

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**INTERIM SUPPLEMENTAL REQUESTS
FOR FY 2016-17
CAPITAL CONSTRUCTION**

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

**Prepared By:
Alfredo Kemm, JBC Staff
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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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Interim Supplemental Requests

INTERIM SUPPLEMENTAL REQUEST #1 (FY 2016-17) CONTROLLED MAINTENANCE, DEPARTMENT OF PERSONNEL, CAPITOL ANNEX BUILDING COOLING SYSTEM EMERGENCY REPLACEMENT

	Request	Recommendation
Total	<u>\$628,000</u>	<u>\$628,000</u>
FTE	0.0	0.0
General Fund/Capital Construction Fund	628,000	628,000
Cash Funds	0	0
Federal Funds	0	0

<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 and NO
<p>JBC staff and the Department agree that this request meets the interim supplemental criteria of Section 24-75-111, C.R.S., and the request is the result of an unforeseen contingency.</p>	

Department Request: The Department of Personnel, on behalf of the Department of Revenue, requests \$628,000 Capital Construction Fund in FY 2016-17 for emergency replacement of the cooling system in the Capitol Annex building located at 1375 Sherman Street.

Staff Recommendation: Staff recommends that the Committee approve this request from General Fund until a General Fund to Capital Construction Fund transfer can be made in the 2017 legislative session.

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: The Department states that the original cooling fan for the Capitol Annex building is 85 years old and cannot be run at full speed in its current condition. The Department became aware of a vibration during routine maintenance in April 2016 in preparation for summer weather. Running the fan at full speed causes extreme noise and vibration which can cause

damage to the building structure. Maintenance and cleaning attempts to correct the issue were unsuccessful. The Department is currently running the system at two-thirds speed to avoid extreme vibration. During the spring months building temperatures have been around 78 degrees. The temperatures within the building are anticipated to be outside the range of a reasonable work environment for the summer months.

The Department proposes replacing the fan with an energy efficient roof top unit (RTU) that will require minimal business disruption during installation. The Department has estimated a total project cost of \$1.7 million as outlined in the following table.

Capitol Annex Building Emergency RTU Project	
Roof Top Unit (RTU)	\$630,000
Two Crane Picks @ \$50,000 each	100,000
Chilled Water Piping	50,000
Gas Piping	50,000
Sheet Metal	30,000
Electrical Assessment	100,000
Structural Assessment	100,000
Demolition	<u>100,000</u>
Subtotal - Project Components	1,160,000
Contractor Overhead Cost @ 15%	<u>174,000</u>
Subtotal - Project Cost	1,334,000
Engineering Services	334,000
Total - Emergency RTU Project	\$1,668,000

The Department has identified available fund sources to partially fund the project as identified in the following table.

Capitol Annex Building Emergency RTU Project Funding	
Total Project Cost	\$1,668,000
Capitol Complex Utilities line item anticipated FY 2015-16 reversion	\$300,000
Controlled Maintenance Project M13058 - FY 2015-16 reversion	290,000
State Architect's Controlled Maintenance Emergency Fund	<u>450,000</u>
Subtotal - Identified Funding	\$1,040,000
Total - Remaining Need	\$628,000

As outlined in the table, the Department has identified an anticipated \$300,000 reversion in FY 2015-16 in the Capitol Complex Utilities line item and plans to use this funding to support the project. Additionally, the Department and State Architect have identified an available \$290,000 savings reversion from a completed controlled maintenance project. The State Architect has statutory authority to use controlled maintenance project savings for other project overruns or

emergency projects. Additionally, the State Architect is appropriated \$2.0 million each year for emergency controlled maintenance needs. Due to the amount of the emergency appropriation, the State Architect's practice is to limit emergency funding to no more than \$500,000 on a single project and proposes using \$450,000 for this project in addition to the \$290,000 identified savings in another controlled maintenance project, which would otherwise accrue for emergency purposes.

Procurement of a unit and selection of a contractor is scheduled to begin in June 2016 and be completed in July 2016. Installation of the unit is scheduled to begin in July 2016 and be completed in August 2016. Demolition of the existing unit is scheduled to begin in August 2016 and be completed in September 2016.

Staff Concerns

The Department's request narrative suggests that renovation of the Capitol Annex building was identified as the first renovation project in the Capitol Complex Master Plan as the reason why it was not previously identified as a priority controlled maintenance need. However, the Department's five-year projection of need for capital projects locates the Capitol Annex renovation project planning funding in FY 2019-20 and construction funding in FY 2020-21.

