STATE OF MINNESOTA

Department of Finance

2006
Capital Budget Instructions

April 2005

From the Finance Commissioner's Desk

Just weeks ago, the 2005 Legislature and Governor Pawlenty enacted the 2005 bonding bill that provided significant capital financing for projects that had been left unfunded in 2004. Now, our attention must turn to the 2006 capital budget cycle.

With this document, I am pleased to present capital budget instructions that outline the policies and procedures by which applicants may submit capital requests for consideration in the 2006 legislative session. These instructions are basically the same as those used for the preparation of the Governor' 2004 capital budget.

The first key date in this process is June 15, 2005, the date when preliminary submissions are due. Preliminary submissions should include the Projects Summary and Project Narrative pages for each proposal being submitted by the agency. Final requests are to be completed by September 30, 2005. The Governor's Strategic Capital Budget will be presented to the Legislature on or before January 15, 2006.

Applicants should be judicious by forwarding only the most important projects that:

- Protect the life and safety of Minnesota residents and employees
- Reflect basic state strategic missions and core programs
- Preserve existing infrastructure and repair existing facilities before starting new projects
- Minimize construction tails and operating costs

Our debt capacity limit suggests a 2006 bonding bill of approximately $750 million. In order to stay within the state's 3% debt management guideline, applicants are asked to be prudent when submitting their 2006 request.

Governor Pawlenty and the Department of Finance appreciate your dedication in preparing timely and thoughtful requests. We look forward to discussing your projects as we advance toward adoption of the 2006 bonding bill.

Sincerely,

Peggy S. Ingison

Peggy S. Ingison
Commissioner
Minnesota Department of Finance

Capital Budget Deadline Dates

April 2005	Capital Budget Instructions are issued
May 2005	Capital Budget System (CBS) is open to the agency users to begin loading data. CBS training begins.
June 15, 2005	The following **preliminary** request forms must be submitted: • Projects Summary (in CBS) • Project Narrative (in CBS)
July 1, 2005	Preliminary requests are forwarded to the Legislature (without Governor's recommendations)
June-September 2005	DOF/Admin screen requests and meet with affected agencies. Legislative committees conduct site visits.
August 31, 2005	The following **final** request forms must be completed: • Agency Profile (hard copy changes to DOF) • Strategic Planning Summary (in CBS)
September 30, 2005	The following **final** request forms must be completed: • Projects Summary (in CBS) • Project Narrative (in CBS) • Project Cost (in CBS) • Project Detail (in CBS)
November, 2005	State revenue and debt capacity forecasts are issued
January 15, 2006	Governor submits 2006 Strategic Capital Budget to the Legislature. Legislative committees begin formal review of agency requests.
April, 2006	Legislature adopts and the Governor approves the 2006 bonding bill

Table of Contents

The Minnesota Department of Finance prepared this document in April, 2005. This and other capital budget documents are available at the DOF web site at http://www.finance.state.mn.us/ by clicking on "State Budget" and then clicking on "Governor's Capital Budget".

To obtain this document in an alternate format contact:

Minnesota Department of Finance
400 Centennial Building
658 Cedar Street
Saint Paul, Minnesota 55155-1489
(651) 296-5900

The Minnesota Relay Service phone number is 1-800-627-3529.

The 1930 lithograph of the Minnesota State Capitol used on the cover was originally created by Margaret Bradbury and reproduced with the permission of the Minnesota Historical Society

CHAPTER 1
INTRODUCTION

This manual is the ***2006 Capital Budget Instructions.*** Its concepts and guidelines are the result of a combined approach by the executive and legislative branches to reform the State of Minnesota's capital budget process. It describes the policies by which applicants can prepare capital budget requests for consideration in the 2006 legislative session. In addition, state agencies should obtain a copy of the ***2006 Capital Budget System User Manual*** for information on how to load requests into the on-line, computerized capital budget system (CBS).

Benefits of the Capital Budget Process

Strategic capital budget planning has two basic objectives:

1. To make informed capital investment decisions according to a fair, open and objective process, and

2. To effectively manage resulting assets and existing facilities.

To achieve these goals, capital budget planning is built on a series of guiding principles:

- Creation of a six-year strategic capital budget with six-year financing capacities.
- Development of agency long-term strategic plans and requests over a six-year horizon.
- Preparation of uniform and adequate project information to further the responsible consideration of requests by the Governor and Legislature.
- Balancing the need to maintain and re-use existing facilities with requests for new buildings.
- Reduction of the state's deferred maintenance backlog (capital iceberg).
- Utilizing smart growth and high performance building practices.
- Sequencing appropriations for predesign, design and construction stages to better utilize bonding capacity and more accurately control costs.
- Integration of capital and operating budgets with full consideration of operating cost impacts.
- Compliance with all applicable requirements of the Minnesota Constitution and state statutes.

Questions regarding this document may be directed to Department of Finance (DOF) at (651) 296-5900.

Loading Request Data into the Capital Budget System (CBS)

Agencies should note that the capital budget process outlined in this manual utilizes the same process and procedures from previous capital budget cycles:

- The on-line Capital Budget System (CBS) will be used again this cycle. This is a fully interactive system in which agencies will enter and update all project narratives and numbers. Project requests are stored in a database with advanced reporting features. Agencies should contact Mary Crosson in DOF at (651) 282-5976 to obtain a copy of the ***System User Manual*** that accompanies this document for instructions on how to enter requests into CBS. The System User Manual will also be available on the department's web site at http://www.finance.state.mn.us/ click on "State Budget" and then "Governor's Capital Budget".

- Consistent with the State Budget Information System (BIS) and Fiscal Note Tracking System (FNTS), the narrative tools and text editor in CBS use Word software. Agencies will need to install Word 97 on their PCs or a more recent version of Word in order to access budget narratives. If you have technical questions related to running CBS on your PC, please call MnASSIST Technical Services at (651) 215-0488 (metro) or 1-800-555-0488 (outstate). Select Option #6 for assistance.

- Printing requests from CBS will continue to use a DPF format. Upon executing a print command for documents, the CBS system will automatically convert the data into a PDF format and print the data to your local printer. This will speed up printing and eliminate past problems related to faulty printer definitions.

Requests from Local Units of Government

Because local governments do not have direct access to CBS, local government requests should be forwarded to DOF either in writing (in a letter or memorandum), or via e-mail as a Word document (Word 97 or a more recent version of Word). Word documents transmitted by e-mail can be forwarded to tom.harren@state.mn.us. Separate instructions for capital requests from local units of government can be found at www.finance.state.mn.us click on "State Budget" and then "Governor's Capital Budget".

Local units of government should not submit requests for projects that are routinely considered or allocated through existing agency grant programs. Such requests should be forwarded directly to the state agency that administers the on-going grant program. Applications for projects that are eligible for consideration under existing agency grant programs will not be accepted by DOF. Applications to state agencies that have previously been rejected for grant awards should not be forwarded to DOF; rather, such applications should be re-submitted to the granting agency for consideration during their next funding cycle. Local requests that are similar may be combined together into unified requests by DOF (i.e., local park and trail requests for multiple jurisdictions may be combined into a single request by DOF).

CHAPTER 2
OVERVIEW OF THE CAPITAL BUDGET PROCESS

Many important capital budget reforms were implemented in the 1990s. Additional principles will likely be implemented in the 2006 session and future years. Reflecting these changing dynamics, this manual simultaneously defines "what to do now" as well as "what targets to point toward."

Acting From a Long-Term Plan

The FY 2006-2011 capital budget process emphasizes the requirement for long-term planning. Agencies are expected to base their requests on a long-term strategic plan that articulates the mission of their agency and a vision of the future direction of their organization. Strategic plans should cover at least a six-year horizon. Over time, these long-term plans should be updated.

Agencies may submit requests for state funds in the 2006 legislative session and identity other capital requests anticipated in 2008 and 2010. The estimated cost of each project must be identified regardless of the biennium requested. For example, if design money is requested in one biennium and construction costs (the "tail") in another, the amounts for each biennium should be identified in the six-year package. If an agency is making a multi-year non-building request, the amounts required to fulfill the commitment for each biennium should be identified.

Projects not funded in one biennium can be reconsidered in a future biennium along with new requests. Thus, agency plans can be viewed as "rolling long term plans." "Rolling" means that each biennium's capital and operating budgets are derived from the previous cycle and updated for current conditions. This kind of forward thinking anticipates future funding requests and attempts to eliminate surprises.

Long term strategic planning is a cornerstone of the process. In order to receive funding for capital projects, agencies will have to establish a clear linkage between their project requests and their agency's long-range strategic goals.

Making Informed Capital Budget Decisions

One of the fundamental principles in the capital budget process is making intelligent investment decisions through consideration of capital requests in their strategic context on the basis of comprehensive project data.

A major advancement in previous capital budget cycles was the creation of much-improved capital budget request forms. These forms provide a vehicle for agencies to be effective advocates for their requests through presentation of improved project information.

All requests must be entered into CBS with adequate information to allow a meaningful consideration of the project by the Governor and Legislature. In addition to agency strategic planning goals, project requests must include a full description of the project rationale, costs, future funding requirements, project schedule, and associated operating budget impacts.

Demographic trends are one of the main factors relating to capital needs. The agency should relate their requests to estimates of student, inmate, or patient resident populations, for example, and other factors influencing the demand for services. Trend analysis should begin at some point before the beginning of the cycle and continue through FY 2011.

Level Funding within Available Bonding Capacity

Estimates of available bonding capacity define the boundaries for total state capital appropriations. The Department of Finance will continue to estimate available bonding capacity six years into the future. These estimates of available bonding capacity for the next three biennia (FY 2006-07, 2008-09, and 2010-11) will be based on known commitments and assumptions of the size of future capital budgets based on historical averages.

The state's most important debt management guideline is that no more than 3% of non-dedicated general fund revenues should be used for debt service in any biennium. By limiting debt service payments, this guideline limits the overall number and size of project authorizations in the bonding bill.

Bonding capacity for new capital projects is affected by several factors such as the amount of the general fund appropriation for debt service, the amount of bonds outstanding, the amount of new bonds that must be sold to finance existing authorizations during the biennium, project cash flows, and interest rates.

Bonding capacity estimates are a tool for achieving significant financial reforms. It is important to evenly size capital bonding bills over a six-year period to ensure future capacity. A six-year horizon is necessary in order to reflect the long time span often involved in bringing capital projects from planning to construction.

The Department of Finance will track the six-year impact of all agency requests. It is assumed that the Governor's plan and legislative action in 2006 will not exceed bonding capacity as defined by the 3% guideline at any point in the six-year cycle and will provide a stable, level amount of state capital investment.

Use of General Obligation Bond Proceeds

Bonding bills typically provide most financing for capital projects through proceeds from the sale of state general obligation (G.O.) bonds. For projects receiving state bond financing, the requests and subsequent bonding appropriations must comply with constitutional provisions regarding definitions of eligible capital projects and the proper use of state bond proceeds.

The Minnesota Constitution sets parameters regarding the purposes for which the state may incur debt. This applies specifically to the use of proceeds from the sale of state general obligation bonds.

