

**Schedule 13**  
**Funding Request for the 2014-15 Budget Cycle**

Department: Natural Resources  
 Request Title: Adjustments to Leased Space  
 Priority Number: R-6

Dept. Approval by: Willi H. Lavin 10/23/2013  
 Date  
 OSPB Approval by: Paul M. Baker 10/25/13  
 Date

- Decision Item FY 2014-15  
 Base Reduction Item FY 2014-15  
 Supplemental FY 2013-14  
 Budget Amendment FY 2014-15

Line Item Information		FY 2013-14		FY 2014-15		FY 2015-16
		1	2	3	4	5
	Fund	Appropriation FY 2013-14	Supplemental Request FY 2013-14	Base Request FY 2014-15	Funding Change Request FY 2014-15	Continuation Amount FY 2015-16
<b>Total of All Line Items</b>	<b>Total</b>	1,422,380	-	1,422,380	(120,158)	(120,158)
	FTE	-	-	-	-	-
	GF	532,215	-	532,215	36,715	36,715
	GFE	-	-	-	-	-
	CF	856,479	-	856,479	(158,743)	(158,743)
	RF	-	-	-	-	-
	FF	33,686	-	33,686	1,870	1,870
<b>(1) Executive Director's Office, Leased Space</b>	<b>Total</b>	1,422,380	-	1,422,380	(120,158)	(120,158)
	FTE	-	-	-	-	-
	GF	532,215	-	532,215	36,715	36,715
	GFE	-	-	-	-	-
	CF	856,479	-	856,479	(158,743)	(158,743)
	RF	-	-	-	-	-
	FF	33,686	-	33,686	1,870	1,870

Letternote Text Revision Required? Yes:  No:  If yes, describe the Letternote Text Revision:

Cash or Federal Fund Name and COFRS Fund Number: Various Sources of Cash Funds

Reappropriated Funds Source, by Department and Line Item Name: N/A

Approval by OIT? Yes:  No:  Not Required:

Schedule 13s from Affected Departments: N/A

Other Information: None





### ***Cost and FTE***

- The Executive Director's Office of the Department of Natural Resources ("DNR") requests a reduction to its Leased Space line item for FY 2014-15 totaling \$120,158. The request includes an increase of \$36,715 General Fund, a reduction of \$158,743 cash funds, and an increase of \$1,870 federal funds. The net increase in General Fund is a 7% increase to DNR's General Fund base leased space appropriation.

### ***Current Program***

- DNR manages 47 separate leases to operate district and field offices, storage, and parking. Lease funding helps the Department better manage field staff as well as improve relationships and outreach with various customers and interested parties. DNR Divisions such as the State Land Board and Division of Water Resources ("DWR") have a statutory obligation to maintain offices in certain parts of the state.

### ***Problem or Opportunity***

- To continue to operate its existing field offices and to increase budgetary transparency, DNR requests a net increase of General Fund in FY 2014-15 to its leased space line item.
- The increase in General Fund primarily consists of contractual cost escalators built into existing leases and renewals of DWR district offices. Further, the percentage of DWR's staff funded through cash funds was reduced from 4.77 percent in FY 2013-14 to 2.70 percent in FY 2014-15 due to lower cash fund revenues, resulting in an increase in the proportion of the leases funded through the General Fund rather than through cash funds.

### ***Consequences of Problem***

- Without approval of the General Fund increase, the Department could be forced to reduce the amount of leased space available for programmatic operations and consequently, could reduce services to the public, especially those living in rural areas. Additionally, DWR would be unable to uphold its statutory obligation to maintain offices in certain river basins within the state.

### ***Proposed Solution***

- If approved, this Change Request will allow the Department to "true up" its leased space expenditures and ensure that departmental leases for office space, parking, and storage are funded out of the Leased Space line item. This is an annual request to justify, on a lease by lease basis, the total requested appropriation for the Leased Space line item.





# COLORADO

## Department of Natural Resources

FY 2014-15 Funding Request | November 1, 2013

John W. Hickenlooper  
Governor

Mike King  
Executive Director

**Department Priority: R-6**  
**Request Detail: Adjustments to Leased Space**

Summary of Incremental Funding Change for FY 2014-15	Total Funds	General Fund
Adjustments to Leased Space	(\$120,158)	\$36,715

### **Problem or Opportunity:**

During FY 2014-15, the Department of Natural Resources (“DNR”) will manage 47 separate leases to operate district and field offices, parking, and storage with the intent of better managing field staff as well as improving relationships and outreach with various customers and interested parties. This request is necessary for the Department to continue to operate its existing field offices and allows the Department to increase budget transparency and provide full disclosure of lease costs on a lease-by-lease basis.

