

OFFICE OF FINANCIAL MANAGEMENT
BUDGET DIVISION

2013-23 Biennium
CAPITAL BUDGET INSTRUCTIONS

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ELECTRONIC ACCESS TO BUDGET INSTRUCTIONS

Information contained in this document is located at: <http://www.ofm.wa.gov/budget/default.asp>

OFM STAFF ASSISTANCE

Contact your agency's assigned budget analyst for assistance. Assignments, phone numbers, and e-mail addresses for OFM budget analysts are available at <http://www.ofm.wa.gov/budget/contacts/default.asp>

To accommodate persons with disabilities, this document is available in alternate formats by calling the Office of Financial Management at 360-902-0555. TTY/TDD users should contact OFM via the Washington Relay Service at 711 or 1-800-833-6388.

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About the Instructions

We use this symbol to flag any requirements or tools that are new or changed from the last biennium.



New items found in these instructions:

Final Project Cost Report: As part of the recommendations in the 2009 JLARC report, “Evaluation of the Accuracy of Capital Project Cost Estimates,” agencies must complete a Final Project Cost Report for all major projects (\$5 million or more in total cost) that have reached final completion and financial close-out in the current biennium. The report will record information needed to compare completed projects with cost and scope estimates submitted in requests for capital budget appropriations. OFM has developed a template for the final project close-out report, which can be found at: <http://www.ofm.wa.gov/budget/capitalforms/finalprojectcloseout.xlsx>.

Agencies shall include a list of projects that meet these criteria, along with the report(s). The project list and associated cost estimates are required submittal items with the 2013-15 capital budget request.

Economic impact: Narrative justifications for each project request should include a brief description of the economic impact of the project to the state. The description should include the economic value the project brings to the community and economy, both during the initial construction phase and through duration of the project financing. For example, a project funded with general obligation bonds over a 25-year period should include the economic impact during the initial construction phase and over the 25 years of financing.

Sub-project descriptions: Projects that have sub-projects must include a description of each sub-project in the project narrative. This does not include minor works project lists.

Legislative districts: The Capital Budget System (CBS) has been updated to reflect the legislative district changes that take effect in November 2012. This will ensure that your budget submittal reflects the new districts.

Puget Sound recovery: Agencies must follow additional steps in developing and submitting their budget request if any part of their budget will be devoted to projects that implement any part of the Puget Sound Partnership’s Action Agenda. These steps are described in more detail in Chapter 6.2.

Timeline of major capital budget events in 2012

June	Priorities of Government analysis begins. Predesign requests due to OFM. Requests to change agency activity structure due to OFM by June 30.
September	Agency capital and operating budgets due.
August – November	Budget review by OFM and the Governor.
September	Second-year estimate review due by September 30.
November – December	Budget deliberations and final decisions.
December	Governor's budget recommendations sent to Legislature by December 20.

Chapter 1

Capital Budget Request Basics

1.1 STRATEGIC FRAMEWORK FOR BUDGET DECISIONS

The budget is one of the most important tools for implementing policy and achieving results

In its review of agency capital budget requests, OFM will ask these key questions:

- What are the most effective strategies and activities in which to invest and how does the capital budget request support them?
- How do we know we are purchasing these construction activities at the best possible price?
- Given financial or other constraints, how can we maximize the results that citizens want?
- How do proposed capital investments support the agency's mission, goals and objectives?
- How do investments support the statewide priorities in the Priorities of Government budget process?

Persuasive capital plans address agency and statewide priorities

1.2 CAPITAL BUDGETS ARE TEN-YEAR PLANS

Agencies are required to submit ten-year capital plans

The state Budgeting, Accounting and Reporting System Act (Chapter 43.88 RCW) mandates a long-range approach to capital budget planning. It requires state agencies and institutions to submit a plan of proposed capital spending for a ten-year period, starting with the ensuing biennium. This long-range planning is designed to identify future needs and propose capital projects to address those needs. The ten-year capital plan, also referred to as the capital budget, must support the agency's mission and the goals and objectives of its strategic plan.

Projects can span several biennia

The ten-year planning process recognizes that major capital projects span several biennia from start to finish. In the ten-year plans, project information must include estimates for present and future operating and maintenance costs, including any debt service that must be paid from a dedicated account.

More project detail required in the first six years

OFM recognizes that certainty about state programs declines as agencies look farther into the future. Therefore, the last four years of the capital plan do not need to contain the same level of project detail as the first six years.

Major lease projects are now part of the ten-year capital plan

RCW 43.82.035 now requires major leases to be included in the ten-year capital plans. A major lease is any proposed lease project of 20,000 gross square feet or more. Similar to capital projects included in the ten-year plan, project information must include estimates for present and future operating costs. Leases must be entered into the Capital Budget System (CBS) using a project type "Lease" with a fund type "LEA." Questions on how to enter leases in CBS should be directed to the BASS Helpdesk at (360) 725-5278 or OFMBASS@ofm.wa.gov.

1.3 HOW IS THE CAPITAL BUDGET REQUEST ORGANIZED?

Summary of Ten-Year Capital Plan

The Ten-Year Capital Program Summary report (CBS001) from CBS provides a summary of the agency's projects in priority order.

Prioritize projects

Agencies must prioritize each capital project in the ten-year capital plan by its contribution to the goals, objectives, strategies and activities in the agency's strategic plan.

See **“Capital Budgeting System (CBS) Agency Division and Facility User Tutorial”** on how to prioritize projects in the system at: <http://BASS.ofm.wa.gov/BASSPR/library/>, or if you are a Fortress agency, at <https://fortress.wa.gov/ofm/bass/BassPR/library/default.htm>.

FTE Summary

Agencies must provide a Capital FTE Summary (CBS004), which displays:

- Staff and expenditures budgeted for capital projects in the 2011-13 biennium.
- Proposed staff and expenditures for the 2013-15 biennium.
- Narrative describing the role of proposed FTEs and an explanation for any changes from the 2011-13 biennium.

Policy guidelines for administrative and staff costs in the capital budget are contained in Chapter 5.1. This report is produced through CBS.

Review documentation from DAHP and GOIA

In accordance with Executive Order 05-05, agencies must consult with the Department of Archaeology and Historic Preservation (DAHP) and the Governor's Office of Indian Affairs (GOIA) on all capital construction projects and land acquisitions (for the purpose of a capital construction project) before they can be considered for funding.

Agencies must submit with their capital budget, a letter from DAHP confirming that the proposed capital projects have been reviewed. (Some agencies may have an exemption from this requirement from DAHP.) If the request is a grant that contains multiple sub-projects, ensure that this requirement is contained in the application process or the contract. (See Chapter 1.7 for DAHP contact information.)

Greenhouse gas emissions reduction and vehicle miles reduction

For all capital budget requests, agencies are required to submit documentation indicating that they have adopted policies to reduce greenhouse gas emissions in accordance with RCW 70.235.070, and to reduce annual per capita vehicle miles in accordance with RCW 47.01.440 or RCW 43.160.020 for rural counties. (Generally, rural counties include all counties except Clark, King, Kitsap, Pierce, Snohomish, Spokane and Thurston. See <http://www.ofm.wa.gov/pop/popden/rural.asp> for a current listing.)

Agencies submitting a major capital project design or construction funding request also must address those components/systems in the project that support their greenhouse gas reduction policy and vehicle miles reduction policy.



Final project cost report

As recommended in the 2009 JLARC report, “Evaluation of the Accuracy of Capital Project Cost Estimates,” agencies must complete a Final Project Cost Report for all major projects (\$5 million or more in total cost) that have reached final completion and financial close-out in the current biennium. The report will record information needed to compare completed projects with cost and scope estimates submitted in requests for capital budget appropriations. OFM has developed a template for the final project close-out report which is available on the OFM website at: <http://www.ofm.wa.gov/budget/capitalforms/finalprojectcloseout.xlsx>.

Agencies shall include a list of projects that meet these criteria, along with the report(s). The project list and associated cost estimates are required submittal items with the 2013-15 capital budget request.

Backlog reduction plan

RCW 43.88.03(5d) requires agencies to develop a strategic plan for reducing their maintenance backlogs and for doing repair projects. This plan must be included in the capital budget submittal. (More information is available in Chapter 3.1.)

Project information is grouped by project classification

More detailed project information is presented by project classification. There are three project classes:

- Preservation: Projects that maintain, preserve and extend the life of existing state facilities and assets.
- Programmatic: Projects that primarily achieve a program goal.
- Grant: Projects that provide capital appropriations to state, tribal, local or community organizations for facilities, land acquisition, habitat, and other land or project improvements. In CBS, there is a Grant Pass-Through option for grants that do not have a sub-project list. There is no requirement for listing the location for these items as it is typically unknown.

Each project requires specific information depending on class and size

Each proposed project requires supporting information that varies depending on the class and size of the project. Chapter 1.4 provides a guide to the differences in submittal requirements.

A Capital Project Request report (CBS002) must be submitted for each project greater than \$1 million (\$2 million for higher education institutions). See Chapter 2.4 for the report format.

A Capital Project Request report (CBS002) must also be submitted for the collection of minor works projects (projects less than \$1million, or \$2 million for higher education institutions). These projects shall be identified as “Sub-Projects” in the minor works (omnibus) request. A separate request must be submitted for “Preservation,” “Program” and “Grant” projects. A Bond Fund Cash Flow Estimate is required for all preservation and program projects.

Less than \$1 million – minor works and grants (or less than \$2 million for higher education institutions)

Grants and minor works projects must also include:

- list of sub-projects (applicable to grants if list is available)
- city and legislative district of each sub-project
- project type (e.g., health, safety or infrastructure).

More than \$1 million (or more than \$2 million for higher education institutions)

Each project also must include:

Capital Project Cost Estimate report (CBS003). This new report, which replaced the old C100 report, is created in CBS.

Also see requirements in the Predesign Manual:

<http://www.ofm.wa.gov/budget/instructions/predesign/predesign.asp>.

More than \$5 million

Each project more than \$5 million also must include:

Confirmation that the predesign has been approved by OFM (as required), if design funding or design and construction funding are requested.

Also see the Predesign Manual for requirements if predesign funding is requested.

1.4 WHAT ARE THE SUBMITTAL REQUIREMENTS?**When is the budget due to OFM?**

Agencies must submit budget data electronically and in paper format (seven copies) to OFM by the due dates outlined in Appendix A-1 of the operating budget instructions.

