
Capital Budget Request Module Instructions

Commonwealth of Virginia Performance Budgeting System

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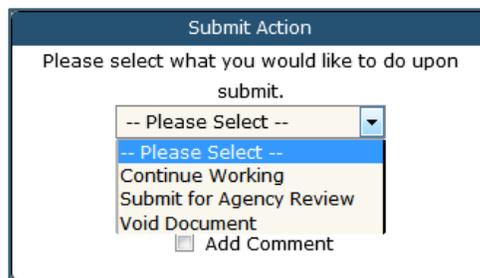
Overview

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. The purpose of this module is to summarize the projected 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 if the project is funded.

Quick Guide

AGENCY ANALYST

1. Mouse over the **Capital Budget** menu item and then mouse over **Capital Budget Requests**. Select **Capital Budget Request** from the resulting menu. Once Capital Budget Request is selected, the Overview tab will appear.
2. Complete the Overview tab as described in the Overview tab instructions. (If "Capital Lease" is selected as the project type, then only the Overview, Narratives, O & M and Capital Lease tabs must be completed.)
3. Complete the Narratives tab as described in the Narratives tab instructions.
4. Complete the Funding Request tab as described in the Funding request tab instructions.
5. Complete the Project Costs tab as described in the Project Costs tab instructions.
6. Complete the Other Costs tab as described in the Other Costs tab instructions.
7. Complete the O & M Costs tab as described in the O & M Costs tab instructions.
8. Complete the Lease tab as described in the Lease tab instructions.
9. Complete the Technology tab as described in the Technology tab instructions.
10. Complete the Energy tab as described in the Energy tab instructions.
11. Click **Submit** and select the appropriate action from the available options.

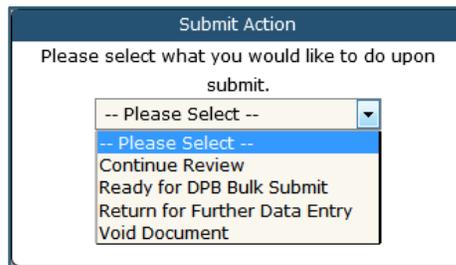


- **Continue Working** – Saves the capital budget request and returns it to the Available Work Items tab on the Work Tray for users with similar credentials to claim.

- **Submit for Agency Review** – Submits the capital budget request to the next step in the workflow.
- **Void Document** – Voids the capital budget request.

AGENCY REVIEWER

1. Select **Available Work Items** from the Work Tray.
2. Select the **Document Type** filter and select **Capital Budget Request** to filter on the capital budget requests.
3. Click **Claim** next to a capital budget request that is ready for review. Once capital budget request is claimed, the Overview tab will appear.
4. Review the **Overview** tab for completeness and accuracy.
5. Select the **Narratives** tab and review it for completeness and accuracy.
6. Select the **Funding Request** tab and review it for completeness and accuracy.
7. Select the **Project Costs** tab and review it for completeness and accuracy.
8. Select the **Other Costs** tab and review it for completeness and accuracy.
9. Select the **O & M Costs** tab and review it for completeness and accuracy.
10. Select the **Lease** tab and review it for completeness and accuracy (if the Project Type is a capital lease on the Overview tab).
11. Select the **Technology** tab and review for completeness and accuracy (if the “Contains significant technology costs” box is checked on the Overview tab).
12. Select the **Energy** tab and review for completeness and accuracy (if the “Contains significant energy costs” box is checked on the Overview tab).
13. Click **Submit** and select the appropriate action from the available options.



- **Continue Review** – Saves the capital budget request and returns it to the Available Work Items tab on the Work Tray to be claimed by users with similar credentials.
- **Ready for DPB Bulk Submit**– Submits the capital budget request to the “holding area” for later submission to DPB. If the agency reviewer has previously submitted a capital budget request work item as “Ready for DPB Bulk Submit”, you will see a **Submit to DPB** selection in the submit action

window. The work item can be submitted to DPB this way, or it can be submitted at the same time as other capital budget requests via the “Capital Budget Request – Bulk Submit to DPB” module.