Applicants should be aware that state bond proceeds can only be used for capital projects which meet a public purpose and for facilities owned by public entities. Private parties and non-public organizations are not eligible to receive state general obligation bond proceeds and should not request such funding directly. However, requests may be submitted from local units of government.

Applicants should also be aware that general obligation bonds may only be used for qualified capital expenditures. This refers to land acquisition, predesign/design expenses, construction, and improvement of specific projects and tangible fixed assets. General operating expenses including services, programs, strategic planning, master planning, and relocation costs are not bondable expenses. Expenses that are not bond-eligible can be submitted in CBS, but will require cash appropriations from the general fund or another state fund.

Staged Sequence of Predesign, Design and Construction Appropriations

Applicants should understand the concept of a sequential series of predesign, design and construction appropriations when considering their project schedule and timing of requests. The goal for the state is to spend a little for predesign (usually less than 1% of total project costs), before spending more for design (typically 6-10% of project costs), before spending a considerable sum for the balance of all other construction and non-construction costs (usually greater than 89% of total project costs). With investment in the front-end planning of a project, decision-makers receive substantial information early in the life of a project before committing substantial resources.

The Department of Administration has created a ***Predesign Manual for Capital Budget Projects*** for use by agencies. The predesign manual can be found at the Department of Administration's web site at http://www.sao.admin.state.mn.us/. All recipients of capital appropriations for building projects must prepare predesign documents for review and comment by Administration before commencing design activities, as required by Minnesota Statutes 16B.335.

Predesign information submitted to the Department of Administration should contain a comprehensive view of the project's purpose, scope, cost and schedule. Aided by this predesign information early in the process, the Governor and Legislature will have better information at a minimal cost to evaluate the project and decide whether subsequent design and construction appropriations are warranted.

Agencies should prepare their requests to anticipate a staged sequence of predesign, design and construction appropriations. **Design appropriations should not be requested before predesign plans are completed**.

Costs of Capital Project Stages

Predesign: Less than 1%
Design: Less than 10%
Construction: Greater than 89%

On occasion, there may be projects with compelling project timetables that cannot be reasonably accommodated through sequenced appropriations spanning three biennia. To keep these urgent projects moving forward without undue delay, DOF/Admin recognize that certain projects may be presented through combined design/construction or design/build requests.

DOF/Admin will assist agencies in determining the most appropriate course of action. Agencies should also consider the possibility of reallocating funds for predesign activities from their current operating budgets in order to meet critical project schedules, rather than relying exclusively on capital appropriations. **In all cases, completion of the predesign stage is a critical step in providing state decision-makers with sophisticated and well-reasoned project information.**

Agencies should also note that design activities must comply with the provisions of Minnesota Statutes 16B.335, subdivisions 1-5, regarding preparation of design documents and their subsequent review by the chairs of legislative committees prior to preparation of construction documents. Applicants should carefully read this statute.

Project Needs Analysis and Predesign

The capital request process is designed to encourage agencies to be effective advocates for their needs. Agencies are expected to develop well qualified projects and provide useful data to DOF, Admin, the Governor and the Legislature.

Important characteristics of project needs analysis include:

- Calculation of project space requirements
- Inventory of available space
- Calculation of the amount and type of new space required
- Comparative assessment of all facility alternatives, including renovation and remodeling
- Consideration of lease versus ownership options
- Selection of the preferred alternative

Condition and Suitability of Existing Facilities

Decisions on appropriating funds for new facilities must be made in the context of an agency's existing capital assets and facility master plans. This involves an assessment of the condition and suitability of existing space measured against the desire to develop new space.

Agencies are expected to objectively measure the adequacy of existing assets to meet program needs. The agency may request funding for new construction only if existing facilities are proven inadequate to meet program needs. As a standard rule of practice, agencies should make a concerted effort to utilize existing space before rushing to develop new facilities.

The Department of Administration is currently coordinating an inventory of state facilities. This inventory will be an important tool for assessing the condition of the state's physical facilities. As the inventory is updated it will provide an assessment of the trend in the condition of facilities and a measurement of the size of the deferred maintenance backlog. This information will also be used by the Governor and Legislature when sizing asset preservation appropriations to various agencies.

Sustainable, Higher Performance Buildings

Projects that receive state funding will be expected to employ high performance building practices as required in Minnesota Statute 16B.325. In general, this means designing buildings, sites and infrastructure that are energy efficient, healthy for occupants, durable and adaptable to future uses, use fewer resources, cost less to operate and maintain, and create less waste over their lifetimes.

To adhere to these budget criteria, it is the policy of the executive branch to encourage high performance building practices. These are defined as a comprehensive and integrated design approach that strives to maximize human comfort and productivity while minimizing the building’s lifetime operating and environmental costs.

These new expectations fall under the general heading of sustainable, high performance building practices:

- Provide wise stewardship of land, buildings and natural resources to sustain them over time, and
- Select efficient, integrated public investments based on lowest long-term economic, environmental and social costs.

Integration of Capital and Operating Budgets

Agencies are asked to identity the operating budget impacts of capital requests over the next six years. Much like fiscal notes, these costs must be shown on the project request forms and are considered "facility notes". The Governor and Legislature will use these operating cost estimates as part of their decision-making deliberations. If the capital request is approved, these estimates may be considered for adjustments in subsequent agency operating budgets or agencies may be asked to absorb these costs from their biennial operating appropriations. Because agencies will be held accountable for their operating cost estimates, it is imperative that reliable data is presented.

Prioritization of Agency Requests

Minnesota Statute 16A.11 directs the Governor to submit capital budget requests to the Legislature that identify agency priorities. Accordingly, agencies must determine project priorities for 2006 requests and record this information on their project summary form. Agencies should not prioritize out-year requests for 2008 and 2010.

The period from the publication of this manual until September 30 is designated as a time for interactive project planning between agencies and DOF, Admin and the Governor's office. During this time, project proposals will be screened and appropriate feedback provided to agencies.

This open process, coupled with comprehensive capital budget forms, allows applicants to fully articulate their funding requests. Projects that are submitted directly to the Legislature without having completed the proper forms and without having been presented to the Governor are discouraged. Without having been presented with project data contained in the request forms, the Governor is unlikely to be comfortable in supporting such projects.

CHAPTER 3
PROJECT PREDESIGN, DESIGN AND CONSTRUCTION

Once agency-wide strategic planning is completed, specific project planning can begin. This chapter describes the recommended steps in project development including:

- Project programming and needs analysis
- Predesign
- Design
- Construction

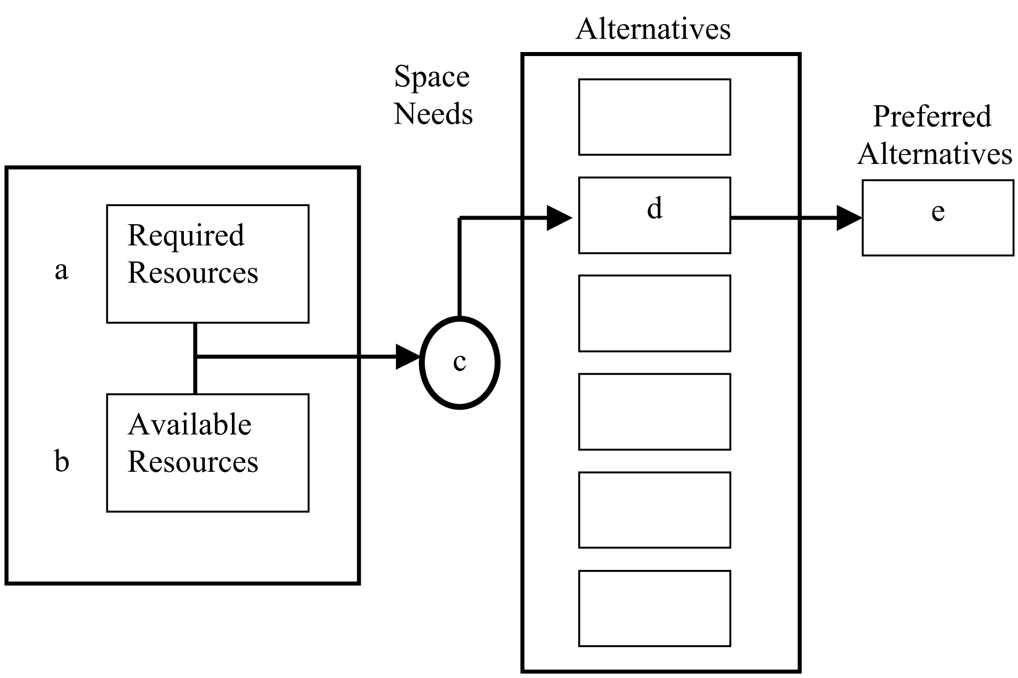
Project Programming and Needs Analysis

While the underlying strategic plan is agency-wide, the operational program is specific to the proposed project. The operational program describes the services to be provided and products to be delivered to meet the overall requirements of the strategic plan. The operational program avoids leaping to design a project and may take place either before or as part of predesign activities.

Steps in the project programming and needs analysis process are shown in the following exhibit:

A. Estimate the total amount and type of space required.
B. Inventory the amount and type of space currently in service plus any amount approved or under construction.
C. Calculate the amount and type of additional space required.
D. Assess alternatives for meeting the operational program such as use of existing space, adaption of existing space, new construction or leasing space.
E. Select the preferred alternative.

The Project Programming and Needs Analysis Process



Each agency's situation will require the process to be applied in different ways. DOF/Admin recognizes these differences. There are, however, threads of continuity that should run through needs analysis performed by all agencies:

- Derivation of space requirements - the determination of unsatisfied needs must be logically derived. Operational requirements should be translated into gross physical requirements by the application of space utilization guidelines. The proposed project budgets must be derived from reliable cost standards for both first cost and life cycle costs.

- Strategic consideration of alternatives -- statewide, agency and project-related strategic issues should be considered when evaluating alternatives. The proposed project should fit well in statewide or agency strategic plans.

- Technical consideration of alternatives - in the physical planning sense, consideration of alternatives also means the examination of various configurations to satisfy the program requirements (e.g., single story vs. multi-story, addition to an existing facility vs. free standing building, and consideration of remodeling existing facilities).

Space Utilization Guidelines

Translating agency operational requirements into physical requirements involves the application of space utilization guidelines. These guidelines assist in determining an efficient and functional space program to meet the agency's space needs in the most economical manner.

Space utilization guidelines are intended to provide the employee and the entire agency adequate space to work efficiently. Workspace should be designed based on the task and function of the job to be more efficient for both the individual and the organization. It also provides the greatest flexibility. When an agency's program requires a change in space, moving an individual to another workstation or office, rather than reconfiguring or remodeling, is more efficient and economical.

Contact Admin to obtain a copy of current Space Utilization Guidelines and/or assistance in determining an efficient and functional space program.

Cost Planning and Estimating Standards

The reliable prediction of project costs is crucial to success. The methods of predicting probable costs during project planning are different from methods employed during final design and construction.