What are the required components of the budget submittal?

The following chart shows how required components of the budget submittal should be organized in the notebooks submitted to OFM. For budget submittal definitions and requirements by statute, refer to RCW 43.88.020, 43.88.030, 43.88.032-060, 43.88.090 and 43.88.120.

Guide to organizing the required ten-year plan submittal components:

TAB A	<ul style="list-style-type: none"> <input type="checkbox"/> Ten-Year Plan Summary Information <input type="checkbox"/> Ten-Year Capital Program Summary CBS report <input type="checkbox"/> DAHP Review Letter and Exempt Project List (<i>Chapter 1.3</i>) <input type="checkbox"/> Greenhouse Gas & Vehicle Emissions Reduction Policy (<i>Chapter 1.3</i>) <input type="checkbox"/> FTE Summary – Narrative and FTE Details (<i>Chapter 5</i>) <input type="checkbox"/> Final Project Close-out Cost Report (<i>Chapter 1.3</i>)
TAB B All Preservation Projects	<ul style="list-style-type: none"> <input type="checkbox"/> Capital Project Request (CBS002) <i>CBS report</i> (<i>Chapter 2.4</i>) <input type="checkbox"/> Bond Fund and Cash Flow Estimates – For bond or cash projects, if applicable for required agencies. (<i>Chapter 2.5</i>) <input type="checkbox"/> Sub-Project List for each minor works project – If a minor works project is included in CBS002. (<i>Chapter 2.7</i>) <input type="checkbox"/> Backlog Reduction Plan (<i>Chapter 3.1</i>) <input type="checkbox"/> Projects between \$1 million and \$5 million and higher education projects between \$2 million and \$5 million – Capital Project Cost Estimate (CBS003) (<i>Chapter 2.6</i>)

TAB CAll Programmatic
Projects

- All Projects more than \$5 million – Predesign Study** (*Chapter 2.6*) – If requesting funds for the design or construction phase. *Must be received by OFM by July 1.*
- All Projects more than \$5 million – Major Project Request Report** – For projects using alternative financing only. (*Chapter 2.6*) *Must be received by OFM prior to August.*
- Capital Project Request** (CBS002) *CBS report (Chapter 2.4)*
- Bond Fund and Cash Flow Estimates** – For bond or cash projects, if applicable for required agencies. (*Chapter 2.5*)
- Sub-Project List for each minor works project** – If a minor works project is included in CBS002. (*Chapter 2.7*)
- Required Additional Information for Land Acquisitions** (*Chapter 2.8*)
- Projects between \$1 million and \$5 million and higher education projects between \$2 million and \$5 million** – Capital Project Cost Estimate (CBS003) (*Chapter 2.6*)
- Projects between \$1 million and \$5 million and higher education projects between \$2 million and \$5 million** – Comprehensive Financing Plan – For projects using alternative financing only. (*Chapter 2.6*)
- Projects between \$1 million and \$5 million and higher education projects between \$2 million and \$5 million** – Simplified Predesign Study (*Chapter 2.6*).
- All projects more than \$5 million** – Predesign Study (*Chapter 2.6*) – If requesting funds for the design or construction phase. *Must be received by OFM by July 1.*
- All projects more than \$5 million** – Major Project Request Report – For projects using alternative financing only. (*Chapter 2.6*) *Must be received by OFM prior to August.*
- Growth Management Questions**, if applicable (*Chapter 6.1*)

TAB D

Grant Projects

- Capital Project Request** (CBS002) *CBS report (Chapter 2.4)*
- Project List for each grant** – Now included in CBS002 if projects are known prior to submittal. (*Chapter 1.3*)

In certain cases, an operating budget decision package must also be submitted for 2013-15 operating budget costs associated with a project. (See Chapter 2.3)

Use the Capital Budget System (CBS) for developing budget proposals

The CBS serves as a tool for budget development and electronic budget submittal. The reporting feature of CBS provides most of the documentation needed for the electronic and paper submittal. Additional information that agencies would like to submit can be included as an attachment to a project in CBS.

CBS is available on two websites. For users with access to the state government network, the address is: http://BASS.ofm.wa.gov/BASSLOGON_PR/.

If you cannot access this site or you do not have access to the state government network, use: https://fortress.wa.gov/ofm/bass/BASSLogon_pr/logon.aspx.

For questions about CBS or to obtain authorization for CBS or BASS data release, contact the BASS Helpdesk at 360-725-5278 or OFMBASS@ofm.wa.gov.

Electronic submittal through CBS

Each agency must submit seven complete paper copies of its capital budget document to OFM. Three of these copies are retained by OFM, two are sent to the Senate Ways and Means Committee, and two are sent to the House Capital Budget Committee. Capital budget documents must be submitted in a separate binder than the operating budget documents.

All of the required documents will be submitted electronically through CBS. Additional information can be included as electronic attachments in the system. If agencies must resubmit their capital plans to correct an error, they must resubmit paper and CBS data.

What are the format requirements?

- Number all pages.
- Reduce oversized materials by photocopier whenever possible.
- Three-hole punch all material and assemble each copy in a standard size notebook.
- Organize and tab the material as shown above.

What is the submittal address?

Office of Financial Management
Insurance Building
302 Sid Snyder Avenue S.W.
PO Box 43113
Olympia, WA 98504-3113

1.5 OTHER GENERAL PREPARATION REQUIREMENTS

Required fund code conventions for budget documents

Use the codes designated in the State Administrative and Accounting Manual (SAAM) (<http://www.ofm.wa.gov/policy/75.htm>) for accounts, programs, appropriation types and other identifiers. Account codes require both the account number and the appropriation type code that indicates the source character of the funds involved. **There is one exception: use “COP” as the account code for projects using certificate of participation financing.**

Project numbers and titles must not be changed

Once established in the budget, project numbers (identifiers) and project titles, must **NOT** be changed during the life of the project. Project numbers serve as the unique identifier of the project and will be used for project monitoring and comparisons throughout the life of the project.

To support this need for better project tracking, the structure of the project number has changed. Project numbers will be automatically generated in CBS. The project number will no longer contain information about the fiscal year and project class. This information will be available elsewhere in CBS.

If the agency needs to request a reappropriation or new appropriation for the project, CBS will allow the project to be copied to the next biennium.

1.6 OFM CAPITAL BUDGET STAFF CONTACTS

If you have questions about these instructions or specific capital budget requests, contact your agency's assigned Capital Budget staff.

Analyst Assignment List

Steve Lewandowski, Capital Budget Assistant 360-902-0384 Steve.lewandowski@ofm.wa.gov	Jeanne Rynne, Capital Budget Assistant 360-902-3068 Jeanne.rynne@ofm.wa.gov
Office of Financial Management Military Department Department of Enterprise Services Secretary of State Statute Law Committee Department of Corrections Department of Veterans Affairs Department of Social and Health Services Center for Childhood Deafness and Hearing Loss School for the Blind State Parks and Recreation Commission Department of Fish and Wildlife Department of Transportation Department of Commerce Liquor Control Board Washington State Patrol Criminal Justice Training Commission Department of Ecology Recreation and Conservation Office State Conservation Commission Department of Agriculture Department of Health Department of Natural Resources	Community colleges (all) Student Achievement Council University of Washington Washington State University Eastern Washington University Central Washington University The Evergreen State College Western Washington University K-12 Employment Security Department Washington State Historical Society Eastern Washington State Historical Society Department of Archeology and Historic Preservation Department of Labor and Industries

Scott Perkins, Facilities Analyst /Lifecycle Cost Model Consultant
 360-902-0451
scott.perkins@ofm.wa.gov

Sandi Triggs, Senior Budget Assistant to the Governor
 360-902-0562
sandi.triggs@ofm.wa.gov

1.7 OTHER CONTACTS

Capital Budget System (CBS)	DES ISD Budget Help Desk 360-725-5278 DESmiISDBudgetHelpdesk@des.wa.gov
Growth Management Act compliance and local government contacts	David Andersen , Department of Commerce 509-434-4491 dave.andersen@commerce.wa.gov
Bond fund cash flow plans	Pam Johnson , Office of the State Treasurer 360-902-9021 pam@tre.wa.gov
Certificates of participation	Wendy Kancianich , Office of the State Treasurer 360-902-9022 wendy.kancianich@tre.wa.gov
Sustainable practices	Keith Phillips , Governor's Executive Policy Office 360-902-0630 Keith.phillips@ofm.wa.gov
Archaeological and cultural resources	Allyson Brooks , Department of Archaeology and Historic Preservation 360-586-3066 allyson.brooks@dahp.wa.gov
Building commissioning, energy conservation, and LEED™	Engineering and Architectural Services, Department of Enterprise Services 360-902-7272 http://ga.wa.gov/Construction/3PlanDesign.htm
Additional copies of the Capital Budget Instructions	OFM website at: http://www.ofm.wa.gov/budget/instructions/capital.asp

Chapter 2

The Capital Project Request

2.1 WHAT IS A CAPITAL PROJECT?

A capital project is a project to construct either new facilities or make significant, long-term renewal improvements to existing facilities. A capital project using general obligation bonds usually has a useful life of at least 13 years and typically requires the involvement of an architect and/or engineer. Grants made by the state to fund capital projects for other entities are also included in the capital budget.

Capital projects are usually funded by sources specifically set aside for capital purposes, such as proceeds of bond sales, long-term financing contracts, and other dedicated revenues.

Ordinary maintenance costs should be included in the operating budget

Costs for ordinary repair and routine maintenance work necessary to keep a facility or asset in useful condition for its function and occupants are included in the operating budget and not the capital budget. This type of work maintains or preserves the usefulness of an asset rather than changes or significantly improves it. There is usually little or no effect on the operating costs of the facility at the completion of the work. Usually, minor repairs or maintenance work can be done by agency trades staff or by private contractors, and there is generally no need for the involvement of an architect or engineer.

2.2 CLASSIFICATIONS OF CAPITAL PROJECTS

Capital projects are classified as either preservation, programmatic or grants. These classes aid decision-makers in project review and prioritization. This section describes each of these categories.

