firm to the Agency for inclusion on the Agency's list of qualified bidders for the following calendar year.~~

2. The notice shall require that the contractor provide the name and address to which a Notice to Contractors or Proposal should be mailed, ~~faxed, or emailed~~, a phone number at which the contractor may be reached, the type of work in which the contractor is interested and currently licensed to do (earthwork, pipelines, electrical, painting, general building, etc.) together with the class of contractor's license(s) held and contractor license number(s).
3. The Public Agency may create a new contractors list starting January 1st of each year. The Agency may include any contractor names it so desires on the list, but the list must include, at a minimum, all contractors who have properly provided the Agency with the information required under #2 above, either during the calendar year in which the list is valid or during November or December of the previous year.

The Commission recommends that the Agency automatically include the names of all contractors who submitted one or more valid bids to the Agency during the preceding calendar year.

4. A contractor may have his firm added to an Agency's contractors list at any time by providing the required information.

**COUNTY-BY-COUNTY LIST OF CONSTRUCTION TRADE JOURNALS
WHICH SHALL RECEIVE WRITTEN NOTICE OF ALL INFORMAL
AND FORMAL CONSTRUCTION CONTRACTS BEING BID FOR WORK
(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 Uniform Public Construction Cost Accounting Act shall be required to mail, e-mail, 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-registered** 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 publications on the List of Construction Trade Journals beginning on page 10.

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 (2) 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 list of construction trade journals beginning on page 10 is more extensive. 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 9.

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.)

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>
<u>COUNTY NAME</u>	<u>TRADE JOURNALS REQUIRED TO BE NOTIFIED</u>	<u>NOTIFY TWO OF THE TRADE JOURNALS LISTED BELOW</u>
ALAMEDA	2, 3	9, 15, 16, 17, 18, 19, 20
ALPINE	2, 3	12
AMADOR	2, 3	12, 14, 21
BUTTE	2, 3	6, 7, 12, 13
CALAVERAS	2, 3	12, 20, 21
COLUSA	2, 3	6, 7
CONTRA COSTA	2, 3	9, 16, 17, 18, 20
DEL NORTE	2, 3	4, 5, 6
EL DORADO	2, 3	11, 12, 13, 14, 17
FRESNO	2, 3	20, 22, 26, 27, 28
GLENN	2, 3	6, 7, 13
HUMBOLDT	2, 3	4, 5, 6
IMPERIAL	2, 3	32, 35
INYO	2, 3	28
KERN	2, 3	22, 27, 28, 29
KINGS	2, 3	22, 26, 27, 28
LAKE	2, 3	5, 6, 8, 9, 17
LASSEN	2, 3	4, 6, 12, 13
LOS ANGELES	2, 3	32, 35, 47
MADERA	2, 3	20, 22, 26
MARIN	2, 3	8, 9
MARIPOSA	2, 3	22
MENDOCINO	2, 3	5, 8, 9, 17
MERCED	2, 3	20, 21, 22

ACCOUNTING PROCEDURES REVIEW

- I. 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:
 - A. 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.
 - B. It exceeded the force account limit.
 - C. It has been improperly classified as maintenance.
- II. 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.

III. If an inquiry comes to the 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 FAQs as appropriate. (as passed at last Commission meeting)

IV.H Request for Accounting Procedures Review

- A. In those circumstances as set forth in section 1(A) above, a request for Commission review shall be in writing, sent to the Commission by **certified or registered mail**, postmarked no later than five business days from the date the public agency has rejected all bids.
- B. In those circumstances set forth in section 1(B) or 1(C), a request for Commission review shall be in writing, sent to the Commission by **certified or registered mail**, postmarked no later than ~~five-eight~~ business days from the date an interested party formally complains in writing to the public agency.
- C. The address for purpose of notice herein is the: CALIFORNIA UNIFORM CONSTRUCTION COST ACCOUNTING COMMISSION, Office of the State Controller, Division of Accounting and Reporting, County Policy Section, P.O. Box 942850, Sacramento, CA 94250.
- D. Such written notice shall include the following information:
 1. The name, address, phone number, **and email** of interested party as defined in (II) above, and person to be contacted presenting evidence.
 2. An indication that work undertaken by the public agency falls within one of the following categories:
 - a. 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.
 - b. It exceeded the force account limits.
 - c. It has been improperly classified as maintenance.
 3. The name, address, and phone number of the Public Agency involved.
 4. The project name, location, or other project identification number.
 5. The bid date and rejection date, if applicable.