Cost planning is not the same as cost estimating. Cost planning occurs during predesign and early design and relies on historical experience with similar projects. This method is reliable if the cost planner carefully examines completed projects and determines they are similar to the proposed new project. Analysis of cost data by program type is typically more accurate than data on average cost per building square foot.

Cost estimating during final design and construction typically relies on counting all the pieces and applying respective unit prices. This method is reliable provided the piece count and unit prices are accurate. It is generally accepted that costs should become more reliable as the project moves from predesign (cost planning) into advanced design (cost estimating).

Inventory of Major State Buildings and Office Space

A facility audit is intended to support informed decision making concerning reinvestment by answering questions such as:

- Is the building or facility within its useful life and worthy of reinvestment?
- What is the cost of the reinvestment (deferred renewal, if any) to catch up?
- What is the estimated schedule of renewal work over the next six years?
- What is the correct size of an appropriation that an agency should receive for asset preservation purposes?

Knowledge of existing facility conditions is an essential ingredient to consideration of alternatives and selection of the preferred alternative on the basis of program suitability, lowest first cost and lowest life cycle cost.

Predesign

Following the selection of a preferred strategic alternative through the needs analysis process, predesign may proceed. The ***Predesign Manual for Capital Budget Projects*** is published and occasionally revised by the Department of Administration, State Architect's Office (formerly known as the Division of State Building Construction). This manual is intended to guide the requesting agency in completing the project predesign in accordance with M.S. 16B.335.

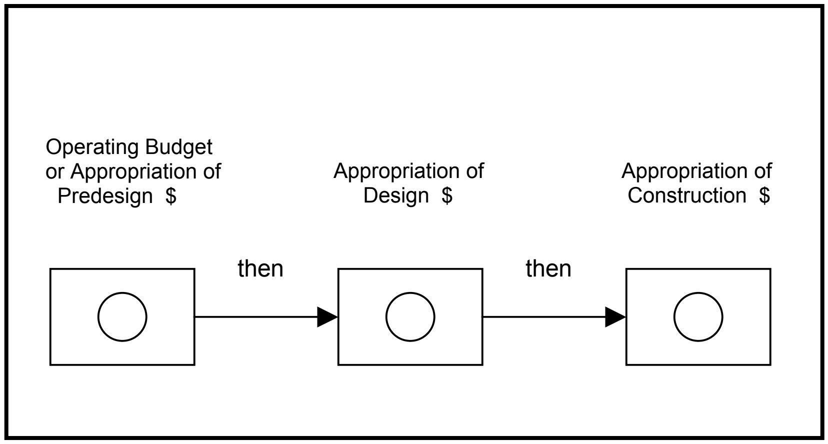
A current version may be obtained from the Admin web site at http://www.sao.admin.state.mn.us/. Questions on the predesign manual should be referred directly to Gordon Christofferson in the State Architect's Office at (651) 297-2245 or e-mail at gordon.christofferson@state.mn.us.

An agency may elect to make a capital funding request for predesign. Alternatively, the agency may choose to perform predesign using its own funds to speed up the process and initiate its capital request for design and construction after completion of predesign. **In either case, predesign must be completed and submitted for Admin review before commencing design.**

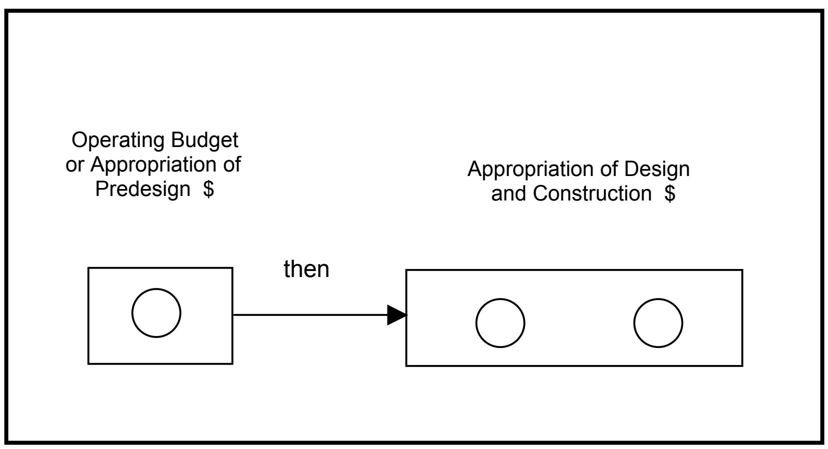
Preparation of Single or Multiple-Part Requests

Each capital request contains a funding sequence that may be determined by the nature of the project or by operational needs. For example, a large and complex project may be split into several separate requests. On other occasions, the exceptional urgency of a project might require a single request for all stages. Appropriation of funds for building projects will generally follow one of two sequences (displayed as follows):

Separate Predesign, Design and Construction Appropriations over Multiple Years



Combined Design and Construction Appropriation over Fewer Years



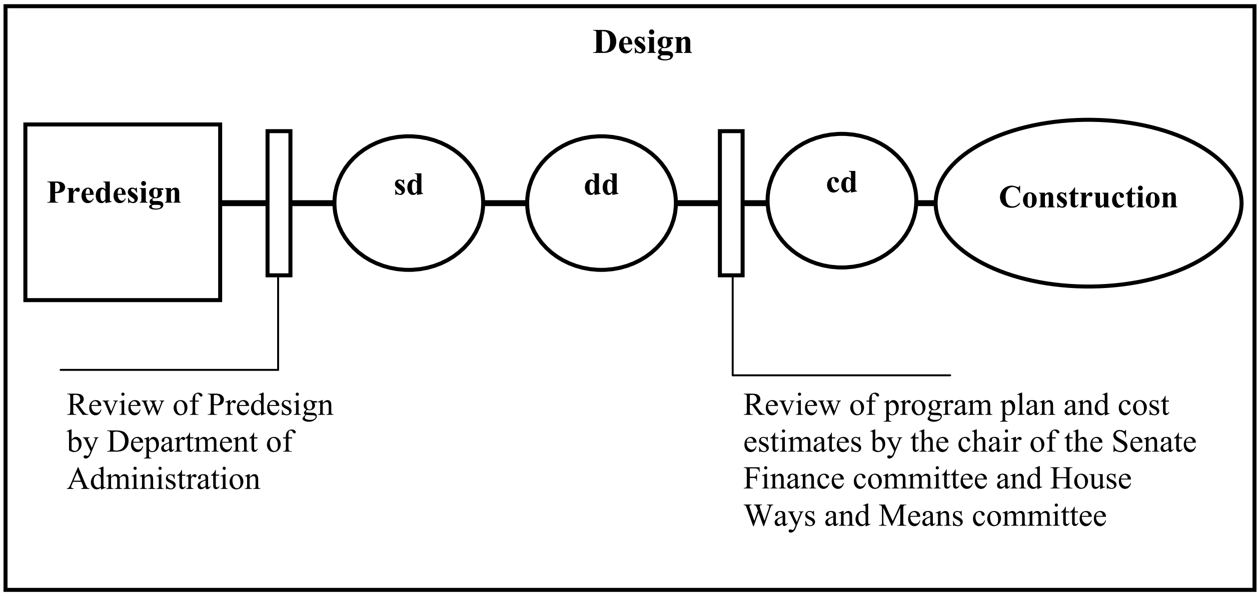
In most cases, agencies should anticipate a staged sequence of predesign, design and construction appropriations. This sequenced appropriation process should be used for relatively high cost and complex projects that extend over a series of biennia. In such cases, design appropriations should not be requested before predesign plans are completed.

There might be other situations, however, of compelling project timetables in which the project cannot reasonably wait for sequenced appropriations spanning three biennia. To keep urgent projects moving forward without undue delay, DOF/Admin recognizes that certain projects may be presented through combined design/construction or design/build requests.

DOF/Admin will assist agencies in determining the most appropriate method to stage requests. Agencies should also consider the possibility of funding predesign activities through reallocations in their operating budgets in order to meet critical project schedules, rather than relying exclusively on capital budget appropriations. In all cases, completion of the predesign stage is a mandatory step in providing state decision makers with sophisticated and well-reasoned project information.

Irrespective of when appropriations may be awarded, the building process has three main stages: predesign, design, and construction. The design stage is typically divided into schematic design, design development, and preparation of construction documents.

Predesign, Design and Construction Stages



The figure below summarizes the cost, schedule and results in each stage of a typical building project. Please note that these costs and schedules are heavily dependent on the project's size and complexity.

Cost, Time and Results of Project Stages

	Strategic Planning	Predesign	Design	All Other Construction and Non-Construction Costs
Cost (% of total project cost)	N/A	Up to 1%	6 - 10%	More than 89%
Time Required	3-12 months	6 - 24 weeks	6 - 24 weeks	8 - 30 months
Results	Agency Strategic Plan	Predesign document	Design documents	Constructed project

During the predesign stage a relatively small amount of money and time is spent to determine project feasibility, and to define the essential aspects of the project. Predesign work usually requires 1% or less of total project costs and 6-24 weeks to perform. Minnesota Statute 16B.335 requires predesign to be performed and Admin to review predesign documents before the more costly and time-consuming design stage begins.

The design stage usually costs between 6-10% of total project costs and takes from 6-24 months to perform, depending upon the complexity of the project. These costs include architectural and engineering fees. The results of the design stage are drawings from which to bid and build the project.

After predesign and design, the largest percentage of project costs are spent. The balance of all other construction and non-construction costs may exceed 89% of total project costs.

Further information on predesign, design and construction requirements may be obtained by contacting Gordon Christofferson of the Department of Administration, State Architect's Office at (651) 297-2245 or e-mail at gordon.christofferson@state.mn.us.

High Performance Building Goals and Strategies

Predesign is also the time to identify high performance building goals and strategies. Much like private sector goals of "zero defects," "zero accidents," and "zero emissions," agencies should make every effort to strive toward the following high performance building goals:

3. **Minimize lifetime costs**. Minimize lifetime costs to present and future taxpayers of state-owned, leased and financed buildings.

4. **Healthy, productive work environments**. Create healthy indoor environments that enhance employee productivity and wellness.

5. **More accessible government**. Site buildings where public infrastructure already exists, including advanced telecommunications technologies, and employ designs that reflect community preferences and accommodate a range of transportation options that make government more accessible to the public.

6. **Sustainable resource use**. Give preference to building products that minimize lifetime costs made from renewable, recycled and recyclable materials, and to the development of brownfield sites that can be cost-effectively brought back into productive use. Use all resources as efficiently as possible and develop and follow a construction and demolition waste management plan that emphasizes source reduction, reuse, and recycling of materials generated through construction, remodeling and demolition activities.

7. **Sustainable and alternative energy use**. Reduce fossil fuel use, use less polluting fossil fuels and give preference to least polluting and renewable energy substitutes per Minnesota Statute 16B.32, Subd. 1.

8. **Pollution prevention**. Eliminate or minimize the use of persistent toxic chemicals in building materials and prevent or reduce other forms of waste and emissions that, if allowed to systematically build up in the environment, degrade Minnesota's air, water, land and other natural resources.