- **Preservation projects.** Preservation projects maintain, preserve and extend the life of existing state facilities and assets and do not significantly change the program use of a facility. Preservation projects generally have little effect on future operating programs and budgets, except for reductions in the agency's maintenance costs and the deferred maintenance backlog (Chapter 3.1). Examples include renovating building systems and finishes, upgrading utility systems, and repairing streets and parking lots.
- **Programmatic projects.** These projects primarily achieve a programmatic goal, such as changing or improving an existing space to meet new program requirements or creating a new facility or asset through construction, lease, and/or purchase. This category is less concerned with life extension of a facility, and includes projects ranging from building new facilities to significant renovation of existing facilities.

Programmatic projects may also improve conditions, accommodate changes in services or clientele, or increase or maintain federal reimbursement. These projects must be tied to the statewide results and the agency's strategic plan by identifying the goals, strategies and activities supported by the project.

- **Grant projects.** Grant projects provide capital appropriations to state, tribal, local or community organizations for facilities or land. In general, grant programs are either established in statute or have specific legislative provisions associated with the distribution of the appropriated funds.

Agencies that have statutory grant programs should submit ten-year capital budget requests within the limits established by statute. Agencies whose grant programs have no specified appropriation limits should submit two-year (biennial) appropriation requests based on their historical biennial expenditure history for the grants. Grant projects should be linked to the agency's strategic plan and to the POG statewide results through the agency's activities.

If applicable, grant program requests with a list of grantees must include a list of grant projects, noting the city and legislative district for each project.

Submittal requirements vary by project class, type and size. Each proposed project requires supporting information that varies depending on its class, type and size. These requirements are detailed below.

2.3 NARRATIVE JUSTIFICATION REQUIRED FOR EACH PROJECT

Narrative justification is required for each project

Narrative for each project included in the budget is required to explain and justify the request. This information will appear on the Capital Project Request (CBS002) required for each project. Answers to the following questions are necessary to evaluate the project:

- What is the proposed project? Briefly describe the nature of the project and what will be constructed.
- What problem or business opportunity is being addressed?
- What kind of change in results or performance can be expected if this proposal is implemented?
- Why is this project necessary?

In addition, information is required for the following items or questions:

- **Preservation projects:** Describe whether this project reduces needs on the agency's deferred maintenance backlog.
- **Grant Projects:** Include statutory requirements and limitations for the grant program.
- **Effects of non-funding:** Describe the consequences to stakeholders and client groups of not funding the requested project.
- **How does the project support the agency and statewide results?** Briefly describe how this project does one or more of the following:
 - ♦ Supports the agency's strategic plan and master plan.
 - ♦ Contributes to statewide results or strategies identified by a Priorities of Government results team.
 - ♦ Enables the agency to do a better job with one or more of its activities.
- **Specific benefits of this project:**
 - ♦ What will this investment buy? For example, does this project increase capacity to accommodate anticipated changes in caseloads or enrollments?
 - ♦ Will this project reduce the deferred maintenance backlog?
 - ♦ Within the Facilities Inventory System (FIS), does this project change the condition of a "needs improvement" facility to "adequate" or "superior?"



- ◆ What economic impact does the project have?
- ◆ Does this extend the life of the facility or enhance health and safety?
- **The impact of the change on agency clients and services:**
 - ◆ How will clients be affected and services change if this project is funded?
 - ◆ What levels of service are provided today and at what cost and staffing level?
 - ◆ How will existing services be altered by the project?
 - ◆ Are additional FTEs involved for either operating or capital? If so, how many?
- **The impact on other state programs or other units of government:**
 - ◆ How will other state programs or units of government be affected if this project is funded?
 - ◆ Describe how the project impacts other agency programs, agencies, or another unit of local or federal government.
- **The relationship, if any, to the state operating budget:**
 - ◆ What is the impact on the state operating budget?
 - ◆ If the project adds, reduces or alters space for the agency, describe any changes in maintenance and operating requirements.
- **Preservation projects:** How much has the agency spent from its maintenance funds in the operating budget over the life of this asset? If none, why was the asset not maintained?
- **A discussion of alternatives explored by the agency:**
 - ◆ Why is this project the best option or alternative? Include the pros and cons of the alternatives, why they were not selected, and why the recommended alternative was chosen. Include known risks of the options considered, such as lease, lease purchase or build.
 - ◆ How does this cost estimate compare to projects of a similar nature?
- **Program projects more than \$5 million:** Has the predesign or design been completed? If so, what new information did this work reveal?
- **Discuss the proposed funding options for this project:**
 - ◆ What is the agency's proposed funding strategy for the project?
 - ◆ What is the proposed funding option for this project (long-term financing, alternative financing or cash)?
 - ◆ Are these dedicated fund sources?
 - ◆ Are matching funds available (federal or local)?
 - ◆ Are there conditions related to these matching funds that may influence the decision?

2.4 CAPITAL PROJECT REQUEST REPORT REQUIRED FOR EACH PROJECT

Capital project request (CBS002) report

A Capital Project Request report must be completed for each project. In addition to the required components in Chapter 2.3, the report should include the following:

- **Project identification**
 - ◆ Agency

- ◆ Project title
- ◆ Project number
- **Project description**
 - ◆ Project class (program, preservation or grant)
 - ◆ Type of project (e.g., new facility, remodel, etc.)
 - ◆ Agency priority
 - ◆ City
 - ◆ County
 - ◆ Legislative district
 - ◆ Project latitude and longitude
 - ◆ Project published summary (summarized project description)
 - ◆ Project description and non minor works sub-project description (in response to questions identified in Chapter 2.3)



If these project classes apply, supply information specified below:

- **Grants**
 - ◆ Is there a process and established criteria for evaluating projects? If so, please describe.
 - ◆ If applicable, provide a list of projects noting the city and legislative district.
 - ◆ What are the growth management impacts, if any?
- **Preservation**
 - ◆ Where is this located?
 - ◆ What are the growth management impacts, if any?
- **Programmatic**
 - ◆ If this is a new facility, how does this fit into the agency's master plan?
 - ◆ If this is tied to a decision package in the operating budget, what are the assumptions for needing this project?
 - ◆ What are the growth management impacts, if any?

If these elements apply to your project, supply information specified below:

- **Operating impacts** – List one-time and ongoing FTEs and costs and the year in which they will impact the operating budget. Identify affected funds and estimated current and future (two to three biennia) amounts needed in the operating budget.
- **Project funding by biennium** – Funds and amounts expended to date and needed in the future by biennium (prior biennium, current biennium, reappropriations and new appropriations).
- **Project statistics** – For buildings, gross square feet, usable square feet, and escalated Maximum Allowable Construction Cost (MACC) per square foot.
- **Project schedule** – Start and end dates of the predesign, design and construction phases.
- **Cost summary** – Costs for consultant services, construction and other expenses necessary to complete the project.

This information may be entered in the CBS.

2.5 PRESERVATION AND PROGRAM PROJECTS

Expected use of bond/COP proceeds

The Office of the State Treasurer (OST) asks agencies to complete the “Expected Use of Bond/COP Proceeds” form for projects expected to be funded by bonds or certificates of participation (Chapter 4.3).

Bond fund and cash flow estimates

The Office of Financial Management asks for periodic updates to allotment expenditure patterns for projects funded by bonds. Typically these adjustments will be required on a quarterly basis. These adjustments should reflect actual spending plan changes where there is a variance of \$250,000 or more between the previous expenditure pattern and actual cash disbursements. For projects behind their original schedule, the revised expenditure pattern should indicate an anticipated reappropriation rather than just consolidating the remaining expenditures in future fiscal months of the biennium, unless a project acceleration plan has been developed. Consolidating the remaining expenditures in future fiscal months for delayed projects artificially inflates the anticipated need for future bond sales and is counterproductive to the update effort. For projects with delayed spending patterns, the pattern should simply be shifted to reflect the delay. 

The OST also asks selected agencies to provide information about bond fund cash flow estimates and descriptions of the expected use of bond proceeds. This information, along with OFM allotment updates, is used by OST to prepare sales plans for state bond sales. Sales plans are also used to calculate the bond retirement principal and interest expenses included in the operating budget. Information provided by agencies for this purpose will not be used to calculate reappropriation amounts (Chapter 2.10).

The OST will contact agencies listed below to obtain information on debt service to complete its own budget request. If you are contacted, please reply to OST by **July 25, 2012**, to:

Pam Johnson
 Office of the State Treasurer
 P.O. Box 40200
 Olympia, WA 98504-0200
 Phone: 360-902-9021
 Fax: 360-902-9045
pam@tre.wa.gov

Agency	Fund Code	Fund Title
Department of Commerce	355	State Taxable Building Construction Account
Department of Ecology	051	State and Local Improvements Revolving Account (Waste Disposal Facilities)
	055	State and Local Improvements Revolving Account (Waste Disposal Facilities, 1980)
	072	State and Local Improvements Revolving Account (Water Supply Facilities)
	10P	Columbia River Basin Water Supply Development Account
	18B	Columbia River Basin Taxable Bond Water Supply Development Account
Department of Transportation	099	Puget Sound Capital Construction Account
	108	Motor Vehicle Account
	215	Special Category C Account
	218	Multimodal Transportation Account
	511	Tacoma Narrows Toll Bridge Account
	550	Transportation 2003 Account/Nickel Account
	16J	SR 520 Corridor
Recreation and Conservation Office	070	Outdoor Recreation Account
	09C	Farmland Preservation Account
	09G	Riparian Protection Account
	10T	Hood Canal Aquatic Rehabilitation Bond
	244	Habitat Conservation Account
Transportation Improvement Board	112	Urban Arterial Trust Account
	144	Transportation Improvement Account

2.6 MAJOR CAPITAL PRESERVATION OR PROGRAM PROJECTS

What is a major capital project?

Major capital projects have one or more of the following features:

- Cost more than \$5 million (regardless of fund sources).
- Lease more than 20,000 new gross square feet of space.
- Take two or three biennia to design, construct and occupy.
- Are privately-owned buildings under development.

More about alternative finance projects

Projects involving contractual arrangements for space or facilities that provide for the title of the property to transfer to the state by the end of the term are considered alternative financed projects. They include:

- Construction or renovation projects that are financed by certificates of participation (COPs). (See Chapter 4 for more information about COPs.)
- Development or use of space by state agencies through a contractual arrangement with a developer or financing entity where the sale of debt obligations or COPs through the OST may be involved or financing may be offered by a private developer. Title to the property involved may transfer to the state for a nominal amount or for a price determined without reference to fair market value. Examples include conditional sales contracts, financing leases, lease purchase contracts or refinancing contracts, but do not include operating or true leases.

