

LONG-RANGE CAPITAL PLANNING COMMISSION

*Project Submittal and Evaluation
Guidelines for Capital Outlay
Requests*



Division of Capital Assets Management
Office of Management and Enterprise Services

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I. Introduction

The State of Oklahoma's Capital Improvements Plan and Annual Capital Budget are based on an extensive prioritization process. Project submittals are prioritized based on statewide critical objectives and strategies, legislative/agency priorities and anticipated funding sources. Project submittals are then evaluated by both the submitting agency and capital planning staff using evaluation criteria adopted by the Long-Range Capital Planning Commission.

The authority of the Long-Range Capital Planning Commission ("the Commission") and the requirements of the Capital Improvements Plan are outlined in the State Capital Planning Improvement Act ("the Act"), 62 O.S., § 900 et. seq. The administrative rules of the Commission are found in the Oklahoma Administrative Rules (OAR), Title 428.

A. Purpose

The purpose of the eight-year Capital Improvements Plan (CIP) is to systematically plan, schedule, manage, monitor and finance capital projects to ensure efficiency and conformance with State strategic goals and objectives. The Long-Range Capital Planning Commission uses the CIP to recommend capital project funding and prioritization to the State Legislature. CIP recommendations are directed by ten Guiding Principles that serve as statewide objectives for the improvement of the state's real property assets. The principles, adopted by the Long-Range Capital Planning Commission in 2014, are:

1. **Support agency missions and strategic goals** by aligning real property decisions with the agency's strategic mission.
2. **Use public and commercial benchmarks and best practices** to assess state agency asset management performance.
3. **Employ life-cycle cost benefit analyses** to justify asset management and acquisition decisions.
4. **Promote full and appropriate utilization** by operating the property asset to its maximum capacity during its useful economic life while satisfying the occupying agency's mission requirements.
5. **Dispose of unneeded assets** by redeploying, demolishing or replacing the asset when it fails to support the agency's mission.
6. **Provide Appropriate Levels of Investment** by making and prioritizing capital investment decisions, such as whether to construct, alter, repair and/or acquire space to meet changing agency needs.
7. **Accurately inventory and describe all assets** by submitting real property data at the constructed level (e.g., each building/structure within a complex).
8. **Employ balanced performance measures** to track progress toward achieving real property management objectives and enable benchmarking against public and private sector organizations.
9. **Advance customer satisfaction** by promoting productive work spaces and focusing on the tenant's needs, primarily changing space requirements.
10. **Provide for safe, secure, and healthy workplaces** by implementing standard policies and procedures, documenting asset conditions, and developing action plans and strategies to support a productive workforce.

B. Participation

The Act states that all state governmental entities as defined in 62 O.S. § 695.3 are required to participate in the CIP process, which states:

"State Governmental Entity" means the State of Oklahoma or any agency, board, commission, authority, department, public trust of which the state is the beneficiary or other instrumentality of state government, other than a public trust with the state as beneficiary whose jurisdiction is limited to one county, including, but not limited to, the following:

Oklahoma Municipal Power Authority,
Oklahoma Development Authority,
Oklahoma Industrial Finance Authority,
Grand River Dam Authority,
Oklahoma Water Resources Board,
Northeast Oklahoma Public Facilities Authority,
Oklahoma Turnpike Authority,
Oklahoma Housing Finance Authority, and
Oklahoma Public, Industrial and Cultural Facilities Authority

62 O.S. § 901 requires the Oklahoma State Regents for Higher Education to submit capital outlay requests to the Commission.

II. Evaluation Criteria

Eight criteria have been developed for project evaluation. Agencies are required to provide adequate information about each capital outlay request so that the request can be evaluated using these criteria. Agencies will use the scoring forms provided through the budget system to self-score each capital outlay request. Capital Planning staff will utilize the same criteria to evaluate and prioritize requests for inclusion in the CIP.

Criteria A - Overall Fiscal Impact

Weight: 4

Rationale: Limited resources for competing projects require that each project's full impact on the state's budget be considered in rating and evaluating projects. Projects that are self-funded or have a large proportion of external funding will receive higher ratings than those which do not.

