

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Board of Trustees – Regular Meeting -

Board of Trustees Planning and Operations Committee, Teaching and Learning Committee,  
Resources Committee, Governance Committee, Facilities Committee

February 11, 2010 – 6:00 p.m. –

Ben Clark Training Center, 16888 Bundy Avenue, Riverside

Auditorium, 16930 Bundy Avenue, Riverside, California

(Directions: Travel east on Van Buren Boulevard, take a right on Plummer Street, which will turn into Bundy Avenue  
[continue straight at the stop sign], the Auditorium will be the first single story building on your left)

AGENDA

CALL TO ORDER

Pledge of Allegiance

Anyone who wishes to make a presentation to the Board on an agenda item is requested to please fill out a “REQUEST TO ADDRESS THE BOARD OF TRUSTEES” card, available from the Public Affairs Officer. However, the Board Chairperson will invite comments on specific agenda items during the meeting before final votes are taken. Please make sure that the Secretary of the Board has the correct spelling of your name and address to maintain proper records. Comments should be limited to five (5) minutes or less.

Anyone who requires a disability-related modification or accommodation in order to participate in this meeting should contact the Chancellor’s Office at (951) 222-8801 as far in advance of the meeting as possible.

Any public record relating to an open session agenda item that is distributed within 72 hours prior to the meeting is available for public inspection at the RCCD District Chancellor’s Office, Suite 210, 1533 Spruce Street, Riverside, California, 92507.

I. Comments from the Public

II. Chancellor’s Reports

A. Communications

- Chancellor will share general information to the Board of Trustees, including federal, state, and local interests and District information.

**Information Only**

III. Board Committee Reports

A. Planning and Operations Committee

1. Update on the Public Safety Education and Training Program and Center Status Planning at the Ben Clark Training Center

- Committee to receive an informational update to include recent programmatic initiatives; discussions between RCCD and its partners: Riverside County, Riverside Sheriff’s Department, and CAL FIRE/Riverside County Fire Department, about the process to seek center status and to build a college facility at BCTC; and a presentation of the master plan for facilities at BCTC.

**Information Only**

2. Capital Program Executive Summary
  - Committee to receive a summary to be used as a planning tool and identifies appropriations and prioritization of projects, as well as provides a roadmap for future Bond expenditures, for review and consideration.**Information Only**

B. Teaching and Learning Committee (None)

C. Resources Committee

1. 2009-2010 Tax and Revenue Anticipation Note (TRAN) – Resolution No. 38-09/10
  - Committee to consider the borrowing of additional funds for fiscal year 2009-2010 and the issuance and sale of additional 2009-2010 Tax Revenue Anticipation Notes through the California School Cash Reserve Program.**Recommended Action: To be Determined**
2. Student Financial Aid Packages and High Intensity Instructional Programs
  - Committee to review student loan limits in addressing unmet financial need for students enrolled in high cost instructional programs.**Recommended Action: To be Determined**

D. Governance Committee

1. Revised and New Board Policies – First Reading
  - Committee to review revisions to the administrative procedures for the Committees of the Board, AP 2220, and Regular Meetings of the Board, AP 2310.**Recommended Action: To be Determined**

E. Facilities Committee

1. Uniform Construction Cost Accounting Act Procedures – Resolution No. 35-09/10
  - Committee to consider adopting a resolution for future construction projects within the District.**Recommended Action: To be Determined**
2. Moreno Valley Parking Structure and Surge Space – Lion’s Replacement Parking Lot
  - Committee to consider budget approval, and a design and services amendment with LPA Architects.**Recommended Action: To be Determined**
3. Norco Student Support Center
  - Committee to consider a change order described in the project Change Order Summary.**Recommended Action: To be Determined**
4. Wheelock Gymnasium, Seismic Retrofit Project
  - Committee to consider a budget augmentation for an interim housing facility.**Recommended Action: To be Determined**

5. Innovative Learning Center (formerly Center for Primary Education)  
- Committee to consider budget approval for playground equipment/landscape, conversions and modifications to the project.  
**Recommended Action: To be Determined**
  
6. Project Labor Agreement  
- Committee will receive an oral update from the Chancellor on the Project Labor Agreement.  
**Information Only**

IV. Business from Board Members

1. Update on Miné Okubo Committee Meeting(s)  
- Trustees Takano and Green will give a status report about these meeting(s).  
**Information Only**
  
2. Update on RSA Committee Meeting(s)  
- Trustees Takano and Figueroa will give a status report about these meeting(s).  
**Information Only**

V. Adjournment

RIVERSIDE COMMUNITY COLLEGE DISTRICT  
PLANNING AND OPERATIONS COMMITTEE

Report No.: III-A-1

Date: February 16, 2010

Subject: Update on the Public Safety Education and Training Program and  
Center Status Planning at the Ben Clark Training Center

Background: Presented for the Board's review and consideration is an update on the educational programs at the Ben Clark Training Center. In August 2008, a written report, along with an oral presentation, was presented to the Board. The report presented an overview of the Administration of Justice/Law Enforcement and Fire Technology programs as they have emerged in partnership with other agencies, grown in FTES, increased in course sections, and considered anticipated growth over the next several years. The update will emphasize three areas: recent programmatic initiatives; discussions between RCCD and its partners Riverside County, Riverside Sheriff's Department, and CAL FIRE/Riverside County Fire departments about the process to seek center status and to build a college facility at BCTC; and a presentation of the master plan for facilities at BCTC.

Information Only

Gregory W. Gray  
Chancellor

Prepared by: Chris Carlson  
Chief of Staff/Executive Assistant to the Chancellor

Orin Williams  
Associate Vice Chancellor, Facilities Planning, Design and Construction

Kristina Kauffman  
Associate Vice Chancellor, Institutional Effectiveness

Cordell Briggs  
Dean, Public Safety Education and Training

RIVERSIDE COMMUNITY COLLEGE DISTRICT  
PLANNING AND OPERATIONS COMMITTEE

Report No.: III-A-2

Date: February 16, 2010

Subject: Capital Program Executive Summary

Background: On December 3, 2003, the Board of Trustees approved Resolution No. 20-03/04, requesting the Riverside County Registrar of Voters to submit to the electors of the District a \$350 million (Measure C) Bond to acquire, construct, improve, and equip the District to maintain Riverside Community College as a valuable community resource, to train and retrain local residents for higher-paying and skilled jobs, and to enhance the educational opportunities of the students in the District who desire to transfer to four-year colleges. The Bond would also continue to serve the rapid growth in the District's service area by expanding its campuses, constructing new facilities and improving campus health and safety. On March 2, 2004, the District was successful and obtained the authorization from the District voters to issue up to \$350 million in funding.

Today, with the continued expansion and renovation of campuses, construction of new facilities, and added campus health and safety projects, the District has been successful in meeting many of the District's goals. Measure C Bond projects have allowed the District to provide students with classrooms, facilities and sites which improve the quality of learning and expand academic and workforce opportunities.

The Associate Vice Chancellor of Facilities Planning, Design and Construction will present to the Board of Trustees a formal Capital Program Executive Summary for review and consideration at the Committee Board meeting on February 11, 2010. This document is intended as a planning tool and identifies appropriations and prioritization of projects, as well as provides a roadmap for future Bond expenditures.

Information Only

Gregory W. Gray  
Chancellor

Prepared by: Orin L. Williams  
Associate Vice Chancellor, Facilities Planning, Design and Construction

Kristina Kauffman  
Associate Vice Chancellor, Institutional Effectiveness

RIVERSIDE COMMUNITY COLLEGE DISTRICT  
RESOURCES COMMITTEE

Report No.: III-C-1

Date: February 16, 2010

Subject: 2009-2010 – Tax and Revenue Anticipation Note (TRAN) Maximum Borrowing Authorization Increase – Resolution No. 38-09/10

Background: The District has periodically participated in the Cash Reserve Program sponsored by the California School Boards Association Finance Corporation since 1993. Through the Cash Reserve Program, districts issue a Tax and Revenue Anticipation Note (TRAN). A TRAN is a short-term debt instrument used to cover cash flow shortages or create additional reserves to a district's general fund.

The Program's underwriter, Piper Jaffray, sells the notes in the financial marketplace as tax-exempt securities. The notes typically have a maturity length of one year. The proceeds of the notes are reinvested in high quality taxable investments (AA or AAA rated entities) with a corresponding maturity length. Since both the interest cost and reinvestment rates are guaranteed, the District is not exposed to the market risk of interest rate volatility.

In March 2009, the Board authorized a Tax Revenue Anticipation Note maximum borrowing amount of \$15 million, of which \$10.725 million was ultimately issued, and in May 2009 requested authorization to permit the option of using temporary loans of \$10 million from interfund borrowings to protect the District's cash position in the face of significant cash deficits related to anticipated apportionment deferrals from the State.

After much delay, the State finally adopted the fiscal year 2009-2010 budget in September 2009. The budget included substantial apportionment deferrals for community colleges totaling more than \$1 billion. In November 2009, the Board was informed of the impact apportionment deferrals would have on the District's cash flow. A total of \$19.3 million was deferred from the months of January 2010 through June 2010 to July 2010. In addition, approximately \$2.7 million was deferred from March 2010 to May 2010.

Current cash flow projections indicate that the District will begin to experience intermittent cash deficits beginning in March 2010 and continuing into July 2010, the most significant of which will occur in May (\$5 million), June (\$11 million) and July (\$5 million).

The projected cash deficits for March and April can be mitigated by the existing TRAN and temporary interfund borrowing. However, as described to the Board in November 2009, monthly TRAN repayments will begin in February and conclude at the beginning of May which means that the existing TRAN will not be available to offset cash deficits in the critical months of May through July.

Fortunately, the District can increase the maximum borrowing authorization under the existing TRAN to protect the District's cash position from the significant cash flow deficits that are

RIVERSIDE COMMUNITY COLLEGE DISTRICT

## RESOURCES COMMITTEE

Report No.: III-C-1

Date: February 16, 2010

Subject: 2009-2010 – Tax and Revenue Anticipation Note (TRAN) Maximum Borrowing Authorization Increase – Resolution No. 38-09/10 (continued)

anticipated for the months of May through July. The attached TRAN borrowing resolution is presented for your consideration and approval. The resolution seeks to increase the maximum borrowing authorization for the fiscal year 2009-2010 TRAN from \$15 million to \$25 million. The increased authorization provides the District with the ability to issue up to \$14.3 million of additional TRAN. Current projections indicate that the size of the issuance needed will be approximately \$12 million. It is anticipated that the issuance will occur in April 2010.

As a final note, in March 2010 the Board will also be asked to consider and review a resolution authorizing participation in a TRAN for fiscal year 2010-2011.

Recommendation: It is recommended that at its February 16, 2010 meeting the Board of Trustees approve Resolution No. 38-09/10 authorizing an increase to the maximum borrowing of funds for fiscal year 2009-2010 to \$25 million; authorizing the additional issuance and sale of 2009-2010 Tax and Revenue Anticipation Notes through the California School Cash Reserve Program; authorizing the Riverside County Board of Supervisors to issue and sell said note; and authorizing the Board's President, Secretary, District Chancellor and Vice Chancellor, Administration and Finance, to sign the appropriate documents.

Gregory W. Gray  
Chancellor

Prepared by: James L. Buysse  
Vice Chancellor, Administration and Finance

Aaron S. Brown  
Associate Vice Chancellor, Finance

**THIS RESOLUTION MUST BE DISCUSSED, CONSIDERED AND DELIBERATED BY THE GOVERNING BOARD AS A SEPARATE ITEM OF BUSINESS ON THE GOVERNING BOARD'S AGENDA IN ACCORDANCE WITH CALIFORNIA GOVERNMENT CODE SECTION 53635.7.**

**DISTRICT RESOLUTION**

**NAME OF DISTRICT: RIVERSIDE COMMUNITY COLLEGE DISTRICT\***

**LOCATED IN: COUNTY OF RIVERSIDE**

**ORIGINAL NOTE RESOLUTION ADOPTION DATE: MARCH 17, 2009**

**ORIGINAL MAXIMUM AMOUNT OF BORROWING: \$15,000,000**

**SERIES A PRINCIPAL AMOUNT: \$10,725,000**

**INCREASED MAXIMUM AMOUNT OF BORROWING: \$25,000,000**

**RESOLUTION OF THE GOVERNING BOARD AUTHORIZING AN INCREASE TO MAXIMUM AMOUNT OF BORROWING OF FUNDS FOR FISCAL YEAR 2009-2010 AND AUTHORIZING THE ISSUANCE AND SALE OF AN ADDITIONAL SERIES OF 2009-2010 TAX AND REVENUE ANTICIPATION NOTES THROUGH THE CALIFORNIA SCHOOL CASH RESERVE PROGRAM AND REQUESTING THE BOARD OF SUPERVISORS OF THE COUNTY TO ISSUE AND SELL SAID SERIES OF ADDITIONAL NOTES**

**WHEREAS**, school districts, community college districts and county boards of education are authorized by Sections 53850 to 53858, both inclusive, of the California Government Code (the "Act") (being Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the Government Code) to borrow money by the issuance of temporary notes; and

**WHEREAS**, on the Original Note Resolution Adoption Date set forth above, the governing board (the "Board") determined, pursuant to a resolution (the "Original Note

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\* If the Name of the District indicated on the face hereof is not the correct legal name of the District which adopted this Resolution, it shall nevertheless be deemed to refer to the District which adopted this Resolution, and the Name of the District indicated on the face hereof shall be treated as the correct legal name of said District for all purposes in connection with the Program (as hereinafter defined).



Resolution”) that, in order to satisfy certain obligations and requirements of the school district, community college district or county board of education specified above (the “District”), a public body corporate and politic located in the County designated above (the “County”), it was desirable that a sum (the “Principal Amount”), not to exceed the Original Maximum Amount of Borrowing designated above, be borrowed for such purpose during its fiscal year ending June 30, 2010 (“Fiscal Year 2009-2010”) by the issuance of its 2009-2010 Tax and Revenue Anticipation Notes (the first series of which has been issued and shall be referred to herein as the “Series A Notes” and any subsequent series of which shall be referred to herein as “Additional Notes,” and collectively with the Series A Notes, the “Notes”), in one or more series (each a “Series”), therefor in anticipation of the receipt of taxes, income, revenue, cash receipts and other moneys to be received by the District for the general fund and, if so indicated in a Pricing Confirmation, capital fund and/or special revenue fund (or similarly named fund or funds as indicated in such Pricing Confirmation) of the District attributable to Fiscal Year 2009-2010 (capitalized undefined terms used in this Supplemental Resolution shall have the meanings ascribed thereto in the Original Note Resolution); and

**WHEREAS**, on July 6, 2009, the District issued the Series A Note in the Series A Principal Amount set forth above; and

**WHEREAS**, the Original Note Resolution provides that the District (or the County on its behalf, as applicable) may at any time issue pursuant to the Original Note Resolution one or more Series of Additional Notes consisting of Senior Notes or Subordinate Notes (including Subordinate Notes that are further subordinated to previously issued Subordinate Notes, as provided in the applicable Pricing Confirmation), subject in each case to certain specific conditions set forth in Section 2(B) of the Original Note Resolution; and

**WHEREAS**, the Original Note Resolution provides that, whenever the District shall determine to issue, execute and deliver any Additional Notes pursuant to the Original Note Resolution, the Series Principal Amount of which, when added to the Series Principal Amounts of all Series of Notes previously issued by the District, would exceed the Original Maximum Amount of Borrowing authorized by the Original Note Resolution, the District shall adopt a Supplemental Resolution amending the Original Note Resolution to increase the Original Maximum Amount of Borrowing as appropriate; and

**WHEREAS**, the District desires to issue, pursuant to the Original Note Resolution, a Series of Additional Notes in a Series Principal Amount which, when added to the Series A Principal Amount, would exceed the Original Maximum Amount of Borrowing authorized by the Original Note Resolution; and

**WHEREAS**, because the District does not have fiscal accountability status pursuant to Section 42650 or Section 85266 of the California Education Code, it requests the Board of Supervisors of the County to borrow, on the District’s behalf, said Series Principal Amount by the issuance of the Series of Additional Notes; and

**WHEREAS**, pursuant to Section 53853 of the Act, if the Board of Supervisors of the County fails or refuses to authorize the issuance of the Series of Additional Notes within the time period specified in said Section 53853, following receipt of this Supplemental Resolution, and

the Series of Additional Notes are issued in conjunction with tax and revenue anticipation notes of other Issuers within the meaning of Section 53853 of the Act, the District may issue the Series of Additional Notes in its name pursuant to the Original Note Resolution as supplemented by terms stated herein; and

**WHEREAS**, it appears, and this Board hereby finds and determines, that said Series Principal Amount of the Series of Additional Notes, when added to the interest payable thereon, does not exceed eighty-five percent (85%) of the estimated amount of the uncollected taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts and other moneys of the District attributable to Fiscal Year 2009-2010 and available for the payment of the principal of the Series of Additional Notes and the interest thereon;

**NOW, THEREFORE**, the Board hereby finds, determines, declares and resolves as follows:

Section 1. Recitals. All the above recitals are true and correct and this Board so finds and determines.

Section 2. Increased Maximum Amount of Borrowing. The Original Note Resolution is hereby amended to increase the Original Maximum Amount of Borrowing set forth in the Original Note Resolution to the Increased Maximum Amount of Borrowing designated above.

Section 3. Issuance of Series B Notes. In accordance with the Original Note Resolution, this Board hereby determines to borrow, and hereby requests the Board of Supervisors of the County to borrow for the District, solely for the purpose of anticipating taxes, income, revenue, cash receipts and other moneys to be received by the District for the general fund and, if so indicated in the Pricing Confirmation for the Series of Additional Notes authorized hereby, the capital fund and/or special revenue fund (or similarly named fund or funds as indicated in such Pricing Confirmation) of the District attributable to Fiscal Year 2009-2010, and not pursuant to any common plan of financing of the District, by the issuance by the Board of Supervisors of the County, in the name of the District, of a Series of Additional Notes under Sections 53850 *et seq.* of the Act and to be designated generally as the District's "2009-2010 [Subordinate] \*\* Tax and Revenue Anticipation Notes, Series B" (referred to herein as the "Series B Notes"). The Series B Notes shall be issued in a Series Principal Amount which, when added to the Series A Principal Amount, shall not exceed the Increased Maximum Amount of Borrowing designated above. If the conditions of the Original Note Resolution are met, the Series B Notes may be issued as Senior Notes. If not issued as Senior Notes, the Series B Notes shall be issued as Subordinate Notes.

In the event the Board of Supervisors of the County fails or refuses to authorize the issuance of the Series B Notes within the time period specified in Section 53853 of the Act, following receipt of this Supplemental Resolution, this Board hereby authorizes issuance of the Series B Notes, in the District's name pursuant to and in accordance with the Original Note

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\*\* The Series of Additional Notes shall bear the "Subordinate" designation if it is a Series of Subordinate Notes.

Resolution as supplemented by the terms stated in this Supplemental Resolution. The Series B Notes shall be issued in conjunction with the note or notes of one or more other Issuers as part of the California School Cash Reserve Program (the "Program") and within the meaning of Section 53853 of the Act.

Section 4. Sale of Series B Notes. The Series B Notes shall be sold, under the Bond Pool Structure authorized in the Original Note Resolution, to the California School Cash Reserve Program Authority (the "Authority") in accordance with the Original Note Resolution. Each Authorized Officer is hereby authorized and directed, during the period commencing on the date of adoption of this Supplemental Resolution and ending on June 30, 2010, to execute and deliver the Pricing Confirmation applicable to the Series B Notes on a date within five (5) days (or such longer period of time as agreed by the Authority) of the negotiation of the interest rate or rates and the purchase price to be paid for the Series B Notes in accordance with Section 4 of the Original Note Resolution.

Section 5. Preliminary Official Statement and Official Statement. Each Authorized Officer is hereby authorized and directed to provide Piper Jaffray & Co., as underwriter for the Program (the "Underwriter") with such information relating to the District as the Underwriter shall reasonably request for inclusion in the preliminary official statement (the "Preliminary Official Statement") and official statement of the Authority relating to the Series of Pool Bonds to which the Series B Notes will be assigned. If, at any time prior to the execution of the Pricing Confirmation for the Series B Notes, any event occurs as a result of which the information contained in the Preliminary Official Statement or other offering document relating to the District might include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the District shall promptly notify the Underwriter.

Section 6. Effect of Supplemental Resolution. The Original Note Resolution is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented by the terms stated in this Supplemental Resolution, including the authority granted to the Authorized Officers named therein to take all actions therein authorized with respect to a Series of Additional Notes.

Section 7. Submittal of Resolution to County. The Secretary or Clerk of the Board of the District is hereby directed to submit one certified copy each of this Resolution to the Clerk of the Board of Supervisors of the County, to the Treasurer of the County and to the County Superintendent of Schools.

SECRETARY'S CERTIFICATE

I, Gregory W. Gray, Secretary of the Governing Board of the Riverside Community College District, hereby certify as follows:

The foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Governing Board of the Riverside Community College District duly and regularly held at the regular meeting place thereof on the \_\_\_\_ day of \_\_\_\_\_, 2010, of which meeting all of the members of said Governing Board had due notice and at which a majority thereof were present; and at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

An agenda of said meeting was posted at least 72 hours before said meeting at 4800 Magnolia Avenue, Riverside, California, a location freely accessible to members of the public, and a brief general description of said resolution appeared on said agenda.

I have carefully compared the same with the original minutes of said meeting on file and of record in my office; the foregoing resolution is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes; and said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect. The Increased Maximum Amount of Borrowing specified in the foregoing resolution is \$25,000,000.00.

Dated: \_\_\_\_\_, 2010

By: \_\_\_\_\_  
Gregory W. Gray  
Secretary of the Governing Board  
of the Riverside Community College District

**IN WITNESS WHEREOF**, the governing board of the District has caused this Note to be executed by the manual or facsimile signature of a duly authorized officer of the District and countersigned by the manual or facsimile signature of its duly authorized officer as of the date of authentication set forth below.

RIVERSIDE COMMUNITY COLLEGE  
DISTRICT

By: \_\_\_\_\_  
Name: Virginia Blumenthal  
Title: Board President

[(SEAL)]

Countersigned

By: \_\_\_\_\_  
Name: Gregory W. Gray  
Title: Chancellor



District: Riverside Community College District

Address: 4800 Magnolia Avenue  
Riverside, CA 92506

County: Riverside

Executed and entered into on the Purchase Date set forth in Schedule I attached hereto and incorporated herein.

Riverside Community College District

By \_\_\_\_\_  
Name: Dr. Jim Buysse  
Title: Vice Chancellor, Administration &  
Finance

RIVERSIDE COMMUNITY COLLEGE DISTRICT  
RESOURCES COMMITTEE

Report No.: III-C-2

Date: February 16, 2010

Subject: Student Financial Aid Packages and High Intensity Instructional Programs

Background: Ms. Vincent, District Dean of Student Financial Services, will make a brief presentation to the Resources Committee concerning student financial aid awards and limitations occasionally encountered by students who must cease or reduce employment in order to be fully engaged in some of our more rigorous programs of instruction.

Information Only.

Gregory W. Gray  
Chancellor

Prepared by: Eugenia Vincent  
District Dean, Student Financial Services



RIVERSIDE COMMUNITY COLLEGE DISTRICT  
GOVERNANCE COMMITTEE

Report No.: III-D-1

Date: February 16, 2010

Subject: Revised and New Board Policies – First Reading

Background: At the December 15, 2009 Board of Trustees meeting, the Board discussed changes to the committee structure of the Board, ultimately voting to add a fifth committee, which is Facilities. Assignments to Committees were made at that re-organization meeting. Minutes of that meeting are attached, reflecting each Committee and Trustee assigned as Committee Chair. At the January 26, 2010 Board meeting the board voted on changes with regard to agendaizing future Committee meetings and refer the issue of Committee structure to the Governance Committee. As a result of those changes and in keeping with our current process of updating our Board Policies and Administrative Procedures, the items below come before the Board for first reading.

Board of Trustees

AP 2220 – Committees of the Board – Revision of the Administrative Procedure adopted by the Board on September 16, 2008.

AP 2310 – Regular Meetings of the Board – Revision of the Administrative Procedure adopted by the Board on September 16, 2008.

Recommended Action: It is recommended that the Board of Trustees accept for first reading Administrative Procedures 2220 and 2310.

Gregory W. Gray  
Chancellor

Prepared by: Ruth W. Adams, Esq.  
Director, Contracts, Compliance and Legal Services

## **Riverside Community College District Procedure**

**No. 2220**

**Board of Trustees  
DRAFT 1/28/10**

### **AP 2220 COMMITTEES OF THE BOARD**

#### **Reference:**

Government Code Section 54952

#### I. Meetings of the Committees

##### A. Regular Committee Meetings

Regular Committee meetings will be **agendized as a regular Board of Trustees meeting and will** held generally **be held** on the first or second Monday or Tuesday of each month at times stated on the agenda.

##### B. Special Committee Meetings

Special committee meetings may be called by the Committee Chair in consultation with the Board President and the Chancellor.

##### C. Adjourned Committee Meetings

Adjourned committee meetings may be held as the business of the committee requires. Notice **will be given in accordance with the Brown Act** provisions are the same as for special meetings.

##### D. Place of Meetings

The location of ~~the committee~~ meetings shall be stated on the meeting agenda.

##### ~~E. Quorum~~

~~The presence of either the Committee Chair or the Committee Vice-Chair, and representatives from two constituencies other than the Board, shall constitute a quorum for the transaction of committee business.~~

#### II. Nature and Purpose of Committees

The committees are a forum where the various constituencies of the District – Trustees, faculty, classified/confidential employees, administrators, and students – meet to discuss issues and to present ideas. ~~The committees will not take votes, but rather, will hear and~~

~~discuss opinions.~~ The general purpose of the committees, ~~then,~~ is to provide advice to the Board of Trustees and to effectuate the goals of shared governance. **Generally, no action will be taken on agenda Committee items until the next regularly scheduled Board of Trustees meeting.**

III. Committee Membership

~~Each **Committee is chaired by** Board member is a member of each committee, with one Board member being the Chair, and another being the Vice-Chair. **The Chancellor will designate, for each Committee, an Administrator to serve as co-chair.** Other members of each committee are the Chancellor, a Vice Chancellor, a President, the Chief of Staff, and any other person designated by the Chancellor or by the Committee Chair.~~

Additionally, each committee shall have one representative from each of the following constituencies, appointed annually by each respective group: Academic Senate, Associated Students, CTA, CSEA, and Confidential employees, **and Management Association.**

IV. ***In the event of an absence or unexpected availability of the Committee Chair, the Board President may designate an alternate Board member to chair the Committee.***

V. Committee Officers

A. Committee Chair

The Committee Chair shall:

1. Preside at meetings of the assigned committee.
2. Review the committee agenda.
3. Serve as spokesperson for the committee.
4. Perform such other duties as determined by the Board of Trustees.

~~B. Committee Vice-Chair~~

~~The Committee Vice-Chair shall perform the duties of the Committee Chair when the Committee Chair is unavailable.~~

B. Committee Secretary

The Chancellor, or designee, shall serve as Secretary to all committees and shall, personally or through a designee:

1. Be responsible for all records, minutes, and documents of the committee meetings.
2. Notify members of committee meetings.
3. Attend committee meetings.
4. Prepare the agendas.

VI. Agenda

An agenda shall be prepared and posted for each committee meeting in compliance with the Brown Act.

VII. Minutes

- A. The minutes of the committee meetings shall record those present and who presided over the meeting.
- B. The minutes are public records.

VIII. Public Participation

Members of the public are invited to attend any committee meeting. Any member of the public who wishes to address a committee is requested to fill out a "Request to Address Committee" card. The Committee Chair will invite comments from the public on specific agenda items during the committee meeting.

Public comments are limited to five minutes.

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Date Approved: September 16, 2008  
(Replaces Regulations 1010 and 1011)

**Revised:**

***Riverside Community College District Procedure***

**No. 2310**

**Board of Trustees  
DRAFT 2/1/10**

**AP 2310 REGULAR MEETINGS OF THE BOARD**

**References:**

Education Code Section 72000(d);  
Government Code Sections 54952.2, 54953 et seq., and 54961

Regular meetings of the Board shall be held on the ***first and*** third Tuesdays of each month commencing at 6:00 p.m. at a location within the geographical boundaries of the District. ***The meeting on the first Tuesday will contain Board Committee items for discussion, as well as any other items deemed necessary.***

Agendas for each meeting will be posted at least 72 hours prior to the meeting at each campus/college within the District and shall remain so posted up to and including the time of such meeting. If, by reason of fire, flood, earthquake or other emergency, it shall be unsafe to meet at the posted location, meetings shall be held for the duration of the emergency at the place designated by the Chancellor, or his or her designee, in a notice to the local media that have requested notice, by the most rapid means of communication available at the time.

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Date Approved: September 16, 2008  
(Replaces Regulation 1010)

***Revised:***

MINUTES OF THE REGULAR BOARD OF TRUSTEES MEETING  
OF DECEMBER 15, 2009

President Blumenthal called the regular meeting of the Board of Trustees to order at 6:05 p.m.

CALL TO ORDER

Trustees Present

Ms. Virginia Blumenthal  
Ms. Mary Figueroa  
Mrs. Janet Green  
Mr. José Medina  
Mr. Mark Takano  
Mr. Stephen Bishop, Student Trustee

**UNOFFICIAL**  
This is an uncorrected copy of Board Minutes. The minutes do not become official until they are approved by the Board at its next meeting.

Staff Present

Dr. Gregory W. Gray, Chancellor  
Dr. James Buysse, Vice Chancellor, Administration and Finance  
Ms. Melissa Kane, Vice Chancellor, Diversity and Human Services  
Dr. Ray Maghroori, Vice Chancellor, Academic Affairs  
Dr. Brenda Davis, President, Norco Campus  
Dr. Jan Muto, President, Riverside City College  
Dr. Monte Perez, President, Moreno Valley Campus  
Ms. Chris Carlson, Chief of Staff  
Mr. Jim Parsons, Associate Vice Chancellor, Public Affairs and Institutional Advancement  
Dr. Sharon Crasnow, District and Norco Campus Academic Senate President  
Dr. Travis Gibbs, President, Academic Senate, Moreno Valley Campus  
Dr. Dariush Haghighat, President, CTA  
Mr. Gustavo Segura, President, CSEA

Student Trustee Stephen Bishop led the Pledge of Allegiance.

PLEDGE OF ALLEGIANCE

President Blumenthal turned the gavel over to Dr. Gray who presided over the election of the officers of the Board.

