

## SAM - BUDGETING

### GLOSSARY AND INDEX FOR CAPITAL OUTLAY TERMINOLOGY AND FORMS

6899

(Revised 9/2017)

The following definitions and discussions clarify capital outlay and financing terms. These definitions are only a guide; statutory definitions and context take precedence.

**20-day letters/ notifications:** A notification to the Legislature that a project is proposed for an augmentation between 10 and 20 percent, a scope change, or other specific circumstances. Section 6861, (“Augmentations”); Section 6863, (“Scope Changes”); and Section 6844, (“Monthly Public Works Board Process”).

**Additional costs within appropriation:** The PWB may approve additional project costs within the approved appropriation if there are bid savings to cover the costs. This action normally takes place within the construction phase. Section 6861.

**Agency-retained items:** Project elements which the department rather than the architect/engineer or contractor provides. Typical examples include equipment, moving, easements, installation, resource protection, etc. Section 6818, requirements related to COBCPs. Approval process uses a DF-14D form (see following *forms*).

**Agent for sale:** The entity providing sales services for the bonds on behalf of the issuer; for state and JPA issuances, this is the State Treasurer’s Office. Sections 6805 and 6880.

**Alterations:** Any modification of existing space (buildings, structures or other facilities) that changes the use as to function, layout, capacity, or quality. Must be budgeted as a capital outlay expenditure; for exceptions, see Section 6806 (“[Capital Outlay Versus State Operations and Local Assistance](#)”) and Section 6807 (“Minor Capital Outlay”).

**Anticipated deficit:** See *recognized anticipated deficit*.

**Arbitrage:** Interest earnings on the investment of bond proceeds that result in a return in excess of borrowing costs. Section 6873.

**Architect/engineer:** Usually design work is done under the general direction of a professional architect. However, for very technical work (e.g., electrical upgrading, personal alarm systems, etc.), the lead may be assumed by an engineer. Architect/engineer services are provided by DGS or through contracts with approved firms in the private sector. Certain departments are authorized to secure these services directly by statute.

**Architecture and engineering (A&E) fees:** Fees (basic and nonbasic) charged for architectural and engineering. These fees could be internal to the department or for external professional services. Items include professional charges for A&E construction management support that are project-related, such as construction inspection, travel, bidding expenses, and drawings. Depending on the nature of the project, A&E fees typically do not exceed 13 percent of the proposed construction contract amounts (excluding construction contingencies). See Section 6818 for requirements related to COBCPs.

**Architectural Revolving Fund (ARF):** A DGS non-governmental cost fund used for project management. Client departments transfer project monies to DGS which are held in this account. Section 6868.

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**ARF:** See *Architectural Revolving Fund*.

**Augmentation:** PWB may approve allocations of additional funds to a project, up to 20 percent, subject to reporting to the Legislature. Sections 6842 and 6861.

**BCP:** Budget change proposal—usually meaning a *support* proposal.

**Betterments:** Any modification that increases the designed level of services or life expectancy of a facility or program infrastructure. Section 6806.

**Bid alternates:** Additions to or deductions from a basic project bid, not to exceed ten percent of the estimated cost of the base project. If a project comes in over budget, deductive alternates can help avoid the need to re-bid the project; conversely, if bids comes in under budget, additive alternates can allow project improvements. Finance approval is required. Section 6852.

**Bidding phase:** The bidding phase is a set of activities, starting after completion of working drawings, which results in the selection of a contractor for a design-bid-build project. Typical activities in this period are advertising the project in construction trade papers, submission of bids by interested parties; analysis of those bids, selection of the lowest responsible bidder, contract execution, and delivery of a —Notice to Proceed to the contractor to begin the construction work. Section 6809 (“Overview of Capital Outlay Phases”) and Section 6852 (“Working Drawings and Proceeding to Bid”).

**Bid tabulation:** A listing of bids received for a project; must be submitted to DOF when requesting release of construction funds and the awarding of a construction contract. Section 6853.

**Bond counsel:** An attorney (or firm) retained by the issuer to give a legal opinion that the issuer is authorized to issue proposed securities, has met all legal requirements, and that the interest will be exempt from federal income taxation and, where applicable, from state and local taxation. Sections 6873 and 6874.

**Bond anticipation notes:** Short-term negotiable instruments with a fixed maturity used to meet projects’ interim financing needs. Section 6878.

