

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**INTERIM SUPPLEMENTAL /
SPENDING AUTHORIZATION REQUESTS
CAPITAL CONSTRUCTION**

**JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision**

**Prepared By:
Amanda Bickel, JBC Staff
September 20, 2013**

For Further Information Contact:

Joint Budget Committee Staff
200 E. 14th Avenue, 3rd Floor
Denver, Colorado 80203
Telephone: (303) 866-2061
TDD: (303) 866-3472

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Non-Prioritized Interim Supplemental Requests and Authorization for Cash-funded Projects

INTERIM SUPPLEMENTAL REQUEST – JUDICIAL DEPARTMENT RALPH L CARR JUDICIAL CENTER

	Request	Recommendation
Total	<u>\$3,000,000</u>	<u>\$3,000,000</u>
Capital Construction Funds	0	0
Cash Funds	3,000,000	3,000,000

<p>Does JBC staff believe the request satisfies the interim supplemental criteria of Section 24-75-111, C.R.S.? [The Controller may authorize an overexpenditure of the existing appropriation if it: (1) Is approved in whole or in part by the JBC; (2) Is necessary due to unforeseen circumstances arising while the General Assembly is not in session; (3) Is approved by the Office of State Planning and Budgeting (except for State, Law, Treasury, Judicial, and Legislative Departments); (4) Is approved by the Capital Development Committee, if a capital request; (5) Is consistent with all statutory provisions applicable to the program, function or purpose for which the overexpenditure is made; and (6) Does not exceed the unencumbered balance of the fund from which the overexpenditure is to be made.]</p>	YES
<p>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]</p>	YES
<p>JBC staff and the Department agree that (1) this request meets the interim supplemental criteria of Section 24-75-111, C.R.S., and (2) this request is the result of data that was not available when the original appropriation was made/a technical error.</p>	

Department Request: The Department requests \$3,000,000 cash funds spending authority from the Judicial Center Cash Fund to close out funding for the Ralph L. Carr Judicial Center. The original finance documents anticipated three transfers from the Justice Center Cash Fund:

- \$25.0 million to the Colorado History Museum to “purchase” the block the Judicial Center would be built on (authorized in S.B. 08-206);
- \$33.1 million (originating from court fees) for expenses related to construction and relocation of courts to the Judicial Center (appropriated in H.B. 12-1200); and
- \$3.0 million to the History Museum to fund a Capital Reserve for maintenance.

It was originally anticipated that project savings would cover the required \$3.0 million payment for the Museum capital reserve, and thus a separate appropriation was not made. However, this spending authority is now needed to close out the project.

In communication to the Capital Development Committee (CDC), the Department further reported that the \$3.0 million in additional funds were offered as a consideration for History Colorado’s move into leased space for the duration of the new museum construction in order to

accelerate the construction of the new justice center by several years. The additional \$3.0 million was not transferred or appropriated through S.B. 08-206. However, the Department made the payment to History Colorado from existing appropriations, anticipating that it would realize a commensurate amount of cost savings during project construction. The Department now recognizes that it needs the full amount originally budgeted for the project to pay the remaining close-out costs. According to the Department, the cash funds request amount reflected in the request was included in the Certificates of Participation (COP) issuance documents and projected project costs.

Staff Recommendation: Staff recommends that the Committee approve the requested supplemental for \$3,000,000 cash funds as an adjustment to the FY 2011-12 capital construction appropriation for Judicial Center construction of \$33,140,000 cash funds included in H.B. 12-1200.

The rules governing interim supplementals in Section 24-75-111 (5), C.R.S., require the Committee to introduce all interim supplementals that it approves.

Staff Analysis: Staff recommends the request on the following basis:

- The additional spending authority is needed to close out the project. The Department reports that if the request is not approved, amounts specified for a reserve in COP documents will need to be rescinded from the History Museum or close-out of the balance of the Judicial Center project will not be completed.
- Department data indicate that sufficient revenue is available in the Justice Center Cash Fund to accommodate the \$3.0 million payment to the History Museum.
- The CDC approved the request and forwarded it to the JBC.
- S.B. 08-206 and its associated fiscal note should have documented the need for an additional \$3.0 million payment (beyond the \$25.0 million) from the Justice Center Cash Fund to the Colorado History Museum. They did not, reportedly because the Department assumed it could absorb this \$3.0 million within the FY 2011-12 Judicial Center appropriation. While this was an error, miscalculations are not surprising in a project of this scope.