- 6. The low bid dollar amount, if applicable.
- 7. The agency estimate, if available.

~~ACCOUNTING PROCEDURES REVIEW~~
~~(CONTINUED)~~

- 8. Other documentation supporting the request. If the requestor is unable to obtain information from the participating agency, the request should so note that 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 State Controller's Office. Incomplete review requests may affect the ability of the Commission to render a timely decision.
- E. 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.
- IV. 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:
 - A. They shall submit resumes of experience to the Commission for prequalification.
 - B. Each applicant shall have at least five years of experience with, and be knowledgeable of, public works construction and/or accounting under contracts let by public agencies.
 - C. They shall submit their schedule of fees required to perform such service.
- VI. 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 representation.
 - A. 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. Failing to cooperate fully, either through unwillingness or inability, may be found to be non-compliant.
 - B. If the work group deems it necessary, it may utilize the State Controller's Office 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.
 - C. The auditor or consultant shall prepare written findings and a recommended decision within twenty (20) calendar days from the date the request for review was received by the Commission.
- VII. 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 (30) 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.
- VIII. 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.
- ~~IX-VII~~
I. Pursuant to Public Contract Code Section 22044.5 (AB 2372 – Chapter 192 of the Statutes of 2006), 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 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.

22014 Members; Terms; Vacancies	<p>(a) The members of the commission shall hold office for terms of three years, and <u>thereafter until their successors are appointed, except as otherwise provided for in this section, or unless incapacitated and unable to serve due to death or disability.</u></p> <p>(b) In the case of members initially appointed by the Controller, two representing the construction industry and two representing public agencies shall be appointed to serve until July 1, 1985; two representing the construction industry and two representing public agencies shall be appointed to serve until July 1, 1986; and three representing the construction industry and three representing public agencies shall be appointed to serve until July 1, 1987.</p> <p>(c) Members may be reappointed for subsequent terms of three years.</p> <p>(d) <u>The Controller may, at the Controller's sole discretion, shall, within 90 days after expiration of any term, appoint a replacement to fill the vacancy on the Commission, if such vacancy is not previously filled through the normal nominating process by the authorized agencies and industry associations.</u></p>
22015 Staff; Members' Compensation; Grants <u>Language pending fee language proposed for approval and legislative approval to be approved by the Commission at the December 2013 meeting</u>	<p>(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.</p> <p>(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.</p> <p>(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.</p>
22016 Meetings	The commission shall meet not less than once each year, at a time and place chosen by its membership.
22017 Duties	<p>The commission shall do all of the following:</p> <p>(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.</p> <p>As part of its deliberations and review, the commission shall take into consideration relevant provisions of <u>Office of Management and Budget Circular A-76 revised 2003 as periodically revised.</u></p> <p>(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 purposes of these cost accounting procedures, the following shall apply:</p> <p>(1) Cities with a population of less than 75,000 shall assume an overhead rate equal</p>

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.

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 interests 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.

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 Procedure

22030 Application of Article 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.

22031 Alternative Procedures Nothing in this article shall 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.

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 or Projects; Evasion of Provisions 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	<p>Each public agency which 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:</p> <p>(a) Notice to contractors shall be provided in accordance with either subsection (1), subsection (2), or both.</p> <p>(1) The public agency may elect to establish and maintain a list of registered 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 e-mailed, faxed or mailed 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.</p> <p>(2) The public agency may elect to e-mail, fax or mail a notice inviting informal bids to all construction trade journals specified in Section 22036.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(a) 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.</p> <p>(b) All contractors on the list for the category of work being bid or all construction trade journals specified in Section 22036, or both all contractors on the list for the category of work being bid and all construction trade journals specified in Section 22036, shall be mailed a notice inviting informal bids unless the product or service is proprietary.</p> <p>(c) All mailing of notices to contractors and construction trade journals pursuant to</p>

	<p>subdivision (b) shall be completed not less than 10 calendar days before bids are due.</p> <p>(d) 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.</p> <p>(e) 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.</p> <p>(f) 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.</p>
22035 Emergencies	<p>(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.</p> <p>(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).</p>
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.
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 notice of all informal and formal construction contracts being bid for work within the specified county.
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 mailed to all construction trade journals specified in Section 22036. The notice shall be mailed, <u>faxed, or emailed</u> 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