**Bonds:** A method of financing capital projects through long-term borrowing. The state raises money by issuing financial securities to investors. Section 6870. See also *general obligation bonds* and *lease-revenue bonds*.

**Bond insurance:** Non-cancellable insurance purchased by the issuer from a bond insurer where the insurer promises to make scheduled payments of interest, principal and mandatory sinking fund payments if the issuer fails to make timely payments. In an insured issue, the investor relies on the insurer’s credit, not the issuer’s. The insurer’s payment of an installment does not relieve the issuer of repaying the insurer. Sections 6873 and 6874.

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**Bridging design-build:** See *design-build*.

**Budget letter:** A statewide communication from the Department of Finance containing budget development or implementation instructions.

**Budget packages, budget package estimate:** Prepared under the direction of DGS, budget packages refine departments' initial project estimates and are used by Finance to evaluate a project and size a project appropriation. They generally contain a project description, pre-schematic drawings, outline specifications, and a cost estimate. Refined cost estimates developed in this process are referred to as budget package estimates (as distinguished from preliminary cost estimates of a project provided by the department in the COBCP). Section 6828.

**Building Cost Index:** See *California Construction Cost Index*.

**California Construction Cost Index (CCCI):** The construction cost index departments must use in escalating construction costs. Based on the average Building Cost Index (BCI) for Los Angeles and San Francisco as published in the Engineering News Record. Section 6818, technical notes.

**California Environmental Quality Act (CEQA):** A body of law and regulation setting out environmental review requirements for projects, including capital projects. Sections 6808, 6812, and 6850.

**Capitalized assets:** As used in this chapter, all processes which *may* result in the acquisition, new construction, alteration, renovation, extension or betterment of real assets, *regardless of character of appropriation* for the expenditure. Includes capitalized leases as well as processes which may result in a capital acquisition, such as leases with purchase options. Sections 6801, 6806, and 6876.

**Capitalized interest account:** Bond proceeds which are reserved to pay interest on a revenue (or lease-revenue) bond issue for a period of time early in the term of the issue; also called funded interest. Commonly, in a project financing, interest is capitalized through the date on which it is anticipated that construction will be completed (and up to six months after the completion of construction at the discretion of the PWB) and the project capable of providing lease payments for repayment of debt service.

**Capitalized lease:** A lease agreement is classified as a capital lease (in-substance purchase) when substantially all of the risks and benefits of ownership are assumed by the lessee. Sections 6818 and 6820.

**Capital outlay:** A subset of *capitalized asset* activities, funded specifically under the capital outlay character of appropriation. Includes acquisitions, new construction, alterations, renovations, extensions, and betterments. Does not include capitalized (financing) leases where payment is made through the rent line item. Sections 6801 and 6806.

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**Capital outlay budget change proposal (COBCP):** A written request for funding required for each project proposed in the Governor's Budget (both new projects and continuing phases of previously funded projects). Section 6818.

**Capital outlay concept papers (COCP):** A written request for funding required for each project or program area where specific project detail is not available. These proposals may be used as part of the department's five-year infrastructure plan except for budget year proposals that require a COBCP.

**Categorical exemptions:** An exemption from CEQA based on one or more classes of actions/projects, as established in regulation. Section 6850.

**Category codes:** *Program* categories and *project type* categories are used on the COBCP to classify the broad purpose for the proposed project. Public safety and education are examples of program categories; fire/life safety, code correction are examples of project type categories. Section 6839.

**CEQA:** See *California Environmental Quality Act*.

**Certification letters:** A periodic notification from PWB to the Legislature certifying that projects on which it is taking action at its next meeting are within scope and cost, or (otherwise) the dates and amounts of approved changes. Sections 6842 and 6844.

**Certificates of participation (COPs):** A certificate (which looks like a bond) representing an undivided interest in the payments made by a public agency pursuant to a financing lease (or an installment purchase agreement). Although not treated as state constitutional debt, federal tax law treats the lease obligation as if it were debt. Section 6876.

**Change orders:** Formal revisions of the construction contract based on approved modifications to the capital outlay project. Change orders must be approved by DGS or other department managing the construction and are funded from the contingency line-item of the project budget. Section 6854.

**Character of appropriation:** The three broad classifications: (state operations, local assistance, and capital outlay) the state uses when appropriating. Generally, once a program or activity is budgeted as one of the three characters, it must follow the expenditure rules for that classification. Section 6806.

