

**2016 Capital Budget Instructions
For
State Agencies**

May 5, 2015



Date: May 5, 2015
To: CFOs, Budget Directors and Agency Capital Budget Coordinators
From: Commissioner Myron Frans 
Subject: 2016 Capital Budget Instructions

I am pleased to present capital budget instructions, which outline the policies and procedures that should guide your submission of capital budget requests for consideration in the 2016 legislative session. New this year is an online system for collecting capital budget requests.

Governor Dayton's capital budget will continue to focus resources on the most critical projects and strategic investments across the state, particularly projects that:

- Address identified life and safety issues
- Reflect state agencies' strategic capital investment plans
- Preserve the existing infrastructure and repairing existing facilities before starting new projects
- Minimize construction tails and operating costs

Key dates

- **June 12, 2015** – Agency preliminary requests are due to Minnesota Management & Budget through the new Capital Budget System (CBS).
- **Sept. 11, 2015** – Updated Agency Profile and Strategic Planning Summary forms due
- **Oct. 16, 2015** - Final bonding project requests are due in CBS for consideration by the Governor.
- **Jan. 15, 2016** Governor Dayton presents the capital budget to the legislature.

Changes to the 2016 capital budget process and forms

State agencies and local units of government must submit all capital budget requests in the new capital budget system. You can find information on gaining access to and training on the new system on MMB's [capital budget instructions website](#).

Agencies must update Agency Profile forms used in the FY 2016-17 biennial budget. Update your Agency Profile form by submitting changes in hard copy format on the Budget Division SharePoint document management site with a notification to your assigned executive budget officer by Sept. 11, 2015. These changes should reflect action taken in the 2015 legislative session and be based on any other changing circumstances.

New construction inflation factors are estimated and presented in Appendix 2. The individual escalation factors in Appendix 2 are presented for various mid-point of construction dates. The appropriate factor will be applied to most cost categories on the project cost screen in CBS.

Governor Dayton and Minnesota Management & Budget (MMB) appreciate your dedication in preparing timely and thoughtful requests. We look forward to discussing your projects as we advance toward adoption of the 2016 bonding bill.

2016 Capital Budget Deadline Dates for State Agencies

May 5, 2015

Capital Budget Instructions and CBS User Manual are issued



June 12, 2015

State agencies must submit the preliminary request in CBS. The following screens must be completed:

- Project Overview
- Funding Sources

July 15, 2015

Preliminary agency requests and requests from local governments are forwarded to the legislature (without Governor's recommendations)

June - September 2015

MMB staff review requests and meet with agencies as needed. Legislative committees and MMB staff gather information about projects and programs and conduct site visits.



September 11, 2015

The following final request forms must be completed:

- Agency Profile (hard copy changes to MMB SharePoint)
- Strategic Planning Summary (uploaded in CBS)



October 16, 2015

Agencies must submit the final request in CBS by completing the following screens:

- Project Overview
- Funding Source
- Project Cost
- Statutory Requirements
- Upload documents

2016 Capital Budget Deadline Dates for State Agencies

By December 4, 2015	MMB issues state revenue and debt capacity forecasts
January 15, 2016	Governor submits his 2016 Strategic Capital Budget to the Legislature
By end of May 2016	Legislature adopts and Governor approves the 2016 bonding (capital investment) bill

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CHAPTER 1 - INTRODUCTION

The concepts and guidelines included in this document are the result of a combined approach by the executive and legislative branches to standardize the State of Minnesota's capital budget process. These instructions explain how to prepare capital budget requests for consideration in the 2016 legislative session.

Benefits of the Capital Budget Process

Strategic capital budget planning has two basic objectives:

- To make informed capital investment decisions according to a fair, open and objective process, and
- To effectively manage the resulting public assets as well as existing public facilities.

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

- Compliance with all applicable requirements of the Minnesota Constitution and state statutes.
- 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.
- Integration of capital budgets with agency operating budgets, with full consideration of operating cost impacts.
- 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*").
- Use of "smart growth" and high performance building practices.
- Sequencing of appropriations for predesign, design and construction stages to better utilize bonding capacity and more accurately control costs.

Entering Request Data into the Capital Budget System (CBS)

A change to the capital budget process this year is the implementation of a new Capital Budget System (CBS). The new CBS is a web-based application into which **agencies and local units of government** will enter and update all project narratives and numbers. Information regarding access to the system, training videos, and the **Capital Budget System User Manual** is available on the department's [website](#). If you experience any issues or need assistance when entering project requests into CBS, please contact the SWIFT helpdesk at (651) 201-8100, option 2.

The system will go-live on May 4 for users to begin entering requests. In June, reports will be made available for users to run on their project requests, including the preliminary submission report that will be transmitted to the legislature on July 15.

CHAPTER 2 - OVERVIEW OF THE CAPITAL BUDGET PROCESS

Acting From a Long-Term Plan

The FY 2016-2021 capital budget process emphasizes long-term planning. MMB expects agencies 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 2016 legislative session and identify other capital requests anticipated for 2018 and 2020. Agencies need to identify the estimated total cost of each project, 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 your agency is making a multi-year building request, the request must identify the amounts required to fulfill the commitment for each biennium.

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. A key consideration for agencies seeking funding for capital projects is to demonstrate a clear linkage between their project requests and their agency’s long-range strategic goals and mission.

Making Informed Capital Budget Decisions

One of the fundamental principles in the capital budget process is to consider each capital request in its strategic context and on the basis of comprehensive project data. The capital budget request forms provide a vehicle for agencies to be effective advocates for their requests.

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 discussing your agency’s strategic planning goals, be sure that each project request includes a full description of the project’s rationale, costs, future funding requirements, project schedule, and associated operating budget impacts.

Demographic trends are often one of the main factors relating to capital needs. As appropriate, please relate each capital request to factors influencing the demand for services and facilities such as estimates of student, inmate, or patient resident populations. (Trend analysis should begin at some point before the beginning of the cycle and continue through FY 2021.)

Level Funding within Available Debt Capacity

Estimates of available debt capacity define the boundaries for the total state capital budgets. MMB estimates available debt capacity six years into the future. These estimates of available debt capacity for the next three biennia (FY 2016-17, 2018-19 and 2020-21) will be based on known commitments and on assumptions of the size of future capital budgets that are drawn from historical averages.

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

It is important to evenly size capital bonding bills over a six-year period to ensure future capacity. A six-year horizon reflects the long time span often involved in bringing capital projects from planning through construction.

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, as well as with federal IRS regulations governing tax-exempt municipal debt.

The Minnesota Constitution sets out the purposes for which the state may incur debt. These provisions apply 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 that meet a public purpose and for facilities owned by public entities. Private parties and non-public organizations, including Indian tribes and the federal government, are not eligible to receive state general obligation bond proceeds and therefore should not request such funding. However, local units of government may submit bonding requests.

Further, federal tax regulations governing the tax-exemption of the state's bonds place certain use restrictions on the property financed with the bonds. For example, if there is too much private use at a state bond financed facility, the state's bonds may be negatively impacted.

General obligation bonds may only be used for qualified capital expenditures. Eligible costs include land acquisition, predesign, design, construction, major remodeling (if it adds to the value or life of a building and is not of a recurring nature), and other improvements or acquisitions of tangible fixed assets of a capital nature. Fixed assets must have a useful life of at least 10 years.

General operating expenses, general administration, overhead, master planning, depreciation, amortization, maintenance, operating costs, and personal property are not qualified expenses. Equipment is not eligible unless purchased and installed upon initial acquisition and construction of a building, expansion or major remodeling and needed for the governmental program to be operated in the project. Computers, software and other information technology expenditures may be eligible in certain circumstances. Project-related expenses that are not bond-eligible can be submitted as part of a bonding request, but will require cash appropriations from the General Fund or another state fund.

State agencies should be aware of financial operating policy 0308-01 (see **Appendix 7**), which prohibits the use of bond proceeds on moving and relocation expenses. This policy applies to all bonding appropriations, current and past, regardless of whether the funds have been encumbered.

Agencies may use general obligation bond proceeds to pay for staff costs for bonding appropriations in accordance with MMB's 2009 [policy](#) on the Use of General Obligation Bond Proceeds to Fund Staff Costs. The staff costs must be properly capitalizable under generally accepted accounting principles.

Project Needs Analysis

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 MMB, the Department of Administration as appropriate, the Governor and the Legislature.

The project needs analysis stage precedes developing a project predesign. 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 coordinates a process that updates an inventory of state facilities. This inventory is an important tool for assessing the condition of the state's physical facilities. It can 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 be useful by the Governor and Legislature when sizing asset preservation appropriations to various agencies.

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), which precedes spending a considerable sum for the balance of all other construction and non-construction costs (usually greater than 90% 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.

MMB expects that many agency requests will be prepared using a staged sequence of predesign, design and construction appropriations. As a general rule, do not request **funding for** design before your project's predesign plans are completed.

On occasion, there may be projects with compelling project timetables that cannot be reasonably accommodated through sequenced appropriations spanning biennia. To keep these urgent projects moving forward, MMB and the Department of Administration recognize that certain projects may be presented through combined predesign/design, design/construction, or design/build requests.

MMB can consult with the Department of Administration to help agencies determine the most appropriate course of action with respect to these urgent projects. 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.**

Costs of Capital Project Stages

Predesign: Less than 1%

Design: Less than 10%

Construction: Greater than 90%

Prioritization of Agency Requests

M.S. Sec. 16A.11 directs the Governor to submit capital budget requests to the Legislature that identify agency priorities. Accordingly, each agency must determine project priorities for 2016 requests and submit this information as part of the agency's capital budget requests.

Sustainable, High Performance Buildings

Projects that receive state funding in the 2016 capital budget process are expected to employ sustainable building design guidelines and 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.

These 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
- Select efficient, integrated public investments based on lowest long-term economic, environmental and social costs

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.

To advance the Governor's statewide goals of reduced building energy use and capturing the additional economic and environmental benefits of energy conservation work in state building as set forth in Executive Order 11-12 can accomplish, agencies requesting asset preservation funds must submit an itemized list of the projects that make up the asset preservation request and identify if those projects have potential for energy savings. The template for submitting your list is on the capital budget instructions webpage. If the project has energy savings potential, include the estimated amount of biennial savings on the second tab of the spreadsheet. MMB will share this information with the departments of Commerce and Administration. They will help evaluate these asset preservation requests and help determine if there might be opportunities to use other financing sources under two specific programs, the Guaranteed Energy Savings Program (M.S. 16C.144) and the State Energy Improvement Financing Program (M.S. 16B.322). These programs can possibly leverage these individual asset preservation projects into large building or campus wide projects.

