

Schedule 13

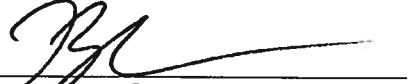
Department of Health Care Policy and Financing

Funding Request for The FY 2020-21 Budget Cycle

Request Title

R-19 Leased Space

Dept. Approval By: _____



Supplemental FY 2019-20

OSPB Approval By: _____



Budget Amendment FY 2020-21

X

Change Request FY 2020-21

Summary Information	Fund	FY 2019-20		FY 2020-21		FY 2021-22
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$2,514,035	\$0	\$2,514,035	\$111,119	\$203,385
	FTE	0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$1,042,319	\$0	\$1,042,319	\$46,070	\$84,324
	CF	\$214,699	\$0	\$214,699	\$9,490	\$17,369
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$1,257,017	\$0	\$1,257,017	\$55,559	\$101,692

Line Item Information	Fund	FY 2019-20		FY 2020-21		FY 2021-22
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$2,514,035	\$0	\$2,514,035	\$111,119	\$203,385
	FTE	0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A) General Administration, (1) General Administration - Leased Space	GF	\$1,042,319	\$0	\$1,042,319	\$46,070	\$84,324
	CF	\$214,699	\$0	\$214,699	\$9,490	\$17,369
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$1,257,017	\$0	\$1,257,017	\$55,559	\$101,692

Auxiliary Data			
Requires Legislation?	NO		
Type of Request?	Department of Health Care Policy and Financing Prioritized Request	Interagency Approval or Related Schedule 13s:	No Other Agency Impact



Department Priority: R-19
Request Detail: Leased Space

Summary of Incremental Funding Change for FY 2020-21			
	FY 2019-20	FY 2020-21	FY 2021-22
Total Funds	\$72,035	\$111,119	\$203,385
FTE	0.0	0.0	0.0
General Fund	\$29,865	\$46,070	\$84,324
Cash Funds	\$6,152	\$9,490	\$17,369
Reappropriated Funds	\$0	\$0	\$0
Federal Funds	\$36,018	\$55,559	\$101,692

Summary of Request:

The Department requests \$111,119 total funds, including \$46,070 General Fund in FY 2020-21; \$203,385 total funds, including \$84,324 General Fund in FY 2021-22 for technical adjustments to the Leased Space to align with contractual agreements. Additionally, the Department anticipates a need for supplemental funding in FY 2019-20 of \$72,035 total funds, including \$29,865 General Fund in FY 2019-20. Cash funds are from the Health Care Affordability & Sustainability Fee Cash Fund, Children's Basic Health Plan Trust, Adult Dental Fund, Medicaid Nursing Facility Cash Fund, Nursing Home Penalty Cash Fund, Primary Care Fund, Intellectual and Developmental Disabilities Services Cash Fund, Service Fee Fund, Colorado Autism Treatment Fund and Breast and Cervical Cancer Prevention and Treatment Fund. This request represents an increase less than 0.5% from the Department's FY 2019-20 Long Bill total funds appropriation.

Current Program:

The Department occupies two locations in Denver at 1570 Grant Street and 303 E. 17th Avenue. The State owns the building at 1570 Grant Street and leases commercial space at 303 E. 17th Avenue, including suites 335, 700, 1000, 1060, 1080, 1100 and 1200. The leases have a negotiated rate through the term end date of June 30, 2022. The contract currently has seven amendments for the different suites and various annual rates. The lease terms are also subject to additional payments for operating expenses, above the expense stop amount, which is a lease provision that establishes the maximum expenses to be paid by the landlord. The remaining operating expenses over the limit must be paid by the tenant. Additional rent is calculated as the Department's proportionate share of actual building operating expenses. Proportionate share is defined in the lease as the number of square feet in the Department's leased units divided by the total rentable square footage available for lease in the building. The operating proportionate share of the rentable square feet (RSF) is 36.32% (103,726 RSF is the Department's share over the 285,571 RSF in the Building).

Problem or Opportunity:

The current Leased Space line item appropriation is insufficient to cover the projected leased space expenditures as rental rates and operating expenses for which the Department is liable for have increased. The current appropriation is not sufficient to adequately support leased space expenses necessary to continue to administer the Department's programs.

Proposed Solution:

The Department requests \$111,119 total funds, including \$46,070 General Fund, \$9,490 cash funds and \$55,559 federal funds in FY 2020-21; \$203,385 total funds, including \$84,324 General Fund, \$17,369 cash funds and \$101,692 federal funds in FY 2021-22 for technical adjustments to the Leased Space line item. Cash funds are from the Health Care Affordability & Sustainability Fee Cash Fund, Children's Basic Health Plan Trust, Adult Dental Fund, Medicaid Nursing Facility Cash Fund, Nursing Home Penalty Cash Fund, Primary Care Fund, Intellectual and Developmental Disabilities Services Cash Fund, Service Fee Fund, Colorado Autism Treatment Fund and Breast and Cervical Cancer Prevention and Treatment Fund.