Staff specifically recommends that the supplemental be adopted as an increase to the FY 2011-12 \$33.1 million Judicial Center appropriation in H.B. 12-1200, rather than added to more recent Judicial Center appropriations. The FY 2011-12 appropriation may be expended for three years pursuant to the capital construction headnotes. Front-end costs for the Judicial Center and History Museum were addressed in two bills:

- Senate Bill 08-206 authorized lease-purchase payments for both projects, increased court fees to cover both up-front and ongoing COP payments, authorized transfers from the Justice Center Cash Fund to the State Museum Cash Fund (\$25 million over multiple years) and appropriated \$18.0 million from the State Museum Cash Fund to begin work on the History Museum.

- House Bill 12-1200, the Capital Construction supplemental for FY 2011-12, provided \$33.1 million cash funds spending authority for the various up-front cash expenditures associated with Judicial Center capital construction.

More recent appropriations for the Judicial Center (\$21.6 million for FY 2013-14) are strictly for lease purchase payments, as reflected in line item titles. As a result, the FY 2011-12 appropriation provides a more appropriate location for the requested additional spending authority.

INTERCEPT BONDS AUTHORIZATION – COLORADO STATE UNIVERSITY (5 PROJECTS)

	Request	Recommendation
Total – Cash Funds Intercept Bonding Authorization	\$230,632,658	\$230,632,658

Request: Colorado State University (CSU) has requested, and the Capital Development Committee has approved, authority to proceed with bonds for five cash-funded CSU projects subject to the Higher Education Revenue Bond Intercept Program. The five projects are on the Fort Collins campus. They include:

- Aggie Village North Redevelopment (student housing) - \$114,000,000
- Bay Farm Parking Garages - \$43,000,000
- Eddy Hall Revitalization (new entry/classrooms) - \$4,800,000
- Engines and Energy Conversion Lab Addition (labs, meeting rooms, offices) - \$11,500,000
- Plant Environmental Research Center Relocation - \$7,332,658
- Shields Street Parking Garage (garage/office space) - \$50,000,000

Staff Recommendation: Staff recommends that the Committee approve these requests. Higher education projects that are cash funded no longer require an appropriation by the General Assembly. However, pursuant to Section 23-1-106 (10) (b), C.R.S., any higher education cash funded project costing \$2.0 million or more which is subject to the Higher Education Revenue Bond Intercept Program must be reviewed and approved by the Colorado Commission on Higher Education (CCHE) and the Capital Development Committee (CDC). The CDC is then required to make a recommendation regarding the project to the JBC, which is required to refer its recommendations, with written comments to the CCHE. The CDC has already approved the requested projects. The attached draft letter from the JBC to the CCHE, if approved, would enable CSU to proceed with the projects and the associated bonding.

Staff Analysis: The CDC has approved these cash funded projects, and CSU available revenues are sufficient to comply with the statutory limits and guidelines for use of the intercept

program. On this basis, staff recommends the requests. However, staff has provided some additional information below related to the projects and the statutory requirements for using the intercept program and CSU's current revenue and bonding capacity to provide additional context for the recommendation.

Project Information:

Aggie Village North Redevelopment: 408,000 GSF new apartments to provide 1,000 beds for undergraduate and graduate students. Existing 1960s buildings are underutilized. Also includes six staff-member offices and a parking lot. The \$114.0 million cash funds project would be financed by bonds repaid over 30 years at a rate of 3.8 to 5.0 percent (anticipated annual payment of \$7.4 million).

Bay Farm Parking: Two four-story 420,000 GSF parking garages on the south campus to replace parking lost to construction on the main campus and in anticipation of enrollment growth. The \$43.0 million cash funds project would be repaid by university funds including parking revenue. Bonds would be for a period of 30 years at a rate of 3.8 to 5.0 percent (anticipated annual payment of \$2.8 million).

Eddy Hall Revitalization, Phase 2: Includes 2,400 GSF entrance to the Eddy Hall classroom building and exterior and interior upgrades to the building, adding to a current cash-funded capital renewal project. Provides for a new plaza, energy efficient windows, stone veneers and better interior fixtures. The \$4.8 million cash funds project would be financed by bonds repaid over 30 years at a rate of 3.8 to 5.0 percent (anticipated annual payment of \$0.3 million).

Engines and Energy Conservation Lab: Spending authority to purchase a new four-story 64,000 GSF building 1.5 miles north of the main campus. The four-story building houses a mix of laboratories, meeting rooms, and offices and is operated by the CSU Research Foundation. The university originally planned to lease the newly constructed addition from the Foundation but now proposes to buy it. The total cost is \$17.3 million, but this will be offset by donor gifts so the balance to be financed will not exceed \$11.5 million. Bonds would be for a period of 30 years at a rate of 3.8 to 5.0 percent (anticipated annual payment of \$0.5 million).