9. **Optimize and document building performance**. Ensure that facility managers and users can optimize the building's systems by commissioning the building and developing and following an operations and maintenance plan.

10. **Healthy natural systems**. Employ practices that preserve, conserve or enhance the natural landscape and habitat on-site.

11. **Consistent, effective government.** Ensure that operational and capital development proposals specify their links to agency strategic plans, including methods of service delivery, and with the state's overall strategic plan. The state's built environment should be a natural extension of and help support its overall strategic goals.

12. **Continuous improvement**. Document barriers to implementing high performance building practices and share this information with the Department of Administration so the state may continuously improve the economic, environmental and human health performance of its buildings.

Agencies should identify strategies in the predesign phase that move toward these high performance goals, including expected outcomes, initial investment and long term cost impacts.

Because there are differences among high performance strategies in terms of costs, paybacks and ease of implementation, agencies may find it helpful to break their strategies down into categories that reflect these differences. For example:

- Strategies with no increased first costs
- Strategies with 10-year paybacks
- Strategies with paybacks beyond 10 years that may be appropriate for long-lived structures or because the extra investment works as part of a package of investments that together minimize the building's lifecycle costs.

The design stage should include energy modeling (such as is provided through XCEL Energy Corporation through their Energy Assets program) to demonstrate that design choices being proposed will minimize lifetime energy costs of the building. Agencies are encouraged to integrate at least those energy strategies with a 10 to 15 year payback.

The state's evaluation process will reward projects that optimize the use of existing capital assets, such as retrofits or other asset preservation measures, when doing so reflects the lowest lifetime cost and still meets the public need. Agencies should be prepared to identify current space use, condition of existing facilities, and whether or not existing facilities lend themselves to redevelopment to a different or improved program use.

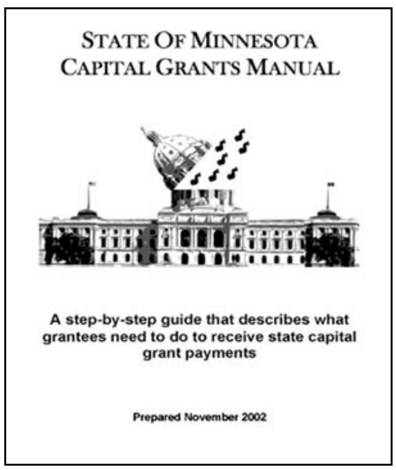
CHAPTER 4
STATUTORY AND OTHER LEGAL REQUIREMENTS

As part of recent capital budget reform efforts, new laws and requirements have been adopted which provide increased discipline in the capital budget process. In many cases these new laws supplement existing state constitutional provisions and statutory requirements regarding how state bond proceeds may be spent.

This chapter provides a brief overview to applicants and recipients of bonding bill appropriations regarding noteworthy requirements of capital appropriations. Applicants are advised to become familiar with these requirements, not just as part of the application process, but also to understand the impact of these requirements after a state appropriation is awarded.

Please note that this is not intended as an exhaustive reference to all requirements, but rather as a summary of the most noteworthy items, common questions, and sources of additional information. Agencies, grantees, and other applicants should consult with their financial and legal advisors regarding these and other requirements.

These requirements are also described in the ***"State of Minnesota Capital Grants Manual."*** This document is available on the DOF web site at www.finance.state.mn.us click on "State Budget", then "Governor's Capital Budget".



Public Ownership, Public Purpose, and Use Agreements for State-Funded Projects

The Minnesota Constitution, in Article XI, Section 5, limits the appropriation of state general obligation bonds to state agencies and political subdivisions of the state. Because of this constitutional constraint, grants or loans for capital projects from bond proceeds can not be made to non-profit or for-profit organizations. This requirement does not apply to cash-financed projects.

Minnesota Statute 16A.695, and the *Order of the Commissioner of Finance Relating to Use and Sale of State Bond Financed Property*, contains guidelines that must be followed when a capital project benefits a non-profit or for-profit organization. Generally, for a private organization to benefit from bond proceeds, the capital project must be owned by a state agency or political subdivision that enters into a use agreement with the private organization to provide a public program to be carried out by the private organization.

A state agency or political subdivision that enters into a use agreement with the private organization must be an active participant in the public program with ongoing oversight of the program. The public entity must be much more than merely a conduit with a one-time responsibility of passing the bond proceeds through a grant agreement to the private organization. The commissioner of Finance must approve all use agreements for bond-financed property.

Although projects that receive cash financing are not subject to public ownership and use agreement requirements of the Minnesota Constitution or M.S. 16A.695, cash projects are subject to conditions of the project authorization in the bonding bill. For example, if a cash appropriation is provided as a grant to a political subdivision, the project must be publicly owned. In addition, all cash and bond-financed projects must provide the purpose, program or service identified in the project authorization on an on-going basis.

If the program expressed in the project appropriation is discontinued and/or the sale of the capital asset or facility is contemplated, the grantee must comply with applicable sale and reimbursement conditions of the state.

In addition to consulting with the Attorney General's office and the Department of Finance regarding the various legal requirements affecting state capital appropriations, agency accounting coordinators should also review MAPS operating policy 0302-01, 0302-02, 0302-03 and 0302-04 when processing appropriation entry documents. The appropriate staff contact within the Department of Finance for M.S.16A.695 issues is Peter Sausen at (651) 296-8372, or peter.sausen@state.mn.us.

Standard State Grant Agreements for Local Projects

Once a capital appropriation is enacted into law by legislative action, the state agency that received the appropriation must prepare a grant agreement to disburse funds to a local grantee.

The Attorney General's office, in cooperation with the Department of Finance, has developed standard grant agreements for use by state agencies when providing capital grants. These grant agreements contain provisions regarding a wide variety of applicable requirements. Standard grant agreements for cash and bond-financed projects can be obtained from the Attorney General's office and are also posted to the Department of Finance web site at www.finance.state.mn.us. Click on "Bonding". Agencies should consult with the Attorney General's office if they have any questions about these documents.

There are two basic versions of the state grant agreements – construction grants and end grants. Construction grants provide reimbursement to the grantee during project construction on an on-going basis. End grants provide a one-time reimbursement upon project completion (typically after a certificate of occupancy has been obtained by the grantee).

DOF recommends that agencies use end grants whenever possible. However, agencies will need to meet with grantees and consider the dynamics of each project when deciding which grant agreement is best.

Capital Appropriations with Non-State Matching Requirements

Agencies should review the full-funding requirements of M.S. 16B.31, subd.2 which states, in part, *"No plan may be adopted, and no improvement made or building constructed by the commissioner or any other agency to whom an appropriation is made for a capital improvement, that contemplates the expenditure for its completion of more money than the appropriation for it, unless otherwise provided in this section or the act making the appropriation."*

Agencies should also become familiar with new Minnesota statute 16A.502 (enacted in the 2005 bonding bill) which states, in part, "*If a state appropriation or grant for a capital project or project phase is not sufficient, by itself, to complete the project or project phase, and thus requires a commitment from other sources: (1) the commitment, including any required match, must be in an amount that, when added to the appropriation or grant, is sufficient to complete the project or project phase; and (2) the appropriation or grant is not available until the commissioner has determined that the commitment is sufficient."*

Bonding bills commonly require non-state matching funds as a condition of receiving the capital appropriation. Typically, rider language for these appropriations specifies that the recipient may not receive the capital appropriation until the recipient has a commitment for or receipt of matching funds. Non-state funding may include federal, local and private funds.

Documentation must be provided to the granting agency and approved by DOF that the recipient has complied with all matching requirements. This documentation must verify that non-state matching funds have been received or the recipient has a legally binding commitment in place. Examples of documentation include account statements for private contributions, full funding resolutions from local governing bodies, grant award letters from federal agencies, and loans or letters of credit from private financial institutions.

In some cases, additional financing is needed to complete a grant project of a political subdivision or non-profit organization (above and beyond the state appropriation plus specific matching requirements expressed in the appropriation bill). In these cases, the grantee must demonstrate that *all financing* is in place to complete the project before state funding will be released.

For further information, please refer to MAPS operating policy 0302-02 at www.finance.state.mn.us. Click on "State Budget" then "Governor's Capital Budget" under Capital Budgets. Questions on matching requirements may be forwarded to an appropriate DOF executive budget officer.

Operating Program Review for Bond-Financed Facilities

Minnesota Statute 16A.695, Subd.5 reads, in part: *"Recipients of grants from money appropriated from the bond proceeds fund must demonstrate to the commissioner of the agency making the grant that the recipient has the ability and a plan to fund the program intended for the facility."* As the language of the statute indicates, agencies that administer capital grant programs or are involved in partnerships with local projects funded by state bond proceeds have an expanded oversight responsibility in reviewing the financial capability of the project's operating program.

MAPS accounting policy (0302-04) suggests the type of financial review that agencies should conduct to satisfy this legal requirement. It's anticipated that certain types of financial information will need to be received from grantees in the course of the agency review process. Agencies that administer capital grant programs may wish to request that certain financial documents be included in the application materials submitted by grantees. Agencies will be expected to provide a certification of the results of their program funding review to DOF.

M.S. 16B.30 General Authority

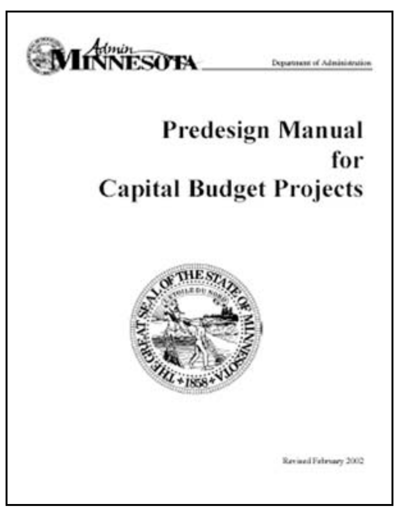
Subject to other provisions in this chapter, the commissioner of Administration is required to supervise and control the making of all contracts for the construction of buildings and for other capital improvements to state buildings and structures, other than buildings and structures under the control of the board of trustees of the Minnesota state colleges and universities. A state agency may not undertake improvements of a capital nature without specific legislative authority unless the improvement is minor in scope or is an asset preservation project.

M.S. 16B.325 Sustainable Building Guidelines

Minnesota Statute 16B.325 requires the departments of administration and commerce, with the assistance of other agencies, to develop sustainable building design guidelines that ensure all new state buildings initially exceed existing energy code by at least 30 percent. The statute reads in part, "*The design guidelines must establish sustainability guidelines that include air quality and lighting standards and that create and maintain a healthy environment and facilitate productivity improvements; specify ways to reduce material costs; and must consider the long-term operating costs of the building, including the use of renewable energy sources and distributed electric energy generation that uses a renewable source…*" Projects that receive state funding during the 2006 capital budget process are expected to incorporate these guidelines.

M.S. 16B.335 Predesign Review Requirements

As part of the state's efforts to make better informed capital investment decisions and more effectively manage its capital assets, the Department of Administration has developed a predesign requirement as required by Minnesota Statute 16B.335, Subd. 3. Agencies are required to complete a predesign document and submit it for review by the Department of Administration before proceeding with design work, with the exception of certain types of infrastructure-related projects and projects under $750,000.



