
JOINT BUDGET COMMITTEE



INTERIM SUPPLEMENTAL BUDGET REQUEST FY 2019-20

CAPITAL CONSTRUCTION

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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INTERIM SUPPLEMENTAL #5 (FY 2019-20), CAPITAL RENEWAL, DEPARTMENT OF PERSONNEL, CAPITOL ANNEX SEWER VENTING REPAIR

	REQUEST	RECOMMENDATION
TOTAL	\$4,070,023	\$4,070,023
Capital Construction Fund/General Fund	4,070,023	4,070,023
Cash Funds	0	0
Federal Funds	0	0

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.] **YES**

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.] **YES**

Explanation: JBC staff and the Department agree that this request is the result of an emergency that poses a threat to the life, health, and safety of building occupants and could result in the disruption of programs due to building closure.

DEPARTMENT REQUEST: The Department of Personnel requests \$4.1 million Capital Construction Fund to replace the entire restroom vent stack and plumbing system, including asbestos abatement, for the Capitol Annex building at 1375 Sherman Street.

CDC RECOMMENDATION: The Capital Development Committee recommends approval of the request.

STAFF RECOMMENDATION: Staff recommends that the Committee approve the request.

STAFF ANALYSIS:

PROJECT SUMMARY

The project replaces the entire restroom vent stack and domestic water plumbing system in the Capitol Annex building. The project includes asbestos abatement in work areas and includes air monitoring over the entire project completion period. The Department intends to complete repairs one floor at a time, starting in the basement and moving upward from floor to floor. Tie-in connections between floors will be scheduled for after hours to minimize disturbance to tenants and the public. The project is expected to take 13-14 months for completion.

CAPITOL ANNEX REQUEST HISTORY

The project is included within the Capitol Complex Master Plan as a portion of the recommended renovation work for the Capitol Annex building. At release of the master plan in 2014, the building

renovation was identified as the number 2 funding priority and number 1 renovation priority in the Capitol Complex. Immediately following release of the master plan, renovation of the Capitol Annex building was requested as a FY 2014-15 supplemental. The supplemental request for FY 2014-15 totaled \$2.0 million Capital Construction Fund for the design phase of the total estimated \$27.9 million project.

The CDC recommended funding the FY 2014-15 supplemental request. JBC staff agreed with the need for renovation, but recommended more consideration for state agency operations identified to occupy a renovated Capitol Annex building. Staff recommended consideration of the Capitol Annex building for legislative functions and Department of Revenue operations to be housed in a more appropriate space to accommodate general public access for parking and transit. For this reason, and because the request fell outside of the annual prioritization process, staff recommended denial of the request as a supplemental with a recommendation that the CDC consider the project within its FY 2015-16 prioritization. The CDC did not prioritize the request in its FY 2015-16 recommendation list.

In 2018, the Department completed an updated assessment of the building, with a \$55.8 million estimate for a total renovation as a single project, involving a total gut and renovation of the building back to the core shell. However, since 2014, a Capitol Annex building renovation request has never again been submitted by the Executive Branch.

Additional work completed on the building include water main replacement in 2013, main sewer replacement in 2015, and cooling unit replacement in 2017.

REASON FOR REQUEST

Complaints of sewer gas smells throughout the building from tenants and public visitors to the building have been received for more than a year. As early attempts at identification and mitigation failed to resolve the issue, an engineering consultant was hired to assess the cause of the odor. The assessment identified that the sanitary and vent piping have leak sources, with varying degrees of odor intensity throughout the building. The vent stack system allows waste gas from domestic plumbing to ventilate outside the building while channeling solid and liquid waste to the sewer. The consultant reports that multiple pipes have large cracks and holes and physical waste is seeping into ceilings. This has resulted in sewer gas odor that affects air quality with the building. Additionally, these failures are putting critical IT equipment at risk of being destroyed.

RECOMMENDATION

The Office of the State Architect confirms that replacement of the restroom vent stack and plumbing system would remain and not need to be replaced in the event of a building renovation. Based on the emergency need to address the public health and safety concerns; the potential for building closure related to this building system failure; the potential for additional building systems and IT equipment destruction; and the one-time cost for replacement in the event of a larger building renovation, staff recommends approval of the request.

The introductory paragraph in Section 24-75-111 (1), C.R.S., (the 1331 statute) states that the State Controller may allow an overexpenditure "of the amount authorized by an item of appropriation for such fiscal year". This requires overexpenditure from an existing line item. In order to comply with the statutory requirement, staff recommends the overexpenditure related to this request be identified within the Historical Property Rehabilitation line item within the Department's Capital Renewal and Recapitalization section. The Capital Construction Fund is completely appropriated and additional

balance is not available. In the letter to the Controller, staff will specify that the overexpenditure will be from General Fund and the identified line item project will include an expansion of scope to provide for this request. For the supplemental bill to be prepared for the Committee in January, staff will recommend creating a separate line item for this project at that time and include funding from Capital Construction Fund to include a transfer from General Fund if necessary.

TECHNICAL NOTE

The 1331 statute requires the State Controller to restrict an amount equal to the overexpenditure in the following year if a supplemental appropriation is not enacted. Traditionally, for capital construction items, requests have included the identification of a proposed line item for restriction in the event a supplemental is not enacted. However, Section 24-75-11 (4)(b), C.R.S., assigns the authority for restriction to the State Controller as follows (emphasis added):

*(4)(b) For any overexpenditure allowed by the controller in accordance with subsection (1) of this section that is **in regard to a capital construction budget item**, the controller shall restrict, in an amount equal to said overexpenditure, an item or items of appropriation that are made in the general appropriation act for the fiscal year following the fiscal year for which the overexpenditure is allowed and that are made for the following purposes in the order specified: The capital construction budget item for which the overexpenditure was allowed; any other capital construction budget item of the department, institution, or agency that was allowed to make the overexpenditure; any operating budget item relating to the administration of the department, institution, or agency that was allowed to make the overexpenditure; and any other operating budget item of the department, institution, or agency that was allowed to make the overexpenditure. For the purposes of determining the item or items of appropriation for operating budget items to be restricted, the controller shall restrict the item or items of appropriation that would be the least disruptive to the operations of the department, institution, or agency.*

It is staff's understanding that OSPB has suggested two line items for restriction: the capital construction line item which staff has recommended for placement of the overexpenditure; and the Retailer Compensation line item in the Colorado Lottery budget.

The existing capital construction line item for the Historical Property Rehabilitation project totals \$1.0 million Capital Construction Fund and is anticipated to be spent in FY 2019-20. Unless this line item is appropriated again in FY 2020-21, for any amount up to the overexpenditure in the request, the State Controller would not be able to restrict from this appropriation item, and only up to the amount appropriated if less than the overexpenditure.

The identified Colorado Lottery line item is a cash funds appropriation from the Lottery Fund. The Colorado Lottery budget is located in the Department of Revenue and not in the Department of Personnel, and therefore would not qualify as a line for restriction for a Department of Personnel capital construction project. Additionally, the request is for state funds – Capital Construction Fund or General Fund – and not cash funds from the Lottery Fund.

Nevertheless, although it is unlikely that either of the identified line items for restriction could be used for this purpose, statute assigns this authority to the State Controller in the event a supplemental appropriation is not enacted. Staff recommends approval of the request without identifying a proposed line item for restriction.