Plant Environmental Research Center Relocation: Authority to construct a 31,480 greenhouse and headhouse building to relocate and consolidate in one location the Plant Environmental Research Center (PERC). The PERC supports teaching, research and outreach for horticulture and landscape architecture programs. The \$7.3 million cash funds project would be financed by bonds repaid over 30 years at a rate of 3.8 to 5.0 percent (anticipated annual payment of \$0.5 million).

Shields Street Parking: Six-story 626,200 GSF, 1,760-space parking garage to replace surface parking lost to recent construction projects. Part of an overall strategy to increase parking along the perimeter and create opportunities for development in the campus interior. The \$50 million cash funds project would be financed by bonds repaid over 30 years at a rate of 3.8 to 5.0 percent (anticipated annual payment of \$3.2 million).

Statutory Guidelines: Pursuant to Section 23-11-106 (10) (b), C.R.S. (most recently modified in S.B. 13-099), to qualify for the Revenue Bond Intercept Program, an institution must have:

- (1) A credit rating in one of the three highest categories from a nationally recognized statistical rating organization
- (2) A debt service coverage ratio of at least 1.5x (net revenue available for debt service/annual debt service subject to this article)
- (3) Pledged revenues for the issue of not less than the net revenues of auxiliaries; 10% of tuition if an enterprise; indirect cost recovery revenues; facility construction fees designated for bond repayment; and student fees and revenues pledged to bondholders.

If it meets these requirements and participates in the Program, and if the institution indicates that it will fail to meet the required payment, the State Treasurer makes the payment, and the amount owed is then withheld from the institution's fee-for-service contract, from any other state support for the institution, and from any unpledged tuition moneys collected by the institution.

CSU Financial Position and Bonding Capacity: As of the close of FY 2011-12, the overall CSU system reported annual revenues and expenditures close to \$1.0 billion for services to almost 24,000 student FTE. Revenues and assets have increased substantially in recent years, driven largely by tuition revenue. Net assets of \$886 million reflect \$1.8 billion in total assets set against \$0.9 billion in liabilities, including \$632 million in outstanding bonds.

The requested increase of \$230 million in new bonding authority (above the FY 2012 \$632 million) is significant, even in the context of CSU's substantial capital infrastructure and operation. Nonetheless, the request still places CSU well below its current estimated bonding capacity under the intercept program as outlined in current statute. According to CSU's financial advisor, its debt capacity is approximately \$1.1 billion, if it borrows under the State's AA rating, available under the intercept program. (The institution itself has an A+ Standard and Poor's rating and would be able to borrow significantly less at the rates available at that rating.) Staff also notes that capital debt payments thus far represent a significant, but not overwhelming, component of CSU's annual cash outlays. Principal and interest payments on capital debt totaled about \$35 million in FY 2011-12 (about 3.6 percent of annual operating expenses). The current request could increase annual payments by up to \$15 million, if CSU pursues all of these projects. Recent CSU bond-issuance documents calculate revenue available to pledge for bonds (*e.g.*, 10 percent of tuition) at over \$100 million.

	FY 2011-12	Fiscal Year 2011-12 Interim Supplemental		
	Appropriation	Requested Change	Recommended Change	New Total with Recommendation

CAPITAL CONSTRUCTION

Interim Supplemental - Ralph L. Carr Judicial Center

Judicial Department

(1) Capital Construction

Ralph L. Carr Colorado Judicial Center	<u>33,140,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>36,140,000</u>
Capital Construction Funds	0	0	0	0
Cash Funds	33,140,000	3,000,000	3,000,000	36,140,000
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0

Totals				
CAPITAL CONSTRUCTION				
TOTALS for ALL Departmental line items	190,741,497	3,000,000	3,000,000	193,741,497
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	50,514,800	0	0	50,514,800
Cash Funds	106,832,988	3,000,000	3,000,000	109,832,988
Reappropriated Funds	0	0	0	0
Federal Funds	33,393,709	0	0	33,393,709

Key:

"N.A." = Not Applicable or Not Available

Rep. Edward Vigil, Chair
Rep. Randy Fischer
Rep. Libby Szabo

Sen. Gail Schwartz, Vice-Chair
Sen. Randy Baumgardner
Sen. Angela Giron



CAPITAL DEVELOPMENT COMMITTEE

State Capitol Building, Room 029
Denver, Colorado 80203-1784
(303) 866-3521



September 18, 2013

Senator Pat Steadman
Chair, Joint Budget Committee
200 East 14th Avenue, Third Floor
Denver, Colorado 80203