- **Submit to DPB** – Submits the capital budget request to DPB. This selection will only be visible if an agency reviewer has previously submitted a request as “Ready for DPB Bulk Submit”. Note: depending on the number of capital budget requests being submitted by an agency, it may be more appropriate to “bulk” submit all of an agency’s capital budget requests to DPB at one time using the “Capital Budget Request – Bulk Submit to DPB” module.
- **Return for Further Data Entry** – Returns the capital budget request to the data entry workflow step for additional work by the agency analyst.
- **Void Document** – Voids the capital budget request.

Overview Tab

Overview

The purpose of the Overview tab is to capture the identifying information for the capital budget request and select if there are significant energy or technology costs.

Instructions

1. Select the **Overview** tab.
2. Select the **Biennium** for the capital budget request.
3. Select the **Budget Round** for the capital budget request.
4. Select the **Agency** to which the capital budget request will be applied.
5. Select the **Request Type** for the capital budget request.
 - **New Project** – Creates a new capital budget request.
 - **Previously Approved** – Allows a user to select from previously approved projects in the Project Title field to request additional funding. Once the user selects “previously approved”, all relevant information from the project will populate the new request.
 - **Previously Submitted** – Allows a user to select from previously submitted, but not approved, projects in the Project Title field to request additional funding. Once selected, all relevant information from the project will populate the new request.
 - **Language Only** – Allows the user to submit a request involving only budget bill language.
6. Enter the **Project Title** for a new capital budget request. The title should be short and descriptive and begin with a verb; e.g., Construct, Acquire, Demolish,

etc. (For an existing capital budget request, the title field will be automatically populated).

7. Select the **Project Type** for the capital budget request. Choose the category that best describes the project. Selecting **Capital Lease** will cause the Capital Lease tab to appear and will only require the Overview, Narratives, O & M, and Capital Lease tabs to be completed.
8. Select the **Facility/Campus** for the capital budget request. If the agency does not have separate facilities or campuses, only the agency name will appear for selection. If the request is for an umbrella project that will span more than one facility/campus, select “multiple.” If the request is for a site other than the listed facilities or campuses, select “other”.
9. Select the **Project Location** for the capital budget request. If it includes projects all over the state, enter “statewide”.
10. Select the **Infrastructure Element** for the capital budget request. Choose the term that best characterizes the function or type of the work to be completed by the project. The choices are the same as used by DGS’ Division of Engineering and Buildings (DEB) for “project type” on the CO forms.
11. Select the **Contains O & M costs** check box if the capital budget requests will result in eventual operating and maintenance costs (or savings). The O & M Costs tab will appear for data entry.
12. Select the **Contains significant energy costs** check box if the capital budget request will contain significant energy costs. The Energy tab will appear for data entry.

This box should be checked if the energy component represents at least 25 percent of the total construction cost: Examples include:

- 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.

Completion of this tab for acquisition and new construction projects is optional.

13. Select the **Contains significant technology costs** check box if the capital budget request will contain significant technology costs. The Technology tab will appear for data entry. This box should be checked for any improvement or new construction projects where the technology component cost exceeds 25 percent of the total construction cost.

14. Select the check box for “**Possible that project will be used by other than a state or local governmental entity, or for research under sponsored programs (higher education)?**” if this statement is true and the project is requested to be funded with tax-supported debt or general fund. This is intended to help identify projects that may require taxable bonds as opposed to tax-exempt bonds, which are typically used. These types of projects are most frequently requested by institutions of higher education, but this could also be applicable to projects of other types of agencies.
15. Attach any available **Supporting documents and files** for the capital budget request that provide additional information or description of the project, such as pictures or planning documents.

Supplemental funding requests for pool projects must also attach documentation demonstrating that the agency has met the following requirements in § [2.2-1519](#) E.3, *Code of Virginia*:

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.

Narratives Tab

Overview

The purpose of the Narratives tab is to capture the description, justification, and alternatives considered for the capital budget request.