Integration of Capital and Operating Budgets

MMB expects agencies to identify, for each capital request, the project's impact on the agency's operating budget 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 a capital request is approved, these estimates may be considered for adjustments in subsequent agency operating budgets. Alternatively, your agency may be asked to absorb these costs in its biennial operating appropriations. In either case, you should expect that agencies will be held accountable for their operating cost estimates. Because of this, it is very important that agencies present reliable data on the operating budget impacts of capital requests.

As agencies develop their capital budget requests and enter information into CBS, the period from the publication of these instructions until October 16 is a time for interactive project planning between agencies and MMB, and the Department of Administration as appropriate. During this time, project proposals will be reviewed and appropriate feedback provided to agencies.

Agencies can expect that some of this feedback will be in the form of gathering information about 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. Please be prepared to identify and discuss current space use, condition of existing facilities, and whether existing facilities lend themselves to redevelopment to a different or improved program use.

This open process, coupled with comprehensive capital budget forms, allows applicants to fully articulate their funding requests. MMB strongly discourages agencies from submitting projects directly to the Legislature without having completed the proper forms and without the project having been presented to the Governor. Without having considered the project information 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

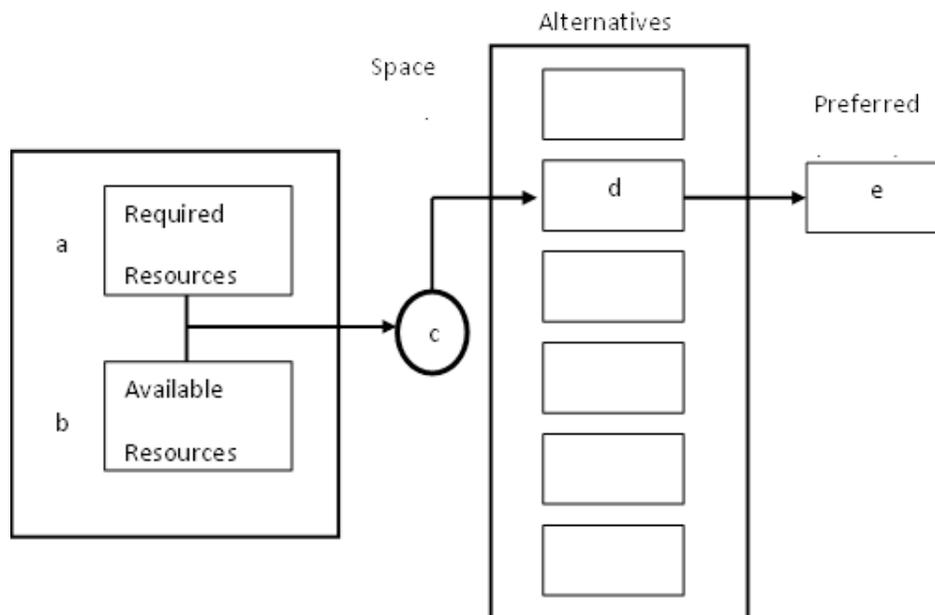
Project Programming and Needs Analysis

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:

- Estimate the total amount and type of space required.
- Inventory the amount and type of space currently in service plus any amount approved or under construction.
- Calculate the amount and type of additional space required.
- Assess alternatives for meeting the operational program such as use of existing space, adaption of existing space, new construction or leasing space.
- 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. MMB and the Department of Administration recognize 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 generally accepted space utilization standards. 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 are often expressed in numerical terms that relate to industry building standards.

“Amount of space” indexes are the result of considering functional and other architectural and engineering requirements and laying out space to meet the need.

Utilization ratios define the relative efficiency of a building. The ratio of assignable space to the gross area of the building is a common index. The ratio of usable space to the gross area of the building is also commonly used.

Both types of indexes may spring directly from the past experience of agencies or may be influenced by federal or state requirements. In all cases, application of suitable planning indexes is essential to the needs analysis process.

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

After an agency selects a preferred strategic alternative through the needs analysis process, the agency would proceed to predesign. The Predesign Manual for Capital Budget Projects is published and occasionally revised by Real Estate and Construction Services (RECS) within the Department of Administration. This manual is a useful guide that will help an agency complete the project predesign in accordance with state law. The current version may be obtained from <http://mn.gov/admin/business/vendor-info/construction-projects/Guidelines/predesign.jsp>.

Please direct any questions on the predesign manual to Gordon Christofferson in RECS at (651) 201-2380 or e-mail him at gordon.christofferson@state.mn.us.

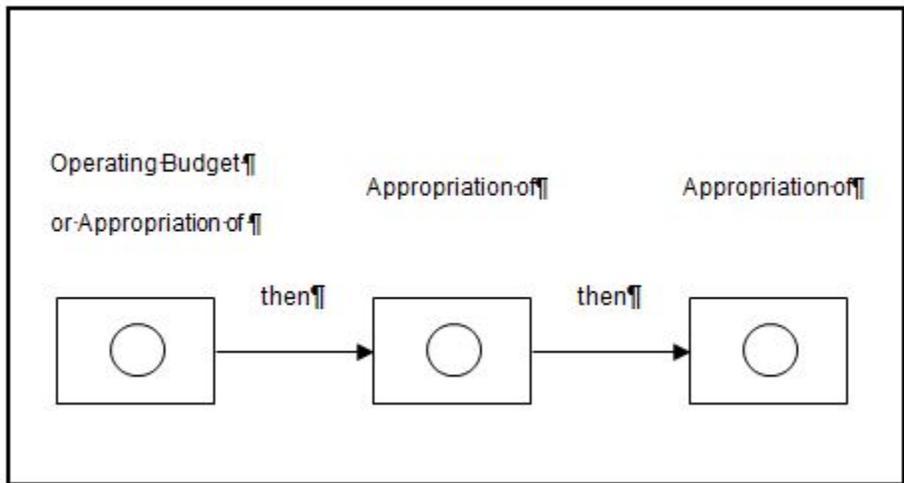
An agency may elect to make a capital funding request for predesign. Alternatively, the agency may choose to perform predesign using its own funds to speed up the process and initiate its capital request for design and construction after completion of predesign. In either case, predesign must be completed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

Predesign information submitted to the Real Estate and Construction Services office 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.

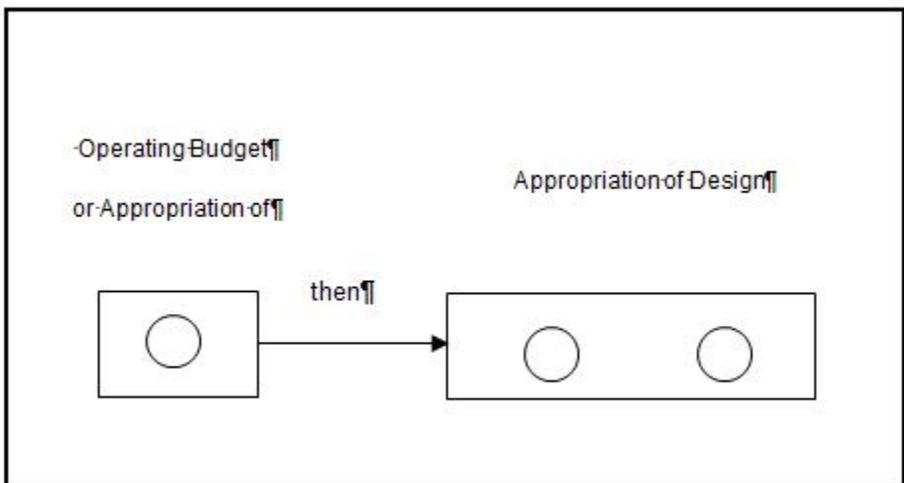
Preparation of Single or Multiple-Part Requests

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:

1. Separate Predesign, Design and Construction Appropriations over Multiple Years:



2. Combined Design and Construction Appropriation over Fewer Years:



In many cases, agencies would use a staged sequence of predesign, design and construction appropriations. This sequenced appropriation process is especially appropriate for relatively high cost and complex projects that extend over a series of biennia. In such cases, MMB expects that design appropriations would not be requested until after 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, MMB recognizes that certain projects may be presented through combined predesign/design or design/construction requests. MMB, and the Department of Administration as appropriate, can help agencies determine the most appropriate method to stage requests. Agencies should also consider the possibility of funding predesign

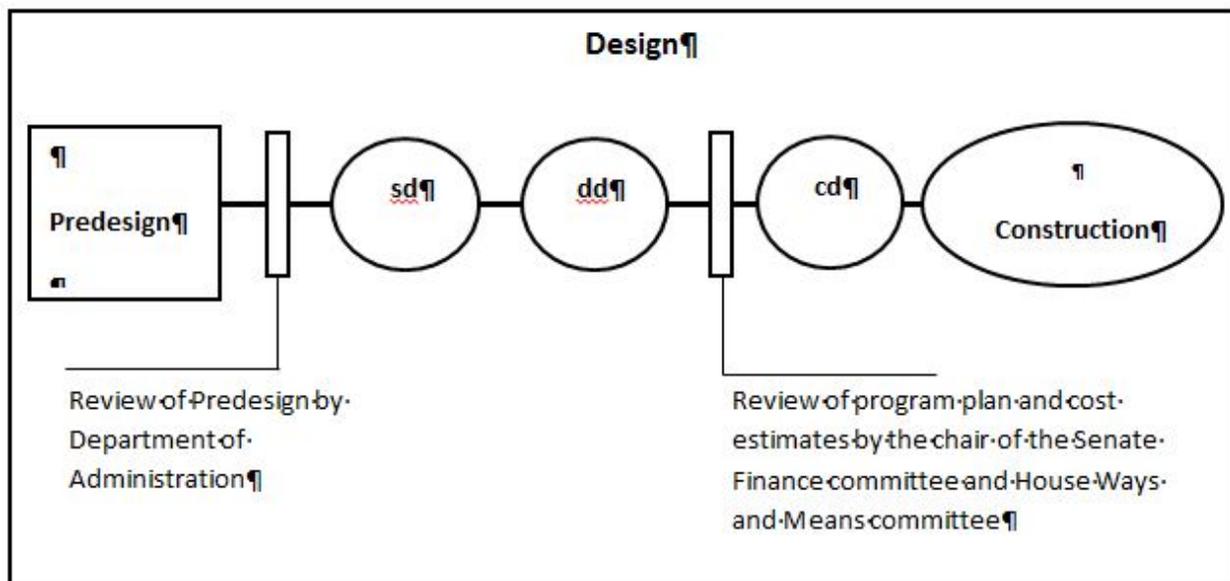
activities through reallocations in their operating budgets in order to meet critical project schedules, rather than relying exclusively on capital budget appropriations.