ORGANIZATIONAL MEETING

Ms. Green, seconded by Ms. Figueroa, moved that the current officers of the Board of Trustees remain the same for the year 2010. Motion carried.  
(5 ayes)

Election of Officers

Ms. Green, seconded by Mr. Medina, moved that the Board of Trustees: rotate regular Board and Board committee meetings to all three campuses, with a 6:00 p.m. start time for both; with Board committee meetings taking place on the first Tuesday of the month, and the regular meetings taking place on the third Tuesday of the month; however, amended

Selection of Day, Time and Place of Board and Committee Meetings

meetings dates will take place as follows: Tuesday, January 19, 2010, Board Committees Meeting; and Tuesday, January 26, 2010, regular Board of Trustees Meeting, both meetings to take place in Board Room AD122, at Riverside City College; Thursday, February 11, 2010, Board Committees Meeting to take place in Student Services 101, at the Moreno Valley Campus; and Tuesday, December 14, 2010, regular Board of Trustees Meeting to take place in Student Services 101, at the Moreno Valley Campus. Motion carried (5 ayes)

President Blumenthal made the following Board committee appointments: Governance Committee: Chair Figueroa/Vice Chair, Chancellor; Planning Committee: Chair Green/Vice Chair, Associate Vice Chancellor, Institutional Effectiveness; Resources Committee: Chair Takano/Vice Chairs: Vice Chancellor, Administration and Finance/Vice Chancellor, Diversity and Human Resources; Teaching and Learning Committee: Chair Medina/Vice Chair, Vice Chancellor, Academic Affairs; and Facilities Committee: Chair Blumenthal/Vice Chair Associate Vice Chancellor, Facilities, Planning, Design and Construction.

Committee Appointment

President Blumenthal made the following appointments for the Liaison Committee Representatives for 2010: Association of Community College Trustees (ACCT) Liaison, Ms. Figueroa; Association of Governing Boards of Universities and Colleges (AGB) Liaison, Mr. Takano; California Community College Trustees and Legislative Network (CCCT) Liaison, Ms. Figueroa; Community College League of California (CCLC) Liaison, Ms. Figueroa and Ms. Green; Latino Trustees Association Liaison, Mr. Medina; Inland Valleys' Trustees and CEO Association Liaison, Mr. Takano; African-American Organizations Liaison, Ms. Blumenthal; Hispanic Chamber of Commerce Liaison, Mr. Medina; Riverside Chambers of Commerce Liaison, Ms. Blumenthal; Riverside County School Board Association Liaison, Ms. Green; County Committee on School District Organization Liaison, Mr. Medina; Alvord USD Ad-Hoc Committee, Mr. Takano and Mr. Medina; Mine Okubo Committee, Mr. Takano and Ms. Green; and Riverside School for the Arts Committee,

Liaison Board Committee  
Representatives

Mr. Takano and Ms. Figueroa.

Mr. Medina, seconded by Ms. Green, moved that the Board of Trustees approve the minutes of the regular meeting of November 17, 2009. Motion carried.  
(5 ayes)

MINUTES OF THE REGULAR  
MEETING OF NOVEMBER 17, 2009

CHANCELLOR'S REPORTS

Presentations

Dr. Gray swore in Mr. Bishop as the 2009-2010 Student Trustee.

“Administration of Oath of Office to Student Trustee” – Dr. Gregory W. Gray, Chancellor

Dr. Davis introduced Dina Humble, Associate Professor, Music, who led a performance by the Norco Choir.

“Special Presentation – Performance by the Norco Choir” – Dr. Brenda Davis, President, Norco

Dr. Davis introduced Ms. Meghan Sheeran, Vice President of Finance, Associated Students of Norco Campus, who delivered a presentation to the board on current student activities.

“Special Presentation – Associated Students of Norco Campus” – Dr. Brenda Davis, President, Norco

Ms. Green, seconded by Mr. Medina, moved that the Board of Trustees ratify the award, for the Communities Learning in Partnership (CLIP) program, a joint effort between Riverside City College and the City of Riverside, for the time frame of October 23, 2009 through July 31, 2010, in the amount of \$140,595.00, and authorize James Buysse, Vice Chancellor, Administration and Finance, to sign the Contract. Motion carried. (5 ayes)

Agreement with Bill and Melinda Gates Foundation

Mr. Medina, seconded by Ms. Green, moved that the Board of Trustees accept and approve the 2010 Commencement Schedule on Thursday, June 10, 2010, as follows: Norco Campus-10:00 a.m.; Moreno Valley Campus-5:00 p.m.; and Riverside City College-7:30 p.m. Motion carried. (5 ayes)

2010 Commencement Schedule

Board President Blumenthal opened the Public Hearing on the proposal to negotiate an early retirement plan for fiscal year 2009-2010 at 6:55 p.m. There were no questions/comments from the public, and the hearing was closed at 6:56 p.m.

Public Hearing – Collective Bargaining - Proposal for Early Retirement Plan

Ms. Green, seconded by Mr. Medina, moved that the

Proposed Board of Trustees



Board of Trustees approve the schedule of meetings, with an amendment to the February Board Committees Meeting which will take place on February 11, 2010, in Student Services 101, at the Moreno Valley Campus. Motion carried. (5 ayes)

Meeting Calendar for January-December 2010

Mr. Stephen Bishop presented the report about recent and future student activities at the Moreno Valley and Norco Campuses and Riverside City College.

STUDENT REPORT

Mr. Takano, seconded by Mr. Medina, moved that the Board of Trustees pull Consent item V-A-6-b in order to hear all public comments related to the Project Labor Agreement. Motion carried. (5 ayes)

PROJECT LABOR AGREEMENT

Norco Choir students, Ms. Macias, Mr. Edge and Mr. Bass thanked the Board for their support and the opportunity to go abroad and perform in South Africa in summer 2010. The Norco Choir has currently raised \$20,000 for this trip. Mr. Stosel, Mr. Rowden, Mr. Robison, Mr. Wolowicz, Ms. Roth, Mr. Frost, Mr. Heusner, Ms. Nutting, Mr. Greenhagen, Mr. Perez, Mr. Cusack, Mr. Silva, Mr. Magness, Mr. Miller, Mr. Adcock, Ms. McNicholas, Ms. Pivrotto, Ms. Rayfield, Mr. Beloz, Ms. Wild, Mr. Guedea, Mr. Calvin, and Mr. Lopez commented on the Project Labor Agreement.

COMMENTS FROM THE PUBLIC

Mr. Takano, seconded by Mr. Medina, moved that the Board of Trustees authorize the Chancellor to negotiate the Project Labor Agreement with the Riverside and San Bernardino Building and Construction Trade Councils with an amendment that all future projects using Measure "C" funds which are \$1,000,000.00 or less are exempt from the Project Labor Agreement. Motion carried. (3 ayes; 2 noes [Blumenthal and Green])

PROJECT LABOR AGREEMENT

The Board adjourned for a recess at 7:58 p.m. and reconvened at 8:11 p.m.

RECESSED/RECONVENED

CONSENT ITEMS

Action

Mr. Medina, seconded by Ms. Green, moved that the Board of Trustees:

Approve the amended listed academic and classified

Academic and Classified

appointments, and assignment and salary adjustments; (Appendix No. 27)

Approve/ratify the Purchase Orders and Purchase Order Additions totaling \$11,796,917 and District Warrant Claims totaling \$6,146,972; (Appendix No. 28)

Approve the budget transfers as presented; (Appendix No. 29)

Approve adding the revenue and expenditures of \$140,595 to the budget and authorize the Vice Chancellor, Administration and Finance, to sign the resolution;

Approve adding the revenue and expenditures of \$24,000 to the budget and authorize the Vice Chancellor, Administration and Finance, to sign the resolution;

Approve adding the revenue and expenditures of \$350,000 to the budget and authorize the Vice Chancellor, Administration and Finance, to sign the resolution;

Approve adding the revenue and expenditures of \$421,000 to the budget and authorize the Vice Chancellor, Administration and Finance, to sign the resolution;

Approve adding the revenue and expenditures of \$54,000 to the budget and authorize the Vice Chancellor, Administration and Finance, to sign the resolution;

Approve the contingency budget transfer, by a two-thirds vote of the members, as presented; (Appendix 30)

## Personnel

Purchase Order and Warrant Report – All District Funds

## Budget Adjustments

Resolution to Amend Budget – Resolution No. 15-09/10 2009-2010 Community Learning in Partnership (CLIP) Planning Grant

Resolution to Amend Budget – Resolution No. 18-09/10 2009-2010 City of Riverside Community Development Block Grant Program

Resolution to Amend Budget – Resolution No. 19-09/10 2009-2010 American Recovery and Reinvestment Act (ARRA) Allied Health Expansion Phase II

Resolution to Amend Budget – Resolution No. 21-09/10 Wheelock Gymnasium Seismic Retrofit Project

Resolution to Amend Budget – Resolution No. 20-09/10 Riverside County 2009 Homeland Security Grant Program

Contingency Budget Adjustments

Award a bid for the Re-Roofing Projects-Spruce St, Systems Office and Heating Buildings in the total amount of \$170,001 to Cabral Roofing and authorize the Vice Chancellor, Administration and Finance, to sign the associated agreement;

Bid Award – Re-Roofing Projects-Spruce St, Systems Office & Heating Buildings

Grant out-of-state travel requests; (Appendix No. 31 )

Out-of-State Travel

Ratify the contracts totaling \$160,686; (Appendix No. 32)

Contracts and Agreements Report Less than \$76,700 – All District Resources

Approve and authorize District administrators to sign documents as listed; (Appendix 33)

Signature Authorization

Adopt Resolution No. 13-09/10, declaring design and development of Facilities to be LEED Certified, in Recognition of the Green Initiatives in the 2009-2012 Strategic Plan and authorizing signing of said Resolution;

Resolution of the Board of Trustees of Riverside Community College Districting Declaring – Design and Development of Facilities to be LEED Certified, in Recognition of the Green Initiatives in the 2009-2012 Strategic Plan – Resolution No. 13-09/10

Declare the listed property to be surplus; find that the property does not exceed the total value of \$5,000; and authorize the property to be consigned to the Liquidation Company to be sold on behalf of the District; and (Appendix No. 34)

Surplus Property

Accept the projects listed as complete; approve the execution of the Notices of Completion (under Civil Code Section 3093 – Public Works); and authorize the Board President to sign the Notices. (Appendix No. 35)

Notices of Completion

Motion carried. (5 ayes)

Information

The Board received the information for the period July 1, 2009 through November 30, 2009.

Monthly Financial Report

The Board received the information for the period ended on September 30, 2009.

CCFS-311Q –Quarterly Financial Status Report for the Quarter Ended September 30, 2009

The Board received the summary report on Measure C general fund obligation bond financial activity through the period ended November 30, 2009.

Measure C Project Commitments  
Summary

BOARD COMMITTEE REPORTS

Teaching and Learning

Mr. Medina, seconded by Ms. Green, moved that the Board of Trustees ratify the agreement with the County of Riverside to supply office space, classroom and laboratory facilities, from July 1, 2009 through June 30, 2012, based upon the fiscal year 2008-2009 Schedule of Fees for Ben Clark Training Center, and authorize the Vice Chancellor, Administration and Finance, to sign the contract. Motion carried. (5 ayes)

Operational Agreement with  
County of Riverside

Mr. Medina, seconded by Ms. Green, moved that the Board of Trustees approve the agreement to provide travel services to Morocco for the study abroad program, for June 18, 2010 through June 29, 2010, for an amount not to exceed \$750.00, and authorize the Vice Chancellor, Administration and Finance, to sign the agreement. Motion carried (5 ayes)

Agreement with Adventureland  
Safari LLC

Resources

Mr. Takano, seconded by Ms. Green, moved that the Board of Trustees approve the Norco Secondary Effects project be delivered using Construction Management Multiple Prime contracting; and approve the agreement with Tilden Coil Constructors, Inc., in the amount of \$1,738,764; and authorize the Vice Chancellor, Administration and Finance, to sign the agreement. Motion carried. (5 ayes)

Norco Secondary Effects Project  
– Construction Management  
Services Agreement

Mr. Takano, seconded by Ms. Green, moved that the Board of Trustees approve Amendment No. 6 with GKK Works for revisions LEED implementation services for the Riverside Nursing/Science Building project in an amount not to exceed \$153,808, and authorize the Vice Chancellor, Administration and Finance, to sign the amendment. Motion carried. (5 ayes)

Riverside Nursing/Science  
Building Project – Design  
Amendment No. 6

Mr. Takano, seconded by Ms. Green, moved that the Board of Trustees approve Amendment No. 1 with AVR Studio, Inc. for additional services for the Riverside Aquatics Complex project in an amount not to exceed \$16,000, and authorize the Vice Chancellor, Administration and Finance to sign the amendment. Motion carried. (5 ayes)

Riverside Aquatics Complex  
Project – Design Amendment  
No. 1

Mr. Takano, seconded by Ms. Green, moved that the Board of Trustees adopt the Riverside Aquatics Complete Project – Excavation Resolution No. 17-09/10 authorizing additional grading and earthwork required for the project, and an amount not to exceed \$100,000 to proceed with Crew, Inc. for the Riverside Aquatics Complex Project excavation. Motion carried. (5 ayes)

Riverside Aquatics Complex  
Project – Excavation Resolution  
No. 17-09/10

Mr. Takano, seconded by Ms. Green, moved that the Board of Trustees receive the Foundation's independent audit report for the year ended June 30, 2009 for the permanent file of the District. Motion carried. (5 ayes)

2008-2009 Independent Audit  
Report for the Riverside  
Community College District  
Foundation

Mr. Takano, seconded by Ms. Figueroa, moved that the Board of Trustees receive the District's independent audit report for the year ended June 30, 2009 for the permanent file of the District. Motion carried. (5 ayes)

2008-2009 Independent Audit  
Report for the Riverside  
Community College District

#### Planning Committee

Ms. Green, seconded by Ms. Figueroa, moved that the Board of Trustees approve the scope design of the Operations Center at the Norco Campus; approve the tentative budget of \$16,834,625 using District Measure "C" funds; approve the project being delivered using Construction Management Multiple Prime contracting; and approve the agreement with Tilden Coil Constructors, Inc., in the amount of \$1,550,013; and authorize the Vice Chancellor, Administration and Finance, to sign the agreement. Motion carried. (5 ayes)

Operations Center (Norco  
Campus) – Tentative Budget  
Approval and Construction  
Management Services  
Agreement

Ms. Green, seconded by Mr. Medina, moved that the Board of Trustees approve the scope design of the Parking Structure and Surge Space project at the Moreno Valley Campus and budget, in the amount of \$31,800,000 and authorize the use of Measure "C" Funds. Motion carried. (5 ayes)

Moreno Valley Parking Structure  
and Surge Space – Tentative Budget  
Approval

#### Governance Committee

Ms. Figueroa, seconded by Mr. Medina, moved that the Board of Trustees approve Board Policies 3280 and 3505B. Motion carried. (5 ayes)

Revised and New Board Policies  
– Second Reading

The Board received for information the minutes from the November 3, 2009 Board of Trustees Governance, Teaching and Learning, Planning, and Resources Committee meetings.

Board of Trustees Committee  
Meeting Minutes

#### ACADEMIC SENATE REPORTS

Dr. Sharon Crasnow presented the report on behalf of the District and Norco Campus Academic Senate.

District and Norco Campus

Dr. Richard Davin presented the report on behalf of the Riverside City College Academic Senate.

Riverside City College

#### BARGAINING UNIT REPORTS

Dr. Dariush Haghghat, President, CTA, presented the report on behalf of the CTA.

CTA – California Teacher's  
Association

Mr. Gustavo Segura, President, CSEA, presented the report on behalf of the CSEA.

CSEA – California School  
Employees

#### BUSINESS FROM BOARD MEMBERS

Mr. Takano, seconded by Mr. Medina, moved that that the Board of Trustees adopt the Resolution. Motion carried (3 ayes, 2 noes [Blumenthal and Green])

Resolution No. 22-09/10 –  
Congratulating the Honorable  
John Perez as the First Openly  
Gay Assembly Speaker of the  
California Legislature

The Board adjourned the meeting at 9:40 p.m.

#### ADJOURNMENT

RIVERSIDE COMMUNITY COLLEGE DISTRICT  
FACILITIES COMMITTEE

Report No.: III-E-1

Date: February 16, 2010

Subject: Uniform Construction Cost Accounting Act Procedures – Resolution No. 35-09/10

Background: On November 16, 2009, the Associate Vice Chancellor of Facilities Planning, Design and Construction presented to the District’s Executive Cabinet, a review of California Public Contract Code (PCC) Section 22000, regarding Uniform Construction Cost Accounting Act Procedures (UCCAP). UCCAP is a useful tool for the District as it would raise the informal quote thresholds, simplify the informal quote process for small projects, reduce advertising costs and increase the likelihood that the bids received will be from responsible, local contractors.

After review, the Executive Cabinet suggested a recommendation adopting the use of UCCAP be made to the Board of Trustees for future District projects consisting of construction, reconstruction, erection, alteration, renovation, improvement, demolition, and repair work involving any District owned, leased or operated facility.

The Associate Vice Chancellor of Facilities Planning, Design and Construction now offers the Board of Trustees a review of California Uniform Construction Accounting Act Procedures (presentation attached). Exhibit A (attached) is PCC Section 22000, and Exhibit B (attached) is the State’s official UCCAP manual.

Additionally, staff now requests the Board of Trustees adopt and implement the attached Uniform Construction Cost Accounting Act Procedures - Resolution No. 35-09/10 for future small capital projects within the District.

Recommended Action: It is recommended that the Board of Trustees adopt the Uniform Construction Cost Accounting Act Procedures – Resolution No. 35-09/10 for future construction projects within Riverside Community College District.

Gregory W. Gray  
Chancellor

Prepared by:

Orin L. Williams  
Associate Vice Chancellor  
Facilities Planning, Design and Construction

*Uniform Construction Cost Accounting Act*

# *UCCAP Procedure Review*

*Riverside Community College District  
Board of Trustees Facilities Committee  
February 11, 2010*



# Legal Provision

- PCC Sections 22000 through 22045
- UCCAP is separate from PCC Section 20111 regarding standard bidding
- BOT resolution is all that is required
- Recommend District Policy and Procedure
- Change Orders follow standard public works protocols within the Public Contract Code

# [ The Basic Concepts ]

- Use contractors on a rotating basis
- Develop a “simplified” scope of work
- Construct smaller scale public works projects more quickly
- Avoid delays caused through formal bidding process
- Use “tested” contractors for known results in project implementation

# [ Increased Informal Bid Limits ]

- State Controller increased bid limits
- Section 20232 (a) - informal quotes increased from \$25,000 to \$30,000
- Section 20232 (b & c) – informal bids increased from \$100,000 to \$125,000
- Section 20234 (f) – exception limits raised from \$110,000 to \$137,500

# [ Contractor Selection ]

- Advertisements are placed annually
- Contractor's request addition to the list
- Web-based application example:  
***<http://nis/applications/contractors>***
- Purchasing maintains the vendor list
- Contractors may be removed for poor performance

## **[ Issues to Monitor ]**

- Bonds are required above \$25,000
- Rotation of list should be by others
- Hold job-walks whenever possible, but purchasing participation is optional
- Advertisement protocols for UCCAP are specific: facsimile and optional mail to a minimum of 3 contractors

# [ Form Usage ]

- Notice Inviting Bids [NIB]
  - Location and Job Walk details
  - Bid closing time and bid delivery method
  - Licensure, Bonds, Prevailing Wages
- Instructions to Bidders [ITB]
- Contractor Bid Form [CBF]
- Contract Form – use Purchase Order

# A Few Items For Consideration

- Is a 10 day “notice” really required?
- Who is responsible to rotate bidders?
- Who coordinates between departments to determine fair rotation?
- What if we do not rotate contractors – is there a penalty?
- Should NOC’s be filed? Why?

# [ Other Issues or Questions ]

- Additional Questions
- Open Forum
  - Successes
  - Problems
  - Possible improvements
  - Other



# Conclusion

- UCCAP use is increasing among other Southern California districts
- UCCAP will make smaller project implementation more productive
  - Expedited deliver compared to bidding
  - Lower cost than bidding
- We must diligently observe the intent of UCCAP to continue its use

## Exhibit A

### CALIFORNIA CODES PUBLIC CONTRACT CODE SECTION 22000-22003

22000. This chapter shall be known and may be cited as the "Uniform Public Construction Cost Accounting Act."

22001. The Legislature finds and declares that there is a statewide need to promote uniformity of the cost accounting standards and bidding procedures on construction work performed or contracted by public entities in the state. This chapter provides for the development of cost accounting standards and an alternative method for the bidding of public works projects by public entities.

22001.5. On or before January 1, 2009, the Controller shall send a notice to all public agencies describing the provisions of this chapter and the benefits of using its provisions. This notice shall also be included in any notification issued by the Controller pursuant to Section 22020.

22002. (a) "Public agency," for purposes of this chapter, means a city, county, city and county, including chartered cities and chartered counties, any special district, and any other agency of the state for the local performance of governmental or proprietary functions within limited boundaries. "Public agency" also includes a nonprofit transit corporation wholly owned by a public agency and formed to carry out the purposes of the public agency.

(b) "Representatives of the construction industry" for purposes of this chapter, means a general contractor, subcontractor, or labor representative with experience in the field of public works construction.

(c) "Public project" means any of the following:

(1) Construction, reconstruction, erection, alteration, renovation, improvement, demolition, and repair work involving any publicly owned, leased, or operated facility.

(2) Painting or repainting of any publicly owned, leased, or operated facility.

(3) In the case of a publicly owned utility system, "public project" shall include only the construction, erection, improvement, or repair of dams, reservoirs, powerplants, and electrical transmission lines of 230,000 volts and higher.

(d) "Public project" does not include maintenance work. For purposes of this section, "maintenance work" includes all of the following:

(1) Routine, recurring, and usual work for the preservation or protection of any publicly owned or publicly operated facility for its intended purposes.

(2) Minor repainting.

(3) Resurfacing of streets and highways at less than one inch.

(4) Landscape maintenance, including mowing, watering, trimming, pruning, planting, replacement of plants, and servicing of irrigation and sprinkler systems.

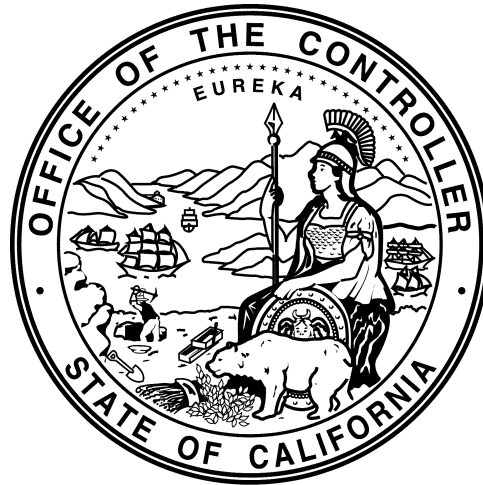
(5) Work performed to keep, operate, and maintain publicly owned water, power, or waste disposal systems, including, but not limited to, dams, reservoirs, powerplants, and electrical transmission lines of 230,000 volts and higher.

(e) For purposes of this chapter, "facility" means any plant, building, structure, ground facility, utility system, subject to the limitation found in paragraph (3) of subdivision (c), real property, streets and highways, or other public work improvement.

22003. A public agency which has, by resolution, elected to become subject to the uniform construction cost accounting procedures set forth in Article 2 (commencing with Section 22010), may utilize the bidding procedures set forth in Article 3 (commencing with Section 22030) when contracting for "maintenance work," as defined in Section 22002, or when contracting for any other work which does not fall within the definition of "public project," as defined in Section 22002.

Cost Accounting Policies and  
Procedures Manual  
of the  
California Uniform ~~Public~~ Construction  
Cost Accounting Commission

State of California



State Controller

Division of Accounting and Reporting

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**California Uniform ~~Public~~ Construction  
Cost Accounting Commission**

**Cost Accounting Policies and  
Procedures Manual**

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## 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 \$30,000 with their own workforces if the agencies elect to follow the cost accounting procedures set forth in the *Cost Accounting Policies and Procedures Manual* of 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](http://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 over 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.

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## Part II

### Uniform Public Construction Cost Accounting Policies and Procedures

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## Appendixes

### Appendix A

#### Cost Principles for State, Local, and Indian Tribal Governments 2 CFR Part 225

[Please refer to www.ecfr.gpoaccess.gov](http://www.ecfr.gpoaccess.gov)

[Browse: Title –Grants and Agreements, Volume 1, Chapter, II, Part 225](#)

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**Part I**

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

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**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 shall be enacted pursuant to Public Contract Code Section 22034.
- (5) ~~The governing board may discontinue the agency's participation under the uniform construction cost accounting procedures by adopting a resolution stating this fact. A copy of the resolution shall be filed with the Controller.~~  
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 construction cost accounting procedures by adopting a resolution stating this fact. A copy of the resolution shall be filed with the Controller.
- ~~(7)~~(6) The Controller shall notify the Commission of all local agencies electing to become subject to the uniform construction cost accounting procedures. In addition, the Commission shall also be notified of local agencies electing to discontinue participation under these procedures.

**SAMPLE ELECTION RESOLUTION - MODEL**

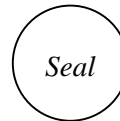
*(This SAMPLE ELECTION RESOLUTION indicates election by a city council.  
However, the sample format can be used by any public agency governing body.)*

RESOLUTION OF THE COUNCIL OF THE CITY OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_, STATE OF CALIFORNIA IN THE MATTER OF:  
UNIFORM PUBLIC CONSTRUCTION COST ACCOUNTING PROCEDURES

Resolution No. \_\_\_\_\_

I, \_\_\_\_\_, City Clerk of the City of \_\_\_\_\_, County of \_\_\_\_\_, State of California, do hereby certify that the following resolution, proposed by Councilmember \_\_\_\_\_, and seconded by Councilmember \_\_\_\_\_, was duly passed and adopted by the Council of the City of \_\_\_\_\_ at a regular meeting thereof assembled this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by the following vote, to wit:

AYES: Councilmember:  
NOES: Councilmember:  
ABSENT: Councilmember:



\_\_\_\_\_, City Clerk  
City of \_\_\_\_\_

THE CITY COUNCIL OF THE CITY OF \_\_\_\_\_ DOES HEREBY RESOLVE AS FOLLOWS:

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

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

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

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

This Resolution shall take effect upon its adoption.

PASSED AND ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_, Mayor  
City of \_\_\_\_\_

ATTEST:

\_\_\_\_\_, City Clerk  
City of \_\_\_\_\_

## SAMPLE INFORMAL BIDDING ORDINANCE

*(This SAMPLE INFORMAL BIDDING ORDINANCE indicates action by a county board of supervisors.  
However, the sample format can be used by any public agency 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 be mailed to all contractors for the category of work to be bid, as shown on the list developed in accordance with Section \_\_\_\_\_, and 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 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 CONTRACTORS  
PER SECTION 22034 OF THE PUBLIC CONTRACT CODE**

1. 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, 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)**

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 informal and formal construction contracts being bid 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 is required. The user will have to notify at least two (2) of the trade journals listed in Column C, unless there is only one (1), in which case notification of the one trade journal is mandatory. 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:** You are not required to mail a notice to a trade journal if the trade journal listed under your county is now charging for its services, or is out of business. Instead, the Commission requests that you find some other method of notifying potential contractors of published jobs and how to be added to your 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
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, 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

<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>
MODOC	2, 3	6
MONO	2, 3	12
MONTEREY	2, 3	19, 23, 24, 25, 29
NAPA	2, 3	8, 9, 10, 17
NEVADA	2, 3	11, 12, 13, 14
ORANGE	2, 3	32, 46
PLACER	2, 3	11, 12, 13, 14, 17
PLUMAS	2, 3	6, 7, 12, 13
RIVERSIDE	2, 3	32, 46
SACRAMENTO	2, 3	6, 11, 12, 13, 14, 17, 20
SAN BENITO	2, 3	23, 24, 25
SAN BERNARDINO	2, 3	32, 46
SAN DIEGO	2, 3	32, 46
SAN FRANCISCO	2, 3	9, 15, 16, 17, 18, 19
SAN JOAQUIN	2, 3	20, 21, 22
SAN LUIS OBISPO	2, 3	24, 25, 28, 29, 30, 47
SAN MATEO	2, 3	9, 15, 16, 18, 19
SANTA BARBARA	2, 3	29, 30, 31, 47
SANTA CLARA	2, 3	9, 15, 16, 17, 18, 19, 23
SANTA CRUZ	2, 3	19, 23, 24, 25
SHASTA	2, 3	5, 6
SIERRA	2, 3	12, 13
SISKIYOU	2, 3	6
SOLANO	2, 3	9, 10, 11, 17, 20
SONOMA	2, 3	8, 9, 17
STANISLAUS	2, 3	20, 21, 22
SUTTER	2, 3	7, 11, 12, 13
TEHAMA	2, 3	6, 13
TRINITY	2, 3	5, 6
TULARE	2, 3	26, 27, 28
TUOLUMNE	2, 3	12, 21
VENTURA	2, 3	28, 30, 31, 47
YOLO	2, 3	9, 11, 14
YUBA	2, 3	7, 11, 12, 13

Sample Information for Mailed Notice

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

- Project title and contract # (if any)
- Cost range
- Location of site
- Who is taking bids/date and time due
- Owner's address and phone number
- Architect's address and phone number
- Brief description of work to be done
- Where plans may be obtained/Deposit required/Whether or not refundable
- Percentage of bid bond/Percentage of performance bond/Percentage of payment bond

## LIST OF CONSTRUCTION TRADE JOURNALS

The following organizations have indicated to the Commission that they:

- a) Publish a newsletter or trade journal, on a weekly or more frequent basis, that contains a section listing projects being bid; or, provide a telephone notice service to their members.
- b) Do not charge for publishing or otherwise disseminating a Notice to Contractors.