**Department:** The department that manages the programs for which capital outlay is needed. Section 6805.

**COBCP:** See *capital outlay budget change proposal*.

**COCP:** See *capital outlay concept paper*.

**Combined bids:** Bidding construction for two different projects as if they were one. Requires Finance and PWB approval. Section 6852.

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**Commercial paper:** Short-term negotiable instruments with variable maturity and interest rates used to meet projects' interim financing needs. Section 6878.

**Concession agreement:** Subject to legislative notification, PWB has the power to review and approve the Department of Parks and Recreation's park concession agreements where the need arises off the normal budget cycle. Section 6842.

**Condemnation authority:** See *eminent domain*.

**Constitutional debt:** Article XVI of the California Constitution prohibits the Legislature from creating debt or liability which exceeds \$300,000 without a majority vote by the people, except in case of war.

**Construction cost index:** Standardized value for estimating construction cost escalation over time. In application, generally projected to the mid-point of construction. See *California Construction Cost Index (CCCI)*. Section 6818, technical notes.

**Construction phase:** The construction phase begins with the award of the construction contract (see Section 6853) and ends when construction is complete and a Notice of Completion is filed with DGS or other project manager (see Section 6854). An overview of capital outlay phases is provided in Section 6808.

**Construction management:** Construction management services include reviewing construction documents; clarifying contract documents during construction, including change order analysis and estimating; coordinating among designers, contractors, inspectors, facilities operations, etc.; monitoring schedules; and generally overseeing daily on-site construction operations. DGS is the project manager for most state departments. Departments which have the authority to manage their own projects may use contracted project management services. Such services are most commonly used for large or complex projects, (e.g. the construction of new prisons). Fees for these services typically range from 1.0 to 4.5 percent of the estimated contract cost and do not include fees for architectural and engineering services. Section 6854.

**Construction support (project administration):** The terms *construction support* or *project administration* are applied to all project expenses other than construction contract costs incurred during the construction phase. The major construction support/project administration cost items are inspection, construction management, architect/engineer review, and special consultants—primarily materials testing and asbestos abatement monitoring. Section 6854.

**Contingency funds:** The construction contingency is a prescribed percentage of the construction contract amount which is budgeted for unforeseen emergencies or design shortfalls identified after a construction project commences. Construction contingencies are limited to 5 percent of the construction estimate/bid for a new facility and 7 percent of the construction estimate/bid for remodeling/renovation projects. Section 6854.

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**Contract documents:** The agreement between the state and the contractor, notices to contractors, instructions to bidders, the written and diagrammatic instructions prepared by the architect/engineer for constructing a project, general and supplementary conditions, contract bonds, addenda, change orders, and supplementary agreements. Generally, the written source is referred to as the specifications and the diagrammatic source is referred to as the working drawings. The contract documents are typically developed in phases. Section 6854.

**Contractor:** The builder; generally selected through competitive bidding. In some instances, the contractor is DGS, the Inmate/Ward Labor Branch of the Department of Corrections, or the individual department. The contractor uses the contract documents prepared by the architect/engineer to build the project.

**Cost changes:** For augmentations, additional costs (within appropriation) and recognized deficits, see Section 6861. For bid savings, project savings, and reversions. See Section 6862.

**Cost increase within appropriation:** See *additional cost within appropriation*.

**Cost index:** See *construction cost index*.

**Debt service ratio:** Annual debt service (for non-self liquidating bonds) as a percentage of General Fund revenues or receipts. One of the most commonly used measure of debt.

**Delegated items:** By resolution, PWB has delegated selected non-policy actions to Finance for approval. Section 6844.

**Department of Finance (Finance):** Financial control agency for the state. For capital outlay, Finance reviews and approves project proposals for inclusion in the Governor's Budget, approves movement from one project phase to the next, releases funds for phases, and has other administrative oversight functions related to the Public Works Board.

**Department of General Services (DGS):** The state department responsible for real property management, project planning, project management, construction management, construction and leasing services, real property acquisition and sales, the Statewide Property Inventory (SPI), and energy efficiency services for state and K-14 school facilities. DGS is also staff to PWB for property acquisition and energy efficiency contracts.

**Department of Technology(CDT):** Department charged with assessing the technical feasibility of information management proposals. Works with Finance's Information Technology Consulting Unit (ITCU), which determines whether the proposal is the appropriate business solution. Capital outlay projects with technology components must be reviewed by CDT and ITCU. Section 6818.