Projects funded by alternative financing mechanisms are identified in the ten-year capital plan because they represent long-term occupancy proposals and result in long-term costs. Lease or debt service costs may be requested as part of an agency's operating budget during the biennium in which they occur.

Major projects are requested and implemented in three phases

Three major phases are associated with completion of major capital projects (more than \$5 million):

- **Predesign.** The predesign phase is defined as the first phase of a major capital project and provides a clear definition of the project plan. Predesign work may be required for projects that have significant policy implications or may have technical, logistical or cost concerns to a program or agency.

OFM has identified several types of acceptable predesign formats, depending on the cost and scope of the capital project. Each predesign report type varies by depth and focus of content. Agencies should confirm the correct format with OFM prior to the predesign effort. (See OFM Predesign Manual at: <http://www.ofm.wa.gov/budget/instructions/predesign/predesign.asp>.)

- **Design.** The design process incorporates all prior predesign or information from the administering agency into written and graphic documents. These documents form the basis for taking bids and constructing the facility. In the design phase, the needs, ideas and proposals of the agency are transformed into plans and specifications.

Normally, the design phase consists of three basic parts, each of which includes preparation of both drawings and written specifications:

- ♦ schematic design
- ♦ design development
- ♦ construction documents

For most construction projects, an architect/engineer (A/E) assumes overall responsibility as the owner's agent for the design, bid and construction observation functions. This includes ensuring that the project is completed within the limits of an established budget. The A/E also coordinates the activities of other design professionals working on the project.

- **Construction.** The construction phase transforms the needs, ideas and proposals of the agency, as defined by the plans and specifications into a physical structure. The construction phase begins with the bid and continues to final acceptance of the construction project. Upon completion and approval of the final construction documents, including the bidding requirements, the project is ready to be released to contractors to obtain proposals or bids.

Capital project cost estimate is required for all major projects

All major projects must include a Capital Project Cost Estimate (CBS003). This report is prepared in CBS and submitted to OFM electronically and in hard copy with the agency capital request.

Major project request report is required for some major projects

A Major Project Request report is required for the following major projects and must be submitted prior to budget submittal:

- Program and preservation projects exceeding \$1 million.
- Higher education program and preservation projects exceeding \$2 million.

The Major Project Request report must include the following information:

- overall summary of the project
- scope and project description
- justification for the project
- proposed schedule for the project
- implementation plan
- site plans
- financial costs

Predesign study required if requesting design funding for a major project

A predesign study is required for all major projects exceeding \$5 million for which design and construction funds are requested. Refer to the Predesign Manual at <http://www.ofm.wa.gov/budget/instructions/predesign/predesign.asp> for complete information on what is required in the predesign document. Predesign studies must be submitted to OFM by July 1, 2012.

In the budget submittal, agencies should also include:

- The previously submitted Major Project Request report, updated as needed to reflect agency, OFM and legislative staff review.
- A description of significant changes in the design elements from those outlined in the predesign document.

For program projects that exceed \$1 million (and higher education program projects that exceed \$2 million), a simplified predesign study must be submitted to OFM by July 1, 2012.

Comprehensive financing plan required for alternative financed projects

A Comprehensive Financing Plan documents the flow of revenues and expenditures, and demonstrates that sufficient fund balance exists in the dedicated accounts used for payment of debt service. Include all fund sources and discuss the funding for operating costs for new or remodeled structures. For example, show how parking fee revenue is received and spent on project expenses.

Decision packages must be included in agency's operating budget request for certain items

Agencies may submit decision packages in the operating budget request for certain operating and debt service costs. Operating budget decision packages are required for:

- Operating costs associated with alternative financed projects for new leases for more than 30,000 new gross square feet. The decision package justification should reference feasibility studies, master plans, space programming and other analyses as appropriate.

- If construction of a major project will be completed and operational during the 2011-13 biennium, the agency must also submit a decision package in the operating budget request that reflects the operating budget impacts during that biennium. This decision package code also should be included in the Capital Project Request report.

2.7 MINOR WORKS PROJECTS

Consolidate smaller projects

Consolidation and management of small and related capital projects are more efficient under one larger capital appropriation. This is an effective capital budget strategy (especially for preservation projects). Whenever possible, minor works project requests should incorporate all small improvements, renovations and upgrades necessary at a facility for the foreseeable future.

Submit new minor works appropriation requests under the subcategories of Preservation or Program only. Other subcategories for minor works such as Infrastructure or Health, Code and Safety should only be used for justified reappropriation requests (i.e., as originally appropriated).



Projects that affect policy or are particularly sensitive must be requested individually and should not be consolidated.

Definition of minor works

- single-line appropriations that include multiple projects valued between \$25,000 and \$1 million each. (For higher education institutions, the range is \$25,000 and \$2 million.)
- similar in nature.
- project that will be completed in the biennium.

Improvements for accessibility in compliance with the federal Americans with Disabilities Act may be included in any of the above minor works projects.

Do not propose the following items as minor works projects

- work on a phase of a larger project
- work that, if combined over a continuous period of time, would exceed \$1 million (or \$2 million for higher education institutions)
- supplemental funding for projects with funding shortfalls
- studies (except for technical or engineering reviews or designs that lead directly to and support a project on the same minor works list)
- Planning activities
- Moving expenses
- Land or facility acquisition
- Design outside the scope of work on a minor works list
- Moveable, temporary and traditionally funded operating equipment not in compliance with the criteria in Chapter 4.2
- Software not dedicated to control of a specialized system.

Submittal requirements for minor works projects

All minor works projects must be included as a sub-project on the Capital Project Request report (CBS002). A Capital Project Cost Estimate report (CBS003) can be included if enough details are known.

2.8 LAND ACQUISITIONS

These items must be submitted with the request:

- The result of the agency analysis that ensures that the land and/or facility proposed for acquisition will meet agency and program needs, including support of statewide results and activities. Be sure to identify its specific use.
- The result of an environmental review and engineering inspection of the property that ensures its suitability in terms of condition and location. (This requirement does not pertain to habitat acquisitions.) The engineering inspection report includes the cost to bring the facility up to current code to allow for proposed occupancy.
- The proposal for financing improvements to be included in the narrative section of CBS and included in the Capital Project Request (CBS002).
- Identification of the long-term operating costs associated with the acquisition.
- Acquisition, preparation and site improvement costs. Property acquisition costs included in the Capital Project Cost Estimate (CBS003) should include the cost of purchasing sites or facilities and all attendant costs necessary to prepare the property for agency use. The costs of site improvements, right-of-way or conditions of the purchase must be included in the acquisition costs if such items are required to use the property for its intended purpose.
- Include operation and maintenance costs for habitat and recreation land acquisition. RCW 43.88.030 requires agencies proposing the acquisition of land or capital improvement of land for which the primary purpose is recreation or wildlife habitat conservation to identify the projected costs of operation and maintenance for at least the two biennia succeeding the next biennium.

Minor works project lists of habitat and recreation land acquisitions must include individual project cost estimates for operation and maintenance. In addition, agencies must provide a total cost estimate for all state projects on the list, identifying the fund source from which the costs are proposed to be paid. For additional instructions on reporting this information, contact your assigned OFM operating budget analyst.

2.9 CONTINGENCY PROJECT FOR EMERGENCY REPAIRS

Emergency projects have strict conditions

A project request may be submitted for emergency repairs. These projects must follow the conditions listed below:

- Emergency repairs shall only be used for unanticipated building or infrastructure repairs for the immediate protection of capital assets and protection of health and safety.
- Funds appropriated for emergency repairs **are not to be used** for routine maintenance.

All emergency project requests must include:

- a clear description of the process to be used to allocate funds to specific projects
- amounts provided for this purpose
- list of projects completed in the last biennia using these emergency funds.

Funds will remain unallotted until OFM receives a specific line item request to use the emergency funds.

2.10 REAPPROPRIATIONS ALLOWED FOR SOME PROJECTS

What are reappropriations?

Many capital projects and acquisitions require more than one biennium to complete, yet the state Constitution allows appropriation for only one budget period or biennium at a time. Consequently, some project funding must be carried forward to the next biennium. Agencies must request that the anticipated unexpended balance of an appropriation at the end of the biennium still necessary to complete the project be “reappropriated” as a specific action in subsequent biennia capital budget submittals.

Restrictions on the use of reappropriations for capital projects

- Minor works projects are considered small and should be completed in the biennium in which they are first requested. To be reappropriated, minor works projects will need individual justification as to why they could not be completed in two years.
- Preservation projects first appropriated in the 2009-11 biennium and earlier may not be reappropriated in the 2013-15 biennium.
- Grants and program projects older than the 2009-11 biennium may be reappropriated in the 2013-15 biennium on a case-by-case basis. Reappropriations are not automatic. Agencies should be able to demonstrate that funds are needed to complete planned work in 2013-15.
- Unobligated emergency funds will not be reappropriated.

Agencies should contact their OFM capital budget assistant for guidance.

Information requirements for projects proposed with reappropriated funds

Requests to reappropriate funds:

- Must follow these guidelines –
 - ♦ retain the same project number.
 - ♦ retain the same description.
 - ♦ include actual expenditures for prior biennia.
 - ♦ provide estimated expenditures for the current biennium (including first year actuals and second year allotments).
- Include the expected unexpended balance of the current biennium **needed to complete the project as the reappropriation amount**. Any remaining unexpended balance will not be reappropriated. If additional funds are needed to complete the project beyond the unexpended balance, the agency should request a new appropriation using the same project number.
- Should not exceed the expenditure authority amount minus actuals to date.

The information noted above is entered in CBS and prints on the Capital Project Request report (CBS002).

OFM and the Legislature may request periodic updates of actual expenditures as budgets are being developed. Reappropriation amounts will be updated in November 2013 after actual expenditures have been finalized for the 2011-13 biennium.

