Schedule 13
Change Request for FY 2009-10 Budget Request Cycle

Decision Item FY 2009-10 ☐	Base Reduction Item FY 2009-10 ☐	Supplemental FY 2008-09 ☑	Budget Amendment FY 2009-10 ☑

Request Title: Increased Funding for Leased Space
Department: Natural Resources
Priority Number: S-1, BA-1

Dept. Approval by: [signature] **Date:** 12/23/2008
OSPB Approval: [signature] **Date:** 12-24-08

	Fund	1 Prior-Year Actual FY 2007-08	2 Appropriation FY 2008-09	3 Supplemental Request FY 2008-09	4 Total Revised Request FY 2008-09	5 Base Request FY 2009-10	6 Decision/ Base Reduction FY 2009-10	7 November 1 Request FY 2009-10	8 Budget Amendment FY 2009-10	9 Total Revised Request FY 2009-10	10 Change from Base (Column 5) FY 2010-11
Total of All Line Items	Total	928,634	1,232,822	19,596	1,252,418	1,232,822	36,520	1,269,342	41,999	1,311,341	78,519
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	476,295	492,842	16,798	509,640	492,842	34,668	527,510	24,758	552,268	59,426
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	344,047	716,692	2,798	719,490	716,692	1,685	718,377	17,241	735,618	18,926
	CFE/RF	89,512	0	0	0	0	0	0	0	0	0
	FF	18,780	23,288	0	23,288	23,288	167	23,455	0	23,455	167
(1) Executive Director's Office, Leased Space	Total	928,634	1,232,822	19,596	1,252,418	1,232,822	36,520	1,269,342	41,999	1,311,341	78,519
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	476,295	492,842	16,798	509,640	492,842	34,668	527,510	24,758	552,268	59,426
	CF	344,047	716,692	2,798	719,490	716,692	1,685	718,377	17,241	735,618	18,926
	CFE/RF	89,512	0	0	0	0	0	0	0	0	0
	FF	18,780	23,288	0	23,288	23,288	167	23,455	0	23,455	167

Non-Line Item Request: None
Letternote Revised Text: Increase in Long Bill will be to "various sources of cash funds"
Cash or Federal Fund Name and COFRS Fund Number: Trust Administration Fund (#162) Wildlife Cash Fund (410)
Reappropriated Funds Source, by Department and Line Item Name:
Approval by OIT? Yes: ☐ No: ☐ N/A: ☑
Schedule 13s from Affected Departments:

CHANGE REQUEST for FY 2009-10 BUDGET REQUEST CYCLE

Department:	Natural Resources
Priority Number:	S-1, BA-1
Change Request Title:	Increased Funding for Leased Space

SELECT ONE (click on box):

☐ Decision Item FY 2009-10
☐ Base Reduction Item FY 2009-10
☒ Supplemental Request FY 2008-09
☒ Budget Request Amendment FY 2009-10

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

☐ Not a Supplemental or Budget Request Amendment
☐ An emergency
☒ A technical error which has a substantial effect on the operation of the program
☒ New data resulting in substantial changes in funding needs
☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

The Department is requesting $19,596 total funds in FY 2008-09 and $41,999 total funds in FY2009-10 to address various leased space needs. First, the Division of Water Resources seeks a supplemental request of $15,491 General Fund in FY 2008-09 and FY 2009-10 to cover inflationary costs associated with leased space. These increases were not included in the FY 2008-09 Long Bill because the leases in question had not yet been signed and the exact amounts of the increases were not known. Second, the Division also requests an increase of $1,307 in FY 2008-09, continuing in FY2009-10, to address unanticipated variable cost increases. Third, the State Land Board requests $2,798 Cash Funds for six months of supplemental funding in FY2008-09 and $2,798 Cash Funds for six months of funding in FY2009-10 to continue to lease office space while building a new office facility. Fourth, the Department's FY 2009-10 Lease Space request should be reduced by $4,453 due to lower estimated rates in light of changing economic conditions. Finally, the request includes an increase of $12,413 General Fund for the Division of Water Resources and $14,443 Cash Funds for the Division of Wildlife in FY 2009-10 to annualize FY 2008-09 supplemental amounts and address inflationary escalators on

existing leases. These escalators were accidentally left out of the FY 2009-10 DNR Budget Request due to staff oversight.

Background and Appropriation History: The Leased Space line in the Executive Director's Office is a centrally appropriated pot of money designated to pay for all commercial office space and storage leases within the Department. Amongst other leases, the Leased Space appropriation pays for 19 field office operated by the Division of Water Resources (DWR). Of those, seven of the offices are required to be operated pursuant to Section 37-92-204 (1)(b), C.R.S. [2008]. DWR field offices provide a venue for interaction with the public as well as serving as a source of information and records related to water rights. The Division of Wildlife has nine leases for space in various parts of the state.