**Design-bid-build:** The state's traditional method of project delivery in which construction is not bid out until preliminary plans are approved by PWB and a full set of working drawings is produced. Section 6841.

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**Design-build:** A method of project delivery that combines the design and construction of a facility into a single contract, preceded by a separate phase to develop project specifications, usually more detailed than a budget package, but less detailed than full preliminary plans.. *Modified* or *bridging* design-build is a version of the process that results in very detailed project specifications, more closely approximating preliminary plans.

**Design documents:** The final documents of the preliminary plans stage, including a site plan, architectural floor plans, elevations, outline specifications, and a cost estimate. Section 6851.

**DGS:** See *Department of General Services*.

**Due diligence:** In preparing for a bond sale, the inquiry made to disclose facts about the issuer, the issue and the security for the issue that would be material to a prudent investor in making a decision to purchase the issue. Section 6880.

**EIR:** See *environmental impact report*.

**Eminent domain:** The taking of private property by a governmental entity for public necessity; also called condemnation authority. Sections 6842 and 6866.

**Engineering News Record (ENR):** See *cost index*.

**Enterprise revenue bonds:** Revenue bonds which are self-liquidating based on project-generated revenues such as airport fees, hospital fees, dormitory fees, etc. Section 6870 and 6872.

**Environmental impact report (EIR):** An informational document which informs public agency decision-makers and the public generally of the significant environmental effect of a project. Section 6850.

**Equipment:** Capital outlay equipment is divided into Group 1 and Group 2. Group 1 equipment is installed equipment such as heating and air conditioning units and is budgeted as part of the construction phase. Group 2 equipment is movable equipment, such as tables and chairs (but not replacement equipment) and is budgeted as its own project phase, typically following construction. Not all equipment is classified as capital outlay. See Section 6855 for a discussion of capital outlay equipment, Section 6818 for capital outlay budgeting instructions, and Section 6842 for PWB's role in approving long-lead equipment.

**Finance Letter:** An amendment to the Governor's Budget proposed by the Administration to the Legislature in the spring immediately following introduction of that budget. Finance Letters are considered by the Legislature in budget subcommittees coincident with review of the Governor's Budget. Sections 6812 and 6818.

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**Financial advisor:** With respect to municipal securities, a consultant who advises an issuances' structure, timing, marketing, fairness of pricing, terms and bond ratings. May also provide advice on cash flow and investment matters. Sections 6872–6876.

**Financing lease:** The document by which the issuer leases to another public entity (the "obligor") the project to be acquired or constructed with the proceeds of the issue and by which the obligor agrees to make periodic lease payments to the issuer, generally for the period of time the issue is outstanding. Section 6876.

**Fiscal Impact Worksheet (FIW):** This document is used to report the funding data, detail costs, schedules, project specific codes, detail information, support costs and scope language related to the project or proposal. All COBCPs and COCPs must be accompanied by an FIW.

**Fitch Investor Services:** See *rating agency*.

**FIW:** See Fiscal Impact Worksheet.

#### Forms, standard notices and other required formats:

- \* **Bid Tabulation:** A listing of bids received for a project; a copy of the bid tabulation must be submitted to Finance when requesting release of construction funds. Section 6853.
- \* **Closure memo:** A notification from the client department to Finance, and in the case of bond projects, to the issuer and to the project bond trustee, that the project is complete, the construction account may be closed, and for bond projects, the surplus funds—if any—may be disposed of in accordance with the indenture. Sections 6856 and 6882.
- \* **DF-14D: Request For Approval to Proceed or Encumber Funds:** Used by client department to request Finance/PWB approval of various steps in capital outlay phases, e.g., approval of preliminary plans; approval to proceed to working drawings phase, approval to proceed to bid. Section 6845.
- \* **DF-150, Fiscal Impact Worksheet (FIW):** This document is used to report the funding data, detail costs, schedules, project specific codes, detail information, support costs and scope language related to the project or proposal. All COBCPs and COCPs must be accompanied by an FIW.
- \* **DF-151, Capital Outlay Budget Change Proposal:** Used to request funding for a capital outlay project to be included in the annual Governor's Budget. Section 6818.

