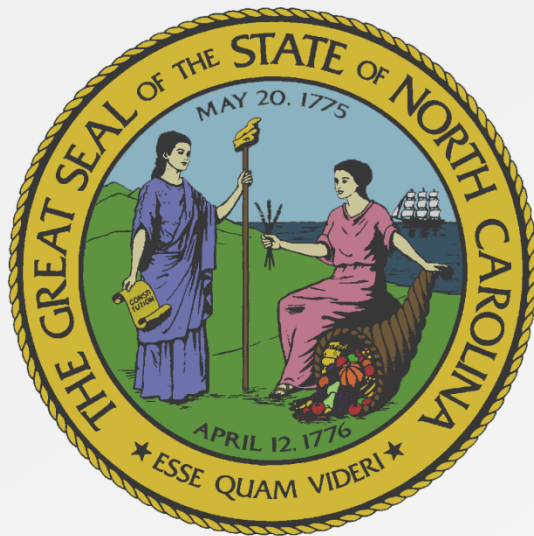




Office of State Budget and Management
Balancing Needs - Improving Government



Capital Improvement Program

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- I. Capital Improvement Program**
- II. Capital Improvement Process
- III. How capital projects are evaluated
- IV. Financing Capital Improvement Projects
- V. Capital Administration – OSBM's Role after General Assembly's Passage of Capital Budget



Capital Improvement Program

What is the Capital Improvement Program?

The North Carolina Capital Improvement Program (CIP) is a six-year plan that outlines capital needs for State government agencies. The emphasis on long-range capital planning focuses attention on the current and future needs of the State and on balancing these needs with the State's fiscal resources. By providing a proposed schedule, cost estimates, and recommendations on the locations of public sector improvements, the CIP provides decision makers with information concerning proposed facilities and their associated costs.



Capital Improvement Plan (cont.)

Capital Improvement Defined:

- Renovations, repairs, and major maintenance to existing facilities
- Landscape improvements
- New Construction
- Land Acquisitions
- Utility Modifications

The establishment of a projects over \$300,000 requires approval by the General Assembly; therefore, it is the policy of the Office of State Budget and Management to have requests for capital funds in excess of \$300,000 to be submitted through the capital improvement budget process. Generally, the Governor, as the Director of the Budget, reviews these requests and recommends specific projects to the General Assembly at the start of each biennium.



Capital Improvement Plan (cont.)

“Capital Improvement Planning Act” - Chapter 143C-Article 8 of State Budget Act

In 1997, the General Assembly passed the “Capital Improvement Planning Act.”

- (1) An inventory of facilities owned by State agencies (DOA).
- (2) Criteria used to evaluate capital improvement needs (OSBM).
- (3) A six-year capital improvement needs estimate (OSBM).
- (4) A six-year capital improvements plan (OSBM).
- (5) Recommendations for capital improvements set forth in the Recommended State Budget as specified in G.S. 143C-3-5.



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Capital Improvement Process

Capital Planning Process – Long Session

Even Numbered Years

August	Budget Instructions sent to Agencies
October	Agencies Submit Capital Requests to OSBM
November-December	OSBM Develops a Capital Needs Inventory OSBM Meets with State Agencies to discuss Capital Requests and Agency Prioritization OSBM Reviews Capital Project Requests and Applies Criteria to develop a Prioritized List of Projects
December-January	OSBM Develops a Six-Year Capital Improvement Plan that Includes funding sources and is consistent with the Debt Affordability Study

Odd-Numbered Years

February	Finalize CIP with Governor and Governor's Staff
February-March	Present the Final Capital Plan to the General Assembly with Biennial Budget
February-July	General Assembly Regular Session - Consideration of Governor's Recommended Capital Budget
July	Certification of Biennial Capital Budget



Capital Improvement Process (cont.)

Capital Planning Process – Short Session

Even-Numbered Years

January	Budget Instructions Sent to Agencies
February	Agencies Submit Capital Requests to OSBM
February-March	OSBM Meets with State Agencies to Discuss Capital Requests and Agency Prioritization
March	OSBM Reviews Capital Project Requests and Applies Criteria to Develop a Prioritized List of Projects
April	Finalize Short Session Capital Budget with Governor and Governor's Staff
May-June	General Assembly Short Session - Consideration of Governor's Recommended Capital Budget
July	Certification of Short Session Capital Budget



Capital Improvement Process (cont.)