In all cases, completion of the predesign stage is a mandatory step in providing state decision makers with sophisticated and well-reasoned project information.

The Three Stages of the Building Process

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 (sd), design development (dd), and preparation of construction documents (cd).

Predesign, Design and Construction Stages with reviews



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 90%
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. M.S. Sec. 16B.335 requires predesign to be performed and that the Department of Administration 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 90% of total project costs.

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 aim for the following high performance building goals:

1. **Minimize lifetime costs.** Minimize lifetime costs to present and future taxpayers of state-owned, leased and financed buildings.
2. **Healthy, productive work environments.** Create healthy indoor environments that enhance employee productivity and wellness.
3. **More accessible government.** Site buildings where public infrastructure already exists and employ designs that reflect community preferences and accommodate a range of transportation options, including advanced telecommunications technologies that make government more accessible to the public.

4. **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.
5. **Sustainable energy use.** Reduce fossil fuel use, use less polluting fossil fuels and give preference to least polluting and renewable energy substitutes.
6. **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.
7. **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.
8. **Healthy natural systems.** Employ practices that preserve, conserve or enhance the natural landscape and habitat on-site.
9. **Consistent, effective government.** Ensure that operational and capital development proposals specify their links to agency strategic plans, including methods of service delivery, and to the state's overall strategic plan. The state's built environment should be a natural extension of and should help support its overall strategic goals.
10. **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 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.

CHAPTER 4 - HOW TO PREPARE A CAPITAL BUDGET REQUEST

Information is collected in Capital Budget System (CBS) that will become the capital budget request. This chapter provides “how-to” instructions to guide agencies through completion of the CBS screens. Specific instructions are provided for each screen.

The chapter also reviews some general policies for preparing FY 2016-2021 capital budget requests. With the exception of any special requirements noted elsewhere, the instructions apply to all state agencies and other state institutions requesting and expending state capital funds. This includes all capital projects normally included in the state bonding bill, Capital Asset Preservation and Replacement Account (CAPRA) items, Higher Education Asset Preservation and Replacement (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, agency staff should also refer to the 2016 Capital Budget System Users’ Manual for information on how to enter their request information into the capital budget system (CBS).

Please direct questions on capital budget policies, the process, schedule or related requirements to Alisha Cowell, Capital Budget Coordinator, at 651-259-3782. If you need access to the system, please complete the User Authorization Form found on the [webpage](http://www.mn.gov/mmb/budget/budget-instructions/capbud2014sess/) (<http://www.mn.gov/mmb/budget/budget-instructions/capbud2014sess/>). If you experience technical issues with CBS, please contact the SWIFT help desk at (651) 201-8100, option 2 or by email SWIFTHelpDesk.MMB@state.mn.us.

Capital Budget Implementation

The capital budget request process is carried out under the auspices of the Governor’s office with implementation coordinated by Minnesota Management & Budget (MMB). MMB manages the capital budget process and ensures general uniformity in the preparation of capital budget requests. Consistent preparation of requests is essential to the orderly review and analysis of agency proposals by MMB, the Department of Administration as needed, the Governor and finally the Legislature.

The instructions in this chapter still leave agencies considerable flexibility in preparing and documenting their six-year capital needs, so please contact MMB or the Department of Administration as necessary to clarify or interpret these instructions. Remember that agencies have final responsibility for preparing reasoned and relevant information about each of its capital budget requests.

Generally speaking, MMB will be interested in the strategic focus of agency capital budget requests. MMB reviewers will look at each agency’s long-range strategic mission and goals, and examine the relationship of the agency capital budget to individual requests and the impact of capital requests on the agency’s operating budget. The information that will be most useful to MMB is the information provided on the agency strategic planning summary and project narrative forms. Please direct any questions regarding items on these forms to your assigned executive budget officer in Minnesota Management & Budget.

Agencies must use the capital budget system (CBS) to prepare requests. This is an interactive system in which agencies enter all project narratives and numbers. Only requests submitted in the system will be considered for inclusion in the 2016 capital budget. All capital requests are to be submitted in the formats shown in this chapter. Be sure to enter all dollar amounts in thousands of dollars.

Each agency may approach preparation of capital budget narratives somewhat differently. Nonetheless, MMB expects that within each agency the request process necessarily involves coordination and communication between the agency head, program directors and facility managers to ensure that narratives are complete, consistent and accurate. MMB anticipates that each agency head will want to 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 for which these instructions are not applicable, or it is not clear how these instructions should be applied. In these instances, please contact your agency's assigned executive budget officer in MMB for assistance.

Assembly of Agency Capital Request Documents in January 2016

When presented to the Legislature and posted to the MMB website in January, capital budget requests will be in a report form from CBS. The following is the sequence of reports for each agency:

- Projects Summary listing
- Agency Profile (hard copy changes to MMB by September 11)
- Strategic Planning Summary (due September 11 in CBS)

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

- Project Narrative
- Project Detail (including funding sources, costs detail, and statutory requirements)

Projects Summary

The projects summary report is a listing of all of an agency's project requests on one form. Itemize all projects requested during the FY 2016-2021 six-year capital planning period according to your agency's priority ranking and include the amount of state funding that is requested for each project in each of the next three capital budget years: 2016, 2018 and 2020.

The Projects Summary report is populated from the Funding Sources form in CBS and will display only the amount of state funds requested in that biennium (not total project costs, if multiple funding sources are involved).

If the project you are requesting in 2016 also has future phases, distinct multi-year commitments or funding “tails” that will require additional authorizations in the future (2018 and 2020), this information should be identified on the Funding Sources page to ensure it is displayed on the Projects Summary report.

Agency Profile

As part of the FY 2016-17 Biennial Budget process, all agencies prepared an Agency Profile. MMB will place the most recent copies of your Agency Profile in your agency folder on the Budget Division document management SharePoint site. Please print, mark up the document with any changes, scan the document, and then post it back in your agency’s folder on SharePoint. Changes should reflect action taken in the 2015 legislative session as well as any other changing circumstances. The budget charts will be removed by MMB and will not be included in the agency profile that is part of your final agency’s final request document published on January 15. Please complete these steps by September 11. MMB support staff will place the updated copy of the Agency Profile into CBS that will be part of the final documents submitted to the Legislature and posted on the MMB website with the 2016 capital budget.

Strategic Planning Summary Form (3 pages maximum)

All state agencies with a capital budget request for 2016 must upload a strategic planning summary form in CBS on the Upload Document page. The template can be downloaded from our [capital budget website](http://www.mn.gov/mmb/budget/budget-instructions/capbud2014sess/) (<http://www.mn.gov/mmb/budget/budget-instructions/capbud2014sess/>). This form is the place to provide information as to influences on your agency’s services and capital needs, a self-assessment of agency facilities or capital programs, a discussion of long-range strategic operating goals, your agency’s request preparation process, and a list of recent capital projects.

MMB would like agencies 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. It should answer the question: what is your agency’s strategic mission and how will your capital plan and requests support this mission?

Some agencies may find it difficult 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 that 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 situations may present a challenge for some agencies. Nonetheless, a central theme of capital budget planning efforts by the Legislature, the Governor and the executive branch has been to ensure that capital budget decisions are considered within a framework of statewide and agency strategic planning. Through preparation of the strategic planning summary form, agencies participate in this important strategic planning and capital analysis process.

Please limit the length of the strategic planning summary document to three pages.

Required Information in CBS

The following are descriptions of the screens and fields in CBS that collect the information needed to populate the Project Summary, Project Narrative and Project Detail reports that will go into your agency’s capital budget book. The following table details a description of each field and the information required in it, who must complete each field, and by which deadline. If any of the fields do not apply to your project, please leave the field blank. Do not enter “N.A.,” “none,” or the like.

Additionally, please see the Project Overview template on [the capital budget instructions webpage](#) that can be used to write the capital budget request narratives outside of the system, and then copy and paste the information into the system.

CBS Field Guide

Screen	Field	Field Description	Local Units of Government	State Agency		Notes
			Required for June Deadline	Required for June Deadline	Required for October Deadline	
Project Overview	Project Rank	Each project must be assigned a rank based on the agency’s priority order, as required by M.S. 16A.11, subd. 3a.	X	X	X	
	Facility/Campus	For state agencies with multiple campuses or facilities, select the applicable campus or facility.	N.A.	X*	X*	
	City	Select the city the project is located.	X	X	X	Leave on “Select...” if your request is for a statewide program
	County	County will automatically populate.	X	X	X	
	Zip Code	Enter zip code	X	X	X	
	Contact Name	Enter project contact name and contact information	X	X	X	
	Contact Title		X	X	X	
	Contact Phone		X	X	X	
Contact Email	X		X	X		

Screen	Field	Field Description	Local Units of Government	State Agency		Notes
			Required for June Deadline	Required for June Deadline	Required for October Deadline	
	Project Category	Select the category from the dropdown that describes your request. See options below.	X	X	X	
	<i>Asset Preservation</i>	Defined in M.S.16B.307_If asset preservation is selected for this request, you must also upload a spreadsheet listing all projects included in the request on the Upload Documents screen. The spreadsheet can be found here.				

Screen	Field	Field Description	Local Units of Government	State Agency		Notes
			Required for June Deadline	Required for June Deadline	Required for October Deadline	
	<i>Land Acquisition</i>	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.				
	<i>Major Construction</i>	Defined in M.S. 16B.335, subd. 1				
	<i>Multiple Categories</i>	The project fits in more than one category				
	<i>Renovation & Renewal</i>	For projects that are not just preserving existing assets, but are renovating and renewing facilities for perhaps a different use or purpose.				

Screen	Field	Field Description	Local Units of Government	State Agency		Notes
			Required for June Deadline	Required for June Deadline	Required for October Deadline	
	<i>State Program</i>	State programs that are appropriated GO bonds that are then granted out to local units of government for capital investment projects. Examples: Transportation Economic Development (TED) program, Innovative Business Development Public Infrastructure (BDPI), Local Road and Bridge Improvement programs, and Wastewater Infrastructure Funding program.				
	<i>Other</i>	If none of these categories describe your project.				

