

Utah State Building Board



MEETING

January 5, 2011

MINUTES

Utah State Building Board Members in attendance:

Mel Sowerby, Chair
Steve Bankhead
Cyndi Gilbert
George Daines
Sheila Gelman
Jeff Nielson
Wilbern McDougal
Ron Bigelow

DFCM and Guests in attendance:

Gregg Buxton	Division of Facilities Construction & Management
Cee Cee Niederhauser	Division of Facilities Construction & Management
John Nichols	Division of Facilities Construction & Management
Jeff Wrigley	Division of Facilities Construction & Management
John Harrington	Division of Facilities Construction & Management
Kim Hood	Department of Administrative Services
Rich Amon	Legislative Fiscal Analyst's Office
Kimberlee Willette	GOPB
Nicole Sherwood	GOPB
W. Ralph Hardy	Office of the Commissioner of Higher Education
Gregg Stauffer	Office of the Commissioner of Higher Education
Ben Berrett	Utah State University
Darrell Hart	Utah State University
Ken Nye	University of Utah
Jared Haines	UCAT
Tyler Brinkerhoff	UCAT
Rob Brems	UCAT
Chris Coutts	Architectural Nexus

Paul Larsen	Brigham City
Jared Johnson	Brigham City
Brett Jones	Jones & Associates
Rob Cottle	Babcock Design Group
Kevin Hansen	Weber State University
Jerry Jensen	Utah Department of Corrections
Leisa Bare	PSOMAS
Jackie McGill	Spectrum
Kelly Calder	Calder Richards
Senator Stuart McAdams	

On Wednesday, January 5, 2011 the Utah State Building Board held a regularly scheduled meeting at the Utah State Capitol, Room 250, Salt Lake City, Utah. Chair Mel Sowerby called the meeting to order at 9:02 a.m.

APPROVAL OF MINUTES OF December 1, 2010

Chair Sowerby sought a motion for approval of the minutes.

MOTION: Steve Bankhead moved to approve the meeting minutes of December 1, 2010. The motion was seconded by Jeff Nielson and passed unanimously.

CAPITAL IMPROVEMENT REQUEST – ROAD COST PARTICIPATION, BRIGHAM CITY

John Nichols, Real Estate and Debt Manager from DFCM distributed a map of the area of concern (p. 12 of minutes). DFCM is recommending that the Building Board approve a reallocation from the Project Reserve funds for the purpose of participating in the cost to construct a road that will border state owned property to the South of the Brigham City Regional Center located at 1200 South and 450 West. This would be to the advantage of the state because it improves the value of our property and the ability to develop the property in the future. Director Gregg Buxton clarified that the state is being asked to fund a small portion which is curb and gutter along state property. John Nichols continued that they are working with Brigham City to find a way to relocate a small retention pond in the area which would open the land up for more development. They are requesting approval of \$50,000 for the construction at this time. Director Buxton reminded Jared Johnson, Development Manager for Brigham City of their meeting concerning the relocation of the basin and the additional expense involved. Mr. Johnson along with Brett Jones, Brigham City Engineer, indicated that there were a couple of restrictions involved. However, they are continuing to explore their options. Other alternatives for the retention problem are being considered, however they do not have the needed information or the anticipated costs at this time.

MOTION: George Daines moved to table this request until the next meeting and asked Brigham City to return with a definitive proposal to solve the problem. The motion was seconded by Steve Bankhead and passed unanimously.

APPROVAL OF UCAT NON-STATE FUNDED PROJECT.....