While staff is concerned that this item was not previously requested or included in the Department's list of controlled maintenance needs, the Department states that this project was included within priority item #35 – a larger project labeled *Annex – Mechanical System Upgrade* – in the Capitol Complex controlled maintenance list, and the fan was in reasonable operating condition at the end of last summer when the unit was turned off for the season. The Department also states that due to limited resources for controlled maintenance, only the top ten prioritized controlled maintenance items are submitted to the State Architect for prioritization consideration for funding.

For additional perspective on the Department's approach regarding controlled maintenance requests, excluding emergency funding, 12 of its controlled maintenance items have been funded over the last five budget years totaling \$8.4 million:

- One item in FY 2016-17 (Rehabilitate Elevators, 690/700 Kipling and Grand Junction Buildings - \$990,000).
- One item in FY 2015-16 (Replace Sewer Vent Pipe, State Services Building - \$1,054,217).
- Five items were funded in FY 2014-15, all but one project (\$193,600) through General Fund surplus conditional appropriations (\$3.2 million), including the Replace/Restore Roof, State Capitol Building Project, funded at \$1.6 million (which is now a larger capital construction item funded in FY 2016-17 at \$5.7 million).
- Two items in FY 2013-14 totaling \$1.9 million.

- Three items in FY 2012-13 totaling \$1.1 million.

The December 2015 current replacement value for Capitol Complex facilities, including the State Capitol Building, is \$525.4 million. As discussed in previous staff documents and presentations, the State Architect recommends that the State fund controlled maintenance at 1.0 percent of current replacement value each year. This recommendation suggests annual controlled maintenance funding for the Capitol Complex facilities at \$5.3 million. Over the last five budget years, controlled maintenance funding has averaged \$1.7 million, equal to 0.3 percent of current replacement value.

Additional Capitol Annex building items on the Capitol Complex controlled maintenance list include:

31. Asbestos Abatement.
34. Upgrade Electrical System.
37. Replace Exterior Doors.
38. Exterior/Retaining Walls Structural Repairs and Marble Facade Repairs.
65. Plumbing Replacement.
67. Replace Electrical MP w/ 6.7% RNL 2015 Escalation.

Although the Department did not provide cost estimates for these items, typically projects are not estimated until they are proposed for request through the State Architect, due to the time lag in funding for requested projects. However, due to the age of the building and needs identified for the building renovation in the Capitol Complex Master Plan, it is reasonable to expect that parts of these controlled maintenance projects will similarly require emergency funding prior to the earliest anticipated renovation.

Technical Clarification

This interim supplemental was submitted as a FY 2016-17 request for Capital Construction Fund. The project can begin as an emergency controlled maintenance project using FY 2015-16 fund sources and be completed in FY 2016-17 through this emergency supplemental. All money available in the Capital Construction Fund has been appropriated for FY 2016-17. Staff proposes funding the FY 2016-17 interim supplemental request with General Fund with the intention of introducing a corresponding supplemental bill and General Fund transfer to the Capital Construction Fund bill in the 2017 legislative session, which will more properly fund this project from the Capital Construction Fund as requested.

	FY 2015-16	FY 2016-17	Fiscal Year 2016-17 Interim Supplemental		
	Appropriation	Appropriation	Requested Change	Recommended Change	New Total with Recommendation

CAPITAL CONSTRUCTION

Interim Supplemental #1 - Controlled Maintenance, Department of Personnel, Capitol Annex Building Cooling System Emergency Replacement

Part II, Controlled Maintenance

(6) Department of Personnel

Capitol Annex Building Cooling System

Emergency Replacement	N.A.	0	628,000	628,000	628,000
FTE		<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Capital Construction Fund/General Fund		0	628,000	628,000	628,000
Cash Funds		0	0	0	0
Reappropriated Funds		0	0	0	0
Federal Funds		0	0	0	0

Totals					
CAPITAL CONSTRUCTION					
TOTALS for ALL Departmental line items	399,921,392	239,086,768	628,000	628,000	239,714,768
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Capital Construction Fund	252,223,287	115,569,901	628,000	628,000	116,197,901
Cash Funds	118,350,701	108,931,647	0	0	108,931,647
Reappropriated Funds	13,911,135	0	0	0	0
Federal Funds	15,436,269	14,585,220	0	0	14,585,220

Key:

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