Screen	Field	Field Description	Local Units of Government	State Agency		Notes
			Required for June Deadline	Required for June Deadline	Required for October Deadline	
	State Program or Project-Specific	See above state program definition. If it doesn't fit this definition, then select Project-Specific.	N.A.	X	X	
	Short Description	Summarize the request in two sentences. Example: <i>"\$10 million in state funds is requested to acquire land, predesign, design, construct, furnish and equip a new building for the department of X to be located in X."</i>	X	X	X	
	Project Rationale	Why is this project needed? Justify this request.	X	X	X	
	Project Narrative	Describe the project in detail, including: scope, total cost, key funding sources, etc.	X	X	X	
	Other Considerations	Any additional information that decision makers should know about this project.	X	X	X	

Screen	Field	Field Description	Local Units of Government	State Agency		Notes
			Required for June Deadline	Required for June Deadline	Required for October Deadline	
	Who will own the facility?		X	X	X	
	Who will operate the facility?		X	X	X	
	Description of Private entity Occupancy/Use	Who will be using the facility? Will it be leased?	X	X	X	
	Public Purpose	Describe the public purpose served by this project.	X	N.A.	N.A.	

Screen	Field	Field Description	Local Units of Government	State Agency		Notes
			Required for June Deadline	Required for June Deadline	Required for October Deadline	
	Impact on Operating Budgets	Required under M.S. 16A.11, subd. 5. Summarize the project's impact on the agency's operating budget over the upcoming six-year period. For local units of government, identify any new or additional state operating dollars that will be requested for this project. This section should provide a brief narrative only, since specific costs per year are identified on the Project Costs screen.	X*	X*	X*	
	Anticipated Encumbrance Date	For locals, what is the anticipated start date of the project? State agencies, when do you expect the funds to be encumbered for the project?	X		X	

Screen	Field	Field Description	Local Units of Government	State Agency		Notes
			Required for June Deadline	Required for June Deadline	Required for October Deadline	
	Anticipated Mid-Point of Construction	Midpoint between arrival of site work crews and certificate of occupancy. For construction projects that will span multiple years. A mid-point of construction should not be entered for asset preservation or state program requests.	X		X	The date entered here will trigger the a system calculated inflation factor that will be applied to the total project cost.
	Anticipated End Date	When will the project be completed? If applicable, when will the certificate of occupancy be issued?	X		X	
	Project Phase	If this project is phased, note the phase of this request.	X	X	X	
	Description of Previous Appropriations	Enter the year, amount, and purpose of any previous appropriations related to this request.	X	X	X	

Screen	Field	Field Description	Local Units of Government	State Agency		Notes
			Required for June Deadline	Required for June Deadline	Required for October Deadline	
	Statutory Program Citation	If you are requesting funds for a program established in statute, enter the legal citation.	N.A.	X	X	Leave blank if it does not apply to your request.
	Bondable Activity	Select the bondable activity from the dropdown. See options below.	X	X	X	
	<i>Asset Preservation</i>	Defined in M.S.16B.307_If asset preservation is selected for this request, you must also upload a spreadsheet list of all projects included in the request on the Upload Documents screen. The spreadsheet can be found here.				
	<i>Construction</i>	Defined in M.S. 16B.335, subd. 1				
	<i>Land Acquisition</i>	The use of funds to acquire land, easements, options, or land with buildings or other improvements.				

Screen	Field	Field Description	Local Units of Government	State Agency		Notes
			Required for June Deadline	Required for June Deadline	Required for October Deadline	
	<i>Multiple Bondable Activities</i>	The request fits into more than one of these Bondable Activities				
	<i>Other</i>	Your request is not covered by these categories listed.				
	<i>Pre-design and/or Design</i>	Pre-design is the stage in the development of a project during which the purpose, scope, cost, and schedule of the complete project are defined. Design is the stage in the development of a project during which schematic, design development, and contract documents are produced.				
	<i>Renovation or Major Repair</i>	Defined in M.S. 16B.335, subd. 1				

Screen	Field	Field Description	Local Units of Government	State Agency		Notes
			Required for June Deadline	Required for June Deadline	Required for October Deadline	
	<i>State Program</i>	State programs that are appropriated GO bonds that are then granted out to local units of government for capital investment projects. Examples: TED program, BDPI, Local Road and Bridge Improvement programs, and Wastewater Infrastructure Funding program.				
	Project Type	Select the project type that describes your request. If the request fits more than one type, select "Multiple." If the project type isn't listed, select "Other."	X	X	X	

Screen	Field	Field Description	Local Units of Government	State Agency		Notes
			Required for June Deadline	Required for June Deadline	Required for October Deadline	
	Policy Area	Select the bill or legislative committee area for your request. For local units of government, select the bill area that covers your preferred granting state agency (below).	X	X	X	
	Facility Condition Index	If an independent assessment has been conducted on your facility, such as a facility condition assessment through the Dept. of Administration, note the condition rating here.		X*	X*	
	Preferred Granting State Agency	Select the state agency that you prefer to serve as the fiscal agent for the grant.	X	N.A.	N.A.	State agencies leave the dropdown at the default "Select..."

Screen	Field	Field Description	Local Units of Government	State Agency		Notes
			Required for June Deadline	Required for June Deadline	Required for October Deadline	
	Resolutions	Resolutions of support are required per M.S. 16A.86, subd. 3a (6) . Local units of government must complete this section of the Project Overview screen, including uploading the resolution document.	X	N.A.	N.A.	
Funding Sources	Request Amount	Enter the amount (in thousands) requested each year for GO bonds, as well as other state sources.	X	X	X	The request amount entered here will be displayed on the Preliminary Request report published on July 15 th , as well as in the Jan. 15 th final publication.
	Funds Already Committed to the Project	Add all funds for prior and future years that are already committed to this project.	X		X*	
	Funds Pending	Enter any funds that have not yet been committed to the project.	X*		X*	

Screen	Field	Field Description	Local Units of Government	State Agency		Notes
			Required for June Deadline	Required for June Deadline	Required for October Deadline	
	Comments on Prior Year Funding	Note what was paid for with prior year funding.	X*		X*	
	Comments on Funding Request					Optional
	Additional Comments on Sources of Funds					Optional
Project Costs	Inflation Costs Included in Request	If inflation was already included in the costs you entered in the project costs table, enter the amount by fiscal year, and the total cost will be adjusted appropriately.	X*		X*	The amount entered will be subtracted from the system calculated inflation amount.
	Costs less funding	Zeroes should display for each fiscal year indicating that the project costs equal the total funding sources. If zeroes are not displayed, adjust funding sources and/or costs until they balance.	X		X	
	Comments on Project Costs					Optional

Screen	Field	Field Description	Local Units of Government	State Agency		Notes
			Required for June Deadline	Required for June Deadline	Required for October Deadline	
	IT Costs	If the project will result in an increase in IT operating costs, please include the amount per year here.	X*		X*	
	Operating Budget Impact (\$)	For local units of government, if any new or additional state operating dollars will be requested along with this project, note the amount per year. For state agencies, note the change per year to the agency's operating budget due to this project	X*		X*	
	Operating Budget Impact (FTE)	Related to your response above, enter the amount of Full Time Equivalentents (FTE) that will be added or reduced as a result of this project	X*		X*	

Screen	Field	Field Description	Local Units of Government	State Agency		Notes
			Required for June Deadline	Required for June Deadline	Required for October Deadline	
	System Calculated Contingency	5% contingency will be calculated based on the total project costs above. This is the recommended amount of contingency that should be included in your project costs total.				
	Contingency Included in Request	If you included contingency in your project costs, enter that amount on this line and the system will calculate the difference between the recommended 5% contingency above, and what you entered.	X*		X*	
	Contingency Difference	System calculated difference between System Calculated Contingency and Contingency Included in Request.				
	Comments on Contingency					Optional

* Complete only if it applies to your entity or project

CBS Project Costs Definitions

The project cost screen 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, 2015 dollars. Costs will be inflated in CBS based on the schedule provided in Appendix 2 of this document. Below are definitions of the costs categories.

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: Predesign is 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 added.

- 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.

Costs for Project Staff: State agencies are strongly encouraged to charge the time of state employees working on capital projects to non-bond funding sources because of the undesirable practice of amortizing such salary costs over the 20-year life of state general obligation bonds. Agencies proposing to include staff costs as part of a specific bond-financed project must provide detailed information on project-related staff costs in the changes in FTE/personnel and operating cost sections of the Operating Budget Cost form in CBS.

Under an [MMB policy](http://www.mn.gov/mmb/images/Policy-regarding-bond-proceeds-fund-staff-costs-2009.pdf) adopted in 2009 (<http://www.mn.gov/mmb/images/Policy-regarding-bond-proceeds-fund-staff-costs-2009.pdf>), agencies must also notify MMB of their intention to capitalize the costs of staff prior to expending any bond appropriations for this purpose. The staff costs must be properly capitalizable under generally accepted accounting principles. Staff time expended on capital projects must be tracked on a daily basis by individual and by appropriation. Agencies are required to submit a memorandum to their executive budget officer, for approval by MMB, which describes their proposed plan for tracking and reporting agency

staff time funded with G.O. bond proceeds and an estimate of total staff time to be charged to each project.

After approval of its plan by MMB, each agency must submit a quarterly report to its executive budget officer detailing the staff costs being charged to each capital project. MMB is required to report annually on January 15 to the legislature as to each agency's expenditures of capital appropriations for staff costs and its compliance with MMB's policy on staff costs.

Project Management: This is 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 have been 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 & 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/utilities.
- Demolition/Decommissioning is the cost for razing a facility or removing 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 is any costs associated with the encapsulation and/or abatement of hazardous materials in structures associated with the construction project.
- Testing is the cost for any site, including environmental, testing that will be conducted as part of the 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.

Relocation: Moving costs associated with relocating from one facility to another are not bond-eligible costs. Any relocation costs, included on the project cost form, must be paid from general fund cash. Inflation does not apply to relocation costs.

One Percent for Art: M.S. Sec. 16B.35 allows an appropriation “for the construction or alteration of any state building” to include up to one percent for the acquisition of works of art for the public spaces of the building or its grounds. This “1% for Art” provision defines a state building as one where the construction or alteration is paid for, wholly or in part, by the state.