Additionally, the Department anticipates a need for supplemental funding in FY 2019-20 of \$72,035 total funds, including \$29,865 General Fund, \$6,152 cash funds and \$36,018 federal funds in FY 2019-20. The Department has increased leased space expenditures as rental rates and operating expenses have increased since FY 2013-14. The increase in expenses is no longer absorbable within the existing appropriation.

The funding would ensure the Department has appropriate funding for leased space to ensure that staff have reasonable work space necessary to provide services to customers as required by the Office of State Architect. This request would serve to true-up the Leased Space line item appropriation due to the increase in leased space needs and operating costs since FY 2014-15 when the last lease space true-up occurred.

Anticipated Outcomes:

This request would enable Department to meet contractual obligations and retain sufficient space for staff to continue serving the health care needs of Colorado citizens enrolled in Medicaid, Children's Basic Health Plan Plus (CHP+), and many other health-based programs for eligible Coloradans. In addition, the Department would comply with the Office of the State Architect on employee workspace requirements.

Assumptions and Calculations:

Detailed calculations for this request are provided in Appendix A attached.

To estimate the funding need for this request, negotiated rental rates from signed leases were used, in addition to projected additional rents for operating expenses. The annual base rent of units funded through the leased space appropriation were summed and then multiplied by the annual adjusted price per square foot (less property tax credit) and the net increase in operating expenses. For FY 2020-21, rental rates were forecasted using the average increase of \$0.50 per rented square foot as experienced in the most recent rent renewals contract executed on February 14, 2019. Operating expense increases were forecasted using an annual 2.73% increase based on the Consumer Price Index (CPI) for the Denver-Aurora-Lakewood area for local governments.

R-19 Leased Space
Appendix A - Calculations and Assumptions

Table 1.1: Summary by Line Item FY 2019-20								
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Source
A	(1) Executive Director's Office, (A) General Administration, Leased Space	\$72,035	0.0	\$29,865	\$6,152	\$0	\$36,018	Table 2.1 Row E
B	Total Request	\$72,035	0.0	\$29,865	\$6,152	\$0	\$36,018	Row A

Table 1.2: Summary by Line Item FY 2020-21								
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Source
A	(1) Executive Director's Office, (A) General Administration, Leased Space	\$111,119	0.0	\$46,070	\$9,490	\$0	\$55,559	Table 2.2 Row E
B	Total Request	\$111,119	0.0	\$46,070	\$9,490	\$0	\$55,559	Row A

Table 1.3: Summary by Line Item FY 2021-22								
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Source
A	(1) Executive Director's Office, (A) General Administration, Leased Space	\$203,385	0.0	\$84,324	\$17,369	\$0	\$101,692	Table 2.3 Row E
B	Total Request	\$203,385	0.0	\$84,324	\$17,369	\$0	\$101,692	Row A

Table 1.4: Summary by Line Item FY 2022-23 and Ongoing								
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Source
A	(1) Executive Director's Office, (A) General Administration, Leased Space	\$313,381	0.0	\$129,927	\$26,763	\$0	\$156,691	Table 2.4 Row E
B	Total Request	\$313,381	0.0	\$129,927	\$26,763	\$0	\$156,691	Row A

R-19 Leased Space
Appendix A - Calculations and Assumptions

Table 2.1: Summary by Initiative - FY 2019-20									
Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP	Source
A	FY 2019-20 Long Bill Appropriation	\$2,510,515	0.0	\$1,042,319	\$212,939	\$0	\$1,255,257	50%	Long Bill SB 19-207
B	Special Bills HB 19-1302	\$3,520	0.0	\$0	\$1,760	\$0	\$1,760	50%	HB 19-1302 Cancer Treatment & License Plate Surcharge
C	FY 2019-20 Total Spending Authority	\$2,514,035	0.0	\$1,042,319	\$214,699	\$0	\$1,257,017	50%	Row A + Row B
D	Current Leased Space True-up	\$2,586,070	0.0	\$1,072,184	\$220,851	\$0	\$1,293,035	50%	Table 3.1 Row F (FY 2019-20)
E	Total	\$72,035	0.0	\$29,865	\$6,152	\$0	\$36,018		Row D - Row C

Table 2.2: Summary by Initiative - FY 2020-21									
Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP	Source
A	FY 2019-20 Long Bill Appropriation	\$2,510,515	0.0	\$1,042,319	\$212,939	\$0	\$1,255,257	50%	Long Bill SB 19-207
B	Special Bills HB 19-1302	\$3,520	0.0	\$0	\$1,760	\$0	\$1,760	50%	HB 19-1302 Cancer Treatment & License Plate Surcharge
C	FY 2019-20 Total Spending Authority	\$2,514,035	0.0	\$1,042,319	\$214,699	\$0	\$1,257,017	50%	Long Bill SB 19-207 Plus Special Bills HB 19-1302
D	Current Leased Space Needs	\$2,625,154	0.0	\$1,088,389	\$224,189	\$0	\$1,312,576	50%	Table 3.1 Row F (FY 2020-21)
E	Total	\$111,119	0.0	\$46,070	\$9,490	\$0	\$55,559		Row D - Row C