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

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

Office of the State Controller  
 Division of Accounting and Reporting  
 Local Government Policies Section  
 P. O. Box 942850  
 Sacramento, CA 94250

ORGANIZATION	AREAS OF MEMBERS OR SUBSCRIBERS BY COUNTY
1 Reed Construction Data Document Processing Center 30 Technology Parkway South, Suite 500 Norcross, GA 30092-2912 <b>Phone:</b> 800-876-4045 <b>Fax:</b> 800-303-8629	California
2 Construction Bidboard, <del>Inc.</del> <u>(eBidboard)</u> <u>5910 Pacific Center Blvd. 4420 Hotel Circle</u> <u>Court, Suite 215</u> San Diego, CA <u>9212492108</u> <b>Phone:</b> <u>858-643-9050</u> <u>800-479-5314</u> <b>Fax:</b> <u>858-777-6835</u> <u>619-688-0585</u> <b>e-mail:</b> <u>smeallisterplanroom@ebidboard.com</u>	California
3 McGraw-Hill Construction Dodge (formerly F.W Dodge)	California
Requests that all information, including plans and specifications for Dodge publications including the Daily Pacific Builder and GreenSheet, be directed to the closest local plan room to the project. (See 40 – 45)	

ORGANIZATION	AREAS OF MEMBERS OR SUBSCRIBERS BY COUNTY
4 Del Norte Builders Exchange 711 H Street Crescent City, CA 95531 <b>Phone:</b> <b>Fax:</b> 707-465-5922 <b>e-mail:</b> delnortebex@aol.com	Del Norte, Humboldt, and Lassen
5 Humboldt Builders' Exchange, Inc. 624 C Street Eureka, CA 95501-0341 <b>Phone:</b> 707-442-3708 <b>Fax:</b> 707-442-6051 <b>e-mail:</b> exec@humbx.com	Del Norte, Humboldt, Lake, Mendocino, Shasta, and Trinity
6 Shasta Builders' Exchange 2990 Innsbrook Drive Redding, CA 96003-9303 <b>Phone:</b> 530-221-5556 <b>Fax:</b> 530-221-2140 <b>e-mail:</b> kent@shastabe.com	Butte, Colusa, Del Norte, Glenn, Humboldt, Lake, Lassen, Modoc, Plumas, Sacramento, Shasta, Siskiyou, Tehama, and Trinity
7 Valley Contractors Exchange, Inc. 951 East Eighth Street Chico, CA 95928 <b>Phone:</b> 530-343-1981 <b>Fax:</b> 530-343-3503 <b>e-mail:</b> kate@vceonline.com	Butte, Colusa, Glenn, Plumas, Sutter, and Yuba
8 North Coast Builders Exchange 1030 Apollo Way Santa Rosa, CA 95407 <b>Phone:</b> 707-542-9502 <b>Fax:</b> 707-542-2027 <b>e-mail:</b> keith@ncbeonline.com	Lake, Marin, Mendocino, Napa, and Sonoma
9 Marin Builders Association 660 Las Gallinas Avenue San Rafael, CA 94903 <b>Phone:</b> 415-462-1220 <b>Fax:</b> 415-462-1225 <b>e-mail:</b> dave@marinba.org	Alameda, Contra Costa, Lake, Los Angeles, Marin, Mendocino, Napa, Sacramento, San Francisco, San Joaquin, San Mateo, Santa Clara, Solano, Sonoma, and Yolo
10 Solano-Napa Builders Exchange 135 Camino Dorado Napa, CA 94558-6213 <b>Phone:</b> 707-255-2515 <b>Fax:</b> 707-255-2749 <b>e-mail:</b> estevenson@snbe.com	Napa and Solano



**ORGANIZATION**

**AREAS OF MEMBERS OR SUBSCRIBERS  
BY COUNTY**

- 
- |    |  |  |
|----|--|--|
| 11 | Sacramento Builders' Exchange<br>1331 T Street<br>P.O. Box 1462<br>Sacramento, CA 95812-1462<br><b>Phone:</b> 916-442-8991<br><b>Fax:</b> 916-446-3117<br><b>e-mail:</b> planholders@sbxchange.net | El Dorado, Nevada, Placer, Sacramento, Solano, Sutter,<br>Yolo, and Yuba   |
| 12 | Placer County Contractors Association, Inc.<br>271 Auburn Ravine Road<br>Auburn, CA 95603<br><b>Phone:</b> 530-889-3953<br><b>Fax:</b> 530-889-3956<br><b>e-mail:</b> eddie@placerbx.com           | Alameda, Alpine, Amador, Butte, Calaveras, Colusa,<br>Contra Costa, Del Norte, El Dorado, Fresno, Glenn,<br>Humboldt, Lake, Lassen, Madera, Mariposa,<br>Mendocino, Merced, Modoc, Mono, Monterey, Napa,<br>Nevada, Placer, Plumas, Sacramento, San Benito, San<br>Francisco, San Joaquin, Santa Clara, Shasta, Sierra,<br>Siskiyou, Stanislaus, Solano, Sonoma, Sutter, Tehama,<br>Trinity, Tuolumne, Yolo, and Yuba, |
| 13 | Nevada County Contractors' Association<br>111-A New Mohawk Road<br>Nevada City, CA 95959<br><b>Phone:</b> 530-265-8541<br><b>Fax:</b> 530-265-8726<br><b>e-mail:</b> nccaexec@pacbell.net          | Butte, El Dorado, Glenn, Lassen, Nevada, Placer,<br>Plumas, Sacramento, Sierra, Sutter, Tehama, and Yuba   |
| 14 | El Dorado Builders' Exchange<br>3430 Robin Lane, No. 7<br>Cameron Park, CA 95682<br><b>Phone:</b> 530-672-2955<br><b>Fax:</b> 530-672-2985<br><b>e-mail:</b> connie@goodbuilders.org               | Amador, El Dorado, Nevada, Placer, Sacramento, and<br>Yolo   |
| 15 | The San Francisco Builders Exchange<br>850 South Van Ness Avenue<br>San Francisco, CA 94110-1911<br><b>Phone:</b> 415-282-8220<br><b>Fax:</b> 415- 821-0363<br><b>e-mail:</b> denna@bxosf.com      | Alameda, San Francisco, San Mateo, and Santa Clara   |
| 16 | Builders Exchange of Alameda County<br>P.O. Box 1978, 3055 Alvarado Street<br>San Leandro, CA 94577<br><b>Phone:</b> 510-483-8880<br><b>Fax:</b> 510-352-1509<br><b>e-mail:</b> spleary@beac.com   | Alameda, Contra Costa, San Francisco, San Mateo, and<br>Santa Clara  |
| 17 | Contra Costa Builders Exchange<br>2440 Stanwell Drive, Suite B<br>Concord, CA 94520-4801<br><b>Phone:</b> 925-685-8630<br><b>Fax:</b> 925-685-3424<br><b>e-mail:</b> info@ccbex.com                | Alameda, Contra Costa, El Dorado, Lake, Mendocino,<br>Napa, Placer, Sacramento, San Francisco, Santa Clara,<br>Solano, and Sonoma  |

ORGANIZATION	AREAS OF MEMBERS OR SUBSCRIBERS BY COUNTY
18 Peninsula Builders Exchange 735 Industrial Road San Carlos, CA 94070 <b>Phone:</b> 650-591-4486 <b>Fax:</b> 650-591-8108 <b>e-mail:</b> tom@constructionplans.org	Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara
19 Builders' Exchange of Santa Clara County 400 Reed Street Santa Clara, CA 95050 <b>Phone:</b> 408-727-4000 <b>Fax:</b> 408-727-2779 <b>e-mail:</b> mm@bxscoco.com	Alameda, Monterey, San Francisco, San Mateo, Santa Clara, and Santa Cruz
20 Builders' Exchange of Stockton 7500 West Lane Stockton, CA 95210 <b>Phone:</b> 209-478-1000 <b>Fax:</b> 209-478-2132 <b>e-mail:</b> rruby@besonline.com	Alameda, Calaveras, Contra Costa, Fresno, Madera, Merced, Sacramento, San Joaquin, Solano, and Stanislaus
21 Valley Builders Exchange, Inc. P. O. Box 4307 Modesto, CA 95352 <b>Phone:</b> 209-522-9031 <b>Fax:</b> 209-522-0616 <b>e-mail:</b> kbowden@valleybx.com	Amador, Calaveras, Merced, San Joaquin, Stanislaus, and Tuolumne
22 Builders Exchange of Merced & Mariposa P. O. Box 762, 410 W. Main Street, #C Merced, CA 95341-0761 <b>Phone:</b> 209-722-3612 <b>Fax:</b> 209-722-0207 <b>e-mail:</b> bemm@bxmercedandmariposainc.org	Fresno, Kern, Kings, Madera, Mariposa, Merced, San Joaquin, and Stanislaus
23 Santa Cruz County Builders Exchange 1248 Thompson Avenue Santa Cruz, CA 95062 <b>Phone:</b> 831-476-3407 <b>Fax:</b> 831-476-6349 <b>e-mail:</b> kim@scbuild.com	Monterey, San Benito, Santa Clara, and Santa Cruz
24 Builders Exchange of the Central Coast, Inc. 100 12 <sup>th</sup> Street, Building 2861 Marina, CA 93933 <b>Phone:</b> 831-883-3933 <b>Fax:</b> 831-582-2356 <b>e-mail:</b> gwen@bxcc.org	Monterey, San Benito, San Luis Obispo, and Santa Cruz
25 Salinas Valley Builders Exchange 20 Quail Run Circle Salinas, CA 93907 <b>Phone:</b> 831-758-1624 <b>Fax:</b> 831-758-6203 <b>e-mail:</b> gwen@svbe.com	Monterey, San Benito, San Luis Obispo, and Santa Cruz

ORGANIZATION	AREAS OF MEMBERS OR SUBSCRIBERS BY COUNTY
26 Fresno Builders Exchange 1244 N. Mariposa Street Fresno, CA 93703 <b>Phone:</b> 559-237-1831 <b>Fax:</b> 559-264-2532 <b>e-mail:</b> roxanne@fresnobuildersexchange.com	Fresno, Kings, Madera, San Joaquin, and Tulare
27 Tulare & Kings Counties Builders Exchange P.O. Box 667, 626 W. Oak Visalia, CA 93291 <b>Phone:</b> 559-732-4568 <b>Fax:</b> 559-732-7568 <b>e-mail:</b> info@tkcbe.com	Fresno, Kern, Kings, and Tulare
28 Kern County Builders' Exchange, Inc. 1121 Baker Street Bakersfield, CA 93305 <b>Phone:</b> 661-324-4921 <b>Fax:</b> 661-324-5364 <b>e-mail:</b> phil@kcbex.com	Fresno, Inyo, Kern, Kings, San Luis Obispo, Tulare, and Ventura
29 San Luis Obispo County Builders Exchange 3563 Sueldo, Suite G San Luis Obispo, CA 93401 <b>Phone:</b> 805-543-7330 <b>Fax:</b> 805-543-7016 <b>e-mail:</b> leslie@slocbe.com	Kern, Monterey, San Luis Obispo, and Santa Barbara
30 Santa Maria Valley Contractors Association 2003 N. Preisker Lane, Suite A Santa Maria, CA 93454 <b>Phone:</b> 805-925-1191 <b>Fax:</b> 805-922-2983 <b>e-mail:</b> smvca@silcom.com	San Luis Obispo, Santa Barbara, and Ventura
31 Ventura County Contractors Association 1830 Lockwood Street, No. 110 Oxnard, CA 93036 <b>Phone:</b> 805-981-8088 <b>Fax:</b> 805-981-8089 <b>e-mail:</b> vcca@vccainc.com	Santa Barbara and Ventura
32 Southern California Builders Association 7740 Painter Avenue, #100 Whittier, CA 90602 <b>Phone:</b> 562-320-3600 <b>Fax:</b> 562-320-3603 <b>e-mail:</b> scba@socalbuilders.org	Imperial, Los Angeles, Orange, Riverside, San Bernardino, and San Diego
33 Construction Data Company 11940 Jollyville Road, Suite 305-S Austin, TX 78759 <b>Phone:</b> 800-872-7878 <b>Fax:</b> 800-487-7878 <b>e-mail:</b> research@cdcnews.com	Southern California

ORGANIZATION	AREAS OF MEMBERS OR SUBSCRIBERS BY COUNTY
34 Bid Editor From The Ground Up 7115 Westminster Avenue Westminster, CA 92683 <b>Phone:</b> <b>Fax:</b>	Los Angeles, Orange, Riverside, and San Bernardino
35 BidAmerica 41085 Elm Street Murrieta, CA 92562 <b>Phone:</b> 909-677-4819 <b>Fax:</b> 909-600-0615	Imperial, Kern, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Luis Obispo, Santa Barbara, and Ventura
36 BidNet P.O. Box 5600 Albany, NY 12214-5213 <b>Phone:</b> <b>Fax:</b>	California
37 Construction Bid Source Interactive 14237 Camanche Parkway P.O. Box 568 Burson, CA 95225-0568 <b>Phone:</b> 800-962-4162 <b>Fax:</b>	California
38 Demand Star.com, Inc. 1200 South Pine Island Rd, 6 <sup>th</sup> Floor Plantation, FL 33324 <b>Phone:</b> 954-577-6500 <b>Fax:</b> 954-577-3941 <b>e-mail:</b> info@demandstar.com	California
39 California Daily Bid Advisor 1276 Lincoln Avenue, Suite 203 San Jose, CA 95125 <b>Phone:</b> 800 298-0240 <b>Fax:</b>	California
40 McGraw-Hill Construction Dodge 1333 S. Mayflower Avenue, Suite 300 Monrovia, CA 91016-4066 <b>Phone:</b> 626-932-6181 <b>Fax:</b> 626-932-6153	Kern, Los Angeles, San Luis Obispo, Santa Barbara, and Ventura
41 McGraw-Hill Construction Dodge 8755 Flower Road Rancho Cucamonga, CA 91730 <b>Phone:</b> 909-987-1579 <b>Fax:</b> 909-987-1581	Riverside and San Bernardino

ORGANIZATION	AREAS OF MEMBERS OR SUBSCRIBERS BY COUNTY
42 McGraw-Hill Construction Dodge 8825 Aero Drive, Suite A-120 San Diego, CA 92123 <b>Phone:</b> 858-279-5330 <b>Fax:</b> 858-279-3390	Imperial, Riverside, and San Diego
43 McGraw-Hill Construction Dodge 2150 Town Center Place, Suite 100 Anaheim, CA 92806 <b>Phone:</b> 714 -937-0831 <b>Fax:</b> 714-937-0917	Orange
44 McGraw-Hill Construction Dodge 130 Doolittle Drive, Suite #1 San Leandro, CA 94577-1028 <b>Phone:</b> 510-636-1812 <b>Fax:</b> 510-636-1858	Alameda, Contra Costa, Del Norte, Marin, Mendocino, Monterey, San Benito, San Francisco, San Mateo, Santa Clara, Santa Cruz, Sonoma, and Trinity
45 McGraw-Hill Construction Dodge 620 Sunbeam Avenue Sacramento, CA 95814 <b>Phone:</b> 916- 443-1702 <b>Fax:</b> 916-443-1748	Alpine, Amador, Butte, Calaveras, Colusa, El Dorado, Fresno, Glenn, Humboldt, Inyo, Kings, Lake, Lassen, Madera, Mariposa, Merced, Modoc, Mono, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Stanislaus, Sutter, Tehama, Tulare, Tuolumne, Yolo, and Yuba
46 Associated General Contractors of America San Diego Chapter, Inc 6212 Ferris Square San Diego, CA 92121 <b>Phone:</b> 858-558-7444 <b>Fax:</b> 858-558-8444 <b>e-mail:</b> chartier@agcsd.org	Orange, Riverside, San Bernardino, and San Diego
47 BuildersNotebook 316 N. Soledad Street P.O. Box 4883 Santa Barbara, CA 93140 <b>Phone:</b> 805-962-3194 <b>Fax:</b> 805-962-3074 <b>e-mail:</b> planroom@buildersnotebook.com	Los Angeles, San Luis Obispo, Santa Barbara, and Ventura
48 Contractor's Information Network 1629 Pollasky, Suite 113 Clovis, CA 93612 <b>Phone:</b> 559-325-7054 <b>Fax:</b>	California

## ACCOUNTING PROCEDURES REVIEW

- I. Pursuant to the provisions of Public Contract Code Section 22042, the Commission has adopted the following 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. Is to be performed by a public agency after rejection of all bids, claiming work can be done less expensively by the public agency.
  - B. Exceeded the force account limit.
  - C. 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 involved in the review.
- III. 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 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.
  - B. In those circumstances set forth in section 1(B) or 1(C), a request for Commission review shall be by letter received by the Commission not later than five calendar 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, Local Government Policies Section, P.O. Box 942850, Sacramento, CA 94250.
  - D. Such written notice shall include the following information:
    1. Name, address, phone number of interested party as defined in (II) above, and person to be contacted presenting evidence.
    2. Indicate that work undertaken by the public agency falls within one of the following categories:
      - a. Is to be performed by a public agency after rejection of all bids, claiming work can be done less expensively by the public agency.
      - b. Exceeded the force account limits.
      - c. Has been improperly classified as maintenance.
    3. Name, address, and phone number of the Public Agency involved.

## ACCOUNTING PROCEDURES REVIEW (CONTINUED)

4. Project name, location, or other project identification number.
  5. Bid date and rejection date, if applicable.
  6. Low bid dollar amount, if applicable.
  7. Agency estimate, if available.
  8. Other supporting information, if available.
- 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. 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.
- V. Immediately upon receipt of a request for accounting procedures review, it shall be assigned by the Commission to one/or more of the prequalified consultants for review.
- A. The consultant will review all of the information set forth in Section III(d).
  - B. The consultant will 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 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.
- VI. The Commission may appoint a subcommittee consisting of at least three (3) members to meet and review the findings of fact and recommended decision of the consultant. The Commission shall 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.
- VII. 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.
- VIII. Pursuant to Public Contract Code Section 22044.5 (AB 2372 – Chapter 192 of the Statutes of 2006), if the Commission makes a finding 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 shall equate to one occasion.

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**Uniform Public  
Construction Cost  
Accounting Act**

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**CALIFORNIA PUBLIC CONTRACT CODE**  
**CHAPTER 2. BIDDING ON PUBLIC CONTRACTS**  
**Article 1. Legislative Intent and Definitions**

22000 Short Title	This chapter shall be known and may be cited as the "Uniform Public Construction Cost Accounting Act."
22001 Legislative Findings and Declarations	The Legislature finds and declares that there is a statewide need to promote uniformity of the cost accounting standards and bidding procedures on construction work performed or contracted by public entities in the state. This chapter provides for the development of cost accounting standards and an alternative method for the bidding of public works projects by public entities.
<u>22001.5 Notice describing chapter provisions to public agencies</u>	<u>On or before January 1, 2009, the Controller shall send a notice to all public agencies describing the provisions of this chapter and the benefits of using its provisions. This notice shall also be included in any notification issued by the Controller pursuant to Section 22020.</u>
22002 Definitions	<p>(a) "Public agency" for purposes of this chapter, means a city, county, city and county, including chartered cities and chartered counties, any special district, and any other agency of the state for the local performance of governmental or proprietary functions within limited boundaries. "Public agency" also includes a nonprofit transit corporation wholly owned by a public agency and formed to carry out the purposes of the public agency.</p> <p>(b) "Representatives of the construction industry" for purposes of this chapter, means a general contractor, subcontractor, or labor representative with experience in the field of public works construction.</p> <p>(c) "Public project" means any of the following:</p> <p>(1) Construction, reconstruction, erection, alteration, renovation, improvement, demolition, and repair work involving any publicly owned, leased, or operated facility.</p> <p>(2) Painting or repainting of any publicly owned, leased, or operated facility.</p> <p>(3) In the case of a publicly owned utility system, "public project" shall include only the construction, erection, improvement, or repair of dams, reservoirs, powerplants, and electrical transmission lines of 230,000 volts and higher.</p> <p>(d) "Public project" does not include maintenance work. For purposes of this section, "maintenance work" includes all of the following:</p> <p>(1) Routine, recurring, and usual work for the preservation or protection of any publicly owned or publicly operated facility for its intended purposes.</p> <p>(2) Minor repainting.</p> <p>(3) Resurfacing of streets and highways at less than one inch.</p> <p>(4) Landscape maintenance, including mowing, watering, trimming, pruning, planting, replacement of plants, and servicing of irrigation and sprinkler systems.</p> <p>(5) Work performed to keep, operate, and maintain publicly owned water, power, or waste disposal systems, including, but not limited to, dams, reservoirs, powerplants, and electrical transmission lines of 230,000 volts and higher.</p>

(e) For purposes of this chapter, "facility" means any plant, building, structure, ground facility, utility system, subject to the limitation found in paragraph (3) of subdivision (c), real property, streets and highways, or other public work improvement.

22003 Public Agency Subject to Uniform Cost Accounting Procedures; Bidding Procedures A public agency which has, by resolution, elected to become subject to the uniform construction cost accounting procedures set forth in Article 2 (commencing with Section 22010), may utilize the bidding procedures set forth in Article 3 (commencing with Section 22030) when contracting for "maintenance work," as defined in Section 22002, or when contracting for any other work which does not fall within the definition of "public project," as defined in Section 22002.

### **Article 2. California Uniform Construction Cost Accounting Commission**

22010 Creation; Membership; Appointment There is hereby created the California Uniform Construction Cost Accounting Commission. The commission is comprised of 14 members.

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

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

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

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

(4) Seven members who shall each be experienced in, and knowledgeable of, public works construction under contracts let by public agencies; two each representing cities, counties, respectively, and two representing school districts (one with an average daily attendance over 25,000 and one with an average daily attendance under 25,000), and one member representing a special district. At least one of the two county representatives shall be a county auditor or his or her designee.

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

22011 Appointment: Recommendations The Controller, in an effort to select highly qualified commission members, shall solicit from organized representatives of the construction industry and public agencies recommendations for appointments to the commission.

22012 Members; Accounting Experience At least one commission member of the seven representing the construction industry and at least one of the seven representing public agencies shall have previous accounting experience.

22013 Chairperson; Term The commission members shall select a chairperson from among its membership. The chairperson shall serve as chair for a term of one year from the date of selection or February 1, whichever comes first. In no event shall two consecutive chairpersons be appointees representing either the construction industry or public agencies.

22014 Members; Terms;  
Vacancies

(a) The members of the commission shall hold office for terms of three years, and until their successors are appointed, except as otherwise provided for in this section.

(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.

(c) Members may be reappointed for subsequent terms of three years.

(d) The Controller shall, within 45 days after expiration of any term, appoint a replacement to fill the vacancy on the Commission.

22015 Staff; Members'  
Compensation; Grants

(a) The Controller shall make available for the conduct of the commission's business, such staff and other support as does not conflict with the accomplishment of the other business of the office of the Controller.

(b) Each member of the commission shall serve without compensation, but shall be reimbursed for travel and other expenses necessarily incurred in the performance of the member's duties.

(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.

22016 Meetings

The commission shall meet not less than once each year, at a time and place chosen by its membership.

22017 Duties

The commission shall do all of the following:

(a) After due deliberation and study, recommend for adoption by the Controller, uniform construction cost accounting procedures for implementation by public agencies in the performance of, or in contracting for, construction on public projects. The procedures shall, to the extent deemed feasible and practicable by the commission, incorporate, or be consistent with construction cost accounting procedures and reporting requirements utilized by state and federal agencies on public projects, and be uniformly applicable to all public agencies that elect to utilize the uniform procedures.

As part of its deliberations and review, the commission shall take into consideration relevant provisions of Office of Management and Budget Circular A-76.

(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:

(1) Cities with a population of less than 75,000 shall assume an overhead rate equal to 20 percent of the total costs of a public project, including the costs of material, equipment, and labor.

(2) Cities with a population of more than 75,000 may either calculate an actual overhead rate or assume an overhead rate equal to 30 percent of the total costs of a public project, including the costs of material, equipment, and labor.

(c) Recommend for adoption by the Controller, procedures and standards for the periodic evaluation and adjustment, as necessary, of the monetary limits specified in Section 22032.

(d) The commission shall make an annual report to the Legislature with respect to its activities and operations, together with those recommendations as it deems necessary.

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 ~~affected 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 ~~twenty-five~~ thirty thousand dollars (~~\$25~~30,000) 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 ~~thirty~~ five thousand dollars (~~\$100~~125,000) or less may be let to contract by informal procedures as set forth in this article.

(c) Public projects of more than one hundred ~~thirty~~ five thousand dollars (~~\$100~~125,000) 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) 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 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 <del>twenty-five</del> thousand dollars (\$<del>100</del><u>125</u>,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 <del>ten-thirty-seven</del> thousand dollars (\$<del>10</del><u>137</u>,000) 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 at least 30 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	<p>(a) In its discretion, the public agency may reject any bids presented, if the agency, prior to rejecting all bids and declaring that the project can be more economically performed by employees of the agency, furnishes a written notice to an apparent low bidder. The notice shall inform the bidder of the agency's intention to reject the bid and shall be mailed at least two business days prior to the hearing at which the agency intends to reject the bid. If after the first invitation for bids all bids are rejected, after reevaluating its cost estimates of the project, the public agency shall have the option of either of the following:</p> <p>(1) Abandoning the project or readvertising 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 agency 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
- The commission shall review the accounting procedures of any participating public agency where an interested party presents evidence that the work undertaken by the public agency falls within any of the following categories:
- (a) Is to be performed by a public agency after rejection of all bids, claiming work can be done less expensively by the public agency.
  - (b) Exceeded the force account limits.
  - (c) Has been improperly classified as maintenance.
- 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 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
- 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:
- (a) On those projects set forth in subdivision (a) of Section 22042, the public agency has the option of either (1) abandoning the project, or (2) awarding the project to the lowest responsible bidder.
  - (b) On those projects set forth in subdivision (b) or (c) of Section 22042, the public agency shall present the commission's findings to its governing body and that governing body shall conduct a public hearing with regard to the commission's finding within 30 days of receipt of the findings.
- 22044.5
- 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
- (a) No later than January 1, 1985, the commission shall recommend, for adoption by the Controller, written procedures implementing the accounting procedures review provided for in this article.
  - (b) The Controller shall, upon receipt of the commission's recommendation, review and evaluate the recommended procedures and either formally adopt or reject the recommended procedures within 90 days of submission of the commission.

## CHAPTER 2.5. EMERGENCY CONTRACTION PROCEDURES

### 22050 Contracts Without Bids; Procedures

(a) (1) In the case of an emergency, a public agency, pursuant to a four-fifths vote of its governing body, may repair or replace a public facility, take any directly related and immediate action required by that emergency, and procure the necessary equipment, services, and supplies for those purposes, without giving notice for bids to let contracts.

(2) Before a governing body takes any action pursuant to paragraph (1), it shall make a finding, based on substantial evidence set forth in the minutes of its meeting, that the emergency will not permit a delay resulting from a competitive solicitation for bids, and that the action is necessary to respond to the emergency.

(b) (1) The governing body, by a four-fifths vote, may delegate, by resolution or ordinance, to the appropriate county administrative officer, city manager, chief engineer, or other nonelected agency officer, the authority to order any action pursuant to paragraph (1) of subdivision (a).

(2) If the public agency has no county administrative officer, city manager, chief engineer, or other nonelected agency officer, the governing body, by a four-fifths vote, may delegate to an elected officer the authority to order any action specified in paragraph (1) of subdivision (a).

(3) If a person with authority delegated pursuant to paragraph (1) or (2) orders any action specified in paragraph (1) of subdivision (a), that person shall report to the governing body, at its next meeting required pursuant to this section, the reasons justifying why the emergency will not permit a delay resulting from a competitive solicitation for bids and why the action is necessary to respond to the emergency.

(c) (1) If the governing body orders any action specified in subdivision (a), the governing body shall review the emergency action at its next regularly scheduled meeting and, except as specified below, at every regularly scheduled meeting thereafter until the action is terminated, to determine, by a four-fifths vote, that there is a need to continue the action. If the governing body meets weekly, it may review the emergency action in accordance with this paragraph every 14 days.

(2) If a person with authority delegated pursuant to subdivision (b) orders any action specified in paragraph (1) of subdivision (a), the governing body shall initially review the emergency action not later than seven days after the action, or at its next regularly scheduled meeting if that meeting will occur not later than 14 days after the action, and at least at every regularly scheduled meeting thereafter until the action is terminated, to determine, by a four-fifths vote, that there is a need to continue the action, unless a person with authority delegated pursuant to subdivision (b) has terminated that action prior to the governing body reviewing the emergency action and making a determination pursuant to this subdivision. If the governing body meets weekly, it may, after the initial review, review the emergency action in accordance with this paragraph every 14 days.

(3) When the governing body reviews the emergency action pursuant to paragraph (1) or (2), it shall terminate the action at the earliest possible date that conditions warrant so that the remainder of the emergency action may be completed by giving notice for bids to let contracts.

(d) As used in this section, "public agency" has the same meaning as defined in Section 22002.

(e) A three-member governing body may take actions pursuant to subdivision (a), (b), or (c) by a two-thirds vote.

(f) This section applies only to emergency action taken pursuant to Sections 20133, 20134, 20168, 20193, 20205.1, 20213, 20223, 20233, 20253, 20273, 20283, 20293, 20303, 20313, 20331, 20567, 20586, 20604, 20635, 20645, 20685, 20736, 20751.1, 20806, 20812, 20914, 20918, 20926, 20931, 20941, 20961, 20991, 21020.2, 21024, 21031, 21043, 21061, 21072, 21081, 21091, 21101, 21111, 21121, 21131, 21141, 21151, 21161, 21171, 21181, 21191, 21196, 21203, 21212, 21221, 21231, 21241, 21251, 21261, 21271, 21290, 21311, 21321, 21331, 21341, 21351, 21361, 21371, 21381, 21391, 21401, 21411, 21421, 21431, 21441, 21451, 21461, 21472, 21482, 21491, 21501, 21511, 21521, 21531, 21541, 21552, 21567, 21572, 21581, 21591, 21601, 21618, 21624, 21631, 21641, and 22035.

## **Part II**

# **Uniform Public Construction Cost Accounting Policies and Procedures**

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## **Section I.**

### **Introduction**

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As specified in the State of California Public Contract Code, all governmental jurisdictions are limited to the dollar amount of public project work that can be performed using internal resources. The jurisdictions are further required to follow various bidding procedures in undertaking construction work performed or contracted in the jurisdiction. The passage of Chapter 1054, Statutes of 1983 (Uniform Public Construction Cost Accounting Act), and subsequent amendments ~~provided in Chapter 758, Statutes of 1983; Chapter 993, Statutes of 1984; Chapter 1019, Statutes of 1986; Chapter 1327, Statutes of 1987; Chapters 239 and 1408, Statutes of 1988; Chapters 241 and 733, Statutes of 1989; Chapter 373, Statutes of 1997; Chapter 485, Statutes of 1998; Chapter 176, Statutes of 2001; and Chapter 296, Statutes of 2003 amended and added Chapter 2 (commencing with Section 22000) to Part 3 of Division 2 of the Public Contract Code.~~ This legislation provides for alternative bidding procedures by public agencies in undertaking public project work, provided they subscribe to uniform construction cost accounting policies and procedures developed in accordance with the law.

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

A. UNIFORM PUBLIC CONSTRUCTION COST ACCOUNTING ACT

Public Agency

The law applies to all public agencies, including cities, counties, chartered cities and chartered counties, any special district and any other agency of the state responsible for the local performance of governmental or proprietary functions with unlimited boundaries. "Public agency" includes a nonprofit transit corporation wholly owned by a public agency and formed to carry out the purposes of the public agency.

Public Projects

The law includes all public projects performed by public agencies related to the following:

Construction, reconstruction, erection, alteration, renovation, improvement, demolition and repair work involving any publicly owned, leased or operated facility.

Painting or repainting of any publicly owned, leased or operated facility.

In the case of a publicly owned utility system, construction, erection, improvement or repair of dams, reservoirs, power plants and electrical transmission lines of 230,000 volts and higher.

Exemptions

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

In addition, in cases of great emergency, as determined by the governing body of the public agency, including, but not limited to, states of emergency defined in Section 8558 of the Government Code, when repair or replacements are necessary to permit the continued conduct of the operation or services of a public agency or to avoid danger to life or property, the governing body by majority vote, may proceed at once to replace or repair any public facility without adopting plans, specifications, strain sheets, or working details, or giving notice for bids to let contracts. The work may be done by day labor under the direction of the governing body, by contract, or by a combination of the two. The governing body, by majority vote, may delegate to the appropriate county administrative officer or city manager the power to declare a public emergency subject to confirmation by the governing body, by a four-fifths vote, at its next meeting.



