

Utah State Building Board



MEETING

March 2, 2011

MINUTES

Utah State Building Board Members in attendance:

Mel Sowerby, Chair
Cyndi Gilbert
Steve Bankhead
Jeff Nielson
Wilbern McDougal

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
W. Ralph Hardy	Office of the Commissioner of Higher Education
Gregg Stauffer	Office of the Commissioner of Higher Education
Ken Nye	University of Utah
Mike Perez	University of Utah
Gordon Crabtree	University of Utah Healthcare
Rob Lloyd,	University of Utah Ambulatory Services
Keith Davis	DHS
Lisa-Marie Jensen	AJC Architects
Tiffany Woods	BHB Engineers
J. Rocky Woodruff	Old Castle Materials
Gemma Gough	Diamond Phillips
Ben Berrett	Utah State University
Jim Michaelis	Utah Valley University
Kevin Hansen	Weber State University
Jerry Jensen	Utah Department of Corrections
Jason Perry	University of Utah
Chris Hill	University of Utah

Cynthia Cook
Kim Hood

FFKR Architects
Department of Administrative Services

On Wednesday, March 2, 2011 the Utah State Building Board held a scheduled meeting at the Library for the Blind and Disabled, Room 227, Salt Lake City, Utah. Chair Mel Sowerby called the meeting to order at 9:01 a.m.

☐ APPROVAL OF MINUTES OF FEBRUARY 2, 2011

Chair Sowerby sought a motion for approval of the minutes.

MOTION: Wilbern McDougal moved to approve the meeting minutes of February 2, 2011. The motion was seconded by Cyndi Gilbert and passed unanimously.

☐ UNIVERSITY OF UTAH HOSPITAL AND CLINICS – SOUTH JORDAN HEALTH CENTER.....

Mike Perez from the University of Utah introduced Mr. Gordon Crabtree, CFO for University of Utah Healthcare and Rob Lloyd, Executive Director of Ambulatory Services. Mr. Perez reported the South Jordan Health Center was a project presented before the Regents, Trustees and Legislature as a lease arrangement with an option to purchase. They would like to exercise the option to purchase and need bonding authority as well as approval from the Building Board in order to proceed with their project. Mr. Crabtree reported the project was first introduced to the Board of Trustees with the idea it would be a donor supported facility and potentially an expanded campus for the U of U Healthcare system. The facility was initially conceptualized to be a lease with a donor support credit offered for the lease payments. Prior to April, 2010 University representatives negotiated with Kennecott Lands to put into the lease an option to purchase the property using a cost based calculation. The original lease had a market based option for purchase at any time over the 20 year lease period, however they felt strongly it would be in the best interest of the University to have a cost based purchase option. Because Kennecott was anxious to have the Healthcare facility on the property, they eventually agreed to the purchase with two options. Mr. Crabtree referred to the handout (Minutes **Attachment p. 1**).

1. The first option involved lease-based purchase terms and included a donation of \$12.5 Million against the lease payment which meant the 20 year cash flow on the project would be \$129 Million. Since it would be a privately owned facility, the local taxes paid would be about \$13 Million. The option to purchase the property at market price anytime during the 20 year period could be anywhere from \$75 - \$100 Million.

2. The second option, would allow the University two opportunities to purchase on a cost-based calculation anytime during the first five years. The expected cost of the option, approximately \$66 Million would then be paid by the issuance of the bond approved by the Board of Regents. The total cash flow on this purchase option would run approximately \$115 Million compared to the \$129 Million on the lease. The savings would be about \$14 Million in cash flow. If the University owned the site they would continue their commitment to the community to provide services. In addition, they would not be required to pay local taxes of \$13 Million. The total cash flow savings would be \$27 Million with a net present value of 3% at \$15 Million and creates a very attractive option for the University to consider.

Mr. Crabtree continued with his report and indicated University financial advisors have recommended the second option because of the current favorable market conditions and suggested this purchase occur within the next year. If approved, the University would own the land and the facility itself. The value of the land, approximately \$4 Million, was offered to the University at a discount by the donor.