Instructions

1. Select the **Narratives** tab.
2. Enter the **Description** for the capital budget request. 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, how it would meet specific needs, and how it ties into the agency’s strategic, service area, and master plans. Include, as applicable, the scope of the project (type of space

proposed, square footage, and any unique or unusual features), life expectancy of the new facility, and methods or sources used to determine the proposed scope.

3. Enter the **Justification** for the capital budget request. The justification for a project is based on how it supports your agency's current strategic plan. You should show how the project supports your agency's mission and its current and planned program goals and objectives, as well as how the project relates to your agency's strategic plan and service area plans.

Describe the current use of the facility(ies) and the relevant programmatic activities (current and projected) that would be affected by the project. Indicate any services, operations, or activities that will be initiated, expanded, or improved. Address whether the project is required to continue current services, to handle a workload increase, or to provide new or better quality services. Indicate the number and type of clients or staff who will benefit from the project and provide quantitative data such as number of positions (FTE), average prisoner days, or full time equivalent students. Highlight any population characteristics important to the project and discuss project methodologies used.

Describe the present facilities and why the existing facilities are inappropriate or inadequate--the age and condition of the current facilities, maintenance history, interruptions of services, safety hazards, environmental issues, health and safety code issues, legislative or judicial mandates, etc. Are interim accommodations being used to compensate for facility deficiencies? Describe how the project fits into the approved Master Site Plan for your agency and provide any information on the future use of the existing facilities that could impact the proposed project.

Discuss any alternatives to the proposed project that were considered and the rationale for selecting the requested project. Provide the estimated costs 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 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.

Funding Request Tab

Overview

The purpose of the Funding Request tab is to capture the funding request for the capital budget request over the next six years.

Instructions

1. Click on the **Funding Request** tab.

2. In the Funding Request grid, select the **Phase, Year, Subobject, and Fund** and enter the **Amount** requested for the capital budget request.

Almost all projects should use “Full Funding” in the phase field to reflect the total estimated costs to complete the entirety of the project as the requested funding amount, with the exception of those for which only supplemental construction funding or funding for furniture, fixtures, and equipment (FF&E) is required. Both the phasing of a project and the amounts for each phase are established by the Appropriation Act or any separate bond legislation and the review process described earlier. Therefore, the “Funding Request” tab defaults to “Full Funding” in the phase field, and funding phasing decisions will be made by the Governor and the General Assembly.

Requests for supplemental funding or funding for furniture, fixtures and equipment (FF&E), agencies should override the default and select the appropriate phase (“Supplemental Funding,” “Cost Overrun,” or “Equipment Purchase”).

| Funding Request | | | | | | |
|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------|
| | | Phase | Year | Subobject | Fund | Amount |
| 1 |   | Full Funding |  <input type="text"/> |  |  | |

3. Add rows to the grid as needed by clicking the **Add** button at the bottom of the grid to specify requests for multiple phases or years.



4. Enter the **Methodology** for the funding request. Describe how the project costs were determined. Make sure to identify any factors unique to the project that may impact overall project cost.

Institutions of higher education should include information on fee increases that may be required to finance the capital project.

Project Costs Tab

Overview

The purpose of the **Project Costs** tab is to capture the total project costs. The **Project Costs** grid module is designed to enable the agency to delineate costs by detailed line items.

Instructions

1. Select the **Project Costs** tab
2. If you have already completed the Other Costs tab, click the **Update Totals** button to include those costs in the Project Costs grid.

Update Totals

3. In the **Project Costs** grid, enter the Requested Funding Costs for Acquisition, Building & Built-in Equipment, Sitework & Utility Construction, Construction Cost, Furnishing & Moveable Equipment, and Construction Contingency costs for the capital budget request.

| Project Costs | | | Add Other Costs |
|---------------|---------------------------------|-------------------|-----------------|
| | Cost Type | Requested Funding | Update Totals |
| 1 | Acquisition Cost | | |
| 2 | | | |
| 3 | Building & Built-in Equipment | | |
| 4 | Sitework & Utility Construction | | |
| 5 | Construction Cost Total | | |

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.