Questions regarding this process and requests for copies of the ***Predesign Manual for Capital Budget Projects*** should be forwarded to Gordon Christofferson of the Department of Administration at (651) 297-2245 or e-mail at gordon.christofferson@state.mn.us. The predesign manual can also be found at http://www.sao.admin.state.mn.us.

M.S. 16B.335 Legislative Design Review Requirements

Minnesota Statute 16B.335, Subd. 1(a) reads, in part, *"The commissioner, or any other recipient to whom an appropriation is made to acquire or general public lands or buildings or other public improvements of a capital nature, must not prepare final plans and specifications for any construction, major remodeling, or land acquisition in anticipation of which the appropriation was made until the agency that will use the project has presented the program plan and cost estimates for all elements necessary to complete the project to the chair of the senate finance committee and the chair of the house ways and means committee and the chairs have made their recommendations, and the chair of the house capital investment committee is notified."*

Subdivision 1(b) of this statute exempts certain types of projects from predesign and design review requirements. Please review this statute in its entirety and consult with the legislative chairs named in the statute for further information regarding applicable legislative design review requirements.

Project Cancellations in 2011

Minnesota Statute 16A.642 requires the commissioner of Finance to report to the Legislature by January 1 of each odd-numbered year regarding unencumbered or unspent balances of capital appropriations enacted more than four years prior to that date. These appropriations, or portions thereof, automatically cancel unless re-appropriated by the Legislature.

The commissioner will report the status of all projects authorized in the 2006 bonding bill to the Legislature on January 1, 2011. All funding from the 2006 bonding bill that is neither contractually obligated nor expended will be cancelled at that time unless re-appropriated by the Legislature. Once receiving an appropriation for their project, agencies and grantees are encouraged to advance their project with due haste to avoid future cancellation.

Telecommuting and Information Technology Plan Requirements

The Minnesota Office of Technology (OT) provides statewide leadership and direction for information technology resources. The goal of OT is to ensure that the use of technology is maximized, technology projects are successful, and technology provides long-term benefits to citizens of Minnesota. OT establishes state information resource management policies, standards and guidelines, including industry best practices. OT is responsible for reviewing agency requests and expenditures for information related products and services.

The Legislature has mandated that state agencies requesting office space such as a new buildings (new construction or acquisition of an existing building), renovation/remodeling, or relocation need to submit telecommuting plans and information technology plans to OT for review.

The legislation requires state agencies to use telecommuting and information technology to accomplish the following three objectives:

- Improve utilization of office space.
- Decentralize operations.
- Deliver services electronically.

The goal of the OT telecommuting plan review process is to encourage, support and assist state agencies in implementing telecommuting programs and increasing telecommuting for employees in new facilities.

The goal of the OT information technology plan review process is to assist agencies to improve and expand current use of information technology when relocating or building a new office facility.

The legislation requires agencies to create a telecommuting plan or a statement indicating that telecommuting is not feasible for the agency, and an information technology plan for the building project. OT review is required before agencies can submit building or relocation plans to the legislature. Agencies are encouraged to submit these documents to OT as soon as possible to allow ample time for review.

Questions may be forwarded to Linda Finley in the Office of Technology at (651) 215-1987 or at linda.finley@state.mn.us.

M.S. 16B.241 Coordinated Facility Planning

The commissioner of Administration is required to develop a coordinated facility planning process for offices located outside the metropolitan area for the following agencies: the Department of Health, Agriculture, and Natural Resources; the Pollution Control Agency; and the Board of Water and Soil Resources. Any proposals for consolidation or construction of facilities for these agencies that are included in budget documents submitted to the Legislature under M.S. section 16A.11 must first be considered as part of the planning process required by this section.

M.S. 16A.86 Capital Requests from Political Subdivisions

Political subdivisions that request an appropriation of state money for a local capital improvement project should submit a preliminary request to the commissioner of Finance by June 15 of an odd-numbered year to ensure its full consideration. The final request must be submitted by November 1, according to statute, but local government applicants are encouraged to submit final request by September 30 to receive full consideration in the Governor's decision-making process. The requests must be submitted in the form and with the supporting documentation required by the commissioner of Finance.

The commissioner will evaluate all requests from political subdivisions based on criteria expressed in that statute. The state share of a project covered by this section must be no more than half the total cost of the project, including predesign, design, construction, furnishings, and equipment, except for school projects or disaster recovery projects.

Historic Properties and Cultural Resources

Applicants are reminded that Minnesota Statutes 138.665 and 138.666 require state and local units of government to protect significant historic and cultural resources. Project managers of capital budget projects with a potential impact on cultural resources may want to consider consulting with the State Historic Preservation Office at the Minnesota Historical Society early in the planning process to determine the best way to approach the use of these resources.

Questions regarding cultural resources should be directed to Britta Bloomberg in the Minnesota Historical Society at (651) 296-5471 or britta.bloomberg@mnhs.org. For questions regarding other Minnesota Historical Society programs contact David Kelliher, Legislative Liaison, at (651) 297-8085 or david.kelliher@mnhs.org.

Minnesota Statutes Section 138.665, subd. 2 reads: *"The state, state departments, agencies, and political subdivisions, including the board of regents of the University of Minnesota, have a responsibility to protect the physical features and historic character of properties designated in sections 138.662 and 138.664 or listed on the National Register of Historic Places created by Public Law Number 89-665. Before carrying out any undertaking that will affect designated or listed properties, or funding or licensing an undertaking by other parties, the state department or agency shall consult with the Minnesota historical society pursuant to the society's established procedures to determine appropriate treatments and to seek ways to avoid and mitigate any adverse effects on designated or listed properties."*

Minnesota Statutes Section 138.66 reads: *"The state, state departments and agencies, political subdivisions, and the boards of regents of the University of Minnesota shall cooperate with the Minnesota historical society in safeguarding state historic sites and in the preservation of historic and archaeological properties."*

CHAPTER 5
THE CAPITAL PROJECT SCORING PROCESS

At the time of printing this instructions manual, a decision had not been made whether the Department of Finance will use the capital budget scoring system during this cycle. More information will follow at a later date on this subject.

CHAPTER 6
HOW TO PREPARE CAPITAL BUDGET FORMS

Capital budget forms serve as the basis for capital budget requests submitted by agencies, political subdivisions and higher education institutions. This chapter provides the specific capital budget forms and instructions necessary for their preparation. A "how-to" approach is used to guide readers through completion of these forms.

These instructions establish general policies governing preparation of FY 2006-2011 capital budget requests. Specific instructions are provided for each form. With the exception of any special requirements noted elsewhere, these instructions apply to all state agencies, political subdivisions and other institutions requesting and expending state capital funds. This includes all capital projects normally included in the state bonding bill, CAPRA items, HEAPR items, repair and betterment accounts financed by bond proceeds, and all other capital projects receiving any type of state funds.

In addition to this chapter which explains the type of information required on the forms, applicants should also obtain a copy of the ***2006 Capital Budget System Users Manual*** for information on how to load the requests into the on-line, computerized capital budget system (CBS).

Questions on capital budget policies, the process, schedule or related requirements may be directed to your agency's assigned executive budget officer in DOF.

Questions regarding access to, use of or problems with CBS may be directed to the Statewide Administrative Systems Help Line at (651) 215-0488 (metro) or 1-800-555-0488 (outstate). Select option #6 for capital budget technical assistance.

Capital Budget Implementation

Minnesota Statute 16A gives the Department of Finance responsibility for managing the capital budget process. This authority is used to ensure general uniformity in the preparation of capital budget requests. The instructions, however, provide agencies considerable flexibility in preparing and documenting their six-year capital needs. Agencies have final responsibility for preparing reasoned and relevant information highlighting important policy decisions. Consistent preparation of requests is essential to the orderly review and analysis of agency proposals by DOF, the Governor and the Legislature.

The capital budget request process is carried out under the auspices of the Governor's office with implementation coordinated by the Department of Finance. This process requires open, two-way communication between DOF and staff in operating agencies. Agency staff are urged to contact DOF as necessary to clarify or interpret these policies and procedures.

Agencies must use the on-line capital budget system (CBS) to prepare requests. This is a fully interactive system in which agencies will enter and update all project narratives and numbers.

Local government units will submit requests in writing or via e-mail by the stated deadline dates. This info will be loaded into CBS by data operators in DOF and returned to the local applicants for their review.

All capital requests are to be submitted in the formats shown in this chapter. Questions on format should be directed to your assigned executive budget officer in the Department of Finance. Each agency may approach preparation of budget narratives somewhat differently. Nonetheless, the process necessarily involves coordination and communication between the agency head, program directors and facility managers to ensure that narratives are complete, consistent and accurate. The agency head must review each proposal to ensure that the agency mission, capital plan and requests are clearly defined and reflect the agency's priorities and goals.

These instructions cover most budget preparation situations. However, special cases may arise in which these instructions are not applicable, or it is not clear how these instructions should be applied. In these instances, agencies should contact their assigned Executive Budget Officer (EBO) in DOF or their facility management counterpart in Admin for specific instructions.

Assembly of Agency Capital Request Documents

When presented to the Legislature and posted to the DOF web site, capital budget forms will be printed from CBS and organized in the following sequence for each agency:

- Projects Summary (due August 31 in CBS)
- Agency Profile (hard copy changes to DOF by August 31)
- Strategic Planning Summary (due August 31 in CBS)

Then, for each project, in descending order of agency priority:

- Project Narrative (due September 30 in CBS)
- Project Cost (due September 30 in CBS)
- Project Detail (due September 30 in CBS)

Projects Summary Form

The projects summary form lists all of the agency's project requests on one form. All projects requested during FY 2006-2011 are to be itemized according to the amount of state funding that is requested in each biennium. The biennium in which a project receives an appropriation should not be confused with expenditure cash flow estimates that may occur in subsequent biennia.

On this form, requests for a particular biennium should only identify the amount of ***state*** funds requested in that biennium (not total project costs, if multiple funding sources are available).

Projects that are requested in one biennium but have future phases, distinct multi-year commitments or tails that will require additional authorizations in the future should identify tails in all biennia.

Regarding cost estimates, agencies are advised to use the best project cost estimates available at the time of submitting requests. It is desirable to have good cost planning estimates available by the June 15, 2005 deadline, as this information will be forwarded to the Legislature by July 1, 2005. However, as more refined numbers become available throughout the summer, these cost estimates can then be improved prior to submittal of the Governor's capital budget on January 15, 2006.

Projects requesting action in the 2006 session must be ranked in priority order by the agency (on a 1-n basis) as required by state statutes (M.S. 16A.105, sec. 4, subd. 3a). Projects in the outyears of FY 2008-2011 should be identified but not prioritized, as funds will not be appropriated for these outyear projects until the 2008 or 2010 legislative sessions.

DOF/Admin analysis, statewide strategic score, Governor's recommendations, and Governor's planning estimates should be left blank by the agency and will be completed by DOF/Admin at a later date.

The capital budget system (CBS) will automatically calculate project and agency totals.

