

SAM - BUDGETING

AUGMENTATIONS, ADDITIONAL COSTS (WITHIN APPROPRIATION) AND RECOGNITION OF DEFICITS

6861

(Revised 09/2017)

PWB's authority to augment: The PWB's authority to augment capital outlay projects, and the appropriations for those augmentations, are set out in Government Code Sections [16352](#), [16352.5](#), [16354](#), and [16409](#). Sections [13332.11 \(for design-bid-build projects\)](#) and [13332.19 \(for design-build projects\)](#) of the Government Code limits that authority as follows:

1. Augmentations are limited to 20 percent of the amount appropriated;
2. Any single augmentation or cumulative augmentation exceeding 10 percent of the funds appropriated requires a 20-day notification to JLBC *prior* to action by the PWB;
3. PWB may recognize a potential augmentation of a future project phase, which the board terms a *recognized anticipated deficit*.

In addition, by board policy and practice:

1. Recognition of anticipated deficits is generally limited to the construction phase.
2. Augmentations of less than 10 percent *may* be treated as a delegated item by PWB staff, and at their discretion *may* be approved prior to the PWB monthly meeting. In this case, the augmentation approval will be reported as a "reportable" at the PWB meeting.

The balance of this section describes PWB procedures in implementing Section [13332.11](#). A broad overview of PWB authority is provided in Section 6842.

Compelling need: While PWB is authorized to augment capital outlay projects, augmentations are not approved unless there is a compelling need, and only after:

1. Non-committed project funds (contingencies) have been considered as a possible source of funding;
2. Cost reductions which do not affect scope are evaluated. PWB staff may request the client department to evaluate and include deductive alternates before proceeding to bid (see Section 6852); and
3. For projects by the Department of Parks and Recreation, the California Science Center, and the various Conservancies under the Natural Resources Agency, the use of non-state funds is evaluated when potentially available.

PWB authority to augment projects does not relieve departments of the responsibility to keep projects within approved cost and scope to the maximum extent possible. PWB will not use its augmentation authority to fund client revisions for non-essential items.

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How to compute the augmentation:

1. If an appropriation is for a single project phase—such as preliminary plans, working drawings or construction—the amount of the phase is used to calculate the allowable augmentation (i.e., no more than 20 percent).
2. If the appropriation funds multiple phases, PWB staff has the option to use the total appropriation to determine the allowable augmentation..
3. If a project has multiple funding appropriations, the total of the combined appropriations can be used as the baseline for augmentation, and PWB staff has the option to determine which funding source(s) and which appropriation(s) will be augmented.

PWB agenda item requirements for augmentations, anticipated deficits, and cost increases within appropriation: A PWB agenda item is required for any augmentation or departmental request for PWB to recognize an anticipated deficit or cost increase within appropriation. If the request requires formal board action (i.e., not delegated to PWB staff), it must be submitted to Finance 20 working days preceding the PWB meeting. Those requests for augmentation and recognition of anticipated deficits which require legislative notification (i.e., those in excess of 10 percent) must be submitted to Finance 30 working days prior to the scheduled PWB meeting. Formats and examples for agenda items are available from the Finance Capital Outlay unit.

Agenda packages for augmentations:

1. **Construction augmentations to award bid.** Provide the following:
 - a. All information requested in Section 6845, including the standard fiscal reporting requirements and the agenda package;
 - b. A draft legislative notification if the augmentation exceeds 10 percent;
 - c. A copy of the bid tabulation for construction augmentations (see the illustration in Section 6853); and
 - d. A narrative description justifying the need for such augmentation. This must address efforts to include deductive alternates, value engineering, contingency reductions or scope modifications to address augmentations needs, and the consequences if the request is not approved.

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2. **Construction augmentations during construction.** Provide the following:
 - a. All information requested in Section 6845, including the standard fiscal reporting requirements and the agenda package;
 - b. A draft legislative notification if the augmentation exceeds 10 percent;
 - c. A complete narrative description justifying the need for such cost increases, including the following:
 - (1) Status of the project and percentage complete;
 - (2) Full description of the unanticipated items, their cost, why needed, and alternative solutions;
 - (3) Reason(s) why costs were not included in the original bidding documents and/or as deductive or additive alternatives to the bid, as appropriate;
 - (4) Reason(s) why deductive alternates cannot be change ordered to cover the additional costs;
 - (5) Reasons why these items cannot be funded within the construction contingency;
 - (6) Explanation of efforts to value engineer remaining project components;
 - (7) Consequences if not approved; and
 - (8) Whether the additional items are within the scope approved by the Legislature.
3. **Agenda package for augmentations of land acquisition projects.** Provide the following:
 - a. All information requested in Section 6845, including the standard fiscal reporting requirements and the agenda package;
 - b. A draft legislative notification if the augmentation exceeds 10 percent;
 - c. A listing of all budgeted parcels and a description of the acquisition status of each parcel (acquired, in negotiation, etc.);
 - d. A complete narrative description of alternative solutions, including why the augmentation is the correct solution, and consequences if not approved; and
 - e. A parcel map showing the relationship of the parcels requiring augmentation to the total funded acquisitions.

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Agenda packages for recognized anticipated deficits: At the end of the preliminary plans, if the project is estimated to exceed its construction budget, the client department may request PWB to approve the preliminary plans *and* to recognize an anticipated deficit. PWB notifies the JLBC of the anticipated deficit if it exceeds 10 percent of the construction appropriation. In the absence of a construction appropriation, PWB generally interprets these limits and notification requirements based on the last legislatively recognized estimate for construction.

When requesting a recognized deficit as part of preliminary plans approval, provide:

- a. A *sub-item* recognizing the anticipated deficit including a complete narrative description justifying the need for the cost increase in the briefing text as follows:
 - (1) A full description of the unanticipated items and estimated cost;
 - (2) The need for the items, the reasons why those items were not included in the original proposal, alternative solutions, and consequences if not approved;
 - (3) Discussion of alternatives such as value engineering, deductive alternates, or reworking the preliminary plans or working drawings; and
 - (4) Whether the additional items are within the scope approved by the Legislature (if not, a separate scope change item is required with the information specified in Section 6863).
- b. A draft legislative notification if the anticipated deficit exceeds 10 percent.

Agenda packages for cost increases within appropriation: Occasionally a department may need PWB to approve additional project costs for items not anticipated in the bidding documents. If there are bid savings to cover the costs (i.e., revised project cost remains within the original appropriation), and the additional items are within approved scope, PWB may approve the increase without notifying the Legislature. (Otherwise, such a request must be for an augmentation and/or scope change). For cost increases within appropriation, provide the following information:

1. All information requested in Section 6845, including the standard fiscal reporting requirements and the agenda package;
2. A complete narrative description justifying the need for such cost increases. At a minimum, include the following:
 - a. Full description of the unanticipated items;
 - b. Reasons why they were not included in the original bidding documents;
 - c. Reasons why these items cannot be funded within the construction contingency;
 - d. Consequences if not approved; and
 - e. Whether the additional items are within the scope approved by the Legislature.