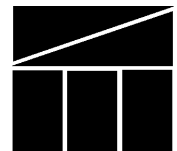


2010-2016 Six-Year Capital Budget Requests

2010-2012 Budget Development



Virginia Department of
Planning and Budget
April 2009

Instructions for Developing the Six-Year Capital Budget Request for 2010-2016

Table of Contents

	<i>Page</i>
I. Introduction	
Overview	1
Changes to the process	3
Key dates for 2010-2016 capital budget submissions	4
II. Capital Budget Submissions	
Overview	5
2010-2016 capital outlay plan	5
III. Environment Impact Reports	6
IV. Detailed Instructions for Capital Project Requests Using CapSix	6
DPB Form H-1 Summary and Financial Information	
Appendix A: Definitions and Criteria	27
Appendix B: Central Agency Responsibility for Lease Review	34

I. Introduction

Overview

This document provides guidance for submitting your agency's Six-Year Capital Outlay Plan for 2010-2016. These instructions are to be used to prepare requests for the following:

- Requests for supplements to capital projects previously funded and equipment for projects previously funded,
- Requests for new projects for the next six years (2010-2016), and
- Requests for new 2010-2016 capital lease agreements or renewals to existing leases that will expire over the next six years. (See §4-3.01 of the 2008 Appropriation Act <http://leg1.state.va.us/cgi-bin/legp504.exe?091+bud+24-3.03>).

This process is to be used regardless of the source of financing; i.e., general fund, special fund, federal trust fund, institutional debt, etc., except for Level III institutions of higher education projects funded from 100 percent with institutional funds and which will not require any future general fund operating support.

Note: Separate instructions will be issued for requesting maintenance reserve subprojects for the 2010-2016.

This is the first set of capital instructions issued since the enactment of Chapter 1, 2008 Acts of Assembly, Special Session I, which established the new six-year capital outlay planning process for the Commonwealth and created the Six-Year Capital Outlay Plan Advisory Committee.

The starting point or baseline for the agency capital requests is the six-year plan contained in Chapter 46/Chapter 696 (<http://leg1.state.va.us/cgi-bin/legp504.exe?091+ful+CHAP0046>), 2009 Acts of Assembly. This Chapter constitutes the Commonwealth's capital outlay plan, pursuant to § 2.2-1518, *Code of Virginia*, for the capital projects supported entirely or partially from the general fund for the six year period beginning July 1, 2009. Agencies must submit requests for all projects included in the plan found in Chapter 46/Chapter 696 if the need still exists and the project has not been fully funded. Just because a project is included in Chapter 46/Chapter 696 does not mean that the project will be automatically considered. If a Form H-1 is not submitted for one of the projects included in the plan, that project will not be considered for funding.

Agencies' six-year capital requests will be reviewed by the Advisory Committee who will submit to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees a proposed list of projects for the six year period. The legislation states that in determining priorities, the Advisory Committee shall consider, but not be limited to, the following:

- a. Projects that address safety, health, regulatory, security, environmental requirements, or accreditation;
- b. Projects to upgrade or replace major mechanical systems and utility infrastructure;
- c. Projects to renovate or maintain existing facilities;
- d. Projects to construct, expand, or acquire facilities in order to meet programmatic needs;
- e. For public institutions of higher education, projects that meet State Council of Higher Education for Virginia recommendations or guideline parameters;
- f. Projects that improve energy efficiency;
- g. Projects that are listed on, or eligible to be listed on, the Virginia Landmarks Register;
- h. Renovation projects for which a facility condition assessment has been completed; and
- i. Projects previously planned.

Rather than fully fund projects, in general, projects will be funded in phases. Initially, pre-planning will be funded to define the general project scope and cost of a new project. The second phase is planning funds to prepare preliminary drawings for the project. Then, based upon the preliminary drawings cost estimates, consideration will be given to funding the construction or renovation.

As defined in the legislation establishing the new capital budget process, the major phases for the funding of capital projects are the following:

1. **"Pre-planning"** means a process meant to obtain a more detailed definition and cost estimate of a project. It may include the following elements, as appropriate:
 1. Statement of program definition including functional space requirements, estimates of gross and net square footage, and functional adjacency requirements;
 2. Analysis of program execution options, including review of new construction versus renovation alternatives, necessary phasing or sequencing of the project, and coordination with other ongoing or proposed capital projects;
 3. Site analysis, including options considered and, for the site chosen, any specific issues related to topography, utilities, or environment;
 4. Presentation, including site plan, conceptual floor plans and elevations, and conceptual exterior;
 5. Identification of any Uniform Statewide Building Code compliance or permit requirements unique to the project; or
 6. Cost estimate for the project to include total cost of the project, construction cost for the project, total cost per square foot, construction cost per square foot,

costing methodology, and identification of any factors unique to the project that may impact overall project cost.

2. "**Detailed planning**" means the preparation of architectural and engineering documents up to the preliminary design stage, as defined in the Construction and Professional Services Manual of the Department of General Services.
3. "**Construction phase**" means the following steps, as set out in the Construction and Professional Services Manual of the Department of General Services: preparation of final working drawings and specifications, advertising for a sealed bid or proposal, awarding a contract pursuant to law, and actual construction of a project.

In preparing their requests, agencies in their six-year plans should emphasize long-term planning for capital outlay expenditures. An agency request should be based on its strategic plan, master site plan, and Chapter 46/Chapter 696, 2009 Acts of Assembly, the Commonwealth's Six-Year Capital Outlay Plan recently passed in the 2009 General Assembly session. In order to assure that this goal is met it is required that for all building system replacement and upgrade projects that the Building(s) have all pertinent information loaded into the Facility Inventory and Condition Assessment System (FICAS).

Appendix A provides guidance on whether property, plant, or equipment needs should be included in an agency's operating or capital budget requests. It also addresses the various types of multi-task projects, including maintenance reserve, discussed in the instructions below.

Appendix B discusses central agency responsibility for the review of capital leases.

Changes to the process

The process for developing six-year capital proposals has changed from that used in previous years.

- For the first time, the agency six-year capital plan will be an online submission through a DPB web-based system, known as CapSix. Section IV of this document contains the details for these submissions.
- The capital planning process will begin with agencies submitting to DPB by June 1, 2009 summary information (DPB Form H-1) for **all projects** other than maintenance reserve that are being requested for the six-year period included in their capital plan. However, agency maintenance reserve needs for the six-year period will be requested separately at a later date, currently scheduled for July 1, 2009.
- The dollar threshold for new construction and umbrella projects has increased from \$250,000 to \$500,000 (see Appendix A). Please note that improvements, renovations, repairs, replacement, maintenance, or combination projects for a single building did not increase, it remains at \$500,000.
- The maintenance reserve subproject threshold has increased from \$500,000 to \$1 million.
- The allowable contingency for construction and improvement projects has increased from two to four percent of sum of the estimated construction, site, and utility costs.

- The detailed forms (C-1, S-1) have been eliminated, with the exception if the Advisory Committee recommends that a project that has not been planned go immediately to construction. If needed, you will be asked for more cost and scope details for these projects on a simplified version of the C-1, S-1 form.
- The DPB Forms E-1 and L-1 have been merged into the DPB Form H-1.
- The DPB Form T-1 and DPB Form CNJ have been eliminated. Portions of the DPB Form CNJ have been incorporated into the new DPB Form H-1.
- A separate DPB Form H-1 is no longer needed for **each** of the subprojects within an umbrella project.
- Agencies will have to make requests for leases only if they qualify as a capital lease agreement as defined by Generally Accepted Accounting Principles (GAAP).
- It is required that requests for improvements to existing buildings that the affected buildings have all pertinent data loaded into the Facility Inventory and Condition Assessment System (FICAS).

