

MEMORANDUM

TO: Joint Budget Committee

FROM: Patrick Brodhead (303-866-4955)

SUBJECT: Cash-funded capital construction requests

DATE: December 22, 2009

FY 2009-10 Emergency 1331 Supplementals

Through the H.B. 98-1331 process, state agencies can get authorization to make an overexpenditure when the Legislature is not in session. To receive such authorization, the Office of State Planning and Budgeting, Capital Development Committee, and Joint Budget Committee must approve the request and send a letter to the State Controller. If an overexpenditure is approved, H.B. 98-1331 requires that the JBC introduce a supplemental appropriation in the next legislative session. If the supplemental bill does not pass or is vetoed by the Governor, H.B. 98-1331 spells out the method that the State Controller would use to restrict appropriations for the department in the following fiscal year. The following requests have been reviewed and approved by the Capital Development Committee:

1. *Colorado School of Mines, New Residence Hall:* The Colorado School of Mines (Mines) previously received an appropriation of \$24,871,380 cash funds to construct a 259-bed student residence hall (84,237 GSF) serving mostly first-year students on the main campus. This FY 2009-10 supplemental request seeks an appropriation of \$3,016,497 cash funds to construct a utility tunnel from the new residence hall to another residence hall (Brown Hall) in order to provide more efficient and cost-effective cooling to the new residence hall. The source of cash funds is Build America Bonds to be repaid from revenue from student rents. Mines plans to issue bonds for a period of 30 years, at a rate of 3.6 percent, with an anticipated annual payment of \$1.68 million per year.

This project is subject to the Higher Education Revenue Bond Intercept Program. As such, the Treasurer is directed to make payments of principal and/or interest on the bonds used for this project in the event that Mines does not make a scheduled payment.

Staff recommends that the JBC approve the FY 2009-10 supplemental request. No state funds are required for the construction, maintenance, or operating expenses of the project. If the JBC approves the project, it will be included in this year's capital construction supplemental bill for informational purposes.

2. Colorado State Veterans Home at Walsenburg, Quality of Life Improvement Project: The Department of Human Services requests a FY 2009-10 supplemental appropriation of \$2,023,758, which includes \$708,315 cash funds and \$1,315,443 federal funds. The project consists of renovating 3,137 GSF and constructing 3,697 GSF at the 120-bed skilled nursing facility in Walsenburg in order to provide additional services on a locked care unit and to update food and dining services for all residents. Specifically, the project would make the following changes:

- expand the main dining room serving pantry and purchase additional food preparation equipment in order to vary menu options, including the addition of a cook-to-order menu;
- convert an existing patio dining area to a private dining room for residents requiring assisted and restorative dining;
- build a new patio dining area to replace the patio dining area that will be renovated for use by special populations;
- duplicate food preparation, dining, bathing, and activity space on the locked care unit in order to reduce the need to transport residents with dementia off the locked care unit multiple times daily; and
- renovate the locked care unit courtyard to include walkways, shade structures, and landscaping.

The project will be jointly funded with federal funds and private funds (cash funds). The federal funds will account for 65 percent of the total funding and will be from the Veterans Administration under the State Homes Construction Grants program. The private funds will account for the remaining 35 percent of the total funding and will be provided by the contract operator, Spanish Peaks Regional Health Center.

Staff recommends that the JBC approve the FY 2009-10 supplemental request. No state funds are required for the construction, maintenance, or operating expenses of the project. If the JBC approves the project, it will be included in this year's capital construction supplemental bill for informational purposes.

3. Division of Vocational Rehabilitation, Colorado AWARE VR Case Management System: The Division of Vocational Rehabilitation (DVR) within the Department of Human Services requests a FY 2009-10 supplemental appropriation of \$1,152,850 federal funds in order to purchase a case management system using funds from the American Recovery and Reinvestment Act of 2009 (ARRA). The case management system (AWARE) will be purchased from Alliance Enterprises. The DVR has 19 regional offices that use an existing three-system model. The AWARE system would create one integrated system that the Department indicates will reduce case documentation time by as much as 30 percent. The request also includes project costs of \$1,747,584 in FY 2010-11 and \$415,630 in FY 2011-12.