Rob Brems, President of UCAT presented the development of a UCAT/Mountainland Technology College facility on property at Thanksgiving Point adjacent to the new Frontrunner Station presently under construction. The reversion clause attached to this property has caused UCAT to have to develop this property a little quicker than they would like to but this has been investigated fully with DFCM staff and legal counsel. Whistle Stop Development, the original sellers of the Thanksgiving Point property, has assured UCAT they will take advantage of the reversion clause if UCAT has not started development of the property by July 15, 2011. UCAT has researched how they can use the proposed facility for more than just administration purposes. UCAT has a program called "Custom Fit" which is a partnership with local companies to provide job training. They view this facility not only for administrative needs but as a way to provide overflow training for the "Custom Fit" program in the Northern Utah County area. They believe that Mountainland at Thanksgiving Point will be needed to do a significant amount of training for the new NSA Program near Camp Williams. They see a range of options and partnerships with their campus at MATC. Mr. Brems feels that the Legislature will support this project and would like to move forward with their request for a lease revenue bond in the amount of \$1.2 Million which would allow UCAT to develop their facility on the property, meet the needs of the reversion clause, and in addition provide ample space for training and administrative needs. Mel Sowerby expressed concern with UCAT vacating their present location. Mr. Brems indicated that Kurt Baxter, Project Manager from DFCM, indicated with the timeframe involved, it would be very likely that a suitable tenant would be found for their current space. He said he understood UCAT's obligations there and would work with DFCM. Steve Bankhead asked about the size of the new building and if a revenue bond is being sought to fund this project, what is the source of revenue? Mr. Brems answered that it is a 9,000 SF facility. The source of revenue would be monies within their budget allotted to take care of current space plus some additional funds they would reallocate. It would be approximately \$80,000 a year that would service the revenue bond at \$1.2 Million.

MOTION: Wilbern McDougal moved to approve the UCAT Non-State Funded Project at Thanksgiving Point. The motion was seconded by Steve Bankhead and passed unanimously.

APPROVAL OF REVOLVING LOAN FUND FOR UVU.....

Jeff Wrigley, Energy Project Manager from DFCM presented an application for approval of

revolving loan funds from the State Facility Energy Fund for an energy performance contract with Utah Valley University. The loan amount being requested is \$250,000 and is considered highly favorable since it is only 12% of the total estimated project cost with the remaining portion being mostly funded by UVU. The total cost of the program shown is \$2,123,875 and will result in the recommended savings of \$2,966,150 during a fifteen year period while providing an annual net savings of \$7,607. This will result in energy saving measures throughout the campus. Utah Valley University will not seek to borrow additional funds for this project other than those listed. There will be rebates and incentives from Questar Gas and Rocky Mountain Power totally \$131,619. The projected annual cost savings for this UVU Energy Performance Project is estimated at \$153,721. The portion to be borrowed from this loan will be paid back over a five year period. The exact measures for the project are still being negotiated which could likely decrease the total project cost for UVU. Kim Hood, Director from DAS, asked if UVU would pay back the loan from the savings generated from this project. Mr. Wrigley indicated, that was correct and then UVU would repay the loan and enjoy the savings for years to come.

Chairman Mel Sowerby acknowledged Senator Stuart Adams, newly appointed head of the Capital Facilities Committee for the Senate, was in attendance. Senator Adams asked how much cash was available in the revolving loan fund? Mr. Wrigley indicated the maximum balance in the fund is \$2.15 Million and there were a lot of projects approved and scheduled to use the fund. Chair Sowerby clarified that the purpose of this fund was to promote energy savings to the state. Steve Bankhead asked for clarification on exactly how much of the fund is already committed. Mr. Wrigley answered initially the fund was at \$3.65 Million. Two years ago it was reduced by the Legislature to \$2.15 Million. In addition to this, they have received ARRA funds which enabled them to restructure some of the projects and funding. In reality they are over-committed with this fund but they are approaching it on a first come first serve basis as the projects are developed.

George Daines commented on his concerns with cash flow. John Harrington, Energy Manager for DFCM said that Mr. Daines had some of the same concerns expressed by UVU. The payback was not as good as they wanted. The scope of this project has been reduced to \$750,000 now taking out the long term payback because they did look at the present value of money. With the ARRA funds, utility rebates and incentives from Rocky Mountain Power, they decided to use the \$250,000 from the revolving loan fund to make up the difference. The cash flow looks great now and UVU feels very comfortable with moving ahead with the project.