Key dates for 2010-2016 capital budget submissions

<i>Date</i>	<i>Action</i>
June 1, 2009	Agencies submit summaries of all projects in their six-year plan to DPB (DPB Forms H-1).
July 1, 2009	Agencies submit their 2010-2016 maintenance reserve requests (DPB Forms MR-1).
Aug 12, 2009	Agencies submit updated draw schedules for active projects.
Aug 14, 2009	Higher education agencies submit financial feasibility studies for 9(d) revenue bond projects to the State Council for Higher Education.
Aug 22, 2009	Agencies submit to DPB an updated 2010 Maintenance Reserve Plan (DPB Form MR-3), including those subprojects validated for the 2010-2012 biennium.
Sept 7, 2009	Agencies submit financial feasibility studies for 9 (c) revenue bond projects (with appropriate copies) to the Department of the Treasury.
Oct 1, 2009	Advisory Committee makes recommendations to the Governor and the Chairmen of the House Appropriations and the Senate Finance Committees of any changes to the current six-year capital outlay plan.
Dec 18, 2009	Governor submits 2010-2012 biennial budget to the General Assembly.
Early Jan 2010	Governor submits to the General Assembly no later than the day that immediately proceeds the first day of the regular session a tentative bill

proposing amendments to the current capital outlay plan enacted into law (Chapter 46/Chapter 696).

II. Capital Budget Submissions

Overview

The capital budget submission sets forth an agency's capital project needs for the next six years. The request ranks the projects in priority order and justifies the need for them in terms of the agency's goals, objectives, programs, and services. By June 1, 2009, each agency is required to prepare summary information for **all projects** requested for each of the three biennia included in the six-year plan, including supplements to previously funded projects, equipment for projects previously funded, and proposed capital leases.

You will receive separate instructions for the reporting of maintenance reserve needs for the next three biennia.

2010-2016 capital outlay plan

Agencies must prepare a “DPB Form H-1, Summary and Financial Information” for each project requested for their 2010-2016 capital outlay plan, except for maintenance reserve. This includes requests for the next six years that involve leasing arrangements that may qualify as “capital leases.” Requests to authorize projects under the Public-Private Educational Facilities Infrastructure Act of 2002 (PPEA) should also be made using DPB Form H-1. Be sure to also include in your requests funding to cover unanticipated cost increases for projects previously funded and requests for equipment for projects coming online in the 2010-2012 timeframe that were not funded in the project budget. Please note, however, in the form instructions that certain portions of the DPB Form H-1 are completed only for projects being requested for the first biennium of the six-year plan.

Note: Chapter 1 has specific requirements related to cost overruns. Paragraph E.3., Section § [2.2-1509.1](#), of the *Code of Virginia* specifies that:

An agency or public educational institution may request a supplemental allocation of general fund-supported resources through the budget process only if it submits a written certification to the Chairmen of the House Appropriations and Senate Finance Committees, the Director of the Department of General Services, the Director of the Department of Planning and Budget, and, for public institutions of higher education only, the Executive Director of the State Council of Higher Education, which certification (i) states that additional funding from nongeneral fund sources as described in subdivision 1 will be insufficient to pay for the full amount of the project cost that is in excess of 105 percent of the general fund-supported resources allocated to the project and (ii) provides a detailed analysis and description of the project as modified for a reduction in size or scope as described in subdivision 2 as well as a justification for why such modifications in size or scope cannot be achieved.

For all such requests for supplemental funding, attach to your submission a copy of your agency's letter.

If an umbrella project is requested, a separate DPB Form H-1 is no longer needed for **each** of the subprojects within that umbrella project. You now need only complete one entry for the umbrella project. Your DPB analyst, however, may request that you provide supplemental information about the umbrella subprojects.

The purpose of the DPB Form H-1 is to summarize the size and scope of the project and provide estimates on the project's cost. It also identifies operating costs or savings that will be incurred once the project comes online.

Detailed instructions for completing the DPB Form H-1 can be found in Section IV.

III. Environmental Impact Reports

Section 10.1-1188 of the *Code of Virginia* requires state agencies to prepare and submit an Environmental Impact Report (EIR) to the Department of Environmental Quality (DEQ) for each major state project. "Major state project" means the acquisition of an interest in land for construction of any state facility (including gifts, leases, and purchases), the construction of any state facility, or expansion of an existing facility costing over \$500,000. In accordance with §10.1-1190 of the *Code of Virginia*, the State Comptroller shall not authorize payments of funds for major state projects unless the request is accompanied by written approval of the Governor, after his consideration of the comments by DEQ on the environmental impact of the facility. For more information pertaining to the requirements of the EIR law, contact DEQ's Office of Environmental Impact Review at (804) 698-4325.

IV. Detailed Instructions for Capital Project Requests Using CapSix (Submitting Form H-1 to DPB)

For the first time, agency six-year capital outlay plans (Form H-1) will be submitted to DPB no later than June 1, 2009, through the web-based system, "CapSix".

Form H-1 has two purposes:

- To summarize the size, scope, budget, and funding needs for projects being requested for the 2010-2012 biennium, including new capital leases and renewals of existing leases.
- To provide a general description, justification, and cost estimate for projects being requested in the second and third biennium of your agency's six-year plan.

An H-1 form does not need to be completed for your agency's maintenance reserve request. Separate instructions will be forthcoming for requesting maintenance reserve subprojects for the 2010-2016 time frame.

If you have questions about the Capital Budget Process and/or the CapSix system, your DPB budget analyst should be your first point of contact.

Getting Started

Go to <http://dpb.virginia.gov/CapSix> to access the CapSix login screen. You may use the “Request Form” link to request a login ID and password. If you already have a VA Performs account, you will not need a new account; however, your VA Performs account will not have access to CapSix until you email dpbwebmaster@dpb.virginia.gov to request the change. This is DPB’s first step in creating a single sign-on solution for all DPB web applications.

List Projects Screen

Once you log in to CapSix you will see a “List Projects” screen showing all active capital projects. (Note that initially the screen will be blank until you start populating requests.) As you enter project requests, if you have access to multiple agencies, or your agency has a lot of projects, you can use the “Quick Search” box to search for a specific project. You can also use the “Report / Filter” option on the left menu to select only a subset of your projects based on a variety of criteria.

Prty	Start Year	Project Title	Total Cost
Department of General Services (194)			
2	2009	Construct 8th Street Office & renovate 9th Street Buildings	\$200,100,700
3	2009	Renovate Old City Hall	\$38,533,000
4	2009	Renovate Patrick Henry Building Phase II	\$3,207,000
5	2009	Plan Renovation of Supreme Court Interior	\$9,040,000
6	2009	Renovate Morson Row	\$3,618,000
7	2009	Plan New General Assembly Building	\$15,265,000
	2009	Blanket Property Acquisition Project	\$0
	2008	Renovate Washington Building	\$0
	2009	Construct, or Acquire and Renovate, Taxation Channel Facility	\$0
1	2009	Department of Social Services (765) Headquarters Lease	\$0
1	2009	Danville Collocation	\$0
2	2009	Improvements: Renovate Capitol Square	\$5,500,000
3	2009	Department of Taxation Headquarters	\$0
8	2009	Renovate Monroe Building Interior	\$8,748,000
9	2009	Plan Capitol Square Building II	\$15,871,000
10	2009	Enhance Security Project	\$3,930,600
11	2009	Construct Education Center Amphitheater, New Parking and Additional	\$2,150,000

Requests included in Six Year Plan

Withdrawn projects shown in different color if Withdrawn checkbox is checked. These are old requests that didn't get funded or that need no additional funding or that the agency elected to withdraw from consideration.

The DPB Form H-1

You may enter in each project from scratch by clicking on “New Project” on the left menu. If you click on a project from the “List Projects” screen or create a new project you will see the Form H-1 containing a series of tabs similar to Access databases used in the past. Fill in a

project title and then complete each tab. Click on the “Save” button at the bottom whenever you wish to save your changes. Changes will also be saved every time you click between tabs. The system will check for certain problems (like required fields not filled out) and will give you a message at the top of the screen if the save was unsuccessful. The DPB Form L-1 (Capital Lease) and DPB E-1 (Energy) have been merged into this new DPB Form H-1. Those tabs should also be filled out for each project if applicable.