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#### Forms, standard notices and other required formats (continued):

- \* **DF-152, Capital Outlay Concept Proposal:** A written request for funding required for each project or program area where specific project detail is not available. These proposals may to be used as part of the department's five-year infrastructure plan except for budget year proposals that require a COBCP.
- \* **FORM 22, Public Works Board Authorization and Transfer Request:** For state agencies which contract with DGS for project management, used to transfer funds to the Architecture Revolving Fund (ARF) for each budgeted phase of work. DGS initiates the form; the client department signs and forwards it to Finance for final approval. Section 6868.
- \* **Form 220, Public Works Project Authorization Bond Proceeds Funded Projects:** This form is used to request SCO to reserve a portion of the department's project appropriation authority in a separate account within the appropriate bond fund. This reserve is used to reimburse the Architecture Revolving Fund for actual expenditures. Section 6868.
- \* **Historic Resources Inventory (DPR 523):** A Department of Parks and Recreation form on which departments list their facilities, 50 years or older, which are on—or potentially on—the National Register of Historic Places. Section 6822.
- \* **Negative Declaration:** Under CEQA, a negative declaration is a form of finding which may be used if the project is not expected to have one or more significant effects on the environment. A negative declaration typically is supported by an initial study or initial study checklist. Section 6850.
- \* **Notice of Completion:** A notice initiated by DGS or the project manager to advise Finance of the completion of the project. Section 6856.
- \* **Notice of Determination:** A notice filed by the lead or responsible agency after it approves or determines to carry out a project or action subject to CEQA requirements. Section 6850.
- \* **Notice of Exemption:** A notice filed by the lead agency after it determines to carry out a project or action exempt from CEQA. Section 6850.
- \* **Project Cost, Funding and Schedule Summary:** A chronological history of costs, funds and project schedules that is part of the standard fiscal reporting requirements for any request to Finance or PWB to approve phase completion and release of funds for the next stage (or for project scope or funding changes). Section 6845.
- \* **Return of Funds Form:** A DGS form used to transfer surplus project funds at project completion, or upon appropriation reversion, from ARF back to the source fund. Section 6856.

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#### **Forms, standard notices and other required formats (continued):**

- \* **STD. 9, Space Action Request.** Used to request DGS real estate services; for projects meeting conditions specified in Section 6453, also used to solicit Finance approval for budget-related impacts of lease renewals, new space requests, and associated support impacts. The Finance review process for all STD. 9s is coordinated through the Finance capital outlay unit. Section 6818, technical notes.

**General Fund:** The state fund into which non-dedicated revenues are deposited and from which the majority of state expenditures are made.

**General obligation (GO) bonds:** A form of long-term borrowing in which the state issues municipal securities and pledges its full faith and credit to their repayment. Requires approval by a majority vote of the public. Section 6871.

**Hard costs:** Actual construction costs. See *architectural and engineering fees*.

**Historical resources:** Any state-owned structure over 50 years of age, which is listed—or could be listed—on either the National Register of Historic Places maintained by the United States Department of the Interior or as a state historical landmark. Section 6822. See also Historic Resources Inventory (DPR 523) under *forms* in this glossary.

**Implied dedication:** The term refers to a public easement that has been created through a history of use. Implied dedications can reduce the value of a property; such effects must be considered in appraisals for site selection. Section 6849.

**Indenture:** An agreement executed by an issuer and a trustee that pledges certain revenues and other property as security for the repayment of the issue, sets forth the terms of the bonds, and contains the responsibilities and duties of the trustee and the rights of the bondholders. Section 6880.

**Information Technology Consulting Unit (ITCU):** The Finance unit charged with assessing whether the technology aspects of a capital outlay proposal are an appropriate business solution. Works in conjunction with the Department of Technology (CDT) which assesses the technology aspects of information management proposals. (Section 6818). Sections 6818 (technical notes) and 6823.

**In-substance purchase:** See *capitalized leases*.

**Interim financing:** The financing project costs, on an interim basis, until long-term securities are sold. Depending upon project statutory authorities, may include pre-construction appropriations, bond anticipation notes, commercial paper, PMIB loans, General Fund loans, or other loan programs. Section 6878.

**Installment payment:** In a lease-purchase agreement, the periodic payment which builds equity in the capital asset. Section 6876.

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**Issuer:** The public entity that issues securities and is named as the issuer-obligor on those securities. The public entity is the “issuer” even in those cases where the actual source of the money to pay debt service is to be an entity other than the issuer. See Capitalized Assets Financing, Sections 6870–6888.