The construction contingency amount to cover contract change orders can be no more than two percent of the sum of the estimated construction, site, and utility costs.

Add Other Costs

4. In addition to the previously mentioned costs, “**other costs**” in the Design & Related Services, Inspection and Testing Services, and Project Management & Other Costs categories should be added to the **Project Costs** grid. To add the applicable “other costs” factors click the “Add Other Costs” button.
5. A new screen should open containing the **Other Costs** grid.

| Other Costs | | |
|-------------|-------------------------------------------------------|---------------------------------------------------|
| | Cost Type | <input type="checkbox"/> Include In Project Costs |
| 1 | DESIGN & RELATED SERVICE ITEMS | <input type="checkbox"/> |
| 2 | A/E Basic Services | <input checked="" type="checkbox"/> |
| 3 | A/E Reimbursables | <input type="checkbox"/> |
| 4 | Specialty Consultants (Food Service, Acoustics, etc.) | <input checked="" type="checkbox"/> |
| 5 | CM Design Phase Services | <input type="checkbox"/> |
| 6 | Subsurface Investigations (Geotech, Soil Borings) | <input type="checkbox"/> |

6. Select each cost type that is applicable to the current capital budget request by selecting the check box next to the applicable items in the **Include in Project Costs** column. After making applicable selections, click the **Save** button. All marked cost items will be copied to the **Project Costs** grid.
7. On the Project Costs grid, enter the **Total Project Costs** and **Requested Funding** for the cost factors added from the **Other Costs** screen.
8. Click the **Update Totals** button to update the costs for the capital budget request.

Update Totals

9. In the **Size and Scope** grid, for each cost type, enter the **Unit of Measure**, and enter the number of **Units**. The **Cost per Unit** will be populated with a calculation based upon the information entered. Units could be number of beds, square feet, prison cells, etc. The Unit of Measure can vary for each Cost Type. Therefore, use the Unit of Measure that is most appropriate for each Cost Type.

| Size and Scope | | | | |
|----------------|--------------------|-----------------|-------|---------------|
| | Cost Type | Unit of Measure | Units | Cost per Unit |
| 1 | Acquisition Cost | | | |
| 2 | Construction Cost | | | |
| 3 | Total Project Cost | | | |

O & M Costs Tab

Overview

The purpose of the O & M (Operating and Maintenance) Costs tab is to capture any future operating and maintenance costs or savings that are projected to be realized if the capital budget request is funded.

Details

1. Select the **O & M Costs** tab. Provide the six year cost estimates for operating and maintaining the facility after the project is completed. This estimate should represent the net costs or savings resulting from the capital project. Operating and maintenance costs will be normally incurred by acquisition, new construction, and improvement projects. In this grid include costs or savings related to the running and upkeep of the facility including the costs to staff new or expanded programs that will be in that space (not existing staff redeployed from existing programs and activities). The first year should include any start-up costs and the subsequent years should reflect the anticipated annual operating costs or savings.
2. Enter the six years of operating and maintenance costs in the O & M Costs grid for each cost type. An amount must be entered in each cell, even it is zero. (Hint: It may be easier to complete this grid by exporting it to Excel, filling in each cell, and then importing the completed spreadsheet into the PB system. Click the “Export” button at the bottom of the grid to export.)

| O & M Costs | | | | | | | |
|-------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Cost Type | FY 2017 Req | FY 2018 Req | FY 2019 Req | FY 2020 Req | FY 2021 Req | FY 2022 Req |
| 1 | GF Dollars | | | | | | |
| 2 | NGF Dollars | | | | | | |
| 3 | GF Positions | | | | | | |
| 4 | NGF Positions | | | | | | |
| 5 | GF Transfer | | | | | | |
| 6 | GF Revenue | | | | | | |
| 7 | Layoffs | | | | | | |

3. If the **Planned start date of the new O & M costs** is different than the beginning of the fiscal year, enter a planned start date for the O & M costs.