Withdrawn Projects

If you select the “Withdrawn” checkbox at the top of the “List Projects” screen and click the “Apply” button you may see a list of project requests previously submitted to DPB. Some of these may have been included in previous budgets and some may never have been approved. You may click on one of these requests and choose the “Reactivate” link if you wish to resubmit this as a new request or request additional funding for the project. These “Withdrawn” requests are preloaded for your convenience. **However, you must make sure all information associated with a reactivated request is updated to reflect the latest information and best cost estimates possible.**


Submitting to DPB

Before submitting your final projects to DPB, please review the list projects screen with the “Withdrawn” check box unchecked so you can see exactly what projects are contained within your submission. Any projects withdrawn will not receive any attention or consideration. Use the “Filter / Report” option on the left menu to print off your project details if you wish a hard copy of your capital requests. CapSix has the ability to spell check, so please spell check your entries prior to submission.

When you are satisfied with **all** of your agency’s project requests, click “Submit to DPB” on the left menu. Your DPB analyst will receive an email and your Capital Project Requests will become locked (Read-Only). If you need to make subsequent changes, you must contact your DPB analyst and request that your Capital Projects be unlocked.

General Information Tab

(This section must be completed for all projects regardless of the biennium being requested)

194 Department of General Services		 2 of 8			
Project: Plan New General Assembly Building					
Edit Withdraw Print Report					
General Info Narrative Funding Costs Scope Lease Energy Documents					
Project Type:	New Construction	Project Code:			
Agy Priority:	2	Start Year:	2009	Location:	Southwest
Building #:		Building Name:			
Building Function:	asdfasdfsdf				
Is this an Umbrella project?	No	OR a higher education Blanket project?	No		
Projected time to submit working drawings:	24	months			
Projected time to occupy facility or complete project:	60	months			
Planned construction bid date:					
Included in the existing Six Year Capital Plan	No				
Contact					
Name	Janet Diehl	Email	Janet.Diehl@dgs.virginia.gov		
Phone	(804) 371-7608				

Project Type. Choose the category that best describes the project. These categories include Acquisition, Capital Lease, Demolition, Improvements-Energy Efficiency, Improvements-Environmental, Improvements-Handicapped Access, Improvements-Infrastructure Repairs, Improvements-Life Safety Code, Improvements-Other, Stand-alone Equipment, Acquisition, and New Construction.

Project Code. Enter the five digit project code if one has been assigned. For new project requests, which will not have a project code, just leave this field blank.

Agency Priority. Insert a number indicating the priority of the request with “2” being the most important, the next most important, “3,” etc. (Priority “1” is reserved for maintenance reserve which, by statute, is always the number one priority of any agency.) CapSix **will not** let you use letters or decimals. **Do not** prioritize general fund and nongeneral fund projects separately. No two projects should have the same priority number, regardless of the

biennium. (For example, you cannot use priority number “2” for the most important project in the first biennium of the plan and then use priority number “2” again for the most important project in the second biennium.) To make it easier to reorder priorities, CapSix has a “Reprioritize” option on the left menu to let you to renumber your capital project priorities sequentially. You will be able to move them up and down to achieve the correct order. You will not be allowed to prioritize capital projects using “2.1,” “2.2,” “2.3,” etc. Each capital project must stand on its own.

Start Year. Show the requested start year (not biennium) since the six-year plan will be updated annually.

Location of Project. From the dropdown menu, select the region the project is intended to serve. If it includes projects all over the state, enter “statewide.”

Building Info. If applicable, the building number should be the official FAACS number assigned to the building by the Department of Accounts (DOA). This is also the identifier used in the FICAS system. If no FAACS number is assigned, please contact Ernie Forrest in DGS’ Division of Real Estate Management (ernie.forrest@dgs.virginia.gov). Also, enter the building’s name and a brief description of the building’s function (how it is used).

Umbrella Projects. Check this box if you are requesting an umbrella project that will be composed of multiple subprojects; e.g., campus wide roof repairs, life safety code renovations at Eastern State Hospital and Western State Hospital. Consult with your DPB analyst to determine if he/she wishes any additional information regarding the subproject detail. A spreadsheet or other document could be attached to the “Documents” tab if desired.

Projected Time to Submit Working Drawings. Enter the number of months you estimate that working drawings can be completed once funds for the project become available. Assume funds become available on July 1 in the year in which funds are being requested. (Not applicable for capital leases.)

Projected Time to Award Construction Contract. Enter the number of months you estimate it will take before the construction contract is awarded. For Construction Management and Design/Build projects, use the planned construction start date in lieu of bid date.

Projected Time to Occupy Facility or Complete the Project. Enter the estimated number of months it will take from the time funds are first available, usually July 1 in the year in which funds are being requested until the facility can be occupied or will be otherwise completed. (Not applicable for capital leases.)

Contact Information. Enter the contact person’s name, email, and telephone number.

Project Narrative Tab

(This section must be completed for all projects regardless of the biennium being requested)

This section should be used to describe and justify the need for the project. The need must be demonstrated from several perspectives, including the agency's programs and activities and the condition of its existing facilities. The narrative should be as thorough and complete as necessary. The quality of your submission is extremely important. Remember who your audience is for this submission. If your narrative includes any technical engineering terms and jargon, make sure to explain these terms in language that is understandable to non-technical people. Decision makers will rely heavily on your narrative as the basis for considering the merits of your agency's request.

The narrative is divided into four separate sections.

1. Description

The project description should be of sufficient detail to clearly define the scope of the project. This description should address the project's size and capacity. It should also describe how the project would meet specific needs and how it ties into the agency's strategic, service area, and master plans. Below is some of the information that should be presented in this section, as applicable:

- The scope of the project, including type of space proposed, the square footage, and any unique or unusual features.
- Life expectancy of the new facility.
- Methods or sources used to determine the proposed scope.

For capital outlay leases, if the lease is a renewal of an existing lease please indicate this in the narrative.

2. Justification

The justification for a project is based on how it supports your agency's strategic plan. Specifically, this section should address the following:

- Description of the current use of the facility (ies).
- Description of the relevant programmatic activities, both current and projected, that would be affected by the project. Indicate any services, operations, or activities that will be initiated, expanded, or improved because of this project.
- How the project will support your agency's mission and its current and planned program goals and objectives. How does the proposed project relate to the agency's current strategic plan and service area plans?
- The necessity of the project in terms of objectives, services, and customers. Be sure to indicate the number and type of clients or staff who will benefit from the proposed project. Provide numerical estimates of current and future users of the facility using quantitative data such as number of positions (FTE), average prisoner days, or full-time

equivalent students. Highlight any population characteristics important to the project. Indicate and discuss projection methodologies used.

- Address whether the project is required to continue current services, to handle a workload increase, or to provide for new or better quality services.
- If funding is being requested in the first biennium of the six-year plan for a project not included in the previous six-year capital plan submitted to DPB, you must explain why it was not anticipated and included in that plan.

To determine the need for a project, you must describe your present facilities. Include in this description information on the adequacy of existing facilities to meet current and projected program demands. To support the need, provide the following information, as appropriate:

- Why the existing facility is inappropriate or inadequate, such as overcrowding or the need to accommodate new programs.
- Age and the condition of current facility, analysis of man-hours and expenses invested annually in repairs, interruptions of services or backlogs of services, safety hazards to customers, and health and safety code violations (specify which code edition). Indicate if the request is a result of legislative (federal or state) or judicial mandate or from standards or certification requirements. Be as specific as possible. Use quantitative measures when available and applicable to demonstrate why the capital project is needed.
- Interim accommodations being used to compensate for facility deficiencies or the lack of facilities, including currently leased space.
- Information on the future use of the existing facility(ies) that could affect the proposed capital project, such as any future expansion or conversion of the facility(ies).
- How the proposed project fits into the approved Master Site Plan for your agency.