**Items to complete:** Items necessary to complete a project, not included in the initial project. Finance may approve the funding of such items through project savings or an augmentation (requires PWB action), but only if it can be shown these items are critical and not the responsibility of the contractor. Section 6856.

**Joint Legislative Budget Committee (JLBC):** A fiscal oversight committee, with members from both houses, charged with reviewing budget administration.

**Joint powers authority (JPA):** An agreement between governmental entities (sometimes in the form of a separate entity) that provides for the joint exercise of powers. May issue revenue (and lease-revenue) bonds. Section 6874.

**LAO:** See *Legislative Analyst’s Office*.

**Lease-purchase agreement:** An installment purchase agreement under a financing lease. Section 6876.

**Lease-purchase bonds:** Same as *lease-revenue bonds*.

**Lease-revenue bonds:** A variant of revenue bonds used in the state’s capital outlay program. The revenue stream backing the bond is created from lease payments made by the occupying department to the entity issuing the bonds (usually PWB or a joint powers authority). Sections 6873 and 6874.

**Legislative Analyst’s Office (LAO):** A governmental entity under the Legislature, providing staff support to the Joint Legislative Budget Committee. Produces analysis of the annual budget bill; reviews and may comment on variety of administrative transactions, including capital outlay actions such as augmentations and scope changes.

**Legislative notifications:** See *20-day letters* and *Section 6.00* of the Budget Act.

**Mandatory review and approvals:** Refers to various provisions in statute requiring preliminary plans and working drawings for certain projects to be reviewed and approved by oversight agencies such as the State Fire Marshall (within the Department of Forestry and Fire Protection). Section 6852.

**Master reserve account:** See *reserve account*.

**Major capital outlay:** Any project not meeting the definition of a minor capital outlay project. Currently, any project over \$656,000, although there are exceptions. The dollar threshold is adjusted every two years.

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**Minor capital outlay:** Excluding the purchase of land, any capital outlay project with current total estimated project cost of \$656,000 or less. The specific dollar value is adjusted every two years. However, Resources Agency projects up to \$903,000 may be budgeted as minors if DGS makes the determination that its services are not required (Public Contract Code [10108.5](#)). Every two years the threshold for minor capital outlay projects is recalculated. There are additional requirements to qualify as a minor project; see Section 6807 and Section 6.00 of the Budget Act.

**Modified design-build:** See *design build*.

**Moody's Investor Services:** See *rating agency*.

**National Register of Historic Places:** See historical resources.

**Negative declaration:** See forms.

**Notice of completion:** See forms.

**Notice of determination:** See forms.

**Notice of exemption:** See forms.

**Obligated person:** See continuing disclosure.

**Official statement:** A document prepared for the bond sale which provides all information that would be material to a prospective purchaser of the bonds, including descriptions of the issuer, terms of the bonds, security for the bonds, major legal documents, risk factors and tax matters, and financial statements. The *preliminary official statement* is a version used by the issuer or underwriters to inform the marketplace of the terms of the bonds being issued prior to receipt of bids at a competitive sale or prior to the determination of interest rates and purchase price in a negotiated sale. Section 6880.

**Offner-Dean rule (or exception):** Case law that has established that lease-revenue bonds does not meet the constitutional definitions (and therefore restrictions) of debt. Sections 6872 and 6876.

**Operating lease:** A pure lease for facility space. Where client departments have long-term lease authority, the lessor may choose to use such a lease as security for a debt offering to finance the project, but the state's credit involvement is limited solely to that of a party to a lease or contract. Section 6876.

**Option to purchase:** See *purchase option*.

**Phase:** Steps in a project which may be budgeted separately or together, depending upon project complexity. The most common phases are studies, site selection/acquisition, preliminary plans, working drawings/bidding, construction, and equipment to complete a design-bid-build project. Design-build projects have two phases (performance criteria and design-build). Section 6808.

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**Pooled Money Investment Account (PMIA):** See *Pooled Money Investment Board*.

**Pooled Money Investment Board (PMIB):** The Pooled Money Investment Board (PMIB) administers the Pooled Money Investment Account (PMIA) for investment of surplus state and local government funds. Among other investment strategies, PMIB may make loans – known as AB55 loans – to projects otherwise eligible for interim financing through a General Fund loan. PMIB may also make loans to any special fund for a project authorized to be debt-financed. Section 6878.