The State Land Board has 5 district offices located around the state. For the Northeast district office in Sterling, the State Land Board only requested a partial year of funding in anticipation of moving out of the currently leased space into a building built by the division. The Board has worked on several plans over the last three years to purchase or construct an office building in Sterling. The cost of these options have generally exceeded appraised fair market value due primarily to the small size of the District Office and the per square foot cost. The trust cannot pay more than fair market value for any asset. Recently, the Board has contacted several state and local agencies who are interested in collocating offices in Sterling. The Board has begun the process to design and construct or purchase a large enough office building to accommodate these agencies. A larger building allows the Board to spread the fixed cost of construction over a greater square footage and thus reduce the per square foot cost of the building. The State land board believes that it will complete the project within the next 12 months.

General Description of Request: The Division of Water Resources negotiated four renewal leases for FY 2008-09. Unfortunately, due to the late date at which the new leases were finalized, the exact cost of the new lease renewals was not known when the FY 2008-09 budget was being prepared last year. The four leases were signed between April and June of 2008. As such, these increases were not included in the Department's FY 2008-09 lease space request and funding for this increase was not included in the FY 2008-09 Long Bill.

Now that the exact costs are known, the Department is seeking supplemental funding to cover the increases. The four new leases are as follows:

Office	FY 2007-08 Cost	FY 2008-09 Cost	Amount of Increase	% Change
Craig	$4,501	$4,636	$135	3%
Glenwood Springs	$53,352	$68,515	$15,164	28%
Pagosa Springs	$4,195	$4,321	$126	3%
Silverthorne	$2,223	$2,290	$67	3%
Total	$64,271	$79,762	$15,491	24%

Most of the increase in cost was experienced in the Glenwood Springs office, where significant increases in commercial real estate prices have occurred due to the growth in demand driven by oil and gas development. The Division has historically enjoyed lease rates in Glenwood Springs that are substantially below prevailing market rates. This year, the lessor attempted to correct that disparity by raising the lease cost by 28%. At the time of negotiation there was no other office space available that met DWR's space requirements in Glenwood Springs. The State Engineer is required by statute to maintain an office in Glenwood Springs, so relocation to another city was not an alternative.

In addition to the $15,491 increase detailed above, the Division maintains several leases where the agency pays a fixed base lease cost and a variable cost that covers the lessor's operating costs. These variable costs may include expenditures for the following: utilities, taxes, insurance, trash removal, landscaping services, and some maintenance costs. The variable costs are established by the lessor shortly before the beginning of the fiscal year, based upon his experience of the prior year. For FY 2008-09, these charges will exceed the Division's earlier estimates by $1,307. Most of the variance was experienced in the Division's largest office in Greeley.

As a result of the above two factors, DWR needs supplemental funding in the amount of $16,799 for its office lease costs in FY 2008-09. These ongoing costs will also need to

be rolled into FY 2009-10 and beyond to cover the continued operation of these field offices.

Finally, the Division of Water Resources will experience $12,413 in price escalation on twelve field office leases in FY 2009-10. All of these increases are on existing, signed leases. As such, these increases should have been included in the Department's base Leased Space request for FY 2009-10. However, these increases were accidentally omitted from the Department's November 1, 2008 budget request. To correct this omission, these inflationary increases have been included in this request.

The Division of Wildlife will experience a total of $14,443 in lease escalation on three field offices in FY 2009-10. Of this amount $7,110 is due to negotiated annual escalators and $7,333 is due to the inclusion of utility costs in the lease of the Glenwood Springs office. This inclusion of utility costs was a last minute change which the lessor negotiated with the Division a few days prior to the beginning of the lease term. Due to the scarcity of available properties in Glenwood Springs the Division agreed to the change. These increases should have been included in the Department's November 1, 2008 budget request but were omitted due to staff oversight.

While the State Land Board continues to pursue the design and construction of an office building in Sterling it is necessary to continue to lease space for the Northeast District Office. The State Land Board's current allocation for the Northeast District Office is $1,865. This allocation was used to lease 423 square feet in Sterling for four months. Due to smaller than anticipated lease escalators and operating costs on other Land Board leases, the division has been able to cover an additional two months of lease with the money saved. In order to remain in the current office for 12 months while a new office is being constructed the State Land Board requests supplemental funding of $2,798 in FY2008-09 and $2,798 in FY2009-10

Consequences if Not Funded:

This request is for funding needed to continue to accomplish the mission of the Department of Natural Resources. If funding is not approved for the renewal of the identified leases, the divisions will have to find new leased space that is within current

appropriations or close one or more leased space locations. This could result in relocating offices or employees away from where they are needed and could lead to increased travel costs and a reduced presence in many parts of the state. The Department and the Division have been directed to reduce driving miles in response to increased fuel costs. Locating an office away from its area of responsibility in order to reduce leased space costs would increase miles driven and mileage costs. Failure to locate offices in the more major metropolitan areas within a region of the State may also result in decreased customer service, as the majority of citizens may have to travel longer distances to visit Department offices.