3. Options Considered

This section should identify and discuss any alternatives to the proposed project that were considered and the rationale for selecting the requested project. Provide the estimated cost for each of the alternatives considered. **One option that must be included is the impact of deferring the project until a future biennium.**

For capital outlay leases, briefly describe any alternatives that were considered before determining that a lease was the best option. Include any co-location opportunities that were or are now being pursued. Identify the cost of each option.

4. Costing Methodology

Briefly describe the methodology used to estimate the cost of the project. Institutions of higher education should include information on fee increases that may be required to finance the requested capital project.

Project Funding Tab

(This section must be completed for all projects regardless of the biennium being requested)

CapSix Database

Home / View Form H-1
Form H-1

- List Projects
- Filter / Reports
- New Project
- Reprioritize
- Submit to DPB
- My Account
- Log off

194 Department of General Services

Project Title
Construct 8th Street Office & renovate 9th Street Buildings

General Info
Narrative
Funding
Costs
Scope
Lease
Energy

Funding Request
Prior Funding

	FY	GF	NGF	Tax Debt	9C Debt	9D Debt	Phase	Total
User ID: dgsjfd	2012	50000	\$0	\$0	\$0	\$0	Detail Planning	\$50,000
	2012	750000	\$0	\$0	\$0	\$0	Construction	\$750,000
	2013	1200000	\$0	\$0	\$0	\$0	Construction	\$1,200,000
	add row							\$2,000,000

Save
[Back to View Project](#)

Department of Planning and Budget
 © Commonwealth of Virginia, 2007
 WAI Compliant
[Web Policies](#)

Requested Amounts. Enter the amount requested under the applicable headings. In preparing the project budget, base all estimates on current year dollars projected to the time at which you anticipate that the construction would be at its mid-point. Base the proposed construction budget upon that bid date. The funding request should include within it, the allowance for cost escalation that the contractor would have included in his/her price based on the planned bid or construction start date. For planning purposes, use three percent per annum for escalating costs. If the funding request is developed based upon the actual cost of comparable projects, the escalation timeframe should be from the bid date of the comparable project to the planned bid date of the proposed project. If the funding request is based upon pricing individual components/commodities/subcontracts, include escalation from the present day cost data or quotation to the mid-point of construction."

If this request is to supplement an existing project, the cost section should only reflect the additional dollars being requested.

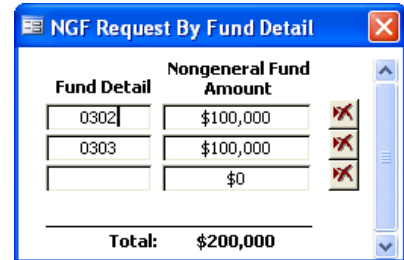
If your agency or institution cannot issue debt, do not request funds under the 9(c) or 9(d) debt categories. Decisions about the use of general fund dollars or tax-supported debt will

be made by decision makers at a later date. For capital outlay leases, include the lease payments for the years requested.

Round all entries to the nearest \$1,000.

For amounts requested under the nongeneral fund heading, you must list the fund details and amounts in the window that opens when you select the nongeneral fund block.

You should also show the phase of the project that applies to the funding request. You may enter multiple records to break out different phases within a single year, or the same phase across multiple years as appropriate.



For brand new projects, you should show each phase of the project, along with the funding needed for that phase. Generally, each project will have pre-planning, detailed planning, and construction phases. For projects that have been previously funded, show the phase for which the funding is being requested.

Prior Funding

194 Department of General Services

Project Title: Construct 8th Street Office & renovate 9th Street Buildings

Form H-1

General Info | Narrative | **Funding** | Costs | Scope | Lease | Energy

Funding Request | **Prior Funding**

Biennium	Appropriation Act	Act Item	Funding Source	Proj Code	Phase	Amount
2006-08	Chapter 3	B-7.23	General Fund	17091	Pre-Planning	\$120,000
2006-08	Chapter 3	C-7.10	General Fund	17091	Construction	\$9,500,000
2008-10	Chapter 879		

add row

Save | Back

- Chapter 879
- Chapter 1
- Caboose Chapter 847
- Other Legislation
- Administrative Action

Enter information concerning prior biennium appropriations, if applicable.

Biennium. Select the biennium in which the project received funding.

Chapter number. Select the chapter number of the Appropriation Act where funding was included or Chapter 1 if funding was provided in Special Session I of the 2008 General

Assembly. If funding was provided administratively select “N/A-Administrative Action”. If funding was provided via legislation other than a general Appropriation Act, select “N/A-Other Legislation”.

Appropriation Act item number. Enter the Appropriation Act item number for the project. If funding was provided through other means, leave blank.

Project number. Enter the five-digit project code assigned to the project.

Fund type. Select the type of funding received (general fund, tax supported debt, nongeneral fund, 9(c) revenue bond debt, and 9(d) revenue bond debt).

Project phase. For example, planning, construction, equipment, etc.

Amount. Enter the amount of the prior appropriation.

Note: You may have more than one entry for a given Appropriation Act depending on the number of fund types and phases.

Cost Tab

(Shown on next page)

Project Cost

(This section must be completed for all projects except capital outlay leases regardless of the biennium being requested)

[Edit](#) [Withdraw](#) [Print Report](#)

General Info Narrative Funding **Costs** Scope Lease Energy Documents

Project Costs		Operating and Maintenance Costs	
1. Acquisition of Property:		\$5,000	
2. Acquisition of Plant		\$0	
3. Building and Built-in Equipment		\$0	
4. Sitework and Utilities		\$0	
5. Architectural and Engineering Fee		\$10,463,000	
6. Loose Furnishings and Equipment		\$0	
7. Contingencies		\$0	<i>no more than 4% of the sum of the estimated construction, site, and utility costs</i>
8. Project Inspection		\$0	
9. Other Costs		\$4,802,000	<i>Itemized below</i>
Total Cost		\$15,270,000	

The following items (10, 11, 12) are included in above costs

10. Estimated Total Planning Costs:	\$15,855,000
11. Estimated New Construction Costs:	\$5,000,000
12. Estimated Improvements Costs:	\$0

Itemized "9. Other Costs"

1. Project Management In Capital Project Budget:	\$250,000
2. Special Consultants (if not included in A & E fees):	
A. Environmental, Historical Preservation	\$326,000
B. Elevator, Parking, Food Service, Security	\$725,000
C. Elevator, Parking, Food Service, Security	\$487,000
3. Asbestos and lead based paint survey and design:	\$46,000

In preparing the project budget, base all estimates on current year dollars projected to the time at which you anticipate that the construction would be at its mid-point. Project costs should reflect total project cost.

Round all estimates to the nearest \$1,000.

1. Acquisition of property. Enter any property acquisition costs.
2. Acquisition of plant. Enter any plant acquisition costs.
3. Building and built-in equipment. Enter construction and built-in equipment costs.
4. Sitework and utilities. Enter site and utilities costs.
5. Architectural and engineering fees. Enter architectural and engineering fees.
6. Loose furnishings and equipment. Enter the estimated cost of loose furnishings and equipment (not affixed to the building).

7. Contingencies (four percent). Enter the estimated construction contingency amount to cover contract change orders. This amount can be no more than four percent of the sum of the estimated construction, site, and utility costs.
8. Project inspection. Enter the estimated cost of the project inspection. This should not include any costs for inspectors funded from the agency's operating budget.
9. Other costs. Describe below under "Itemized 9. Other Costs." You cannot enter data directly into this cell. It captures the total of the individual itemized amounts.

Note: Items 10, 11, and 12 are included in the costs listed above, but are also being broken out to show these costs separately.

10. Estimated planning cost. This is the amount needed to fund planning costs from schematics through working drawings. Usually this amount is 75 percent of the architectural and engineering fees.
11. Estimated New Construction Costs. This cost (included in the total project cost) is the amount for new construction only.
12. Estimated Improvements Costs. This is the cost (included in the total project cost) for improvements to existing facilities.

Itemized 9. "Other Costs"

Most of the categories in this section are self-explanatory and are intended to cover the many miscellaneous items that are not included within the primary cost categories 1 - 9 previously listed.