Inventory of facilities owned by State agencies – Department of Administration – Every 3 years

Inventory includes following information:

- Location
- Occupying agency
- Ownership
- Size
- Description
- Condition assessment
- Maintenance record
- Parking and employee facilities
- Any other information to determine maintenance needs and prepare life-cycle cost evaluations of each facility listed in the inventory.



Capital Improvement Process (cont.)

Evaluation of capital improvement needs against predetermined criteria

The Office of State Budget and Management is responsible for developing a weighted list of factors that may be used to evaluate the need for capital improvement projects. The list includes all of the following:

- Preservation of existing facilities.
- Health and safety considerations.
- Operational efficiencies.
- Increased demand for governmental services.



Capital Improvement Process (cont.)

Agency submission of a six-year capital improvement needs inventory

By October of each even-numbered year, each State agency submits to the Office of State Budget and Management a six-year capital improvement needs estimate. This estimate describes the agency's anticipated capital needs for each year of the six-year planning period. Capital improvement needs estimates for state agencies are shown in two parts.

- a) The first part of the capital improvement needs estimates includes only requirements for repairs and renovations necessary to maintain the existing use of existing facilities.
- b) The second part of the capital improvement needs estimates includes only proposals for land acquisition and projects involving either construction of new facilities or rehabilitation of existing facilities to accommodate uses for which the existing facilities were not originally designed.



Capital Improvement Process (cont.)

Development of a six-year capital improvement plan

The capital improvement plan addresses the long-term capital improvement needs of all State government institutions and incorporates all capital projects with the exception of transportation infrastructure projects. This two-part plan needs to be fully integrated with State financial planning and debt management and have the following parts:

- a) The first part of the capital improvement plan sets forth repair and renovations requirements that, in the judgment of the Director of the Budget, must be met to protect and preserve existing capital improvement facilities.
- b) The second part of the capital improvement plan sets forth an integrated schedule for land acquisition, new construction, or rehabilitation of existing facilities that, in the judgment of the Director of the Budget, should be initiated within each year of the six-year planning period.



Capital Improvement Process (cont.)

Worksheet III's are the forms agencies submit to formally request capital projects. The Worksheet III is composed of four worksheets. Note: New construction & Repair and Renovation needs are reported on separate forms.

Capital Worksheets:

- Worksheet III-C **New Capital Project Summary** requests a Capital Improvement Needs Schedule for the next six years.
- Worksheet III-C **NGF Non General Fund Capital Project Summary** requests a Capital Improvement Needs Schedule for the next six years.
- Worksheet III-C **New Capital** is a detailed request for New Facilities and Additions



Capital Improvement Process (cont.)

Repair and Renovation Worksheet III's:

- Worksheet II-R **Repair and Renovation Summary** requests a Repair and Renovation Needs Schedule for the next six years.
- Worksheet II-R NGF **Non-General Fund Repair and Renovation Summary** requests a Repair and Renovation Needs Schedule for the next six years.
- Worksheet III-R **Repair and Renovation** is a detailed request for Repair & Renovation projects



Capital Improvement Process (cont.)

Information Collected on Worksheet III – Capital

Worksheet III-C New Capital Project Summary asks agencies to:

- List all projects requested (by priority)
- Amount required for each year
- Amount from Appropriations and Receipts for each year

Worksheet III-C New Capital requests information on each **individual project requested** including:

- Agency priority
- Description
- Justification
- Criteria used to select project
- Project schedule
- Operating costs
- Receipts for operations
- Property Information



Capital Improvement Process (cont.)

Information Collected on Worksheet III – Repair and Renovation Summary

- **Worksheet III-R Repair and Renovation Summary** asks agencies to:
 - List all projects requested (by priority)
 - Amount required for each year
 - Amount from Appropriations and Receipts for each year
 -
- **Worksheet III-R Repair and Renovation** requests information on each **individual project requested** including:
 - Agency priority
 - Type of project
 - Description
 - Justification
 - Project schedule
 - Operating costs
 - Receipts for operations
 - Facility Condition Assessment Program (FCAP) info for R&R projects



Capital Improvement Process (cont.)

In addition to the Worksheet III's, Agencies attach:

For Capital – OC-25

- As part of Worksheet III-C, agencies must include an approved OC-25 for each project. An OC-25 is a cost estimate worksheet that is reviewed and approved by State Construction which estimates the cost of a capital project. (for biennial projects only –2015-2017 this biennium); and
- New construction projects must include evidence of an approved site or detailed plan of action for land acquisition.