Calculations for Request:

Summary of Request FY 2008-09	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
(1) Executive Director's Office, (A) Administration and Information Technology, Leased Space	$19,596	$16,798	$2,798	$0	$0	0.0

Summary of Request FY 2009-10	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
(1) Executive Director's Office, (A) Administration and Information Technology, Leased Space	$41,999	$24,758	$17,241	$0	$0	0.0

Cash Funds Projections:

Cash Fund Name	Cash Fund Number	FY 2007-08 Expenditures	FY 2007-08 End of Year Cash Balance	FY 2008-09 End of Year Cash Balance Estimate	FY 2009-10 End of Year Cash Balance Estimate	FY 2010-11 End of Year Cash Balance Estimate
Trust Administration Fund*	162	$4,658,696	$0	$0	$0	$0
Wildlife Cash Fund	410	$116,646,153	$36,781,347	$25,820,717	$20,681,487	$10,714,546

*Note that total revenues earned by the State Land Board in FY2007-08 equaled approximately $70 million. The General Assembly annually appropriates money to pay for the salaries and expenses of the Land Board, of which leased space is one expense. Any money remaining at the end of the fiscal year is transferred to the trusts under the control of the Land Board per C.R.S. 36-1-145 (2) (c) (2008). Therefore, the cash balance at the end of any fiscal year will be zero. Anticipated expenditures from the Trust Administration Fund in FY2008-09 and FY2009-10 are approximately $5 million each year and revenues are anticipated to far exceed expenses in these years.

Assumptions for Calculations:

This table shows the differences between the information that the November 1 request was based on, and the actual lease amounts anticipated by the **Division of Wildlife**

Description	Type	FY2009-10 Request Amount	FY2009-10 Actual Amount	Difference
Brush-Area 3 Office	Office/Lab	20,148	20,148	0.00
Streamboat Springs Aqu Res Office	Office/Lab	6,192	6,378	186
Colorado Springs - Water Resources	Office	4,245	4,245	0.00
Ft. Collins Modular Office	Office	22,500	22,500	0.00
Glenwood Springs Office	Office	46,925	60,264	13,339
Salida Office	Office	22,947	23,865	918

Streamboat Springs Office	Office	22,916	22,916	0.00
Modular Unit-Hatchery	Office	5,158	5,158	0.00
		151,031	165,474	14,443

The table below shows information on all **Division of Water Resources** leased spaces.

Location	FY 08-09 Yearly Lease Cost	FY 09-10 Yearly Lease Cost	Contract Status	Escalators in Existing Contracts	Appreciation in New & Renewal Contracts	
ALAMOSA	72,476	73,167	Existing Contract	691	N/A	
ANTONITO	1,800	1,800	Existing Contract	0	N/A	
CEDAREDGE	8,700	9,000	Existing Contract	300	N/A	
COLORADO SPGS	4,244	4,372	Existing Contract	128	N/A	
CORTEZ	8,405	8,606	Existing Contract	201	N/A	
CRAIG	4,636	4,775	Existing Contract	139	N/A	
DURANGO	48,564	73,584	Renew in FY 10	0	25,020	
GLENWOOD SPGS	68,515	71,941	Existing Contract	3426	N/A	
GRAND JUNCTION	9,270	9,743	Existing Contract	473	N/A	
GREELEY	84,237	87,354	Existing Contract	3117	N/A	
LA JUNTA	13,071	13,725	Renew in FY 10	0	654	
MONTE VISTA	3,600	3,600	Existing Contract	0	N/A	
MONTROSE	37,330	38,823	Existing Contract	1493	N/A	
PAGOSA SPGS	4,321	4,536	Renew in FY 10	0	215	
PUEBLO	86,532	90,858	Renew in FY 10	0	4,327	
SAGUACHE	2,640	2,640	Existing Contract	0	N/A	
SILVERTHORNE	2,290	2,359	Existing Contract	69	N/A	
STEAMBOAT SPRGS	40,636	42,316	Existing Contract	1680	N/A	
STERLING	13,890	14,586	Existing Contract	696	N/A	
TOTAL DWR LEASES	**515,157**	**557,785**		**12,413**	**30,215**	Note#1

Note#1 - DNR DI-7 requests $34,668 GF to address DWR Leased Space renewals. Due to changing economic conditions, DNR sought $4,453 GF more than necessary to address DWR's lease renewals. This excess GF will be used to offset the cost of this budget amendment.