"Other Costs" include agency administrative expenses, special consultants, testing services, estimates, value engineering studies, printing, advertising, and moving expenses. Obviously not every "Other Cost" item listed on this form applies to every project, nor is every conceivable "Other Cost" item listed on the form. As appropriate, include additional items, such as carpet purchased via state contract.

Several agencies cover some of the listed "Other Costs" categories from their operating funds. Do not show a cost figure for "Other Costs" items that will be funded in this manner. Only those costs that will be funded from capital appropriations should be itemized. It will be assumed that all "Other Costs" not itemized either do not apply to this project or will be funded from the agency's operating funds.

Project management in capital project budget. The amount for project that will be funded from the project budget (excludes project management funded through the agency operating budget).

Special consultants. Examples of special consultants include contracts for acoustics, interior design, or archeological surveys. Itemize each of these expenses.

Asbestos and lead-based paint survey and design. The cost of diagnosing and planning for the removal or remediation of lead-based paint or asbestos.

Asbestos abatement. Self-explanatory.

Independent cost estimates. Self-explanatory.

Value engineering. Value engineering is required for all projects costing in excess of \$5.0 million unless waived by the DGS Director.

Subsoil investigations. Examples of subsoil investigations include borings and geo-technical reports.

Construction testing services, printing, advertisements, work by owner, and signage. Self-explanatory.

Miscellaneous utility charges. Examples of miscellaneous utility charges include relocations, connection fees, or data and audiovisual wiring.

Moving expenses. Self-explanatory.

Miscellaneous other costs. Itemize all miscellaneous other costs.

Operating and Maintenance Costs

(This section must be completed for all projects regardless of the biennium being requested)

General Info			Narrative			Funding			Costs			Scope			Lease			Energy		
Project Costs						Operating and Maintenance Costs														
			1st Year			2nd Year														
1. Personal Services			\$999,185			\$1,029,160														
2. Nonpersonal Services			\$3,033,669			\$3,145,915														
3. Equipment			\$325,903			\$351,975														
Total O and M			\$4,358,757			\$4,527,050														
4. FTE Employees:			\$0			\$0														
5. One Time Costs:			\$0			\$0														
6. Cost Savings			\$0			\$0														
7. FTE Savings			\$0			\$0														
8. Planned start date of new O and M costs (if different than the beginning of the fiscal year)			<input type="text"/>																	

Provide cost estimates for operating and maintaining the facility after it is completed. This estimate should represent any new costs or savings over and above current funding levels or savings resulting from the new capital project. These costs will be incurred primarily for new construction or renovation projects. Facility operating and maintenance costs are those related to

the running and upkeep of the facility. It includes the cost to staff **new or expanded** programs and activities that will be housed in the space, not existing staff redeployed from existing programs and activities. The first year should include any start-up costs and the second year should reflect the anticipated annual operating costs.

Personal Services. Enter the total **new** personal services costs or savings for the employees needed to operate and maintain the facility. Salaries should reflect those in current compensation plans.

Nonpersonal Services. Enter the total of **new** nonpersonal services costs, except for equipment costs, associated with operating and maintaining the facility.

Equipment. Enter the total of **new** equipment costs associated with operating and maintaining the facility. This does not include equipment costs identified in the project cost section.

FTE Employees. Enter the total number of **new** employees needed to operate and maintain the facility. Carry out the position requirements to two decimal points.

One-time Costs. Enter the amount of the total costs (shown in Item 5) that is a one-time expenditure.

Cost Savings. Enter any operating cost savings to be derived as a result of the project.

FTE Savings. Enter any position reductions to be derived as a result of the project. Carry position savings to two decimal points.

Planned Start Date. Complete Item 9 if the planned start date for the new operations and maintenance costs is other than the beginning of the fiscal year (July 1).

Scope Tab

(Complete this section regardless of biennium. This tab does not have to be completed for capital leases.)

General Info	Narrative	Funding	Costs	Scope	Lease	Energy
1. Acquisition - Property	<input type="text" value="0"/>	Sq. Feet / Acres	Cost per square foot or acre			n/a
2. Acquisition - Plant	<input type="text" value="0"/>	Sq. Feet	Cost per square foot			n/a
3. New Construction	<input type="text" value="401,879"/>	Sq. Feet	Cost per square foot			\$322
4. Improvements	<input type="text" value="175,893"/>	Sq. Feet	Cost per square foot			\$262
5. Capacity	<input type="text" value="0"/>	Beds/Units	Cost per bed/unit			n/a

1. Acquisition - Property. Enter the size of the acquisition in terms of total acres or square feet. The cost per square foot or acre will be calculated based upon the amount entered in the project cost section for property acquisition.

2. Acquisition - Plant. Enter the size of the acquisition in terms of total square feet. The cost per square foot will be calculated based upon the amount entered in the project cost section for plant acquisition.

3. New Construction. Enter the total square footage. The cost per square foot will be calculated based upon the amount entered in the project cost section for new construction.

4. Improvements. Enter the total square footage. The cost per square foot will be calculated based upon the amount entered in the project cost section for improvements.

5. Capacity. If applicable, enter the number of beds or units for requested projects such as hospitals, dormitories, or prisons. The cost per bed or unit will be calculated based upon the total project cost.

Lease Tab

(Shown on next page)

(This section must be completed regardless of the biennium being requested)

General Info	Narrative	Funding	Costs	Scope	Lease	Energy
Name of Lessor <input type="text"/>						
Space Requirements <input type="text"/>						
Need for Leased Space <input type="text"/>						
Time Period						
Proposed Effective Date of Lease <input type="text"/> Proposed Duration <input type="text"/> months						
Include Periodic Renewal: <input type="radio"/> Yes <input checked="" type="radio"/> No Renewal Extension Period <input type="text"/> months						
Renewal at Option of <input type="radio"/> Lessor <input type="radio"/> Lessee <input checked="" type="radio"/> Both						
Lease payments that would be made during the six year capital planning period						
Fund	Year1	Year2	Year3	Year4	Year5	Year6
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<i>subtotals</i>	\$0	\$0	\$0	\$0	\$0	\$0
Total lease payments for six year period <input type="text"/> \$0						
Total payments for duration/terms of the lease <input type="text"/>						

This tab replaces the DPB Form L-1, which was required in the past. It must be completed for all requests for capital outlay leases regardless of the biennium being requested.

Name of Lessor. Provide the name of the person, company, or entity that will make the property available to your agency through the proposed lease arrangement. Normally, this would be the current owner of the property.

Space Requirements. Provide a brief description of the amount of leased space (acreage for land or square footage for buildings). Identify any special needs such as reinforced floors for computer equipment or easy access to the public.

Need for Leased Space. Describe the purpose of and the need for the leased space.

Proposed Effective Date of Lease. Enter date when you anticipate the proposed lease to be executed (signed).

Proposed Duration of Lease. Enter the number of years for which your agency will be obligated to make lease payments.

Include Periodic Renewal. Indicate whether the initial lease is subject to periodic renewal by checking the indicated block.

Renewal at the Option of. If the lease has a periodic renewal option, select the party that can execute this renewal option (lessor, lessee or both).

Renewal Extension Period. Enter the number of years the lease may be extended by any renewal action.

Annual Lease Payments. Enter the estimated annual general fund and nongeneral fund lease payments that would occur within the six-year planning period.

Total payments for duration/terms of the lease. Enter the anticipated grand total general fund and nongeneral fund lease payments over the lifetime of the lease.