DNR anticipates two new leases for FY 2014-15. The Division of Water Resources (“DWR”) will add a new office in the district encompassing the Kremmling/Granby area with an expected annual cost of \$6,000. This office will replace the Silverthorne district office, which was not renewed, resulting in a \$2,655 reduction in leased space costs. In addition, the Oil and Gas Conservation Commission moved the Rifle Office to a new location, still located within Rifle, effective January 1, 2013. The new lease provides an annual savings of \$9,070 of cash funded leased space costs.

While DNR expects a net reduction in its Leased Space line item, a net increase of \$36,715 General Fund is needed, resulting in a 7 percent increase to DNR’s General Fund base leased space appropriation. Due to inflation and an improving real estate market, the increase primarily is attributed to contractual cost escalators built into existing leases and renewals of the DWR’s field offices. Further, the percentage of DWR’s staff funded through cash funds was reduced from 4.77 percent in FY 2013-14 to 2.70 percent in FY 2014-15 due to lower cash fund revenues. As a result, the proportion of DWR leases funded through General Fund rather than through cash funds has increased (DWR’s FY 2014-15 leased space and capital complex leased space will be built based on 2.70 percent cash funding, the exact same percentage of cash funding used to finance DWR’s total FTE). Additionally, DWR has a small office located in Wheat Ridge that was financed entirely through cash funds in FY 2013-14. DWR entered into the lease mid-way through FY 2012-13 to supply office space for an employee who had previously been provided with free space in a federal building in the Denver area. The space became unavailable, prompting the need for a private lease. Costs for this lease were absorbed within the Department’s Leased Space appropriations in FY 2012-13, and annualized costs for this lease were approved for FY 2013-14. Moving forward, DWR requests that this office be funded through the Leased Space line item using the same financing calculation as all other DWR leases.

Two other leases for FY 2014-15 merit further discussion.

1) Colorado Water Conservation Board (CWCB) Logan Street Office

Pursuant to H.B. 12-1355, the Colorado Geological Survey (CGS) merged into the Colorado School of Mines. As a result, CGS Staff anticipates moving to office space in Golden, close to the School of Mines campus. In turn, CWCB staff occupying a private lease at 1580 Logan Street will relocate to the vacant CGS office within the Centennial Building, 1313 Sherman Street-7<sup>th</sup> floor, during the Fall/Winter of 2013. After this transition is complete, the lease at 1580 Logan Street will be terminated, resulting in a \$155,949 annual reduction in cash funded leased space costs.

2) Oil and Gas Conservation Commission (OGCC) Denver Office

The OGCC Denver Office located in the Chancery building will add additional square feet to its lease due to an additional 19.4 FTE approved by the General Assembly during the 2013 Regular Session. The square footage will increase from 16,965 to 19,991 square feet effective October 13, 2013. The General Assembly appropriated an additional \$22,800 cash funds for increased leased space for the OGCC in FY 2013-14 (annualized to \$45,600 in FY 2014-15). However, the actual leased space cost in FY 2014-15 for the additional space will require an increase of \$39,471 cash funds rather than the entire \$45,600 that was previously estimated.

***Proposed Solution:***

The Executive Director's Office of the Department of Natural Resources is requesting a reduction to its Leased Space line item for FY 2014-15 totaling \$120,158. The request includes an increase of \$36,715 General Fund, a reduction of \$158,743 Cash Funds, and an increase of \$1,870 Federal Funds. DNR's leased space is analyzed annually to justify, on a lease by lease basis, the total requested appropriation for the Leased Space line item.

Without approval, the Department could be forced to reduce the amount of leased space available for programmatic operations and consequently, could reduce services to the public. By approving this request, DNR can continue to provide services to the public, especially those living in rural areas. If office closures were to occur, rural citizens, as an example, may experience increased travel time and costs to obtain services or information from DNR. Additionally, some divisions, such as DWR and the State Land Board, have a statutory obligation to maintain offices within certain river basins or regions within the state.

***Anticipated Outcomes:***

If approved, this Change Request will allow the Department to "true up" its Leased Space expenditures and ensure that all departmental leases for office space, storage, and parking are funded out of the Leased Space line item.

***Assumptions and Calculations:***

Costs are determined by the terms of the specific leases, although there may be some variance. For example, DWR leases can be impacted by certain tax credit scenarios, which can adjust lease costs up or down slightly throughout the course of the year. Other cost changes can be due to contractual cost escalators built into existing leases and renewals, which also can be attributed to inflation and an improving real estate market. Additionally, DWR's FY 2014-15 leased space and capital complex leased space will be built based on 2.70 percent cash funding, the exact same percentage of cash funding used to finance DWR's total FTE.

***Supplemental, 1331 Supplemental or Budget Amendment Criteria:***

Not applicable.