**Preliminary official statement:** See *official statement*.

**Preliminary plans/phase:** Initial design phase in preparing the construction bidding documents, typically developed in two distinct steps: schematics and design development. Final documents include a site plan, architectural floor plans, elevations, outline specifications, and a cost estimate. This phase starts with Finance releasing funds via a Form 22 or Form 220 and ends when PWB approves the preliminary plans. Section 6851.

**Pre-schematic documents:** Plans prepared during development of a budget package, usually by DGS, to depict a possible solution – or solutions – to the department's stated needs and to serve as the basis for a project cost estimate. The design architect/engineer later may use these plans to develop the schematic documents as part of the preliminary plans phase. Section 6828 ("[Budget Package Preparation, Budget Estimates](#)") and Section 6851 ("Preliminary Plans Review").

**Program management:** Program management, which is a department responsibility, is the overall administration of a major capital outlay program such as new prison construction or renovating mental health facilities to meet licensing requirements. When needed for program planning, special consultant assistance may be funded from either the support appropriation or from the capital outlay budget, depending on the timing and scope of the services. Sections 6805 and 6823.

**Property Acquisition Law:** The body of law in the Government Code covering acquisition of real property. Section 6842.

**Project Cost Detail Sheet:** see *forms*.

**Project Cost, Funding and Schedule Summary:** see *forms*.

**Project management:** See *construction management*.

**Project per CEQA:** Section 15378 (a) (3) of Title 14 of the California Code of Regulations defines *project* as an activity involving a lease, permit or license issued to a person or entity. Section 6850.

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**Project per State Contract Act:** For purposes of contract law, Section [10105](#) of the Public Contract Code defines *project* as the erection, construction, alteration, repair, or improvement of any state-owned structure, building, road, or other state improvement of any kind with a total cost exceeding an amount periodically adjusted by the Director of Finance by Management Memo. Section 6847.

**Project phase:** See *phase*.

**Public lands trust:** Landowner agreements with the state to preserve open space and allow public access to natural resources, in exchange for certain immunities. Certain agencies may create public land trusts; PWB has the authority for the balance of the state. Section 6842.

**Public Works Board (PWB):** The state board empowered to oversee administration of most state capital outlay projects, exercise eminent domain, make augmentations, and establish final project scope through review of preliminary plans. Sections 6842 (overview) through 6866, and Section 6873.

**Purchase option:** A lease with a purchase option gives the state the right, during the course of the lease, to purchase the asset for a predetermined price, if desired. The exercise of a purchase option, regardless of dollar amount, is always a capital outlay expenditure and therefore requires a COBCP. Entering into a purchase option is not a capital outlay expenditure, and lease payments until the option is exercised are a support expense. However, if using purchase options as a capital acquisition strategy, a COBCP. Sections 6818 and 6876.

**PWB agenda package:** A standard set of narrative project information required whenever requesting PWB to take an action on a project. The package consists of the formatted agenda item, the briefing document, and whatever specific information is needed for the type of actions proposed. Section 6845.

**Rating:** Designations used by rating agencies to give indications of relative credit quality. Section 6880.

**Rating agency:** An investment rating is secured prior to the bond sale from one or more independent third parties, called rating agencies. The three largest and traditional rating agencies in the tax-exempt market are Moody's Investors Service, Standard & Poor's, and Fitch Investors Service. Section 6880.

**Recognized anticipated deficit:** A request for PWB to recognize a *possible* future augmentation (generally construction). Section 6861.

**Reportables:** By resolution, PWB has delegated approval for certain actions to Board staff. These actions are referred to as "reportables" because they are reported to the board each month after they have been completed. Section 6844.

(Continued)

## SAM - BUDGETING

(Continued)

### GLOSSARY AND INDEX FOR CAPITAL OUTLAY TERMINOLOGY AND FORMS

6899 (Cont. 14)

(Revised 9/2017)

**Reserve account/fund:** An account from which moneys may be drawn to pay debt service on an issue if pledged revenues and other amounts available to satisfy debt service are temporarily insufficient. In lease-revenue issuances, the reserve account is typically sized to the maximum annual debt service payment. PWB uses a *master reserve account program*—in effect, a pooled reserve approach which reduces the aggregate amount of funds its issuances must hold in reserve. Section 6872.