Energy Tab

(Shown on next page)

(This section is optional for new construction or acquisition projects. It must be completed regardless of the biennium being requested)

General Info Narrative Funding Costs Scope Lease **Energy**

Energy Component Description

Annual Energy Operating Costs by Energy Type and Fund Source

Energy Type	Fund Source	Cost
<input type="text"/>	<input type="text"/>	\$0
<input type="text"/>	<input type="text"/>	\$0
<input type="text"/>	<input type="text"/>	\$0
<input type="text"/>	<input type="text"/>	\$0
Total		\$0

Cost Estimate for Energy Component

Subcomponent	Cost
Materials Cost	<input type="text"/> \$0
Labor Cost	<input type="text"/> \$0
Engineering & Design Cost	<input type="text"/> \$0
<i>other (please specify)</i>	
<input type="text"/>	<input type="text"/> \$0
<input type="text"/>	<input type="text"/> \$0
<input type="text"/>	<input type="text"/> \$0
Total	\$0

Annual Cost Savings for Energy Component

Fund	Savings
<input type="text"/>	<input type="text"/> \$0
<input type="text"/>	<input type="text"/> \$0
<input type="text"/>	<input type="text"/> \$0

DPB Form E-1 has been replaced with this new web-based DPB Form H-1. The Energy Tab is used to describe the general scope of work and savings potential of energy projects installed in **existing** facilities. Energy projects include both stand-alone energy projects and the energy portion of larger improvement projects.

Complete this tab for the following improvement projects if the energy component represents at least 25 percent of the total project cost:

- Installation or replacement of various energy-related equipment and systems,
- Additions or improvements to electrical, lighting, and auxiliary systems,
- Additions or improvements to heating, ventilating, and air conditioning (HVAC) systems,
- Improvements to the building envelope, such as windows, doors, or insulation, or,
- Installation or expansion of energy management controls systems.

Questions about completing this energy tab can be directed to Tommy R. Thompson, VA Department of Mines, Minerals and Energy, 804-692-3230 or Thomas.Thompson@dmme.virginia.gov

If you do not have the in-house expertise to complete this information, please contact the Division of Energy at the telephone number provided above for assistance.

Energy Component Description. Enter a brief description of the proposed scope of work for the energy component of the project.

Annual Energy Operating Costs by Energy Type and Fund Source. Indicate the total dollars spent on energy in the building during FY 2008, in terms of electricity, other fuel types, and total fuels. Break out the cost by fund source, e.g., general fund dollars, special funds, etc.

Cost Estimate for Energy Component. Indicate the energy-related cost of this project, along with the incident costs of materials, labor, engineering and design, and other costs. Other costs can include such things as the services relating to the analysis, design, placement, training, and monitoring of such equipment or systems. Finally, show the total cost for the overall project.

Annual Cost Savings for Energy Component Indicate the estimated annual dollar savings that are projected to result from implementation of this project. Break out by fund source; e.g., general funds, special funds, federal funds, etc.

Documents Tab

This tab gives agencies the option to attach supporting documentation as needed to justify the capital budget requests. Please coordinate with your DPB budget analyst to determine what additional materials might be needed. Documents are kept in their original format, so post documents in common formats that other users can access (such as Microsoft Word, Microsoft Excel, or JPG picture formats).

Reports

Getting a hard copy of your project request(s)

On the DPB Form H-1 view, there will be a “Print Report” link above the tabs. Click on this to get to a report options screen where you will have that one project selected and can check any or all of the components that go into your capital project requests. Once you’ve checked the components you wish to include, click on “Submit” and you will get a report suitable for printing.

Report Menu

You have 1 projects selected for this report.

Select your report

Project Details

<input checked="" type="checkbox"/> General Info	<input checked="" type="checkbox"/> Funding Requests	<input type="checkbox"/> Project Costs	<input type="checkbox"/> Lease	check/uncheck all
<input checked="" type="checkbox"/> Contact Info	<input checked="" type="checkbox"/> Prior Funding	<input type="checkbox"/> Itemized Other Costs	<input type="checkbox"/> Energy	
<input type="checkbox"/> Agency Narrative	<input type="checkbox"/> Scope	<input type="checkbox"/> O and M Costs		
<input type="checkbox"/> DPB Narrative	<input type="checkbox"/> DGS Review	<input type="checkbox"/> DPB Recommendations		

Printing reports for a group of selected projects

Click on the “Filter / Reports” option on the left menu and select the projects you wish to include using any of the available criteria. For instance, you can select your agency from the list or key in your agency number in the box and get a report which includes all projects for your agency. Then click on the “Run Report” button, select the components to include, and then run the report.



CapSix Database

Home

- List Projects
- Filter / Reports
- New Project
- Reprioritize
- Submit to DPB
- My Account
- Log off

User ID: dgsjfd

Select projects to include

Department of General Services

Quick search string

Specify Project Types

Select/Unselect All

- | | |
|--|--|
| <input type="checkbox"/> Acquisition | <input type="checkbox"/> Improvements-Infrastructure Repairs |
| <input type="checkbox"/> Capital Lease | <input type="checkbox"/> Improvements-Life Safety Code |
| <input type="checkbox"/> Demolition | <input type="checkbox"/> Improvements-Other |
| <input type="checkbox"/> Improvements-Energy Efficiency | <input type="checkbox"/> New Construction |
| <input type="checkbox"/> Improvements-Environmental | <input type="checkbox"/> Stand-alone Equipment Acquisition |
| <input type="checkbox"/> Improvements-Handicapped Access | |

Specify Project Costs Totals

Total cost exceeds dollars Total cost less than dollars

Specify Project Contact

Part of the contact's name

List Selected Projects

Run Report

Reset Form

Appendix A

Definitions and Criteria

This appendix helps determine how to categorize and budget for capital outlay projects. These definitions and criteria apply to any capital outlay request regardless of whether the state owns or leases the facility. Depending on its cost, size, and scope, a project may be funded in an agency's operating or capital budget. Many factors affect how a capital outlay project is funded and administered.

Capital projects include, but are not limited to, the following:

- ✓ New construction projects with a total project cost exceeding \$500,000
- ✓ Improvements, renovations, repairs, replacement, maintenance, or combination projects for a single building with a total project cost exceeding \$500,000,
- ✓ Umbrella projects, and
- ✓ Blanket projects with a total project cost exceeding \$500,000.

Capital outlay projects fall into one of five types -- acquisition, new construction, improvements, equipment, or demolition. Projects funded in the capital budget may stand-alone or may be grouped together. A project with multiple subprojects may fall into one of three types -- maintenance reserve, umbrella projects, or blanket projects. The nature of the projects and the source of funds determines the project type.

Operating or Capital Budget?

You have some discretion in determining whether expenses related to property, plant, and equipment may be included in the operating or capital budget. The following section on project categories provides general guidelines to help make a determination as to whether a project should be included in the capital budget.

The routine operating and maintenance costs associated with property, plant, and equipment, regardless of the expense or method of financing, should always be included in the operating budget. These expenses include personal service costs, utility bills, supplies, and materials.

Project Types

As stated above, all projects requested for funding in the capital budget must fit in one of five categories -- acquisition, new construction, improvements, equipment, or demolition. The following definitions and criteria will help agencies select the proper category for capital project requests. If two or more of the categories seem to apply to a project, such as a new construction project that also involves improvements, only one category should be selected and used in the project title and all related documents and references. In these situations, it is preferable to use the category that best describes the majority of the work being done.

Consult your DPB analyst if: 1) a project is identified that does not meet any of the definitions or criteria, 2) a series of identical projects is proposed (such as towers, ramps, or sheds) that meet one or more of the criteria other than dollar thresholds, or 3) a project category is questionable or there is a question as to whether it should be considered an operating budget item or a capital budget item, such as equipment. Your agency's DPB analyst can advise on the appropriate means of requesting the project (for example, operating budget, maintenance reserve, capital budget, or umbrella project).

Acquisition

Definition. Acquisition of any interest in land, including improvements of any kind located on the acquired land, except certain utility easements.

Criteria. All acquisitions of real property are subject to the capital project proposal process. This includes capital leases as defined later in the instructions. Acquisitions of real property, including donations, are addressed in Chapter Two, Fee Acquisition, of the Real Property Management Manual administered by the Division of Real Estate Services in the Department of General Services.

