Capital Improvements

State agencies maintain buildings of various agencies all over the state. Given the financial commitment the state's facilities demand, expenditure requests for capital projects are made in a distinct process within the budget cycle. The state gives priority to maintaining its existing facilities before considering new construction. Other criteria for assessing the priority of capital projects include safety for state employees and visitors, compliance with prevailing building codes, modifications to enhance accessibility for the disabled, physical modifications caused by program changes, and cost effectiveness. Most projects are funded through direct appropriations from dedicated capital funds, as well as the State General Fund and other special revenue or federal funds. The use of revenue bonds for financing capital projects is also an option.

Overview of Capital Improvement Process

Agencies requesting expenditure authority for capital projects submit a five-year facilities plan each July 1, consisting of the forthcoming fiscal year and the following four years. Capital projects are reviewed by the Division of the Budget for development of the Governor's recommendations. They are also reviewed by the Kansas Legislative Research Department as well as the Office of Facilities and Procurement Management within the Department of Administration which provides technical support to the State Building Advisory Commission, an Executive Branch body responsible for reviewing the cost estimates and technical aspects of projects.

State agencies requesting funding for capital improvement projects must submit a copy of the summary five-year capital budget plan (DA 418A) and project request explanation (DA 418B) to the Division of the Budget, one copy to the Office of Facilities and Procurement Management for the State Building Advisory Commission, and one to the Kansas Legislative Research Department for the Joint Committee on State Building Construction. State statute specifies a deadline of July 1.

Contact the Division of the Budget (296-2436) with any questions about these instructions or completion of the forms. Questions about project cost estimates and project phasing should be addressed to the Office of Facilities and Procurement Management (Design, Construction and Compliance) within the Department of Administration (296-8899).

Agencies should use the following categories when requesting capital projects:

1. **New Construction and Additions:** all new construction and building additions;

2. **Remodeling:** all major projects that substantially change the existing structure and its uses;

3. **Acquisition:** the purchase of an existing facility;

4. **Razing:** the demolition of existing structures; and

5. **Rehabilitation and Repair:** routine, major, or emergency maintenance; restoration; replacement of fixed equipment; energy conservation; requests related to compliance with the Americans with Disabilities Act (ADA); and code compliance projects as well as projects needed to meet program requirements.

The first four categories require a separate line item appropriation for each project. The final category is a single line item appropriation with discretion given to the agency as to the most immediate need for the funds.

Debt Service

Capital improvements can be financed through a direct appropriation of funds or debt financing. Budgeting through debt financing can be complicated because, in the accounting system, one set of funds and account codes is used for budgeting purposes and another set for the bond-related transactions of the Kansas Development Finance Authority (KDFA). KDFA, which is responsible for overall administration of the debt, uses mostly enterprise funds (5XXX) and capital project funds (8XXX) in the accounting system. The overall debt obligation is paid off using several sources of revenue, such as investment earnings on the bond proceeds that KDFA manages. The main source, however, is the amount for debt service that agencies include in their budgets. These instructions apply only to the funds that are used to pay the portion of the debt service that comes from agency budgets. Debt service for capital budgeting purposes does not include bond proceeds or payments to contractors.

Accordingly, agencies should use the following expenditure account codes for debt service payments on capital projects (1) to enter their debt service estimates into the budget system and (2) for coding vouchers that make debt service payments from the State General Fund or any special revenue fund.

772100	Other Payments and Charges for Debt Service—Principal
772110	Other Payments and Charges for Debt Service—Interest
772120	Other Payments and Charges for Debt Service—Arbitrage

The principal portion of the debt service payment is a capital expenditure, because only that portion constitutes a capital asset when the debt is retired. Interest and arbitrage payments are operating expenses, and for budgeting purposes these expenditures are reportable. Agencies should use the amount identified by KDFA as principal (772100) to be paid from budgeted debt service funds and code the remainder of those budget funds as interest (772110). To avoid duplicating expenditures, 51XX and 56XX funds are treated as reportable and all other 5XXX funds are non-reportable. The three building funds, the Educational Building Fund (8001), the State Institutions Building Fund (8100), and the Correctional Institutions Building Fund (8600), are reportable, but all other 8XXX funds are non-reportable for budgeting purposes.