Rob Lloyd indicated the South Jordan Health Center was, in a major way, an expansion of the University of Utah Campus in the south part of the valley (Minutes Attachment p. 2). The population growth in this area demands a major medical presence in the south part of the valley. They expect over time that the facility will expand to be a larger facility which may include a small hospital and other ambulatory facilities. The Healthcare Center will presently be on 10 acres of land; however Kennecott has set aside 60 acres for possible future expansion. This facility is expected to house all of the specialties presently offered by the University Hospital – both primary and specialty care and many ancillary services, an Imaging Center, Huntsman Cancer Center, Moran Vision Center, and an Endoscopy Center and Ambulatory Surgical Center, a full Emergency Department, Air-med, etc. It will be a major presence for the University of Utah in that part of the valley. They have commitments from the University's School of Medicine to staff the facility with physicians and providers and they contemplate the opening would be January, 2012. This location is ideal because it is exactly across the street from the new Trax line which borders the property on the east and the new Mountainwest Corridor which borders on the west. The University would very much like to own this facility as they do their other facilities.

Mike Perez reminded the Building Board this is a non-state funded project. In addition they would not require state funding for the O & M. There were considerable questions and discussion concerning the reason the University wanted to expand to the Daybreak Community. Is the University motivated by the need for expansion and opportunities for training in the medical school or the need for more profits? Rob Lloyd responded that while the University does compete in every healthcare market their motive is not solely a profit motive. Mr. Crabtree added that this project is indeed, an expansion of the University's opportunity for teaching and research. There are teaching/ education rooms

located in the facility. It will house medical students, residence and fellows as well as attending physicians. The University's academic mission is expanding to this facility and that part of the valley. Mr. Crabtree clarified that the core mission of the University Health System is basically academic and research with clinical care providing the opportunity for those individuals who are entering into the field to be trained as well as providing opportunity for research. He explained the margin for University Healthcare and explained that the University has a broader mission to provide services and continue to support not just clinical care but other services that the community is unable to obtain elsewhere.

MOTION: Steve Bankhead moved to approve the University of Utah Hospital and Clinics – South Jordan Health Center. The motion was seconded by Mel Sowerby and passed unanimously.

□ UNIVERSITY OF UTAH DEE GLEN SMITH ATHLETIC CENTER EXPANSION..

Mike Perez explained that this project was brought before the Building Board earlier as part of the Capital Facilities request. The Board approved this along with other projects that were submitted. When the project was originally submitted they anticipated that most of the funding for construction would come from donations, however a few changes have occurred. One of these changes involved a donor who offered to pay interest on any bond on this project if the University had bonding authority. The other option involves a cash flow issue -- if donations do not meet expectations. The University would like to take advantage of the opportunity to have bonding authority along with donor involvement. Therefore, the University has gone back to the Board of Trustees and received approval for a request for bond issuance. They are presenting this project before the Building Board, and amending the original request so they receive bonding authorization. Dr. Chris Hill, Athletic Director for the University of Utah, explained the University fully intends to receive contributions for the project as they have with other facilities. This project will move more rapidly because the change the University has made to move to the Pack Twelve. Some donations have already been committed, however they did not want to go public with fundraising until this project was approved by the Legislature. Any bond payments not covered by contributions will be covered by revenues from their TV contract with the Pack Twelve. At the present time the University received \$1.2 Million a year from the Mountain West Conference. However the Pack Twelve will have a graduated scale beginning with \$6 Million the first 50% share and eventually receive \$9 Million annual. They will dedicate some of those funds, if needed toward on payment on the bond. There are also other revenues available to the University as a back-up plan from their fund-raising efforts. Mr. Perez said the Legislature indicated the University needs approval from the Building Board first in order to receive Legislative approval. Jeff Nielson asked what the amount of the original project was. Mr. Perez said it was \$20 Million.

Wilbern McDougal comments on the Capital Facilities tour of the University's infrastructure

system in August, 2010 and the urgent need to fund the needed repairs to utilities, sewer and water. His concerns were that the University was growing faster than their infrastructure could allow. Mr. Perez said they have been using Capital Improvement monies to make the needed repairs and since this was an on-going project they are in constant need of repairs and funding. However, he noted that the Dee Smith Athletic Center Expansion is not served by that substation. It's on the Windberg Campus on Guardsman Way and happens to have a direct feed from Rocky Mountain Power.

MOTION: Cyndi Gilbert made a motion to approve the University of Utah Dee Glen Smith Athletic Center Expansion.

Steve Bankhead wanted to clarify that the University is asking for a bond so they can commence construction before donation money is raised and in the event the money is not raised the University will use TV revenues from the Pack Twelve Association as a back-up plan. Mr. Hill responded in the affirmative. Chair Mel Sowerby asked if bonding was approved by the Board of Regents. Commissioner Gregg Stauffer explained the Regents were going to address the bond issue this week. The main focus the Regents will address are revenue streams, assuring from a conservative measure there is plenty of coverage should donations not materialize. Chair Mel Sowerby questioned should the main issue be the bonding capacity of the Regents? Commissioner Stauffer clarified that the Regents' focus was on individual bonds and the debt service coverage.