Guiding Principles Addressed:

- #3 Employ life-cycle cost benefit analyses
- #6 Provide appropriate levels of investment

Considerations: Ratings for this factor will consider these major points:

- a. Capital cost of the project relative to all other project requests.
- b. Impact of the project on state operating costs and personnel levels.
- c. Whether the project requires state appropriations or is funded from agency, grant funds, matching funds or generated revenue.
- d. Impact on state tax revenue or fee revenue.
- e. Will external funding be lost should the project be delayed?

Illustrative Ratings:

- 5 Project requires no state funding.

- 4 Project requires less than 50% of state funding.
- 3 Project requires more than 50% of state funding, decreases operating costs and increases state revenues.
- 2 Project requires more than 50% of state funding, increases operating costs and increases state revenues.
- 1 Project requires more than 50% of state funding, decreases operating costs and decreases state revenues.
- 0 Project requires more than 50% of state funding, increases operating costs and decreases state revenues.

Documentation: Agencies should provide the following documentation, if applicable:

- a. Self-funded by revenues of the agency.
- b. Notification of grant or intent to award grant.
- c. Studies documenting operating cost savings or revenue generating capability.

Criteria B - Legal Obligations and Mandates

Weight: 4

Rationale: Some projects are virtually unavoidable due to court orders, federal mandates, or state laws that require their completion. This criterion evaluates the severity of the mandate and whether the project is possible under existing statutes.

Guiding Principles Addressed:

- #6 Provide appropriate levels of investment
- #10 Provide for safe, secure and healthy workplaces

Considerations: Ratings for this factor will consider these major points:

- a. Whether existing federal and state legislation makes this a viable project.
- b. Whether an agency is under direct court order to complete the project.
- c. Whether the project is needed to meet requirements of federal or state legislation.

Illustrative Ratings:

- 5 Agency currently under court order to take action.
- 4 Project is necessary to meet existing state requirement.
- 3 Project is necessary to meet existing federal requirement.
- 2 Prior state legislation implies need for the project.
- 1 Legislation under discussion could require the project in the future.
- 0 No legal impact or requirement.
- 1 Project requires change in state law to proceed.
- 2 Project requires change in federal law to proceed.

Documentation: Agency should supply a court order or statutory citation if applicable.

Criteria C - Impact on Service to the Public

Weight: 3

Rationale: Consideration will be given to capital projects that address health, safety, accreditation or maintenance issues as well as improved service of an agency. Service is broadly defined as the state's objective to meet the health, safety or accreditation needs of the population and/or improved operations of an existing department.

Guiding Principles Addressed:

- #1 Support agency missions and goals
- #9 Advance customer satisfaction

Considerations: Ratings for this factor will consider these major points:

- a. Whether the service is already being provided by existing agencies.
- b. Whether the project has immediate impact on service, health, safety, accreditation or maintenance needs.
- c. Whether the project focuses on a service that is currently a "high priority" public need.

Illustrative Ratings:

- 5 Service addresses an immediate public health, safety, accreditation or maintenance need.
- 4 Service is improved and addresses a public health, safety, accreditation or maintenance need.
- 3 Service is greatly improved.
- 2 Service is improved.
- 1 Service is minimally improved and addresses a public health, safety, accreditation or maintenance need.
- 0 Service minimally improved.

Documentation: Agencies should provide the following documentation, if applicable:

- a. Health, safety, accreditation or maintenance issues that need to be discussed.
- b. Documentation, estimates or forecasts on how the project will improve services.

Criteria D - Economic Impact/Job Creation**Weight: 3**

Rationale: Projects that promote full-time, private sector jobs are critical to the State of Oklahoma. Projects of this nature vitalize and contribute to the prosperity of the communities in which they are located. Projects that require additional state employees should be discouraged since they commit larger amounts of future state budgets to personnel costs.