	<p>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:</p> <p>(1) Abandoning the project or re-advertising for bids in the manner described by this article.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>
22039 Adoption of Plans, Specifications, and Working Details	The governing body of the public-participating agency or its designated representative(s) shall adopt plans, specifications, and working details for all public projects exceeding the amount specified in subdivision (c) of Section 22032.
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 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.
22042 Accounting Procedures Review	<p>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:</p> <p>(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.</p> <p>(b) Exceeded the force account limits.</p> <p>(c) Has been improperly classified as maintenance.</p>
22043 Work Done by Public Agency; Commission Review; Request	In those circumstances as 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 five business days from the date the public agency has rejected all bids. 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 five days from the date an interested party formally complains to the public agency. The commission review shall commence immediately and conclude within 90 30 days from the receipt of the request for commission review. 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.
22044 Written Findings; Failure to Comply with Chapter; Action	<p>The commission shall prepare written findings. 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:</p> <p>(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.</p> <p>(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 <u>within thirty (30) days of receipt of written notice of the findings</u> and that governing body shall conduct a public hearing with regard to the commission's finding <u>within sixty (60) days of receipt of the findings</u>.</p>
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 use the bidding procedures provided by this article for five years from the date of the commission's findings.
22045 Implementation of Procedures Review: Commission Recommendations	<p>(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.</p> <p>(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.</p>

CHAPTER 2.5. EMERGENCY CONTRACTION PROCEDURES

22050 Contracts Without Bids; Procedures	<p>(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.</p> <p>(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.</p> <p>(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).</p> <p>(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</p>
--	--

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 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 at a minimum 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.

The California Uniform Construction Cost Accounting Commission (CUCCAC) 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.

A. CUCCAC PHILOSOPHY

The policies and procedures, as dictated by the law, 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 -- 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 \(SACS\) California Schools Accounting Manual](#) meets the requirements of the Act.

B. 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.

C. DEFINITIONS

The definitions listed below will assist users of this 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

Cost finding is 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 (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. ~~All~~

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.

D. 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 objectives. 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. The cost accounting standards discussed in Sections III, IV, V and VI have provided the needed flexibility to properly address the unique organizational structures of the varied participating public agencies.

E. CLASSIFICATION OF COSTS

It is the stated objective of the law and CUCCAC to have public agencies estimate the cost of public projects and then 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.

1. Direct Costs

Direct costs include costs that can be specifically identified with a construction job and/or with a unit of production within a job.

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, ~~and miscellaneous costs.~~ Components of each of these direct project cost categories are shown below and

include costs applicable to the construction industry.

a. Labor

Hourly Pay/Salary
Payroll Taxes (Employer Contribution)
Workers' 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

b. Equipment

(1) 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/equipment.html>)

(2) External 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

c. Permanent Materials and Supplies

(1) Cost of Permanent Materials and Supplies - Charged Directly to Job

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

(2) Cost of Permanent Materials and Supplies - Inventory

Substantiated by most recent Invoice
~~Inventory Cost (LIFO, FIFO, Average)~~
Handling
Warehouse and Transportation Costs
~~Spoilage, Loss and Theft~~

d. Subcontracts

Payments Made to Subcontractors

e. Nonpermanent Materials and Supplies/Miscellaneous Costs

Nonpermanent Materials and Supplies/Miscellaneous Costs
~~Permits~~
~~Fees~~
~~Performance Bonds~~
~~Licenses~~
~~Miscellaneous Costs~~

2. 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.

a. Labor

Quality Control and Inspection
Field Supervisors
Security Guards
Superintendent
Job Secretary

b. Other Project Expenses

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

3. Overhead Costs

a) 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 PCC Section 22017 in Senate Bill 66 (Chapter 297, Statutes of 2003) 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.

b) 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 225).
- 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

F. PROJECT IDENTIFICATION

Public projects, as defined in Section I, 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.

G. 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.

1. Examples of 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 projects.~~systems range widely in terms of the complexity of establishing and maintaining these systems.~~

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 system.

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. This type of project tracking system (project ledger card) will be used in examples throughout this manual.