AMENDED

MOTION: Steve Bankhead moved to amend Cyndi Gilbert's motion that the Building Board approval is contingent upon approval by the Board of Regents. Cyndi Gilbert agreed to the Amended Motion. The Amended Motion was then seconded by Jeff Nielson and passed unanimously.

☐ ADMINISTRATIVE REPORTS FOR UNIVERSITY OF UTAH AND UTAH STATE UNIVERSITY

Ken Nye from University of Utah stated said they did not have a lot of activity this month. There were four design agreements issued. There was no activity in the Project Reserve Fund. The Contingency Reserve Fund on page 4 of the DFCM Report indicated one small draw for unforeseen conditions. Because this is a quarterly report, they have included on page 5 a summary of the Contingency draws from all the Capital Improvement Projects. Director Buxton asked Mr. Nye about the decrease in the Contingency Reserve Fund of \$9,000 to Develop Secondary Water System for Landscape Irrigation, New Construction. He clarified that the Contingency Reserve should be used for errors, omissions or mistakes on a project. Mr. Nye said that it is most commonly used for unknown conditions or omissions in design. This decrease to the Contingency is for unknown conditions as they

began installing the irrigation system. This is infrastructure remodeling. Chair Sowerby asked for the name of the project, numbered 20253? Mr. Nye said this was a Capital Improvement Project called Develop Secondary Water System for Landscape Irrigation. This project was approved by the Board almost a year ago. On page 5 is a list of all the Contingency draws as they occurred for the past two quarters. On page 6 is the status of their Capital Improvement projects. They continue to make progress to finish up their old projects. FY11 projects are well under way and there are some challenging projects to work through but are progressing well. The Construction Contract Status Report shows the current status of their construction contracts. Director Buxton said that each year the State delegates a number of Capital Improvement Projects to the University. Please tell us how many of those projects are under contract at this time? Mr. Nye reported they have eleven projects this year with six currently under construction, three in the bidding process and two have some complex design issues they are working on. Their goal is to have these under construction by the next Board meeting; however they may not reach their goal. Director Buxton reminded the University that the State's scorecard deadline is April 1st. He encouraged the University to meet the deadline and have 100% of their projects under contract. Mr. Nye said that in the past they have been able to do this and will try to reach the same goal this year.

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

Ben Berrett gave the Administrative Report for Utah State University. Page one shows one Professional Contract for the CEU/USU Campus merger using transition money. This was to study the cost to upgrade the sprinkler system and fire alarm systems in the dormitories on the CEU Campus in Price. They anticipate this upgrade will be about \$300,000. There were four Construction Contracts. Project one was a fire sprinkler project in the Engineering Lab Building/Phase II which was difficult to retrofit. The construction amount was \$729,000. Because the building was occupied this semester, the University began working on small sections rather than the entire building at once to avoid disruption of classes. Project two involves Campus-wide Bike Rack replacements and additions for approximately \$50,000. Bike use has increased dramatically on campus and they are seeing bikes chained to every tree and handrail in the area. Project three involves upgrading some of the signage on campus and Project four is miscellaneous asbestos abatement which was ongoing. The Contingency Reserve Fund had two small draws – one for a Building Re-commissioning Project with controls upgrades they were not anticipating; the other one involved a Water Lab Fume Hood Upgrade and Repainting of Offices damaged by an asbestos abatement. Chair Mel Sowerby asked if this project was re-commissioning a new building. Mr. Berrett clarified that this work was on existing buildings. The University has been requesting about \$200,000 a year from Capital Improvement to use their in-house people to recommission some of their buildings. The