Guiding Principles Addressed:

- #1 Support agency missions and goals

Considerations: Ratings for this factor will consider these major points:

- a. Whether high quality jobs are created or promoted by the project (e.g., minimum wage vs. skilled labor, technical or managerial).
- b. Whether the project provides employment for available, unemployed workforce.
- c. Whether the project promotes manufacturing or production type activities.
- d. Whether the project increases state employment.

Illustrative Ratings:

- 5 Meets needs of unemployed.
- 4 Full-time, high expertise, technological, skilled labor or manufacturing employment.
- 3 Full-time, technical or managerial employment.
- 2 Full-time, minimum wage employment.
- 1 Part-time state employment created.
- 0 No new jobs created.

- 1 Part-time state employment created.
- 2 Full-time state employment created.

Documentation: Agencies should provide the following documentation, if applicable:

- a. Firm commitments by companies that plan to locate on or near the proposed project.
- b. Estimates of the number of new, private sector jobs created on or near the project.
- c. Estimates of the number of new, public sector jobs created on or near the project.
- d. Evidence of authority to add public sector jobs.

Criteria E - Urgency of Maintenance Needs

Weight: 3

Rationale: The state's most immediate goal in both capital and operating finance is to maintain current services expected by citizens, businesses and visitors. Capital projects that are essential to maintain service, protect investment or restore service that has been interrupted due to failure of capital assets will receive the highest rating in this criterion.

Guiding Principles Addressed:

- #4 Promote full and appropriate utilization
- #6 Provide appropriate levels of investment

Considerations: Ratings for this factor will consider these major points:

- a. Whether service is currently interrupted.
- b. Whether the project as requested will result in full restoration of service.
- c. Whether the project is the most cost-effective method of providing or maintaining service.
- d. Where service is not currently interrupted, the likelihood that it will be in the next five years if the project is not funded.
- e. Whether costs of the project will increase (beyond inflation) if the project is delayed.
- f. Whether the agency has prepared a comprehensive maintenance/rehabilitation/replacement schedule, and the project is due under that schedule.

Illustrative Ratings:

- 5 Service is currently interrupted, and the project will restore service in the most cost-effective manner possible.
- 4 Service is likely to be disrupted in the five-year horizon if the project is not funded.
- 3 Cost of the project will increase in future (beyond inflation) if it is delayed at this time.
- 2 Project is necessary to maintain an orderly schedule for maintenance and replacement.
- 1 Minor risk that cost will rise or service will be interrupted if the project is not funded.
- 0 There is no financial or service risk of delaying or not funding the project (e.g., the project is new and has no impact on current service).

Documentation: Agencies should provide the following documentation, if applicable :

- a. Comprehensive replacement policy/schedule showing the requested project's status.
- b. Documentation that service is currently interrupted.
- c. Report by agency personnel or independent contractor assessing service risk of failing to fund the project.

Criteria F - Prior Phases

Weight: 2

Rationale: Some projects need to be developed in phases due to their complexity or size. In such cases, the need has already been established by prior commitment of funds to existing projects. Therefore, continuation of the project will be given higher consideration.

Guiding Principles Addressed:

- #3 Employ life-cycle cost benefit analyses
- #4 Promote full and appropriate utilization
- #6 Provide Appropriate levels of investment

Considerations: Ratings for this factor will consider these major points:

- a. Whether the project has received prior funds.
- b. Whether the project requires additional funding to be operational.

Illustrative Ratings:

- 5 All stages except the final stage have been fully funded.
- 4 Multiple stages have been fully funded.
- 3 Multiple stages have been partially funded.
- 2 Single stage has been fully funded.
- 1 Single stage has been partially funded.
- 0 No prior phases have been funded or partially funded.

Documentation: Listing of total costs per phase along with total funding per phase by source.

Criteria G - Departmental Priority

Weight: 2

Rationale: Departments are expected to provide an indication of which projects are most important to their mission.

Guiding Principles Addressed:

- #1 Support agency mission and strategic goals

Considerations: Ratings for this factor will consider these major points:

- a. Departmental ranking of each individual project.
- b. The total number of project requests that are turned in by entities.