### Bid Limitations

For those agencies whose governing board has by resolution elected to become subject to the uniform construction cost accounting policies and procedures and which have notified the State Controller of that election, the following bid limitations will be in effect:

Public projects of ~~twenty-five~~thirty thousand dollars (~~\$2530,000~~) or less may be performed by the employees of a public agency by force account (for definition see Section II), by negotiated contract, or by purchase order.

Public projects of one hundred ~~twenty-five~~ thousand dollars (~~\$100125,000~~) or less may be let to contract by informal procedures as set forth in this legislation.

If all bids received are in excess of one hundred ~~twenty-five~~ thousand dollars (~~\$100125,000~~), the governing body of the public agency may by adoption of a resolution by a four-fifths vote, award the contract, at one hundred ~~ten-thirty-seven~~ thousand ~~five hundred~~ dollars (~~\$110,000137,500~~), or less, to the lowest responsible bidder, if it determines the cost estimate of the public agency was reasonable.

Public projects of more than one hundred ~~twenty-five~~ thousand dollars (~~\$100125,000~~) shall, except as otherwise provided in this legislation, be allowed to contract by formal bidding procedures.

### Award of Bid

The law allows the public agency, in its discretion, to reject any bids presented, if the agency, prior to rejecting all bids and declaring that the project can be more economically performed by employees of the agency, provides a written notice to an apparent low bidder that:

    Informs the lowest responsible bidder of the agency's intention to reject the bid

    Is mailed at least two business days prior to the hearing at which the agency intends to reject the bid.

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

    The public agency may abandon the project or re-advertise for bids in the manner described by this legislation.

    By passage of a resolution by a four-fifths majority of its governing body declaring that its employees can perform the project more economically, the public agency may have the project done by force account without further complying with this legislation.

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

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

### California Uniform Construction Cost Accounting Commission

Chapter 1054 created the California Uniform Construction Cost Accounting Commission (CUCCAC). The Commission is comprised of 14 members, 13 members appointed by the State Controller and one member of the Contractors' State License Board. Commission membership includes representatives from the construction industry who have experience as general contractors and subcontractors on public works construction projects; representatives of organized labor; and public agency officials who are involved in letting public works construction contracts.

The Commission is empowered to review and recommend for adoption by the State Controller uniform public construction cost accounting policies and procedures to be followed by public agencies in the performance of or in contracting for construction of public projects under this program.

### Implementation

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

Notifying the State Controller of the election.

Adopting ordinances or regulations providing informal bidding procedures as required by the law.

Complying with the public construction cost accounting construction policies and procedures presented in this manual.

The CUCCAC 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:

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

Exceeded the force account limits.

Has been improperly classified as maintenance.

## **Section II.**

### **Uniform Public Construction Cost Accounting Policies and Procedures**

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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 *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 established for the accumulation of the direct cost of performing government services. All the costs should be considered to indirectly support the performance of these services.

### Equipment Usage Tracking System

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

### Force Account

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

### Government-Wide Overhead

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

### Materials, Supplies, and Subcontracts Tracking System

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

### Materiality

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

### Overhead Costs

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

### Personnel Tracking System

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

### Project Accounting

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

### Project Tracking System

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

### Public Project Unit

A public project unit 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.

### 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, 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

(2) External Rate (Leased or Rented from Commercial Dealer)

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

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 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 project ledger card has been established by the school district's accounting area to record the costs of remodeling the Main Street School. The following data elements are included on the ledger card to establish the public project:

Project Code  
Start Date  
End Date  
Person Responsible for Work  
Name of Project

A completed project ledger card is shown in Exhibit II-2 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.

**EXHIBIT II-1**

**Project Ledger Card for  
 Main Street School Remodeling**

<b>Project Code:</b> #3359			<b>Project Name:</b> Main Street School Remodeling				
<b>Start Date:</b> 1/7/2003	<b>End Date:</b> 2/28/2003		<b>Foreman:</b> Sanders				
Description	Date	Reference	Labor & Overhead	Materials, Supplies & Subcontracts	Equipment	Total Cost	Total Estimate

**EXHIBIT II-2**

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

<b>Project Code:</b> #3359			<b>Project Name:</b> Main Street School Remodeling				
<b>Start Date:</b> 1/7/2003	<b>End Date:</b> 2/28/2003		<b>Foreman:</b> 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-3. 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 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**

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

**PERSONNEL <sup>1</sup>**

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

**EQUIPMENT**

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

**MATERIALS, SUPPLIES AND SUBCONTRACTS <sup>1</sup>**

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

<sup>1</sup> Further discussion is provided in Sections III, IV and V.

<sup>2</sup> Rate is the productive hourly rate plus overhead for a Maintenance Worker II. See Section III for further discussion on personnel costs.

<sup>3</sup> Amount was rounded to the nearest whole dollar.

<sup>4</sup> Cost per bid submitted by painting subcontractor.

**EXHIBIT II-4**

**Project Ledger Card for  
 Main Street School Remodeling  
 With Estimate Posted**

<b>Project Code:</b> #3359			<b>Project Name:</b> Main Street School Remodeling				
<b>Start Date:</b> 1/7/2003	<b>End Date:</b> 2/28/2003		<b>Foreman:</b> 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



### **Section III.**

## **Identification, Reporting and Computation of Personnel Costs**

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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 time 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 can also be used to record time. These documents should be completed by employees 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. This decentralization of timekeeping presents the opportunity for possible inaccuracies in the recording of time spent on public projects. Therefore, this system may warrant additional review by management.

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

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

## 2. Application of Timekeeping Systems

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

### a. Public Project Unit

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

#### (1) Timekeeping Requirements

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

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

All employees, whether performing direct labor or providing support services, shall have their time posted to the project tracking system on a periodic basis as discussed in Section II. An audit trail of all labor hours shall be maintained.

#### (2) Discussion of Example

Exhibit III-1 is an example of how a public project unit employee should record his time as discussed above. As noted, the employee has recorded on an hourly basis a full 40 hour work week. He has identified 32 hours spent performing work on specific public projects: 22 hours on remodeling the Main Street School, Work Order #3359, and 10 hours on weatherizing the district's administration building. Four hours were spent on miscellaneous maintenance work and 4 hours were spent waiting for assignment to a job.

b. Other Organizational Units Performing Work on Public Projects

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

(1) Timekeeping Requirements

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

(2) Discussion of Example

Exhibit III-2 is an example of how an employee of an organizational unit who performs work on a public project, but whose organization is not identified as a public project unit, must report his time. As noted, the employee has recorded only the time worked on a public project. Unit management, employees performing maintenance work, and unassigned employees need not record their time as do similar employees in a public project unit.

3. Recording Time to Public Projects

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

The employee worked on a public project.

The employee was in transit to or from a project site.

The employee performed clean-up work on a public project, e.g., the employee returned to central headquarters to complete paperwork attributable to a public project.

The employee was assigned to work on a public project but was unable to work due to unforeseen circumstances, e.g., equipment breakdown or inclement weather, and was therefore idle.

**EXHIBIT III-1**

**Public Project Unit Employee Weekly Time Report**

**Week of:** 1/31/2003

**Name:** J. Star

**Unit:** Building Maintenance

**Classification:** Maintenance Worker II

**Rate:**

Classification	Mon	Tues	Wed	Thurs	Fri	Sat	Sun	Total
#3359 Main Street School - Remodel	8.00	8.00	6.00					22.00
#3401 Admin. Building - Weatherization			2.00	8.00				10.00
#5015 Maintenance					4.00			4.00
#0001 Unassigned					4.00			4.00
<b>Total</b>	<b>8.00</b>	<b>8.00</b>	<b>8.00</b>	<b>8.00</b>	<b>8.00</b>			<b>40.00</b>

**Recording Supervisor:**

**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
<b>Total</b>	<b>8.00</b>							<b>8.00</b>

\* Performed 32 Hours of general maintenance activities.

**Recording Supervisor:**

## B. COMPUTING PERSONNEL COSTS

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

### 1. Productive Hourly Rate

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

Annual salary/wages

Benefits received

Benefits paid

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

A productive hourly rate shall be used to cost time reported to public projects. A productive hourly rate determines the full cost per hour of employing public agency personnel on a public project. A productive hourly rate is calculated by dividing annual personnel costs by an employee's available hours (as shown in Exhibit III-3) for work assignment.

#### a. Annual Personnel Cost

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

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

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

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

- Disability insurance
- Life insurance
- Retirement plan
- Unemployment insurance
- Workers' compensation insurance
- Personal liability insurance



**EXHIBIT III-3**

**Productive Hourly Rate Calculation**

The following example indicates how to develop a productive hourly rate for each class of employee. This rate includes the cost of benefits as well as the reduced time available for work due to holidays, sick leave, etc. The following section is divided into steps to demonstrate how to arrive at a productive hourly rate for a specified class of employee.

**Step 1: Determine Annual Cost of Maintenance Worker II**

Direct Salary	<b>20,000</b>
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
	<hr/> <b>26,200</b> <hr/>

**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
	<hr/> <b>1,842</b> <hr/>

**Step 3: Calculate Productive Hourly Rate of Maintenance Worker II**

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

Note: Additional examples of how to calculate a productive hourly rate can be found in *Cost Accounting for California Cities: Concepts and Application*, William Holder and Rick Kirmer, 1981 and *Accounting Standards and Procedures for Counties*, California State Controller's Office, Division of Accounting and Reporting.

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

b. Productive Hours

The public agency shall start with the assumption of 2080 productive hours in a year if a 40-hour work week is the standard for the public agency. If a 40-hour work week is not the standard, the appropriate number of annual productive hours must be determined by the agency. The public agency shall then determine average annual nonproductive time either by employee, class of employee, or agency-wide. Nonproductive time is time when the employee is not available for work or assignment to work and includes but is not limited to:

Vacation  
Sick leave  
Holidays  
Military leave  
Jury duty  
Training

2. Unit Overhead Rate

a. Public Project Unit

A unit overhead rate shall be developed for each public project unit. This unit overhead rate shall include all public project unit costs that are not direct costs. The overhead rate shall be developed and added to the productive hourly rate. For illustrative purposes, Exhibit III-4 shows the application of public project unit overhead to the productive hourly rate of a Maintenance Worker II who is an employee of this public project unit. Further detailed discussion of unit overhead rate development can be found in Appendix B.

b. Organizational Unit Performing Public Project Work

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

For illustrative purposes, Exhibit III-4 shows the application of an overhead rate to the productive hourly rate of a Maintenance Worker II who is an employee of a public project unit. Further detailed discussion of unit overhead rate development can be found in Appendix B.

3. Government-Wide Overhead Rate

A government-wide overhead rate shall be developed to include all costs of a public agency not associated with organizational units performing services that support all end cost objectives of the government entity. The government-wide rate shall be developed and applied to the productive hourly rate after unit overhead has been applied. For illustrative purposes, Exhibit III-4 shows the application of government-wide overhead to the productive hourly rate of the two Maintenance Workers assigned to the Building Division and Maintenance Department respectively. This calculation results in a fully-burdened labor rate.

**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	<b>20,000</b>
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
	<u>26,200</u>

**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
	<u>1,842</u>

**Step 3: Calculate Productive Hourly Rate of Maintenance Worker II**

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

**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>

**EXHIBIT III-5**

**Project Ledger Card for  
 Main Street School Remodeling  
 With Estimate and Labor Posted**

<b>Project Code:</b> #3359			<b>Project Name:</b> Main Street School Remodeling				
<b>Start Date:</b> 1/7/2003	<b>End Date:</b> 2/28/2003	<b>Foreman:</b> Sanders					
Description	Date	Reference	Labor & Overhead	Materials, Supplies & Subcontracts	Equipment	Total Cost	Total Estimate
Cost Estimate <sup>1</sup>	1/2/2003	EB	3,243	2,533	180		5,956
Labor	1/31/2003	PR	652 <sup>2</sup>			652	

<sup>1</sup> See Exhibit II-3.

<sup>2</sup> Amount rounded to the nearest whole dollar.

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## **Section IV.**

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

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

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

A. TRACKING MATERIALS AND SUPPLIES

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

1. Direct Purchases

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

2. Inventory

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

Items purchased and placed into inventory that would subsequently be used on public projects and which may exceed the \$25 limit shall be issued to projects in a manner consistent with good accounting controls. Requisitions or work orders should be required for these items, which may include, for example, the following:

Acoustical tile	Gravel
Aluminum or copper tubing	Hoses
Asphalt	Metal lath
Bricks	Nails
Clay tile	Paint
Concrete blocks	Pipe (concrete, clay, steel or cast iron)
Conduit	Plaster and lime
Doors	Plumbing and electric
Drywall	Reinforcing wire or steel
Electric wire	Rough lumber
Finish hardware	Sacked cement
Finish lumber	Sand
Finish tile	Sash
Fixtures	Steel concrete forms
Floor coverings	Switchboxes
Form ties and clamps	

## B. COSTING MATERIALS AND SUPPLIES

### 1. Direct Purchase

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

### 2. Inventory

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

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

LIFO (last-in, first-out) - The earliest acquired stock is assumed to be still on hand; the latest acquired stock is assumed to have been used immediately. Therefore, when inventory is issued, it is valued at the cost of the most recently (latest) acquired stock.

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

Recent Cost - The most recent unit cost is applied to units consumed to yield total cost.

The method used by the public agency should be used consistently to prevent arbitrary fluctuation in inventory costs. Periodic physical inventories must be taken so that inventory shrinkage is reflected as an overhead item.

### 3. Discussion of Example

Exhibit IV-1 shows the posting of materials and supplies used on the Main Street School remodeling project. The carpeting was obtained through direct purchase and the drywall was obtained from the warehouse. Subcontract bids were requested for painting of the Main Street School and a competitive low bid of \$1,500 was accepted and awarded. The purchase orders issued by the division's purchasing department for the carpeting and the subcontractor for painting were coded to ensure that the costs of carpeting and painting were charged to the appropriate public project code. Subsequently, invoices were received from the vendor supplying the carpeting and the painting subcontractor. The amount from each of the invoices was posted to the project ledger card. The foreman requisitioned the drywall from the central warehouse using a work order form. The costed copy of the work order identifying the items issued was sent to the accounting area and posted to the project ledger card. A warehouse handling/carrying charge of 16.6% (see Exhibit IV-2) was applied to the requisitioned inventory, i.e., and the drywall.

C. HANDLING/CARRYING COSTS

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

D. SUBCONTRACTS

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

Subcontractors shall be accounted for in a manner similar to a direct purchase of materials and supplies. Contracts or purchase orders should be coded with the appropriate project code and the subcontract costs recorded onto the project tracking system in a timely manner.

**EXHIBIT IV-1**

**Project Ledger Card for  
 Main Street School Remodeling  
 With Estimate, Labor, Materials, Supplies and Subcontracts Posted**

<b>Project Code:</b> #3359			<b>Project Name:</b> Main Street School Remodeling				
<b>Start Date:</b> 1/7/2003	<b>End Date:</b> 2/28/2003		<b>Foreman:</b> Sanders				
Description	Date	Reference	Labor & Overhead	Materials, Supplies & Subcontracts	Equipment	Total Cost	Total Estimate
Cost Estimate <sup>1</sup>	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 <sup>2</sup>		33

<sup>1</sup> See Exhibit II-3.

<sup>2</sup> Amount rounded to the nearest whole dollar.

The handling/carrying overhead rate shall be calculated to recover:

Warehouse/storeroom personnel costs

Facility costs of storeroom/warehouse:

Utilities  
Rent  
Insurance

Transportation costs associated with the receipt/delivery of materials and supplies.

See Exhibit IV-2 for an example of how a handling/carrying cost can be developed.

**EXHIBIT IV-2**

**Calculation of Handling/Carrying Overhead Rate**

Annual Cost of Requisitioned Inventory		<u>400,000</u>	= A
Annual Inventory Handling/Carrying Costs:			
Warehouse Personnel:			
Warehouse Annual Salaries	60,000		
Fringe Benefits:			
Workers' Compensation	1,000		
Unemployment	500		
Retirement Plan	500		
Health Plan	<u>500</u>		
		62,500	
Warehouse Facility:			
Annual Rent	1,200		
Utilities	<u>500</u>		
		1,700	
Transportation Costs:			
Delivery Truck (Fuel, Maintenance, Tires)		<u>2,000</u>	
<b>Total Annual Carrying/Handling Costs of Inventory</b>		<u><b>66,200</b></u>	<b>= B</b>
<b>Carrying/Handling Charges as Percentage of Requisitioned Inventory</b>	<b>B / A</b>	<b>66,200 / 400,000</b>	<b>= 16.6%</b>

Note: This percentage is applied to all requisitioned inventories to recover carrying/handling costs.

**Section V.**

**Identification, Reporting  
and Costing Equipment**

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

A. EQUIPMENT TRACKING SYSTEM

1. Equipment Tracking System

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

When it is in motion to/from a project site;

When at a public project site (whether in use or not), if time is the means of equipment tracking;  
and

When at a public project site and in use, if mileage or some other mechanism is the means of equipment tracking.

a. Examples of Equipment Tracking Systems

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

2. Equipment Tracking of Agency Owned/Operated Equipment

As will be seen in Section B, the public agency can cost out equipment it owns and operates in one of two ways. The public agency can either utilize internally developed equipment rates or rates from industry equipment rate books.

a. Internal Rates

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

(1) Discussion of Example

Exhibit V-1 shows the weekly timesheet for the flatbed truck used on the Main Street School Remodeling. The truck's equipment rate was developed internally by the agency in accordance with the policies and procedures discussed in this section.

b. Equipment Rate Book Rates

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

(1) Discussion of Example

Exhibit V-2 shows the weekly timesheet for the table saw used on the Main Street School Remodeling. The saw was delivered to the project site on Monday and was left there all week.

Therefore, the project was charged for a weekly rate of \$102.46. This rate was obtained from the Mechanical Contractors Association 1984 Tool and Equipment Guide.

Work orders can also be used to record equipment usage. Personnel issuing equipment would generally record the time/mileage when the equipment was issued and returned. Upon return of the equipment, the accounting area would receive the work order and would value and post the equipment usage costs.

B. EQUIPMENT USAGE RATES

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

1. Internal Rates (Equipment Owned by Public Agency)

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

The internal equipment rate methodology shall be documented and an adequate audit trail provided.

The costs of depreciation, fuel and oil, equipment storage, and income are to be included in the internally developed rates.

**EXHIBIT V-1**

**Equipment Weekly Timesheet for  
 Main Street School Remodeling**

**Week Ending:** 1/31/2003

**Equipment Code:** Flatbed Truck – FB3

**Rate:**

Classification	Project Code	Mon	Tues	Wed	Thurs	Fri	Total
Main Street School - Remodeling	#3359	8.00					8.00
Maintenance Work	#5400				8.00	8.00	16.00
Unassigned <sup>1</sup>			8.00	8.00			16.00
<b>Total</b>		<b>8.00</b>	<b>8.00</b>	<b>8.00</b>	<b>8.00</b>	<b>8.00</b>	<b>40.00</b>

**Recording Supervisor:**

<sup>1</sup> Unassigned time must be tracked if an agency is on the "internal rate" method.

**EXHIBIT V-2**

**Equipment Weekly Timesheet for  
 Main Street School Remodeling**

**Week Ending:** 1/31/2003

**Equipment Code:** Table Saw - TSI

**Rate:**

Classification	Project Code	Mon	Tues	Wed	Thurs	Fri	Total
Main Street School Remodeling	#3359	8.00	8.00	8.00	8.00	8.00	40.00
<b>Total</b>		<b>8.00</b>	<b>8.00</b>	<b>8.00</b>	<b>8.00</b>	<b>8.00</b>	<b>40.00</b>

**Recording Supervisor:**

a. Depreciation

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

Depreciation should be calculated as follows.

- (1) Useful Life: Depreciation should be based on the average useful life for the piece of equipment in a particular operation. Determination of useful life should be based on actual or planned retirement and replacement practices.
- (2) Residual Value: Residual value is the value at disposition (less costs of disposal) estimated at the time of acquisition. In many cases, the estimated residual value is so small and occurs so far in the future that it has no significant impact. As well, residual value may be almost or completely offset by removal and dismantling costs. Normally, public agency equipment will be used through the end of its estimated useful life and the residual value may be carried at zero. In the event that it is known at the time of acquisition that the capital equipment will not be used for at least 75% of its scheduled useful life, residual value should be estimated.
- (3) Capital Improvements: Capital improvements are the costs of major overhauls and modifications that add value and prolong the life of a piece of equipment. These costs should be treated as capital expenditures and depreciated over the extended or remaining useful life of either the asset or improvement, whichever is less.
- (4) Straight Line Depreciation Method: The straight-line depreciation method charges an equal amount for each period of useful life (generally a year). This method is considered the most practical and reasonable method for determining equipment usage costs.
- (5) Calculation of Depreciation Examples: Using the example in Exhibit V-3, annual depreciation for capitalized equipment will be estimated as follows:
  - (a) Start with the acquisition cost (purchase price) plus capital improvements, plus all other costs incurred to place the equipment in usage, e.g., transportation, installation. The public agency may choose to utilize replacement value for this calculation.
  - (b) Determine the useful life of the equipment, utilizing applicable guides such as the IRS guide.
  - (c) Compute annual depreciation by dividing the depreciable basis (acquisition cost plus capital improvements less residual value) by the useful life.

**EXHIBIT V-3**

**Equipment Depreciation Worksheet**

<u>Equipment / Equipment Identification</u>	<u>A Depreciable Basis (Acquisition Cost Plus Capital Improvement Less Residual Value</u>	<u>B Useful Life</u>	<u>C Annual Depreciation A / B</u>
Flatbed Truck (1 ton) / FB3	17,975 <sup>1</sup>	5	3,595

<sup>1</sup> Purchase price (acquisition cost) was obtained from the invoice.

b. Maintenance and Repairs

These are costs (labor and parts) that are incurred for maintenance and repairs to keep the equipment in normal operating condition. These costs do not include capital improvements that add value to equipment and are accounted for under depreciation. Tires and grease are included in this classification of cost. Typically, a ledger card for each piece of equipment (see Exhibit V-4) will be necessary to record these costs.

c. Fuel and Oil

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

d. Equipment Storage Costs

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

e. Insurance

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

A sample approach to developing an internal equipment rate is shown in Exhibit V-5. As well, a good discussion of the calculation of internal equipment rates can be found in California State Controller's Office, *Accounting Standards and Procedures for Counties* in the Road Fund Accounting section.

2. Equipment Rate Books (Equipment Owned by Public Agency)

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

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

*Caltrans Labor Surcharge and Equipment Rental Rates*

*Mechanical Contractors Association Tool and Equipment Rental Guide*

*National Electrical Contractors Association Tool and Equipment Rental Schedule*

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

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

**EXHIBIT V-4**

**Maintenance and Repair  
 Equipment Ledger Card**

**Equipment:** Flatbed Truck – FB3

**Purchase Date:** 5/2003

**Estimated Life:** 5 years

**Salvage Value:** 0

Date	Reference	Labor	Material & Supplies	Other	Total	Total Costs to Date
1/10/2001	W.O. #111 <sup>1</sup>	101	120	20	241	241
4/18/2002	W.O. #325 <sup>2</sup>	450	220		670	911
6/11/2003	W.O. #491 <sup>3</sup>	101	600		701	1612
Allocation of Shop overhead for 2002-03					144	1,756
<b>Total Shop Maintenance and Repairs, Tires and Grease Cost for 2002-03</b>					<b>1,756</b>	

<sup>1</sup> Detail for this repair is located on Work Order #111.  
<sup>2</sup> Detail for this repair is located on Work Order #325.  
<sup>3</sup> Detail for this replacement of four tires is located on Work Order #491.



**EXHIBIT V-5**

**Equipment Rate Development**

**Flatbed Truck – FB3**

Projected Annual Cost	Upcoming Projected Year 2003-04		Prior Year Actual 2002-03	
Depreciation	3,595	<sup>1</sup>	3,595	<sup>1</sup>
Shop Maintenance and Repairs, Tires and Grease	1,844	<sup>3</sup>	1,756	<sup>2</sup>
Fuel and Oil	4,206	<sup>5</sup>	4,006	<sup>4</sup>
Equipment Storage Costs	641	<sup>6</sup>	641	<sup>6</sup>
Insurance	422	<sup>7</sup>	422	<sup>7</sup>
	10,708		10,420	
 Project Hours of Use	 276.00	 <sup>8</sup>	 276.00	 <sup>8</sup>
 Hourly Rate	 38.80		 37.75	

<sup>1</sup> See Exhibit V-3.

<sup>2</sup> See Exhibit V-4 for recording of expenses to Equipment Ledger Card.

<sup>3</sup> Shop Maintenance and Repairs, Tires and Grease costs are projected to increase 5% from the prior year.

<sup>4</sup> Fuel and oil costs are tracked and accumulated on the public agency's fuel and oil log.

<sup>5</sup> Fuel and oil costs are projected to increase by 5% from the prior year.

<sup>6</sup> Equipment storage costs are accumulated through a cost finding study and allocated on a unit basis. No increase is anticipated from the prior year.

<sup>7</sup> Insurance costs are accumulated through a cost finding study. No increase is calculated from the prior year.

<sup>8</sup> Projected hours of use are estimated to be the same as the prior year's actual use.

3. Rental or Lease Rates

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

Rates

Moving, loading, and assembly costs

Maintenance and repairs

Insurance

Fuel (under some rate schedules)

4. Discussion of Example

Exhibit V-6 shows the posting of the flatbed truck and the table saw used on the Main Street School remodeling project the week of January 31, 2003. The foreman used the truck to pick up and deliver part of the drywall to the school. He had the flatbed truck at the project site all day; therefore, the project was charged for a day of use. The flatbed truck is owned by the school district, and an internal equipment usage rate of \$38.00 per day had been developed (see Exhibit V-4). The table saw was at the project site for the entire week and, therefore, the project was charged for a weekly rate of \$102. This rate was obtained from the *Mechanical Contractors Association 1984 Tool and Equipment Guide*, which is an approved equipment rate book.

**EXHIBIT V-6**

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

<b>Project Code:</b> #3359			<b>Project Name:</b> Main Street School Remodeling				
<b>Start Date:</b> 1/7/2003	<b>End Date:</b> 2/28/2003	<b>Foreman:</b> 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	FB3			39 <sup>1</sup>	39	
Equipment	1/31/2003	TS1			102	102	

<sup>1</sup> Amount was rounded to the nearest whole dollar.

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## **Section VI.**

### **Identification, Rate Development and Allocation of Overhead**

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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.

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.

**EXHIBIT VI-1**

**Public Agency Force Account  
 Daily Extra Work Report  
 City Under 75,000**

Report No.:
Project Title:
Project No.:
Location:
Work Performed By:
Description of Work:

Date Performed:
-----------------

Date of Report:
-----------------

Account No.:
--------------

Amount Authorized:
Previous Expenditure:
Today:
To Date:

<b>Submitted: Field Representative</b>
--

<b>Reviewed: Supervisor</b>
-----------------------------

<b>Equipment</b>				
Equip No.	Description	Hours	Hourly Rate	Amount
<b>Total Direct Equipment Cost</b>				

<b>Material and/or Work Done By Specialists</b>			
Description	No. of Units	Unit Cost	Amount
<b>Total Direct Materials/Work</b>			

<b>Labor</b>				
P. R. No.	Name	Hours	Hourly Rate	Amount
<b>Labor Subtotal</b>				
Added Percentage (Fringes, etc.)				
Subsistence		No.:	@	
Travel Expense		No.:	@	
Other				
<b>Total Direct Labor Cost</b>				

<b>Total Direct Costs</b>	
<b>Overhead (20% of Direct Costs)</b>	
<b>Total Daily Cost</b>	



<b>EXHIBIT VI-2</b>						
<b>Public Agency Force Account Project Cost Summary</b>						
<b>Project Title:</b>				<b>Period of Work Performed:</b>		
<b>Project No.:</b>				<b>Account No.:</b>		
<b>Location:</b>						
<b>Description of Work:</b>						
Date	Labor	Equipment	Material	Subtotal	Overhead (30% of Direct Costs) or Calculated Rate	Total
<b>Total Project Costs</b>						

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## **Appendix A**

**Cost Principles for State, Local,  
and Indian Tribal Governments**

**2 CFR Part 225**

**(OMB Circular A-87)**

[Consider remove the hard copy of the Federal Regulations and replacing it with a link to their web site.](#)

[Please refer to:](#)

[www.ecfr.gpoaccess.gov](http://www.ecfr.gpoaccess.gov)

[Browse: Title 2 – Grants and Agreements](#)

[Volume 1, Chapter II, Part 225](#)



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APPENDIX A

**2-CFR PART 225**  
**COST PRINCIPLES FOR STATE, LOCAL, AND INDIAN TRIBAL GOVERNMENTS**  
**(OMB CIRCULAR A-87)**

**Section Content**

**Authority:** 31 U.S.C. 503; 31 U.S.C. 1111; 41 U.S.C. 405; Reorganization Plan No. 2 of 1970; E.O. 11541, 35 FR 10737, 3 CFR, 1966-1970, p. 939.

**Source:** 70 FR 51910, Aug. 31, 2005, unless otherwise noted.

**§ 225.5 Purpose.**

This part establishes principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments and federally recognized Indian tribal governments (governmental units).

**§ 225.10 Authority.**

This part is issued under the authority of the Budget and Accounting Act of 1921, as amended; the Budget and Accounting Procedures Act of 1950, as amended; the Chief Financial Officers Act of 1990; Reorganization Plan No. 2 of 1970; and Executive Order No. 11541 ("Prescribing the Duties of the Office of Management and Budget and the Domestic Policy Council in the Executive Office of the President").

**§ 225.15 Background.**

As part of the government-wide grant streamlining effort under Public Law 106-107, Federal Financial Award Management Improvement Act of 1999, OMB led an interagency workgroup to simplify and make consistent, to the extent feasible, the various rules used to award Federal grants. An interagency task force was established in 2001 to review existing cost principles for Federal awards to State, local, and Indian tribal governments; colleges and universities; and non-profit organizations. The task force studied "Selected Items of Cost" in each of the three cost principles to determine which items of costs could be stated consistently and/or more clearly.

**§ 225.20 Policy.**

This part establishes principles and standards to provide a uniform approach for determining costs and to promote effective program delivery, efficiency, and better relationships between governmental units and the Federal Government. The principles are for determining allowable costs only. They are not intended to identify the circumstances or to dictate the extent of Federal and governmental unit participation in the financing of a particular Federal award. Provision for profit or other increment above cost is outside the scope of this part.

**§ 225.25 Definitions.**

Definitions of key terms used in this part are contained in Appendix A to this part, Section B.

**§ 225.30 OMB responsibilities.**

The Office of Management and Budget (OMB) will review agency regulations and implementation of this part, and will provide policy interpretations and assistance to insure effective and efficient implementation. Any exceptions will be subject to approval by OMB. Exceptions will only be made in particular cases where adequate justification is presented.