New Construction

Definition. A new construction project is a single undertaking involving construction of one or more facilities. Included in the project are: all work necessary to accomplish a specific purpose and produce a complete and usable new structure; the associated architectural and other technical services; the equipment installed and made part of the facility; and site development and improvements. New construction includes:

- Construction of or site work for a new plant, including the erection, installation, or assembly of a new building, structure, or utility system;
- Any addition, expansion, or extension to a structure that adds to its overall exterior dimensions; and
- Complete replacement of a facility that, because of age, hazardous conditions, obsolescence, structural and building safety conditions or other causes, is beyond the point where it may be economically repaired or renovated and can no longer be used for its designated purpose.

Criteria. If a new construction project meets one or more of the following criteria, it is subject to the capital project proposal process:

- It creates additional building space of 5,000 square feet or greater (does not apply to site development or building systems projects);
- It has a total project cost of \$500,000 or greater; or
- It is acquired through a lease with options to purchase or any other alternative financing approach.

Improvements

Definition. An improvement is defined as all work necessary to produce a complete and usable change to an existing facility or structure, including the associated architectural and other technical services, the fixed equipment installed and made part of the facility or structure, and site development. Improvements include:

- Alteration of interior space arrangement and other physical characteristics, such as utilities, so that the structure may be more effectively used for its present designated functional purpose;
- Conversion of interior arrangement and other physical characteristics, such as utilities and fixed equipment installed on and made a part of the facility or structure, so that an existing structure may be effectively utilized for a new functional purpose;
- Renovation of most or all of a facility or structure or an existing mechanical system to comply with current building code requirements or to modernize it so that it may be more effectively used for its designated functional purpose;
- Restoration of a facility or structure, to the maximum extent possible, to its former or original state (historic property);
- Relocation from one site to another of a facility or structure either by moving it intact or by disassembling it and subsequently reassembling it; and
- Major repair to restore a facility, mechanical system, or utility system to a condition that allows it to continue to be appropriately used, including the reprocessing or replacement of parts or materials that have deteriorated by action of the elements or "wear and tear" in use.

Criteria. If an improvement to an existing facility or structure has a cost of \$500,000 or greater, it is subject to the capital project proposal process.

Equipment

Definition. Equipment is a tangible resource of a permanent or long-term nature used in an operation or activity.

Criteria. All equipment needs associated with projects defined as new construction or improvements must be included in the capital budget for these projects. If the equipment is to be financed by revenue bonds, it must be requested in the capital budget.

No precise criteria exist for the funding of equipment purchases as a stand-alone capital project. An agency should consult with its DPB analyst to determine whether an equipment purchase not associated with an improvement or construction project should be requested in the capital or operating budget.

Demolition

Definition. Removal of a building or facility either for land clearance or to make land available.

Criteria. Demolition of any building (plant), regardless of size and type, must be authorized by the Governor prior to proceeding (§ 2.2-2402.B, *Code of Virginia*). This includes obtaining recommendations for approval to demolish the building / structure for the Art & Architecture Review Board and the Department of Historic Resources. The Division of Engineering and Buildings' Directive Number One provides specific instructions on the approval process.

Capital Projects Funded in the Operating Budget

If the cost of a project falls below the dollar threshold for the category definitions, it may be funded in an agency's operating budget. However, generally an agency must complete projects funded in its operating budget within the fiscal year in which the funds have been appropriated. Unlike capital budget appropriations, operating budget appropriations may revert at the end of a fiscal year.

Projects included in the operating budget must still meet the requirements that are established in the *Code of Virginia* and other regulations for projects in the capital budget.

If a project falls below the capital dollar thresholds, but the cost cannot be absorbed by the agency, it should be submitted in your operating budget requests in the fall.

Multi-Task Capital Projects

A capital outlay project can consist of a stand-alone project or a group of projects combined together because they involve a series of identical or similar tasks. The most common multiple task project is "maintenance reserve," which groups a number of repair and replacement projects. Another type of multiple task project is an "umbrella project." Umbrella projects group together a series of similar subprojects such as life safety improvements in multiple buildings at a facility. Any of the five project types can have umbrella projects. Blanket projects include only non-specific activities that are financed entirely with nongeneral funds.

The following descriptions of multiple task projects will help determine whether or not projects should be grouped together in some fashion.

Maintenance Reserve

A maintenance reserve project is a major repair or replacement to plant, property, or equipment that is intended to extend its useful life. Each subproject usually costs between \$25,000 and \$1 million. However, a subproject costing under \$25,000 or over \$1 million that meets the criteria may also qualify as a maintenance reserve subproject with the permission of

DPB. Furthermore, institutions of higher education, including Level III institutions, can expend up to \$1 million for a single repair or subproject through their maintenance reserve appropriation without a separate appropriation. Consult your DPB analyst if you have any questions.

A subproject that meets one or more of the following criteria may be included in a maintenance reserve plan:

- Repair or replacement of functionally obsolete, damaged, or inoperable built-in equipment such as elevators, furnaces, plumbing fixtures, air conditioning, and ventilation;
- Repair or replacement of components of a plant, such as exterior wood, masonry, ceilings, floors, floor coverings, doors, windows, roofs, sidewalks, parking lots, fencing, and exterior lighting;
- Repair or replacement of existing utility systems, such as steam lines, natural gas, air, electrical, water, and sewer;
- Correction of problems resulting from erosion and drainage; and/or,
- Work related to handicapped access, energy conservation, building and safety codes compliance, lead paint abatement, or asbestos correction.

A subproject that meets one or more of the following criteria is normally **not considered** maintenance reserve:

- Maintenance contracts to clean, maintain, repair, or protect existing plant, property, or equipment;
- Routine periodic maintenance, such as servicing, adjusting, minor repairs, painting, scraping, cleaning, and spraying of plant or property;
- Repair or replacement of office, motorized, medical, laboratory, electronic, photographic, educational, cultural, computerized, and other specific-use, moveable equipment that is not permanently installed as a part of the plant or property; and/or,
- Leak testing and monitoring of underground storage tanks and the removal of underground storage tanks not associated with tank replacement.

Umbrella Projects

An umbrella project contains a series of identical or similar tasks. They can be small planning, acquisitions, construction or improvement projects, or equipment purchases. For example, a series of upgrades of wastewater treatment plants at correctional field units could be grouped into one umbrella project. An agency should submit one H-1 form for an umbrella project. If needed to further describe the project or if requested by your DPB analyst, agencies can submit spreadsheets of the subproject details and attach to the CapSix submission. Consult with your DPB analyst if you need help in making this determination.

Blanket Projects

A blanket project provides authorization for a series of improvements to existing facilities or structures or initial planning for projects that are to be financed solely by nongeneral funds. The purpose of the blanket project is to furnish flexibility in responding to unanticipated needs identified during the biennium.

The initial budget request does not specifically define the scope and cost of the tasks within the blanket project. However, once a blanket has been approved, the agency must clearly define each subproject in terms of size and scope before it will be authorized for implementation. In addition, the agency must explain why subprojects submitted under the blanket project could not have been anticipated and included as a stand-alone project in the agency's Six-Year Capital Plan. The total budget for each task funded under a blanket project should not exceed \$500,000 unless otherwise provided in the Appropriation Act. Your DPB budget analyst can address specific questions about blanket projects.

Note: A blanket project should not contain nongeneral fund maintenance reserve subprojects. These nongeneral fund subprojects should be specifically identified and included in an agency's maintenance reserve plan.

Capital Leases - Definition

The leasing of property for use by state agencies may be treated as an operating expense or a capital expense, depending on the nature and term of the lease. A lease is generally considered an "operating lease," and accounted for as an operating expense if the lease is for a short period of time (e.g., one year) **and** there is no transfer of ownership involving any portion of the leased property to the lessee (all property interests remain with the lessor).