Table 2.3: Summary by Initiative - FY 2021-22									
Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP	Source
A	FY 2019-20 Long Bill Appropriation	\$2,510,515	0.0	\$1,042,319	\$212,939	\$0	\$1,255,257	50%	Long Bill SB 19-207
B	Special Bills HB 19-1302	\$3,520	0.0	\$0	\$1,760	\$0	\$1,760	50%	HB 19-1302 Cancer Treatment & License Plate Surcharge
C	FY 2019-20 Total Spending Authority	\$2,514,035	0.0	\$1,042,319	\$214,699	\$0	\$1,257,017	50%	Long Bill SB 19-207 Plus Special Bills HB 19-1302
D	Current Leased Space Needs	\$2,717,420	0.0	\$1,126,643	\$232,068	\$0	\$1,358,709	50%	Table 3.1 Row F (FY 2021-22)
E	Total	\$203,385	0.0	\$84,324	\$17,369	\$0	\$101,692		Row D - Row C

Table 2.4: Summary by Initiative - FY 2022-23 and Ongoing									
Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP	Source
A	FY 2019-20 Long Bill Appropriation	\$2,510,515	0.0	\$1,042,319	\$212,939	\$0	\$1,255,257	50%	Long Bill SB 19-207
B	Special Bills HB 19-1302	\$3,520	0.0	\$0	\$1,760	\$0	\$1,760	50%	HB 19-1302 Cancer Treatment & License Plate Surcharge
C	FY 2019-20 Total Spending Authority	\$2,514,035	0.0	\$1,042,319	\$214,699	\$0	\$1,257,017	50%	Long Bill SB 19-207 Plus Special Bills HB 19-1302
D	Current Leased Space Needs	\$2,827,416	0.0	\$1,172,246	\$241,462	\$0	\$1,413,708	50%	Table 3.1 Row F (FY 2022-23)
E	Total	\$313,381	0.0	\$129,927	\$26,763	\$0	\$156,691		Row D - Row C

R-19 Leased Space
Appendix A - Calculations and Assumptions

Table 3.1: Leased Space True-up Funding Request						
Row	Item	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Source
A	Spending Authority	\$2,514,035	\$2,514,035	\$2,514,035	\$2,514,035	Tables 2.1 thru 2.4 Row C
B	Rentable Square Foot - 303 E. 17th Avenue, Denver, CO 80203	\$103,726	\$103,726	\$103,726	\$103,726	Table 3.2 Row A
C	Average Adjusted Annual Rent / Rentable Square Foot (RSF)	\$24.80	\$24.78	\$25.65	\$26.15	Lease Agreement Amendment 7
D	Current Leased Space Costs	\$2,572,849	\$2,570,071	\$2,660,831	\$2,712,694	Row B * Row C
E	Leased Space Operating Expenses	\$13,221	\$55,083	\$56,589	\$114,722	Table 3.2 Row O
F	Total Costs	\$2,586,070	\$2,625,154	\$2,717,420	\$2,827,416	Row D + Row E
G	Total Request	\$72,035	\$111,119	\$203,385	\$313,381	Row F - Row A

Table 3.2: Leased Space Operating Expenses						
Row	Item	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Source
A	Rentable Square Foot - 303 E. 17th Avenue, Denver, CO 80203	103,726	103,726	103,726	103,726	Lease Agreement Amendment 7
B	Total Square Footage - 303 E. 17th Avenue, Denver, CO 80203	285,571	285,571	285,571	285,571	Lease Amendment 1 Operating Expense
C	Department's Proportional Share of total RSF in the Building	36.32%	36.32%	36.32%	36.32%	Row A / Row B
D	Annual Inflationary Factor for Operating Expenses	2.73%	2.73%	2.73%	2.73%	US Dept. of Labor CPI Index Denver March 2019
E	Projected Operating Expenses					
F	Utilities	\$467,721	\$480,495	\$493,618	\$507,099	Lease Amendment 1 =Prior Year + (Prior Year x Annual Inflation Factor)
G	Janitorial	\$369,699	\$379,796	\$390,169	\$400,825	
H	Building Repair & Maintenance / Contracts / Heating, Ventilation, Air-Conditioning (HVAC)	\$536,681	\$551,338	\$566,396	\$581,865	
I	Building & Grounds Maintenance	\$40,360	\$41,463	\$42,596	\$43,760	
J	Security / Fire Life Safety	\$200,501	\$205,977	\$211,603	\$217,382	
K	Management Fee / Administration	\$401,897	\$412,873	\$424,149	\$435,733	
L	Total Operating Expenses	\$2,016,859	\$2,071,942	\$2,128,531	\$2,186,664	Sum of Row F through Row K
M	Expense Stop Per Square Foot ¹	\$1,798,026	\$1,798,026	\$1,798,026	\$1,798,026	Lease Amendment 1 Operating Expense
N	Annual Operating Expense added to Lease Cost	\$218,833	\$273,916	\$330,505	\$388,638	Row M - Row L
O	Incremental Change in Operating Expenses	\$13,221	\$55,083	\$56,589	\$114,722	Row N Current Year - Row N Prior Year

¹ Expense Stop - A lease provision that establishes the maximum expenses to be paid by the landlord. The remaining expenses over the limit have to be paid by the tenant.