**§ 225.35 Federal agency responsibilities.**

Agencies responsible for administering programs that involve cost reimbursement contracts, grants, and other agreements with governmental units shall issue regulations to implement the provisions of this part and its appendices.

**§ 225.40 Effective date of changes.**

This part is effective August 31, 2005.

**~~§ 225.45 Relationship to previous issuance.~~**

~~(a) The guidance in this part previously was issued as OMB Circular A-87. Appendix A to this part contains the guidance that was in Attachment A (general principles) to the OMB circular; Appendix B contains the guidance that was in Attachment B (selected items of cost); Appendix C contains the information that was in Attachment C (state/local-wide central service cost allocation plans); Appendix D contains the guidance that was in Attachment D (public assistance cost allocation plans); and Appendix E contains the guidance that was in Attachment E (state and local indirect cost rate proposals).~~

~~(b) This part supersedes OMB Circular A-87, as amended May 10, 2004, which superseded Circular A-87, as amended and issued May 4, 1995.~~

**~~§ 225.50 Policy review date.~~**

~~This part will have a policy review three years from the date of issuance.~~

**~~§ 225.55 Information contact.~~**

~~Further information concerning this part may be obtained by contacting the Office of Federal Financial Management, Financial Standards and Reporting Branch, Office of Management and Budget, Washington, DC 20503, telephone 202-395-3993.~~

APPENDIX A

**Appendix A to Part 225**

**General Principles for Determining Allowable Costs**

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## General Principles for Determining Allowable Costs

### A. Purpose and Scope

1. Objectives. This Appendix establishes principles for determining the allowable costs incurred by State, local, and federally recognized Indian tribal governments (governmental units) under grants, cost reimbursement contracts, and other agreements with the Federal Government (collectively referred to in this appendix and other appendices to 2 CFR part 225 as "Federal awards"). The principles are for the purpose of cost determination and are not intended to identify the circumstances or dictate the extent of Federal or governmental unit participation in the financing of a particular program or project. The principles are designed to provide that Federal awards bear their fair share of cost recognized under these principles except where restricted or prohibited by law. Provision for profit or other increment above cost is outside the scope of 2 CFR part 225.

#### 2. Policy guides.

The application of these principles is based on the fundamental premises that:

- (1) Governmental units are responsible for the efficient and effective administration of Federal awards through the application of sound management practices.
- (2) Governmental units assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.
- (3) Each governmental unit, in recognition of its own unique combination of staff, facilities, and experience, will have the primary responsibility for employing whatever form of organization and management techniques may be necessary to assure proper and efficient administration of Federal awards.

b. Federal agencies should work with States or localities which wish to test alternative mechanisms for paying costs for administering Federal programs. The Office of Management and Budget (OMB) encourages Federal agencies to test fee for service alternatives as a replacement for current cost reimbursement payment methods in response to the National Performance Review's (NPR) recommendation. The NPR recommended the fee for service approach to reduce the burden associated with maintaining systems for charging administrative costs to Federal programs and preparing and approving cost allocation plans. This approach should also increase incentives for administrative efficiencies and improve outcomes.

#### 3. Application.

a. These principles will be applied by all Federal agencies in determining costs incurred by governmental units under Federal awards (including subawards) except those with (1) publicly financed educational institutions subject to, 2 CFR part 220, Cost Principles for Educational Institutions (OMB Circular A-21), and (2) programs administered by publicly owned hospitals and other providers of medical care that are subject to requirements promulgated by the sponsoring Federal agencies. However, 2 CFR part 225 does apply to all central service and department/agency costs that are allocated or billed to those educational institutions, hospitals, and other providers of medical care or services by other State and local government departments and agencies.

b. All subawards are subject to those Federal cost principles applicable to the particular organization concerned. Thus, if a subaward is to a governmental unit (other than a college, university or hospital), 2 CFR part 225 shall apply; if a subaward is to a commercial organization, the cost principles applicable to commercial organizations shall apply; if a subaward is to a college or university, 2 CFR part 220 (Circular A-21) shall apply; if a subaward is to a hospital, the cost principles used by the Federal awarding agency for awards to hospitals shall apply, subject to the provisions of subsection A.3.a. of this Appendix; if a subaward is to some other non-profit organization, 2 CFR part 230, Cost Principles for Non-Profit Organizations (Circular A-122), shall apply.

e. These principles shall be used as a guide in the pricing of fixed price arrangements where costs are used in determining the appropriate price.

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~~d. Where a Federal contract awarded to a governmental unit incorporates a Cost Accounting Standards (CAS) clause, the requirements of that clause shall apply. In such cases, the governmental unit and the cognizant Federal agency shall establish an appropriate advance agreement on how the governmental unit will comply with applicable CAS requirements when estimating, accumulating and reporting costs under CAS covered contracts. The agreement shall indicate that 2 CFR part 225 (OMB Circular A-87) requirements will be applied to other Federal awards. In all cases, only one set of records needs to be maintained by the governmental unit.~~

### ~~e. Conditional exemptions:~~

~~(1) OMB authorizes conditional exemption from OMB administrative requirements and cost principles for certain Federal programs with statutorily authorized consolidated planning and consolidated administrative funding, that are identified by a Federal agency and approved by the head of the Executive department or establishment. A Federal agency shall consult with OMB during its consideration of whether to grant such an exemption.~~

~~(2) To promote efficiency in State and local program administration, when Federal non-entitlement programs with common purposes have specific statutorily authorized consolidated planning and consolidated administrative funding and where most of the State agency's resources come from non-Federal sources, Federal agencies may exempt these covered State administered, non-entitlement grant programs from certain OMB grants management requirements: The exemptions would be from all but the allocability of costs provisions of Appendix A subsection C.3 of 2 CFR part 225, Cost Principles for State, Local, and Indian Tribal Governments (OMB Circular A-87); Appendix A, Section C.4 of 2 CFR 220, Cost Principles for Educational Institutions (Circular A-21); Appendix A, subsection A.4 of 2 CFR 230 Cost Principles for Non-Profit Organizations (Circular A-122); and from all of the administrative requirements provisions of 2 CFR part 215, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations (Circular A-110), and the agencies' grants management common rule.~~

~~(3) When a Federal agency provides this flexibility, as a prerequisite to a State's exercising this option, a State must adopt its own written fiscal and administrative requirements for expending and accounting for all funds, which are consistent with the provisions of 2 CFR part 225 (OMB Circular A-87), and extend such policies to all subrecipients. These fiscal and administrative requirements must be sufficiently specific to ensure that: Funds are used in compliance with all applicable Federal statutory and regulatory provisions, costs are reasonable and necessary for operating these programs, and funds are not used for general expenses required to carry out other responsibilities of a State or its subrecipients.~~

## **B. Definitions**

~~1. "Approval or authorization of the awarding or cognizant Federal agency" means documentation evidencing consent prior to incurring a specific cost. If such costs are specifically identified in a Federal award document, approval of the document constitutes approval of the costs. If the costs are covered by a State/local-wide cost allocation plan or an indirect cost proposal, approval of the plan constitutes the approval.~~

~~2. "Award" means grants, cost reimbursement contracts and other agreements between a State, local and Indian tribal government and the Federal Government.~~

~~3. "Awarding agency" means (a) with respect to a grant, cooperative agreement, or cost reimbursement contract, the Federal agency, and (b) with respect to a subaward, the party that awarded the subaward.~~

~~4. "Central service cost allocation plan" means the documentation identifying, accumulating, and allocating or developing billing rates based on the allowable costs of services provided by a governmental unit on a centralized basis to its departments and agencies. The costs of these services may be allocated or billed to users.~~

~~5. "Claim" means a written demand or written assertion by the governmental unit or grantor seeking, as a matter of right, the payment of money in a sum certain, the adjustment or interpretation of award terms, or other relief arising under or relating to the award. A voucher, invoice or other routine request for payment that is not a dispute when submitted is not a claim. Appeals, such as those filed by a governmental unit in response to questioned audit costs, are not considered claims until a final management decision is made by the Federal awarding agency.~~

APPENDIX A

6. ~~“Cognizant agency” means the Federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals developed under 2 CFR part 225 on behalf of all Federal agencies. OMB publishes a listing of cognizant agencies.~~
7. ~~“Common Rule” means the “Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments; Final Rule” originally issued at 53 FR 8034–8103 (March 11, 1988). Other common rules will be referred to by their specific titles.~~
8. ~~“Contract” means a mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them. It includes all types of commitments that obligate the government to an expenditure of appropriated funds and that, except as otherwise authorized, are in writing. In addition to bilateral instruments, contracts include (but are not limited to): Awards and notices of awards; job orders or task orders issued under basic ordering agreements; letter contracts; orders, such as purchase orders, under which the contract becomes effective by written acceptance or performance; and, bilateral contract modifications. Contracts do not include grants and cooperative agreements covered by 31 U.S.C. 6301 *et seq.*~~
9. ~~“Cost” means an amount as determined on a cash, accrual, or other basis acceptable to the Federal awarding or cognizant agency. It does not include transfers to a general or similar fund.~~
10. ~~“Cost allocation plan” means central service cost allocation plan, public assistance cost allocation plan, and indirect cost rate proposal. Each of these terms is further defined in this section.~~
11. ~~“Cost objective” means a function, organizational subdivision, contract, grant, or other activity for which cost data are needed and for which costs are incurred.~~
12. ~~“Federally recognized Indian tribal government” means the governing body or a governmental agency of any Indian tribe, band, nation, or other organized group or community (including any native village as defined in Section 3 of the Alaska Native Claims Settlement Act, 85 Stat. 688) certified by the Secretary of the Interior as eligible for the special programs and services provided through the Bureau of Indian Affairs.~~
13. ~~“Governmental unit” means the entire State, local, or federally recognized Indian tribal government, including any component thereof. Components of governmental units may function independently of the governmental unit in accordance with the term of the award.~~
14. ~~“Grantee department or agency” means the component of a State, local, or federally recognized Indian tribal government which is responsible for the performance or administration of all or some part of a Federal award.~~
15. ~~“Indirect cost rate proposal” means the documentation prepared by a governmental unit or component thereof to substantiate its request for the establishment of an indirect cost rate as described in Appendix E of 2 CFR part 225.~~
16. ~~“Local government” means a county, municipality, city, town, township, local public authority, school district, special district, intrastate district, council of governments (whether or not incorporated as a non-profit corporation under State law), any other regional or interstate government entity, or any agency or instrumentality of a local government.~~
17. ~~“Public assistance cost allocation plan” means a narrative description of the procedures that will be used in identifying, measuring and allocating all administrative costs to all of the programs administered or supervised by State public assistance agencies as described in Appendix D of 2 CFR part 225.~~
18. ~~“State” means any of the several States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or any agency or instrumentality of a State exclusive of local governments.~~

**C. Basic Guidelines**

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

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- ~~a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.~~
  - ~~b. Be allocable to Federal awards under the provisions of 2 CFR part 225.~~
  - ~~c. Be authorized or not prohibited under State or local laws or regulations.~~
  - ~~d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.~~
  - ~~e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.~~
  - ~~f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.~~
  - ~~g. Except as otherwise provided for in 2 CFR part 225, be determined in accordance with generally accepted accounting principles.~~
  - ~~h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.~~
  - ~~i. Be the net of all applicable credits.~~
  - ~~j. Be adequately documented.~~
- ~~2. Reasonable costs. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally funded. In determining reasonableness of a given cost, consideration shall be given to:~~
- ~~a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award.~~
  - ~~b. The restraints or requirements imposed by such factors as: Sound business practices; arm's length bargaining; Federal, State and other laws and regulations; and, terms and conditions of the Federal award.~~
  - ~~c. Market prices for comparable goods or services.~~
  - ~~d. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large, and the Federal Government.~~
  - ~~e. Significant deviations from the established practices of the governmental unit which may unjustifiably increase the Federal award's cost.~~
- ~~3. Allocable costs:~~
- ~~a. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.~~
  - ~~b. All activities which benefit from the governmental unit's indirect cost, including unallowable activities and services donated to the governmental unit by third parties, will receive an appropriate allocation of indirect costs.~~
  - ~~c. Any cost allocable to a particular Federal award or cost objective under the principles provided for in 2 CFR part 225 may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the Federal awards, or for other reasons.~~

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d. Where an accumulation of indirect costs will ultimately result in charges to a Federal award, a cost allocation plan will be required as described in Appendices C, D, and E to this part.

### 4. Applicable credits.

a. Applicable credits refer to those receipts or reduction of expenditure type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect costs. Examples of such transactions are: Purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the governmental unit relate to allowable costs, they shall be credited to the Federal award either as a cost reduction or cash refund, as appropriate.

b. In some instances, the amounts received from the Federal Government to finance activities or service operations of the governmental unit should be treated as applicable credits. Specifically, the concept of netting such credit items (including any amounts used to meet cost sharing or matching requirements) should be recognized in determining the rates or amounts to be charged to Federal awards. (See Appendix B to this part, item 11, "Depreciation and use allowances," for areas of potential application in the matter of Federal financing of activities.)

## D. Composition of Cost

1. Total cost. The total cost of Federal awards is comprised of the allowable direct cost of the program, plus its allocable portion of allowable indirect costs, less applicable credits.

2. Classification of costs. There is no universal rule for classifying certain costs as either direct or indirect under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective. Therefore, it is essential that each item of cost be treated consistently in like circumstances either as a direct or an indirect cost. Guidelines for determining direct and indirect costs charged to Federal awards are provided in the sections that follow.

## E. Direct Costs

1. General. Direct costs are those that can be identified specifically with a particular final cost objective.

2. Application. Typical direct costs chargeable to Federal awards are:

a. Compensation of employees for the time devoted and identified specifically to the performance of those awards.

b. Cost of materials acquired, consumed, or expended specifically for the purpose of those awards.

c. Equipment and other approved capital expenditures.

d. Travel expenses incurred specifically to carry out the award.

3. Minor items. Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where such accounting treatment for that item of cost is consistently applied to all cost objectives.

## F. Indirect Costs

1. General. Indirect costs are those: Incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. The term "indirect costs," as used herein, applies to costs of this type originating in the grantee department, as well as those incurred by other departments in supplying goods, services, and facilities. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect costs within a governmental unit department or in other agencies providing services to a governmental unit department. Indirect cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

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~~2. Cost allocation plans and indirect cost proposals. Requirements for development and submission of cost allocation plans and indirect cost rate proposals are contained in Appendices C, D, and E to this part.~~

~~3. Limitation on indirect or administrative costs.~~

~~a. In addition to restrictions contained in 2 CFR part 225, there may be laws that further limit the amount of administrative or indirect cost allowed.~~

~~b. Amounts not recoverable as indirect costs or administrative costs under one Federal award may not be shifted to another Federal award, unless specifically authorized by Federal legislation or regulation.~~

~~**G. Interagency Services.** The cost of services provided by one agency to another within the governmental unit may include allowable direct costs of the service plus a pro rate share of indirect costs. A standard indirect cost allowance equal to ten percent of the direct salary and wage cost of providing the service (excluding overtime, shift premiums, and fringe benefits) may be used in lieu of determining the actual indirect costs of the service. These services do not include centralized services included in central service cost allocation plans as described in Appendix C to this part.~~

~~**H. Required Certifications.** Each cost allocation plan or indirect cost rate proposal required by Appendices C and E to this part must comply with the following:~~

~~1. No proposal to establish a cost allocation plan or an indirect cost rate, whether submitted to a Federal cognizant agency or maintained on file by the governmental unit, shall be acceptable unless such costs have been certified by the governmental unit using the Certificate of Cost Allocation Plan or Certificate of Indirect Costs as set forth in Appendices C and E to this part. The certificate must be signed on behalf of the governmental unit by an individual at a level no lower than chief financial officer of the governmental unit that submits the proposal or component covered by the proposal.~~

~~2. No cost allocation plan or indirect cost rate shall be approved by the Federal Government unless the plan or rate proposal has been certified. Where it is necessary to establish a cost allocation plan or an indirect cost rate and the governmental unit has not submitted a certified proposal for establishing such a plan or rate in accordance with the requirements, the Federal Government may either disallow all indirect costs or unilaterally establish such a plan or rate. Such a plan or rate may be based upon audited historical data or such other data that have been furnished to the cognizant Federal agency and for which it can be demonstrated that all unallowable costs have been excluded. When a cost allocation plan or indirect cost rate is unilaterally established by the Federal Government because of failure of the governmental unit to submit a certified proposal, the plan or rate established will be set to ensure that potentially unallowable costs will not be reimbursed.~~

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**Appendix B to Part 225**

**Selected Items of Cost**

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38. Royalties and other costs for the use of patents
39. Selling and marketing
40. Taxes
41. Termination costs applicable to sponsored agreements
42. Training costs
43. Travel costs



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~~Sections 1 through 43 provide principles to be applied in establishing the allowability or unallowability of certain items of cost. These principles apply whether a cost is treated as direct or indirect. A cost is allowable for Federal reimbursement only to the extent of benefits received by Federal awards and its conformance with the general policies and principles stated in Appendix A to this part. Failure to mention a particular item of cost in these sections is not intended to imply that it is either allowable or unallowable; rather, determination of allowability in each case should be based on the treatment or standards provided for similar or related items of cost.~~

~~**1. Advertising and public relations costs.**~~

~~a. The term advertising costs means the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and the like.~~

~~b. The term public relations includes community relations and means those activities dedicated to maintaining the image of the governmental unit or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.~~

~~c. The only allowable advertising costs are those which are solely for:~~

~~(1) The recruitment of personnel required for the performance by the governmental unit of obligations arising under a Federal award;~~

~~(2) The procurement of goods and services for the performance of a Federal award;~~

~~(3) The disposal of scrap or surplus materials acquired in the performance of a Federal award except when governmental units are reimbursed for disposal costs at a predetermined amount; or~~

~~(4) Other specific purposes necessary to meet the requirements of the Federal award.~~

~~d. The only allowable public relations costs are:~~

~~(1) Costs specifically required by the Federal award;~~

~~(2) Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of Federal awards (these costs are considered necessary as part of the outreach effort for the Federal award); or~~

~~(3) Costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary keep the public informed on matters of public concern, such as notices of Federal contract/grant awards, financial matters, etc.~~

~~e. Costs identified in subsections c and d if incurred for more than one Federal award or for both sponsored work and other work of the governmental unit, are allowable to the extent that the principles in Appendix A to this part, sections E. ("Direct Costs") and F. ("Indirect Costs") are observed.~~

~~f. Unallowable advertising and public relations costs include the following:~~

~~(1) All advertising and public relations costs other than as specified in subsections 1.c, d, and e of this appendix;~~

~~(2) Costs of meetings, conventions, convocations, or other events related to other activities of the governmental unit, including:~~

~~(a) Costs of displays, demonstrations, and exhibits;~~

~~(b) Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and~~

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~~(c) Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings;~~

~~(3) Costs of promotional items and memorabilia, including models, gifts, and souvenirs;~~

~~(4) Costs of advertising and public relations designed solely to promote the governmental unit.~~

**2. Advisory councils.** Costs incurred by advisory councils or committees are allowable as a direct cost where authorized by the Federal awarding agency or as an indirect cost where allocable to Federal awards.

**3. Alcoholic beverages.** Costs of alcoholic beverages are unallowable.

### **4. Audit costs and related services.**

~~a. The costs of audits required by, and performed in accordance with, the Single Audit Act, as implemented by Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" are allowable. Also see 31 U.S.C. 7505(b) and section 230 ("Audit Costs") of Circular A-133.~~

~~b. Other audit costs are allowable if included in a cost allocation plan or indirect cost proposal, or if specifically approved by the awarding agency as a direct cost to an award.~~

~~c. The cost of agreed-upon procedures engagements to monitor subrecipients who are exempted from A-133 under section 200(d) are allowable, subject to the conditions listed in A-133, section 230 (b)(2).~~

**5. Bad debts.** Bad debts, including losses (whether actual or estimated) arising from uncollectable accounts and other claims, related collection costs, and related legal costs, are unallowable.

### **6. Bonding costs.**

~~a. Bonding costs arise when the Federal Government requires assurance against financial loss to itself or others by reason of the act or default of the governmental unit. They arise also in instances where the governmental unit requires similar assurance. Included are such bonds as bid, performance, payment, advance payment, infringement, and fidelity bonds.~~

~~b. Costs of bonding required pursuant to the terms of the award are allowable.~~

~~c. Costs of bonding required by the governmental unit in the general conduct of its operations are allowable to the extent that such bonding is in accordance with sound business practice and the rates and premiums are reasonable under the circumstances.~~

**7. Communication costs.** Costs incurred for telephone services, local and long distance telephone calls, telegrams, postage, messenger, electronic or computer transmittal services and the like are allowable.

### **8. Compensation for personal services.**

~~a. General. Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. The costs of such compensation are allowable to the extent that they satisfy the specific requirements of this and other appendices under 2 CFR Part 225, and that the total compensation for individual employees:~~

~~(1) Is reasonable for the services rendered and conforms to the established policy of the governmental unit consistently applied to both Federal and non-Federal activities;~~

~~(2) Follows an appointment made in accordance with a governmental unit's laws and rules and meets merit system or other requirements required by Federal law, where applicable; and~~

~~(3) Is determined and supported as provided in subsection h.~~

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~~b. Reasonableness. Compensation for employees engaged in work on Federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the governmental unit. In cases where the kinds of employees required for Federal awards are not found in the other activities of the governmental unit, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the employing government competes for the kind of employees involved. Compensation surveys providing data representative of the labor market involved will be an acceptable basis for evaluating reasonableness.~~

~~c. Unallowable costs. Costs which are unallowable under other sections of these principles shall not be allowable under this section solely on the basis that they constitute personnel compensation.~~

~~d. Fringe benefits.~~

~~(1) Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave, employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable to the extent that the benefits are reasonable and are required by law, governmental unit employee agreement, or an established policy of the governmental unit.~~

~~(2) The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, holidays, court leave, military leave, and other similar benefits, are allowable if: They are provided under established written leave policies; the costs are equitably allocated to all related activities, including Federal awards; and, the accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the governmental unit.~~

~~(3) When a governmental unit uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable in the year of payment provided they are allocated as a general administrative expense to all activities of the governmental unit or component.~~

~~(4) The accrual basis may be only used for those types of leave for which a liability as defined by Generally Accepted Accounting Principles (GAAP) exists when the leave is earned. When a governmental unit uses the accrual basis of accounting, in accordance with GAAP, allowable leave costs are the lesser of the amount accrued or funded.~~

~~(5) The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in section 22, Insurance and indemnification); pension plan costs (see subsection e.); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, whether treated as indirect costs or as direct costs, shall be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities.~~

~~e. Pension plan costs. Pension plan costs may be computed using a pay as you go method or an acceptable actuarial cost method in accordance with established written policies of the governmental unit.~~

~~(1) For pension plans financed on a pay as you go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.~~

~~(2) Pension costs calculated using an actuarial cost based method recognized by GAAP are allowable for a given fiscal year if they are funded for that year within six months after the end of that year. Costs funded after the six month period (or a later period agreed to by the cognizant agency) are allowable in the year funded. The cognizant agency may agree to an extension of the six month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal Government and related Federal reimbursement and the governmental unit's contribution to the pension fund. Adjustments may be made by cash refund or other equitable procedures to compensate the Federal Government for the time value of Federal reimbursements in excess of contributions to the pension fund.~~

~~(3) Amounts funded by the governmental unit in excess of the actuarially determined amount for a fiscal year may be used as the governmental unit's contribution in future periods.~~

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~~(4) When a governmental unit converts to an acceptable actuarial cost method, as defined by GAAP, and funds pension costs in accordance with this method, the unfunded liability at the time of conversion shall be allowable if amortized over a period of years in accordance with GAAP.~~

~~(5) The Federal Government shall receive an equitable share of any previously allowed pension costs (including earnings thereon) which revert or inure to the governmental unit in the form of a refund, withdrawal, or other credit.~~

~~f. Post retirement health benefits. Post retirement health benefits (PRHB) refers to costs of health insurance or health services not included in a pension plan covered by subsection 8.e. of this appendix for retirees and their spouses, dependents, and survivors. PRHB costs may be computed using a pay as you go method or an acceptable actuarial cost method in accordance with established written policies of the governmental unit.~~

~~(1) For PRHB financed on a pay as you go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.~~

~~(2) PRHB costs calculated using an actuarial cost method recognized by GAAP are allowable if they are funded for that year within six months after the end of that year. Costs funded after the six month period (or a later period agreed to by the cognizant agency) are allowable in the year funded. The cognizant agency may agree to an extension of the six month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal Government and related Federal reimbursements and the governmental unit's contributions to the PRHB fund. Adjustments may be made by cash refund, reduction in current year's PRHB costs, or other equitable procedures to compensate the Federal Government for the time value of Federal reimbursements in excess of contributions to the PRHB fund.~~

~~(3) Amounts funded in excess of the actuarially determined amount for a fiscal year may be used as the government's contribution in a future period.~~

~~(4) When a governmental unit converts to an acceptable actuarial cost method and funds PRHB costs in accordance with this method, the initial unfunded liability attributable to prior years shall be allowable if amortized over a period of years in accordance with GAAP, or, if no such GAAP period exists, over a period negotiated with the cognizant agency.~~

~~(5) To be allowable in the current year, the PRHB costs must be paid either to:~~

~~(a) An insurer or other benefit provider as current year costs or premiums, or~~

~~(b) An insurer or trustee to maintain a trust fund or reserve for the sole purpose of providing post retirement benefits to retirees and other beneficiaries.~~

~~(6) The Federal Government shall receive an equitable share of any amounts of previously allowed post retirement benefit costs (including earnings thereon) which revert or inure to the governmental unit in the form of a refund, withdrawal, or other credit.~~

~~g. Severance pay:~~

~~(1) Payments in addition to regular salaries and wages made to workers whose employment is being terminated are allowable to the extent that, in each case, they are required by law, employer employee agreement, or established written policy.~~

~~(2) Severance payments (but not accruals) associated with normal turnover are allowable. Such payments shall be allocated to all activities of the governmental unit as an indirect cost.~~

~~(3) Abnormal or mass severance pay will be considered on a case by case basis and is allowable only if approved by the cognizant Federal agency.~~

~~h. Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation.~~

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~~(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.~~

~~(2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.~~

~~(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.~~

~~(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix unless a statistical sampling system (see subsection 8.h.(6) of this appendix) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:~~

~~(a) More than one Federal award;~~

~~(b) A Federal award and a non-Federal award;~~

~~(c) An indirect cost activity and a direct cost activity;~~

~~(d) Two or more indirect activities which are allocated using different allocation bases; or~~

~~(e) An unallowable activity and a direct or indirect cost activity.~~

~~(5) Personnel activity reports or equivalent documentation must meet the following standards:~~

~~(a) They must reflect an after-the-fact distribution of the actual activity of each employee;~~

~~(b) They must account for the total activity for which each employee is compensated;~~

~~(c) They must be prepared at least monthly and must coincide with one or more pay periods; and~~

~~(d) They must be signed by the employee.~~

~~(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:~~

~~(i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;~~

~~(ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and~~

~~(iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.~~

~~(6) Substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.~~

~~(a) Substitute systems which use sampling methods (primarily for Temporary Assistance to Needy Families (TANF), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards including:~~

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~~(i) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in subsection 8.h.(6)(c) of this appendix;~~

~~(ii) The entire time period involved must be covered by the sample; and~~

~~(iii) The results must be statistically valid and applied to the period being sampled.~~

~~(b) Allocating charges for the sampled employees' supervisors, clerical and support staffs, based on the results of the sampled employees, will be acceptable.~~

~~(c) Less than full compliance with the statistical sampling standards noted in subsection 8.h.(6)(a) of this appendix may be accepted by the cognizant agency if it concludes that the amounts to be allocated to Federal awards will be minimal, or if it concludes that the system proposed by the governmental unit will result in lower costs to Federal awards than a system which complies with the standards.~~

~~(7) Salaries and wages of employees used in meeting cost sharing or matching requirements of Federal awards must be supported in the same manner as those claimed as allowable costs under Federal awards.~~

### ~~i. Donated services.~~

~~(1) Donated or volunteer services may be furnished to a governmental unit by professional and technical personnel, consultants, and other skilled and unskilled labor. The value of these services is not reimbursable either as a direct or indirect cost. However, the value of donated services may be used to meet cost sharing or matching requirements in accordance with the provisions of the Common Rule.~~

~~(2) The value of donated services utilized in the performance of a direct cost activity shall, when material in amount, be considered in the determination of the governmental unit's indirect costs or rate(s) and, accordingly, shall be allocated a proportionate share of applicable indirect costs.~~

~~(3) To the extent feasible, donated services will be supported by the same methods used by the governmental unit to support the allocability of regular personnel services.~~

~~**9. Contingency provisions.** Contributions to a contingency reserve or any similar provision made for events the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of their happening, are unallowable. The term "contingency reserve" excludes self-insurance reserves (see section 22.e. of this appendix); pension plan reserves (see section 8.e.), and post-retirement health and other benefit reserves (section 8.f.) computed using acceptable actuarial cost methods.~~

### ~~**10. Defense and prosecution of criminal and civil proceedings, and claims.**~~

~~a. The following costs are unallowable for contracts covered by 10 U.S.C. 2324(k), "Allowable costs under defense contracts."~~

~~(1) Costs incurred in defense of any civil or criminal fraud proceeding or similar proceeding (including filing of false certification brought by the United States where the contractor is found liable or has pleaded nolo contendere to a charge of fraud or similar proceeding (including filing of a false certification).~~

~~(2) Costs incurred by a contractor in connection with any criminal, civil or administrative proceedings commenced by the United States or a State to the extent provided in 10 U.S.C. 2324(k).~~

~~b. Legal expenses required in the administration of Federal programs are allowable. Legal expenses for prosecution of claims against the Federal Government are unallowable.~~

### ~~**11. Depreciation and use allowances.**~~

~~Depreciation and use allowances are means of allocating the cost of fixed assets to periods benefiting from asset use. Compensation for the use of fixed assets on hand may be made through depreciation or use allowances. A combination of the two methods may not be used in connection with a single class of fixed assets (e.g., buildings, office equipment,~~

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computer equipment, etc.) except as provided for in subsection g. Except for enterprise funds and internal service funds that are included as part of a State/local cost allocation plan, classes of assets shall be determined on the same basis used for the government-wide financial statements.

b. The computation of depreciation or use allowances shall be based on the acquisition cost of the assets involved. Where actual cost records have not been maintained, a reasonable estimate of the original acquisition cost may be used. The value of an asset donated to the governmental unit by an unrelated third party shall be its fair market value at the time of donation. Governmental or quasi-governmental organizations located within the same State shall not be considered unrelated third parties for this purpose.

c. The computation of depreciation or use allowances will exclude:

(1) The cost of land;

(2) Any portion of the cost of buildings and equipment borne by or donated by the Federal Government irrespective of where title was originally vested or where it presently resides; and

(3) Any portion of the cost of buildings and equipment contributed by or for the governmental unit, or a related donor organization, in satisfaction of a matching requirement.

d. Where the depreciation method is followed, the following general criteria apply:

(1) The period of useful service (useful life) established in each case for usable capital assets must take into consideration such factors as type of construction, nature of the equipment used, historical usage patterns, technological developments, and the renewal and replacement policies of the governmental unit followed for the individual items or classes of assets involved. In the absence of clear evidence indicating that the expected consumption of the asset will be significantly greater in the early portions than in the later portions of its useful life, the straight line method of depreciation shall be used.