On the other hand, if a lease is for a longer duration covering a substantial portion of the useful life of the leased property, or if it allows for the transfer of ownership of some portion of the property to the Commonwealth (lessee) at the expiration of the lease (e.g., option to buy, lease-acquisition, etc.), the lease must be classified as a "capital lease" and accounted for as a capital outlay expense. A capital lease does not necessarily mean that an agency takes title of the property. Unlike an operating lease, a capital lease is considered a long-term liability of the Commonwealth and is included in the calculation of the Commonwealth's debt capacity. The "capital lease" definitions are based on the generally accepted accounting procedures (GAAP), as set forth in the Governmental Accounting Standards Board (GASB) Statement No. 13: Accounting for Operating Leases with Scheduled Rent Increases and the Financial Accounting Standards Board (FASB) Statement No. 13: Accounting for Leases. (See Role of Department of Accounts in Appendix B.)

Capital leases for real property are to be authorized by language in the capital outlay section (Part Two) of the Appropriation Act. This authorization must be obtained prior to entering into any such agreements. Appropriations to support all lease payments will be included in the operating section (Part One) of the Appropriation Act. Appropriations to support lease payments for all general fund capital leases for real property financed by the issuance of securities (i.e., tax supported debt) will be included in the Treasury Board's appropriation in order to ensure

consistent management and control. Appendix B summarizes the role of central agencies in the review of leases.

Appendix B

Central Agency Responsibility for Lease Review

Role of the Department of General Services

The Department of General Services (DGS) typically negotiates and administers all leases, both capital and operating for state agencies. DGS also reviews all leases not administered by DGS as well as all purchases and donations of real property to state agencies. Section 2.2-1149 of the *Code of Virginia* specifies that: “Notwithstanding any provision of law to the contrary, no state department, agency or institution shall acquire real property by gift, lease, purchase or any other means without following the guidelines adopted by the Department and obtaining the prior approval of the Governor. The Department shall review every proposed acquisition of real property by gift, lease, purchase or any other means by any department, agency or institution of the Commonwealth and recommend either approval or disapproval of the transactions to the Governor based on cost, demonstrated need, and compliance with the Department’s guidelines.”

In addition, § 4-5.07 a of the Appropriation Act specifies that: “Agencies shall not acquire real property by lease until the agency certifies to the Director of the Department of General Services that (i) funds are available within the agency's appropriations made by this act for the cost of the lease and (ii) the volume of leased space conforms with the space planning procedures for leased facilities developed by the Department of General Services and approved by the Governor. This provision shall not apply to institutions of higher education that have met the conditions prescribed in subsection B of 23-38.88 *Code of Virginia*.”

The policies and procedures governing the leasing of real property can be found in the Real Property Management Manual “Chapter One: Acquisition by Lease,” administered by the Division of Real Estate Services within the Department of General Services.

Role of the Department of Accounts

The Department of Accounts (DOA) reviews financial information to determine whether the leases are capital or operating and provides the information in the Commonwealth’s financial reports. The review is provided through the Lease Accounting System.

The policies and procedures governing lease accounting can be found under “Lease Accounting,” in DOA’s *Commonwealth Accounting Policies and Procedures (CAPP) Manual*. The CAPP manual defines a **capital lease** as “Any lease that meets one or more of the following criteria:

- The lease transfers ownership of the property to the lessee by the end of the lease term;
- The lease contains a bargain purchase option;

- The lease term is equal to 75 percent or more of the remaining estimated economic life of the leased property, unless the beginning of the lease term falls within the last 25 percent of the total economic life of the leased property; and/or,
- The present value, at the beginning of the lease term, of the minimum lease payments (reduced for executor costs and profit thereon) equals or exceeds 90 percent of the fair value of the leased property to the lessor, at the inception of the lease, less any related investment tax credit retained by the lessor and expected to be realized by him. This criterion does not apply if the beginning of the lease term falls within the last 25 percent of the total economic life of the leased property.”

A **bargain purchase option** is defined as: “A provision allowing the lessee, at his option, to purchase the leased property for a price that is sufficiently lower than the expected fair value of the property at the date the option becomes exercisable, that exercise of the option appears, at the inception of the lease, to be reasonably assured.”

The **estimated remaining economic life of the leased property** is defined as : “The estimated remaining period during which the property is expected to be economically usable by one or more users with normal repairs and maintenance, for the purpose for which it was intended at the inception of the lease, without limitation by the lease term.”

The **fair market value of the leased asset** is defined as : “The price for which the asset could be sold in an arm’s-length transaction between unrelated parties. The fair market value of the leased asset may be estimated in a number of ways:

- Check the lease agreement,
- Ask the lessor,
- Compare to a similar purchased asset,
- Call the tax assessor, or
- Multiply the square foot of rental space by the estimated cost per square foot for similar assets.”

The **present value** is defined as: “The equivalent value now of a series of future payments, discounted back to the present date at a specific rate of interest.”

These definitions are based on the generally accepted accounting procedures (GAAP), as set forth in the Governmental Accounting Standards Board (GASB) *Statement No. 13: Accounting for Operating Leases with Scheduled Rent Increases* and the Financial Accounting Standards Board (FASB) *Statement No. 13: Accounting for Leases*.

Role of the Treasury Board

The *Code of Virginia* outlines the oversight role of the Treasury Board when agencies and institutions enter into capital lease agreements. For those capital leases financed by the issuance of securities, § 2.2-2416, *Code of Virginia*, authorizes the Treasury Board to: “ Make

recommendations to the Governor, notwithstanding any provisions to the contrary, on proposed bond issues or other financing arrangements; approve the terms and structure of bonds or other financing arrangements executed by or for the benefit of educational institutions and state agencies other than independent state authorities, including bonds or other financing arrangements secured by leases, lease purchase agreements, financing leases, capital leases or other similar agreements; and agreements relating to the sale of bonds.”

Section 2.2-2416 of the *Code of Virginia* also authorizes the Treasury Board to “Approve, notwithstanding any provisions to the contrary, the terms and structure of bonds or other financing arrangements executed by or for the benefit of state agencies, boards and authorities where debt service payments on such bonds or other financing arrangements are expected by such agency, board or authority to be made, in whole or in part, directly or indirectly, from appropriations of the Commonwealth, including bonds or other financing arrangements secured by leases, lease purchase agreements, financing leases, capital leases or other similar agreements, and agreements relating to the sale of bonds”.

The Treasury Board also has an oversight responsibility when agencies and institutions enter into certain installment agreements. Section 2.2-2417 of the *Code of Virginia* states that: “The Treasury Board, or the Board's designee, shall review and approve the financial terms of all contracts for the purchase or financing of the purchase by agencies, institutions, boards and authorities which receive appropriations from the Commonwealth, i.e., the using agencies, of personal property, including personal property to be affixed to realty, whether by lease-purchase, installment purchase or otherwise, where payment of the purchase price is deferred through installment payments, includes the payment of interest, or is otherwise financed by the seller, lessor, or third parties.”

Section 4-5.07 b of the Appropriation Act states: “Agencies acquiring personal property in accordance with § 2.2-2417, *Code of Virginia*, shall certify to the State Treasurer that funds are available within the agency's appropriations made by this act for the cost of the lease.”

The Treasury Board provides through the Master Equipment Leasing Program an equipment financing arrangement open to all state agencies and institutions. The guidelines governing the Master Equipment Lease Program are found in *Guidelines for Credit Purchases of Equipment and Energy Projects by State Agencies, Institutions, and Boards & Authorities*, issued by the Treasury Board.

Additional Requirements for Telecommunication and Information Technology Equipment

Section 4-5.04 b of the Appropriation Act outlines the responsibilities of the Virginia Information Technologies Agency (VITA) for the purchase, lease, or contract for certain telecommunications and information technology equipment, software, and services. VITA is responsible for the approval of contracts for telecommunications equipment.

Role of the Department of Planning and Budget

The *Instructions for Developing the Six-Year Capital Budget Request for 1998-2004* required agencies and institutions, for the first time, to submit a capital outlay request for any proposed capital lease. Agencies were advised that, beginning with the 1998-2000 biennium, all capital lease agreements must be submitted as capital requests. Agencies would no longer be able to enter into capital leases during budget execution without prior approval to initiate a capital project. These requirements, which are still in existence, apply, regardless of the source of financing and the program area (including auxiliary enterprises and sponsored programs).