

# Financing Guidelines

The following guidance from the Office of Financial Management was developed specific to long-term financing. Commerce uses this guidance as projects funded through the state’s Capital Budget require a capital asset life of 13+ years. Sections of this chapter not relative to capital asset guidance have been removed. For the purposes of the RD&D Match Program, we anticipate the majority of capital assets proposed for funding will fall within the category of Equipment, as detailed under number 8. Please note that the Clean Energy Fund is intended to support Clean Energy Technology development, not office development.

Long-term financing uses are limited. By law, only certain types of expenditures can be funded with long-term financing options. The following table outlines the allowable and non-allowable uses of long-term financing:

Allowable Uses	Non-Allowable Uses and Caveats
<b>1. Acquisition – land and buildings</b>	
<p>This category has been determined to be ineligible for funding under the Clean Energy Fund.</p>	
<b>2. Planning and consultant services for predesign and design work</b>	
<p>Costs may include:</p> <ul style="list-style-type: none"> <li>▪ preliminary technical studies developed from program statements that reflect the functional characteristics and architectural requirements of a long-term financed capital improvement project (predesign)</li> <li>▪ costs for architectural and engineering services, such as schematic design, design development and construction documents</li> <li>▪ reimbursable expenses provided in an executed contract for professional and technical services</li> <li>▪ fees for construction management and observation</li> <li>▪ LEED certification fees as part of a construction project</li> </ul>	<p>Expenditures for general long-range development plans, master plans, historical or archeological research, feasibility studies, statements, energy audits, or other expenditures similar in character are <i>not</i> financed from bonds or other long-term financing. These costs should be contained in the agency’s operating budget.</p> <p>LEED certification fees not associated with construction.</p>

**Allowable Uses****Non-Allowable Uses and Caveats****3. Construction – site improvement costs**

Site improvement expenditures include costs related to a financed capital improvement project, including:

- demolition
- rough and final grading of a site
- construction or replacement of sidewalks
- road and driveway pavement surfaces
- bridges
- ramps
- curbs
- overpasses
- underpasses
- pedestrian bridges and tunnels
- surface parking areas
- campground development
- building terraces
- retaining walls
- exterior lighting
- seeding or sodding for erosion control

Landscaping costs are financed only if the costs are included as part of a larger financed capital project.

Site improvement projects not part of a larger capital project may be financed if the structure or improvement provided is permanent and meets all other tests and requirements of these guidelines.

Demolition of buildings and structures, removal of trees and plant material, grading, rerouting of utilities, and erosion control may be financed when they precede a financed project to be undertaken on the same site.

Clearing of land or demolition of vacant buildings is usually financed only in preparation for a financed construction project.

Routine maintenance of land.

**4. Construction – road work**

Costs related to the construction, extension, replacement, reconstruction or upgrading of a new road or parking lot. The following are considered part of roadwork costs:

- all necessary signing
- landscaping
- erosion control
- drainage
- lighting
- bridges
- safety
- control structures

Repairs or resurfacing of existing roads to temporarily extend useful life are not allowed.

Allowable Uses	Non-Allowable Uses and Caveats
<b>5. Construction – facilities preservation</b>	
<p>Expenditures for the reconstruction or preservation improvement of existing buildings or structures are allowed, including:</p> <ul style="list-style-type: none"> <li>▪ Site developments necessarily required or related to the preparation of a site for reconstruction purposes (see Site Improvement Costs).</li> <li>▪ Required built-in, special purpose or other fixed equipment where such equipment is permanently affixed or connected to real property in such a manner that removal would cause damage to the real property to which it is affixed.</li> <li>▪ Expenditures for the installation or replacement of water control structures such as dams, culverts, aqueducts, drainage systems, locks, spillways, reservoirs and channel improvements.</li> </ul>	<p>Normally recurring expenses associated with water control structure improvements are not financed, unless part of a larger financed project.</p>
<b>6. Construction – utilities</b>	
<p>Expenditures for the acquisition, construction, replacement, modification or extension of utility systems, including construction or replacement of utility lines between buildings, replacement or installation of utilities to off-site supply systems, and replacement of complete boiler or central air conditioning or ventilation systems. These include:</p> <ul style="list-style-type: none"> <li>▪ Provisions for potable water, high temperature water for sanitary or other related purposes, and domestic hot or chilled water.</li> <li>▪ Systems and associated components for disbursing or providing electricity or telecommunications service, including underground or overhead distribution cables for television, computers or other modes of communication.</li> <li>▪ Steam and condensate returns.</li> <li>▪ Storm and sanitary sewers.</li> <li>▪ Fire hydrants and stand pipes.</li> <li>▪ Central fire and security alert systems.</li> <li>▪ Lighting systems.</li> <li>▪ Tap-ons or extensions related to existing utility systems.</li> <li>▪ Automated temperature or environmental control systems, and air or water pollution control systems.</li> <li>▪ Provisions for the disposal of contaminated, radioactive, hazardous or surgical waste as part of a construction project.</li> <li>▪ Solar heating or other approved energy systems as part of a financed construction or reconstruction project.</li> <li>▪ Sewage and water treatment facilities, equipment and related systems.</li> <li>▪ Earth moving to create artificial lakes or reservoirs for utility or related purposes.</li> <li>▪ Restoration of natural and manmade features of the site.</li> <li>▪ Trenches or ditches dug for the purpose of laying tile or providing other means to remove excessive rainfall and prevent erosion.</li> </ul>	<p>Non-financed utility repairs may include minor replacement of corroded or leaking pipes inside a facility, replacement of unsafe or undersized wiring, repairs to stop leaks, replacement of heating or cooling coils, replacement of radiators, fans or motors, retubing of boilers, addition of controls or valves for energy conservation, or replacement of thermostats or timers.</p>