Agency Profile (2 pages maximum)

As part of the FY 2006-07 Biennial Budget process, agencies were asked to prepare an Agency Profile in BIS.

As part of the 2006 capital budget process, agencies should update their Agency Profile by submitting hard copy changes to their EBO in DOF by August 31 to reflect action taken in the 2005 legislative session as well as any other changing circumstances. After this information is updated, DOF support staff will place a copy of the Agency Profile into CBS that will be part of the final documents submitted to the legislature with the 2006 capital budget.

All agencies are asked to update their Agency Profile and this information will be posted to the DOF web site upon completion.

Strategic Planning Summary Form (3 pages maximum)

The strategic planning summary form should be completed by all state agencies.

Information is requested regarding influences to agency services and capital needs, a self-assessment of agency facilities or capital programs, long-range strategic operating goals, the agency request preparation process, and a list of recent capital projects.

Agencies are advised to concentrate heavily on the question, *"Describe the Agency's Long-Range Strategic Goals and Capital Budget Plan."* This is a pivotal element of the strategic planning summary and should be answered thoughtfully. In a nutshell, what is your agency's strategic mission and how will your capital plan and requests support this mission?

DOF/Admin is aware of the difficulties that some agencies may face when attempting to describe their strategic mission and long-range capital plan. Indeed, in some situations there may be a void in any well-articulated or generally-accepted statewide plan which would otherwise serve as a foundation for the agency's strategic plan. In other cases, an agency may not recently have gone through any formal strategic planning process, or may be undergoing great change and thus have difficulty charting a multi-year course.

These factors will present a challenge for agencies. Nonetheless, a central theme of capital budget reform efforts by the Legislature, the Governor and the executive branch has been to ensure that capital budget decisions be considered within the framework of statewide and agency strategic planning. Through preparation of the strategic planning summary form, agencies are requested to cooperate in this important strategic planning and capital analysis process.

Agencies must limit the length of their strategic planning summary form to three pages.

Project Narrative Form (2 pages maximum)

The project narrative form provides an opportunity for agencies to present narrative and justification for their requests (for 2006 requests only). Agencies should provide a brief project description, rationale, and cite any impact on the agency's operating budget.

The first sentence under the project description heading should summarize the request. Example: *"This request for $10 million in state funds is to acquire land, predesign, design, construct, furnish and equip a new building for the department of such-and-such to be located where."*

This form should not be completed for outyear requests, as these projects will not be authorized in the 2006 session but instead be considered during a future legislative session.

Impact on Agency Operating Budget serves in the capacity of a facilities note which summarizes the project's impact on the agency's operating budget over the upcoming six year period. This requirement is mandated by state statutes (M.S. 16A.105, sec. 5, subd. 5). This section should provide a brief narrative only; specific costs will be identified in the subsequent project detail form. Non-state agencies and grantees should specifically indicate who will own and operate the facility, and whether the project will require any state operating funds.

Agencies must limit the length of their project narrative form to two pages for each request. Exceptions must be approved by your assigned executive budget officer in DOF.

Project Cost Form

The project cost form presents total project costs across all years (past, present and future) from all funding sources (state funds and others). Costs should be estimated in July 1, 2005 dollars and inflated based on the schedule provided in the appendix of this manual.

Property Acquisition: The use of funds to acquire land, easements, options, or land with buildings or other improvements. Please note that the purchase of options, while they may correctly be included on the project cost form, are not a bondable expense and must be paid from general fund cash.

Predesign Fees: The stage in the development of a project during which the purpose, scope, cost, and schedule of the complete project are defined. The fees consumed in preparation of predesign can range up to 1% or more of total project costs depending on the scale and complexity of the project.

Design Fees: The stage in the development of a project during which schematic, design development, and contract documents are produced. These design services include normal architectural, structural, mechanical and electrical engineering services that cover the schematic, design development, contract documents, bidding, and construction administration stages of a construction project. Reimbursable items, additional services and specialty consultants should be included also.

- Schematic Design includes drawings and other documents illustrating the scale and relationship of project components.

- Design Development is the stage of the architect's services in which the architect prepares design development documents for submission to the owner for the owner's approval.

- Contract Documents include agreements between the owner and contractor, conditions of the contract (general, supplementary, and others), drawings, specifications, and addenda issued prior to execution of the contract, other documents listed in the agreement and modifications issued after execution of the contract.

- Construction Administration includes the responsibilities of the architect and owner's representative (of the state agency) during the construction stage.

Project Management: The process of planning, scheduling, and controlling the critical aspects of the owner's program. The quality, budget, and deadlines are protected through the use of state agency staff (owner administration) or outsourcing (construction management).

- State Staff Project Management are costs an agency charges to a construction project to cover internal state staff costs directly related to development of the project, typically for in-house architects and project managers.

- Non-state project management includes services provided to an owner of a project during the design and/or construction stage by a person or entity possessing requisite training experience. These services may include advice on the time and cost consequences of design and construction decisions, scheduling, cost control, coordination of contract negotiations and awards, timely purchasing of critical materials and long-lead items, and coordination of construction activities and contracts.

- Commissioning is a process verifying the implementation of design and construction, correcting project deficiencies, and recording warranties and guarantees. Building systems that are checked to see that they are functioning properly, use less energy, experience less down time and require less maintenance, thereby saving money and ensuring peak building performance. Commissioning ideally begins in the design phase and extends through at least the first year of occupancy.

Construction Costs: The total cost or estimated cost to the owner of all elements of the project designed or specified by the architect. It does not include the compensation of the architect and the architect's consultants, the cost of land, rights-of-way, financing, or other costs which remain the responsibility of the Owner.

Site and Building Preparation is work performed within the perimeter of the land parcel but beyond five feet from the existing structure or new construction that would include infrastructure/roads/and utilities.

- Demolition/Decommissioning is the cost for razing a facility or removing it from service permanently. Hazardous material abatement associated with this action should be itemized separately under the hazardous material abatement category but included in the total cost of the project budget.
- Construction includes costs associated with construction of the facility.
- Infrastructure/Roads/Utilities are costs for the construction or enhancements to infrastructure, roads, grounds or utilities.
- Hazardous Material Abatement are any costs associated with the encapsulation and/or abatement of hazardous materials in structures, site conditions or land associated with the construction project.

- Construction Contingency is an amount of money set aside for unforeseen conditions in a construction project. The amount can vary from 2% to 5% in new construction, to 5% to 10% in projects of a remodeling nature based on project size and complexity. Differences in localized costs, design contingencies, or other items should be factored into the general construction cost.

One Percent for Art: An allocation of one percent of the *construction costs* for state projects only (M.S. 16B.35). Allocations may be exempted or reduced depending on the project. Projects with construction costs of $500,000 or less are exempt. The 1% for art allocation is now capped at $100,000 maximum per project.

Relocation: Moving costs associated with relocating from one facility to another, including swing space. Please note that relocation costs, while they may correctly be included on the project cost form, are generally not a bondable expense and typically must be paid from general fund cash.

Occupancy: The purpose for which a building, or part thereof, is used or intended to be used (International Building Code).

- Furniture, Fixtures and Equipment (FF&E) are items not normally considered permanently attached to the structure but are considered a bondable cost in situations of new construction or major renovation. Office systems furniture is an example. Information technology systems are another example when part of a new building or major renovation.
- Telecommunications (voice & data) are specialty equipment supplied by a separate contact from those of construction or FF&E.
- Security Equipment is usually supplied by a separate contract from those of construction or FF&E.

Inflation Costs: The rate of construction cost increases over the duration of the building project, calculated to the mid-point (month/year) of construction (see associated appendix in this manual). Inflation escalation applies to all cost components on the project cost form.

Project Start/Finish: The dates (month/year) that a project phase starts and stops. This information equates to a project schedule.

Cost Classifications – Project Cost Form

State Chart of Accounts	Examples
1. Property Acquisition Land, Land Easements, Options Land and Buildings	Acquisition Costs Appraisal Fees Building Surveys (condition and space) Demolition/Stabilization Land Surveys Utility Connection Fees Hazardous Materials Surveys Geotechnical Investigations Environmental Impact Historic Preservation Requirements
2. Predesign Fees	Fees to Prepare Scope and Budget Visit Similar Projects Staff Time Participation and Review Analyze Soil Characteristics (geotechnical) Optional Site and Market Studies
3. Design Fees Schematic Design Development Contract Documents Construction Administration	Architectural/Engineering Fees and Reimbursables Special Consultants (food service, acoustics, code, signs/graphics, etc.)
4. Project Management State Staff Project Management Non-State Project Management Commissioning Other: (list)	Internal Staff Costs (state/agency/campus) Other Administration (travel, meetings, etc.) Geotechnical Investigations Air Monitoring Ground Water or Other Special Monitoring Security Advertising Printing Legal Fees Plan Review Costs (building officials, special consultants) Special Inspections/Quality Control Building Permits Temporary Utilities Access Charges, SAC/WAC Builders Risk Insurance Financing Costs Owner's Discretionary Contingency Construction Management Fees Construction Management Reimbursables
5. Construction Costs Site & Building Preparation Demolition/Decommissioning Construction Infrastructure/Roads/Utilities Hazardous Material Abatement Construction Contingency Other: (list)	Building Permits Access Charges, SAC/WAC Demolition Clearing and Grubbing Sitework Foundations Floor System Columns Roof System Exterior Wall Exterior Glazing

State Chart of Accounts	Examples
Construction Costs (Contd.)	Interior Wall Doors Specialties Equipment Conveying Systems Plumbing Fire Protection Heating, Ventilating and Air Conditioning Electrical General Conditions, Overhead and Profit Management Fees Design Contingency Soil and Material Testing Special Inspections Construction Contingency
6. One Percent for Art	For construction costs only ($100,000 maximum)
7. **Relocation**	Temporary Relocation (swing space) Permanent Relocation Moving Consultants/Contractors Ground-breaking, Open House/Dedication
8. Occupancy Furniture, Fixtures and Equipment Telecommunications (voice & data) Security Equipment Other: (list)	Movable Furnishings, Fixtures and Equipment Telecommunications (voice & data) Security Equipment (if not included in construction costs) Artwork (other than percent for art) Voice/Data Cabling (if not included in construction costs) Signs (if not included in construction costs) Keying and Security Programming Occupancy Permit Custodial Equipment Final Cleaning
Subtotal (Items 1 – 8)	
9. Inflation (Applied to Subtotal) Midpoint of Construction (date) Department of Finance Multiplier Inflation Cost	Midpoint between arrival of site work crews and certificate of occupancy.
Grand Total	

Project Detail Form

The project detail form presents project data regarding:

Total Project Costs: Summarizes cost data entered on the Project Cost form. Costs are displayed by total and subtotals.

Capital Funding Sources: This identifies the source(s) of project funding for all capital costs (past, current and future) as included in the project cost form.

When agencies begin entering data into CBS, they will notice that dollar amounts for state funds must be entered by specific state funding code(s). However, fund coding is not required when identifying funding from agency operating budgets, federal funds, local government funds, or private funds.