Occupancy: The purpose for which a building, or part thereof, is used or intended to be used (Uniform Building Code). Note that not all of these items are necessarily bond-eligible costs.

- 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 they are part of a new building or major renovation.
- Telecommunications (voice & data) are specialty equipment supplied by a separate contract from those for construction or FF&E.
- Security Equipment is usually supplied by a separate contract from those for construction or FF&E.

System Calculated Inflation: The rate of construction cost increases over the duration of the building project, calculated to the midpoint (month/year) of construction (see Appendix 2). Inflation will automatically be applied to the total project cost based on the mid-point of construction date entered on the Project Overview screen. Inflation is applied to sub-total project cost less relocation expenses.

Changes in State Operating Costs: Mandated by state law, this section serves as a facilities note and estimates the project’s impact on the agency’s operating budget over a six-year period. 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 this section agencies need only specify changes to operating costs, and need not specify base budgets. Non-state agencies should not complete this section unless their project impacts the state operating budget or will result in future state operating budget requests.

- IT Costs are new information technology costs as a result of the project that would be managed by MN.IT.
- *Operating Budget Impact* (\$) refers to:
 - Direct and indirect program and building operations staffing costs associated with this request
 - Other program related expenses
 - 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 are expenses accrued or anticipated for building repair.
 - State-owned lease expenses
 - Nonstate-owned lease expenses
 - Revenue offsets
- Operating Budget Impact (F.T.E.) are changes in the number of full time equivalent employees associated with this request.

Examples of Expenses for each Project Cost Category

Project Cost Category	Examples of Expenses
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.)

Project Cost Category	Examples of Expenses
<p>4. Project Management State Staff Project Management Non-State Project Management Commissioning Other: (list)</p>	<p>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</p>
<p>5. Construction Costs Site & Building Preparation Demolition/Decommissioning Construction Infrastructure/Roads/Utilities Hazardous Material Abatement Construction Contingency</p>	<p>Building Permits Access Charges, SAC/WAC Demolition Clearing and Grubbing Site Work Foundations Floor System Columns Roof System Exterior Wall Exterior Glazing 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 Construction Contingency</p>

Project Cost Category	Examples of Expenses
6. One Percent for Art	Construction costs only
7. Relocation (Not Bond-eligible Costs)	Temporary Relocation (swing space) Permanent Relocation Moving Consultants/Contractors Ground-breaking, Open House/Dedication
8. Occupancy (Not all Bond-Eligible Costs) 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

CBS Statutory Requirements Template and Field Descriptions

This screen identifies state law requirements that apply to capital projects after the project is authorized by the Legislature.

Users must check Yes, No, Unsure or N.A. for all statutory requirements listed. Minnesota Management & Budget staff is available to work with agencies in reviewing and completing this section. If you are in doubt as to how to complete this information, contact your agency's assigned executive budget officer.

This section provides a brief overview of some of the noteworthy requirements of capital appropriations. Agencies should 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 for state bond proceeds appropriations should consult with their financial and legal advisors regarding these and other requirements.

M.S. Sec. 16B.30 – General Authority of the Commissioner of Administration

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 (MnSCU). 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.

Additionally, 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 Departments 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 must first be considered as part of the planning process required by this section.

1. M.S. 16B.335 – Major Construction and Legislative Design Review Requirements

Project design activities must comply with the provisions of M.S. Sec. 16B.335, subd. 1 and 2, regarding preparation of design documents and their subsequent review by the chairs of legislative committees prior to preparation of construction documents.

Paragraph (a) of M.S. Sec. 16B.335, subd. ,1 restricts a recipient of a capital appropriation from preparing "...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 of representatives Ways And Means Committee and the chairs have made their recommendations, and the chair and ranking minority member of the senate Capital Investment Committee and the chair and ranking minority member of the house of representatives Capital Investment Committee are notified."

Paragraph (b) of this same subdivision exempts certain types of projects from the legislative design review requirements.

Please review this statute in its entirety and consult with the legislative chairs named in the statute for further information regarding the documents that must be submitted to meet the legislative design review requirements.

2. M.S. Sec. 16B.335 – Predesign Review Requirements

As part of the state's efforts to make better informed capital investment decisions, M.S. Sec. 16B.335, subd. 3, requires agencies and grantees to prepare predesign documents on most capital projects. Real Estate and Construction Services (within Admin) must review the predesign documents before design work on a project can begin.

The *Predesign Manual for Capital Budget Projects* is published and occasionally revised by Real Estate and Construction Services (RECS) within the Department of Administration. This manual is a useful guide that will help an agency complete the project predesign in accordance with state law. The current version may be obtained from <http://mn.gov/admin/business/vendor-info/construction-projects/Guidelines/predesign.jsp>. Please direct any questions on the predesign manual to Gordon Christofferson in RECS at (651) 201-2380 or e-mail him at gordon.christofferson@state.mn.us.

3. & 4. M.S. Sec. 16B.325 – Sustainable Building Guidelines

As required by state law, the Departments of Administration and Commerce have developed sustainable building design guidelines for all new state buildings. The primary objectives of these guidelines, known as the "B3 Guidelines," concern the energy efficiency of new state buildings. M.S. Sec. 16B.325 specifies that these guidelines "*... are mandatory for all new buildings receiving funding from the bond proceeds fund after January 1, 2004, and for all major renovations receiving funding from the bond proceeds fund after January 1, 2009.*" Both agencies and local government grantees must follow the sustainable building guidelines.

The [B3 Guidelines](http://www.b3mn.org/) are available online at <http://www.b3mn.org/>. Questions regarding the B3 Guidelines should be directed to Patrick Smith at (612) 626-9709 or guidelines@b3mn.org.

5. . Information Technology and Telecommuting Plan Requirements

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

State law requires state agencies to use information technology and telecommuting to accomplish the following three objectives: improve utilization of office space; decentralize operations; and deliver services electronically.

State agencies requesting office space such as a new building (new construction or acquisition of an existing building), renovation/remodeling, or relocation must first develop an information technology plan for the building project, as well as a telecommuting plan or a statement indicating that telecommuting is not feasible for the agency (M.S. Sec. 16B.335, subd. 5 and 16E.05, subd. 3). MN.IT review of these plans is required before agencies can submit building or relocation plans to the Legislature.

The goal of MN.IT's information technology plan review process is to assist agencies to improve and expand current use of information technology when relocating to or building a new office facility. The goal of MN.IT's telecommuting plan review process is to encourage, support and assist state agencies in implementing telecommuting programs and increasing telecommuting for employees in new facilities.

Agencies are encouraged to submit these plans to MN.IT as soon as possible to allow ample time for review. **Appendix 4** has more information about each of these required plans, including links to the MN.IT website where more detailed information is posted. Questions about MN.IT's reviews should be directed to your agency's CIO.

Requirements under M.S. 16A (MMB)

1. & 2. 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 **cannot** be made directly to non-profit or for-profit organizations, Indian tribes or the federal government.

M.S. Sec. 16A.695 contains provisions that must be followed when a capital project benefits a non-profit or for-profit organization. Generally, for a private organization to benefit from state 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 is required to be more than merely a conduit with a one-time responsibility of passing the bond proceeds through a grant agreement to a private organization. The public entity that enters into a use agreement with the private organization must be an active participant in the public program, and it must also have ongoing oversight of the program. The Commissioner of Minnesota Management & Budget must approve all use agreements for bond-financed property.

The Commissioner's *Fourth Order Amending the Order of the Commissioner of [MMB] Relating to Use and Sale of State Bond Financed Property* includes more detail on the requirements that apply to bond-financed property that is used by or sold to a non-public party. (A link to this document appears in **Appendix 6**.)

Agency accounting coordinators should be sure to review financial operating policy 0302-01 (see **Appendix 7**) when preparing Appropriation Entry (AP) forms for a capital appropriation that benefits a non-profit or for-profit organization. Agencies should consult with their Attorney

General's staff regarding the various legal requirements affecting state capital appropriations that benefit a nonpublic entity. MMB will deactivate such appropriations until the appropriate use agreements have been reviewed and approved by MMB.

If the state bond-financed program is discontinued and/or a local government is considering selling the capital asset or facility, the local government must comply with all applicable sale and reimbursement conditions. The Commissioner of MMB must approve all sales of bond-financed property.

3. & 4. Capital Appropriations with Non-State Matching Requirements

M.S. Sec. 16B.31, subdivision 2, requires capital improvement projects to have full funding. This statute specifies that *"No plan may be adopted, and no improvement made or building constructed by the commissioner [of Administration] 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 M.S. Sec. 16A.502, 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 [of MMB] has determined that the commitment is sufficient."*

Local projects in the bonding bill are commonly required to provide non-state matching funds as a condition of receiving the state capital appropriation (M.S. Sec. 16A.86, subd. 4). Typically, the bill 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.

The granting agency must provide sufficient documentation to MMB to verify that the recipient has complied with all matching requirements. This documentation must certify that non-state matching funds have been received, or the recipient has in place a legally binding commitment to secure the funding. Agencies must include this documentation when they submit the Appropriation Entry form requesting that MMB activate the project's appropriation. Once the match and full funding are approved, MMB staff will activate the project's state appropriation.

Local governments that receive a grant or a loan made from state general obligation bond proceeds often want to be reimbursed from the bond proceeds for expenses that incurred in the past and for which they have already paid their contractor from other funds. However, Minnesota's general obligation bonds are tax-exempt. Federal tax law regulates the issuance and the use of tax-exempt bonds by states and local governments. The tax regulations limit the state's ability to use the proceeds of tax-exempt bonds to reimburse costs that have already been paid from other funds. Therefore it is highly unlikely that expenses that a local government paid from its own funds prior to the effective date of the bonding bill would be eligible to be reimbursed by the bond proceeds.

In some cases, additional financing is needed to complete a capital 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. This additional information is required when the Appropriation Entry form is submitted to the executive budget officer in MMB.

For further information, please refer to the financial operating policy 0302-01. Specific questions on matching requirements should be forwarded to your agency's executive budget officer.

5. Project Cancellations in 2021

M.S. Sec. 16A.642 requires the Commissioner of Minnesota Management & Budget 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. The reported amounts automatically cancel as of July 1 of the next year unless re-authorized by the Legislature.