2. Discussion of Example

As shown in Exhibit II-1, a sample project ledger card has been established by the school district's accounting area to estimate record 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:

~~A completed project ledger card is shown in Exhibit II-2, may be used for estimating, accounting and final cost reporting, as an example of what information a project tracking system should contain upon completion of a project. This manual shows in detail how the postings through January 31, 2003, were recorded. From the last posting made in January a monthly total for job to date costs was calculated, subsequent labor and equipment posted, and the job closed. This completed example is for illustrative purposes only and to provide an overview of the sections to follow, and should not be considered a required format for public agencies operating under this program. An Excel spreadsheet is available online at <http://www.sco.ca.gov/ard.cuccac.html>.~~

07/12 California State Controller 47

PROJECT LEDGER CARD

START DATE: 9/20/2013
END DATE: 10/31/2013

MAIN STREET SCHOOL DISTRICT

Main Street School Remodel

Project Manager: Sanders

Project Code:

	RATE	UNIT	HOURS	TOTAL	GRAND TOTAL
Direct Costs - Labor					
Labor				0.0	0.00
Maintenance Worker I	\$22.00	HR	70.0	70.0	1,540.00
Maintenance Worker II	\$17.50	HR	65.0	65.0	1,137.50
					0.00
					0.00
			0.0		0.00
			0.0		0.00
Total Hours			135.0	135.0	
T & L Expenses					2,677.50
Overhead				30%	803.25
Labor w/Overhead					3,480.75
Direct Costs - Equipment					
	RATE	UNIT	QTY	TOTAL	GRAND TOTAL
Flatbed Truck - Daily	\$38.80	DY	2.0	2.0	77.60
Table Saw, 16" Blade - Weekly	\$102.46	WK	1.0	1.0	102.46
					0.00
					0.00
	\$0.00		0.0	0.0	0.00
	\$0.00		0.0	0.0	0.00
Total Hours			3.0	3.0	
Total Equipment Charges					180.06
Overhead				30%	54.02
Total Equipment w/Overhead					234.08
Materials/Supplies/Subcontracts					
	RATE	UNIT	QTY	TOTAL	GRAND TOTAL
Carpeting	\$2.00	SF	400.0	400.0	800.00
Painting-Subcontract	\$1,500.00	EA	1.0	1.0	1,500.00
Drywall	\$50.00	EA	10.0	10.0	500.00
					0.00
					0.00
					0.00
Total Hours			411.0	411.0	
Total Materials/Supplies/Subcontracts					2,800.00
Overhead				\$0.00	0.00
Total Materials/Supplies/Subcontracts w/Overhead				\$0.00	2,800.00
TOTAL PROJECT COST					\$6,514.83

EXHIBIT H 2

Project Ledger Card for
Main Street School Remodeling
With Estimated, Labor, Materials and Supplies and Equipment Posted

Project Code: #3359			Project Name: Main Street School Remodeling				
Start Date: 1/7/2003	End Date: 2/28/2003		Foreman: Sanders				
Description	Date	Reference	Labor & Overhead	Materials, Supplies & Subcontracts	Equipment	Total Cost	Total Estimate
Cost Estimate	1/2/2003	EB	3,243	2,533	180		5,956
Labor	1/31/2003	PR	652			652	
Carpeting	1/31/2003	Inv #1		900		900	
Painting Subcontract	1/31/2003	Inv #2		1,500		1,500	
Drywall	1/31/2003	R #1		200		200	
Warehouse Charge	1/31/2003	16.6%		33		33	
Equipment	1/31/2003	FB-3			39	39	
Equipment	1/31/2003	TSI			102	102	
Job to Date	1/31/2003		652	2,633	141	3,426	
Labor	2/7/2003	PR	2,799			2,799	
Equipment	2/7/2003	FB-3			39	39	
Equipment	2/7/2003	TSI			102	102	
Job to Date	2/28/2003		3,451	2,633	282	6,366	
Job Closed	2/28/2003		3,451	2,633	282	6,366	

H. ESTIMATED VS. ACTUAL COSTS

Upon identification of a public project and assignment of a project code, an estimate of all cost elements as discussed in Sections III, IV, V and VI shall be made and recorded to the project tracking system in a manner consistent ~~with the way bids shall be requested. The estimate shall be predicated on~~ the cost elements discussed in this manual and should be tracked accordingly by the project tracking system. This estimate shall include all direct and overhead costs anticipated to be incurred by the proposed public project. The Commission recognizes the existence of equipment rate books which can be utilized by the public agency in lieu of its existing data to estimate and report equipment costs. As well, the Commission recognizes the existence of established government-wide overhead allocation rates, such as 2 CFR Part 225 shown in Appendices A and B, that may be used by public agencies for estimating and reporting their overhead costs associated with public projects. The use of these supplemental materials is discussed in greater detail in the appropriate sections. Each cost element - personnel; materials, supplies, and subcontracts; equipment; and overhead - shall be estimated for each public project. This estimation determines what bidding criteria the public project must come under.