Source of Debt Service Payments: For projects receiving funds from state general obligation (G.O.) bonds, the source of debt service payments for the retirement of those bonds must be identified. The source of debt service payments on state G.O. bonds should be identified as either general funds or user financing. The amount and percentage of each should be identified. Unless otherwise specified, the source of funds for debt service payments is typically from the state's general fund.

This table only applies to requests for state general obligation bonds. It does not apply and does not need to be completed when funds other than state G.O. bonding are requested.

Changes in State Operating Costs: serves in the capacity of a facilities note and estimates the project's impact on the agency's operating budget over a six-year period. This requirement is mandated by state statutes. Changes in both direct and indirect costs should be identified for the current and future biennia including but not limited to staffing costs, program/service costs, and increased building operation and utility expenses. Anticipated repair and maintenance costs should also be included.

In the past, base budget data was requested. This is no longer true. Agencies need only specify *changes* to operating costs, and need not specify base budgets. Non-state agencies and local grantees should not complete this section unless their project impacts the state operating budget or will result in future state operating budget requests.

The column entitled *2006-2007 Operating Costs* should identify changes to the agency's budget if the project is authorized, with additional costs anticipated in the 2006-2007 biennia.

- Compensation (Program & Building Operations) refers to all the direct and indirect program and building operations staffing costs associated with this request.

- Other Program Related Expenses other than compensation costs.

- Building Operating Expenses are costs related to the operations of the physical building such as maintenance, utilities, security, repair and alteration, and any other costs associated with the building operation.

- Building Repair and Replacement Expenses Expenses accrued or anticipated for building repair.

- State-Owned Lease Expenses are the rents paid for leases of space in buildings under the custodial control of the Department of Administration. Rates for leasing space in these buildings are set by the Department of Administration Plant Management Division and approved by the Department of Finance.

- Nonstate-Owned Lease Expenses are all the costs related to a commercially leased facility. This would include the lease (rental) cost, tenant (leasehold) improvements, security and any other costs associated with an agency leasing a commercial facility.

- Revenue Offsets are new or additional revenues that are a direct result of the project's construction or renovation. This revenue information includes but is not limited to user fees and increased gate receipts. This item is most prevalent in non-state or local grant facilities.

- Change in F.T.E. are changes in the number of full time equivalent employees associated with this request.

Statutory and Other Legal Requirements: This section identifies the requirements of Minnesota statutes that apply to capital projects *after* the project is authorized in the bonding bill or other state appropriation bills. These requirements are described more fully in Chapter 4. The Department of Finance and Administration will work closely with agencies in reviewing and completing this section. If agencies are in doubt how to complete this info, leave it blank and DOF/Admin will complete it.

Project Construction Form

The project construction form had been used in previous capital cycles, but is no longer needed. Agencies should not complete this form for 2006-2011 requests.

Project Title	2006 Agency Priority Ranking	Agency Project Request for State Funds ($ by Session) Dollars in Thousands ($137,500=$138)				Governor's Recommendations 2006	Governor's Planning Estimates	
		2006	2008	2010	Total		2008	2010
New Finance Department Building	1	$2,275	$38,359	$0	$40,634	$2,100	$30,000	$0
Electrical Utility Infrastructure, Phases 6 - 8	2	2,500	500	500	3,500	2,500	500	500
Capital Complex Parking	3	4,300	0	0	4,300	4,300	0	0
Asset Preservation – Admin. Properties	4	9,000	9,000	9,000	27,000	5,000	5,000	5,000
Capitol Security Renovation	5	1,000	0	0	1,000	1,000	0	0
Capitol Renovation	6	6,600	0	0	6,600	3,300	0	0
321 Grove Street Renovation	7	23,693	0	0	23,693	0	0	0
Property Acquisition	8	10,000	10,000	10,000	30,000	0	0	0
Capitol Area Predesigns	9	800	0	0	800	0	0	0
State Government Center – Duluth (Predesign)		0	500	0	500	0	0	0
Ely Revenue Building Renovation		0	4,500	0	4,500	0	0	0
State Government Center – Mankato		0	2,500	41,666	44,166	0	0	0
Statewide Building Access (ADA)		0	0	10,000	10,000	0	0	0
State Government Center - Hibbing		0	0	4,500	4,500	0	0	0
Total Project Requests		$59,993	$57,500	$75,666	$193,159	$18,200	$35,500	$5,500

At A Glance: Agency Long-Range Strategic Goals

- Improve the quality and productivity of Minnesota government
- Estimate and guide long-term space needs for state agencies
- Balance the ratio of state-owned facilities with leased facilities
- Seize opportunities to acquire property at the lowest possible cost
- Enhance information technology in state buildings and bring state facilities into compliance with all building and safety codes.

Trends, Policies and Other Issues Affecting the Demand For Services, Facilities, or Capital Programs

As state agency programs expanded in the 1970s, agency operations became dispersed and fragmented in numerous privately owned leased facilities. In the 1980s, Admin focused on consolidating and co-locating state agency operations for improved operating efficiency and delivery of services. Prior to the construction of the Harold E. Stassen Office Building for the Department of Revenue, the last executive branch offices constructed in the Capitol complex were the Administration Building in 1967 and the Veterans Service Building addition in 1972. The Capitol Square Building, acquired in 1970 and scheduled for demolition in 1999, was the last office building purchased by the state.

Since the 1970s, the state has relied on meeting state agency office space needs by leasing space in privately owned facilities. Today, state operations such as the departments of Children, Family and Learning, Agriculture, Human Services, Natural Resources, Corrections, Commerce, Labor and Industry, Public Safety, Public Services, and several others formerly housed in the Capitol complex are now located away from the seat of government in privately owned leased facilities.

Long-Range Strategic Plan for Locating State Agencies:

To better manage the state's office space, Admin developed a long-range *Strategic Plan for Locating State Agencies* (Strategic Plan) in the metropolitan area in 1993. This was in accordance with the 1992 Capital Budget Reform report to the Legislature recommending the development of master plans for each state-owned campus. Laws 1994, Chapter 643, Section 39 require Admin to regularly update the long-range *Strategic Plan for Locating State Agencies* and to follow the plan in assigning and reassigning space to agencies. The Strategic Plan was last updated in 1995.

⇒ Based on state agencies' long-range program needs and estimates, state agency rate of growth was projected over the next 20 years with an immediate need for an additional 300,000 square feet.

⇒ Since the Strategic Plan was released in 1994, the state has leased an additional 350,000 usable square feet of office space in downtown St. Paul.

⇒ The departments of Heath, Corrections, and Human Services have already exceeded their growth projections due to new and expanded programs.

⇒ The current space inventory is comprised of 1.2 million square feet of state-owned and 2.9 million square feet in privately-owned leased office space in the 7-county metropolitan are.

⇒ Since the late 1970s, the amount of office space leased has more than doubled, while the amount of state-owned space has remained relatively constant.

By the year 2013, state agency space requirements are estimated to total between 5.0 million to 5.9 million square feet of space in the 7-county metropolitan area, This is an increase of 900,000 to 1.8 million square feet over the 4.1 million square feet state agencies currently occupy in state owned facilities under Admin's custodial control and in privately owned leased facilities. The average growth would be between 60,000 to 105,000 square feet per year,

Own versus Leasing:

Various studies. Including the 1996 Legislative Coordinating Commission study, all indicate that it is more economical in the long term to own rather than lease office space. If the state continues to meet its future space needs only by leasing privately owned office space, the annual cost would more than double over 20 years based on the current lease rate with no adjustment for escalation in lease rates.

The state currently occupies 1,5 million square feet of state owned space and 3.1 million square feet in privately owned leased office space in the 7-county metropolitan area.

The cost of leasing office space in the metropolitan area is about $43 million annually or an average rent of $14.10 per square foot. In 1994, he cost of leasing was about $27 million annually or $13.32 per square foot and in 1996, the cost of leasing was about $37 million annually or $13.55 per square foot.

By the year 2013, it is Admin's objective to change the ratio of space it leases and owns. The goal is to locate up to 70% of the state's office space in state owned buildings to realize the long-term cost savings of ownership, and for flexibility purposes, locate 30% of the space in privately owned facilities. However, the state now leases 67% of its office space and owns 33%.

Property Acquisition:

Admin Is acquiring additional property to ensure land is available at the lowest cost possible, to meet state expansion needs in the future, and to strengthen the image of the State Capitol as the central location for state government. By increasing the amount of state owned space, the state has the opportunity to control its long-term costs and acquire equity in the buildings it occupies. The Strategic Plan recommends ownership in the Capitol area. Admin will:

Pursue and analyze on a case-by-case basis such options as constructing, purchasing, or leasing facilities to provide adequate space for state government operations and to take advantage of real estate market opportunities.

Analyze other alternatives and potential joint development projects, which may be outside the Capitol area.

Lack of acquisition funds has placed Admin at a disadvantage in the acquiring of desired property. It is Admin's experience that property owners prefer to negotiate a sale instead of an option for a possible sale in the future.

Information Technology:

Although new technology will provide some decentralization of agencies, technology will also support and increase the efficiency of central management functions. Telecommuting, telecopying, and electronic information storage help reduce travel demand and document storage space. However, the expansion of personal computer use and associated training and teleconferencing facilities will offset much of the space savings. Until the state has gained more experience in these areas, a significant reduction in agency headquarters functions and space needs is not anticipated.

Each state agency will continue to identify its telecommuting opportunities so state facilities are designed with the flexibility to respond to rapid technological advances. In accordance with Minnesota Statutes 166.335, agencies are required to review the implication of using information technology to decentralize and/or to reduce office space needs.

Code Compliance/Life Safety:

Bringing state owned buildings in the Capitol area into compliance with building codes, fire and life safety codes, and Americans with Disabilities Act (ADA) is an ongoing effort. Based on the volume of work to be accomplished and established priorities, Admin will request funds to meet these requirements in several phases.

Provide a Self-Assessment of the Condition, Suitability, and Functionality of Present Facilities, Capital Projects, or Assets

The demands on state government have outgrown new state office construction during the past 20 years. As a result, only 29% as compared to 48% (1994) of the state's business is now conducted in buildings owned and managed by the state in the Twin Cities metropolitan area.

Studies indicate that the state's dependence on leasing privately owned office space is a costly and inefficient method of providing office space over the long term. Short-term leases with escalating rent clauses are not economical long-term uses of state funds. The state currently expends about $43 million annually for privately owned space in the metropolitan area.

Admin will need to continue to make land and property acquisitions that are economically sound investments for the state. Acquisition of properties in other locations is necessary for the efficient delivery of state agency programs and services to the public. This includes analysis of any property that becomes available for acquisition by the state but is not specifically identified in the Strategic Plan.

Admin seeks to provide environmentally safe facilities and will continue to renovate those facilities that are below occupancy standards. Input received from maintenance personnel as well as from state agencies on facility improvements or space requirements helps Admin to maintain or provide appropriate facilities so state agencies can effectively deliver services to the public. Through the use of technology, Admin can better analyze and prioritize maintenance, renovation, and code related project costs.