goal is to do one to two buildings a year and the process is very methodical. They try to look at buildings that are approximately twenty to thirty years old and rebalance the building, recalibrate the controls and make sure everything is operating as designed. They are able to produce significant energy savings and reduced maintenance costs by proceeding this way rather than addressing problems one by one. Chair Sowerby asked if this process was being expanded to the newly acquired CEU Campus as well. Mr. Berrett said they will be sending a team to the CEU Facility to check on lab ventilation problems which attribute to temperature problems as well as a safety issues. Director Buxton addressed the Project Reserve Fund activity which lists building cladding, campus walkways, bike racks, etc. He asked if the University was using funds from the Project Reserve to do small projects. Mr. Berrett clarified that these were projects that closed with monies still left and were transferred to the Project Reserve and added to the transfer amount. They did not have any draws to the Project Reserve Account this month. Mr. Berrett indicated that these projects were all 1% or less of construction budget. Director Buxton said he questioned this because bids for state projects are coming in substantially lower due to problems with the economy and he did not see this reflected in the contracts from the University. Mr. Berrett said they saw significantly lower bids for the past several years but felt that much of this had leveled out over the past year. The University does as much as possible with the monies available to them. He used the example of the Campus Medium Wide Voltage Upgrade which was replacing high voltage switches, terminations, cable, etc., hence these projects are undefined. A lot of their Capital Improvement Projects are these types of projects. Mr. Berrett said that the University is 100% obligated on their projects.

MOTION: Wilbern McDougal moved to approve the Administrative Report for Utah State University. The motion was seconded by Steve Bankhead and passed unanimously.

☐ CORRECTIONS REALLOCATION OF CAPITAL IMPROVEMENT FUNDS.....

Jerry Jensen, Facilities Director for the Department of Corrections said funds are urgently needed to complete projects from the FY 2011 and FY 2012 Capital Improvement Project requests. They are requesting a reallocation of \$1.14 Million from project savings from the Lone Peak Security Controls Project. This project, estimated at \$3 Million, originated in 2008. However when it went out to bid in March of 2009, construction prices were at an all-time low and it came in at \$1.6 Million. The project went fairly well with very little problems. There were a few unforeseen conditions which added about \$380,000 to the price. Because the project was completed at a little over \$2 Million, they were able to saved \$1.1 Million. For that reason they are requesting reallocation of those funds to other Capital Improvement Projects in need of additional funding. Chair Sowerby asked if the sum of all projects represented the \$1.1 Million requested. Mr. Jensen said they were slightly under that amount. The project selected would be an upgrade to their security

cameras and equipment. Other projects include replacement of failing electrical transformers – six, which are old and leaking oil. Mr. Jensen indicated that if they lost one of the transformers, they would lose their lights and have a huge problem. Director Gregg Buxton pointed out there was a great deal of talk concerning moving the prison, which could take several years if it happened. He wanted to know if Corrections would have a crisis if some of these projects were put on hold for three to four years. Mr. Jensen responded yes they would be in a crisis because they have to maintain what they presently have. Chair Sowerby asked if these upgrades added to the efficiencies on the property. Mr. Jensen answered in the affirmative. In addition, there are multiple boiler replacements and hot water heaters that urgently need replacement.

MOTION: Steve Bankhead moved to approve the Corrections Reallocation of Capital Improvement Funds. The motion was seconded by Cyndi Gilbert and passed unanimously.

☐ UVU REALLOCATION OF CAPITAL IMPROVEMENT FUNDS.....

Jim Michaelis from Utah Valley University explained they had a similar situation at UVU. They had a 5th Level HVAC Repair project designed and estimated at \$2 Million. The bids came in at less than \$1 Million. They would like to reallocate the \$1 Million left over on this project and continue down their Capital Improvement list to take care of items that need to be completed. These items include: 1) Repair and replace HVAC coil units on campus that are old and beginning to fail. 2) Replace the Trades Building elevators which are failing – necessary for ADA compliance. 3) Environmental Building HVAC Piping Repair, and 4) Walkway lights – there are two systems that need repair and are not working. This reallocation would also leave a substantial amount for the Contingency. Director Buxton reminded the Board members that last year, DFCM sponsored a bill which would enable the state to keep left over funds in a separate account and reallocate to the Universities with Building Board approval. The increases in reallocations are a direct result of this Legislature.

MOTION: Cyndi Gilbert moved to approve the UVU Reallocation of Capital Improvement Funds. The motion was seconded by Steve Bankhead and passed unanimously.