The Commissioner will report the status of projects authorized in the 2016 bonding bill to the Legislature on January 1, 2021. All funding from the 2016 bonding bill that has not been contractually obligated or expended prior to that date will be cancelled on July 1, 2021, unless it is re-appropriated by the Legislature. To avoid having a project included in the 2021 cancellation report, agencies and grantees should be prepared to move the project along to completion.

Requirements under M.S. 174.93 (DOT)

1. & 2. Guideway Projects

Any requests for state funds for a guideway project (as defined in statute) must submit a financial plan for the project to the legislature.

Historic Properties and Cultural Resources

Three specific provisions of state law require state and local units of government to protect significant historic and cultural resources.

M.S. Sec. 138.666 requires cooperation with the Minnesota Historical Society:

“The state, state departments and agencies, political subdivisions, and the Board 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.”

M.S. Sec. 138.665, subdiv. 2 requires agencies to consult with the Minnesota Historical Society regarding a project's potential effects to historic properties listed in the National or State Register of Historic Places, and to find ways to avoid and mitigate any adverse effects on designated or listed historic or cultural resources. That statute specifies:

“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 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.”

M.S. Sec. 138.40, subdiv. 3 requires public agencies to consult with the state archaeologist and the Minnesota Historical Society when a project may affect archaeological sites on public property:

“When significant archaeological or historic sites are known or, based on scientific investigations, are predicted to exist on public lands or waters, the agency or department controlling said lands or waters shall submit construction or development plans to the state archaeologist and the director of the society for review prior to the time bids are advertised.”

To submit a project to the Minnesota Historical Society for consultation under the above state statutes (Minnesota Historic Sites Act and Field Archaeology Act), send project information to:

Barbara Mitchell Howard
Director, Historic Preservation Department
Minnesota Historical Society
345 Kellogg Blvd West, Level A
Saint Paul, MN 55102

Include the following items with the submittal:

- Cover letter including:
 - Description of the project, including any anticipated areas of ground disturbance
 - Name of the state agency(ies) providing funding, permitting, or license
 - Project location
 - Address (if within city boundaries)
 - Township, Range, Section, and quarter-section (if outside of city boundaries)
 - Date of original construction of any structures within the project area
 - Name and address of person who should receive the comment letter from the Minnesota Historical Society
 - Information about any historic or cultural resources in or near the project area, if known
- Map with the project location clearly indicated
- Photographs of any buildings or structures within the project area.
- For projects that include the rehabilitation of a historic property, please submit a Scope of Work, photos of existing conditions and construction drawings.

At this time, the Minnesota Historical Society only accepts hard copies delivered either by post, express mail, or in person. The Society will provide a letter commenting on the project within 30 calendar days from the date it receives the project submittal.

The Minnesota Historical Society encourages consultation early in the planning process, particularly for projects which may affect historic or cultural resources, in order to avoid costs or delays later if the project must be modified.

Questions regarding historic resources should be directed to Kelly Gragg-Johnson at the Minnesota Historical Society at (651) 259-3455 or Kelly.graggjohnson@mnhs.org.

Contact the state archaeologist at: (612) 725-2411 or Office of the State Archaeologist, Fort Snelling History Center, Saint Paul, MN 55111-4061.

APPENDIX 1 - GLOSSARY OF TERMS

Adaption costs - Expenditures required to adapt the physical plant to the evolving programmatic needs of the institution and to changing standards.¹

Agency strategic plan – A summary of agency goals and objectives for the next six years.

Building classification system - A system prescribed in statute (M.S. Sec. 16B.31, subdiv. 6) to classify “state-owned buildings, with each class representing a different quality of building construction, to be incorporated into the capital budget format and instructions.”

Capital Iceberg - An allegorical representation of the state’s deferred maintenance needs.

CAPRA - Capital asset preservation and replacement account. Under M.S. Sec. 16A.632, capital appropriations to the Department of Administration for allocation to state agencies for repair and replacement of various state capital assets. CAPRA projects generally have a cost of \$350,000 or less.

Cost estimating standards - An accepted set of rules or basis for assigning estimates of probable cost to proposed facilities.

Debt capacity - Six-year estimates of the boundaries of total state capital appropriations, based on the amount of bonds outstanding, the amount of new bonds that must be sold to finance existing authorizations during upcoming biennia, and interest rates.

General Obligation (G.O.) Bonds - Bonds issued by the state for capital projects in accordance with the Minnesota Constitution and implementing statutes. Secured by a pledge of the state’s full faith, credit and taxing authority towards payment of the principal and interest on the bonds when due.

Green Design (Green Building, Sustainable Design, High Performance Buildings) – Design and construction practices that significantly reduce or eliminate the negative impact of buildings on the environment and occupants that address sustainable site planning; safeguarding water and water efficiency; energy efficiency; conservation of materials and resources; and indoor environmental quality.

HEAPR - Higher education asset preservation and replacement account. Under M.S. Sec. 135A.046, appropriations to the University of Minnesota and MnSCU for funding of capital asset preservation, repair and replacement projects.

Inventory of state building and office space - An inventory prescribed by statute (M.S. Sec. 16B.31, subdiv. 6) of all “major state building and office space owned or leased by the state, including a classification system on the condition and suitability of each major building.”

Life cycle cost specifications - Requirements and guidelines for estimating the capital and operating cost of a facility over its defined life.

Needs Analysis and Planning Process - The basic steps needed to plan projects and test their feasibility before advancing into design and construction. This includes an estimate of

¹ Definition derived from “*Financial Planning Guidelines for Facility Renewal and Adaption*”, The Society of College and University Planning, 1989.

space needs, inventory of existing facilities, calculation of net space requirements, consideration of alternatives and selection of the preferred alternative. Often completed as part of the predesign process.

Non-building program - A capital program or request not generally associated with construction or acquisition of a capital facility. Examples include, but are not limited to, construction of roads, bridges, park trails, or land acquisition not related to a specific facility.

Program (architectural and engineering) - The nature of the facility to be planned, designed and built, and the corresponding architectural and engineering characteristics that will satisfy these needs and requirements.

Program (operational) - The operational function of a facility including services and activities within the facility.

Program suitability - The ability of a facility to satisfy its operational program requirements.

Renewal expenditures - Expenditures required to keep the physical plant in reliable operating condition for its present use, without programmatic changes. Deferred renewal refers to postponed renewal work resulting in the deterioration of the physical plant.

Rolling strategic plans - strategic plans prepared by state agencies that span several biennia, are updated periodically and have a direct impact on both capital and operating budgets.

Space utilization standards - An accepted set of rules or basis for relating operational program requirements to proposed facility characteristics.

Stages (capital project stages) - a sequential series of predesign, design and construction stages that are typically followed in the development of a building project or building request.

APPENDIX 2 - BUILDING INFLATION ADJUSTMENTS

Why Inflate Costs?

Inflation is an essential part of calculating accurate capital budgets. A cost engineer will typically calculate the cost of a building project based on prices available at the time the estimate is prepared. Through the cost planning process, the project is then placed in the assumed future time frame of project implementation. Based on forecasts of future trends in building costs, the project cost estimate is multiplied by an appropriate inflation factor to allow for this time shift.

Building cost inflation does not necessarily follow more general consumer price inflation, nor is it always the same for different trades within the building industry. Building inflation forecasts are typically derived from averaging projections from different construction indices for all building trades and are also influenced by location. "Inflation" is considered synonymous with "escalation" in trade publications.

Failure to account for the length of the project schedule and associated cost of time shift in the budgeting or funding process will result in under-funding a project. This under-funding will translate into an actual loss of project quality, either in materials or ability to satisfy the user space needs.

How Are Costs Inflated?

Agencies should first determine building project costs based on "today's" present value. Present value is an estimate of the project cost for July 1, 2015. Present value is then inflated to the midpoint of construction based on the project schedule.

The state's capital budget process defines "midpoint of construction" as the date midway between the commencement date and the date of substantial completion. The "date of commencement" is the start of the construction period when construction forces arrive on the project site. "Substantial completion" is when progress of the work is sufficiently complete so the owner can occupy or utilize the work site for its intended purpose.

Midpoint of construction is used because it most accurately represents the costs that contractors will use at the time of bid preparation. While it is true that many material costs are committed early in construction (e.g., fabricated steel), other material and labor costs are not locked in and will continue to increase until final completion. Some non-building items such as furniture, fixtures, and equipment may not be procured until the very end of the project.

To find the appropriate inflation cost for a project, agencies should identify the month and year closest to the midpoint of construction and enter that date in the appropriate cell in the Project Cost form in CBS. For reference, a complete **Building Project Inflation Schedule** is provided at the end of this appendix.

What Projects will Include Inflation?

- Inflation will apply to cost components of 2016 and out-year building requests as identified on the project cost form. Relocation costs are not inflated.
- Appropriations including construction of single, local projects should be inflated. Past examples have included individual requests for the Planetarium, Guthrie Theater, and the Lake Superior Zoo.
- Non-building programs ARE NOT inflated.
- Lump-sum appropriations for multiple projects or requests with multiple project schedules (e.g., CAPRA, HEAPR, combined asset preservation requests) ARE NOT inflated.
- Lump-sum appropriations for grant programs with multiple sub-projects, where grantees apply for grants after the Legislature has authorized an appropriation for the program, ARE NOT inflated. Examples include historic preservation grants, wastewater infrastructure funding program (WIF) grants, and local road and bridge repair grants.
- Projects with limitations of existing statutory or legislative project funding caps ARE NOT inflated.