1. Discussion of Example

The cost of remodeling the Main Street School has been estimated in Exhibit II-13. No standard format is required for the preparation of this estimate, but the estimate of the cost elements must be recorded to the project tracking system. ~~An example of recording the estimate to a project ledger card is shown in Exhibit II-4. The sample format may be used for estimating, tracking and final reporting of project costs.~~ The total cost of performing the remodeling is less than the \$25,000 limit and can therefore be performed by force account.

The remaining sections of this manual discuss the significant cost elements in further detail:

- III. Personnel Costs
- IV. Materials, Supplies, and Subcontracts
- V. Equipment Costs
- VI. Overhead

EXHIBIT II 3

Estimate of Main School Remodeling

Project Code: #3359		Project Name: Main Street School Remodeling
Estimate Date: 1/2/2003	Start Date: 1/7/2003	Estimator: E. Block

PERSONNEL⁺

Class	Department	Estimated Hours	Rate	Total
1. Maintenance Worker II	Building	100.00	\$22.19/hr. ²	2,219
2. Maintenance Worker II	Maintenance	50.00	\$20.48/hr. ²	1,024
Total Personnel Cost				3,243

EQUIPMENT

Class of Equipment	Estimated Time/Mileage	Rate	Total
1. Flatbed Truck	2 days	\$38.80/day	78 ³
2. Table Saw, 16" Blade	1 week	\$102.46/week	102 ³
Total Equipment Cost			180

MATERIALS, SUPPLIES AND SUBCONTRACTS⁺

	Quantity	Cost Per Quantity	Total
1. Carpeting	400 sq. ft.	\$2/sq. ft.	800
2. Painting Subcontract			1,500 ⁴
3. Drywall	10 Panels	\$20/panel	200
4. Warehouse Handling/Carrying Charge (16.6%) on Drywall			33
Total Materials, Supplies and Subcontracts			2,533
TOTAL COST ESTIMATE			5,956

⁺ Further discussion is provided in Sections III, IV and V.² Rate is the productive hourly rate plus overhead for a Maintenance Worker II. See Section III for further discussion on personnel costs.³ Amount was rounded to the nearest whole dollar.⁴ Cost per bid submitted by painting subcontractor.

EXHIBIT II 4

Project Ledger Card for
Main Street School Remodeling
With Estimate Posted

Project Code:
#3359

Project Name: Main Street School Remodeling

Start Date:
1/7/2003

End Date:
2/28/2003

Foreman:
Sanders

[illegible]

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:

Annual salary or wage paid by the public agency.

Benefits received by employees such as a public agency's contribution to employee retirement programs, group health plans, and unemployment insurance.

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.

A. 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.

1. 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. This system shall enable the agency to track hours worked on public projects to allow for the subsequent distribution of the appropriate personnel costs.

a. Examples of Timekeeping Systems

The simplest of all 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 time keeping systems can also be used to record time. These documents should be completed by ~~employees~~ 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.

(For organizations not identified as a public project unit)								EXHIBIT III-2
Organizational Unit Which Performs Work on Public Project Unit—Employee Weekly Time Report								
Week of: 1/31/2003								
Name: H. Tripp								
Unit: Maintenance Department								
Classification: Maintenance Worker II								
Rate:								
Classification	Mon	Tues	Wed	Thurs	Fri	Sat	Sun	Total
#3359 Main Street School - Remodel	8.00	*	*	*	*	*	*	8.00
Total	8.00							8.00

* Performed 32 Hours of general maintenance activities.

Recording Supervisor:

(For organizations not identified as a public project unit)**EXHIBIT III-4****Application of Overhead to a Productive Hourly Rate**

The following example indicates how to develop a productive hourly rate and apply unit and general government overhead to a class of employee.