**Revenue bonds:** A bond payable from a specific source of revenue and to which the full faith and credit of an issuer with taxing power is not pledged. Pledged revenues may be derived from operation of the financed project, grants and excise or other specified non-ad-valorem taxes. Generally, no voter approval is required prior to issuance. Section 6872.

**SAM:** [State Administrative Manual](#).

**Schematic documents:** The initial architectural and engineering plans prepared as the first step during the preliminary plan phase, depicting the designer's conceptual solution to the department's capital outlay needs. See Section 6851.

**SCO:** [State Controller's Office](#).

**Scope:** The project program as it relates to location, site, facility size and shape, use of assigned program space, or physical characteristics of a facility. Scope is typically approved by the Legislature and published in the Supplemental Report of the Budget Act prepared by the Legislative Analyst's Office. Section 6863.

**Scope changes:** A revision to the approved project program requiring the advance written approval of Finance. Section 6863.

**Section 1.80 of the Budget Act:** Establishes appropriation time-frames (both encumbrance and liquidation) for capital outlay projects. Section 6807 and 6812.

**Section 3.00 of the Budget Act:** For capital outlay projects, defines key terms as used in the Budget Act. Sections 6807 (minor projects), 6851 (preliminary plans), 6852 (working drawings), and 6854 (construction).

**Section 6.00 of the Budget Act:** Provides a limited exception to the rule that support funds may not be used for capital outlay purposes. Section 6806.

**SEC:** Securities and Exchange Commission. See *continuing disclosure*, Section 6884.

**Settlement price:** Acquisition price. Requires PWB approval if the amount exceeds the appraised price reported to the board at the time of site selection. Section 6849.

**Site selection:** The process that results in identification of a site for a project; requires PWB approval. Section 6849.

**Soft costs:** All preconstruction costs, plus the A&E portion of the construction phase. See architectural and engineering fees.

**State Historic Preservation Officer:** See *historical resources*.

(Continued)

## SAM - BUDGETING

(Continued)

### GLOSSARY AND INDEX FOR CAPITAL OUTLAY TERMINOLOGY AND FORMS

6899 (Cont. 15)

(Revised 9/2017)

**State Treasurer's Office (STO)**: The agent for sale for most state debt issuances. Sections 6805 and 6870—6888.

**Standard and Poor's**: See *rating agency*.

**Standard fiscal reporting requirements**: A set of three documents (DF-14D, *Project Cost, Funding and Schedule Summary*, and *Project Cost Detail Worksheet*) required whenever requesting action from Finance or PWB to approve completion of a phase and release funds for the next phase (or requesting changes to project scope or cost). See *forms*. See also Section 6845.

**State Property Inventory (SPI)**: An inventory of all real property held by the state. Each agency is required to update its real property and structure records in the SPI. Section 6820.

**STO**: See [State Treasurer's Office](#).

**Technical consultants**: Consulting architects, facilities planners, engineers, or contractors used in the development of a potential project. Section 6823 and 6806 Illustration.

**TIC**: See *true interest cost*.

**Total project costs**: All project costs from the start of the design phases until the completion of construction and equipping of the project. Major line item costs include: architect/engineer fees, construction contract, inspection fees, administration, agency- retained items, mandatory review fees, small business administration fees, and bidding phase costs.

**Transferring funds to Architecture and Revolving Fund (ARF)**: See *forms* (Forms 22 and Form 220). Section 6868. See also *Architecture and Revolving Fund*.

**True interest cost (TIC)**: A measure of the interest cost of an issue that accounts for the time value of money; sometimes called the *internal rate of return* or the *net effective interest rate*." Overall interest costs on a bond sale are expressed as the TIC.

**Turnkey construction**: A procurement method in which the vendor delivers a ready-to-operate facility to the client department's specifications, either through a long-term (pure) lease or a financing lease. Section 6841.

**Underwriter**: A dealer which purchases municipal securities for resale to investors. The underwriter may acquire the securities either by negotiation with the issuer or by award on the basis of competitive bidding. In either case, the underwriter assumes complete risk and responsibility for selling the bonds. Section 6880.

**Value engineering**: A project evaluation technique which seeks to reduce costs and/or increase value by analyzing the functional requirements of a project's materials, methods, components and subsystems. PWB may require value engineering prior to authorizing an augmentation or recognizing an anticipated deficit. Section 6851.

**Working drawing phase**: The final design phase in preparing the construction bidding documents. Includes a complete set of plans and specifications and a final cost estimate (dated). Section 6852.