(2) Depreciation methods once used shall not be changed unless approved by the Federal cognizant or awarding agency. When the depreciation method is introduced for application to an asset previously subject to a use allowance, the annual depreciation charge thereon may not exceed the amount that would have resulted had the depreciation method been in effect from the date of acquisition of the asset. The combination of use allowances and depreciation applicable to the asset shall not exceed the total acquisition cost of the asset or fair market value at time of donation.

e. When the depreciation method is used for buildings, a building's shell may be segregated from the major component of the building (e.g., plumbing system, heating, and air conditioning system, etc.) and each major component depreciated over its estimated useful life, or the entire building (i.e., the shell and all components) may be treated as a single asset and depreciated over a single useful life.

f. Where the use allowance method is followed, the following general criteria apply:

(1) The use allowance for buildings and improvements (including land improvements, such as paved parking areas, fences, and sidewalks) will be computed at an annual rate not exceeding two percent of acquisition costs.

(2) The use allowance for equipment will be computed at an annual rate not exceeding 6 2/3 percent of acquisition cost.

(3) When the use allowance method is used for buildings, the entire building must be treated as a single asset; the building's components (e.g., plumbing system, heating and air condition, etc.) cannot be segregated from the building's shell. The two percent limitation, however, need not be applied to equipment which is merely attached or fastened to the building but not permanently fixed to it and which is used as furnishings or decorations or for specialized purposes (e.g., dentist chairs and dental treatment units, counters, laboratory benches bolted to the floor, dishwashers, modular furniture, carpeting, etc.). Such equipment will be considered as not being permanently fixed to the building if it can be removed without the destruction of, or need for costly or extensive alterations or repairs, to the building or the equipment. Equipment that meets these criteria will be subject to the 6 2/3 percent equipment use allowance limitation.

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~~g. A reasonable use allowance may be negotiated for any assets that are considered to be fully depreciated, after taking into consideration the amount of depreciation previously charged to the government, the estimated useful life remaining at the time of negotiation, the effect of any increased maintenance charges, decreased efficiency due to age, and any other factors pertinent to the utilization of the asset for the purpose contemplated.~~

~~h. Charges for use allowances or depreciation must be supported by adequate property records. Physical inventories must be taken at least once every two years (a statistical sampling approach is acceptable) to ensure that assets exist, and are in use. Governmental units will manage equipment in accordance with State laws and procedures. When the depreciation method is followed, depreciation records indicating the amount of depreciation taken each period must also be maintained.~~

### ~~12. Donations and contributions.~~

~~a. Contributions or donations rendered. Contributions or donations, including cash, property, and services, made by the governmental unit, regardless of the recipient, are unallowable.~~

~~b. Donated services received:~~

~~(1) Donated or volunteer services may be furnished to a governmental unit by professional and technical personnel, consultants, and other skilled and unskilled labor. The value of these services is not reimbursable either as a direct or indirect cost. However, the value of donated services may be used to meet cost sharing or matching requirements in accordance with the Federal Grants Management Common Rule.~~

~~(2) The value of donated services utilized in the performance of a direct cost activity shall, when material in amount, be considered in the determination of the governmental unit's indirect costs or rate(s) and, accordingly, shall be allocated a proportionate share of applicable indirect costs.~~

~~(3) To the extent feasible, donated services will be supported by the same methods used by the governmental unit to support the allocability of regular personnel services.~~

### ~~13. Employee morale, health, and welfare costs.~~

~~a. The costs of employee information publications, health or first-aid clinics and/or infirmaries, recreational activities, employee counseling services, and any other expenses incurred in accordance with the governmental unit's established practice or custom for the improvement of working conditions, employer-employee relations, employee morale, and employee performance are allowable.~~

~~b. Such costs will be equitably apportioned to all activities of the governmental unit. Income generated from any of these activities will be offset against expenses.~~

~~14. Entertainment. Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.~~

### ~~15. Equipment and other capital expenditures.~~

~~a. For purposes of this subsection 15, the following definitions apply:~~

~~(1) "Capital Expenditures" means expenditures for the acquisition cost of capital assets (equipment, buildings, land), or expenditures to make improvements to capital assets that materially increase their value or useful life. Acquisition cost means the cost of the asset including the cost to put it in place. Acquisition cost for equipment, for example, means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation may be included in, or excluded from the acquisition cost in accordance with the governmental unit's regular accounting practices.~~



~~(2) "Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the governmental unit for financial statement purposes, or \$5000.~~

~~(3) "Special purpose equipment" means equipment which is used only for research, medical, scientific, or other technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, and spectrometers.~~

~~(4) "General purpose equipment" means equipment, which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles.~~

~~b. The following rules of allowability shall apply to equipment and other capital expenditures:~~

~~(1) Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the awarding agency.~~

~~(2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5000 or more have the prior approval of the awarding agency.~~

~~(3) Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior approval of the awarding agency.~~

~~(4) When approved as a direct charge pursuant to section 15.b (1), (2), and (3) of this appendix, capital expenditures will be charged in the period in which the expenditure is incurred, or as otherwise determined appropriate and negotiated with the awarding agency. In addition, Federal awarding agencies are authorized at their option to waive or delegate the prior approval requirement.~~

~~(5) Equipment and other capital expenditures are unallowable as indirect costs. However, see section 11 of this appendix, Depreciation and use allowance, for rules on the allowability of use allowances or depreciation on buildings, capital improvements, and equipment. Also, see section 37 of this appendix, Rental costs, concerning the allowability of rental costs for land, buildings, and equipment.~~

~~(6) The unamortized portion of any equipment written off as a result of a change in capitalization levels may be recovered by continuing to claim the otherwise allowable use allowances or depreciation on the equipment, or by amortizing the amount to be written off over a period of years negotiated with the cognizant agency.~~

~~(7) When replacing equipment purchased in whole or in part with Federal funds, the governmental unit may use the equipment to be replaced as a trade in or sell the property and use the proceeds to offset the cost of the replacement property.~~

~~**16. Fines and penalties.** Fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the governmental unit to comply with, Federal, State, local, or Indian tribal laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of the Federal award or written instructions by the awarding agency authorizing in advance such payments.~~

~~**17. Fund raising and investment management costs.**~~

~~a. Costs of organized fund raising, including financial campaigns, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable, regardless of the purpose for which the funds will be used.~~

~~b. Costs of investment counsel and staff and similar expenses incurred to enhance income from investments are unallowable. However, such costs associated with investments covering pension, self insurance, or other funds which include Federal participation allowed by this and other appendices of 2 CFR part 225 are allowable.~~

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~~e. Fund raising and investment activities shall be allocated an appropriate share of indirect costs under the conditions described in subsection C.3.b. of Appendix A to this part.~~

### ~~18. Gains and losses on disposition of depreciable property and other capital assets and substantial relocation of Federal programs.~~

~~a. (1) Gains and losses on the sale, retirement, or other disposition of depreciable property shall be included in the year in which they occur as credits or charges to the asset cost grouping(s) in which the property was included. The amount of the gain or loss to be included as a credit or charge to the appropriate asset cost grouping(s) shall be the difference between the amount realized on the property and the undepreciated basis of the property.~~

~~(2) Gains and losses on the disposition of depreciable property shall not be recognized as a separate credit or charge under the following conditions:~~

~~(a) The gain or loss is processed through a depreciation account and is reflected in the depreciation allowable under sections 11 and 15 of this appendix.~~

~~(b) The property is given in exchange as part of the purchase price of a similar item and the gain or loss is taken into account in determining the depreciation cost basis of the new item.~~

~~(c) A loss results from the failure to maintain permissible insurance, except as otherwise provided in subsection 22.d of this appendix.~~

~~(d) Compensation for the use of the property was provided through use allowances in lieu of depreciation.~~

~~b. Substantial relocation of Federal awards from a facility where the Federal Government participated in the financing to another facility prior to the expiration of the useful life of the financed facility requires Federal agency approval. The extent of the relocation, the amount of the Federal participation in the financing, and the depreciation charged to date may require negotiation of space charges for Federal awards.~~

~~c. Gains or losses of any nature arising from the sale or exchange of property other than the property covered in subsection 18.a. of this appendix, e.g., land or included in the fair market value used in any adjustment resulting from a relocation of Federal awards covered in subsection b. shall be excluded in computing Federal award costs.~~

### ~~19. General government expenses.~~

~~a. The general costs of government are unallowable (except as provided in section 43 of this appendix, Travel costs). These include:~~

~~(1) Salaries and expenses of the Office of the Governor of a State or the chief executive of a political subdivision or the chief executive of federally recognized Indian tribal government;~~

~~(2) Salaries and other expenses of a State legislature, tribal council, or similar local governmental body, such as a county supervisor, city council, school board, etc., whether incurred for purposes of legislation or executive direction;~~

~~(3) Costs of the judiciary branch of a government;~~

~~(4) Costs of prosecutorial activities unless treated as a direct cost to a specific program if authorized by program statute or regulation (however, this does not preclude the allowability of other legal activities of the Attorney General); and~~

~~(5) Costs of other general types of government services normally provided to the general public, such as fire and police, unless provided for as a direct cost under a program statute or regulation.~~

~~b. For federally recognized Indian tribal governments and Councils Of Governments (COGs), the portion of salaries and expenses directly attributable to managing and operating Federal programs by the chief executive and his staff is allowable.~~

**20. Goods or services for personal use.** ~~Costs of goods or services for personal use of the governmental unit's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.~~

**21. Idle facilities and idle capacity.**

~~As used in this section the following terms have the meanings set forth below:~~

~~(1) "Facilities" means land and buildings or any portion thereof, equipment individually or collectively, or any other tangible capital asset, wherever located, and whether owned or leased by the governmental unit.~~

~~(2) "Idle facilities" means completely unused facilities that are excess to the governmental unit's current needs.~~

~~(3) "Idle capacity" means the unused capacity of partially used facilities. It is the difference between: that which a facility could achieve under 100 percent operating time on a one shift basis less operating interruptions resulting from time lost for repairs, setups, unsatisfactory materials, and other normal delays; and the extent to which the facility was actually used to meet demands during the accounting period. A multi shift basis should be used if it can be shown that this amount of usage would normally be expected for the type of facility involved.~~

~~(4) "Cost of idle facilities or idle capacity" means costs such as maintenance, repair, housing, rent, and other related costs, e.g., insurance, interest, property taxes and depreciation or use allowances.~~

~~b. The costs of idle facilities are unallowable except to the extent that:~~

~~(1) They are necessary to meet fluctuations in workload; or~~

~~(2) Although not necessary to meet fluctuations in workload, they were necessary when acquired and are now idle because of changes in program requirements, efforts to achieve more economical operations, reorganization, termination, or other causes which could not have been reasonably foreseen. Under the exception stated in this subsection, costs of idle facilities are allowable for a reasonable period of time, ordinarily not to exceed one year, depending on the initiative taken to use, lease, or dispose of such facilities.~~

~~e. The costs of idle capacity are normal costs of doing business and are a factor in the normal fluctuations of usage or indirect cost rates from period to period. Such costs are allowable, provided that the capacity is reasonably anticipated to be necessary or was originally reasonable and is not subject to reduction or elimination by use on other Federal awards, subletting, renting, or sale, in accordance with sound business, economic, or security practices. Widespread idle capacity throughout an entire facility or among a group of assets having substantially the same function may be considered idle facilities.~~

**22. Insurance and indemnification.**

~~a. Costs of insurance required or approved and maintained, pursuant to the Federal award, are allowable.~~

~~b. Costs of other insurance in connection with the general conduct of activities are allowable subject to the following limitations:~~

~~(1) Types and extent and cost of coverage are in accordance with the governmental unit's policy and sound business practice.~~

~~(2) Costs of insurance or of contributions to any reserve covering the risk of loss of, or damage to, Federal Government property are unallowable except to the extent that the awarding agency has specifically required or approved such costs.~~

~~c. Actual losses which could have been covered by permissible insurance (through a self insurance program or otherwise) are unallowable, unless expressly provided for in the Federal award or as described below. However, the Federal Government will participate in actual losses of a self insurance fund that are in excess of reserves. Costs incurred because of losses not covered under nominal deductible insurance coverage provided in keeping with sound management practice, and minor losses not covered by insurance, such as spoilage, breakage, and disappearance of small hand tools, which occur in the ordinary course of operations, are allowable.~~

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~~d. Contributions to a reserve for certain self insurance programs including workers compensation, unemployment compensation, and severance pay are allowable subject to the following provisions:~~

~~(1) The type of coverage and the extent of coverage and the rates and premiums would have been allowed had insurance (including reinsurance) been purchased to cover the risks. However, provision for known or reasonably estimated self-insured liabilities, which do not become payable for more than one year after the provision is made, shall not exceed the discounted present value of the liability. The rate used for discounting the liability must be determined by giving consideration to such factors as the governmental unit's settlement rate for those liabilities and its investment rate of return.~~

~~(2) Earnings or investment income on reserves must be credited to those reserves.~~

~~(3) Contributions to reserves must be based on sound actuarial principles using historical experience and reasonable assumptions. Reserve levels must be analyzed and updated at least biennially for each major risk being insured and take into account any reinsurance, coinsurance, etc. Reserve levels related to employee related coverages will normally be limited to the value of claims submitted and adjudicated but not paid, submitted but not adjudicated, and incurred but not submitted. Reserve levels in excess of the amounts based on the above must be identified and justified in the cost allocation plan or indirect cost rate proposal.~~

~~(4) Accounting records, actuarial studies, and cost allocations (or billings) must recognize any significant differences due to types of insured risk and losses generated by the various insured activities or agencies of the governmental unit. If individual departments or agencies of the governmental unit experience significantly different levels of claims for a particular risk, those differences are to be recognized by the use of separate allocations or other techniques resulting in an equitable allocation.~~

~~(5) Whenever funds are transferred from a self insurance reserve to other accounts (e.g., general fund), refunds shall be made to the Federal Government for its share of funds transferred, including earned or imputed interest from the date of transfer.~~

~~e. Actual claims paid to or on behalf of employees or former employees for workers' compensation, unemployment compensation, severance pay, and similar employee benefits (e.g., subsection 8.f. for post retirement health benefits), are allowable in the year of payment provided the governmental unit follows a consistent costing policy and they are allocated as a general administrative expense to all activities of the governmental unit.~~

~~f. Insurance refunds shall be credited against insurance costs in the year the refund is received.~~

~~g. Indemnification includes securing the governmental unit against liabilities to third persons and other losses not compensated by insurance or otherwise. The Federal Government is obligated to indemnify the governmental unit only to the extent expressly provided for in the Federal award, except as provided in subsection 22.d of this appendix.~~

~~h. Costs of commercial insurance that protects against the costs of the contractor for correction of the contractor's own defects in materials or workmanship are unallowable.~~

### **23. Interest.**

~~a. Costs incurred for interest on borrowed capital or the use of a governmental unit's own funds, however represented, are unallowable except as specifically provided in subsection b. or authorized by Federal legislation.~~

~~b. Financing costs (including interest) paid or incurred which are associated with the otherwise allowable costs of building acquisition, construction, or fabrication, reconstruction or remodeling completed on or after October 1, 1980 is allowable subject to the conditions in section 23.b.(1) through (4) of this appendix. Financing costs (including interest) paid or incurred on or after September 1, 1995 for land or associated with otherwise allowable costs of equipment is allowable, subject to the conditions in section 23.b.(1) through (4) of this appendix.~~

~~(1) The financing is provided (from other than tax or user fee sources) by a bona fide third party external to the governmental unit;~~

(2) The assets are used in support of Federal awards;

(3) Earnings on debt service reserve funds or interest earned on borrowed funds pending payment of the construction or acquisition costs are used to offset the current period's cost or the capitalized interest, as appropriate. Earnings subject to being reported to the Federal Internal Revenue Service under arbitrage requirements are excludable.

(4) For debt arrangements over \$1 million, unless the governmental unit makes an initial equity contribution to the asset purchase of 25 percent or more, the governmental unit shall reduce claims for interest cost by an amount equal to imputed interest earnings on excess cash flow, which is to be calculated as follows. Annually, non-Federal entities shall prepare a cumulative (from the inception of the project) report of monthly cash flows that includes inflows and outflows, regardless of the funding source. Inflows consist of depreciation expense, amortization of capitalized construction interest, and annual interest cost. For cash flow calculations, the annual inflow figures shall be divided by the number of months in the year (i.e., usually 12) that the building is in service for monthly amounts. Outflows consist of initial equity contributions, debt principal payments (less the pro-rata share attributable to the unallowable costs of land) and interest payments. Where cumulative inflows exceed cumulative outflows, interest shall be calculated on the excess inflows for that period and be treated as a reduction to allowable interest cost. The rate of interest to be used to compute earnings on excess cash flows shall be the three-month Treasury bill closing rate as of the last business day of that month.

(5) Interest attributable to fully depreciated assets is unallowable.

#### **24. Lobbying.**

a. General. The cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans is an unallowable cost. Lobbying with respect to certain grants, contracts, cooperative agreements, and loans shall be governed by the common rule, "New Restrictions on Lobbying" (see Section J.24 of Appendix A to 2 CFR part 220), including definitions, and the Office of Management and Budget "Government-wide Guidance for New Restrictions on Lobbying" and notices published at 54 FR 52306 (December 20, 1989), 55 FR 24540 (June 15, 1990), and 57 FR 1772 (January 15, 1992), respectively.

b. Executive lobbying costs. Costs incurred in attempting to improperly influence either directly or indirectly, an employee or officer of the Executive Branch of the Federal Government to give consideration or to act regarding a sponsored agreement or a regulatory matter are unallowable. Improper influence means any influence that induces or tends to induce a Federal employee or officer to give consideration or to act regarding a federally sponsored agreement or regulatory matter on any basis other than the merits of the matter.

**25. Maintenance, operations, and repairs.** Unless prohibited by law, the cost of utilities, insurance, security, janitorial services, elevator service, upkeep of grounds, necessary maintenance, normal repairs and alterations, and the like are allowable to the extent that they: keep property (including Federal property, unless otherwise provided for) in an efficient operating condition, do not add to the permanent value of property or appreciably prolong its intended life, and are not otherwise included in rental or other charges for space. Costs which add to the permanent value of property or appreciably prolong its intended life shall be treated as capital expenditures (see sections 11 and 15 of this appendix).

#### **26. Materials and supplies costs.**

a. Costs incurred for materials, supplies, and fabricated parts necessary to carry out a Federal award are allowable.

b. Purchased materials and supplies shall be charged at their actual prices, net of applicable credits. Withdrawals from general stores or stockrooms should be charged at their actual net cost under any recognized method of pricing inventory withdrawals, consistently applied. Incoming transportation charges are a proper part of materials and supplies costs.

c. Only materials and supplies actually used for the performance of a Federal award may be charged as direct costs.

d. Where federally donated or furnished materials are used in performing the Federal award, such materials will be used without charge.

**27. Meetings and conferences.** Costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable. This includes costs of meals, transportation, rental of facilities, speakers' fees, and other items incidental to such meetings or conferences. But see section 14, Entertainment costs, of this appendix.

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### **28. Memberships, subscriptions, and professional activity costs.**

- a. ~~Costs of the governmental unit's memberships in business, technical, and professional organizations are allowable.~~
- b. ~~Costs of the governmental unit's subscriptions to business, professional, and technical periodicals are allowable.~~
- c. ~~Costs of membership in civic and community, social organizations are allowable as a direct cost with the approval of the Federal awarding agency.~~
- d. ~~Costs of membership in organizations substantially engaged in lobbying are unallowable.~~

### **29. Patent costs.**

- a. ~~The following costs relating to patent and copyright matters are allowable: cost of preparing disclosures, reports, and other documents required by the Federal award and of searching the art to the extent necessary to make such disclosures; cost of preparing documents and any other patent costs in connection with the filing and prosecution of a United States patent application where title or royalty free license is required by the Federal Government to be conveyed to the Federal Government; and general counseling services relating to patent and copyright matters, such as advice on patent and copyright laws, regulations, clauses, and employee agreements (but see sections 32, Professional service costs, and 38, Royalties and other costs for use of patents and copyrights, of this appendix).~~
- b. ~~The following costs related to patent and copyright matter are unallowable: Cost of preparing disclosures, reports, and other documents and of searching the art to the extent necessary to make disclosures not required by the award; costs in connection with filing and prosecuting any foreign patent application; or any United States patent application, where the Federal award does not require conveying title or a royalty free license to the Federal Government (but see section 38, Royalties and other costs for use of patents and copyrights, of this appendix).~~

**30. Plant and homeland security costs.** ~~Necessary and reasonable expenses incurred for routine and homeland security to protect facilities, personnel, and work products are allowable. Such costs include, but are not limited to, wages and uniforms of personnel engaged in security activities; equipment; barriers; contractual security services; consultants; etc. Capital expenditures for homeland and plant security purposes are subject to section 15, Equipment and other capital expenditures, of this appendix.~~

**31. Pre-award costs.** ~~Pre-award costs are those incurred prior to the effective date of the award directly pursuant to the negotiation and in anticipation of the award where such costs are necessary to comply with the proposed delivery schedule or period of performance. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the award and only with the written approval of the awarding agency.~~

### **32. Professional service costs.**

- a. ~~Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the governmental unit, are allowable, subject to subparagraphs b and c when reasonable in relation to the services rendered and when not contingent upon recovery of the costs from the Federal Government. In addition, legal and related services are limited under section 10 of this appendix.~~
- b. ~~In determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant:~~
  - (1) ~~The nature and scope of the service rendered in relation to the service required.~~
  - (2) ~~The necessity of contracting for the service, considering the governmental unit's capability in the particular area.~~
  - (3) ~~The past pattern of such costs, particularly in the years prior to Federal awards.~~
  - (4) ~~The impact of Federal awards on the governmental unit's business (i.e., what new problems have arisen).~~

~~(5) Whether the proportion of Federal work to the governmental unit's total business is such as to influence the governmental unit in favor of incurring the cost, particularly where the services rendered are not of a continuing nature and have little relationship to work under Federal grants and contracts.~~

~~(6) Whether the service can be performed more economically by direct employment rather than contracting.~~

~~(7) The qualifications of the individual or concern rendering the service and the customary fees charged, especially on non-Federal awards.~~

~~(8) Adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions).~~

~~e. In addition to the factors in subparagraph b, retainer fees to be allowable must be supported by available or rendered evidence of bona fide services available or rendered.~~

~~**33. Proposal costs.** Costs of preparing proposals for potential Federal awards are allowable. Proposal costs should normally be treated as indirect costs and should be allocated to all activities of the governmental unit utilizing the cost allocation plan and indirect cost rate proposal. However, proposal costs may be charged directly to Federal awards with the prior approval of the Federal awarding agency.~~

#### ~~**34. Publication and printing costs.**~~

~~a. Publication costs include the costs of printing (including the processes of composition, plate making, press work, binding, and the end products produced by such processes), distribution, promotion, mailing, and general handling. Publication costs also include page charges in professional publications.~~

~~b. If these costs are not identifiable with a particular cost objective, they should be allocated as indirect costs to all benefiting activities of the governmental unit.~~

~~c. Page charges for professional journal publications are allowable as a necessary part of research costs where:~~

~~(1) The research papers report work supported by the Federal Government; and~~

~~(2) The charges are levied impartially on all research papers published by the journal, whether or not by federally sponsored authors.~~

~~**35. Rearrangement and alteration costs.** Costs incurred for ordinary and normal rearrangement and alteration of facilities are allowable. Special arrangements and alterations costs incurred specifically for a Federal award are allowable with the prior approval of the Federal awarding agency.~~

~~**36. Reconversion costs.** Costs incurred in the restoration or rehabilitation of the governmental unit's facilities to approximately the same condition existing immediately prior to commencement of Federal awards, less costs related to normal wear and tear, are allowable.~~

#### ~~**37. Rental costs of buildings and equipment.**~~

~~a. Subject to the limitations described in subsections b. through d. of this section, rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the property leased. Rental arrangements should be reviewed periodically to determine if circumstances have changed and other options are available.~~

~~b. Rental costs under "sale and lease back" arrangements are allowable only up to the amount that would be allowed had the governmental unit continued to own the property. This amount would include expenses such as depreciation or use allowance, maintenance, taxes, and insurance.~~

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~~e. Rental costs under "less than arm's length" leases are allowable only up to the amount (as explained in section 37.b of this appendix) that would be allowed had title to the property vested in the governmental unit. For this purpose, a less than arm's length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other. Such leases include, but are not limited to those between divisions of a governmental unit; governmental units under common control through common officers, directors, or members; and a governmental unit and a director, trustee, officer, or key employee of the governmental unit or his immediate family, either directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest. For example, a governmental unit may establish a separate corporation for the sole purpose of owning property and leasing it back to the governmental unit.~~

~~d. Rental costs under leases which are required to be treated as capital leases under GAAP are allowable only up to the amount (as explained in subsection 37.b of this appendix) that would be allowed had the governmental unit purchased the property on the date the lease agreement was executed. The provisions of Financial Accounting Standards Board Statement 13, Accounting for Leases, shall be used to determine whether a lease is a capital lease. Interest costs related to capital leases are allowable to the extent they meet the criteria in section 23 of this appendix. Unallowable costs include amounts paid for profit, management fees, and taxes that would not have been incurred had the governmental unit purchased the facility.~~

### **38. Royalties and other costs for the use of patents.**

~~a. Royalties on a patent or copyright or amortization of the cost of acquiring by purchase a copyright, patent, or rights thereto, necessary for the proper performance of the award are allowable unless:~~

- ~~(1) The Federal Government has a license or the right to free use of the patent or copyright.~~
- ~~(2) The patent or copyright has been adjudicated to be invalid, or has been administratively determined to be invalid.~~
- ~~(3) The patent or copyright is considered to be unenforceable.~~
- ~~(4) The patent or copyright is expired.~~

~~b. Special care should be exercised in determining reasonableness where the royalties may have been arrived at as a result of less than arm's length bargaining, e.g.:~~

- ~~(1) Royalties paid to persons, including corporations, affiliated with the governmental unit.~~
- ~~(2) Royalties paid to unaffiliated parties, including corporations, under an agreement entered into in contemplation that a Federal award would be made.~~
- ~~(3) Royalties paid under an agreement entered into after an award is made to a governmental unit.~~

~~c. In any case involving a patent or copyright formerly owned by the governmental unit, the amount of royalty allowed should not exceed the cost which would have been allowed had the governmental unit retained title thereto.~~

~~**39. Selling and marketing.** Costs of selling and marketing any products or services of the governmental unit are unallowable (unless allowed under section 1. of this appendix as allowable public relations costs or under section 33. of this appendix as allowable proposal costs.~~

### **40. Taxes.**

~~a. Taxes that a governmental unit is legally required to pay are allowable, except for self-assessed taxes that disproportionately affect Federal programs or changes in tax policies that disproportionately affect Federal programs. This provision is applicable to taxes paid during the governmental unit's first fiscal year that begins on or after January 1, 1998, and applies thereafter.~~

~~b. Gasoline taxes, motor vehicle fees, and other taxes that are in effect user fees for benefits provided to the Federal Government are allowable.~~



~~e. This provision does not restrict the authority of Federal agencies to identify taxes where Federal participation is inappropriate. Where the identification of the amount of unallowable taxes would require an inordinate amount of effort, the cognizant agency may accept a reasonable approximation thereof.~~

~~**41. Termination costs applicable to sponsored agreements.** Termination of awards generally gives rise to the incurrence of costs, or the need for special treatment of costs, which would not have arisen had the Federal award not been terminated. Cost principles covering these items are set forth below. They are to be used in conjunction with the other provisions of this appendix in termination situations.~~

~~a. The cost of items reasonably usable on the governmental unit's other work shall not be allowable unless the governmental unit submits evidence that it would not retain such items at cost without sustaining a loss. In deciding whether such items are reasonably usable on other work of the governmental unit, the awarding agency should consider the governmental unit's plans and orders for current and scheduled activity. Contemporaneous purchases of common items by the governmental unit shall be regarded as evidence that such items are reasonably usable on the governmental unit's other work. Any acceptance of common items as allocable to the terminated portion of the Federal award shall be limited to the extent that the quantities of such items on hand, in transit, and on order are in excess of the reasonable quantitative requirements of other work.~~

~~b. If in a particular case, despite all reasonable efforts by the governmental unit, certain costs cannot be discontinued immediately after the effective date of termination, such costs are generally allowable within the limitations set forth in this and other appendices of 2 CFR part 225, except that any such costs continuing after termination due to the negligent or willful failure of the governmental unit to discontinue such costs shall be unallowable.~~

~~e. Loss of useful value of special tooling, machinery, and equipment is generally allowable if:~~

~~(1) Such special tooling, special machinery, or equipment is not reasonably capable of use in the other work of the governmental unit;~~

~~(2) The interest of the Federal Government is protected by transfer of title or by other means deemed appropriate by the awarding agency; and~~

~~(3) The loss of useful value for any one terminated Federal award is limited to that portion of the acquisition cost which bears the same ratio to the total acquisition cost as the terminated portion of the Federal award bears to the entire terminated Federal award and other Federal awards for which the special tooling, machinery, or equipment was acquired.~~

~~d. Rental costs under unexpired leases are generally allowable where clearly shown to have been reasonably necessary for the performance of the terminated Federal award less the residual value of such leases, if:~~

~~(1) The amount of such rental claimed does not exceed the reasonable use value of the property leased for the period of the Federal award and such further period as may be reasonable; and~~

~~(2) The governmental unit makes all reasonable efforts to terminate, assign, settle, or otherwise reduce the cost of such lease. There also may be included the cost of alterations of such leased property, provided such alterations were necessary for the performance of the Federal award, and of reasonable restoration required by the provisions of the lease.~~

~~e. Settlement expenses including the following are generally allowable:~~

~~(1) Accounting, legal, clerical, and similar costs reasonably necessary for:~~

~~(a) The preparation and presentation to the awarding agency of settlement claims and supporting data with respect to the terminated portion of the Federal award, unless the termination is for default (see Subpart 44 of the Grants Management Common Rule (see §215.5) implementing OMB Circular A-102); and~~

~~(b) The termination and settlement of subawards.~~

~~(2) Reasonable costs for the storage, transportation, protection, and disposition of property provided by the Federal Government or acquired or produced for the Federal award, except when grantees or contractors are reimbursed for~~

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~~disposals at a predetermined amount in accordance with Subparts \_\_.31 and \_\_.32 of the Grants Management Common Rule (see §215.5) implementing OMB Circular A-102.~~

~~f. Claims under subawards, including the allocable portion of claims which are common to the Federal award, and to other work of the governmental unit are generally allowable. An appropriate share of the governmental unit's indirect expense may be allocated to the amount of settlements with subcontractors and/or subgrantees, provided that the amount allocated is otherwise consistent with the basic guidelines contained in Appendix A to this part. The indirect expense so allocated shall exclude the same and similar costs claimed directly or indirectly as settlement expenses.~~

~~**42. Training costs.** The cost of training provided for employee development is allowable.~~

### ~~**43. Travel costs.**~~

~~a. General. Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the governmental unit. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the governmental unit's non-federally-sponsored activities. Notwithstanding the provisions of section 19 of this appendix, General government expenses, travel costs of officials covered by that section are allowable with the prior approval of an awarding agency when they are specifically related to Federal awards.~~

~~b. Lodging and subsistence. Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the governmental unit in its regular operations as the result of the governmental unit's written travel policy. In the absence of an acceptable, written governmental unit policy regarding travel costs, the rates and amounts established under subchapter I of Chapter 57, Title 5, United States Code ("Travel and Subsistence Expenses; Mileage Allowances"), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter shall apply to travel under Federal awards (48 CFR 31.205-46(a)).~~

#### ~~e. Commercial air travel.~~

~~(1) Airfare costs in excess of the customary standard commercial airfare (coach or equivalent), Federal Government contract airfare (where authorized and available), or the lowest commercial discount airfare are unallowable except when such accommodations would:~~

~~(a) Require circuitous routing;~~

~~(b) Require travel during unreasonable hours;~~

~~(c) Excessively prolong travel;~~

~~(d) Result in additional costs that would offset the transportation savings; or~~

~~(e) Offer accommodations not reasonably adequate for the traveler's medical needs. The governmental unit must justify and document these conditions on a case-by-case basis in order for the use of first class airfare to be allowable in such cases.~~

~~(2) Unless a pattern of avoidance is detected, the Federal Government will generally not question a governmental unit's determinations that customary standard airfare or other discount airfare is unavailable for specific trips if the governmental unit can demonstrate either of the following:~~

~~(a) That such airfare was not available in the specific case; or~~

~~(b) That it is the governmental unit's overall practice to make routine use of such airfare.~~

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~~d. Air travel by other than commercial carrier. Costs of travel by governmental unit owned, leased, or chartered aircraft include the cost of lease, charter, operation (including personnel costs), maintenance, depreciation, insurance, and other related costs. The portion of such costs that exceeds the cost of allowable commercial air travel, as provided for in subsection 43.c. of this appendix, is unallowable.~~

~~e. Foreign travel. Direct charges for foreign travel costs are allowable only when the travel has received prior approval of the awarding agency. Each separate foreign trip must receive such approval. For purposes of this provision, "foreign travel" includes any travel outside Canada, Mexico, the United States, and any United States territories and possessions. However, the term "foreign travel" for a governmental unit located in a foreign country means travel outside that country.~~

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**Appendix C to Part 225**

**~~State/Local Wide Central Service Cost Allocation Plans~~**

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**A. General.**

1. Most governmental units provide certain services, such as motor pools, computer centers, purchasing, accounting, etc., to operating agencies on a centralized basis. Since federally supported awards are performed within the individual operating agencies, there needs to be a process whereby these central service costs can be identified and assigned to benefitted activities on a reasonable and consistent basis. The central service cost allocation plan provides that process. All costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards.