For Repair and Renovation Requests:

Pertinent FCAP (Facility Condition Assessment Program) Forms for biennial projects only (2015-17 this biennium)

[G.S. 143C-8-4](#) requires “each proposed repair and renovation expenditure shall be justified by reference to the Facility Condition Assessment Program (FCAP) operated by the Office of State Construction.”



Capital Improvement Process (cont.)

Example of Worksheet III –C

Worksheet III-C Capital Budget Requests

2013-19 Capital Improvement Plan

1	Priority No.	<input type="text"/>	Date:	<input type="text"/>
2	Department:	<input type="text"/>	Division/Institution:	<input type="text"/>
3	Project Title:	<input type="text"/>	Location (County):	<input type="text"/>
4	Contact:	<input type="text"/>	Phone:	<input type="text"/>
			Email:	<input type="text"/>

5 Six-Year Capital Improvement Needs Schedule:

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
5a Requirements:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	\$ -
5b Receipts:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	\$ -
5c Appropriations:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

6 Source(s) of Receipts:

7 **Type of Project:** (Mark "X" choosing only one)

<input type="checkbox"/>	New Facility
<input type="checkbox"/>	Addition to Existing Facility
<input type="checkbox"/>	Major Renovation/Rehab
<input type="checkbox"/>	Renovate for New Use of Facility
<input type="checkbox"/>	Land Acquisition
<input type="checkbox"/>	Other (describe below)
	<input type="text"/>

General information: (Mark "Y or N")

Will this project replace an existing facility? (Y/N)	<input type="text"/>
Will this project replace leased space with state-owned facilities? (Y/N)	<input type="text"/>
Was the allocation mandated by the General Assembly? (Y/N)	<input type="text"/>
Has advance planning been done for this project? (Y/N)	<input type="text"/>
Has there been a prior partial appropriation for this project? (Y/N)	<input type="text"/>
Prior appropriation in FY <input type="text"/>	Amount: <input type="text"/>
Has funding for this project been requested previously? (Y/N)	<input type="text"/>
Year first requested:	<input type="text"/>



Capital Improvement Process (cont.)

8 Project Description (include short description of type, nature and extent of work required):

9 Agency Selection Criteria (Mark "X" beside the important criteria used for designating this project as a capital priority. Describe in "Project Justification")

<input type="checkbox"/>	Health & Safety Considerations	<input type="checkbox"/>	Cost Benefit Analysis
<input type="checkbox"/>	Critical Timing Issue	<input type="checkbox"/>	Economic Development
<input type="checkbox"/>	Agency Mission & Goals	<input type="checkbox"/>	Environmental Hazards
<input type="checkbox"/>	Growth/Demand for Governmental Services	<input type="checkbox"/>	Preservation or Improved Use of Existing Facility
<input type="checkbox"/>	Program Effectiveness	<input type="checkbox"/>	Other (Please Specify Criterion):
<input type="checkbox"/>	Operational Efficiency		<input type="text"/>

Worksheet III-C Capital Budget Request (cont.)

10 Project Justification (summarize the need for the project and the expected impact. Describe and justify each of the Agency Selection Criteria in line 9 above.):

Note: Read Instructions Carefully Before Completing This Section

11 Estimated Project Schedule (dates):

Begin Design: Begin Construction: Project Completion: Occupancy:

12 Does completion of this project impact the start or completion of another capital project? (Y/N) If yes, please explain.

12a

13 If new construction, where is the proposed location?

14 Is the proposed site currently owned by the State of North Carolina? (Y/N)

15 Has this proposed site been approved by the Office of State Property?(Y/N)

16 Has this facility been inspected by the State Construction Office's F-CAP team? (Y/N):

FCAP File Name:

17 Was the requested project included in their review? (Y/N):

18 Required Attachments (Mark "Y" or "N" or "NR")

<input type="checkbox"/>	OC-25 Cost Estimate <input type="text"/>	<input type="checkbox"/>	Land Acquisition Plan (new construction projects only)
<input type="checkbox"/>	FCAP Report (Only projects requested in the 09-11 biennium)	<input type="checkbox"/>	Other Supporting Documents (Site plans, master plans, etc.)