MOTION: George Daines moved to approve the Revolving Loan Fund for UVU. The motion was seconded by Steve Bankhead and passed unanimously.

APPROVAL OF REVOLVING LOAN FUND FOR USU.....

Jeff Wrigley, Energy Project Manager for DFCM indicated that this loan was for a project for Utah State University involving installation of campus wide steam-fitting insulation. It involves 1,643 fittings in forty buildings across campus at a proposed cost of \$447,585. The projected savings from this project are \$182,487 per year. Utah State University is not eligible for any rebates from Questar Gas or Rocky Mountain Power however the savings are still excellent and will produce a fast payback. Steve Bankhead mentioned that the payback on this project was more in line with previous projects and if the State Energy Fund was overcommitted and they had to make choices, this project would clearly be chosen because of the sensible return on the investment. George Daines agreed the value of this project over a ten year period would be enormous, however with the project for UVU the present value would be very little and would seem that the standard projection using current value would allow the Energy Department to quickly spot projects that would be extremely profitable. John Harrington said that they don't typically do net present value calculations but they use simple paybacks. Unfortunately all projects do not come in at the same time so it is difficult to evaluate and compare projects. They come in at different stages and are evaluated at different stages. They look at each project individually and decide if it makes sense to move forward. With UVU, they determined that if they got the payback down to five or six years and gave them \$250,000 they were leveraging their funds as well as university funds, creating a win for the state and the taxpayers.

Kim Hood asked since the fund is oversubscribed, when do you expect the payback to start coming in to help replenish and stabilize the fund? John Harrington informed Ms. Hood that the payments have already started coming back to the fund. They were fully subscribed last year with projects. However the Capital Complex Project did not go through, so they had funds available for UVU and USU. The funds do come back on a regular basis. Typically the 5-year contracts with the revolving loan fund are 0% interest. They want this fund to be utilized. They are trying to infuse the \$11.5 Million in ARRA funds, with revolving loan funds, and leverage it into \$40-\$50 Million in state energy projects which creates a lot of benefits for the citizens and institutions they serve.

MOTION: Steve Bankhead moved to approve the Revolving Loan Fund for USU. The motion was seconded by Wilbern McDougal and passed unanimously.

☐ PROGRAMMING SERVICES FOR USU ATHLETICS PRACTICE FACILITY

Darrell Hart, Associate Vice President for Utah State reported that USU has been working to find a way to expand the floor time at the Spectrum. There are competing sports programs such as basketball and volleyball which need floor time in order to practice. They have been talking with donors and have come up with a plan to build a new practice facility just west of the Spectrum. Their request is to proceed with this project. The building is estimated to cost \$7.5 Million and be approximately 28,000 SF. The Harris Athletic Center will likely be demolished to make room for the new building. USU would

like to proceed with programming and design for the building immediately.

MOTION: Cyndi Gilbert moved to approve the Programming Services for USU Athletics Practice Facility. The motion was seconded by Sheila Gelman and passed unanimously.