Chapter 3

Deferred Maintenance Backlog Reduction Plans

3.1 MAINTENANCE BACKLOG REDUCTION PLANS

Purpose of the backlog plan

Deferred maintenance backlog reduction plans have several goals, including:

- ◆ Promoting proper preservation of state facilities.
- ◆ Ensuring maintenance is not reduced during periods of decreasing resources.
- ◆ Identifying and prioritizing maintenance to best use resources.
- ◆ Decreasing deferral of maintenance so capital renewal is not required to restore a facility to its service delivery condition.
- ◆ Establishing quality standards for maintenance appropriate for the agency and the facility's intended use.

Plan contents

The plan must include:

- ◆ Prioritized list of specific facility deficiencies and capital projects to address the deficiencies.
- ◆ Cost estimates for each project.
- ◆ Schedule for completing projects over a reasonable period of time.
- ◆ Identification of normal maintenance activities to reduce future backlogs.
- ◆ Identification of operating budget resources available to complete all the identified activities.

Prioritization process

Agencies must develop prioritization criteria that reflect agency needs. These criteria must be clearly identified in the plan.

3.2 FACILITY ASSESSMENTS

Agencies should conduct formal facility assessments or audits to provide a framework for developing a long-term plan to meet their deferred facility and infrastructure needs. These assessments should assist agencies in responding to the facility inventory requirement, due in September. A comprehensive approach includes the following activities:

- ◆ Identifying specific facility or infrastructure deficiencies in a manner that is updated and consistent over time.
- ◆ Ranking facility and infrastructure preservation needs according to physical condition and performance.
- ◆ Identifying facilities or systems that should be abandoned.
- ◆ Defining specific capital preservation projects ranked in priority order that reduce the amount of deferred preservation.
- ◆ Developing cost estimates for these capital preservation projects.
- ◆ Preparing a schedule for completing projects in a reasonable period of time.
- ◆ Identifying revenue sources and timing of expenditures that are dedicated to deferred maintenance backlog reduction.
- ◆ Specifying appropriate ongoing maintenance activities funded in the operating budget that keep facilities and systems at acceptable levels of performance.

Chapter 4

Financing Guidelines

4.1 METHODS OF FINANCE

Available financing options

Capital projects may be financed by a variety of methods ranging from cash to forms of long-term debt. Agencies must propose a method of financing for each project.

The most common financing alternatives and their distinguishing characteristics are described below. Chapters 4.2 to 4.4 outline allowable uses and limitations of the various available financing options. Questions about the selection of financing options by the requesting agency or about a specific financing proposal should be referred to your assigned OFM capital budget analyst.

Long-term financing

- **General obligation bonds** are the traditional form of government debt financing for major construction projects. The state pledges full faith and credit and taxing power to pay principal and interest. The term of the bond is usually 25 years. The interest paid to investors is exempt from federal income tax and the rates are typically below taxable bonds. General obligation bonds are subject to a state debt limit. Legislation authorizing general obligation bonds requires a 60 percent vote by the Legislature.
- **Reimbursable bonds** are a form of general obligation bonds. The difference is the source of payment. Reimbursable bonds are paid from sources other than the general fund.

Other financing

- **Cash** may be used from a dedicated account to finance capital projects if sufficient capacity is in the account. Agencies must show that this account has sufficient capacity. Agencies should ensure the proposed project is meeting the restrictions of the funding source.
- **Financing contracts** can take several forms, including certificates of participation and certain lease-purchase and lease-development agreements. All financing contracts must be approved by the State Finance Committee.
- **Certificates of participation (COP)** are a form of debt financing contract with individual investors. COPs are sold in the public securities market and the interest earnings are tax-exempt. Debt service payments are made from operating budgets or other revenue sources such as student fees.
- **Lease purchase and lease development** agreements are forms of financing contracts that enable a building to be built or substantially remodeled to state specifications by a private developer. In both cases, the developer finances the project and recovers the cost through lease payments. By the end of the lease period, the state may exercise the option to purchase at a predetermined price. There is no tax exemption for the developer and market interest rates prevail.

Long-term leases

Long-term leases are not considered to be a debt of the state and lease payments are made from agency operating budgets. The standard lease term employed by the state is five years; however, if an agency has a consistent and stable presence in the location **and** there is a demonstrated economic advantage to the state, a lease of up to 10 years may be negotiated by the Department of Enterprise Services (DES) and approved by OFM. A long-term lease of more than 10 years can be negotiated by DES and must be approved by OFM.

4.2 ALLOWABLE USES OF LONG-TERM FINANCING

Long-term financing uses are limited. By law, only certain types of expenditures can be funded with long-term financing options. The following table outlines the allowable and non-allowable uses of long-term financing:

Allowable Uses	Non-Allowable Uses and Caveats
1. Acquisition – Land and Buildings	
<p>Expenditures for the acquisition of real property, whether obtained by purchase or by condemnation under the applicable eminent domain laws of the state of Washington, including expenses directly and necessarily related to such purchase or condemnation.</p> <p>The cost of existing structures that improve the real property, such as buildings, facilities, roads, parking areas and bridges.</p> <p>Costs may include:</p> <ul style="list-style-type: none"> ▪ land and improvement costs ▪ appraisal fees ▪ title opinions ▪ surveying fees ▪ real estate fees ▪ title transfer taxes ▪ easements of record with an extended term ▪ condemnation costs ▪ related legal expenses 	<p>Land purchases must be consistent with agency master plans and reflect actions taken to meet long-term growth needs.</p> <p>Financed land purchases for the purpose of investment or land banking are not allowable.</p>
2. Planning and consultant services for predesign and design work	
<p>Costs may include:</p> <ul style="list-style-type: none"> ▪ preliminary technical studies developed from program statements that reflect the functional characteristics and architectural requirements of a long-term financed capital improvement project (predesign) ▪ costs for architectural and engineering services, such as schematic design, design development and construction documents ▪ reimbursable expenses provided in an executed contract for professional and technical services ▪ fees for construction management and observation ▪ LEED certification fees as part of a construction project 	<p>Expenditures for general long-range development plans, master plans, historical or archeological research, feasibility studies, statements, energy audits, or other expenditures similar in character are <i>not</i> financed from bonds or other long-term financing. These costs should be contained in the agency's operating budget.</p> <p>LEED certification fees not associated with construction.</p>

3. Construction – Site Improvement Costs

Site improvement expenditures include costs related to a financed capital improvement project, including:

- demolition
- rough and final grading of a site
- construction or replacement of sidewalks
- road and driveway pavement surfaces
- bridges
- ramps
- curbs
- overpasses
- underpasses
- pedestrian bridges and tunnels
- surface parking areas
- campground development
- building terraces
- retaining walls
- exterior lighting
- seeding or sodding for erosion control

Landscaping costs are financed only if the costs are included as part of a larger financed capital project.

Site improvement projects not part of a larger capital project may be financed if the structure or improvement provided is permanent and meets all other tests and requirements of these guidelines.

Demolition of buildings and structures, removal of trees and plant material, grading, rerouting utilities and erosion control may be financed when they precede a financed project to be undertaken on the same site.

Clearing of land or demolition of vacant buildings is usually financed only in preparation for a financed construction project.

Routine maintenance of land.

Allowable Uses	Non-Allowable Uses and Caveats
4. Construction – Road Work	
<p>Costs related to the construction, extension, replacement, reconstruction or upgrading of a new road or parking lot. The following costs are considered part of roadwork costs:</p> <ul style="list-style-type: none"> ▪ all necessary signing ▪ landscaping ▪ erosion control ▪ drainage ▪ lighting ▪ bridges ▪ safety ▪ control structures 	<p>Repairs or resurfacing of existing roads to temporarily extend useful life are not allowed.</p>
5. Construction – Facilities Preservation	
<p>Expenditures for the reconstruction or preservation improvement of existing buildings or structures allowed, including:</p> <ul style="list-style-type: none"> ▪ Site developments necessarily required or related to the preparation of a site for reconstruction purposes (see Site Improvement Costs). ▪ Required built-in, special-purpose or other fixed equipment where such equipment is permanently affixed or connected to real property in such a manner that removal would cause damage to the real property to which it is affixed. ▪ Expenditures for the installation or replacement of water control structures such as dams, culverts, aqueducts, drainage systems, locks, spillways, reservoirs and channel improvements. 	<p>Normally recurring expenses associated with water control structure improvements are not financed, unless part of a larger financed project.</p>

Allowable Uses	Non-Allowable Uses and Caveats
6. Construction – Utilities	
<p>Expenditures for the acquisition, construction, replacement, modification or extension of utility systems, including construction or replacement of utility lines between buildings, replacement or installation of utilities to off-site supply systems, and replacement of complete boiler or central air conditioning or ventilation systems. Includes:</p> <ul style="list-style-type: none"> ▪ Provisions for potable water, high temperature water for sanitary or other related purposes, and domestic hot or chilled water. ▪ Systems and associated components for disbursing or providing electricity or telecommunications service, including underground or overhead distribution cables for television, computers or other modes of communication. ▪ Steam and condensate returns. ▪ Storm and sanitary sewers. ▪ Fire hydrants and stand pipes. ▪ Central fire and security alert systems. ▪ Lighting systems. ▪ Tap-ons or extensions related to existing utility systems. ▪ Automated temperature or environmental control systems, and air or water pollution control systems. ▪ Provisions for the disposal of contaminated, radioactive, hazardous or surgical waste as part of construction project. ▪ Solar heating or other approved energy systems as part of a financed construction or reconstruction project. ▪ Sewage and water treatment facilities, equipment and related systems. ▪ Earth moving to create artificial lakes or reservoirs for utility or related purposes. ▪ Restoration of natural and manmade features of the site. ▪ Trenches or ditches dug for the purpose of laying tile or providing other means to remove excessive rainfall and prevent erosion. 	<p>Non-financed utility repairs may include minor replacement of corroded or leaking pipes inside a facility, replacement of unsafe or undersized wiring, repairs to stop leaks, replacement of heating or cooling coils, replacement of radiators, fans or motors, retubing of boilers, addition of controls or valves for energy conservation, or replacement of thermostats or timers.</p>
7. Construction – Safety and Codes	
<p>Use the same criteria as in #6 above to determine whether the proposed safety or code project is long-term financed.</p>	<p>Examples of non-financed work, unless included in a larger financed remodeling or reconstruction project, include installation of fire alarms, smoke detectors or automatic door closers.</p>

