STATE OF OKLAHOMA
LONG-RANGE CAPITAL PLANNING COMMISSION
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(405) 522-1652 Fax (405)522-3861

TO: All State of Oklahoma Agencies, Boards and Commissions

DATE: April 14, 2015

SUBJECT: Capital Budgeting, Fiscal Years 2017-2024

If this message has been incorrectly sent to you, please forward to the person or people in your organization who have responsibility for capital budgeting. Please reply to justin.henry@omes.ok.gov with any corrections to your agency's contact information, including name, telephone number, email, and staff title.

The new Hyperion Budget System is now available for your organization to submit project requests for Fiscal Years 2017-2024. The attached "Project Submittal and Evaluation Guidelines" document provides information regarding eligible project submittals, agency participation requirements, and rating criteria that will be used to evaluate project requests. **The deadline for capital outlay request submissions is July 1, 2015.** Any submissions made after this date will not be considered for the FY2017-2024 cycle but will be rolled over to the FY2018-2025 cycle. Instructions and information for accessing the Hyperion system can be found at http://www.ok.gov/OSF/Comptroller_and_Budget.html under "Budget - Project ENCORE/Hyperion".

Agencies are encouraged to complete Hyperion training for capital outlay submissions prior to entering capital requests. To access the Hyperion training system, please submit OMES Form 301EUPK, located at http://ok.gov/OSF/Forms/Business_Application_Services__(CORE)_Security_Forms/index.html, by following the instructions on the form. Be sure to check the "UPK Capital Improvement Plan (CIP) Planner" box. The training system is located at https://ecoreupk.ok.gov/kcenter.

To access the live Hyperion system, please submit OMES Form 301EPLAN, located at http://ok.gov/OSF/Forms/Business_Application_Services___(CORE)_Security_Forms/index.html, by following the instructions on the form. The live system is located at: https://encore.ok.gov.

Agencies are encouraged to review the Long-Range Capital Planning Commission's Guiding Principles and Evaluation Criteria, located at http://ok.gov/DCS/Capital_Planning/, to ensure that capital outlay requests are consistent with the Commission's goals.

Please keep in mind that the new system no longer "opens and closes" for submissions but is now open at all times for submissions throughout the year. The July 1st deadline is still in place to ensure that submissions entered before that date each year are included in the next planning cycle. Submissions entered after that date will be considered for the following planning cycle.

Due to the large amount of outdated project request data contained in the old system, data from the old system has not been carried over to the new system.

The FY2016-2023 Capital Improvements Plan and FY2016 Capital Budget were recently approved by the State Legislature. If your agency was awarded project funding through the Maintenance of State Buildings Revolving Fund, you will receive a separate notification during April. The FY2016-2023 Capital Improvements Plan can be found at http://ok.gov/DCS/Capital_Planning/, under "Related Topics" on the right side of the page.

DCAM's Capital Planning staff is available to assist you with any questions regarding the capital planning process. Please feel free to contact us; we are here to help you.

Capital Planning contact information:

Ben Davis, AICP, Planning Director, ben.davis@omes.ok.gov, (405) 522-1652
Justin Henry, Assistant Planner, justin.henry@omes.ok.gov, (405) 522-1650
http://ok.gov/DCS/Capital_Planning/

Sincerely,

Ben Davis, AICP
Planning Director/ Staff for the Long-Range Capital Planning Commission

Attachment

OMES
OFFICE OF MANAGEMENT
& ENTERPRISE SERVICES

LONG-RANGE CAPITAL PLANNING COMMISSION

Capital Improvements Plan – Capital Outlay Request Project Submittal and Evaluation Guidelines

LONG-RANGE CAPITAL PLANNING COMMISSION

Capital Improvements Plan – Capital Outlay Request
Project Submittal and Evaluation Guidelines

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 10 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 Capital Improvements Plan 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. This section does exempt:

Oklahoma Ordnance Works Authority, and
The Commissioners of the Land Office.

II. Evaluation Criteria

Nine 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 Capital Improvements Plan.

Criteria A – Impact on Capital Costs **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. This criterion evaluates the project's ability to reduce future capital costs by avoiding the snowball effect of deferred maintenance. Capital items are defined in Section III of this document. Projects that have a high rate of capital savings to cost will receive priority in funding.

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:

Total cost of the project.
Anticipated savings on capital expenses; for example, a rehabilitation project that averts more expensive repairs and/or replacement, and the extent of those savings.
Whether costs of the project will increase (beyond inflation) if the project is delayed.

Illustrative Ratings:

5 Project will result in a positive net impact on state capital finances.
3 Project will result in a neutral net impact on state capital finances.
0 Project will result in a negative net impact on state capital finances.

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

Studies documenting capital cost impacts.