❑ ADMINISTRATIVE REPORTS FOR UNIVERSITY OF UTAH AND UTAH STATE UNIVERSITY

Ken Nye from University of Utah reported that they had eleven design agreements and five other types of professional agreements. For construction they had five remodeling and two site improvement contracts. They did have a few items deserving of explanation: The second item which was the remodel of the Behavioral Science Building was contracted with Utah Correctional Institution without going through a procurement process. This is typical for a contract with UCI as a state entity. The third item, the MRI Scan Room was a sole source contract with Gaven Industries for \$77,000. This was very specialized work. Gaven was the only firm capable of doing this work which consists of very specialized shielding around the MRI. They also agreed to not require payment performance bonds. They ran a report of Gaven to determine their credit worthiness and felt there was minimal risk for financial problems with the project. Director Buxton questioned Mr. Nye concerning his projected budgets and the amount of construction contracts and indicated they were substantially higher. Mr. Nye clarified the budgets listed are the project budgets rather than just the construction contract budgets. For item six on the second page of the report, the Hyper Mall Tunnel, they had an incident a few months ago with the release of high temperature water in the tunnel. This created a hazardous material situation where the water took asbestos material off of insulation and circulated it throughout the tunnel. There was a need for a quick clean up so investigations could proceed. Therefore, they issued a sole source contract on an emergency basis with Thermal West, the contractor working for the USTAR project. They had the expertise to do the abatement and was able complete the work quickly. Director Buxton asked if the OSHA report had been completed on the tunnel accident. Mr. Nye said that OSHA was still doing their investigation and since it was a DFCM project they would receive a copy of the report. There was no activity in the Project Reserve. The Contingency Reserve Fund had no decreases this month. Mr. Nye pointed out, in the cover letter for their report there was a mistake indicating a transfer of \$87,251.34 for project 20024 for the High Temperature Lines Replacement. That number should be \$37,251.34 to cover unknown conditions that came up during the project. This specific amount covers extended overhead for the contractor as they dealt with unknown conditions and also covered some additional weld testing required beyond what was budgeted. That project is in the wrap up phase and may have one more draw from the fund. The next draw was for project 20218, the HPER Complex HTW Lines. This transfer of \$21,845 was to cover the cost of connecting to the tunnel that was being constructed for the USTAR project. They had hoped to be able to coordinate the different projects so they could do the connection before the USTAR tunnel was buried. Unfortunately the timing

didn't work out so they had to pay additional monies to the contractor to excavate and connect the pipes. The third draw, project 20208 for the HPER Mall Tunnel & HTW was \$30,246 for one third of the cost for additional weld testing. This was part of the HTW work that is done under the USTAR contract administered by DFCM. The subcontractor doing the welding was not achieving the expected levels of success. There are presently two methods for testing allowed under code to make sure the welds are good. One is much more expensive than the other. They had planned to use the more expensive testing to confirm the welder was doing a good job and then go to the less expensive testing which wasn't quite as accurate. The number of failed tests led them to determine that they needed to do the more expensive test in all the welds. This is a system where they can't take the chance of having a bad weld.

MOTION: George Daines moved to approve the Administrative Report for University of Utah. The motion was seconded by Steve Bankhead and passed unanimously.

Ben Berrett gave the Administrative Report for Utah State University. This month they had two professional contracts issued and five construction contracts. There was a total of \$29,791 needed from the Contingency Reserve Fund and a total of \$4,821 added to the Project Reserve Fund. The first contract was to Design West for professional services. They bid some masonry restoration on Old Main which was a change order reported on last month. They are hiring a firm to do a long term restoration project, including a stone foundation which is deteriorating. The other one was for a small design award for concrete testing. For construction projects, there was Cache Valley Electric for a high voltage cable which failed on campus -- the first one on campus in fifteen years. The Botanical Center Project involved some bridge work and stream work out at the Kaysville site. We did some fire system upgrades with Fire Systems Specialists and some asbestos abatement on a few projects. If you go to Contingency Reserve Fund, page three, the largest contingency draw was a steam line replacement. They had to replace an additional pipe that wasn't expected. There was considerable site restoration with that work which went into the concrete steps and the plaza area. Next was the Water Lab Fume Hood Upgrade with asbestos. That was only a \$6,200 draw however the change order was over \$100,000. The building previously had an asbestos survey but the ceiling tile was missed. It had a two by four ceiling tile that looked like the modern tile. The tile was old enough that it contained asbestos so they had to abate the ceiling tile which was nearly \$100,000. The project came in under budget so most costs were covered in the project and just \$6,200 was needed from the Contingency Reserve. They have had numerous abatement projects on that complex over the years but believe most of the project has now been abated. They had one project close with money that was put into the Project Reserve Fund in the amount of \$4,800 and no draws were made from the Project Reserve Fund.

MOTION: George Daines moved to approve the Administrative Report for Utah State University. The motion was seconded by Jeff Nielson and passed

unanimously.

☐ ADMINISTRATIVE REPORT FOR DFCM.....