Allowable Uses	Non-Allowable Uses and Caveats
8. Equipment	
<p>Built-in equipment is permanently attached to the building or improvement, without which the building or improvement will not function. It is an integral part of the structure and for purposes of classification is considered part of the structure. Built-in equipment is generally included in the base construction budget and estimate (Section C of Project Cost Estimate). Examples of built-in equipment are plumbing fixtures and heating and electrical equipment.</p> <p>Fixed equipment is attached to the building or improvement for purposes of securing the item and contributes to the facility's function. Fixed equipment is generally included in the base construction budget and estimate (Section C of Project Cost Estimate). Examples of fixed equipment include shelving, cabinets and bolted furniture.</p> <p>Some movable equipment can be considered long-term if it is part of a large construction project. Movable equipment is necessary for the functioning of the building or improvement and remains with the facility in support of a program, but is not attached to the building or improvement. Movable equipment is generally included in a separate equipment budget and estimate (Section D of Project Cost Estimate). Examples of movable equipment include desks and computers. Check with your OFM capital analyst if you have questions.</p>	<p>Consumable inventories as defined in SAAM are supplies consumed in the course of an agency's operation or incidental items held for resale (see http://www.ofm.wa.gov/policy/glossary.asp). Consumable inventories are not eligible. Examples include office, janitorial and chemical supplies, and laboratory glassware.</p> <p>Software is not an eligible expenditure if it is not dedicated to the control of a specialized system supporting a program. Examples not eligible include word processing and project management software.</p> <p>Spare or replacement parts for equipment are not eligible.</p> <p>Equipment traditionally funded from the operating budget, or specifically prohibited equipment such as fax machines, copiers, custodial equipment, rolling stock and grounds equipment, is not eligible.</p> <p>The useful life of the equipment is less than 13 years. However, cash funds can be used in the capital project.</p> <p>Temporary equipment that is planned to be used in a building or improvement for a period less than its useful life. An example of temporary equipment is the use of research equipment for a short-term project.</p>

Allowable Uses	Non-Allowable Uses and Caveats
9. Other Costs	
<ul style="list-style-type: none"> ▪ Fees for services for retaining, complying with, or legal costs associated with environmental or other construction permits required for developing and implementing a specific capital improvement project. ▪ Purchase of existing facilities and tenant improvements. ▪ Reconstruction of an existing building or structure, which may include demolition, as well as installation of new structural or interior walls, floors, ceilings, utilities, interior finishes, furnishings and equipment. ▪ Exterior work, including exterior surface, structural or foundation work necessary to extend the useful life of the structure. ▪ Roof work that removes all or major portions of a roofing system down to the decking and replacement with a new system. ▪ Replacement of insulation, decking and other necessary structural work that may be part of a financed roof replacement project. ▪ Stone or metal work and other work necessary to direct and control water drainage and ice formation. ▪ Interior work generally involves the following elements of work: demolition, moving walls, new carpet or floor surfaces, new finishes, replacing electrical and plumbing facilities, changes to the heating or cooling system, and installation of new fixed or moveable equipment. ▪ Relocation costs that are payments made to owners or occupants of property that the state is acquiring. These costs may be long-term financed when paid pursuant to federal or state statutes. ▪ Allowable agency administrative costs as described in Chapter 5. 	<ul style="list-style-type: none"> ▪ Non-financed roof repairs include patching, replacing shingles, spot treatment with tar or other roof materials, adding gravel or other materials, or other repairs. ▪ Replacing gutters, downspouts, fascia and other work are not financed as a project but may be included as part of a larger long-term financed roof replacement project. ▪ The costs of moving furniture, equipment and supplies between facilities are operating costs and not included in capital projects. ▪ Projects that cost less than \$25,000 or which have an estimated useful life of less than 13 years. ▪ Ordinary maintenance such as patching, painting, caulking, weatherproofing, insulating, adding storm windows, replacing doors, repairing vandalism or cleaning. An aggregation of ordinary maintenance does not create a long-term financed capital project. Work undertaken as a result of deferred maintenance likewise does not normally make the project long-term financed. Elements of work that are not financed if considered separately may be included in a larger long-term financed project. ▪ Lease payments for rental of equipment or facilities. ▪ Costs for archeological digs, research or exploration, unless part of construction project. ▪ Expenditures to acquire or construct temporary facilities or for facilities where abandonment or replacement is imminent. This does not include temporary facilities required by a contractor during construction such as a “job shack.” ▪ Separate purchases of sand, gravel, rock, asphalt or concrete in limited quantities, ordinary hardware items and temporary fencing. ▪ Spare or replacement parts and equipment, hand tools, scuba equipment, decorative models, plaques, commemorative memorabilia, supplies or other commodities. ▪ Purchase of automobiles, trucks, farm or construction equipment, boats, tractors, lawn mowers, fire engines, trailer-mounted electrical generators, airplanes, helicopters and related items. ▪ Livestock or laboratory animals. ▪ Unpredictable or unusual legal expenses (other than those associated with land acquisition) which are not ordinarily provided in the budget for a capital project. ▪ Parking costs during construction. ▪ Agency expenses for capital budgeting, planning or other costs not directly related to the completion of a long-term financed project.

4.3 ALLOWABLE USES OF BOND AND COP PROCEEDS

Background

These guidelines should be used in preparing capital budget requests for projects funded by bonds and certificates of participation (COP). They apply to all projects identified in CBS with proposed appropriations and/or reappropriations of more than or equal to \$250,000 from the following list of funds or any COP-funded projects:

- 01L Higher Education Construction Account
- 045 State Vehicle Parking Account
- 051 State and Local Improvement Revolving Account
- 055 State and Local Improvement Revolving Account (Waste Facilities 1980)
- 057 State Building Construction Account
- 070 Outdoor Recreation Account
- 072 State and Local Improvement Revolving Account (Water Supply Facilities)
- 09C Farmland Preservation Account
- 09G Riparian Protection Account
- 10T Multimodal Transportation Account
- 244 Habitat Conservation Account
- 350 Capitol Historic District Account
- 355 State Taxable Building Construction Account
- 357 Gardner-Evans Higher Education Construction Account
- 359 School Construction and Skill Centers Building Account
- 10P Columbia River Basin Water Supply Development Account
- COP Certificates of Participation/Alternate Financing Sources
New capital project funds (if a new bond bill)

Internal Revenue Service limits on tax-exempt bonds

The Internal Revenue Code limits the issuance of tax-exempt bonds that may be used to finance facilities used by nongovernmental persons for nongovernmental purposes. In general, no more than the *lesser* of 10 percent or \$15 million of proceeds of any tax-exempt bond issue may be used for any nongovernmental use, of which no more than the *lesser* of 5 percent or \$5 million may be used to make any loans to nongovernmental persons. Projects exceeding these limits cannot use tax-exempt bond/COP proceeds, but must instead use taxable (or some combination of taxable and tax-exempt) bond/COP proceeds.

For this purpose, under federal tax rules that apply to tax-exempt state and local bonds, a “nongovernmental person” includes (a) the federal government (including any federal department or agency); (b) any private nonprofit corporation (including any “501(c)(3) organization”); (c) any other private entity, such as a business corporation, partnership, limited liability company, or association, etc.; and (d) any natural person engaged in a trade or business activity.

If the project qualifies for nontaxable funding, then request funding from your usual and accustomed funding source. If the project requires taxable funding, request funding from the State Taxable Building Construction Account (Account 355).

Agencies must submit an Expected Use of Proceeds form

Please prepare a separate "Expected Use of Bond/COP Proceeds" form for each proposed project with appropriations and/or reappropriations of \$250,000 or more and attach this form to the project in CBS. (Form is available at <http://www.ofm.wa.gov/budget/forms.asp>.)

Guide to defining governmental vs. nongovernmental use

In preparing the "Expected Use of Bond/COP Proceeds" form, please consider the definitions for *nongovernmental purposes* and *governmental purposes* contained in the glossary, as well as the examples below.

In determining whether bond/COP proceeds are considered to be used for governmental or nongovernmental purposes, the following federal tax rules should be kept in mind:

- Generally, the ultimate use of the financed property determines the character of the use of the financed property.
- Be sure to take into account the reasonably expected direct and indirect uses of both the proceeds and the financed property during the entire term of the bonds/COPs that will finance that property.
- Nongovernmental use may occur as the result of ownership of the financed property by a nongovernmental person. It also may occur through the use of the financed property by a nongovernmental person under a lease, management contract, output contract, or any other arrangement that provides special legal entitlements to the nongovernmental person for beneficial use of the bond-financed property.
- Depending on the particular facts and circumstances involved, an agreement by a nongovernmental person (such as a business corporation or the federal government) to sponsor research performed by a *governmental* person (such as a state university) may result in nongovernmental use of the property used to perform the research. Under other circumstances, as provided in guidelines issued by the Internal Revenue Service, certain types of research agreements with nongovernmental persons do *not* result in nongovernmental use of the property used to perform the research. It is important therefore that the terms of any research agreement(s) be described in the "Expected Use of Bond/COP Proceeds" form mentioned above.

Examples

1. If proceeds are loaned to a housing authority to build an apartment building that the housing authority leases to a separate partnership in which the housing authority is the general partner and private investors are limited partners, the financed apartment building is considered used for nongovernmental purposes.
2. If proceeds are loaned to a city to build a sewage treatment plant, but the city enters into a long-term management contract with a private company to operate the sewage treatment plant for the city, and the management contract fails to meet Internal Revenue Service requirements for a "qualified management contract," the treatment plant is considered used for a nongovernmental purposes.
3. If proceeds are loaned to a port district to build a dock that the port district leases on a long-term basis to a private shipping company, the dock is considered used for nongovernmental purposes.
4. If a state agency leases excess office space in a bond or COP-financed building to commercial businesses, a federal agency, or a private non-profit organization, the portion of the proceeds allocated to the cost of that space is considered used for nongovernmental purposes.
5. If the estimated useful life of a project is shorter than the term of the financing and the project will be sold or leased to a private nonprofit corporation before the end of the financing, the project is considered used for nongovernmental purposes.

4.4 CERTIFICATES OF PARTICIPATION

Consult with the Office of the State Treasurer early when considering COP financing

Real estate Certificates of Participation (COPs) are structured and sold on a stand-alone or pooled basis, so agencies with COP approval must coordinate the timing of their funding needs with the Office of the State Treasurer (OST). Due to tax restrictions on the use of COP proceeds and the requirement that the subject property shall secure the financing contract, it is advisable to contact OST directly to describe your project proposal in advance of submitting your budget request.