Step 1: Determine Annual Cost of Maintenance Worker II

Direct Salary	20,000
Benefits:	
Retirement contribution (18.5% of salary)	3,700
Workers' compensation insurance (6.4% of salary)	1,280
Unemployment insurance (0.1% of salary)	20
Health insurance (\$95/month)	1,140
Life insurance (\$5/month)	60
	26,200

Step 2: Determine Available Working Hours of Employee Class

Total Hours	2,080
Less:	
Holiday	80
Vacation (average)	80
Sick leave (average)	70
Other leave (average)	8
	1,842

Step 3: Calculate Productive Hourly Rate of Maintenance Worker II

Annual cost	26,200	
Available working hours	1,842	
Annual cost / Available working hours		14.22/hour

Step 4: Apply Unit and Government-Wide Overhead

Unit Overhead

Building Division – Unit overhead rate is 30% (see Section VI)

Maintenance Department – Unit overhead is 20% (see Section VI)

Government-Wide Overhead

Government-Wide overhead rate is 20% (Agency's 2 CFR Part 225 rate)

Building Division employee – Maintenance Worker II

130% x \$14.22 = \$18.49/hr. (with unit overhead)

120% x \$18.49 = \$22.19/hr. (with unit and government-wide overhead)

Maintenance Department employee – Maintenance Worker II

120% x \$14.22 = \$17.06/hr. (with unit overhead)

120% x \$17.06 = \$20.48/hr. (with unit and government-wide overhead)

See Section VI for the Commission's simplified overhead calculation and allocation method.

See Appendix B for further discussion on government-wide overhead rate development.

4. Discussion of Example

Exhibit III-5 shows the posting of the weekly personnel costs (productive hourly rate and overhead allocation) incurred in the remodeling of the Main Street School for the week of January 31, 2003. J. Star reported that he worked 22 hours on the project in Exhibit III-1. H. Tripp reported she worked 8 hours on the project in Exhibit III-2. J. Star's fully-burdened rate is \$22.19, while H. Tripp's fully-burdened rate is \$20.47, as calculated in Exhibit III-4. Hours worked on the remodeling are costed out as follows and the cost was posted to the ledger card as shown in Exhibit III-5.

<u>Personnel</u>	<u>Hours</u>	<u>Rate</u>	<u>Total</u>
J. Star	22.00	\$22.19	\$488.18
H. Tripp	8.00	\$20.47	163.76
			<u>\$651.94</u>

A. 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 PCC section 22017 in Senate Bill 66 (Chapter 297, Statutes of 2003) 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. See Exhibits VI-1 and VI-2.

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 225).
- 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.

Section II, C, DEFINITIONS, lists items that define overhead as follows:

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 readily chargeable to individual projects and, therefore, generally require allocation based upon statistical relationships.

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 cost objective whether it is 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.

Government Wide Overhead

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

End Cost Objective

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

Public Project Unit

A public project unit is an identifiable organization of any size whose primary goals include the undertaking and completion of public projects. 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.

A. 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 Section II, unit overhead rates shall be developed for public project units and any other organizational units whose employees may perform work on public projects.

1. 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.

2. 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 Section II, 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.

3. Rate Methodology

a. Public Project Unit

Exhibit B-1 presents an overview and an example of how a unit rate for a public project unit should be developed. Direct labor dollars (represented by "A") are used to allocate overhead costs ("B" and "D") to all end cost objectives including public projects, preferably through a fully-loaded hourly rate.

b. Organizational Unit Performing Public Project Work

Exhibit B-2 presents an overview and an example of how a rate for an organizational unit performing public project work might be developed. Since a full cost accounting system often is not in place, the unit must:

Determine which employees are direct employees who work exclusively on end cost objectives.

Allocate non-personnel costs to direct or indirect (overhead) activities.

Direct labor dollars are then used as above to allocate overhead costs through a fully loaded rate.

4. Overhead Allocation

The departmental (organizational unit) overhead rate of public project units and organizational units performing public project work shall be applied to the appropriate productive hourly rate. See Section II for a more detailed discussion.

EXHIBIT B-1

Public Project Overhead Rate Development

The total budget for a public project can be subdivided as follows:

- A** = Productive hourly labor dollars charged to end cost objectives, including public project codes.
- B** = Productive hourly labor dollars charged to unassigned time code(s) and overhead code(s).
- C** = Other direct costs.
- D** = Other overhead costs charged to unit overhead code(s).
- E** = **A + B + C + D** = Total unit budget.

Generally, overhead rate development should be performed at the beginning of the fiscal year to forecast the overhead rate for the upcoming fiscal year:

$$\begin{array}{l} \text{Overhead rate as a} \\ \text{percentage of direct} \\ \text{labor dollars} \end{array} = (\mathbf{B + D}) / \mathbf{A}$$

Example: In the fiscal year 1984, the Building Division of the Central School District, which includes Main School, forecasted its budget to be allocated as follows:

- A** = \$250,000 of productive hourly labor dollars expected to be charged to end cost objectives including public project codes.
- B** = \$5,000 of productive hourly labor dollars expected to be charged to an unassigned code.
- C** = \$1,666 of materials and supplies expected to be charged to various end cost objectives including public projects.
- D** = \$70,000 of overhead costs remaining.
- E** = \$326,666 representing the total budget of the Division.