For bonds to be issued in FY 2015, agencies should budget estimated debt service payments for FY 2016 and/or FY 2017 and explain that these amounts are estimated.

For budgeting purposes, the Facilities Conservation Improvement projects through the KCC's program constitute debt service payments on capital improvements. Agencies should use the following account codes for debt service payments on these projects:

542100	Facilities Conservation Improvement Program—Principal—Buildings and Improvements—Capital/Inventory
542110	Facilities Conservation Improvement Program—Interest—Buildings and Improvements—Capital/Inventory

Instructions for Preparing DA 418B Forms

A Project Request Explanation (DA 418B) must be prepared for every project proposed in all years of the plan period. Projects proposed for the out years need not be described to the same extent as projects proposed for the budget year. However, the incorporation of out-year projects in an agency's five-year capital improvement plan implies that the agency has given serious consideration to the eventual need for each project. An out-year project should be explained sufficiently so that it can be considered for approval during the plan period. Following are instructions for completing the DA 418B.

In Item 1, enter the project title using terminology suitable for an appropriation title. Care should be exercised in the choice of terminology to assure the title clearly reflects the nature and scope of the proposed project. Also in Item 1, enter the agency name.

In Item 2, enter the priority designation(s) assigned to the project. Projects proposed by umbrella agencies, such as institutions under the jurisdiction of the Board of Regents, are to be assigned both an agency priority and a system priority. The system priority is to reflect the assigned status of the project in relationship to all projects requested for the entire system. For example, if all institutions under the jurisdiction of the Department for Aging & Disability Services collectively have proposed 50 projects over the period, then the system priority designations would range from 1 to 50. Accordingly, a state hospital might assign a priority of 3 to a particular project while the Department might assign a priority of 10 to the same project. In this instance, the appropriate designation to be placed in Item 2 would be "A3-S10," with the A designating agency and the S designating the system.

In Item 3, provide a description of and a justification for the project. All projects should be explained as thoroughly as possible. For example, in the case of the proposed construction of a classroom building, the description should indicate the number of teaching and student stations in classrooms and laboratories, the type of utility systems, and the estimated gross and net usable square feet of the structure. Also, provide an analysis of the alternative means by which the space needs could be satisfied. In the case of a project to re-roof a building, the description would include information about the type of roof to be provided and the number of squares of roof to be replaced. The forecasted effect of projects on an agency's operating budget must be clearly noted and explained. Examples may include additional utilities and maintenance costs attributable to new space. If the project constitutes only one phase of a larger project, this information should be included in the project description. If the project request is for rehabilitation and repair of existing facilities, any part of the request that is for ADA purposes is to be explained and its cost identified separately.

Agencies should not feel constrained in their justification for a project by the space on the DA 418B. If additional space is needed, continue the narrative on a separate sheet of paper. A complete written program statement must be provided for any project proposed for the budget year that will require the services of a project architect or engineer.

In Item 4, enter the cost of each of the following major components of the proposed project:

1. **Construction.** This includes the cost of construction, site work, and the cost of fixed equipment built into the project.

2. **Architect or Engineer Fee.** This includes the costs for preliminary planning (schematic design and design development), final planning (construction documents), bidding services, and construction administration services. When estimating project architect or engineer fees, the fees should be calculated on the basis of the fee schedule included in

KSA 75-1263. The fees are subject to the guidelines set forth in the "A/E" Fee guidelines in Chapter 5 of the current edition of the Department of Administration's, Office of Facilities and Procurement Management, Building Design and Construction Manual. The guidelines take into account cost, complexity, type of work and services required of the architect or engineer.