Total Projected DWR Lease Space Needs for FY 2008-09	$515,157
Minus Current FY 2008-09 DWR Leased Space Allocation	$498,359
FY 2008-09 DWR Supplemental Need	$16,798
Amount needed in FY2008-09 for SLB Sterling Office	$5,595
Minus current FY2008-09 Leased Space Allocation for Sterling Office	$1,865
Minus savings from lower than anticipated lease costs	$ 932
FY 2008-09 SLB Supplemental Need	$2,798
FY 2008-09 Total Supplemental need:	**$19,596**
Total Projected DWR Lease Space Needs for FY 2009-10	$557,785
Minus Base FY 2009-10 DWR Allocation (FY 09 LB Allocation)	$498,359
DWR FY 2009-10 Need	$59,426
Minus DWR Lease Needs Provided Through DI-7	$34,668
DWR FY 2009-10 Budget Amendment Need	$24,758

($24,758 = $16,798 annualized supplemental + $12,413 FY 2009-10 lease escalations - $4,453 due to excess funding in DI-7)

FY 2009-10 SLB Sterling Office Need	$2,798
Minus current FY 2009-10 Leased Space Allocation for Sterling Office	$0
SLB FY2009-10 Budget Amendment Need	$2,798
Total Projected DOW Lease Space Needs for FY 2009-10	$165,474
Minus Base FY 2009-10 Requested DOW Allocation	$151,031
DOW FY 2009-10 Budget Amendment Need	$14,443
FY 2009-10 Total Budget Amendment Need	**$41,999**

Impact on Other Government Agencies: No impact on other government agencies is anticipated.

Cost Benefit Analysis: Most of these lease renewals are minor increases which maintain the status quo. The substantial increase involved in the Division of Water Resources' lease renewal in

Glenwood Springs is necessary and unavoidable due to the statutory requirement (CRS 37-92-202(1)(b) 2008) that the Division maintain an office in Durango. Since this is a request to continue doing business as usual, no cost benefit analysis is presented.

Implementation Schedule:

Task	Month/Year
Leases begin	July 2008

Statutory and Federal Authority: CRS 24-75-112 (2008)

(b) "CENTRALIZED APPROPRIATION" MEANS THE APPROPRIATION OF FUNDS TO AN EXECUTIVE DIRECTOR OF A DEPARTMENT OR A CENTRAL ADMINISTRATIVE PROGRAM INTENDED FOR SUBSEQUENT ALLOCATION AND EXPENDITURE AT AND AMONG A DEPARTMENT'S DIVISIONS, PROGRAMS, AGENCIES, OR LONG BILL GROUPS IN ORDER TO REFLECT THE AMOUNT OF SUCH RESOURCES ACTUALLY USED IN EACH PROGRAM OR DIVISION. SUCH CENTRALIZED APPROPRIATIONS MAY INCLUDE SALARY SURVEY, PERFORMANCE-BASED PAY OR ANNIVERSARY INCREASES, SENIOR EXECUTIVE SERVICE, SHIFT DIFFERENTIAL, GROUP HEALTH AND LIFE INSURANCE, CAPITAL OUTLAY, ADP CAPITAL OUTLAY, INFORMATION TECHNOLOGY ASSET MAINTENANCE, LEGAL SERVICES, PURCHASE OF SERVICES FROM COMPUTER CENTER, MULTIUSE NETWORK PAYMENTS, VEHICLE LEASE PAYMENTS, LEASED SPACE, LEASE PURCHASE, PAYMENT TO RISK MANAGEMENT AND PROPERTY FUNDS, SHORT-TERM DISABILITY INSURANCE, UTILITIES, COMMUNICATIONS SERVICES PAYMENTS, AMORTIZATION EQUALIZATION DISBURSEMENTS, SUPPLEMENTAL AMORTIZATION EQUALIZATION DISBURSEMENTS, ADMINISTRATIVE LAW JUDGE SERVICES, AND CENTRALIZED ADP. AS PROVIDED IN PARAGRAPH (l) OF THIS SUBSECTION (1), CAPITAL OUTLAY IS INCLUDED WITHIN THE APPROPRIATION FOR "OPERATING EXPENSES".

(g) "LEASED SPACE" MEANS THE USE AND ACQUISITION OF OFFICE FACILITIES AND OFFICE AND PARKING SPACE PURSUANT TO A RENTAL AGREEMENT.

CRS 37-92-202(1)(b) 2008:
b) Each division engineer shall reside in his division, and the offices of the various division engineers shall be maintained in the following locations:

Division 1	*Greeley*
Division 2	*Pueblo*
Division 3	*Alamosa*
Division 4	*Montrose*
Division 5	*Glenwood Springs*
Division 6	*Steamboat Springs*
Division 7	*Durango*

Performance Measures:

This administrative request represents a continuation of current services and affects the ability of the Department to fulfill its mission. Maintaining these offices will help the Divisions' efforts related to a number of the Department of Natural Resources Strategic Plan performance measures. However, the impact on any given performance measure is not quantifiable.