The calculation of the Building Division overhead rate is as follows:

$$\begin{array}{l} \text{Overhead rate as a} \\ \text{percentage of direct} \\ \text{labor dollars} \end{array} = (\mathbf{B + D}) / \mathbf{A} = \$75,000 / \$250,000 = \mathbf{30\%}$$

A 30% unit overhead rate should be applied to the productive hourly rate of all Building Division employees (see Section III).

EXHIBIT B-2**Organization Unit Performing Public Project Work
Overhead Rate Development**

The total budget for an organization unit performing public project can be subdivided as follows:

- A** = Direct labor force (including fringes).
- B** = Other personnel costs.
- C** = Other costs charged to public project codes.
- D** = Other costs allocated to other end cost objectives.
- E** = Other costs allocated to overhead activities.
- F** = **A + B + C + D + E** = Total unit budget.

At the beginning of the fiscal year, the unit considers which employees constitute the direct labor force (A) which work directly on end cost objectives. Though various estimating processes, the unit allocates other costs between B and E.

Overhead rate as a
percentage of direct = **(B + E) / A**
labor dollars

Example: The 1984 budget of the Maintenance Department of Central School District, which performs maintenance work and occasional building projects, is as follows:

Personnel Costs (including fringes)	\$800,000	
Materials or building projects	50,000	= C
Other materials and supplies	100,000	
	<u>\$950,000</u>	

The Department performs a study and determines that \$700,000 (=A) of the personnel costs represents the cost, including fringes, of the maintenance work force. The remaining \$100,000 of personnel costs (=B) represents clerical, administrative and supervisory personnel. Of the \$100,000 in other costs, the Department performs another study and determines that \$60,000 (=D) represents maintenance costs, while the remaining \$40,000 (=E) represents a variety of cost items which support the Department as a whole.

Overhead rate as a
percentage of direct = $(100,000 + 40,000) / 700,000$ = **20%**
labor dollars

Thus a 20% overhead rate should be applied to the productive hourly rate of Department employees who work on building projects.

B. 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 Section II, government-wide overhead rates shall be determined by each public agency.

1. 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.

2. Government-Wide Overhead Rate

Where a government-wide cost allocation plan has been prepared under the auspices of 2 CFR Part 225 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.

3. Overhead Allocation

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

Appendix C

Commission Rulings

Commission Rulings

1. Monterey County Letter of 9/18/85

- a. ~~When a local agency elects to become subject to the cost accounting policies and procedures manual, these policies and procedures will apply to all departments.~~
- b. ~~Project estimates shall be based on estimated actual costs. (This question arose because many counties utilized free labor through the criminal justice system, which can greatly reduce total actual costs.)~~
- c. ~~Place on the January 15, 1986, meeting agenda development of an overhead factor, which can be applied to contractor bids. There are certain fixed costs local agencies bear in administering a project (inspection fees, purchasing, county counsel, etc.). Some feel that, to ensure a fair comparison of internal versus external costs, an overhead factor should be added to contractor costs.~~

2. Accounting and Bidding Interpretations

- a. ~~Question: Can a local agency disqualify or exclude certain contractors from the Qualified Contractors List required pursuant to Public Contract Code Section 22034(a), formally 21204(a)? Reasons for disqualification would include the following:~~

- ~~1 Contractor does not meet local agency's Disadvantaged Business Enterprise (DBE) requirements.~~
- ~~2 Contractor has not performed adequately on past projects.~~

~~Answer: Agencies may disqualify contractors from the qualified contractors list required pursuant to Public Contract Code Section 22034(a), formally 21204(a).~~

- b. ~~Question: Must a local agency: (1) notify contractors pursuant to Public Contract Code Section 22034(b), formally 21204(b), if the contractor is believed not to have the skills, credentials, or experience to perform the work? (2) consider bids submitted if the agency believes the contractor does not have the skills, credentials, or experience to perform the work?~~

~~Answer: (1) If a contractor was on the qualified contractors list 22034(a), formally 21204(a), the contractor must be notified by the agency of public projects for which he is licensed to perform. (2) All bids received from qualified contractors must be considered.~~