Illustrative Ratings:

- 5 Top 20% of highest departmentally ranked project requests
- 4 20% of next highest departmentally ranked project requests.
- 3 20% of next highest departmentally ranked project requests.
- 2 20% of next highest departmentally ranked project requests.
- 1 Bottom 20% of all project requests.

Documentation: Agencies should provide the following documentation, if applicable:

- a. Statement of commitment to the project from the governing board.
- b. Resolutions or other documents, especially agency purpose, mission or goal statements.
- c. Agency's five year strategic plan.

Rationale: Future economic development and educational attainment depends to some extent on Oklahoma's ability to be a leader in inventing and applying new technologies. Projects that support this effort should be funded before similar projects that use outdated technology.

Guiding Principles Addressed:

- #1 Support agency mission and strategic goals

Considerations: Ratings for this criterion will consider these factors:

- a. Whether the project promotes use of advanced technology in the private sector.
- b. Whether the project increases Oklahomans' understanding of and ability to use advanced technology.
- c. Whether state agencies are making decisive and coordinated steps to increase the state government's use of advanced technologies.

Illustrative Ratings:

- 5 Project directly promotes private-sector development and sale of advanced technologies.
- 4 Project indirectly promotes private-sector development and sale of advanced technologies.
- 3 Project increases technological capabilities of state government and is able to network with other state agencies.
- 2 Project increases technological capabilities and provides future additional growth potential of technological capabilities of state government.
- 1 Project increases technological capabilities of state government.
- 0 Project maintains technological capabilities of state government.
- 1 Project appears to be incompatible or competitive with other technological advances by state government.
- 2 Project uses outdated technologies.

Documentation: None needed.

A. Criteria Weighting

Certain evaluation criteria have been given greater emphasis through weighting. The weights, as noted in the previous section, are multiplied against each criteria score to determine a weighted score. The weighted scores are then added together to determine the total rating points. The rating scale provides a score range of 0-115 possible points.

B. Final Project Scoring

Capital Planning staff utilizes information submitted by agencies through the budget request system to evaluate capital outlay requests based on the above evaluation criteria. Requests will be reviewed for consistency with statewide objectives. Projects will then be ranked by rating score, prioritized and project list will be recommended to the Long-Range Capital Planning Commission for consideration.

III. Project Requirements

A. Definition of a “Capital Item”

As defined in OAR Title 428, a “capital item” is an item or group of like items with a value or cost of \$25,000 or higher and/or a useful life of five years or longer. This definition also includes lease-purchase equipment.

Capital outlay projects may include, but are not limited to, new construction, expansion, major renovation, systems replacement and major equipment purchases. Projects that are considered regular maintenance or do not meet the definition of “capital item” will not be considered by the Commission. Regardless of funding source, if a project meets the definition of a “capital item”, it must be submitted to the Commission for inclusion in the CIP.

B. Information Requirements

The following information is **required** in order for a request to be considered:

- Agency information
- Project description
- Verifiable, up-to-date cost estimate for the project
- Funding sources
- Any impacts that the project will have on operating costs
- Project benefits and impacts accrued if the project is delayed
- Adequate documentation to support project evaluation
- Completed evaluation criteria scoring (completed by agency submitting the request)

Agencies should submit capital outlay requests for each fiscal year throughout the eight-year time span of the CIP. Requests that are a higher priority for the agency should be requested in earlier years; lower priority projects should be requested in later years. Agency prioritization should align with the agency’s strategic plan.

Submitting agencies are encouraged to provide succinct and adequate answers to all questions included in the budget request system. Each capital outlay request is being evaluated against thousands of other requests, so justifying the request as thoroughly as possible, with as few words as possible, is key. Capital outlay requests that fail to provide adequate information or do not utilize the evaluation criteria scoring form will not be included for consideration by the Commission.

C. Submission of Requests

Agencies must submit capital outlay requests through the State of Oklahoma’s online Budget Request System. The system will open for submissions on or about March 1 of each year. **Capital outlay requests must be submitted to the system by July 1 to be eligible for consideration for the next fiscal year’s plan.** For additional information, or if you have any questions regarding the Capital Improvements Plan process, please visit www.okc.gov/DCS.Capital_Planning or contact:

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