☐ APPROVAL OF REVOLVING LOAN FUND FOR WEBER STATE UNIVERSITY

DFCM Project Manager, Jeff Wrigley presented a Revolving Loan Fund Application for Weber State University. This \$300,000 project involves campus-wide steam pipe expansion joint, trap and insulation with an overall simple payback of 3.21 years. DFCM's

Energy Management Team found this to be an excellent energy-savings. Mr. Wrigley provided Board members a list which shows the current status of Energy projects approved by the Board (Minutes Attachment p. 4). During last month's Building Board meeting there were questions regarding the capacity of the Revolving Loan Fund. There have been a couple of projects, (most notably the Capitol Hill Project, approved for \$175,000) which have been reduced and are not using funds from the Revolving Loan Fund at all. The total from this list is the amount presently obligated and does not include projects shaded in grey which have been cancelled or repaid to the fund. This list, along with the \$300,000 for the Weber State Project, will put the Fund at just over \$2 Million. There is approximately \$150,000 left in the fund. The total savings of \$545,784 is the estimated energy cost savings per year. You can see from the table the overall simple payback for overall projects at 2.7 years which is taking the total cost at \$1.75 Million minus the incentives of \$289,000 and dividing that by the annual savings. The Fund is healthy and is doing extremely well. It has been in existence for about two years. Director Buxton clarified that \$545,000 in energy savings per year is substantial savings for the state. Mr. Wrigley said that \$182,000 of those estimated savings would be from the Weber State University Project alone and confirmed it was an excellent project. Since the savings will largely be in gas which would be purchased from suppliers and not through Questar, they do not qualify for any incentives or rebates

MOTION: Steve Bankhead moved to approve the Approval of Revolving Loan Fund for Weber State University. The motion was seconded by Wilbern McDougal and passed unanimously.

☐ ADMINISTRATIVE REPORT FOR DFCM.....

Kurt Baxter from DFCM reported there were no significant lease reports. There were 18 Architectural/Engineering Agreements last month and among those noted were the Utah State University's Regional Campus Distance Education Building at \$740,000, and the University of Utah Henry Eyring Chemistry Building at \$1,063,000 which is fairly significant in size. On the Construction Project Report, there were 21 contracts. DFCM had listed four projects which required additional funding; therefore they used the Project Reserve Funds to assist with funding of those projects. The larger ones noted include DOT Warehouse Remodel at \$1.3 Million and Ogden Driver's License Division awarded \$1.8 Million. They continue to see competitive pricing; however increasing oil prices may continue in the near future. The Contingency Reserve is at \$13,000 which is healthy and the Accounting Department indicated DFCM is where they should be with this fund. They anticipate prices for copper and steel will rise when the economy gets stronger and are prepared for this inflation. The Project Reserve Fund Activity is at \$17 Million. Director Buxton indicated that \$12 Million of that fund will go toward Improvement Projects. In addition, Dixie Centennial Commons Project will return some funds since their project came in under estimated amounts. Director Buxton clarified that monies left over from

projects are placed in the Project Reserve Fund. This year, DFCM offered the Project Reserve money as a way to increase funding for Capital Improvements. Chair Sowerby asked how DFCM determines the target range for these funds. Mr. Baxter said their Accounting Department determines the amount based on the number and amounts of ongoing projects. A percentage of that sum is used to determine the amount DFCM should have in reserve.

The final issue presented by Mr. Baxter was notification to the Board of an exchange of property in Vernal. Mr. Baxter explained the state has one-third ownership of a building in Vernal with the County owning the remaining two-thirds. Originally there was some controversy concerning ownership and the details concerning implementation of O & M. There were no county records indicating state ownership but there was Legislative language indicating otherwise (Legislative Rule 63B-17-401 authorized the property exchange). In 2008, DFCM received Legislative approval giving authorization to exchange property and so DFCM will exchange their one-third ownership in the County Building in Vernal for a piece of property north of town which was previously owned by UDOT. This property exchange will enable DFCM to create a new facility for DNR. Chair Sowerby asked if UDOT formerly occupied the property we have acquired; didn't the state already own it? Mr. Baxter indicated the state had a \$1 a year lease on the UDOT property, but now have full ownership.

Wilbern McDougal's expressed concern with the handling of an accident on I-15 and the current need for adequate training of Utah drivers. His experience with the Highway Patrol was a very negative one. He requested that the Building Board present this issue to the Legislature. He would like to make this request a formal motion. Chair Mel Sowerby stated this issue was not in the authority of the Building Board since it is not concerning Utah State Buildings and suggested Mr. McDougal contact his local Legislator.

MOTION: Wilbern McDougal made a motion for the Building Board to contact the Utah State Legislature concerning amendments to the Driver Training Laws. The motion died for lack of a second and did not pass.

☐ ADJOURNMENT

MOTION: Chair Sowerby asked for a motion to adjourn. Steve Bankhead moved to adjourn the meeting at 10:45 a.m. The motion was seconded by Cyndi Gilbert and passed unanimously.