Criteria B – Impact on Operating Costs **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. This criterion evaluates the effect that the proposed project will have on the state's operating costs. Operating costs include all necessary expenses on assets valued under $25,000 and/or with a useful life of less than five years, including: office expenses, supplies, fees, insurance wages and some regular maintenance like janitorial and lawn care services.

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:

Project's impact on operating costs.
Project's impact on state revenues.
Project's impact on state productivity.

Illustrative Ratings:

5 Project will result in a positive net impact on state operating costs.
3 Project will result in a neutral net impact on state operating costs.
0 Project will result in a negative net impact on state operating costs.

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

Studies documenting operating cost and revenue impacts

Criteria C – Leverage **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. This criterion evaluates how the proposed project

will leverage non-state funding to complete the project. Sources of leverage funding include federal sources, grants, private donations and gifts.

Guiding Principles Addressed:

#6 Provide Appropriate Levels of Investment.

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

Amount of outside funding being used for the project.
Project's ratio of state funding to leverage funding.

Illustrative Ratings:

5 Project uses $2 of non-state funding for every $1 of state funding.
3 Project uses $1 of non-state funding for every $1 of state funding.
0 Project uses only state funding.

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

Notification of grant, or intent to award grant.
Notification of donation, gift or other leverage funding.

Criteria D – 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:

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

Illustrative Ratings:

5 Agency currently under court order to take action.
3 Project is necessary to meet existing state or federal requirement.
1 Prior state legislation implies need for project.
0 No legal impact or requirements; project requires change in state or federal law to proceed.

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

Criteria E – Impact on Service to the Public **Weight: 3**

Rationale: This criterion evaluates how the proposed project improves and/or increases the level of service provided by the state.

Guiding Principles Addressed:

#1 Support Agency Missions and Goals.
#9 Advance Customer Satisfaction.

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

Whether the service is already being provided by existing agencies.
Whether the project focuses on a service that is currently a high priority public need.

Illustrative Ratings:

5 Project improves and/or increases the level of service provided by the state.
0 Project does not improve and/or increase the level of service provided by the state.

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

Documentation, estimates or forecasts on how the project will improve services and/or address a high priority public need.

Criteria F – 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:

Whether service is currently interrupted.
Whether the project as requested will result in full restoration of service.
Whether the project is the most cost-effective method of providing or maintaining service.
Where service is not currently interrupted, the likelihood that it will be in the next eight years if the project is not funded.
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.
3 Service is likely to be disrupted in the eight-year horizon if project is not funded; project is necessary to maintain orderly schedule for maintenance and replacement.
0 Minor or no financial or service risk of delaying or not funding the project; the project is new and has no impact on current service.

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

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

Criteria G – 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:
Whether the project has received prior funds.
Whether the project requires additional funding to be operational.

Illustrative Ratings:
5 All but the final stage have been fully funded.
3 At least one phase has been fully funded.
0 No prior phases have been funded.

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

Criteria H – Agency Mission and Strategic Goals **Weight: 2**

Rationale: This criterion evaluates how the project will help advance the mission of the submitting agency.

Guiding Principles Addressed:
#1 Support Agency Mission and Strategic Goals.

Considerations: Ratings for this factor will consider these major points:
Whether the project addresses an agency goal as outlined in the agency's strategic plan.
Departmental ranking of each individual project.

Illustrative Ratings:
5 Project advances a stated agency goal.
0 Project does not advance a stated agency goal.

Documentation: Agencies should provide the following documentation, if applicable:
Statement of commitment to project from governing board.

Resolutions or other documents, especially agency purpose, mission or goal statements.
Agency's five-year strategic plan.

Criteria I – Health and Safety **Weight: 2**

Rationale: This criterion evaluates how the proposed project addresses health-related environmental and safety impacts, such as indoor air quality, water quality, safety hazards and other concerns.

Guiding Principles Addressed:
#1 Support Agency Mission and Strategic Goals.
#10 Provide for Safe, Secure and Healthy Workplaces.

Considerations: Ratings for this factor will consider these major points:
Whether the project addresses health-related environmental and/or safety concerns.
Whether the project reduces risks to the public and/or state employees.

Illustrative Ratings:
5 Project addresses critical health and/or safety hazard.
3 Project increases public or workplace health and/or safety.
0 Project does not increase public or workplace health and/or safety.

Documentation: Agencies should provide the following documentation, if applicable:
Description of concern to be addressed and any impacts of delaying the project.

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 0-140 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 CIP 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 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 Capital Improvements Plan.

B. Information Requirements

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

- Agency information.
- Project description.
- Verifiable cost estimate for the project.
- Funding sources.
- Any impacts that the project will have on operating costs.
- Project benefits and impacts accrued if 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 by fiscal year over the eight-year time span of the CIP. Requests that are higher priority should be requested in earlier years, lower priority projects 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 April 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.** Detailed instructions for filling out the online forms, including the Evaluation Criteria scoring form, are available on http://ok.gov/DCS/Capital_Planning/.

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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