Lynn Hinrichs, Deputy Director of DFCM reported there were no significant lease items. There were 24 architect/engineering agreements awarded, and 18 construction contracts awarded with nearly all of those going to remodel projects. A couple of noteworthy ones included the American Fork Courts Building Security Upgrade and Dixie State College North Instructional Building Reroof. The Contingency and Reserve Fund remain extremely healthy. In fact there is \$14.5 Million balance in the Contingency Reserve and an \$18 Million balance in the Reserve Fund. Mr. Hinrichs indicated those are higher than he has ever seen since he has been with DFCM. Director Buxton commented that the levels in these funds were indicative of the economic conditions where bids are coming in at a much lower price. There were four projects that contributed to the Reserve Fund balance which was about \$30,000 total. On the contingency side, the project drawing the most funds was the MATC Building that is presently finishing up. There were some change orders which involved converting classroom space to fitness areas, some omissions to add lighting and unknown items, road base at the south end of the parking lot, travertine tile cutting, miscellaneous framing, drywall changes and minor design errors to remove cabinet unit heaters in stairways. Everything else is listed in detail on the report. Chairman Sowerby questioned why the state is converting classroom space to athletic training space. Mr. Hinrichs responded that he did not know the answer to that question, and representatives from Mountainland ATC have already left the meeting so they could not answer.

Jeff Nielson commented that he attended the bid opening for the CEU Campus in Blanding. He noticed the project came in over bid \$250,000 and one particular part of the bid was rock coming out of South Dakota for \$90,000. He questioned why the state doesn't try to retain bidding in the state of Utah verses \$90,000 going to South Dakota? Mr. Hinrichs responded the CEU project is not going forward. They are trying to figure out how to redesign to make it fit the budget so he suspects the rock will be one of the items that will change. Mr. Nielson asked if that is a common procedure to go out of state to find a product. Mr. Hinrichs answered that it isn't very common, however when you go into building exterior materials, sometimes you may be surprised to discover that sometimes it is cheaper to go out of state and even out of country to get the materials. The stone for the work on the Capitol Grounds, for example came from Italy. It was cheaper than quarrying the native material and paying for that labor to do so. Mr. Hinrichs indicated he was not familiar with the specific design of the building referred to but sometimes Architects will focus on a particular material and not look at costs. I am sure there is a way to bring the costs down on that project.

☐ PROJECT DELEGATION OF CAPITAL FACILITIES ON BRANCH CAMPUSES AND USTAR FACILITIES

Director Gregg Buxton from DFCM gave the background information on this item. He indicated that completion of the USTAR projects at Utah State and University of Utah are near completion. DFCM is looking to allow universities to do the maintenance on the buildings. However, the delegation authority concerning future remodeling needs clarification. USTAR buildings are used to house research teams who may require remodeling of the facility in order to meet their needs. They anticipate there will be a considerable amount of remodeling over the years. DFCM is looking at whether they should maintain the oversight of this remodeling or delegate this work to the universities. DFCM would like guidance from the Building Board concerning this delegation authority. Alan Bachman said that there were two issues in this action item: 1) How do you deal with USTAR facilities; and 2) How do you interpret your across the board delegation Administration Rule in regards to campuses? An example of this would be if one campus acquires another campus 400 miles away, does that across the board delegation extend to the other campus whether it is large or small? The Administrative Rule delegates certain dollar amounts to University of Utah and Utah State University, but then it has this language, "on their respective campuses". So the question for the Building Board is what do you mean by "on their respective campuses"? Does that mean the way their campuses existed from a time in the past or does it mean extension campuses? How do you interpret extension campuses? Steve Bankhead felt it would be more efficient for the universities to manage capital improvements for USTAR themselves. They are involved in what's happening on their campuses. He doesn't see the projects being so large that it exceeds their capacity to manage and felt it seemed more efficient to have the universities do it. Senator Adams clarified that there seems to be a cost savings when you buy in a quantity basis and dealing with multiple projects, contractors and subcontractors, typically you get great responses to bids. He could see a university or local entity having more hands-on because they are at the location, but as far as cost savings, they should consolidate these efforts. He felt there would be a cost savings in trying to centralize this issue. Director Buxton clarified that when the universities were given delegation authority their campuses were contained in one location, since that time they have seen satellite campuses built in Vernal, Price, Tooele and across the valley. DFCM is presently managing construction in these locations, whether we continue to do so would be up to the Board. Presently, the state is managing projects very cost effectively. Mel Sowerby expressed concern that the state would be giving up oversight responsibility and clarified that USTAR is a separate institution even though their buildings are located on university campuses. He would like the delegation authority to stay with the Board.