Staff notes that the ongoing annual maintenance and managed system support for the AWARE system will be approximately \$237,080. The request assumes this will be paid from the DVR's ongoing operating budget, which is funded with 78.7 percent federal funds and 21.3 percent General Fund.

Staff recommends that the JBC approve the FY 2009-10 supplemental request. No state funds are required for the construction, and although the maintenance of the system will require some state funds, the Department has indicated that this will be funded through existing appropriations. If the JBC approves the project, it will be included in this year's capital construction supplemental bill for informational purposes.

4. Department of Revenue, Loma Port-of-Entry Repair and Abatement: The Department of Revenue requests a FY 2009-10 supplemental appropriation of \$259,683 federal funds to address air quality concerns and structural issues at two port facilities at the Loma Port-of-Entry, which is located slightly north of Interstate 70 about 15 miles west of Grand Junction near the Utah border. Concerns with the two buildings include:

- rodent infestation;
- rapid fungal growth;
- moisture and soil gas control due to pooling water in crawl spaces;
- severe foundation settlement; and
- inadequate ventilation systems.

The project will remove and remediate contaminants, install a filtered ventilation system, make repairs to the buildings' foundations to correct structural damage, and improve site drainage. The Department commenced work on the project in October 2009, and expects to complete repairs by February 2010. The source of federal funds is Government Services Funds from the State Fiscal Stabilization Fund of the American Recovery and Reinvestment Act of 2009.

Staff recommends that the JBC approve the FY 2009-10 supplemental request. No state funds are required for the construction, maintenance, or operating expenses of the project. If the JBC approves the project, it will be included in this year's capital construction supplemental bill for informational purposes.

5. Adams State College, Auxiliary Facilities (202 Project): Adams State College previously received an appropriation of \$22,000,000 cash funds to develop an auxiliary facilities master plan, construct a new residence hall combined with athletic facilities next to Rex Stadium, and renovate various existing facilities and features around campus in accordance with the master plan. This FY 2009-10 supplemental requests seeks an appropriation of \$10,000,000 cash funds to continue

renovations in Coronado Hall, including reconfiguring old lounge areas to accommodate suites, making some rooms ADA-accessible, installing new windows and HVAC system, insulating the exterior walls and roof, and diminishing sound transmission between floors and rooms. In addition, this supplemental request makes improvements in Girault Hall, including updates to toilet and shower facilities, the installation of new windows, and insulation of the roof and walls.

The source of cash funds is Build America Bonds to be repaid from revenue from an existing student capital fee of \$29 per credit hour. Adams State College plans to issue bonds for a period of 30 years, at a rate of 4.8 percent, with an anticipated annual payment of \$898,000 per year. The bonds will also be used to finance the Music Building remodel and the Education and Social Studies Building renovation, both of which are on the school's two-year projection of cash need.

As a Senate Bill 92-202 project, no state funds can ever be used for the design, construction, operation, or maintenance of the project's components.

Staff recommends that the JBC approve the FY 2009-10 supplemental request. No state funds are required for the construction, maintenance, or operating expenses of the project. If the JBC approves the project, it will be included in this year's capital construction supplemental bill for informational purposes.

6. Department of Public Health and Environment, Superfund Site Cleanup - California Gulch, Captain Jack Mill, and Standard Mine: The Department of Public Health and Environment requests an extension of spending authority for funds previously appropriated to continue clean up work at the California Gulch Superfund site, the Captain Jack Mill, and the Standard Mine site. Due to implementation difficulties and delays in receiving federal funding, the project's FY 2007-08 appropriation of \$27.0 million (\$2.7 million cash funds exempt from the Hazardous Substance Response Fund and \$24.3 million federal funds) will not be encumbered or expended prior to the expiration date of May 22, 2010. The request seeks an extension of the spending authority for this appropriation until 2013 in order to continue work at all three sites. No new spending authority is being requested. The Department indicates that the spending authority needs to be extended in order to provide the 10 percent state match that the federal government requires to be in place before a state Superfund contract can be signed and clean up work can proceed.

Staff recommends that the JBC approve the FY 2009-10 supplemental request. No state funds are required for the construction, maintenance, or operating expenses of the project. If the JBC approves the project, it will be included in this year's capital construction supplemental bill for informational purposes.