Dear Senator Steadman:

On September 16, 2013, the Capital Development Committee (CDC) considered five higher education cash-funded requests pursuant to Section 23-1-106 (10)(b), C.R.S., which requires additional review and approval of cash projects submitted by higher education institutions as part of a Two-Year Projection of Cash Need, if such projects are subject to the Higher Education Revenue Bond Intercept Program (intercept program). The CDC also considered one supplemental request for additional cash funds spending authority, pursuant to Section 24-75-111, C.R.S. Table 1 summarizes the higher education requests. Table 2 summarizes the emergency supplemental request. Descriptions of the requests are attached. *The CDC approved the higher education cash requests and supplemental request as submitted and forwards these requests to the Joint Budget Committee for consideration.*

Table 1
Capital Development Committee Recommendation
Regarding Higher Education Cash Projects Subject to Intercept Program

Agency	Project Title	Summary of Request	Amount
Colorado State University	Aggie Village North Redevelopment	The project constructs 408,000 GSF of new apartments on the site of the existing Aggie Village North apartments. The new apartments will construct 1,000 beds for undergraduate and graduate students.	\$114,000,000
Colorado State University	Bay Farm Parking Garages	The project constructs two four-story, 420,000-GSF parking garages on the south campus. The additional parking will replace parking lost to new construction on the main campus and add to the existing parking inventory.	43,000,000
Colorado State University	Eddy Hall Revitalization, Phase 2	The project constructs a 2,400-GSF entrance to the Eddy Hall classroom building, and makes exterior and interior upgrades to the building. The new building entrance may include some academic classrooms.	4,800,000

**Table 1 (Cont.)
 Capital Development Committee Recommendation
 Regarding Higher Education Cash Projects Subject to Intercept Program**

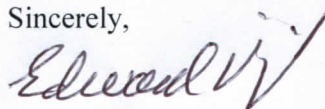
Agency	Project Title	Summary of Request	Amount
Colorado State University	Engines and Energy Conversion Lab (EECL) Addition Purchase	The project purchases a 64,000-GSF building one and one-half miles north of the main campus. The new, four-story building houses a mix of laboratories, meeting rooms, and offices.	\$11,500,000
Colorado State University	Plant Environmental Research Center (PERC) Relocation	The project constructs a 31,480-GSF greenhouse and headhouse building to relocate — and consolidate in a single location — the PERC.	7,332,658
Colorado State University	Shields Street Parking Garage	The project constructs a six-story, 626,200-GSF, 1,760 space parking garage in order to replace surface parking lost to recent construction projects. The new parking garage will also construct 56,200 GSF of office space along three stories of the building's exterior.	50,000,000
Total			\$230,632,658

**Table 2
 Capital Development Committee Recommendation
 Regarding FY 2011-12 Supplemental Request**

Agency	Project Title	Summary of Request	Amount
Judicial Branch	Ralph L. Carr Justice Center	The request makes the final payments to project contractors for costs associated with the construction of the Ralph L. Carr Justice Center.	\$3,000,000

If you have any questions or concerns about the CDC's recommendations, please call Kori Donaldson, Legislative Council Staff, at 303-866-4976.

Sincerely,



Representative Ed Vigil
 Chair, Capital Development Committee

Senator Steadman, Chair

September 18, 2013

Page 3

- c: Capital Development Committee Members
- Joint Budget Committee Members
- Shelly Carroll, Colorado State University
- Rich Schweigert, Colorado State University System
- David Kribs, Judicial Branch
- Brett Johnson, State Treasurer's Office
- Erick Scheminske, Office of State Planning and Budgeting
- Laura Blomquist, Office of State Planning and Budgeting
- Tonya Covarrubias, Department of Higher Education
- Amanda Bickel, Joint Budget Committee Staff
- Kori Donaldson, Capital Development Committee Staff
- CDC File

STATE OF COLORADO

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**STAFF DIRECTOR**

John Ziegler

JOINT BUDGET COMMITTEE

200 East 14th Avenue, 3rd Floor
LEGISLATIVE SERVICES BUILDING
Denver, CO 80203
Telephone 303-866-2061
www.state.co.us/gov_dir/leg_dir/jbc/jbchome.htm

DRAFT

September 20, 2013

Mr. Robert Jaros
State Controller
Department of Personnel
633 17th Street, Suite 1500
Denver, CO 80202

Dear Mr. Jaros:

The Joint Budget Committee has considered an interim supplemental request submitted by the Judicial Department under the provisions of H.B. 98-1331 for an increase in the cash funds capital construction appropriation for the Ralph L. Carr Colorado Judicial Center project. Pursuant to Section 24-75-111 (1), C.R.S., the Committee authorizes the additional FY 2011-12 spending authority reflected below from the Justice Center Cash Fund for purposes of closing-out construction expenses for the Judicial Center. The JBC will sponsor a supplemental appropriations bill during the 2014 legislative session that reflects this adjustment to the prior FY 2011-12 appropriation for this project.