3. **Moveable Equipment.** This is a cost estimate for capital outlay equipment, which must be purchased to place the facility in operation. Included in this category is all equipment not built into the actual structure.

4. **Project Contingency.** This is the amount included in the project cost to finance unforeseen occurrences during the construction phase.

5. **Miscellaneous Costs.** These are costs other than those included in Items 1-4 associated with the project. These costs include land acquisition, site survey, subsoil investigation, printing and mailing of plans and specifications, consultant and design services, and construction management services permitted by KSA 75-1265. In addition, this item includes the fees charged for architectural, engineering, or management services provided by the Department of Administration for capital improvement projects, currently a fee ranging from .5 percent to 2.0 percent depending on the complexity and services provided. An additional negotiated fee is charged on projects for which the Office of Facilities and Procurement Management provides architectural and engineering design services.

In Item 5, the estimated total project cost reflected in Item 4 should be broken down into three major phases: preliminary planning, final planning, and construction. Not all projects will include costs for each project phase.

1. **Preliminary Plans.** This phase includes the costs of preparing preliminary plans (schematic design and design development) for the project based on 35.0 percent of total architect or engineer fees attributable to the entire project. This amount includes miscellaneous costs that will be incurred during this phase of a project. Examples would be costs for a site survey, subsoil investigation, etc.

2. **Final Plans.** This phase includes costs attributable to the services of a project architect to develop detailed plans (construction documents). This amount is 45.0 percent of the architect or engineer fee for the entire project. Of the total amount, 5.0 percent is the portion of the architect or engineer fee for bidding services and all miscellaneous costs that will be incurred during this phase.

3. **Construction.** This phase includes costs attributable to construction of the project (or remodeling, renovation, or rehabilitation and repair). In addition, this amount should include miscellaneous and other costs that will be incurred during this phase of a project. For example, this would include costs for the remaining 20.0 percent portion of the architect or engineer fee for construction administration and costs for acquisition of moveable equipment, etc.

With respect to Items 4 and 5, agencies should submit a separate sheet, labeled appropriately, which provides additional information concerning the estimated project cost and the manner in which this cost has been broken down into the three project phases. Examples of the type of information that should be provided include the cost per gross square foot and any inflation assumptions used in generating the project estimate. If the project is a roof project, the cost per square of roofing is provided. Also, a breakdown of the architect's fee and

miscellaneous costs and how these costs have been reflected in the project phases should be provided.

Item 6, enter in the appropriate column the amounts necessary to show the total cost of the project by funding source. If the project will be financed from sources other than the State General Fund, the amounts should be placed in Columns 2 through 5, with the columns labeled with the proper funding source. The fiscal year in which the cost of the proposed project would be incurred should be entered on a fiscal year line. If the total cost is to be incurred in a single year, then only the appropriate fiscal year should be entered. For those projects that require multi-year financing, one DA 418B form should be prepared. The form must indicate the fiscal year in which the initial funding of the project is proposed. If multi-year financing is requested, the appropriate fiscal years should be entered. If a major project is proposed to extend beyond the five-year plan period, financing for subsequent fiscal years should also be shown. An entry on the prior year's line should be made only if an appropriation has been made for any fiscal year prior to the current year. Current year, budget year, and subsequent fiscal year expenditures are noted separately.

Instructions for Preparing DA 418A Forms

The DA 418A provides a summary of all projects proposed for the five-year planning period and should have every project listed for which a DA 418B was prepared. The Five-Year Capital Budget Plan should include projects for which financing has already been provided but additional expenditure authority is needed. Instructions for the DA 418A are detailed below.

1. **Project Title.** Enter in this column the title of each project proposed for the plan period as it appears on the DA 418B. The projects must be listed in numerical order in accordance with the agency priority that has been assigned to each project.

2. **Estimated Project Cost.** Enter in this column the estimated cost for each project. For those projects to be financed over more than one year, the estimated project cost should represent the total cost of the project.