Allowable Uses	Non-Allowable Uses and Caveats
<b>7. Construction – safety and codes</b>	
<p>Use the same criteria as in #6 above to determine whether the proposed safety or code project is long- term financed.</p>	<p>Examples of non-financed work, unless included in a larger financed remodeling or reconstruction project, include installation of fire alarms, smoke detectors or automatic door closers.</p>
<b>8. Equipment</b>	
<p><b>Built-in equipment</b> is permanently attached to the building or improvement, without which the building or improvement will not function. It is an integral part of the structure, and for purposes of classification, is considered part of the structure. Built-in equipment is generally included in the base construction budget and estimate (Section C of Project Cost Estimate). Examples of built-in equipment are plumbing fixtures and heating and electrical equipment.</p> <p><b>Fixed equipment</b> is attached to the building or improvement for purposes of securing the item and contributes to the facility’s function. Fixed equipment is generally included in the base construction budget and estimate (Section C of Project Cost Estimate). Examples of fixed equipment include shelving, cabinets and bolted furniture.</p> <p><b>Some movable equipment</b> can be considered long-term if it is part of a large construction project. Movable equipment is necessary for the functioning of the building or improvement and remains with the facility in support of a program, but is not attached to the building or improvement. Movable equipment is generally included in a separate equipment budget and estimate (Section D of Project Cost Estimate). Examples of movable equipment include desks and computers. Check with your OFM capital analyst if you have questions.</p>	<p>Consumable inventories, as defined in SAAM, are supplies consumed in the course of an agency’s operation or incidental items held for resale (see <a href="#">Glossary</a>). Consumable inventories are not eligible. Examples include office, janitorial and chemical supplies, and laboratory glassware.</p> <p>Software is not an eligible expenditure if it is not dedicated to the control of a specialized system supporting a program. Examples not eligible include word processing and project management software.</p> <p>Spare or replacement parts for equipment are not eligible.</p> <p>Equipment traditionally funded from the operating budget (or specifically prohibited equipment such as fax machines, copiers, custodial equipment, rolling stock and grounds equipment) is not eligible.</p> <p>The useful life of the equipment is less than 13 years. However, cash funds can be used in the capital project.</p> <p>Temporary equipment that is planned to be used in a building or improvement for a period less than its useful life. An example of temporary equipment is the use of research equipment for a short-term project.</p>

Allowable Uses	Non-Allowable Uses and Caveats
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**9. Other costs**

- Fees for services for retaining, complying with, or legal costs associated with environmental or other construction permits required for developing and implementing a specific capital improvement project.
- Purchase of existing facilities and tenant improvements.
- Reconstruction of an existing building or structure, which may include demolition or installation of new structural or interior walls, floors, ceilings, utilities, interior finishes, furnishings and equipment.
- Exterior work (including exterior surface), structural, or foundation work necessary to extend the useful life of the structure.
- Roof work that removes all or major portions of a roofing system down to the decking and replacement with a new system.
- Replacement of insulation, decking and other necessary structural work that may be part of a financed roof replacement project.
- Stone or metal work and other work necessary to direct and control water drainage and ice formation.
- Interior work generally involves the following elements of work: demolition, moving of walls, new carpet or floor surfaces, new finishes, replacement of electrical and plumbing facilities, changes to the heating or cooling system, and installation of new fixed or moveable equipment.
- Relocation costs that are payments made to owners or occupants of property that the state is acquiring. These costs may be long-term financed when paid pursuant to federal or state statutes.
- Allowable agency administrative costs as described in Chapter 5.

- Non-financed roof repairs include patching, replacing shingles, spot treatment with tar or other roof materials, adding gravel or other materials, or other repairs.
- Replacing gutters, downspouts, fascia and other work are not financed as a project but may be included as part of a larger long-term financed roof replacement project.
- Moving furniture, equipment and supplies between facilities are operating costs and not included in capital projects.
- **Projects that cost less than \$25,000 or which have an estimated useful life of less than 13 years.**
- Ordinary maintenance such as patching, painting, caulking, weatherproofing, insulating, adding storm windows, replacing doors, repairing vandalism or cleaning. An aggregation of ordinary maintenance does not create a long-term financed capital project. Work undertaken as a result of deferred maintenance likewise does not normally make the project long-term financed. Elements of work that are not financed if considered separately may be included in a larger long-term financed project.
- Lease payments for rental of equipment or facilities.
- Costs for archeological digs, research or exploration, unless part of a construction project.
- Expenditures to acquire or construct temporary facilities or for facilities where abandonment or replacement is imminent. This does not include temporary facilities required by a contractor during construction such as a “job shack.”
- Separate purchases of sand, gravel, rock, asphalt or concrete in limited quantities, ordinary hardware items and temporary fencing.
- Spare or replacement parts and equipment, hand tools, scuba equipment, decorative models, plaques, commemorative memorabilia, supplies or other commodities.
- Purchase of automobiles, trucks, farm or construction equipment, boats, tractors, lawn mowers, fire engines, trailer-mounted electrical generators, airplanes, helicopters and related items.
- Livestock or laboratory animals.
- Unpredictable or unusual legal expenses (other than those associated with land acquisition) which are not ordinarily provided in the budget for a capital project.
- Parking costs during construction.
- Agency expenses for capital budgeting, planning or other costs not directly related to the completion of a long-term financed project.