Building Projects Inflation Schedule
(Projected Rates For FY 2016 - 2017)

Midpoint of Construction	MMB MULTIPLIER	Midpoint of Construction	MMB MULTIPLIER
Jul-15	0.00%	Jan-19	24.88%
Aug-15	0.44%	Feb-19	25.61%
Sep-15	0.88%	Mar-19	26.34%
Oct-15	1.32%	Apr-19	27.08%
Nov-15	1.76%	May-19	27.82%
Dec-15	2.21%	Jun-19	28.57%
Jan-16	2.74%	Jul-19	29.32%
Feb-16	3.28%	Aug-19	30.07%
Mar-16	3.82%	Sep-19	30.83%
Apr-16	4.36%	Oct-19	31.59%
May-16	4.90%	Nov-19	32.36%
Jun-16	5.45%	Dec-19	33.13%
Jul-16	6.00%	Jan-20	33.91%
Aug-16	6.55%	Feb-20	34.69%
Sep-16	7.10%	Mar-20	35.48%
Oct-16	7.66%	Apr-20	36.27%
Nov-16	8.22%	May-20	37.06%
Dec-16	8.78%	Jun-20	37.86%
Jan-17	9.37%	Jul-20	38.66%
Feb-17	9.96%	Aug-20	39.47%
Mar-17	10.56%	Sep-20	40.28%
Apr-17	11.16%	Oct-20	41.10%
May-17	11.76%	Nov-20	41.92%
Jun-17	12.37%	Dec-20	42.75%
Jul-17	12.98%	Jan-21	43.58%
Aug-17	13.59%	Feb-21	44.42%
Sep-17	14.21%	Mar-21	45.26%
Oct-17	14.83%	Apr-21	46.11%
Nov-17	15.45%	May-21	46.96%
Dec-17	16.08%	Jun-21	47.82%
Jan-18	16.73%	Jul-21	48.68%
Feb-18	17.39%	Aug-21	49.55%
Mar-18	18.05%	Sep-21	50.42%
Apr-18	18.71%	Oct-21	51.30%
May-18	19.38%	Nov-21	52.18%
Jun-18	20.05%	Dec-21	53.07%
Jul-18	20.73%	Jan-22	53.96%
Aug-18	21.41%	Feb-22	54.86%
Sep-18	22.09%	Mar-22	55.76%
Oct-18	22.78%	Apr-22	56.67%
Nov-18	23.47%	May-22	57.58%
Dec-18	24.16%		

APPENDIX 3 - AGENCY RELOCATION POLICIES

This appendix outlines procedures agencies should use when seeking funding to relocate to a new location or facility.

The commissioner of Administration is charged by statute, M.S. Sec. 16B.24, to lease office space for state agencies in either state-owned or non-state-owned facilities. The Department of Administration's Real Estate and Construction Services (RECS) Division is responsible for providing a lease agreement that specifies the terms and conditions of an occupancy.

When contractual arrangements dictate the need for an agency to relocate, or when the agency believes it must relocate for other reasons, the costs of relocating can be funded in one of three basic ways. (Relocation costs include expenses of the move, as well as any permanent differential between the rental expense of the old and new locations.) The distinction between the three methods is whether or not an appropriation is requested from the Legislature and the timing of that request.

- A. **Agency Reallocations within Existing Base.** The first method to fund relocation expenses is for an agency to reallocate existing resources within the agency's operating budget. This eliminates the need to obtain specific legislative authorization. Agencies should be aware that in times of limited financial resources, the Governor or Legislature may insist that relocation costs be paid through internal reallocations in agency base budgets, rather than from an additional appropriation.
- B. **Capital Budget.** The capital budget is the second method for providing funding for agency relocations. Capital budget requests may be prepared during the odd numbered year for action by the legislature during even numbered years. If your agency wishes to pursue funding in the 2016 capital budget, please contact RECS directly. RECS staff will review each agency's request and, if approved, may include the request as part of a combined multi-agency request within the Department of Administration's 2016 capital budget submission. RECS is responsible for developing and drafting the request on behalf of interested agencies. Interested agencies should contact RECS as soon as possible to discuss alternatives and recommendations for relocating.

If an agency is making its own capital request for construction of a new facility or major renovation of an existing facility, the costs of furniture, fixtures, equipment, and technology are bondable expenses that should be contained within the capital request rather than as a separate agency relocation request. In such cases, requests for agency relocation funds would only be for moving expenses and for rent differential costs (which are non-bondable expenses), not for furniture, fixtures, equipment and technology.

- C. **Biennial (Operating) Budget.** A relocation request made through the biennial budget is the third method of funding relocation expenses. If it is not possible to wait for a capital budget request or reallocate internal resources, an agency may use this method. The affected agency should work with Minnesota Management & Budget to make this determination as part of presenting the agency's overall biennial budget or supplemental budget request. In this case, the request may be included as an agency operating budget initiative. MMB will consult with RECS regarding the urgency of these kinds of relocation requests.

An agency must provide the following information if it is requesting relocation funds in either the capital or biennial budget:

- Estimated cost to move and install the agency's furniture and equipment (estimates can be obtained from moving companies and from the Department of Administration's Plant Management Division).
- Estimated cost to de-install, move and re-install the agency's voice and data telecommunications wiring and equipment (including networks, routers and setup, but excluding phone sets). Please contact: If the capital project is construction of a new building or major renovation to an existing facility, the costs for acquisition and installation of furniture, fixtures, equipment and technology are usually bondable and should be included in the capital bonding request rather than the relocation request.
- Estimated cost to move and install special equipment such as mainframe computers, mail sorters, vaults, large copiers, and associated wiring. Special moving companies may have to be contacted to obtain estimates for moving special equipment if there are unusual requirements that cannot be met by a general moving company.
- Estimate of additional space needs from what the agency currently occupies. Contact RECS for assistance. RECS will calculate the rent differential based on the agency's anticipated space needs. The agency relocation fund will only fund an agency's rent differential through the end of the biennium in which the agency moves. The agency must fund its rent differential from then on. Agencies should not assume that their base budget will be increased during the biennial budget process through an "automatic" adjustment to pay the differential.
- A copy of the memo from MN.IT approving the agency's information technology and telecommuting plans. Refer to Appendix 4 for information regarding MN.IT's requirements for information technology and telecommuting plans.

Purchases Using Relocation Funds

Once the Legislature has appropriated agency relocation funds, or the agency has reallocated funds for that purpose, the agency is responsible for ensuring that the use of funds is in compliance with state encumbering and purchasing requirements.

Purchases using relocation funds are subject to authority for local purchase (ALP) policies and procedures. If the agency does not have ALP and certified purchasing employees, then the Department of Administration's Materials Management Division will conduct the purchasing function as appropriate.

All purchases must be encumbered prior to incurring the obligation. As a result, extra processing time may need to be added to the agency's relocation planning schedule to ensure it has allowed time for Admin's approval to encumber the funds prior to ordering the goods and services. Items not budgeted for in the initial relocation budget will not be paid for out of agency relocation funds.

1. Staff from the Department of Administration's divisions of Financial Management and Reporting (FMR) and RECS will meet with agencies to set up the proper security and

account codes that the agency will use to process purchase requests using agency relocation funds.

2. Purchases for goods or services should be entered in SWIFT by the agency. The agency must provide a purchase justification and identify from which budget category the purchase is to be taken in the purchase order notes screen in SWIFT. An e-mail request with the purchase order number must go to the Department of Administration's FMR and RECS divisions for approval. The purchase request, if appropriate, will be approved to status 429 (all approvals complete), which will allow for further processing in SWIFT to status 441 (order/change printed) by the agency.
3. After the agency receives the goods or services and is satisfied, the agency should process the invoice through the SWIFT 3-way match to an approval status of 624 (awaiting payment approval). The agency then faxes a copy of the invoice to FMR and RECS for approval. When approved, the agency will be notified that it can complete the payment process. Agencies are responsible for keeping records and documents on all purchases.

Please note that the process described above is currently under review by the Department of Administration to ensure proper control over uses of relocation funds. They will notify state agencies of any changes.

Agencies that have questions regarding the policies in this appendix or need further assistance should call Real Estate and Construction Services at (651) 201-2550.

APPENDIX 4 - INFORMATION TECHNOLOGY OFFICE SPACE REQUEST AND TELECOMMUTING PLANS

MN.IT Services is required to review and approve state agency information technology plans before agency requests for office space are submitted to the Legislature (Minnesota Statutes 16B.335, subd. 5 and 6). State agencies requesting capital funding for office space such as a new building (new construction or acquisition of an existing building), renovation/remodeling or relocation are required to prepare and submit the plan and receive MN.IT approval. A copy of the approval memo from MN.IT must be included in the predesign package or the relocation request document submitted to the Department of Administration.

As explained in MN.IT's guidelines, the objective of the information technology plan and review is to help state agencies provide services to customers in an expeditious and efficient manner. Agencies are also expected to use information technology to address three legislative goals:

1. Reduce the need for office space,
2. Decentralize operations, and
3. Deliver services electronically.

The purpose of the MN.IT information technology plan review process is to assist agencies to improve and expand current use of technology when relocating or building a new office facility. A comprehensive information technology plan includes technologies that could impact these legislative goals.

For example, information technology projects could impact office space allocations for computer equipment rooms and information storage and file areas if agencies automate manual processes and reduce storage of paper records. Also, the total amount of office space needed may be reduced if agencies plan to decentralize operations or provide services electronically and then initiate projects to support those activities.

Requirements for the Information Technology Office Space Request

MN.IT specifies six requirements for an agency's information technology plan – office space request. The six requirements are restated here in capsule form.

1. One-Page Building or Relocation Summary

Agencies should provide a one-page summary of the capital building or relocation request.

2. Description of Executive Leadership

Agencies should identify an executive with the responsibility, authority and accountability to manage the implementation of this information technology plan.

3. Description of the Telecommunications Network

Agencies should prepare a one- to two-page comprehensive description of current and future business communications needs. Agencies should also prepare a high-level description of the telecommunications network needed to support their business communications needs.

4. Description of Information Resource Technologies

Agencies should prepare a comprehensive description of which information resource technologies would be used to accomplish the three legislative goals, and how the information technologies meet these goals to:

- Reduce the need for office space
- Decentralize operations
- Deliver services electronically

5. Implementation Plan

Agencies should prepare and provide an information technology implementation plan for installing new or existing technology in the new facility. This plan should also provide for information security and continuity of operations.

For more information and resources on IT security, please visit the [IT Security section of MN.IT's web site](http://mn.gov/mnit/programs/policies/security/) at <http://mn.gov/mnit/programs/policies/security/>.

6. High-Level Technology Model

Agencies should prepare a high-level technology model for the building or relocation project that describes the hardware processors, network links and operating software.

The information technology plan should be prepared simultaneously with the relocation or building request (or predesign document) and sent to the MN.IT by the following dates:

Due Dates: Relocation -- August 14, 2015; Building/Remodeling -- September 11, 2015

Agencies should also distribute the completed information technology plan to building architects and designers as input for predesign or relocation planning.

Agencies can submit their information technology plan electronically via e-mail to your agency's CIO.

Requirements of the Telecommuting Plan

MN.IT is also required to review state agency telecommuting plans or statements of non-practicality before agency requests for capital funding for office space are submitted to the legislature (M.S. Sec. 16E.05, subdiv. 3). State agencies requesting capital funding for office space such as a new building (new construction or acquisition of an existing building), renovation/remodeling, or relocation are required to prepare and submit either the plan or statement for review. A copy of the review memo from MN.IT must be included in the predesign package or the relocation request document.