3. **Prior Fiscal Years.** An entry in this column should be made for any project that has funds already approved prior to the current fiscal year. In this way, proposals for additional expenditure authority can be evaluated in the context of the total project.

4. **Current Fiscal Year.** This column will contain all estimated current year expenditures for each project request. Any supplemental appropriation requests for capital projects must also be noted here.

5. **Five-Year Plan.** Enter in the appropriate column the fiscal years(s) for which funding of each project for the plan period is proposed. In the case of projects recommended for multi-year financing, an entry will be made for each applicable fiscal year.

6. **Subsequent Years.** Depending on the proposed timing of a major project for which multi-year financing is recommended, funding for a project could extend into fiscal years beyond the limit of the plan period. While these fiscal years will be identified on the project's DA 418B, for purposes of the DA 418A all funding for fiscal years beyond the limit of the plan period should be totaled and the sum entered in this column.

After making appropriate entries in columns on the DA 418A, all amounts should be added down to reflect fiscal year totals.

Project Request Explanation--DA 418B

1. Project Title:	2. Project Priority:
Agency: Department of Wildlife, Parks & Tourism	1

3. Project Description and Justification:

The agency is requesting funds to continue replacement of a galvanized water main which was installed by the Corps of Engineers in the early 1970s. It has become a high maintenance item, as the metal pipe has rusted through, requiring excessive staff resources, time, and equipment expense to locate and repair leaks. It will be only a few years until the total line is rusted to the point where maintenance or repair will be impossible. Therefore, before this happens, it is essential that the old line be removed and a new line installed.

Preliminary and final planning for the project was conducted in FY 2013, Phase I was completed in FY 2014 at a cost of $37,924. This phase replaced the section of the water main from the treatment facility to campground A.

Phase II will be completed in FY 2015 at a cost of $102,076. This phase will replace the water main leading to campgrounds B, C, E, and G.

Phase III will be completed in FY 2016 and will replace the remaining sections of the water main, which lead to campgrounds D and F. The cost for this phase will be $36,000. There will be no requests for additional funds for operating expenditures as a result of the project.

4. Estimated Project Cost:		5. Project Phasing:	
1. Construction (including fixed equipment and sitework)	149,000	1. Preliminary plans (including misc. costs)	2,993
2. Architect or engineer fee	11,970	2. Final plans (including misc. and other costs)	6,583
3. Moveable equipment	3,210	3. Construction (including misc. and other costs)	166,424
4. Project contingency	8,550		
5. Miscellaneous costs	3,270		
Total	$ 176,000	**Total**	$ 176,000

6. Amount by Source of Financing:

Fiscal Years	1. SGF	Land/Water 2. Cons. Fund				Total
Prior Years	32,924	5,000				37,924
FY 2015	67,076	35,000				102,076
FY 2016	18,000	18,000				36,000
FY 2017						--
FY 2018						--
FY 2019						--
FY 2020						--
Subsequent Years						--
Total	118,000	58,000	$ --	$ --	$ --	176,000

Project Request Explanation--DA 418B

1. Project Title:	2. Project Priority:
Agency: Department of Wildlife, Parks & Tourism	2

3. Project Description and Justification:

The agency is requesting funds to continue to build an addition to the existing headquarters building in the River Pond area at Glen Elder State Park. The existing space does not meet state criteria for working space for the number of employees working out of the office. Employees using the office include the manager, rangers, clerical support staff, and workers involved in the Green Thumb program. Moreover, additional space is required for record storage associated with permit sales and informational materials. The requested addition would provide 5,800 square feet of office space, including a conference room for meetings with highway engineers and contractors involved in park construction projects and programs for camping groups related to park information and promotion. Existing office space would be converted to enlarge the current maintenance area work space.

For FY 2015, $50,000 had been approved for the project. These funds will be used for planning and construction of the additional office space. The $30,000 requested for FY 2016 will be used to construct the conference room and storage space.

The project qualifies for matching funds under the Federal Land and Water Conservation program.