This is especially important if the proposed project: (a) has any type of private component; (b) includes plans to finance a project on land owned by another party; or (c) involves a private operator or manager of the completed project.

Tax-exempt COPs are subject to the same restrictions on nongovernmental use of the financed project or asset as those that apply to bonds.

COP limitations

COP authorizations apply only to the biennium for which they are approved. If the project is not ready to finance in the biennium, the agency will need to seek re-authorization in the next biennium.

In accordance with Chapter 39.94 RCW, the maximum allowable term for COPs is 25 years, but they are issued for shorter terms based on the size of the project, the source, amount and timing of agency funds available for repayment, as well as the useful life of the structure.

Regardless of the source of agency funds to be used for repayment, **all COPs are secured by the agency's General Fund-State appropriations.** If the funds are not sufficient to make payments, general appropriations are required to make the payment.

When are COPs issued?

COPs will be issued for construction projects once the agency has executed a contract for the delivery of its project at a specific price and date. COPs may be used with design-bid-build, general contractor-construction manager and design-build project delivery methods. For acquisition projects, the agency must have entered into a purchase and sale agreement, completed all requirements for the purchase, and had documents signed by all parties.

Additional information is available on OST's website

Additional information on COPs can be found in the "Lease/Purchase Program Guide" on the Office of the State Treasurer's website at: <http://www.tre.wa.gov/government/leasePurchaseProgram.shtml>.

Chapter 5

Agency Administrative and Staffing Costs

5.1 ADMINISTRATIVE COST STANDARDS

Only limited types of administrative and staff costs can be funded in the capital budget

Capital construction funds, whether funded with bond proceeds or revenues deriving from fees or other cash, are dedicated to the acquisition, construction and renovation of capital assets. These funds should not be used to subsidize operating budget costs, which include maintenance activities and most kinds of administrative and staff costs.

Allowable agency staff costs must be specific to the capital project and directly relate to the execution of the project. For example, staff costs for consultant selection, in-agency design and project inspections are directly related to the execution of the capital project, and are allowable costs.

Staff costs that are not eligible for inclusion in a capital project should be included in the agency's operating budget

The following guidelines will help clarify appropriate budgeting of administrative and staff expenses for the completion of capital projects:

- Agency staff frequently perform contract administration tasks (such as processing agreements and contracts, handling change orders, managing a bid process, and verifying bills for payment) in the execution of a capital project. Common agency accounting practices for these costs involves either:
 - ♦ Charging each project directly for costs incurred, or
 - ♦ Assessing a project administration fee across agency capital projects and using the pooled funds to pay agency overhead costs.
- Project administration fees may not exceed 3 percent of the total new appropriated project cost on stand-alone projects (not minor works omnibus appropriations) of \$1 million (\$2 million for higher education) and less, regardless of whether these fees are charged as a percentage or charged directly to a project (except as limited by statute or fund).
- For projects in excess of \$1 million (\$2 million for higher education) , the project administration fee will be based on the A/E Basic Service Fee Schedule B, minus 4 percent and multiplied by the maximum allowable construction cost. Access the A/E fee schedule at <http://www.ofm.wa.gov/budget/instructions/capital.asp>. This rate is intended to be a ceiling, not a target. Thus, agencies must evaluate their project administration requirements for each project when requesting these fees.

Administrative and staff costs that may be direct-charged to a capital project

Certain kinds of capital project management costs are appropriate for funding in the capital budget, such as additional project-specific tasks that may be required due to specific project requirements or agency practice. Tasks include:

- Project design (when performed by agency professional staff in lieu of consultants).
- Land use applications.
- Environmental impact statements and other environmental assessments.
- Hazardous material assessments and other special design studies not routinely required for all projects.
- Enhanced construction phase administration for complex projects.
- Building code plan review services (when not otherwise performed by local jurisdictions).

- Project-specific tasks associated with the reproduction and distribution of construction documents for bidding are routinely performed by the design consultant or agency staff.

Agency design and professional staff

Some agencies employ professional staff for planning, environmental permitting and design services. These staff costs may be charged to capital projects only for the time and expenses directly related to performing the scope of work for the project appropriated in the capital budget. The remainder of those staff costs should be charged to the operating budget. The cost for agency staff should be estimated and incorporated into the total cost of the individual capital project and not as a separately identified staff cost. Agencies must identify these staff members, their anticipated FTE and supporting expenditures on their Capital FTE Summary form.

Certain agency trades staff costs

Agency trades staff costs may be charged to capital projects only for the time and expenses directly related to performing the scope of work for the project appropriated in the capital budget. The remainder of trades staff costs should be charged to the operating budget.

Administrative and staff costs that may be charged to a capital project as part of a project management fee assigned to all projects

The following administrative and staff costs may be included in the project management fees and in the capital budget (note the restrictions above on the limitations for project management fees that may be assigned):

- Non-project-specific tasks associated with general support of project management operations, including staff management, staff support, general accounting, statutory accounting and management of public information related to an agency's capital program. Tasks in this subcategory are generally performed by agency professional and technical staff.
- Routine project management tasks associated with consultant selection, contract negotiation and day-to-day administration of consultant agreements and public works contracts for individual capital projects. Tasks in this category are generally performed by agency professional staff. For agencies listed in RCW 43.19.450, these services are generally provided by the Department of Enterprise Services' Engineering and Architectural Services (E&AS).
- Project-specific tasks associated with identification of project agency base bid and alternates, determination of bid date and time, opening and evaluation of bids, and resolution of bidding irregularities. These tasks are routinely performed by agency management or professional staff. For agencies listed in RCW 43.19.450, these services are provided in large measure by E&AS. Coordinate with E&AS to ensure that its services are properly accounted for in the budget.
- Routine project-specific tasks performed by agency staff associated with administration of construction contracts, coordination of agency reviews of construction submittals, monitoring of project schedules, and monitoring of consultant and contractor performance. For agencies under RCW 43.19.450, these services are provided by E&AS.

Administrative and staff costs that may NOT be included in the capital budget

The following administrative and staff costs may not be included in the project management fee or in the capital budget.

- Normal maintenance and costs associated with routine janitorial activities and day-to-day upkeep are usually ongoing expenses funded in the operating budget and are not charged to capital appropriations.
- Agency administrative costs related to capital budget development, capital facility management, long-range budget planning and policy initiatives. These items should be included in the operating budget because they exist regardless of the particular composition of agency projects proposed each biennium.
- Non-project-specific tasks associated with regulation and policy development, contract development, interagency initiatives, legislative oversight, etc. Tasks in this category are generally performed, or directly supervised, by executive-level agency staff.
- Non-project-specific tasks associated with overall general comprehensive planning for facilities and infrastructure, identification and prioritization of capital projects, and preparation of agency capital requests. Tasks in this subcategory are generally performed, or directly supervised, by executive or program management level agency staff.
- Provision of emergency services (to the extent provided by an agency) and infrastructure management (utilities).

5.2 CAPITAL FTE SUMMARY

Agencies must submit a capital FTE summary

FTE levels, historically requested during the allotment process, are required in the budget submittal. A narrative describing the role of the FTEs in the capital budget and the reasons for the changes in the level of FTEs requested should be provided in your Capital FTE Summary (CBS004).

In addition to identifying FTEs, identify the fund sources supporting the FTEs and level of anticipated expenditures.

The Capital FTE Summary report is available for entry printing and electronic transmission of data to OFM from the Capital Budget System (CBS). See the CBS tutorial for more information.

Chapter 6

Other Budget Considerations and Requirements

6.1 OTHER CONSIDERATIONS

Architect/engineer fees

For the purpose of budgeting for capital projects, the fees for A/E services are calculated using the Guidelines for Determining Architect/Engineer Fees for Public Works Building Projects (<http://www.ofm.wa.gov/budget/instructions/capital.asp>). The guidelines define the basic services that should be included in each design phase and provide definitions for reimbursable expenses and extra/other services.

Energy conservation considerations

Energy conservation considerations should be included in the narrative section of the Capital Project Request report (CBS002). It is important to identify choices made in the predesign phase. Be sure to explain how these measures meet Executive Order 05-01, Establishing Sustainability and Efficiency Goals for State Operations. Buildings should be designed and built to the lowest life-cycle cost. For assistance in developing the energy-related components of project requests, contact the Energy Program Manager in the Division of Engineering and Architectural Services at the Department of Enterprise Services at 360-902-7272.

Sustainable design information

State law (Chapter 39.35D RCW) requires agencies to design sustainable facilities to achieve a minimum of a U.S. Green Building Council LEED™ (Leadership in Energy and Environmental Design) Silver Standard or an equivalent standard on all construction projects over 5,000 square feet, including grants and local community projects.

Sustainable design and construction is a holistic approach that minimizes environmental impact, reduces maintenance and creates a more desirable workspace for occupants. Sustainable building focuses on siting issues, energy and water efficiency, recycled content building materials, minimization of local and global environmental effects caused by buildings, and indoor environmental quality.

Information on sustainability can be found at <http://www.ofm.wa.gov/sustainability/resources/links.asp> and the Department of Enterprise Services's E&AS.

Coordination with regional and local governments on project siting

OFM is required under the Growth Management Act under Chapter 36.70A RCW to maintain an Essential State Public Facilities list to inform regional and local governments of the construction or siting of facilities across the state. This facility inventory contains information on all of the state's essential public facilities.

Local governments cannot preclude the siting of essential state public facilities. For its part, the state must comply with local planning ordinances. While not all capital projects are sited at the time the budget is considered, it is important, whenever possible, to identify the preferred area or optional sites for locating each facility.

The state also has a strong interest in community-based facilities that are not owned by the state but are operated by other entities under contract to the state. State agencies with an interest in the siting of these community-based facilities should contact the appropriate local governments to provide input for their consideration.

Growth management information is required in capital plan

RCW 43.88.0301 promotes state capital facility expenditures that minimize unplanned or uncoordinated infrastructure and development costs, support economic and quality of life benefits for existing communities, and support local government planning efforts. Prior to capital budget submittal, agencies should make early contact with affected local governments and review their project lists against local plans and ordinances to ensure consistency with local plans.