MOTION: Wilbern McDougal moved to limit the delegation authority of campuses so that delegation is not extended to satellite campuses or USTAR facilities.

George Daines requested that the Board hear from both universities on this issue. Darrell Hart from Utah State commented that since both universities are currently doing the O & M on the USTAR Buildings, it seems awkward to not extend the delegation to these buildings.

It is more efficient. They have been doing project work at some of the regional campuses (Tooele, Brigham City) for years. Many of those projects are small in nature but are certainly within the delegation authority. Ben Barrett said they have currently been doing project management at all of the regional campuses except at the new location at CEU. Mr. Hart said that Utah State has a good relationship with contractors and others in the construction industry. Senator Adams commented that the question is whether we lose some of those efficiencies with the state and give up some oversight. If universities maintain some of their projects, they may not get as good a price as the state may get since they are constructing multiple buildings. The other issue is, if universities take on those projects and there are problems, would they come back to the state to help with funding for those problems? He questioned why there was special authority given to University of Utah and Utah State and why not to SLCC, Weber State and UVU? Why not centralize everything so that there will be a cost savings and oversight by the state? Mr. Hart felt that in the future, eventually the state would extend their delegation amount to some smaller colleges and universities.

Cyndi Gilbert questioned how USTAR projects fall under the same delegation as other projects? Steve Bankhead suggested that there be more discussion between DFCM and the universities concerning how this delegation will work.

MOTION: Steve Bankhead moved that the Board table this motion and invite representatives from Utah State, University of Utah and perhaps USTAR to meet with DFCM to determine if they can return with a consensus recommendation to the Board.

Ron Bigelow, Ex-Officio commented that in statute the Legislature specifically separated USTAR from the campuses. Before you change the delegation, it may require Legislative change of statute in order to do so. We need more information on that particular part.

Chairman Mel Sowerby specified direction to the Board indicating that before the Board could consider Mr. Bankhead's motion, there was a motion on the floor from Mr. McDougal. He clarified the motion as follows:

MOTION: Wilbern McDougal moved to define delegation as it is currently used and to limit USTAR to the main campuses.

George Daines explained that Mr. Bankhead's motion was actually an amendment to Mr. McDougal's motion. Chairman Sowerby agreed and clarified that the amendment was to currently table and allow the Universities and DFCM to discuss this issue and return to the Board with a consensus concerning the delegation authority. Mr. McDougal said he was comfortable with the amendment.

AMENDMENT:

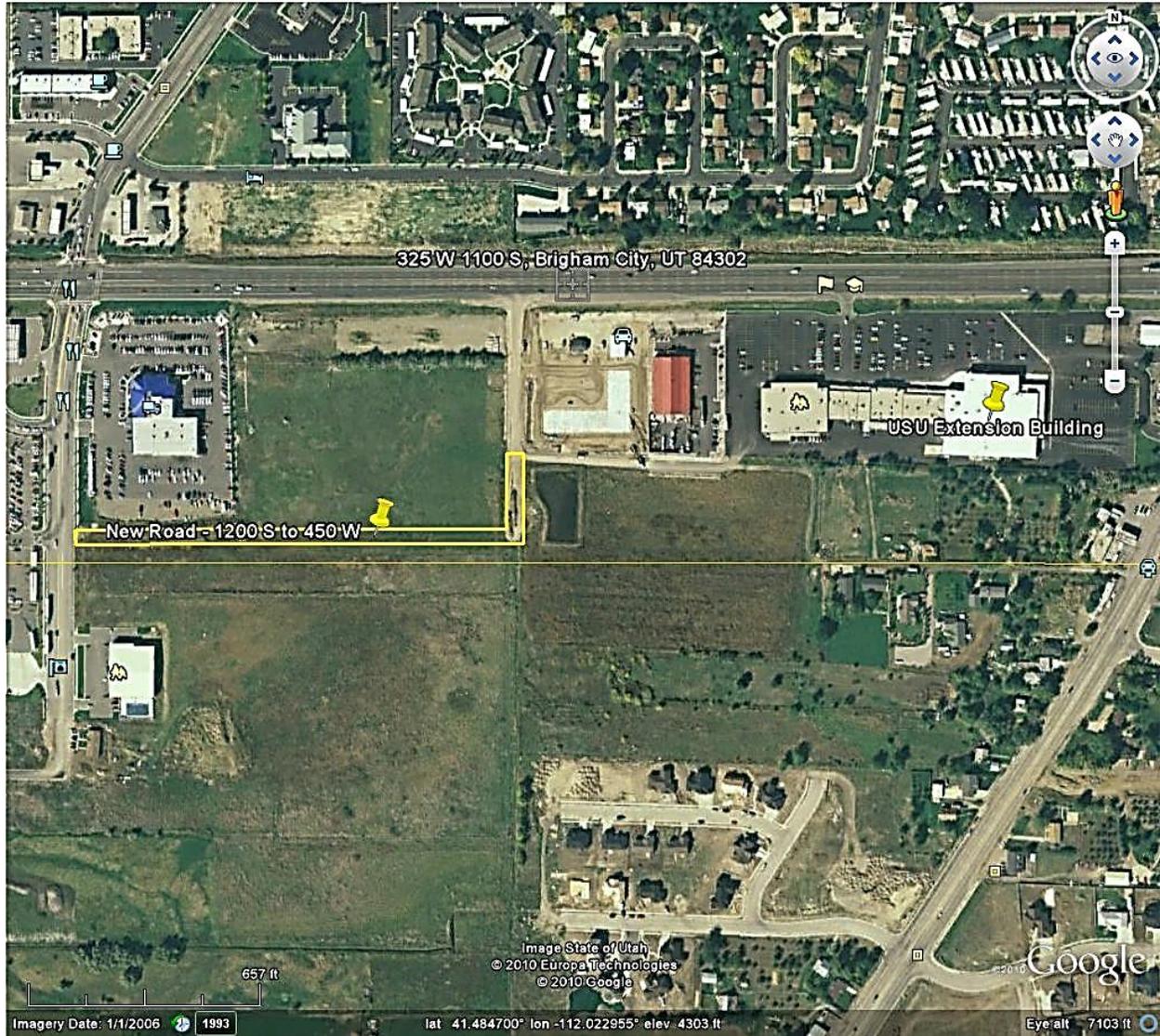
Steve Bankhead moved to amend the motion and requested the Universities and DFCM discuss this issue and return to the Board with a consensus concerning the delegation authority. The motion was seconded by George Daines and passed unanimously

Ken Nye from the University of Utah commented on Senator Stuart Adams' previous comment and clarified that the university and DFCM do not package projects together for bidding purposes. Senator Adams responded that if the state is building anywhere from 22-300 projects a year, it seems reasonable that they would get a better response from contractors on a project. Mr. Nye said that the University of Utah has 200-250 projects and feels they would have the same response.

Director Buxton from the DFCM encouraged members of the Board to observe some the Value Based Selections in order to better understand the selection process. Chairman Sowerby responded that he had attended these selections and felt he had learned more about state building issues than with any other method. He suggested members attend these selections.

☐ ADJOURNMENT

MOTION: Chair Sowerby asked for a motion to adjourn. Steve Bankhead moved to adjourn the meeting at 10:49 a.m. The motion was seconded by Wilbern McDougal and passed unanimously.



Brigham City Attachment 1