7. Department of Public Health and Environment, Superfund Site Cleanup - Clear Creek/Central City, Chem Sales, Summitville, and Vasquez Boulevard: The Department of Public Health and Environment requests an extension of spending authority for funds previously appropriated to continue clean up work at the Clear Creek Superfund site. Due to unanticipated delays during activities leading up to remedial action at the site, most of the project's FY 2006-07 appropriation of \$14,785,000 (\$1,478,500 cash funds exempt from the Hazardous Substance Response Fund and \$13,306,500 federal funds) will not be encumbered or expended prior to the expiration date of March 22, 2010. The request seeks an extension of the spending authority for this appropriation until 2013 in order to continue work at all three sites. To date, \$1,994,243 of the FY 2006-07 appropriation has been spent, including \$227,713 from cash funds and \$1,766,530 from federal funds. No new spending authority is being requested. The Department indicates that the spending authority needs to be extended in order to provide the 10 percent state match that the federal government requires to be in place before a state Superfund contract can be signed and clean up work can proceed.

Staff recommends that the JBC approve the FY 2009-10 supplemental request. No state funds are required for the construction, maintenance, or operating expenses of the project. If the JBC approves the project, it will be included in this year's capital construction supplemental bill for informational purposes.

FY 2010-11 Cash-Funded Requests

Senate Bill 09-290 changes the expedited review process for self-funded higher education capital construction projects. The bill changes the review process for cash-funded capital construction projects at higher education institutions and changes how various cash-funded projects are categorized. The bill also makes changes to the bidding process for capital construction projects for higher education institutions.

Current law regarding cash-funded capital construction projects submitted by higher education institutions. Under current law, any cash-funded project costing in excess of \$2 million is subject to review and approval by the Colorado Commission on Higher Education (CCHE), the Capital Development Committee (CDC), and the Joint Budget Committee (JBC). Cash-funded projects submitted by higher education institutions and approved by the CCHE, CDC, and JBC may be commenced anytime during a fiscal year and do not require prior authorization in a bill.

Cash-funded projects fall into two categories, including: (1) Senate Bill 92-202 projects, which are constructed from auxiliary funds and will never be eligible for state funds for operating or maintenance expenses; and (2) House Bill 08-1205 projects, which are constructed from higher education institution cash sources and are eligible for future state funds for operating and/or maintenance expenses.

Changes to the review process for cash-funded capital construction projects submitted by higher education institutions. The bill directs higher education institutions to annually submit 2-year projections for all capital construction projects to be constructed using cash funds, and costing more than \$2 million, to CCHE. CCHE in turn is directed to annually submit a unified list of 2-year projections from higher education institutions to the CDC. The bill instructs both CCHE and the Governor's Office of Planning and Budgeting (OSPB) to provide written comments to the CDC about the projections. The CDC is directed to review and approve the 2-year projections annually. If necessary, the CDC may direct institutions of higher education to modify the projections. Any project listed and reviewed as part of an institution's 2-year projection may commence construction upon approval of an institution's governing board, and without further legislative review, unless it is subject to the Higher Education Revenue Bond Intercept Program. If an institution of higher education plans to issue bonds for a project pursuant to the Higher Education Revenue Bond Intercept Program, then the project is subject to additional program plan and budget review and approval by the CCHE, CDC, and JBC. Project construction may commence upon approval by the CCHE and CDC.

The Higher Education Revenue Bond Intercept Program directs the state Treasurer to make payments of principal and/or interest on bonds, on behalf of a state-supported institution of higher education, in the event a higher education institution does not make a scheduled payment, unless a higher education institution adopts a resolution stating that it will not accept such payment prior to the issuance of the bonds for a project. Historically, most state-supported institutions of higher education that issue bonds from revenue sources such as student fees in order to finance projects do so using the State's credit rating. Therefore, most higher education cash-funded projects may still be subject to a separate review and approval by the CCHE.