Capital construction, Judicial Department JBC Approved Adjustments to FY 2011-12 Appropriation	
	Additional Cash Funds Spending Authority (Justice Center Cash Fund)
Capital Construction Appropriation, Judicial Department, Ralph L. Carr Colorado Judicial Center	\$3,000,000

If you have any questions or concerns, please contact Amanda Bickel of our staff at 303-866-4960.

Sincerely,

Senator Pat Steadman, Chair
Joint Budget Committee

Attachment: Letter from Capital Development Committee

cc:

Mr. John Ziegler, Staff Director, Joint Budget Committee
Hon. Michael Bender, Chief Justice
Gerald Marroney, State Court Administrator, Judicial Branch
Rep. Edward Vigil, Chair, Capital Development Committee
Ms. Kori Donaldson, CDC Staff

STATE OF COLORADO

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Cheri Gerou



STAFF DIRECTOR

John Ziegler

JOINT BUDGET COMMITTEE

200 East 14th Avenue, 3rd Floor
LEGISLATIVE SERVICES BUILDING
Denver, CO 80203
Telephone 303-866-2061
www.state.co.us/gov_dir/leg_dir/jbc/jbchome.htm

DRAFT

September 20, 2013

Lt. Gov. Joseph A. Garcia
Executive Director
Colorado Commission on Higher Education
1560 Broadway, Suite 1600
Denver, CO 80202

Dear Lieutenant Governor Garcia:

Pursuant to the provisions of Sections 24-75-303 (3) and 23-1-106 (9) and (10), C.R.S., the Joint Budget Committee has reviewed the following higher education revenue bond intercept projects. All of these Colorado State University projects were previously approved by the Capital Development Committee and the Colorado Commission on Higher Education.

Aggie Village North Redevelopment: Constructs 408,000 GSF new apartments for 1,000 undergraduate and graduate students. The \$114.0 million cash funds project would be financed by bonds repaid over 30 years at a rate of 3.8 to 5.0 percent (anticipated annual payment of \$7.4 million).

Bay Farm Parking: Two four-story 420,000 GSF parking garages on the south campus to replace parking lost to construction on the main campus and in anticipation of enrollment growth. The \$43.0 million CF project would be repaid by university funds including parking revenue. Bonds would be for a period of 30 years at a rate of 3.8 to 5.0 percent (anticipated annual payment of \$2.8 million).

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Engines and Energy Conservation Lab: Spending authority to purchase a new four-story 64,000 GSF building 1.5 miles north of the main campus. The four-story building houses a mix of laboratories, meeting rooms, and offices. The total cost will be offset by donor gifts so the balance to be financed will not exceed \$11.5 million. Bonds would be for a period of 30 years at a rate of 3.8 to 5.0 percent (anticipated annual payment of \$0.5 million).

Plant Environmental Research Center Relocation: Authority to construct a 31,480 greenhouse and headhouse building to relocate and consolidate in one location the Plant Environmental Research Center (PERC). The \$7.3 million cash funds project would be financed by bonds repaid over 30 years at a rate of 3.8 to 5.0 percent (anticipated annual payment of \$0.5 million).

Shields Street Parking: Six-story 626,200 GSF, 1,760-space parking garage to replace surface parking lost to recent construction projects. The \$50.0 million cash funds project would be financed by bonds repaid over 30 years at a rate of 3.8 to 5.0 percent (anticipated annual payment of \$3.2 million).

After considering the information submitted by the Colorado Commission on Higher Education and the Capital Development Committee, the Joint Budget Committee approve these requests.

If you have any questions or concerns, please contact Amanda Bickel of our staff at 303-866-4960.

Sincerely,

Senator Pat Steadman
Chair
Joint Budget Committee

cc: Representative Edward Vigil, Capital Development Committee
Kori Donaldson, Capital Development Committee Staff
Mark Cavanaugh, Department of Higher Education
Richard Schweigert, Colorado State University System
Erick Scheminske, Office of State Planning and Budgeting
Bob Jaros, State Controller
John Ziegler, Staff Director, Joint Budget Committee