

SAM - BUDGETING

METHODS OF PROJECT DELIVERY

6841

(New 5/1998)

The state traditionally uses the *design-bid-build* method of procuring design and construction services for most of its capital outlay projects. In addition, the state also uses various lease methods to obtain the *use* of facilities, both with and without facility acquisition at some point in the lease. The following discussion briefly outlines standard procurement methods in the building industry and the resulting budget implications.

Design-bid-build. The state's contract law and budget processes for capital outlay are based on design-bid-build processes because that approach allows the state to determine the exact product before it begins construction. Projects are not bid on by construction contractors until working drawings are completed by a separate architect-engineering firm.

In the traditional design-bid-build process, preliminary plans, working drawings, and construction are all separate phases; an overview of all typical capital outlay phases is provided in Section 6808. Funds are not normally committed to a phase unless there is a strong assurance that they can be encumbered within a single fiscal year. Consequently, most design-bid-build projects are budgeted in several phases over two to three years (sometimes longer). Each separate appropriation requires a COBCP (Section 6818) and must be included in the client department's five-year capitalized assets plan (Section 6820).

In addition, PWB and DOF perform an oversight role for design-bid-build projects by reviewing and approving the design phases of a proposed project (Sections 6842 and 6851).

Design-build. In design-build projects, design work is performed by the same entity that constructs the project, and the design-build contract award is made in a lump sum. Consequently, there are no separate phases—or appropriations—for preliminary plans, working drawings, and construction. The client is responsible for providing a project definition which the design-build firm uses as the basis for its bid. The advantage of the design-build approach is that the project delivery team has single-point responsibility for the project. This helps expedite construction time-frames and may reduce the number of change orders.

There are variations of design-build in which the project definition is elaborated through more detailed narrative specifications and/or drawings. This modified approach is called *bridging design-build* and for some projects may result in project performance specifications that are nearly as detailed as preliminary plans. Greater specificity is helpful when program needs reduce the range of acceptable design solutions or materials. From a budget perspective, the development of performance specifications may require a separate phase appropriation since the level of detail required could substantially exceed that of a budget package (Section 6828).

State contract law currently does not support the design-build process, except for the California State University and the University of California which have specific design-build authority. Similarly, the PWB process does not presently recognize an alternative to preliminary plans approval.

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6841 (Cont. 1)

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Turnkey, Design-Build-Lease, Lease-Purchase. These are financing methods in which an owner retains an entity which has single-point responsibility for developing a project. In addition to design and construction, the selected entity is responsible for providing one or more other project development functions, such as selecting and acquiring a site, financing, and even owning or operating the facility which is leased to the client department (with or without an option to purchase). From a budget perspective, these financing approaches are subject to this chapter if they meet the definition of a capitalized lease (Section 6818), or if—when being financed—an obligation for continuing state disclosure is created (Sections 6876 and 6884).

The following discussion on capital outlay administration (Sections 6842–6869) deals with *design-bid-build state construction projects*—i.e., excludes leased facilities. Leasing alternatives are addressed in the capital asset planning and budgeting portion of the chapter (Sections 6810–6839) and as part of capital asset financing (Sections 6870–6888).