Higher education institutions are directed to submit amendments to approved 2-year projections simultaneously to CCHE, OSPB, and the CDC. Both CCHE and OSPB are directed to provide written comments to the CDC about the amended program plan. The CDC is directed to meet within 30 days of the submittal during the session, or 45 days during an interim, to review and approve a program plan amendment. The receipt of an additional gift, grant, or donation and/or the increase of up to 15 percent of the project's total cost is not required to be submitted as a program plan amendment so long as the higher education institution notifies the CCHE, OSPB, CDC, and JBC in writing to explain how a project has been amended or enhanced and to verify the receipt of additional moneys.

The bill states that it is the responsibility of each higher education institution's governing board to ensure cash-funded projects are planned and constructed in accordance with the institution's mission, are of a size and scope to provide for the defined program needs, and are designed in accordance with all applicable building codes and accessibility standards.

Categorization of higher education institution cash-funded projects pursuant to Senate Bill 09-290. Pursuant to the bill, higher education institution cash-funded projects can fall into one of four categories, including: (1) non-academic buildings that are to be constructed, operated, and maintained solely from cash funds; (2) academic buildings to be constructed from cash funds and operated and maintained from such cash funds, or from state moneys appropriated for such purposes; (3) non-academic buildings subject to the Higher Education Revenue Bond Intercept Program that are to be operated and maintained solely from cash funds; and (4) academic buildings subject to the Higher Education Revenue Bond Intercept Program to be constructed from cash funds and operated and maintained from such cash funds, or from state moneys appropriated for such purposes.

Requirement for projects to comply with the high performance certification program. The bill requires that any cash-funded capital construction project at a higher education institution that is eligible for future state dollars for operating or maintenance must comply with the provisions of the high performance certification program regarding Leadership in Energy and Environmental Design (LEED) certification.

Changes to the bidding process for capital construction projects. The bill makes changes to the bidding process for higher education institutions as follows:

- allows the executive director of the Department of Personnel and Administration the discretion to exempt higher education cash-funded projects from certain procedural requirements regarding the negotiation of consultants' contracts and construction bidding for public projects;
- doubles the cost threshold that triggers a requirement for public notice to be given prior to contracting for new projects from \$500,000 to \$1 million for construction costs, and from \$50,000 to \$100,000 for professional services; and
- expands the allowable medium for public notice to be given prior to contracting for new projects, issuing an invitation for bids, or giving notice of final settlement, from daily newspapers to also include an electronic medium.

The Capital Development Committee has considered and recommended the following projects:

1. ***Colorado School of Mines, Student Health and Wellness Center:*** The Colorado School of Mines (Mines) requests a FY 2010-11 appropriation of \$2,799,892 cash funds to construct a 10,655 GSF student health and wellness center to replace the existing facility. The existing student health center is located in a converted private residence and houses student medical and dental services. Student counseling and disability services are located in the student center. The proposed facility would be built on part of an existing parking lot and an underused section of the school's intramural fields and would include distinct space for medical, dental, counseling, and disability services, including

separate waiting areas for medical and counseling services. In addition, the project will include construction of:

- medical examination rooms;
- training and treatment rooms;
- a recovery and observation area;
- a clean and dirty utility area;
- office space for nurses and administrators;
- a pharmacy, laboratories, and a radiology suite;
- interview and conference rooms;
- ADA-compliant restrooms;
- medical records room and additional storage;
- staff room and kitchen; and
- a dental clinic.

The source of cash funds is Build American Bonds to be repaid with a \$49.70 per semester student health fee that is paid by all students enrolled in four or more credit hours. Mines plans to issue these bonds in conjunction with bonds for the Weaver Tower Renovation for a period of 30 years, at a rate of 3.6 percent, with an anticipated annual payment of \$1.68 million per year. The student health fee entitles students to free evaluation and treatment for common illnesses and injuries, including doctor visits, over-the-counter medication, and prevention care. In addition, counseling and disability services are also provided free of charge. Dental services are provided on a fee-for-service basis.

This project is subject to the Higher Education Revenue Bond Intercept Program. As such, the Treasurer is directed to make payments of principal and/or interest on the bonds used for this project in the event that Mines does not make a scheduled payment.

Staff recommends that the JBC approve the FY 2010-11 cash-funded request. No state funds are required for the construction, maintenance, or operating expenses of the project. If the JBC approves the project, it will be included in next year's Long Bill for informational purposes.