Facilities under Admin's custodial control are aging with an average age of 51 years for 18 facilities. There are 8 buildings with an average age of 81 years, 7 buildings with an average age of 37 years, and 3 buildings with an average of 6 years. It is important for the state to protect its investments in state facilities. Many of these facilities have reached the point where the state needs to reinvest in the facility to prevent deteriorating to the point where it becomes costly to make the improvements.

Several building in the Capitol complex have had building code and life safety deficiencies, which were identified over 10 years ago. In some situations, the deficiencies were resolved only through major renovation. In other cases, interim steps have been taken until adequate funds are obtained to properly correct the deficiencies and meet code. There are structural problems that need addressing at the following facilities: State Office Building, Health Building, Ford Building, Centennial Building, Veterans Services Building, and the Administration Building Parking Ramp.

Maintenance and Leasehold (M & L) funds collected through state agency rental leases cover operating costs and most routing building maintenance on state owned buildings in the Capitol complex. However, the M & L funds are inadequate and are not intended to cover the cost of major building improvements such as replacing the heating, ventilating, and air conditioning (HVAC) systems, major renovation of office space, or roof replacement.

Air quality problems are a source of concern to building occupants. The HVAC systems in the Administration, Veterans Service, and Health buildings are antiquated and past due for modification or total replacement. It is Admin's plan to renovate, where appropriate, the buildings in the Capitol complex to bring them up to present-day standards and codes. Asset preservations funds are critically needed to maintain the buildings in the Capitol complex.

Agency Process Used to Arrive at These Capital Requests

A legislative appropriation funded the development of the long-range *Strategic Plan for Locating State Agencies.* Consultants were hired to develop this plan with input from state agencies, legislators, local government, and special Interest groups. The plan has the flexibility to be updated as changes occur.

This capital budget request continues implementation of the Strategic Plan, which will be phased over the next 20 years. The new development aspects of the Strategic Plan are integrated with the ongoing capital improvements that are needed for the buildings Admin manages in the Capitol complex. This master plan guides Admin's capital budget requests.

High priority is given to any project that is mandated by law, where life safety improvements are imperative to meet code requirements, where major improvements are needed to preserve the state's investment in its building assets, and where there are long-term economic advantages to the state by increasing ownership of office space through either construction or purchase. In preparing the capital budget requests, Admin uses in-house staff, consultants, or a combination thereof to analyze improvements needed, to develop cost estimates, and to determine the best course of action for recommendation to the Governor and the legislature.

Capital Projects Authorized in 2005

- Statewide CAPRA ($3 million)
- Asset Preservation – Admin Properties ($2.5 million)
- Capital Complex Parking ($1.778 million)

2006 State Appropriation Request: $2,275,000

Agency Project Priority: 1 of 9

Project Location: Capitol Complex – St. Paul

Project At A Glance

- Design a new Department of Finance building in 2006
- Seek construction funds of $38.359 million in 2008 for 104,000 square feet of office space in St. Paul with an associated parking ramp.
- Provides 20,000 spare feet of expansion space for a new compliance center to house 15 additional FTEs.
- Will match $5 million of federal funds in 2008.

Project Description

State funding of $2.275 million is requested to design a new building for the Department of Finance, to be located in the Capitol complex area.

Land acquisition funds were previously approved in 2002 and predesign funds were approved in 2005 for this project. After design is completed, $30 million in state funds will be requested in the 2008 legislative session for construction costs, to match an additional $5 million in federal funds.

The final project will relocate the Department of Finance into a new facility of 104,000 square feet that provides an additional 20,000 square feet of general office space, with a related parking ramp. The department has been located on the 4th floor of the Centennial Office Building in St. Paul since 1989 and has outgrown their current space. No expansion space is currently available on any other floors in the building. A recent space utilization study concluded that crowded conditions in the existing space are far below national building standards.

This initiative includes space for creation of a new government accounting compliance center to accommodate changing service requirements mandated by the federal government. The 20,000 square feet of proposed expansion space is for the new compliance center. The new center will substantially improve oversight of state agency and local government financial operations. Because the federal government now mandates these services, Congress has authorized $5 million in federal matching funds in 2008 for project construction costs.

The project predesign has been completed and approved by the Department of Administration. Land acquisition is expected to occur within the next three months. A suitable site has been identified in the Capitol complex just west of the Ingison Performing Arts Center on University Avenue.

An expanded Finance facility will allow the department to remain consolidated rather than becoming fragmented in separate locations. By owning rather than leasing space, the project complies with a broader interest of the state in maximizing the ration of owned vs. leased facilities.

The new building will also provide enhanced visibility for the Department of Finance, better public access and improved customer parking.

Vacated space in the Centennial building will be retrofitted and reassigned to various state boards and commissions that are currently located in more expensive private lease space elsewhere in St. Paul. Retrofitting the vacant space will provide a timely opportunity to modernize the 4th floor and improve its general appearance and functionality.

Impact on Agency Operating Budgets (Facilities Note)

After the construction appropriation is authorized in the 2008 session with agency relocation to be completed by January 2010, 15 additional FTEs will be required to perform duties associated with the new government accounting compliance center. Additional plant management charges will accrue due to an expansion in gross square footage and debt service costs charged to the agency. Partial costs will begin in FY 2010 with full costs in FY 2011.

Previous Appropriations for this Project

A predesign cost of $300,000 was approved in 2005 and land acquisition costs of $5 million were funded in 2002 for this project.

Other Considerations

None.

Project Contact Person

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Governor's Recommendations

(To be completed by Department of Finance at a later date)

New Finance Department Building ($ in Thousands)

TOTAL PROJECT COSTS All Years and All Funding Sources	**Project Costs** All Prior Years	**Project Costs** FY 2006-07	**Project Costs** FY 2008-09	**Project Costs** FY 2010-11	**Project Costs** All Years	**Project Start** (Month/Year)	**Project Finish** (Month/Year)
1. Property Acquisition							
Land, Land Easements, Options	$5,000	$0	$0	$0	$5,000	06/2000	06/2000
Land and Buildings	0	0	0	0	0		
2. Predesign Fees	300	0	0	0	300	10/2002	01/2003
3. Design Fees							
Schematic	0	620	0	0	620	06/2008	08/2008
Design Development	0	700	0	0	700	08/2008	12/2008
Contract Documents	0	690	0	0	690	12/2008	03/2009
Construction Administration	0	0	299	0	299	06/2010	01/2012
4. Project Management							
State Staff Project Management	0	0	0	0	0		
Non-State Project Management	0	0	890	0	890		
Commissioning	0	0	200	0	200		
Other Costs	0	0	50	0	50		
5. Construction Costs						06/2010	01/2012
Site & Building Preparation	0	0	350	0	350		
Demolition/Decommissioning	0	0	750	0	750		
Construction	0	0	18,794	0	18,794		
Infrastructure/Roads/Utilities	0	0	2,749	0	2,749		
Hazardous Material Abatement	0	0	1,040	0	1,040		
Construction Contingency	0	0	1,400	0	1,400		
Other Costs	0	0	100	0	100		
6. One Percent for Art	0	0	138	0	138		
7. Relocation Expenses	0	0	255	0	255	12/2011	01/2012
8. Occupancy						12/2011	01/2012
Furniture, Fixtures and Equipment	0	0	1,750	0	1,750		
Telecommunications (voice & data)	0	0	1,800	0	1,800		
Security Equipment	0	0	650	0	650		
Other Costs	0	0	175	0	175		
SUBTOTAL:(Items 1-8)	5,300	2,010	31,390	0	38,700		
9. Inflation							
Midpoint of Construction		11/2008	03/2011				
Inflation Multiplier		13.2%	22.2%	0.00%			
Inflation Cost		265	6,969	0	7,234		
GRAND TOTAL	$5,300	$2,275	$38,359	$0	$45,934		

New Finance Department Building | ($ in Thousands)

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2006-07	FY 2008-09	FY 2010-11	TOTAL
1. Property Acquisition	5,000	0	0	0	5,000
2. Predesign Fees	300	0	0	0	300
3. Design Fees	0	2,010	299	0	2,309
4. Project Management	0	0	1,140	0	1,140
5. Construction Costs	0	0	25,183	0	25,183
6. One Percent for Art	0	0	138	0	138
7. Relocation Expenses	0	0	255	0	255
8. Occupancy	0	0	4,375	0	4,375
9. Inflation	0	265	6,696	0	7,234
TOTAL	**5,300**	**2,275**	**38,359**	**0**	**45,934**

CAPITAL FUNDING SOURCES	Prior Years	FY 2006-07	FY 2008-09	FY 2010-11	TOTAL
State Funds:					
GO Bonds/State Bldgs	5,300	2,275	33,359	0	35,634
State Funds Subtotal	5,300	2,275	33,359	0	40,634
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	5,000	0	5,000
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	**5,300**	**2,275**	**38,359**	**0**	**$45,934**

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without inflation)			
	FY 2006-07	FY 2008-09	FY 2010-11	Total
Compensation – Program and Building Operation	0	0	2,250	2,250
Other Program Related Expenses	0	0	1,125	1,125
Building Operating Expenses	0	0	488	488
Building Repair and Replacement Expenses	0	0	900	900
State-Owned Lease Expenses	0	0	1,508	1,508
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	6,271	6,271
Revenue Offsets	0	0	0	0
TOTAL	0	0	6,271	6,271
Change from Current FY 2002-03	0.0	0.0	15.0	
Change in F.T.E. Personnel				

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	2,100	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
Yes	MS 16B.335 (1a): Construction/Major Remodeling Review (Legislature)
No	MS 16B.335 (1b): Project Exempt From This Review (Legislature)
No	MS 16B.335 (2): Other Projects (Legislative Notification)
Yes	MS 16B.335 (3): Predesign Requirement (Administration Dept)
Yes	MS 16B.335 (4): Energy Conservation Requirements (Agency)
Yes	MS 16B.335 (5): Information Technology Review (Office of Technology)
Yes	MS 16A.695: Public Ownership Required (as per Finance Dept)
No	MS 16A.695: Use Agreement Required (as per Finance Dept)
No	MS 16A.695: Program Funding Review Required (Agency)
Yes	Matching Funds Required (as per agency request)
Yes	Project Cancellation in 2011 (as per Finance Dept)

CONSTRUCTION TYPE OF SPACE	EXISTING	NEW CONSTRUCTION			REMODELED			RENEWAL (Asset Preservation)			TOTAL COST (in $000)
List Major Type of Space (Office, Lab, Ramp, etc.)	Gross Sq. Feet	Gross Sq. Feet	Cost (in $000)	Cost Per Sq. Foot (in $)	Gross Sq. Feet	Cost (in $000)	Cost Per Sq. Foot (in $)	Gross Sq. Feet	Cost (in $000)	Cost Per Sq. Foot (in $)	
Auditorium	0	4,000	1,000	250.00	0	0		0	0		1,000
General Office Space	80,000	100,000	19,289	192.89	0	0		0	0		19,289
Parking Ramp	0	22,000	4,894	222.45	0	0		0	0		4,894
TOTAL	80,000	126,000	25,183		0	0		0	0		25,183