- c. ~~Question: Public Contract Code Section 22035, formally 21205, provides that, in cases of great emergency, and when repair or replacements are necessary to permit the continued conduct of the operation or services of a public agency, the governing body by majority vote may proceed without adopting plans and giving notice for bids to let contracts. In addition, this section also provides that the governing body may delegate to the appropriate agency manager the power to declare an emergency. Does this delegation also give the manager the authority to proceed with repair or replacements without approval of the board?~~

~~Answer: In addition to delegating the authority to the agency manager to declare an emergency, the governing board may also delegate authority to the manager to proceed with repairs or replacements without approval by the board.~~

- d. Question: Do the alternative bidding procedures apply only to public projects as defined in Public Contract Code Section 22002(e), formally 21002(e), or can they be used for the following types of items:

- (1) Maintenance work to be performed by contract?
- (2) Purchases of heavy equipment?
- (3) Purchases of material?

Answer:

- (1) The alternative bidding procedures are not applicable to maintenance work as defined in Public Contract Code Section 22002(d), formally 21002(d), items 1-4.
- (2) No.
- (3) Yes—if consumed on a public project subject to and defined by the policies and procedures manual.

- e. Question: Does adoption of the alternative bidding procedures by the city council of a charter city supersede the voter approved charter requirement of bidding out public projects above a specified dollar amount?

Answer: Charter cities should seek advice from legal counsel on questions concerning the charter.

- f. Background: There are various dollar limits under the Public Contract Code for determining whether a local agency can perform a public project by its force account (e.g., counties with a population of 2,000,000 or more may perform public projects up to \$50,000 and cities may perform public projects by force account up to \$5,000). The alternative bidding procedures, if adopted, allow all local agencies to perform public projects of \$15,000 (\$25,000) or less by force account.

Question: If a local agency adopts the alternative bidding procedures to take advantage of the informal bidding procedures, can the agency use the most beneficial dollar limit in determining if the agency can perform the work by force account?

Answer: It is recommended that the agency seek advice from legal counsel. However, it was generally agreed that, if an agency elects to become subject to the Uniform Public Construction Cost Accounting Act, it would be subject to those dollar amounts.

- g. Question: Public Contract Code Section 22034(b), formally 21204(b), requires a public agency to notify the appropriate contractors on its qualified contractors list and the appropriate construction trade journals pursuant to Section 22036, formally 21206. In addition, Section 22038, formally 21208, provides that a public project contract shall be awarded to the lowest responsible bidder.

Many local agencies, however, require that a specified percentage of its public project contracts be set aside and be awarded to equal opportunity employers, etc. Are such provisions in conflict with Section 22034(b) and 22038(b), formally 21204(b) and 21208(b), respectively?

Answer: It was agreed that such requirements and laws are not in conflict with Public Contract Code Section 22034(b), formally 21204(b), and they should be used in determining if a contractor is qualified for the contractors list.

3. Overhead Rates

Cities with populations of less than 75,000 may use an overhead rate of 20% of all direct costs, in lieu of the overhead rate calculation specified in Section VI of the *Cost Accounting Policies and Procedures Manual*. Cities with a population of more than 75,000, counties, special districts, and school districts may use an overhead rate of 30% of all direct costs, in lieu of a calculated rate.

4. The California Schools Accounting Manual

~~The California Schools Accounting Manual meets the requirements of the Act for school districts.~~

5. Funding/Donations

~~Since 1984, the California Uniform Construction Cost Accounting Commission (CUCCAC) has not received an appropriation from the State. Public Contract Code 22015 (c) allows the CUCCAC to accept grants from agencies, organizations and individuals. Beginning in 2004, the CUCCAC requested and received donations from member agencies, contractor associations, and unions for CUCCAC expenses and non-compliant reviews.~~

6. Non-Compliant Participating Agency

~~In September 2005, CUCCAC received a request to perform a review regarding non-compliance of Public Contract Code section 22042 (b), of a participating agency for four resurfacing projects. The request from the Construction Industry Force Account Council alleged that the projects were over the \$30,000 force account limit, because overhead costs were not levied on all direct costs. Pursuant to PCC sections 22043 and 22044, CUCCAC engaged the State Controller's Office to perform a review. The review findings indicated that the participating agency exceeded its force account limit. The review also noted that the projects did not qualify as maintenance projects, which could be exempted from the Act. Pursuant to PCC section 22044 (b), the findings were presented by CUCCAC's Chairman to the governing board in a public hearing.~~