2. *Colorado School of Mines, Weaver Tower Renovation:* The Colorado School of Mines (Mines) requests a FY 2010-11 appropriation of \$9,999,933 cash funds to renovate 57,655 GSF in the 228-bed Weaver Tower Residence Hall. The request seeks to address failing building systems and outdated fixtures. Specifically, the project would make the following renovations to the building:

- repair exterior sealants and masonry;
- replace windows;

- replace all bathroom finishes and fixtures;
- provide new paint throughout;
- upgrade elevators to meet ADA requirements;
- add fire sprinkler system;
- replace major HVAC equipment and plumbing system;
- replace major electrical equipment; and
- build a new utility tunnel to the Brown Hall Addition to provide heating and cooling from the Central Campus Plant.

The source of cash funds is Build America Bonds to be repaid from revenue from student rents. Mines plans to issue these bonds in conjunction with the bonds for the Student Health and Wellness Center for a period of 30 years, at a rate of 3.6 percent, with an anticipated annual payment of \$1.68 million per year.

This project is subject to the Higher Education Revenue Bond Intercept Program. As such, the Treasurer is directed to make payments of principal and/or interest on the bonds used for this project in the event that Mines does not make a scheduled payment.

Staff recommends that the JBC approve the FY 2010-11 cash-funded request. No state funds are required for the construction, maintenance, or operating expenses of the project. If the JBC approves the project, it will be included in next year's Long Bill for informational purposes.

3. University of Northern Colorado, Butler Hancock Interior Renovation: The University of Northern Colorado (UNC) previously received an appropriation of \$11,591,235 cash funds (COPs) and \$3,000,000 General Fund to renovate 40,100 GSF in the Butler Hancock Sports Pavilion. The \$3,000,000 General Fund appropriation was later eliminated as part of the budget balancing plan. This request seeks a FY 2010-11 appropriation of \$3,000,000 cash funds in order to supplant the loss of General Fund for the project. This cash-funded portion of the project will complete renovation of the second floor office area and mechanical upgrades in the gymnasium.

The Butler Hancock Sports Pavilion houses the Athletics Department and elements of the School of Sport and Exercise Science. The project will consolidate these programs into one facility. When complete, the project will include 34 new staff and faculty offices, four new seminar/conference rooms, 36 computer lab workstations, 2 smart classrooms, 12 reorganized and renovated locker rooms, a library and computer lab, and a new entryway.

The source of cash funds is bonds to be repaid from institutional cash sources. UNC plans to issue bonds for a period of 30 years, at a rate of 3.96 percent, with an anticipated annual payment of \$340,000 per year.

This project is subject to the Higher Education Revenue Bond Intercept Program. As such, the Treasurer is directed to make payments of principal and/or interest on the bonds used for this project in the event that UNC does not make a scheduled payment.

Staff recommends that the JBC approve the FY 2010-11 cash-funded request. No state funds are required for the construction, maintenance, or operating expenses of the project. If the JBC approves the project, it will be included in next year's Long Bill for informational purposes.

4. *Adams State College, Education and Social Studies Building Renovation:* Adams State College requests a FY 2010-11 appropriation of \$12,150,727 cash funds to renovate 70,696 GSF in the Education and Social Studies Building. The request seeks to make life-safety upgrades, address maintenance issues, and upgrade classroom space. Specifically, the project will include replacing the building's roof, upgrading the building envelope for increased energy efficiency, installing a fire suppression system, correcting plumbing deficiencies, and replacing the HVAC and electrical systems.

The source of cash funds is Build America Bonds to be repaid from revenue from an existing student capital fee of \$29 per credit hour. Adams State College plans to issue bonds for a period of 30 years, at a rate of 4.8 percent, with an anticipated annual payment of \$898,000 per year. The bonds will also be used to finance the Music Building remodel and the Auxiliary Facilities (202 Project) request.

This project is subject to the Higher Education Revenue Bond Intercept Program. As such, the Treasurer is directed to make payments of principal and/or interest on the bonds used for this project in the event that Adams State College does not make a scheduled payment.

Pursuant to Section 23-1-106 (10) (b), C.R.S., any cash fund project included on a higher education institution's Two-Year List of Projected Cash Need that is subject to the Higher Education Revenue Bond Intercept Program requires additional review by the Capital Development Committee and the Joint Budget Committee (JBC). Therefore, although most projects on a Two-Year List of Projected Cash Need will not be referred to the JBC, this project must be reviewed by the JBC.