2. Guidelines and illustrations of central service cost allocation plans are provided in a brochure published by the Department of Health and Human Services entitled "A Guide for State and Local Government Agencies: Cost Principles and Procedures for Establishing Cost Allocation Plans and Indirect Cost Rates for Grants and Contracts with the Federal Government." A copy of this brochure may be obtained from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20401.

**B. Definitions.**

1. "Billed central services" means central services that are billed to benefitted agencies and/or programs on an individual fee for service or similar basis. Typical examples of billed central services include computer services, transportation services, insurance, and fringe benefits.

2. "Allocated central services" means central services that benefit operating agencies but are not billed to the agencies on a fee for service or similar basis. These costs are allocated to benefitted agencies on some reasonable basis. Examples of such services might include general accounting, personnel administration, purchasing, etc.

3. "Agency or operating agency" means an organizational unit or sub-division within a governmental unit that is responsible for the performance or administration of awards or activities of the governmental unit.

**C. Scope of the Central Service Cost Allocation Plans.** The central service cost allocation plan will include all central service costs that will be claimed (either as a billed or an allocated cost) under Federal awards and will be documented as described in section E. Costs of central services omitted from the plan will not be reimbursed.

**D. Submission Requirements.**

1. Each State will submit a plan to the Department of Health and Human Services for each year in which it claims central service costs under Federal awards. The plan should include a projection of the next year's allocated central service cost (based either on actual costs for the most recently completed year or the budget projection for the coming year), and a reconciliation of actual allocated central service costs to the estimated costs used for either the most recently completed year or the year immediately preceding the most recently completed year.

2. Each local government that has been designated as a "major local government" by the Office of Management and Budget (OMB) is also required to submit a plan to its cognizant agency annually. OMB periodically lists major local governments in the Federal Register.

3. All other local governments claiming central service costs must develop a plan in accordance with the requirements described in this appendix and maintain the plan and related supporting documentation for audit. These local governments are not required to submit their plans for Federal approval unless they are specifically requested to do so by the cognizant agency. Where a local government only receives funds as a sub-recipient, the primary recipient will be responsible for negotiating indirect cost rates and/or monitoring the sub-recipient's plan.

4. All central service cost allocation plans will be prepared and, when required, submitted within six months prior to the beginning of each of the governmental unit's fiscal years in which it proposes to claim central service costs. Extensions may be granted by the cognizant agency on a case by case basis.

**E. Documentation Requirements for Submitted Plans.** The documentation requirements described in this section may be modified, expanded, or reduced by the cognizant agency on a case by case basis. For example, the requirements may be reduced for those central services which have little or no impact on Federal awards. Conversely, if a review of a plan indicates that certain additional information is needed, and will likely be needed in future years, it may be routinely

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requested in future plan submissions. Items marked with an asterisk (\*) should be submitted only once; subsequent plans should merely indicate any changes since the last plan.

1. ~~General. All proposed plans must be accompanied by the following: An organization chart sufficiently detailed to show operations including the central service activities of the State/local government whether or not they are shown as benefiting from central service functions; a copy of the Comprehensive Annual Financial Report (or a copy of the Executive Budget if budgeted costs are being proposed) to support the allowable costs of each central service activity included in the plan; and, a certification (see subsection 4.) that the plan was prepared in accordance with this and other appendices to this part, contains only allowable costs, and was prepared in a manner that treated similar costs consistently among the various Federal awards and between Federal and non-Federal awards/activities.~~

2. ~~Allocated central services. For each allocated central service, the plan must also include the following: A brief description of the service\*, an identification of the unit rendering the service and the operating agencies receiving the service, the items of expense included in the cost of the service, the method used to distribute the cost of the service to benefitted agencies, and a summary schedule showing the allocation of each service to the specific benefitted agencies. If any self-insurance funds or fringe benefits costs are treated as allocated (rather than billed) central services, documentation discussed in subsections 3.b. and c. shall also be included.~~

3. ~~Billed services.~~

a. ~~General. The information described below shall be provided for all billed central services, including internal service funds, self-insurance funds, and fringe benefit funds.~~

b. ~~Internal service funds.~~

(1) ~~For each internal service fund or similar activity with an operating budget of \$5 million or more, the plan shall include: A brief description of each service; a balance sheet for each fund based on individual accounts contained in the governmental unit's accounting system; a revenue/expenses statement, with revenues broken out by source, e.g., regular billings, interest earned, etc.; a listing of all non-operating transfers (as defined by Generally Accepted Accounting Principles (GAAP)) into and out of the fund; a description of the procedures (methodology) used to charge the costs of each service to users, including how billing rates are determined; a schedule of current rates; and, a schedule comparing total revenues (including imputed revenues) generated by the service to the allowable costs of the service, as determined under this and other appendices of this part, with an explanation of how variances will be handled.~~

(2) ~~Revenues shall consist of all revenues generated by the service, including unbilled and uncollected revenues. If some users were not billed for the services (or were not billed at the full rate for that class of users), a schedule showing the full imputed revenues associated with these users shall be provided. Expenses shall be broken out by object cost categories (e.g., salaries, supplies, etc.).~~

c. ~~Self-insurance funds. For each self-insurance fund, the plan shall include: The fund balance sheet; a statement of revenue and expenses including a summary of billings and claims paid by agency; a listing of all non-operating transfers into and out of the fund; the type(s) of risk(s) covered by the fund (e.g., automobile liability, workers' compensation, etc.); an explanation of how the level of fund contributions are determined, including a copy of the current actuarial report (with the actuarial assumptions used) if the contributions are determined on an actuarial basis; and, a description of the procedures used to charge or allocate fund contributions to benefitted activities. Reserve levels in excess of claims submitted and adjudicated but not paid, submitted but not adjudicated, and incurred but not submitted must be identified and explained.~~

d. ~~Fringe benefits. For fringe benefit costs, the plan shall include: A listing of fringe benefits provided to covered employees, and the overall annual cost of each type of benefit; current fringe benefit policies\*; and procedures used to charge or allocate the costs of the benefits to benefitted activities. In addition, for pension and post-retirement health insurance plans, the following information shall be provided: the governmental unit's funding policies, e.g., legislative bills, trust agreements, or State-mandated contribution rules, if different from actuarially determined rates; the pension plan's costs accrued for the year; the amount funded, and date(s) of funding; a copy of the current actuarial report (including the actuarial assumptions); the plan trustee's report; and, a schedule from the activity showing the value of the interest cost associated with late funding.~~

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4. Required certification. Each central service cost allocation plan will be accompanied by a certification in the following form:

**Certificate of Cost Allocation Plan**

This is to certify that I have reviewed the cost allocation plan submitted herewith and to the best of my knowledge and belief:

(1) All costs included in this proposal [identify date] to establish cost allocations or billings for [identify period covered by plan] are allowable in accordance with the requirements of 2 CFR Part 225, Cost Principles for State, Local, and Indian Tribal Governments (OMB Circular A-87), and the Federal award(s) to which they apply. Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

(2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the awards to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently.

I declare that the foregoing is true and correct.

Governmental Unit: \_\_\_\_\_

Signature: \_\_\_\_\_

Name of Official: \_\_\_\_\_

Title: \_\_\_\_\_

Date of Execution: \_\_\_\_\_

**F. Negotiation and Approval of Central Service Plans.**

1. All proposed central service cost allocation plans that are required to be submitted will be reviewed, negotiated, and approved by the Federal cognizant agency on a timely basis. The cognizant agency will review the proposal within six months of receipt of the proposal and either negotiate/approve the proposal or advise the governmental unit of the additional documentation needed to support/evaluate the proposed plan or the changes required to make the proposal acceptable. Once an agreement with the governmental unit has been reached, the agreement will be accepted and used by all Federal agencies, unless prohibited or limited by statute. Where a Federal funding agency has reason to believe that special operating factors affecting its awards necessitate special consideration, the funding agency will, prior to the time the plans are negotiated, notify the cognizant agency.

2. The results of each negotiation shall be formalized in a written agreement between the cognizant agency and the governmental unit. This agreement will be subject to re-opening if the agreement is subsequently found to violate a statute or the information upon which the plan was negotiated is later found to be materially incomplete or inaccurate. The results of the negotiation shall be made available to all Federal agencies for their use.

3. Negotiated cost allocation plans based on a proposal later found to have included costs that: Are unallowable as specified by law or regulation, as identified in Appendix B of this part, or by the terms and conditions of Federal awards, or are unallowable because they are clearly not allocable to Federal awards, shall be adjusted, or a refund shall be made at the option of the Federal cognizant agency. These adjustments or refunds are designed to correct the plans and do not constitute a reopening of the negotiation.

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### **G. Other Policies.**

~~1. Billed central service activities. Each billed central service activity must separately account for all revenues (including imputed revenues) generated by the service, expenses incurred to furnish the service, and profit/loss.~~

~~2. Working capital reserves. Internal service funds are dependent upon a reasonable level of working capital reserve to operate from one billing cycle to the next. Charges by an internal service activity to provide for the establishment and maintenance of a reasonable level of working capital reserve, in addition to the full recovery of costs, are allowable. A working capital reserve as part of retained earnings of up to 60 days cash expenses for normal operating purposes is considered reasonable. A working capital reserve exceeding 60 days may be approved by the cognizant Federal agency in exceptional cases.~~

~~3. Carry forward adjustments of allocated central service costs. Allocated central service costs are usually negotiated and approved for a future fiscal year on a "fixed with carry forward" basis. Under this procedure, the fixed amounts for the future year covered by agreement are not subject to adjustment for that year. However, when the actual costs of the year involved become known, the differences between the fixed amounts previously approved and the actual costs will be carried forward and used as an adjustment to the fixed amounts established for a later year. This "carry forward" procedure applies to all central services whose costs were fixed in the approved plan. However, a carry forward adjustment is not permitted, for a central service activity that was not included in the approved plan, or for unallowable costs that must be reimbursed immediately.~~

~~4. Adjustments of billed central services. Billing rates used to charge Federal awards shall be based on the estimated costs of providing the services, including an estimate of the allocable central service costs. A comparison of the revenue generated by each billed service (including total revenues whether or not billed or collected) to the actual allowable costs of the service will be made at least annually, and an adjustment will be made for the difference between the revenue and the allowable costs. These adjustments will be made through one of the following adjustment methods: A cash refund to the Federal Government for the Federal share of the adjustment, credits to the amounts charged to the individual programs, adjustments to future billing rates, or adjustments to allocated central service costs. Adjustments to allocated central services will not be permitted where the total amount of the adjustment for a particular service (Federal share and non-Federal) share exceeds \$500,000.~~

~~5. Records retention. All central service cost allocation plans and related documentation used as a basis for claiming costs under Federal awards must be retained for audit in accordance with the records retention requirements contained in the Common Rule.~~

~~6. Appeals. If a dispute arises in the negotiation of a plan between the cognizant agency and the governmental unit, the dispute shall be resolved in accordance with the appeals procedures of the cognizant agency.~~

~~7. OMB assistance. To the extent that problems are encountered among the Federal agencies and/or governmental units in connection with the negotiation and approval process, OMB will lend assistance, as required, to resolve such problems in a timely manner.~~



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~~Appendix D to Part 225~~

~~Public Assistance Cost Allocation Plans~~

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**A. General.** Federally financed programs administered by State public assistance agencies are funded predominately by the Department of Health and Human Services (HHS). In support of its stewardship requirements, HHS has published requirements for the development, documentation, submission, negotiation, and approval of public assistance cost allocation plans in Subpart E of 45 CFR part 95. All administrative costs (direct and indirect) are normally charged to Federal awards by implementing the public assistance cost allocation plan. This appendix extends these requirements to all Federal agencies whose programs are administered by a State public assistance agency. Major federally financed programs typically administered by State public assistance agencies include: Temporary Assistance to Needy Families (TANF), Medicaid, Food Stamps, Child Support Enforcement, Adoption Assistance and Foster Care, and Social Services Block Grant.

#### **B. Definitions.**

1. "State public assistance agency" means a State agency administering or supervising the administration of one or more public assistance programs operated by the State as identified in Subpart E of 45 CFR part 95. For the purpose of this appendix, these programs include all programs administered by the State public assistance agency.

2. "State public assistance agency costs" means all costs incurred by, or allocable to, the State public assistance agency, except expenditures for financial assistance, medical vendor payments, food stamps, and payments for services and goods provided directly to program recipients.

**C. Policy.** State public assistance agencies will develop, document and implement, and the Federal Government will review, negotiate, and approve, public assistance cost allocation plans in accordance with Subpart E of 45 CFR part 95. The plan will include all programs administered by the State public assistance agency. Where a letter of approval or disapproval is transmitted to a State public assistance agency in accordance with Subpart E, the letter will apply to all Federal agencies and programs. The remaining sections of this appendix (except for the requirement for certification) summarize the provisions of Subpart E of 45 CFR part 95.

#### **D. Submission, Documentation, and Approval of Public Assistance Cost Allocation Plans.**

1. State public assistance agencies are required to promptly submit amendments to the cost allocation plan to HHS for review and approval.

2. Under the coordination process outlined in subsection E, affected Federal agencies will review all new plans and plan amendments and provide comments, as appropriate, to HHS. The effective date of the plan or plan amendment will be the first day of the quarter following the submission of the plan or amendment, unless another date is specifically approved by HHS. HHS, as the cognizant agency acting on behalf of all affected Federal agencies, will, as necessary, conduct negotiations with the State public assistance agency and will inform the State agency of the action taken on the plan or plan amendment.

#### **E. Review of Implementation of Approved Plans.**

1. Since public assistance cost allocation plans are of a narrative nature, the review during the plan approval process consists of evaluating the appropriateness of the proposed groupings of costs (cost centers) and the related allocation bases. As such, the Federal Government needs some assurance that the cost allocation plan has been implemented as approved. This is accomplished by reviews by the funding agencies, single audits, or audits conducted by the cognizant audit agency.

2. Where inappropriate charges affecting more than one funding agency are identified, the cognizant HHS cost negotiation office will be advised and will take the lead in resolving the issue(s) as provided for in Subpart E of 45 CFR part 95.

3. If a dispute arises in the negotiation of a plan or from a disallowance involving two or more funding agencies, the dispute shall be resolved in accordance with the appeals procedures set out in 45 CFR part 75. Disputes involving only one funding agency will be resolved in accordance with the funding agency's appeal process.

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~~4. To the extent that problems are encountered among the Federal agencies and/or governmental units in connection with the negotiation and approval process, the Office of Management and Budget will lend assistance, as required, to resolve such problems in a timely manner.~~

~~**F. Unallowable Costs.** Claims developed under approved cost allocation plans will be based on allowable costs as identified in 2 CFR part 225. Where unallowable costs have been claimed and reimbursed, they will be refunded to the program that reimbursed the unallowable cost using one of the following methods: a cash refund, offset to a subsequent claim, or credits to the amounts charged to individual awards.~~

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**Appendix E to Part 225**

**State and Local Indirect Cost Rate Proposals**

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## **A. General.**

1. Indirect costs are those that have been incurred for common or joint purposes. These costs benefit more than one cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved. After direct costs have been determined and assigned directly to Federal awards and other activities as appropriate, indirect costs are those remaining to be allocated to benefitted cost objectives. A cost may not be allocated to a Federal award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a Federal award as a direct cost.

2. Indirect costs include the indirect costs originating in each department or agency of the governmental unit carrying out Federal awards and the costs of central governmental services distributed through the central service cost allocation plan (as described in Appendix C to this part) and not otherwise treated as direct costs.

3. Indirect costs are normally charged to Federal awards by the use of an indirect cost rate. A separate indirect cost rate(s) is usually necessary for each department or agency of the governmental unit claiming indirect costs under Federal awards. Guidelines and illustrations of indirect cost proposals are provided in a brochure published by the Department of Health and Human Services entitled "A Guide for State and Local Government Agencies: Cost Principles and Procedures for Establishing Cost Allocation Plans and Indirect Cost Rates for Grants and Contracts with the Federal Government." A copy of this brochure may be obtained from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20401.

4. Because of the diverse characteristics and accounting practices of governmental units, the types of costs which may be classified as indirect costs cannot be specified in all situations. However, typical examples of indirect costs may include certain State/local wide central service costs, general administration of the grantee department or agency, accounting and personnel services performed within the grantee department or agency, depreciation or use allowances on buildings and equipment, the costs of operating and maintaining facilities, etc.

5. This appendix does not apply to State public assistance agencies. These agencies should refer instead to Appendix D to this part.

## **B. Definitions.**

1. "Indirect cost rate proposal" means the documentation prepared by a governmental unit or subdivision thereof to substantiate its request for the establishment of an indirect cost rate.

2. "Indirect cost rate" is a device for determining in a reasonable manner the proportion of indirect costs each program should bear. It is the ratio (expressed as a percentage) of the indirect costs to a direct cost base.

3. "Indirect cost pool" is the accumulated costs that jointly benefit two or more programs or other cost objectives.

4. "Base" means the accumulated direct costs (normally either total direct salaries and wages or total direct costs exclusive of any extraordinary or distorting expenditures) used to distribute indirect costs to individual Federal awards. The direct cost base selected should result in each award bearing a fair share of the indirect costs in reasonable relation to the benefits received from the costs.

5. "Predetermined rate" means an indirect cost rate, applicable to a specified current or future period, usually the governmental unit's fiscal year. This rate is based on an estimate of the costs to be incurred during the period. Except under very unusual circumstances, a predetermined rate is not subject to adjustment. (Because of legal constraints, predetermined rates are not permitted for Federal contracts; they may, however, be used for grants or cooperative agreements.) Predetermined rates may not be used by governmental units that have not submitted and negotiated the rate with the cognizant agency. In view of the potential advantages offered by this procedure, negotiation of predetermined rates for indirect costs for a period of two to four years should be the norm in those situations where the cost experience and other pertinent facts available are deemed sufficient to enable the parties involved to reach an informed judgment as to the probable level of indirect costs during the ensuing accounting periods.

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6. "Fixed rate" means an indirect cost rate which has the same characteristics as a predetermined rate, except that the difference between the estimated costs and the actual, allowable costs of the period covered by the rate is carried forward as an adjustment to the rate computation of a subsequent period.

7. "Provisional rate" means a temporary indirect cost rate applicable to a specified period which is used for funding, interim reimbursement, and reporting indirect costs on Federal awards pending the establishment of a "final" rate for that period.

8. "Final rate" means an indirect cost rate applicable to a specified past period which is based on the actual allowable costs of the period. A final audited rate is not subject to adjustment.

9. "Base period" for the allocation of indirect costs is the period in which such costs are incurred and accumulated for allocation to activities performed in that period. The base period normally should coincide with the governmental unit's fiscal year, but in any event, shall be so selected as to avoid inequities in the allocation of costs.

### **C. Allocation of Indirect Costs and Determination of Indirect Cost Rates.**

#### 1. General.

a. Where a governmental unit's department or agency has only one major function, or where all its major functions benefit from the indirect costs to approximately the same degree, the allocation of indirect costs and the computation of an indirect cost rate may be accomplished through simplified allocation procedures as described in subsection 2 of this appendix.

b. Where a governmental unit's department or agency has several major functions which benefit from its indirect costs in varying degrees, the allocation of indirect costs may require the accumulation of such costs into separate cost groupings which then are allocated individually to benefitted functions by means of a base which best measures the relative degree of benefit. The indirect costs allocated to each function are then distributed to individual awards and other activities included in that function by means of an indirect cost rate(s).

c. Specific methods for allocating indirect costs and computing indirect cost rates along with the conditions under which each method should be used are described in subsections 2, 3 and 4 of this appendix.

#### 2. Simplified method.

a. Where a grantee agency's major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs may be accomplished by classifying the grantee agency's total costs for the base period as either direct or indirect, and dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to individual Federal awards. The rate should be expressed as the percentage which the total amount of allowable indirect costs bears to the base selected. This method should also be used where a governmental unit's department or agency has only one major function encompassing a number of individual projects or activities, and may be used where the level of Federal awards to that department or agency is relatively small.

b. Both the direct costs and the indirect costs shall exclude capital expenditures and unallowable costs. However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.

c. The distribution base may be total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.), direct salaries and wages, or another base which results in an equitable distribution.

#### 3. Multiple allocation base method.

a. Where a grantee agency's indirect costs benefit its major functions in varying degrees, such costs shall be accumulated into separate cost groupings. Each grouping shall then be allocated individually to benefitted functions by means of a base which best measures the relative benefits.



## APPENDIX A

b. The cost groupings should be established so as to permit the allocation of each grouping on the basis of benefits provided to the major functions. Each grouping should constitute a pool of expenses that are of like character in terms of the functions they benefit and in terms of the allocation base which best measures the relative benefits provided to each function. The number of separate groupings should be held within practical limits, taking into consideration the materiality of the amounts involved and the degree of precision needed.

c. Actual conditions must be taken into account in selecting the base to be used in allocating the expenses in each grouping to benefitted functions. When an allocation can be made by assignment of a cost grouping directly to the function benefitted, the allocation shall be made in that manner. When the expenses in a grouping are more general in nature, the allocation should be made through the use of a selected base which produces results that are equitable to both the Federal Government and the governmental unit. In general, any cost element or related factor associated with the governmental unit's activities is potentially adaptable for use as an allocation base provided that: it can readily be expressed in terms of dollars or other quantitative measures (total direct costs, direct salaries and wages, staff hours applied, square feet used, hours of usage, number of documents processed, population served, and the like), and it is common to the benefitted functions during the base period.

d. Except where a special indirect cost rate(s) is required in accordance with subsection 4, the separate groupings of indirect costs allocated to each major function shall be aggregated and treated as a common pool for that function. The costs in the common pool shall then be distributed to individual Federal awards included in that function by use of a single indirect cost rate.

e. The distribution base used in computing the indirect cost rate for each function may be total direct costs (excluding capital expenditures and other distorting items such as pass-through funds, major subcontracts, etc.), direct salaries and wages, or another base which results in an equitable distribution. An indirect cost rate should be developed for each separate indirect cost pool developed. The rate in each case should be stated as the percentage relationship between the particular indirect cost pool and the distribution base identified with that pool.

### 4. Special indirect cost rates.

a. In some instances, a single indirect cost rate for all activities of a grantee department or agency or for each major function of the agency may not be appropriate. It may not take into account those different factors which may substantially affect the indirect costs applicable to a particular program or group of programs. The factors may include the physical location of the work, the level of administrative support required, the nature of the facilities or other resources employed, the organizational arrangements used, or any combination thereof. When a particular award is carried out in an environment which appears to generate a significantly different level of indirect costs, provisions should be made for a separate indirect cost pool applicable to that award. The separate indirect cost pool should be developed during the course of the regular allocation process, and the separate indirect cost rate resulting therefrom should be used, provided that: the rate differs significantly from the rate which would have been developed under subsections 2. and 3. of this appendix, and the award to which the rate would apply is material in amount.

b. Although 2 CFR part 225 adopts the concept of the full allocation of indirect costs, there are some Federal statutes which restrict the reimbursement of certain indirect costs. Where such restrictions exist, it may be necessary to develop a special rate for the affected award. Where a "restricted rate" is required, the procedure for developing a non-restricted rate will be used except for the additional step of the elimination from the indirect cost pool those costs for which the law prohibits reimbursement.

## D. Submission and Documentation of Proposals.

### 1. Submission of indirect cost rate proposals.

a. All departments or agencies of the governmental unit desiring to claim indirect costs under Federal awards must prepare an indirect cost rate proposal and related documentation to support those costs. The proposal and related documentation must be retained for audit in accordance with the records retention requirements contained in the Common Rule.

b. A governmental unit for which a cognizant agency assignment has been specifically designated must submit its indirect cost rate proposal to its cognizant agency. The Office of Management and Budget (OMB) will periodically

## APPENDIX A

~~publish lists of governmental units identifying the appropriate Federal cognizant agencies. The cognizant agency for all governmental units or agencies not identified by OMB will be determined based on the Federal agency providing the largest amount of Federal funds. In these cases, a governmental unit must develop an indirect cost proposal in accordance with the requirements of 2 CFR 225 and maintain the proposal and related supporting documentation for audit. These governmental units are not required to submit their proposals unless they are specifically requested to do so by the cognizant agency. Where a local government only receives funds as a sub-recipient, the primary recipient will be responsible for negotiating and/or monitoring the sub-recipient's plan.~~

~~e. Each Indian tribal government desiring reimbursement of indirect costs must submit its indirect cost proposal to the Department of the Interior (its cognizant Federal agency).~~

~~d. Indirect cost proposals must be developed (and, when required, submitted) within six months after the close of the governmental unit's fiscal year, unless an exception is approved by the cognizant Federal agency. If the proposed central service cost allocation plan for the same period has not been approved by that time, the indirect cost proposal may be prepared including an amount for central services that is based on the latest federally approved central service cost allocation plan. The difference between these central service amounts and the amounts ultimately approved will be compensated for by an adjustment in a subsequent period.~~

~~2. Documentation of proposals. The following shall be included with each indirect cost proposal:~~

~~a. The rates proposed, including subsidiary work sheets and other relevant data, cross referenced and reconciled to the financial data noted in subsection b of this appendix. Allocated central service costs will be supported by the summary table included in the approved central service cost allocation plan. This summary table is not required to be submitted with the indirect cost proposal if the central service cost allocation plan for the same fiscal year has been approved by the cognizant agency and is available to the funding agency.~~

~~b. A copy of the financial data (financial statements, comprehensive annual financial report, executive budgets, accounting reports, etc.) upon which the rate is based. Adjustments resulting from the use of unaudited data will be recognized, where appropriate, by the Federal cognizant agency in a subsequent proposal.~~

~~c. The approximate amount of direct base costs incurred under Federal awards. These costs should be broken out between salaries and wages and other direct costs.~~

~~d. A chart showing the organizational structure of the agency during the period for which the proposal applies, along with a functional statement(s) noting the duties and/or responsibilities of all units that comprise the agency. (Once this is submitted, only revisions need be submitted with subsequent proposals.)~~

3. Required certification. Each indirect cost rate proposal shall be accompanied by a certification in the following form:

**Certificate of Indirect Costs**

This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

(1) All costs included in this proposal [identify date] to establish billing or final indirect costs rates for [identify period covered by rate] are allowable in accordance with the requirements of the Federal award(s) to which they apply and 2 CFR part 225, Cost Principles for State, Local, and Indian Tribal Governments (OMB Circular A-87). Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

(2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal Government will be notified of any accounting changes that would affect the predetermined rate.

I declare that the foregoing is true and correct.

Governmental Unit: \_\_\_\_\_

Signature: \_\_\_\_\_

Name of Official: \_\_\_\_\_

Title: \_\_\_\_\_

Date of Execution: \_\_\_\_\_

**E. Negotiation and Approval of Rates.**

1. Indirect cost rates will be reviewed, negotiated, and approved by the cognizant Federal agency on a timely basis. Once a rate has been agreed upon, it will be accepted and used by all Federal agencies unless prohibited or limited by statute. Where a Federal funding agency has reason to believe that special operating factors affecting its awards necessitate special indirect cost rates, the funding agency will, prior to the time the rates are negotiated, notify the cognizant Federal agency.

2. The use of predetermined rates, if allowed, is encouraged where the cognizant agency has reasonable assurance based on past experience and reliable projection of the grantee agency's costs, that the rate is not likely to exceed a rate based on actual costs. Long term agreements utilizing predetermined rates extending over two or more years are encouraged, where appropriate.

3. The results of each negotiation shall be formalized in a written agreement between the cognizant agency and the governmental unit. This agreement will be subject to re-opening if the agreement is subsequently found to violate a statute, or the information upon which the plan was negotiated is later found to be materially incomplete or inaccurate. The agreed upon rates shall be made available to all Federal agencies for their use.

4. Refunds shall be made if proposals are later found to have included costs that are unallowable as specified by law or regulation, as identified in Appendix B to this part, or by the terms and conditions of Federal awards, or are unallowable because they are clearly not allocable to Federal awards. These adjustments or refunds will be made regardless of the type of rate negotiated (predetermined, final, fixed, or provisional).

