

# FY 2014-15 Supplemental Capital Construction Request

## Agriculture

### Department Office Consolidation (COP Payments)

**Motion:** Approve the supplemental request from the Department of Agriculture for cash funds spending authority to make the FY 2014-15 annual lease payments on behalf of the Department Office Consolidation project (\$528,063 CF).

## GENERAL INFORMATION

2016-003

### 1. Which supplemental criterion does the request meet?

Technical

Certificates of participation (COPs) must be repaid through appropriated annual lease payments. House Bill 13-1234, which authorized COPs on behalf of the Department Office Consolidation project, reiterates this requirement, as follows: "the lease-purchase agreement ... shall provide that all of the obligations of the state under the agreement shall be subject to the action of the General Assembly in annually making moneys available for all payments thereunder."

### 2. Which projects will be restricted to fund the supplemental request?

An emergency restriction is not required because the payments are made through cash fund sources.

### 3. Has the request been approved by OSPB and CCHE?

Yes

## PRIOR APPROPRIATION AND SUPPLEMENTAL REQUEST INFORMATION

The appropriation to be amended was authorized in the following bill:

| <u>Fund Source</u> | <u>Prior Appropriations</u> | <u>Supplemental Request</u> | <u>Future Requests</u> | <u>Total Cost</u> |
|--------------------|-----------------------------|-----------------------------|------------------------|-------------------|
| CF                 | \$0                         | \$528,063                   | \$0                    | \$528,063         |
|                    | \$0                         | \$528,063                   | \$0                    | \$528,063         |

## REASON FOR SUPPLEMENTAL REQUEST

The Department of Agriculture is requesting cash funds spending authority to pay the second of 21 annual lease payments on behalf of its Department Office Consolidation project. COPs were sold on behalf of the project in December 2013. Authorization for the department's first lease payment for FY 2013-14 was granted through the 2013 Long Bill; however, the department did not seek spending authority during the 2014 legislative session for the ensuing FY 2014-15 payment. Since that time, various stakeholders have informed the department that it must seek separate FY 2014-15 cash funds spending authority for its upcoming lease payment.

The department will seek FY 2015-16 cash funds spending authority through the regular budget submittal and review process.

## SUMMARY OF PROJECT

The COP issuance financed the purchase of a new building in Broomfield in order to consolidate the department's Denver Metro area offices in a single facility. The office consolidation affects all of the divisions within the department, with the exception of the Colorado State Fair, which is located in Pueblo. Prior to the office

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consolidation, the department, which consists of eight divisions, occupied five separate facilities, including two state-owned facilities and three leased offices in the Denver Metro area. One division, the Inspection and Consumer Services Division, will not move into the new facility until 2016, following the construction of a biochemistry and metrology laboratory.

The total repayment cost to the state, based on a principal amount of \$7.1 million, is \$9.0 million.

**Legislative authorization.** Sections 24-82-102 (1)(b) and 24-82-801, C.R.S. require that before a lease-purchase agreement can be executed, it must be specifically authorized by a bill other than the annual general appropriations bill or a supplemental appropriations bill. House Bill 13-1234 authorized the COP issuance and granted the State Treasurer the authority to enter into lease-purchase agreements for a period of up to 20 years and a cost of \$6,566,512, plus reasonable and necessary administrative, monitoring, and closing costs and interest.

**Source of cash funds.** The source of cash funds to make the lease payments is five existing cash funds managed by the department. The fund balances are annually assessed a set percentage in order to pay a share of the COP costs. For FY 2014-15, each fund was charged 4 percent of its balance. No new fees were required in order to support the additional expense.

**Average annual payments.** The average annual payment for the remaining payment schedule is \$445,900.

## QUESTIONS / OUTSTANDING ISSUES

None.