Staff recommends that the JBC approve the FY 2010-11 cash-funded request. No state funds are required for the construction, maintenance, or operating expenses of the project. If the JBC approves the project, it will be included in next year's Long Bill for informational purposes.

5. *Adams State College, Music Building Remodel:* Adams State College requests a FY 2010-11 appropriation of \$6,254,103 cash funds to renovate 17,449 GSF in the Music Building and 5,615 GSF in the Leon Memorial Building for the Music Department. The project also seeks to construct

a 3,225 GSF addition to the Music Building to house additional mechanical system equipment and to expand its corridors and practice rooms. The request seeks to correct life-safety and code issues, and to modernize the Music Building's acoustics and other architectural features. Specifically, the project will include repairing or replacing the Music Building's electrical, plumbing, and HVAC systems; upgrading the building's exterior; adding storage space to the library and instrument storage areas; and acquiring new furnishings and musical instruments for the building. In addition, the project will include replacing seats in the Leon Memorial Building, upgrading finishes in the building, installing a wireless system, and upgrading storage areas.

The source of cash funds is Build America Bonds to be repaid from revenue from an existing student capital fee of \$29 per credit hour. Adams State College plans to issue bonds for a period of 30 years, at a rate of 4.8 percent, with an anticipated annual payment of \$898,000 per year. The bonds will also be used to finance the Education and Social Studies Building Renovation and the Auxiliary Facilities (202 Project) request.

This project is subject to the Higher Education Revenue Bond Intercept Program. As such, the Treasurer is directed to make payments of principal and/or interest on the bonds used for this project in the event that Adams State College does not make a scheduled payment.

Pursuant to Section 23-1-106 (10) (b), C.R.S., any cash fund project included on a higher education institution's Two-Year List of Projected Cash Need that is subject to the Higher Education Revenue Bond Intercept Program requires additional review by the Capital Development Committee and the Joint Budget Committee (JBC). Therefore, although most projects on a Two-Year List of Projected Cash Need will not be referred to the JBC, this project must be reviewed by the JBC.

Staff recommends that the JBC approve the FY 2010-11 cash-funded request. No state funds are required for the construction, maintenance, or operating expenses of the project. If the JBC approves the project, it will be included in next year's Long Bill for informational purposes.

6. Metropolitan State College of Denver, Academic Consolidation and Expansion Renovation: Metropolitan State College of Denver (Metro State) requests a FY 2010-11 appropriation of \$10,342,460 cash funds to renovate 129,199 GSF in three campus buildings. The project will make renovations to areas vacated by departments moving to the Metro State Student Success Building. Metro State indicates that the project will address a shortage of faculty offices, specialty laboratories, and classrooms for the following three departments: (1) Letters, Arts, and Sciences; (2) School of Business; and (3) School of Professional Studies. Specifically, the project will include updating paint, carpeting, lighting controls and fixtures, code compliance, cabling, and comfort controls.

The source of cash funds is higher education bonds to be repaid from revenue from an existing student capital fee of \$3.67 per credit hour up to 12 credit hours. Metro State plans to issue bonds for a period of 30 years, at a rate between 3.5 and 4.0 percent, with an anticipated annual payment of \$700,000 per year.

This project is subject to the Higher Education Revenue Bond Intercept Program. As such, the Treasurer is directed to make payments of principal and/or interest on the bonds used for this project in the event that Metro State does not make a scheduled payment.

Pursuant to Section 23-1-106 (10) (b), C.R.S., any cash fund project included on a higher education institution's Two-Year List of Projected Cash Need that is subject to the Higher Education Revenue Bond Intercept Program requires additional review by the Capital Development Committee and the Joint Budget Committee (JBC). Therefore, although most projects on a Two-Year List of Projected Cash Need will not be referred to the JBC, this project must be reviewed by the JBC.

Staff recommends that the JBC approve the FY 2010-11 cash funded request. No state funds are required for the construction, maintenance, or operating expenses of the project. If the JBC approves the project, it will be included in next year's Long Bill for informational purposes.