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### **F. Other Policies.**

1. ~~Fringe benefit rates. If overall fringe benefit rates are not approved for the governmental unit as part of the central service cost allocation plan, these rates will be reviewed, negotiated and approved for individual grantee agencies during the indirect cost negotiation process. In these cases, a proposed fringe benefit rate computation should accompany the indirect cost proposal. If fringe benefit rates are not used at the grantee agency level (i.e., the agency specifically identifies fringe benefit costs to individual employees), the governmental unit should so advise the cognizant agency.~~
2. ~~Billed services provided by the grantee agency. In some cases, governmental units provide and bill for services similar to those covered by central service cost allocation plans (e.g., computer centers). Where this occurs, the governmental unit should be guided by the requirements in Appendix C to this part relating to the development of billing rates and documentation requirements, and should advise the cognizant agency of any billed services. Reviews of these types of services (including reviews of costing/billing methodology, profits or losses, etc.) will be made on a case-by-case basis as warranted by the circumstances involved.~~
3. ~~Indirect cost allocations not using rates. In certain situations, a governmental unit, because of the nature of its awards, may be required to develop a cost allocation plan that distributes indirect (and, in some cases, direct) costs to the specific funding sources. In these cases, a narrative cost allocation methodology should be developed, documented, maintained for audit, or submitted, as appropriate, to the cognizant agency for review, negotiation, and approval.~~
4. ~~Appeals. If a dispute arises in a negotiation of an indirect cost rate (or other rate) between the cognizant agency and the governmental unit, the dispute shall be resolved in accordance with the appeals procedures of the cognizant agency.~~
5. ~~Collection of unallowable costs and erroneous payments. Costs specifically identified as unallowable and charged to Federal awards either directly or indirectly will be refunded (including interest chargeable in accordance with applicable Federal agency regulations).~~
6. ~~OMB assistance. To the extent that problems are encountered among the Federal agencies and/or governmental units in connection with the negotiation and approval process, OMB will lend assistance, as required, to resolve such problems in a timely manner.~~

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## **Appendix B**

### **Overhead Determination and Allocation Percentage of Direct Labor Costs Method**

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## IDENTIFICATION, RATE DEVELOPMENT AND ALLOCATION OF OVERHEAD

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

Overhead includes all costs except:

Labor performed at the site and directly charged to any end cost objective (including other than public projects) including a pro rata share of payroll taxes and related employee benefits, such as workers' compensation, group insurance, holiday and sick leave, and similar "fringe benefits." As discussed previously, an end cost objective is a pool, center or activity established for the accumulation of the direct cost of performing fundamental government services. Labor charged to an end cost objective should be traceable to the finished goods or services performed.

Materials, supplies and subcontracts actually consumed on and directly charged to any end cost objective, including related freight, sales or use tax and handling/carrying charges if appropriate. Materials and supplies charged to an end cost objective should be traceable to the finished goods or services provided.

Equipment costs directly charged to any end cost objective. Equipment costs charged to an end cost objective should be traceable to the finished goods or services provided.

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

Public agencies shall calculate two overhead rates:

Unit overhead rate

Government-wide overhead rate

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

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

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



APPENDIX B

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.

## APPENDIX B

### 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:

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

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

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**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 labor dollars =  $(B + E) / A$

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	
	<b>\$950,000</b>	

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 labor dollars =  $(100,000 + 40,000) / 700,000 = 20\%$

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

APPENDIX B

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**

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## 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 ~~affirmative action~~ 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.



APPENDIX C

- d. Question: Do the alternative bidding procedures apply only to public projects as defined in Public Contract Code Section 22002(c), formally 21002(c), 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.

## APPENDIX C

### 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.

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**California State Controller  
Division of Accounting and Reporting  
P.O. Box 942850  
Sacramento, CA 94250  
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BEFORE THE GOVERNING BOARD  
OF THE  
RIVERSIDE COMMUNITY COLLEGE DISTRICT

Resolution for Approval of  
Adoption and Implementation of the  
Uniform Construction Cost Accounting Act Procedures

RESOLUTION NO. 35-09/10

WHEREAS, the Uniform Construction Cost Account Act (“Act”), located at Public Contract Code section 22000 et seq., authorizes California local agencies to utilize less formal bidding procedures for public works and maintenance projects valued at less than \$125,000;

WHEREAS, the Act requires California local agencies to implement uniform cost accounting standards to track the cost of certain public works and maintenance projects which they perform with their own employees;

WHEREAS, the California Uniform Construction Cost Accounting Commission (“Commission”) has developed mandatory procedures for bidding all public works projects subject to the Act;

WHEREAS, the Commission has developed optional procedures for bidding maintenance projects subject to the Act, and

WHEREAS, the Commission has developed mandatory procedures for tracking the cost of projects performed with the College District’s own employees;

NOW THEREFORE, BE IT RESOLVED by the Board of Trustees of the Riverside Community College District as follows:

1. The College District hereby elects under Public Contract Code section 22030 to become subject to the uniform public construction cost accounting and bidding procedures set forth in the Act and to the Commission’s policies and procedures manual and cost accounting review procedures, as they may each be amended from time to time.
2. This Resolution shall take effect upon its adoption.
3. The Clerk of the Governing board is hereby directed to notify the State Controller forthwith of this election by the enclosed letter.

APPROVED, PASSED AND ADOPTED by the Governing Board of the Riverside Community College District this 16<sup>th</sup> day of February, 2010, by the following vote:

AYES: \_\_\_\_\_

NOES: \_\_\_\_\_

ABSENT: \_\_\_\_\_

ABSTAINED: \_\_\_\_\_

I, Virginia Blumenthal, President of the Riverside Community College District Governing Board, do hereby certify that the foregoing is full, true, and correct copy of the Resolution passed and adopted by said Board at a regularly scheduled and conducted meeting held on said date, which Resolution is on file in office of said Board.

\_\_\_\_\_  
President of the Board of Trustees  
Riverside Community College District

I, Mark Takano, Secretary of the Board of Trustees of the Riverside Community College District Governing Board, do hereby certify that the foregoing Resolution was regularly introduced and adopted by the Board of Education of the Riverside Community College District Governing Board at a regular meeting thereof held on the 16<sup>th</sup> day of February, 2010, by the above described vote of the Governing Board;

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Riverside Community College District Governing Board this 16<sup>th</sup> day of February, 2010.

\_\_\_\_\_  
Secretary of the Board of Trustees  
Riverside Community College District

RIVERSIDE COMMUNITY COLLEGE DISTRICT  
FACILITIES COMMITTEE

Report No.: III-E-2

Date: February 16, 2010

Subject: Moreno Valley Parking Structure and Surge Space - Lion's Replacement Parking Lot

Background: On April 28, 2009, the Board of Trustees approved an agreement with LPA to provide planning and design services for the Parking Structure and Surge Space project located at the Moreno Valley Campus in the amount of \$1,910,000 using Measure "C" funds. On December 15, 2009, staff and LPA architects presented a project design to the Board of Trustees for consideration and approval. The Board approved the scope design of the project and a tentative budget amount of \$31,800,000 using Measure "C" funds. The Parking Structure and Surge Space project is planned to create 800 parking spaces and include up to 17,000 gross square feet of "surge space" which would provide flexible space for accommodating campus growth for the expansion of existing and development of additional programs/services.

During the construction of the Parking Structure and Surge Space project, the campus will lose surface parking lot spaces. Therefore staff requests the Board consider a budget approval of \$150,000 for the new Lion's Replacement Parking Lot using the Parking Structure and Surge Space project budget contingency. The Lion's Replacement Parking Lot would consist of remote parking of 140 spaces, lighting, American with Disabilities Act (ADA) compliance, associated fire lane access, landscape, irrigation, and street improvements.

Additionally, staff is requesting to amend the agreement with LPA in the amount of \$125,000 to provide design and engineering services for the Parking Structure and Surge Space - Lion's Replacement Parking Lot. The additional services included in Amendment No. 1 would consist of additional architecture, landscape architecture, civil engineering, electrical engineering and irrigation. The amendment is attached for the Board's review and consideration. The LPA agreement, including Amendment No. 1 and reimbursable expenses, totals \$2,035,000.



RIVERSIDE COMMUNITY COLLEGE DISTRICT  
FACILITIES COMMITTEE

Report No.: III-E-2

Date: February 16, 2010

Subject: Moreno Valley Parking Structure and Surge Space - Lion's Replacement Parking Lot (continued)

To be funded by the Board-approved project budget contingency, District Measure "C" Funds (Resource 4160).

Recommended Action: It is recommended that the Board of Trustees approve the Moreno Valley Parking Structure and Surge Space - Lion's Replacement Parking Lot budget in an amount to exceed \$150,000 using the Moreno Valley Parking Structure and Surge Space project budget contingency; approve Amendment No. 1 with LPA in an amount not to exceed \$125,000 to provide design and engineering services for the Moreno Valley Parking Structure and Surge Space - Lion's Replacement Parking Lot; and authorize the Vice Chancellor, Administration and Finance to sign the amendment.

Gregory W. Gray  
Chancellor

Prepared by: Monte Perez  
President  
Moreno Valley Campus

Reagan Romali  
Vice President, Business Services  
Moreno Valley Campus

Orin L. Williams  
Associate Vice Chancellor  
Facilities Planning, Design and Construction

FIRST AMENDMENT TO AGREEMENT  
BETWEEN  
RIVERSIDE COMMUNITY COLLEGE DISTRICT  
AND  
LPA  
(Moreno Valley Parking Structure and Surge Space –  
Lion’s Replacement Parking Lot)

This document amends the original agreement between the Riverside Community College District and LPA, which was approved by the Board of Trustees on April 28, 2009.

The agreement is hereby amended as follows:

- I. Additional compensation of this amended agreement shall not exceed \$125,000, including reimbursable expenses. The term of this agreement shall be from the original agreement date of April 29, 2009, to the estimated completion date of October 31, 2011. Payments and final payment shall coincide with original agreement.
- II. The additional scope of work is described in Exhibit I, attached.

All other terms and conditions of the original agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date written below.

LPA

RIVERSIDE COMMUNITY COLLEGE DISTRICT

By: \_\_\_\_\_  
Robert O. Kupper, AIA  
Chief Executive Officer  
5161 California Ave., Suite 100  
Irvine, CA 92617

By: \_\_\_\_\_  
James L. Buysse  
Vice Chancellor  
Administration and Finance

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## Exhibit I

Project: Parking Structure and Surge Space – Lion’s Replacement Parking Lot  
Moreno Valley Campus

### Scope of Work:

1. The project scope is a remote parking lot and associated fire access road and street improvements located in the city of Moreno Valley, California at Riverside Community College District’s (RCCD), Moreno Valley Campus. LPA services will include construction documentation for the site design and ADA compliance including: curb and gutter, parking lot layout, lighting, Signage, planting and irrigation
2. Consultants included within the Scope of these Services are as follows:
  - Structural Engineering
  - Civil Engineering
  - Electrical Engineering
  - Irrigation Design
3. See attached diagram outlining area of scope.

### Scope of Services:

The following will clarify the additional scope of services shown on the subsequent pages to describe the design and documentation of the RCCD, Moreno Valley Parking Structure and Surge Space - Lion’s Replacement Parking Lot project located at the northeast side of the campus in the city of Moreno Valley, California.

The Project Scope includes landscape and hardscape design and documentation of a gross area of approximately +/- 4 acres to be constructed as a parking lot and associated roadways and grading. The anticipated limits of work are shown on the attached Attachment A defining both the potential construction area as well as the general area of design influence to be considered during the design process.

The following consultants are included within the Architects basic Scope of Services:

<u>Discipline</u>	<u>Company</u>
Landscape Architect	LPA
Civil Engineer	LPA
Electrical Engineer	K1
Irrigation Consultant	Sweeney
Structural Engineer	LPA

The following consultants are not anticipated as being required and are not included within the basic fee:

Specification Writer  
Cost Estimation  
Data & Communication  
Mechanical Engineer  
Water Feature

#### GENERAL SERVICES

During the project, certain general activities occur in each phase and are included in the basic fee. These include activities such as Project Administration, Discipline Coordination, Project Scheduling and Agency Approvals they are non-sequential and may not be applicable to all or certain phases of the project.

#### STORM DRAIN SYSTEM

LPA's design will attempt to surface flow or make minor branch line connections to the existing storm drain systems.

#### GEOTECHNICAL REPORT

RCCD is to provide a current Geotechnical Soils Report suitable for use in pavement design for the project location.

#### DESIGN DEVELOPMENT

- A. Upon the approval by RCCD of the design, LPA will proceed with the preparation of design development. During this phase, the landscape architectural elements will be refined to more precisely define the character of the project and the materials to be used.
- B. BASE PREPARATION – Based on RCCD provided civil boundary and topographic information and existing site elements an accurate site design base document will be created for use throughout the remainder of the project.
- C. DESIGN REFINEMENT - Refine design concept to resolve design issues.
- D. HARDSCAPE/LAYOUT - Indicate the location, orientation, texture, use and quantity of proposed materials, fixtures, equipment and site furnishings as applicable.
- E. PLANTING - Indicate the type, location, and size of proposed plants.
- F. PRELIMINARY DETAILS - Indicate the use and relationship of materials, shown in enlarged and/or sectional views.

- G. **OUTLINE SPECIFICATIONS** - Provide information in Construction Specification Institute (CSI) format that describes style, materials, workmanship and finishes.
- H. **COORDINATION** – Review and coordinate utility, fire access and service access issues, as they relate to paving, planting, and irrigation. Coordinate with other project consultants.
- I. **GRADING REVIEW** – Review civil engineer’s grading and drainage concept for pedestrian hardscape and planting areas for conformance to LPA’s design intent.
- J. **CAMPUS REVIEW MEETINGS** - Resolve issues that affect the progress of landscape architectural work.
- K. **SUBMITTAL** - Provide two (2) sets of design development drawings and outline specifications to college for review, comment and approval.

#### CONSTRUCTION DOCUMENTS

- A. Upon the approval by the District/Campus of the Design Development Documents LPA will prepare the necessary drawings to construct the elements of the landscape architectural program consisting in general of:
  - Precise grading plan
  - Layout and Materials Plan
  - Construction Details
  - Irrigation Plans
  - Irrigation Details
  - Planting Plans
  - Planting Details
  - Specifications
- B. **HARDSCAPE LAYOUT** - Prepare labeled and dimensioned Material and Layout plans with detail call-outs.
- C. **PLANTING** - Prepare labeled planting plan with legend and call-outs.
- D. **DETAILS** - prepare construction and installation details of hardscape elements, site furnishings and planting.
- E. **CONSTRUCTION SPECIFICATIONS** - specifications that describe style, materials, workmanship and finishes.
- F. **IN-HOUSE REVIEW** - Provide coordination, plan check and revisions.
- G. **IRRIGATION CONSULTANT** - Provide irrigation construction documents.

## BIDDING

- A. Upon the approval of Construction Documents and the latest Opinion of Probable Construction Cost, LPA will assist the District in reviewing bids.
- B. BID RECOMMENDATIONS - review of bids and make recommendations regarding the experience on similar projects, workmanship, timeliness and maintenance performance of bidders.
- C. ADDENDA/REVISIONS - provide clarifications and corrections to the construction documents.

## FIELD OBSERVATION

- A. LPA will make periodic visits to the site to become familiar with the progress and quality of construction to determine that the construction of the landscape work is proceeding in accordance with the intent and construction documents. During such visits on the basis of observations at the site, LPA will keep the District/Campus informed of the progress of construction and may recommend rejection of work to the District/Campus as failing to conform to the construction documents.

## B. SCHEDULED SITE VISITS

### .01 Landscape Architect Recommended Site Visits:

- Pre-construction Conference
- Hardscape Layout/Review forms and curbs
- Irrigation system Coverage Test
- Plant Material/Layout Review
- Pre-maintenance Review
- Final Post-maintenance Review

.02 Each Site Visit may include a written "Field Report" indicating the status of construction for visits performed.

.03 This phase shall also include coordination between the plans, field construction, and Shop Drawing review.

.04 Field Observation fees are based on a three (3) month duration of construction. Field Observation exceeding proposed duration will be billed hourly.

## ASSUMPTIONS

- A. SURVEY: District/Campus to provide an accurate digital survey of project area prepared by a civil engineer. The survey shall contain all existing buildings, roads, site elements, paving, utilities and topography.

- B. SOIL SUITABILITY & FERTILITY TEST: The Contract Documents will be prepared to require that the Contractor provide an agronomic suitability and chemical fertility soils test and analysis with recommendations for soil amendment by a soils testing laboratory at the time finish grades are established, prior to the commencement of planting.
- C. PHASING: Project documents will be prepared as one construction phase.

## EXPENSES

In addition to compensation for basic services, Riverside Community College District shall reimburse LPA at cost (without additional fee or mark-up) on a monthly basis for costs related to expenses incurred as described below.

Expenses such as the following are included in the basic fee or reimbursable allowance for Design services:

- A. Telephone charges.
- B. Expenses for reproductions of drawings, plans and construction documents, including CADD plotting for the exclusive use in-house by the design team, (2) sets for each required presentations to the college.
- C. Delivery of reproductions and submittals (allowance item).
- D. Typical in-house expenses such as facsimile and photocopies.
- E. Travel expenses including mileage within the Orange County and Riverside County areas.

Expenses such as the following are excluded from the fee for Design services:

- A. Expenses for CADD plotting and reproduction of drawings, plans and construction documents other than those described above.
- B. Charges for materials relating to professionally prepared models or renderings of the project.
- C. Photographs and other special reproductions required for the project.
- D. Travel expenses including mileage or travel outside the Orange County and Riverside County areas.
- E. Miscellaneous items such as presentation boards.
- F. Agency and Plan Check submittal fees.
- G. Permit or construction fees.

Deliverables: The preceding description(s) of services generally describe the activities associated with executing each phase of the work. The necessity for, and the extent to, which the Architect and Architect's consultants must commit time and resources to, any specific activity will vary depending on the needs of the Project. Consequently, these descriptions do not represent a list of 'Deliverables'.

Meetings: Where the maximum number of meetings to be included in Architect's services are specified herein, Architect and Architect's consultants agree to attend, and participate in, as many meetings as specified as part of the Basic Services. Meetings in excess of those specified will be billed as Additional Services. Meetings, however, shall not be prorated and Architect's fee shall

not be reduced should fewer than the specified number of meetings necessary in order for Architect and Architect's consultants to complete the professional services of this Agreement.

Consultation and Coordination: All consultations and coordination not associated with specific meetings shall be conducted at the sole discretion of the Architect and Architect's consultants and only as necessary for the Architect and Architect's consultants to complete the professional services of this Agreement.

Documents: Documents described in the preceding description(s) of services shall be provided as appropriate for the needs of the Project and to a level of detail consistent with the standard of practice for this type of project and for the geographical area and regulatory jurisdiction(s) in which the Project is located.

#### FEE SCHEDULE

LPA proposes to perform documentation services based on a fixed fee of not to exceed One-Hundred, Twenty-Five Thousand Dollars and No Cents (\$125,000), including reimbursable expenses listed above.

#### BASIC HOURLY RATE SCHEDULE

Principal	\$195.00
Senior Project Director	\$175.00
Project Director	\$155.00
Senior Project Manager	\$145.00
Managing Professional	\$135.00
Senior Professional	\$120.00
Professional	\$110.00
Professional Staff	\$100.00
Intermediate Staff	\$ 90.00
Staff	\$ 80.00
Support Specialist	\$ 70.00
Clerical Staff	\$ 65.00
Intern	\$ 55.00

NOTE: These rates became effective January 1, 2008, and are subject to change annually.





RIVERSIDE COMMUNITY COLLEGE DISTRICT  
FACILITIES COMMITTEE

Report No.: III-E-3

Date: February 16, 2010

Subject: Norco Student Support Center

Background: On August 19, 2008 the Board of Trustees approved an agreement with ProWest Constructors to provide multiple prime construction management services for the Student Support Center at the Norco Campus. On February 26, 2009, the Board of Trustees approved thirty-two (32) construction trade contractors for the multiple prime delivery method. The individual contractors would complete construction services throughout the Norco Student Support Center project.

Staff is now requesting Board approval of a Change Order for modifications to the Norco Student Support Center project for the following contractor:

- K.A.R. Construction \$8,492.72

A description of change order work is noted in the attached Change Order Summary.

To be funded from the Board approved project contingency, District Measure "C" funds - Resource 4160.

Recommended Action: It is recommended that the Board of Trustees approve the Change Order for the Norco Student Support Center for K.A.R. Construction in the amount of \$8,492.72; and authorize the Associate Vice Chancellor of Facilities Planning, Design and Construction to sign the Change Order.

Gregory W. Gray  
Chancellor

Prepared by: Brenda Davis  
President  
Norco Campus

Gaither Loewenstein  
Vice President, Educational Services  
Norco Campus

Orin L. Williams  
Associate Vice Chancellor  
Facilities Planning, Design and Construction

Riverside Community College District  
Facilities Planning, Design and Construction  
Norco Student Support Center Project

CHANGE ORDER SUMMARY

Change Order: 2  
Contractor: K.A.R. Construction

<i>Contract Amount:</i>	\$ 663,000.00
<i>Change Order No.1 Amount:</i>	\$ 53,687.31
<i>Change Order No. 2 Amount:</i>	\$ 8,492.72
<i>Revised Contract Sum:</i>	\$ 725,180.03

<i>Original Contract Contingency:</i>	\$ 66,300.00
<i>Remaining Contract Contingency:</i>	\$ 4,119.97

Change Order Description:

Cost to raise the depressed area in the Servery by 2" plus the cost to protect the exposed concrete area in the Servery. Change in scope due to the District deletion of the Terrazzo flooring in lieu of polished concrete in the Servery area.  
*Requested by:* District/Campus  
*Accountability:* None

\$20,241.04

Delete the stain concrete from the K.A.R.'s scope of work. The District would like to rebid the stain concrete portion to obtain a better price and to stay within the ten percent change order limit.  
*Requested by:* District/Campus  
*Accountability:* None

(\$11,748.32)

RIVERSIDE COMMUNITY COLLEGE DISTRICT  
FACILITIES COMMITTEE

Report No.: III-E-4

Date: February 16, 2010

Subject: Wheelock Gymnasium, Seismic Retrofit Project

Background: On June 20, 2006, the Board of Trustees approved the District's 2008-2012 Five-Year Capital Construction Plan which included the Final Project Proposal (FPP) for the Physical Education Complex Phase II (Wheelock Gymnasium, Seismic Retrofit) project at Riverside City College. On September 30, 2008, the District received approval from the State Chancellor's office to initiate the development of final architectural plans and specifications for the project. On June 16, 2009, the Board of Trustees approved the project design and a tentative budget of \$18,411,120 for the Wheelock Gymnasium, Seismic Retrofit Project.

Staff is now requesting an augmentation to the current tentative budget by \$600,000, making the tentative budget total \$19,011,120. An increase to the tentative budget is requested for interim housing facilities for students and staff during the gymnasium reconstruction.

To be funded by State Construction Act Funds (Resource 4100 - \$10,156,000) and District Measure "C" Funds (Resource 4160 - \$8,855,120).

Recommended Action: It is recommended that the Board of Trustees approve the budget augmentation of \$600,000 for interim housing facilities for the Wheelock Gymnasium, Seismic Retrofit Project making the tentative budget total \$19,011,120; and authorize the additional use of Measure "C" Funds.

Gregory W. Gray  
Chancellor

Prepared by: Jan Muto  
President  
Riverside City College

Norm Godin  
Vice President, Business Services  
Riverside City College

Orin L. Williams  
Associate Vice Chancellor  
Facilities Planning, Design and Construction

RIVERSIDE COMMUNITY COLLEGE DISTRICT  
FACILITIES COMMITTEE

Report No.: III-E-5

Date: February 16, 2010

Subject: Innovative Learning Center (formerly Center for Primary Education)

Background: On January 24, 2006, the Board of Trustees approved a Lease-Lease Back arrangement with Neff Construction, Inc. for the construction of the Innovative Learning Center (formerly named Center for Primary Education Project), a partnership with the Alvord Unified School District (AUSD). The Innovative Learning Center is located at Stokoe Elementary in La Sierra, and would be constructed and operated jointly with AUSD. Site operations would include an early childhood development center, an elementary school for kindergarten through fifth grade, and a teaching preparation center.

On March 17, 2008, the Board of Trustees ratified an agreement with Higginson+Cartozian Architects, Inc. (HCA) in the amount of \$26,000 to provide design services to design the child development center playground, diaper changing stations added to four classrooms, redesign of a modesty panel at one restroom location and cabinetry added under classroom sinks, and other instructionally required appurtenances. The additional design services requested and funding for a complete playground construction are required for any child care facility to meet state licensing requirements.

After approval of the design services with HCA, the Riverside City College (RCC) reevaluated the cost of running a child development center and its potential inability to be self-sustaining. As a result, it was recommended that a better alternative would be to lease out the property to an external child development center, giving RCC the ability to use the center for educational and laboratory purposes, provide a moderate source of income, and provide affordable child care to the neighboring community. On June 15, 2009, RCC submitted a Request for Proposal (RFP) for a child development center to lease the property. On October 1, 2009 the screening and selection committee comprised of RCC and AUSD members identified an organization that would meet the academic and programmatic needs of the Early Childhood Studies program at the Innovation Learning Center. Once the childcare organization was confirmed, HCA resumed and completed the final design (Exhibit A, attached).

RIVERSIDE COMMUNITY COLLEGE DISTRICT  
FACILITIES COMMITTEE

Report No.: III-E-5

Date: February 16, 2010

Subject: Innovative Learning Center (formerly Center for Primary Education)  
(continued)

Staff now requests the Board of Trustees approve a budget for the Innovative Learning Center in an amount not to exceed \$450,000. The budget includes funding for playground equipment/landscape, diaper changing stations added to four classrooms, a modesty panel added to one restroom and cabinetry added under the classroom sinks, and other instructionally required appurtenances.

To be funded from the Innovative Learning Center project budget, District Measure "C" Funds (Resource 4160).

Recommended Action: It is recommended that the Board of Trustees approve the budget for playground equipment/landscape, conversions and modifications to the Innovative Learning Center (formerly Center for Primary Education) in an amount not to exceed \$450,000, and authorize the use of Measure "C" Funds.

Gregory W. Gray  
Chancellor

Prepared by:

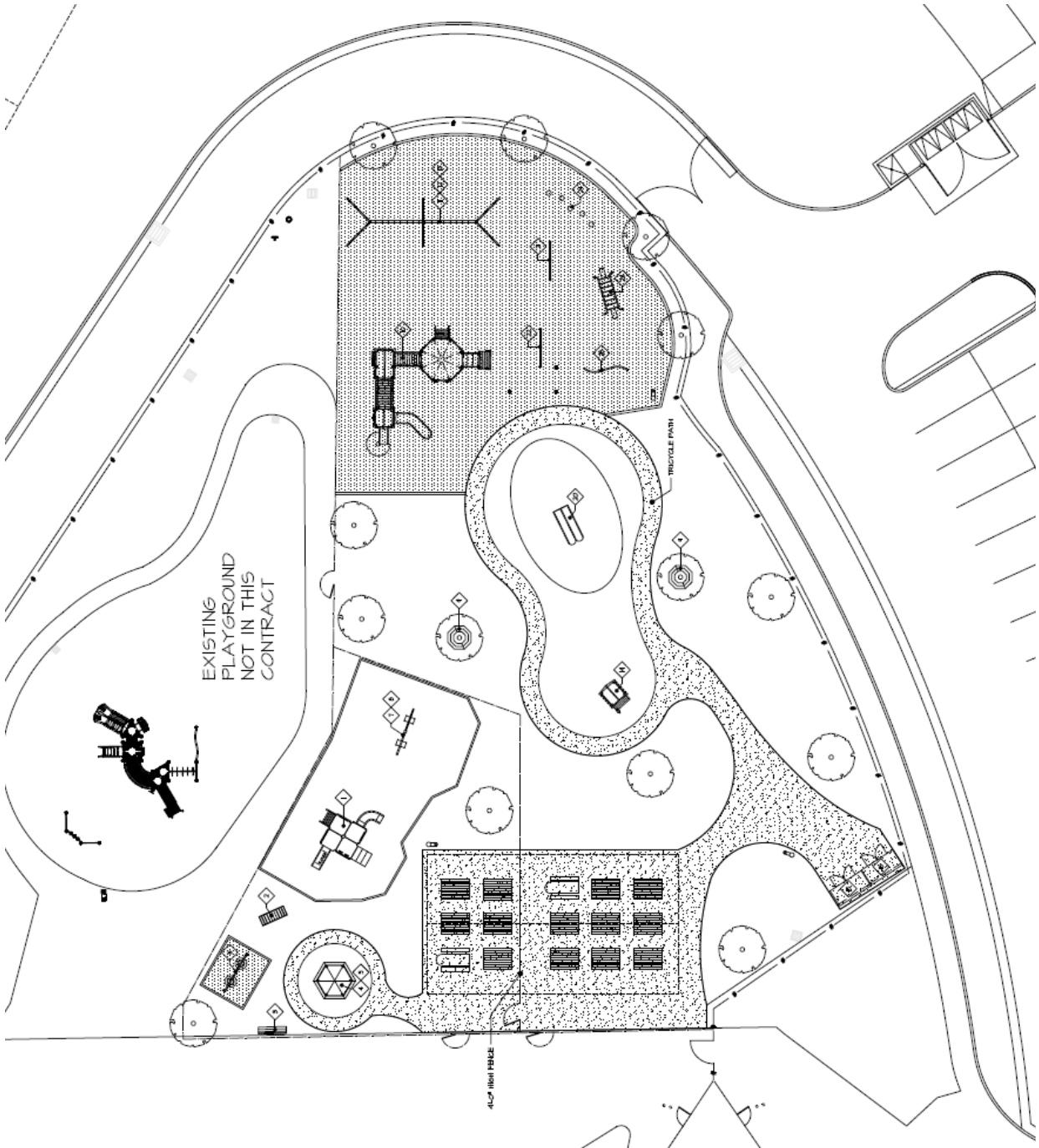
Jan Muto  
President  
Riverside City College

Norm Godin  
Vice President, Business Services  
Riverside City College

Marilyn Martinez-Flores  
Dean, Academic Support  
Riverside City College

Orin L. Williams  
Associate Vice Chancellor  
Facilities Planning, Design and Construction

Exhibit A



RIVERSIDE COMMUNITY COLLEGE DISTRICT  
FACILITIES COMMITTEE

Report No.: III-E-6

Date: February 16, 2010

Subject: Project Labor Agreement

Background: At the December 15, 2009 Board of Trustees meeting, the Board authorized the Chancellor to negotiate the Project Labor Agreement with the Riverside and San Bernardino Building and Construction Trade Councils. The Chancellor will provide an update to the committee.

Information Only

Gregory W. Gray  
Chancellor

Prepared by: Gregory W. Gray  
Chancellor