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How capital projects are evaluated

Capital Prioritization – Project Evaluation Criteria

I. CRITICAL		
PRIORITIZATION CATEGORY	CRITERIA	INDICATOR / DEFINITION
Critical Life Safety / Emergency	Reduce Hazards and or Deficiencies in Existing Facilities	Does the project address documented critical life safety? What is the potential impact and probability of occurrence?
Federal/State Mandate	Federal/State Mandates	Is the project required by federal or state statute, court order, or regulation, or does the project move an agency/institution into further compliance with such mandates?
Critical Timing Issue	Prior Commitment	Have resources (people, time and money) already been committed to this project?
	Project Completion Requirements (Critical Path)	Does completion of this project impact the start or completion of another capital project?



How capital projects are evaluated (cont.)

II. STRATEGIC		
PRIORITIZATION CATEGORY	CRITERIA	INDICATOR / DEFINITION
Strategic Alignment	Governor's Strategic Goals/Objectives	Does the project advance the Governor's strategic objectives and statewide goals?
	Agency's Strategic Mission	Contained in statewide 6-year plan; included in agency master plan
Customer Services/ Effectiveness	Service Expansion / Program Growth	Does the increase in space address documented growth of the essential program and to what degree are other needs/desires added onto the request?
	Improve Program Effectiveness	To what degree does the project improve program effectiveness or increase program capacity other than the "simple" addition of space?
Agency Priority	Agency Assigned Priority	What priority has the agency assigned to the project?
Operating Savings or Efficiencies	Improves Operational Efficiency	Does project lower operating expenses or improve the use of existing infrastructure?
	Cost Effectiveness	Does the project reflect a cost effective solution appropriate to the facility need? Is this a "bargain" with a limited window of opportunity?
Fiscal Considerations	Alternative Funding Source	What portion of the total project cost is covered or matched by user and nonstate financing?
	Debt Ratio Impact	What is the project's impact on the State's debt capacity?
Environmental	Reduces Negative Environmental Impact	Does the project reduce or eliminate an existing environmental hazard?
	Energy Conservation	Does the project promote energy efficiency?
Asset Management	Existing Facilities	Preservation, adequacy and use of existing facilities



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Financing Capital Improvement Projects

The State of North Carolina uses many revenue sources in financing capital projects. The following outline describes the more commonly used methods in greater detail.

1. Pay-As-You-Go

Over collections (collecting more revenue than expected), reversions (spending less than was budgeted), and unappropriated revenues result in positive year-end fund balances. These balances tend to be authorized for capital projects because they are considered “nonrecurring” and cannot be counted on every year. “Pay-as-you-go” also refers to yearly capital appropriations.



Financing Capital Improvement Projects (cont.)

2. Repairs and Renovations Reserve

G.S. 143C-4-3 requires one-fourth of any unreserved fund balance in the general fund at the end of the fiscal year to be reserved for the repairs and renovations reserve. Types of projects eligible for funding include:

- General structural repairs, roof replacements, etc.
- Repairs to electrical, plumbing, heating, and air-conditioning systems
- Improvements to meet ADA, fire safety, and other state or federal standards
- Removal of asbestos, lead paint, and underground storage tanks
- Repairs to roads, walks, drives and utilities infrastructure



Financing Capital Improvement Projects (Cont.)

3. General Obligation Bonds

North Carolina may borrow money from lenders, pledging the full faith and credit of the State's taxing authority to repay the loan. These bonds must be approved by the General Assembly and a vote of the people.

4. Special Indebtedness

North Carolina may borrow money from lenders, using Certificates of Participation (COPs), contract indebtedness, or bonded indebtedness without pledging the full faith and credit of the State's taxing authority to repay the loan. Special Indebtedness must be approved by the Council of State and the State Treasurer with oversight by the Joint Legislative Commission on Governmental Operations. A vote of the people is not required to incur special indebtedness.



Financing Capital Improvement Projects (Cont.)

5. Other Sources of Financing

The State also uses a variety of other methods to finance capital improvement needs, including:

- Income from the provision of services, overhead receipts, and trust funds
- Revenue bonds approved by the General Assembly
- Gifts or grants, federal funds, and insurance proceeds



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Capital Administration

- Reporting on Contingency and Emergency Fund requests to the Council of State.
- Administering the enacted capital and operating budgets, including but not limited to issuing budget certifications, processing allotments and budget revisions, and establishing capital improvement budget codes.
- Working with Office of State Construction personnel to award construction contracts to successful bidders.
- Responding to agencies on issues relating to compliance with and budget policies adopted by OSBM and accounting policies and procedures adopted by the Office of State Controller.



End of Presentation

Questions ?