Import
 Export
 Refresh

 Page 1 of 1

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Planned start date of new O&M costs (if different than the beginning of the fiscal year)

Lease Tab

Overview

The purpose of the Lease tab is to capture the details and costs associated with a proposed capital lease. This tab will appear only if capital lease was selected in **Project Type** field in the Overview tab.

There are basically two categories of leases—operating leases and capital leases. Agencies that have leases that will expire in the upcoming biennium or that anticipate entering into a lease in the upcoming biennium should check with their DPB analysts to determine if those leases would qualify as capital leases. For purposes of this

submission, agencies will have to make requests for leases only if they qualify as capital lease agreements as defined by Generally Accepted Accounting Principles (GAAP). Submissions are required for proposed new capital leases and renewals to existing capital leases.

Instructions

1. Select the **Lease** tab.
2. Enter the **Name of Lessor** for the capital budget request. Normally this would be the current owner (person, company, or entity) of the facility. If the name is not known, enter "Not yet determined."
3. Enter the **Building Address** for the requested lease. If the address is not known, enter "Not yet determined."
4. Enter the **Space Requirements** for the capital budget request. Show the acreage for land and square footage for buildings and identify any special needs such as reinforced floors for computer equipment or easy access to the public.
5. Check "**The State owns the property at the end of the lease term**" check box if the state will own the property at the end of the lease or has the option to purchase the property for a nominal amount.
6. Select the **Proposed Effective Date of Lease** for the capital budget request. The proposed date should be the anticipated date the lease will go into effect.
7. Enter the **Proposed Duration (months)** of the lease for the capital budget request. This is the number of months for which your agency will be obligated to make lease payments
8. Select the **Include Periodic Renewal** check box if a periodic renewal is required for the capital budget request.
9. Enter the **Renewal Extension Period (months)** for the capital budget request.
10. In the Lease grid, select the **Fund** and enter the six-year costs for the lease. In the final column, enter the total lease payments over the life of the lease. In most cases, the last column **will not** be the total of the amounts include in the six year fields.

| Lease | | | | | | | | |
|-------|------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| | Fund | FY 2017 Dollars Req | FY 2018 Dollars Req | FY 2019 Dollars Req | FY 2020 Dollars Req | FY 2021 Dollars Req | FY 2022 Dollars Req | Total Lease Payments |
| 1 | | | | | | | | |

11. Add rows to the grid as needed by clicking the **Add** button at the bottom of the grid to specify lease payments from multiple funds.



Technology Tab

Overview

The purpose of the Technology tab is to capture the technology-related information for a capital budget request. This tab will appear only if the **Contains significant technology costs** check box was checked in the Overview tab.

Instructions

1. Select the **Technology** tab.
2. Enter the **Description of the technology component of the project** for the capital budget request
3. Enter the **Primary uses of the building included in this project** for the capital budget request.
4. In the **Total Technology Cost Estimate** grid, enter the costs associated with each cost type.

| Total Technology Cost Estimate | | | |
|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------|
| | | Cost Type | Cost |
| 1 |   | Internal Staff Labor | |
| 2 |   | Services | |
| 3 |   | Software Tools | |
| 4 |   | Hardware | |
| 5 |   | Materials and Supplies | |
| 6 |   | Facilities | |
| 7 |   | Telecommunications | |
| 8 |   | Engineering and Design | |

5. Enter the **Explain how technology cost estimates were developed** explanation for the capital budget request.

Energy Tab

Overview

The purpose of the Energy tab is to capture the energy-related information for the capital budget request. The energy tab should be used to describe the general scope of work and annual costs or any savings potential of energy project components in existing facilities. This tab will appear only if the “**Contains significant energy costs** check box” was checked in the Overview tab.

Instructions

1. Select the **Energy** tab.

2. Select the **LEED Standard** check box to signify if the agency intends for the project described in the capital budget request to meet LEED standards.