The purpose of the MN.IT telecommuting plan review process is to encourage, support and assist state agencies in implementing telecommuting programs. The goals of state agency telecommuting programs could include obtaining business benefits and using office space more efficiently. Ultimately, telecommuting could reduce the amount of office space required for state agencies.

MN.IT identifies seven requirements for the telecommuting plan (six additional optional components are not listed here):

1. Executive Sponsor

Agencies should identify an executive sponsor who has the authority and responsibility to initiate, fund and support a telecommuting program and to approve the agency-wide telecommuting policy and telecommuter understanding. Include the name and title of the executive sponsor for the program.

2. Steering Committee

Agencies should establish a telecommuting steering committee that advises the executive sponsor and managers on telecommuting issues, defines the program, and provides ongoing direction for the program. Include the name of the committee and the chairperson, and the name, title and division name for each of the members.

3. Agency-Wide Telecommuting Policy

Agencies should establish an agency-wide telecommuting policy that documents the agency position on telecommuting issues. The agency policy should incorporate the statewide telecommuting policy. (Note that many telecommuting policy and program decisions depend on the number of telecommuting days per week or per month that an individual is telecommuting. For example, an ergonomic chair might be provided for an individual who telecommutes 2 or 3 days per week, but not if telecommuting 2 or 3 days per month.) Include a copy of the agency-wide telecommuting policy.

4. Agency-Wide Telecommuter Understanding

Agencies should establish an agency-wide telecommuter document of understanding form that describes the specific understandings between the individual telecommuter, the supervisor and the unit manager. Include a copy of the agency-wide telecommuter document of understanding form.

5. Description of the Telecommuting Program

Agencies should prepare a description of a proposed pilot program, or the permanent program if a pilot has been completed. As a reminder, agencies are required to "...develop a plan for increasing telecommuting by employees who would normally work in the building..."

The description of the telecommuting program should describe how the agency would meet the statutory requirement. In addition, the description should include the items listed below:

Pilot Program	Permanent Program
<ul style="list-style-type: none"> ▪ Business goals ▪ Types of jobs/work ▪ Length of pilot and dates ▪ Number of divisions and telecommuters ▪ Training including policies, home safety and technology 	<ul style="list-style-type: none"> ▪ Results of pilot program ▪ Business goals for permanent program ▪ Responsible organization and coordinator name ▪ Number of divisions and telecommuters ▪ Types of jobs/work ▪ Training including policies, home safety and technology

Agencies should provide MN.IT with a description of the telecommuting program.

6. Description of Supporting Technology

Agencies should prepare a description of the supporting technology required at the central office site and at homes to support telecommuting. The description should include voice, data and video. Technology decisions also depend on the number of telecommuting days per week or per month that an individual is telecommuting.

For example, a home computer or a second telephone line might be provided for an individual who telecommutes 2 or 3 days per week, but not if telecommuting 2 or 3 days per month. This description should include the types of end user computing equipment both in the central office and the home, remote access capability including security policies, and the training and support plan. An implementation plan should be provided showing tasks, resources and dates for telecommuting technology. This plan may be a simple list of high-level tasks with due dates or a complex event network showing prerequisites, tasks, and schedules.

Agencies should provide MN.IT with the description of the supporting technology and an implementation plan for supporting technology.

7. Statement of Impact on Utilization of Office Space and Building Requirements

Agencies should prepare and include a statement indicating how the telecommuting program would impact utilization of office space and building requirements. The statement should include the specific actions taken within the telecommuting pilot or permanent program and the estimated effects of those actions on utilization of office space and building requirements. This statement may apply to an existing pilot program or to a planned future program.

Agencies should also provide a statement to MN.IT that describes the actions taken within the telecommuting program and the impacts of those actions on utilization of office space and building requirements.

MN.IT suggests that agencies prepare the telecommuting plan simultaneously with the relocation or building request (or predesign document) and send it to the MN.IT by the dates below:

Due Dates: Relocation -- August 14, 2015; Building/Remodeling -- September 11, 2015

Requirements for a Statement of Non-Practicality

A telecommuting program may not be practical or feasible for organizations or individual state office building projects in some cases. The non-practicality or lack of feasibility of a telecommuting program depends on several factors, for example, the agency mission and the types of jobs that are performed in the new facility. If this situation occurs, agencies should prepare a statement of non-practicality as a substitute for the telecommuting plan. The statement of non-practicality must describe the reasons why telecommuting is not practical for employees who would normally work in the new facility. (The same due dates of August 14, 2015 and September 11, 2015 apply to this statement.)

The telecommuting plan or statement of non-practicality can be submitted electronically via e-mail to your agency's CIO.

APPENDIX 5 - USE OF GENERAL OBLIGATION BOND PROCEEDS

All requests for state general obligation bonding appropriations must comply with constitutional provisions regarding definitions of eligible capital projects and the proper use of proceeds from the sale of state general obligation bonds.

The Constitution of the State of Minnesota sets parameters regarding what types of debt the state may incur and for which purposes debt may be used. Further, federal tax regulations governing the tax-exemption of the state's bonds place certain use restrictions on property financed with the bonds. In general, state general obligation bond proceeds can only be used for capital projects that meet a public purpose and that are public facilities owned by public entities. Private parties and non-public organizations are not eligible to receive state general obligation bond proceeds.

The following link contains legal opinions and memoranda from the state's bond counsel regarding what project expenses are eligible for state general obligation bond financing.

http://www.mn.gov/mmb/treasury-bonding/capital-projects/legal_information/index.jsp

APPENDIX 6 - CAPITAL GRANTS AND USE AGREEMENTS

Bonding bills provide funding from state general obligation bond proceeds for land acquisition, construction and improvements to facilities owned by state agencies and public higher education institutions. In recent years, many non-state projects have also received bond funding. Political subdivisions that are considering a state capital request must be aware of the state constitutional and statutory requirements as summarized in this appendix.

Non-profit and other private organizations often seek appropriations from general obligation bond proceeds for construction or remodeling of capital facilities. However, the Minnesota Constitution does not allow for general obligation bond proceeds to be appropriated directly to non-public organizations. The Constitution states that *“Public debt may be contracted and works of internal improvement carried on for the following purposes...”* [including] *“...to acquire and to better public land and buildings and other public improvements of a capital nature and to provide money to be appropriated or loaned to any agency or political subdivision of the state for such purposes...”*.

Non-public organizations are not eligible to receive state general obligation bond proceeds directly. State general obligation bond proceeds may only be used for projects of this type if the bond proceeds are appropriated to a political subdivision that, in turn, engages the non-public organization to operate a governmental program in the state-financed facility. In this situation, political subdivisions must operate a public program managed by a non-public organization in a facility funded by general obligation bond proceeds and owned by the political subdivision.

In the 1990's Minnesota Management & Budget (MMB), then known as the Department of Finance, recognized the need to better communicate the circumstances under which non-public organizations could benefit from capital facilities built or improved through the use of state general obligation bond proceeds. M.S. Sec. 16A.695 provides some guidelines on the use of bond proceeds for projects benefiting non-public organizations.

This statute established requirements for the use of state general obligation bond proceeds by non-public organizations, and it also specifies requirements related to the sale of property financed by state general obligation bond proceeds. As required by the statute, the Commissioner of MMB executed an Order relating to use and sale of state bond financed property on July 14, 1994, which has since been amended. A link to the webpage with the amended Commissioner's Order appears at the end of this Appendix.

State agencies and political subdivisions that receive appropriations of general obligation bond proceeds to be utilized by non-public organizations, or that expect to sell property that was financed in whole or in part by general obligation bond proceeds, should review the Order in its entirety and consult with their legal advisors about its provisions. Non-public organizations should also review the Commissioner's Order to understand the requirements that apply to state bond financed capital projects.

The main points contained in the Commissioner's Order include the following:

- State general obligation bonds can be issued only to finance publicly owned land, buildings or improvements to be used to conduct governmental programs of the state or its political subdivisions.

- “State bond financed property” means property acquired or bettered in whole or in part with the proceeds of state general obligation bonds.
- A use contract between a public agency and a non-public party can be entered into only for the express purpose of carrying out a governmental program established by law and authorized by official action of the contracting public officer or agency.
- The use contract must provide for ongoing program oversight by a public officer or agency, which includes the right of termination, and must be approved by the Commissioner of MMB.
- Certain requirements apply to the sale of state bond-financed property and associated reimbursements to the State of Minnesota.
- There are additional legal requirements that can only be understood by reviewing the Commissioner’s Order in its entirety and consulting with agency legal advisors.

Please note that the above information is only a brief and summarized version of the [Commissioner’s Order](#). MMB strongly encourages all interested parties to read the complete Order at http://www.mn.gov/mmb/treasury-bonding/capital-projects/grant_agreements/ to obtain a full understanding of all applicable requirements.

APPENDIX 7 - STATE ACCOUNTING POLICIES AND PROCEDURES

This appendix relates accounting policies and procedures that apply to processing capital appropriations in SWIFT after the projects have been authorized by the Legislature. Policies reprinted here include instructions to state agencies for processing appropriation entry forms, documenting compliance with associated matching requirements, proper steps for preparing and receiving approval for use agreements, and grant program funding review requirements.

MMB encourages agencies and grantees to review these policies so that the specific capital budget requirements that will apply to their authorized projects are understood in advance.

0302-01 [Capital Budgets](#)

<http://www.mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-3/0302-01-capital-budgets-policy.pdf>

0308-01 [Moving and Relocation Expense for Capital Projects](#)

<http://www.mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-3/0308-01-capital-project-moving-expense-policy.pdf>

0302-01 [Capital Appropriations](#)

(<http://www.mn.gov/mmb/images/capital-budgets-0302-01.pdf>)

0302-02 [Capital Appropriations with Matching Requirements](#)

(<http://www.mn.gov/mmb/images/Capital-Appropriations-with-Matching-Requirements.pdf>)

0302-03 [Capital Appropriations with Other Legal Requirements](#)

(<http://www.mn.gov/mmb/images/Capital-Appropriations-with-Other-Legal-Requirements.pdf>)

0302-04 [Capital Appropriations with Program Funding Review Requirements](#)

(<http://www.mn.gov/mmb/images/Capital-Appropriations-With-Program-Funding-Review-Requirements.pdf>)