This information requirement applies only to major capital construction projects greater than \$5 million. For projects located in a city or county listed under RCW 36.70A.040, agencies are required to complete a predesign. Agencies should use the template “Capital Budget Applicants Questionnaire” at <http://www.ofm.wa.gov/budget/forms.asp>. The completed template must be submitted to OFM in the ten-year plan submission.

RCW 43.88.0301 requires state agencies to answer the following questions for each project as part of the 2013-15 capital budget application process:

- Is the proposed capital project identified in the host city or county’s comprehensive plan, including the capital facility plan and implementation rules adopted under Chapter 36.70A RCW?
- Is the proposed capital project located in an adopted urban growth area?
- If located in an adopted urban growth area, does the project facilitate, accommodate or attract planned population and employment growth?
- If located outside an urban growth area boundary, does the proposed capital project create pressures for additional development?
- Was there regional coordination during project development?
- Does the project include leveraging of local or other funds?
- Have environmental outcomes and the reduction of adverse environmental impacts been examined?

Assistance from the Department of Commerce

Staff at the Department of Commerce can assist agencies in obtaining copies of local comprehensive plans and in answering questions about growth management requirements. For assistance, contact Linda Weyl at 360-725-3066.

OFM reports annually to the Legislature on cost overruns or underruns

RCW 43.88.160 requires OFM to submit an annual report to the Legislature on the status of all appropriated capital projects (including transportation projects) that show significant cost overruns or underruns. As these projects are completed, agencies must provide OFM with a final summary showing estimated start and completion dates of each project phase compared to actual dates, as well as estimated costs of each phase compared to actual costs. OFM will provide this information to the Legislature.

Facility inventory system updates are due on September 1 each year

Statewide inventory data plays an important role in budget decisions. Agencies must update their facility data by September 1, 2012. OFM will provide your agency's data from the previous year, as well as a format for reporting any changes. This information will assist in reviewing budget requests and assessing agency performance on maintenance and preservation. This also helps agencies in preparing their Annual Maintenance Summary Report.

Department of Enterprise Services assessments for Thurston County Space

Chapter 43.01 RCW directs the Department of Enterprise Services (DES) to assess agencies for costs related to the construction, renovation and occupancy of certain space owned and managed by DES in Thurston County. One of these charges is the recovery of financing costs related to construction or major renovation projects; the other is a capital projects surcharge levied in agency operating budgets to cover some of the costs of capital projects. (These charges are in addition to all existing facilities and services, seat of government and Division of State Services lease management charges.)

These charges will occur in the operating budgets of affected agencies. Refer to the 2013-15 Operating Budget Instructions for additional information about these charges.

Capital project surcharge

A project surcharge is collected from all agencies housed in DES-owned and -managed facilities in Thurston County, except agencies occupying the Natural Resources and Highways-Licenses buildings. These buildings have separate financing cost-recovery agreements and are exempt from the capital project surcharge until the current cost recovery agreements expire or a surcharge is negotiated with DES.

Cost recovery charge

The financing cost-recovery charge (debt service) applies to those facilities being purchased, constructed or undergoing major renovation, and will begin once agencies occupy the new or newly renovated space. This charge, like the capital project surcharge, is an OFM central service agency charge adjustment.

DES will include financing plans in its ten-year capital plan requests for new construction or major renovation projects. Tenant agencies must include funds in their operating budget requests to pay the financing cost-recovery charges in the biennium in which they occupy the new or newly renovated space. DES and the tenant agencies will coordinate their requests.

Plant operations support consortium

The Plant Operations Support Consortium may be able to assist in the implementation of capital projects. The consortium provides support with project management, on-site assessment/consultation, technical assistance and equipment brokering to facility managers. For more information, contact the Plant Operations Support Consortium at 360-956-2057 or <http://www.energy.wsu.edu/PublicFacilitiesSupport/PlantOperations.aspx>.

Lapsing appropriations

There is a limited amount of resources available to meet many capital budget needs. When projects have been completed under budget or are indefinitely stalled for any reason, the appropriation for the project should be "lapsed" to free up the resources to meet other project needs. For this reason, agencies are asked to report savings from completed projects and funding for projects that cannot move forward. Funding for these projects will be lapsed at the end of the 2011-13 biennium. When the issues involved in a stalled project have been resolved, it may be resubmitted in a future biennium.

Capital savings

The Legislature has provided two opportunities for agencies and institutions to take advantage of savings that are gained from appropriated capital projects. Agencies may transfer between projects and transfer to infrastructure project savings.

- **Transfer between projects:** The Governor, through OFM, may authorize a transfer of appropriation authority from a capital project that has funding in excess of the amount required for completion to another capital project for which the appropriation is insufficient. This transfer is available to all agencies and institutions subject to certain restrictions, as detailed in RCW 43.88.145. Agencies may request a transfer by submitting a letter to OFM.

Report savings and transfer request to OFM

Agencies and institutions are asked to report savings and fund transfer requests to OFM. The request must include the following:

- project names
- project numbers
- fund sources
- appropriation codes
- appropriation amounts
- savings amount
- description of the transfer

6.2 PUGET SOUND RECOVERY

Agencies have additional reporting requirements to the Puget Sound Partnership (Partnership)



Agencies must follow additional steps in developing and submitting their budget requests if any part of their budget (including capital funding) will be devoted to projects that implement any part of the Partnership's Action Agenda. These steps, described in more detail below, include:

- providing specified information in capital project requests submitted to OFM
- providing additional copies of Puget Sound project budget requests to OFM and the Partnership
- consulting with the Partnership
- reporting to the Partnership the total cost of implementing the Action Agenda.

Capital project requests

All agencies requesting capital budget changes related to Action Agenda implementation must link capital project requests to the Action Agenda as follows:

- In the project summary, agencies should include the statement, "Related to Puget Sound Action Agenda Implementation."
- In the Project Description under "How does the project support the agency and statewide results," agencies should include the applicable strategic initiative, sub-strategies, and near-term actions identified in the Action Agenda, and explain how the request relates to these. Capital project requests with Puget Sound components of statewide requests should provide detailed information about the Puget Sound portion of the request, including project lists with dollar amounts and fund sources, and the project description information described above. "Statewide requests" are capital project requests with projects located in a variety of geographic areas. Examples include wastewater treatment facility grants, and habitat restoration projects.

To facilitate Partnership input to OFM on Action Agenda-related budget requests, please send an e-mail with copies of all Action Agenda-related operating and capital requests to Linda Steinmann at OFM and Rebecca Pittman at the Partnership by your budget submittal due date. Their contact information is noted at the end of this section.

Summer 2012 consultation with the Partnership

To ensure coordinated budget proposals that align well with the Action Agenda, all agencies requesting capital budget changes that impact the Action Agenda are required by statute to consult with the Partnership prior to submitting their budget requests to OFM. Agencies should seek Partnership concurrence in proposed funding levels. Early consultation is recommended, allowing time for agencies to respond to Partnership feedback while meeting budget submittal due dates.

Reporting the total estimated cost to implement the action agenda

Any agency implementing any part of the Action Agenda, including new or ongoing projects, programs and activities, must report to the Partnership on the total estimated 2013-15 biennium cost to implement near-term actions specified in the Action Agenda. Agencies will use the new fiscal fields of the Partnership module in the Results through Performance Management System (RPMS) to provide this information.

While the statute requires this information to be submitted by June 1 of even-numbered years, this deadline has been moved to September 10, 2012, to accommodate a revised schedule for adopting the Action Agenda update by the Partnership's Leadership Council.

The Partnership will transmit specific instructions to affected agencies in July.

More about the Puget Sound Partnership action agenda and reporting requirements

The Partnership's Action Agenda, anticipated to be updated by early August 2012, guides recovery and protection efforts of federal and state agencies, as well as local and tribal governments in the Puget Sound basin. As part of the budget development process, statute directs state agencies to work closely with the Partnership staff and OFM on current and proposed activities and projects. As required by RCW 90.71.320, all agencies that implement any portion of the Action Agenda **must provide estimates of their costs to implement Near-Term Actions for the 2013-15 biennium.**

Under RCW 90.71.370(1), the Puget Sound Leadership Council will provide to the Governor and the appropriate legislative fiscal committees, by September 1, 2012, recommendations for the funding necessary to implement the Action Agenda in the 2013-15 biennium. To accommodate a revised schedule for adoption of the Action Agenda, this deadline has been extended to October 1, 2012.

If a state agency submits an amount different from the amount identified in the October 1, 2012, funding recommendation for its portion of Action Agenda implementation, the agency and Partnership must jointly identify the amount and reason for the difference, and submit this information to OFM.

Summary timeline

Event	Deadline
Partnership instructions to agencies for reporting the total estimated cost to implement the Action Agenda	July 2012
Action Agenda adopted, with sub strategy ranking	August 2012
Partnership consultation/feedback to agencies on budget requests	Summer 2012
Agency budget submittals to OFM; agencies e-mail Puget Sound decision packages/capital project requests to OFM and Partnership	August/September 2012
Agency submittal of total estimated cost information for near term actions to Partnership via RPMS	September 10, 2012
Partnership funding recommendations and gap analysis to OFM	October 1, 2012

Contact information

If you have any questions about these requirements, please contact the following individuals:

Rebecca Pittman, Finance Director
 Puget Sound Partnership
 360-464-1218
Rebecca.Pittman@psp.wa.gov

Linda Steinmann, Budget Assistant to the Governor
 Office of Financial Management
 360-902-0573
LindaSt@ofm.wa.gov

Reference

Puget Sound Partnership Action Agenda Update website
Check here for the final, adopted Action Agenda:
http://www.psp.wa.gov/action_agenda_2011_update_home.php

Appendix A-1**Agency Budget Submittal Dates**

Agencies are required to submit their entire capital and operating budget requests — both paper copies and electronic data submittal — on their assigned submittal dates. Do not expect an exemption from these dates, because delays significantly affect the time available for OFM analysis.

See Appendix A-1 in the operating budget instructions for the list of agencies and dates.

WASHINGTON STATE OFFICE OF FINANCIAL MANAGEMENT
INSURANCE BUILDING ♦ PO BOX 43113
OLYMPIA, WA 98504-3113 ♦ (360) 902-0560 ♦ FAX (360) 664-2832