LEED Standard

3. In the **Annual Energy Cost** grid, select the **Fund** and enter the net **Cost/Savings** for each energy type for the capital budget request. For improvement projects this would be the difference between current energy costs and the costs once the improvements are completed. For new construction projects, it would be the total costs. If savings are anticipated, show amounts as negative amounts

| Annual Energy Cost | | | | |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------------------------------------------------------------------------------|--------------|
| | | Energy Type | Fund | Cost/Savings |
| 1 |   | Electrical |  | |
| 2 |   | Gas |  | |
| 3 |   | Other |  | |
| 4 |   | Solar |  | |
| 5 |   | Steam |  | |

4. In the **Energy Cost Estimate** grid, enter the cost for each subcomponent for the capital budget request. "Other" can include such costs as the services relating to the analysis, design, placement, training, and monitoring of such equipment or systems.

| Energy Cost Estimate | | | |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|------|
| | | Sub Component | Cost |
| 1 |   | Materials Cost | |
| 2 |   | Labor Cost | |
| 3 |   | Engineering & Design Cost | |
| 4 |   | Other | |

5. Enter the methodologies used in calculating the assumed energy costs in the **Explain how energy cost estimated were developed** box.
6. Enter the **Energy Component Description** for the capital budget request.

Appendix: Definition of Types of Capital Projects:

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 \$3.0 million or greater; or
- It is acquired through a capital lease with options to purchase or any other alternative financing approach. (See a discussion of the definition of capital lease projects in the DPB instructions for Capital Projects).

If the projected cost of a new construction project creates less than 5,000 square feet and falls below \$3.0 million, it may be funded as either a capital project or an operating cost. See the “Capital Projects Funded in the Operating Budget” section later in these instructions. An agency should consult with its DPB analyst if it has questions on the best approach to pursue in such cases.

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 \$3.0 million or greater, it is subject to the capital project proposal process.

If the projected cost of an improvement project falls below \$3.0 million, it may be funded as either a capital project or an operating cost. See the "Capital Projects Funded in the Operating Budget" section later in these instructions. An agency should consult with its DPB analyst if it has questions on the best approach to pursue in such cases.

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 from the Art & Architecture Review Board and the Department of Historic Resources. The Division of Engineering and Buildings' Construction and Professional Services Manual (CPSM) provides specific instructions on the approval process.

Energy Performance Projects

The program for energy-efficient performance (ESCO) projects is administered by the Department of Mines, Minerals and Energy (DMME), with financing arranged by the Department of the Treasury. The Department of General Services negotiates statewide contracts for use with ESCO projects. Ordinarily, the expenditures for ESCO projects are considered operating expenses; however, the Appropriation Act stipulates that ESCO projects that entail any of the following activities are subject to the capital outlay process:

- Constructing, enlarging, altering, repairing or demolishing a building or structure;
- Changing the use of a building so that the new use requires greater degrees of structural strength, fire protection, exit facilities or sanitary provisions; or
- Removing or disturbing any asbestos-containing materials during demolition, alteration, renovation of, or additions to, buildings or structures.

If the cost of the total project exceeds \$3.0 million, it shall be subject to the capital budgeting process. However, if the projected energy savings from an ESCO project offset the debt service, interest payments, and the cost of the project, the project shall not be subject to the capital budgeting process if the total cost does not exceed \$7.0 million. All ESCO projects costing more than \$250,000 that do not meet the criteria to be considered a capital project must be reported to DPB in the fiscal year the project is initiated.

If the ESCO project qualifies as a capital project only because it exceeds the cost limitations and does not entail any of the other elements enumerated in the previous paragraph, the agency does not need to follow all the steps of the capital outlay process. The project must be reviewed by the Department of Planning and Budget (DPB) and submitted to the Governor for approval. Such requests should be submitted separately to DPB, along with the detailed proposal document, for review and recommendation to the Governor.

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 projects funded in the operating budget must be completed 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*, the Construction and Professional Services Manual, the Virginia Uniform Statewide Building Code, and other regulations for projects in the capital budget.

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. Other types of multiple task projects are "umbrella projects" and "blanket projects." Umbrella projects group together a series of similar subprojects, such as life safety improvements in multiple buildings at a facility. Blanket projects include only non-specific activities that are financed entirely with nongeneral funds.

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.