4. Estimated Project Cost:		5. Project Phasing:	
1. Construction (including fixed equipment and sitework)	72,433	1. Preliminary plans (including misc. costs)	1,000
2. Architect or engineer fee	4,000	2. Final plans (including misc. and other costs)	2,200
3. Moveable equipment		3. Construction (including misc. and other costs)	76,800
4. Project contingency	2,000		
5. Miscellaneous costs	1,567		
Total	$ 80,000	**Total**	$ 80,000

6. Amount by Source of Financing:

Fiscal Years	1. SGF	Land/Water 2. Cons. Fund				Total
Prior Years						--
FY 2015	25,000	25,000				50,000
FY 2016	15,000	15,000				30,000
FY 2017						--
FY 2018						--
FY 2019						--
FY 2020						--
Subsequent Years						--
Total	40,000	40,000	$ --	$ --	$ --	80,000

Project Request Explanation--DA 418B

1. Project Title:	2. Project Priority:
Agency: Department of Wildlife, Parks & Tourism	3

3. Project Description and Justification:

The agency is requesting funds to drill a new well to be used for public water supply at Prairie Dog State Park in FY 2017. There are two existing wells which provide drinking water and water for the shower facilities used by the public. One of the existing wells does not provide a consistent water supply during late summer when the water table is low. The new well would be drilled approximately 1/4 mile east of the existing well and would be drilled deeper to reach a more reliable water bearing stratum. The project includes a new force main and water lines connecting the new well with the existing water supply system.

Preliminary and final planning will be done by agency staff avoiding any architect fee costs for the project. The project will qualify for a match from the Federal Land and Water Conservation Program.

4. Estimated Project Cost:		5. Project Phasing:	
1. Construction (including fixed equipment and sitework)	7,235	1. Preliminary plans (including misc. costs)	
2. Architect or engineer fee	1,367	2. Final plans (including misc. and other costs)	
3. Moveable equipment	500	3. Construction (including misc. and other costs)	10,000
4. Project contingency			
5. Miscellaneous costs	898		
Total	$ 10,000	**Total**	$ 10,000

6. Amount by Source of Financing:

Fiscal Years	1. SGF	Land/Water 2. Cons. Fund				Total
Prior Years						--
FY 2015						--
FY 2016						--
FY 2017	5,000	5,000				10,000
FY 2018						--
FY 2019						--
FY 2020						--
Subsequent Years						--
Total	5,000	5,000	$ --	$ --	$ --	10,000

Project Request Explanation--DA 418B

1. Project Title:	2. Project Priority:
Agency: Department of Wildlife, Parks & Tourism	4

3. Project Description and Justification:

The agency has determined that it is necessary to begin a systematic program of rehabilitation and repair starting in FY 2016. Most of the facilities at the state parks were constructed in the late 1970s and early 1980s. As a result the age of the facilities makes routine repairs a necessity.

A list and short description of the projects will be included in next year's capital improvement request. Typical rehabilitation and repair items will include renovation of shower facilities, replacement of water treatment equipment, replacement of sewage pumps, and control of shoreline erosion.

4. Estimated Project Cost:		5. Project Phasing:	
1. Construction (including fixed equipment and sitework)	500,000	1. Preliminary plans (including misc. costs)	
2. Architect or engineer fee		2. Final plans (including misc. and other costs)	
3. Moveable equipment		3. Construction (including misc. and other costs)	500,000
4. Project contingency			
5. Miscellaneous costs			
Total	$ 500,000	**Total**	$ 500,000

6. Amount by Source of Financing:

Fiscal Years	1. SGF	Land/Water 2. Cons. Fund				Total
Prior Years						--
FY 2015						--
FY 2016	50,000	50,000				100,000
FY 2017	50,000	50,000				100,000
FY 2018	50,000	50,000				100,000
FY 2019	50,000	50,000				100,000
FY 2020	50,000	50,000				100,000
Subsequent Years						--
Total	250,000	250,000	$ --	$ --	$ --	500,000