

MINUTES

JOINT COMMITTEE ON STATE BUILDING CONSTRUCTION

February 14, 2008
Room 123-S—Statehouse

Members Present

Senator Dwayne Umbarger, Chairperson
Representative Joe Humerickhouse, Vice-Chairperson
Senator Pat Apple
Senator Greta Goodwin
Senator Laura Kelly
Senator Stephen Morris
Representative Steven Brunk
Representative Bill Feuerborn
Representative Bob Grant
Representative Jo Ann Pottorff

Staff Present

Audrey Dunkel, Kansas Legislative Research Department
Kimbra Caywood McCarthy, Kansas Legislative Research Department
Julian Efird, Kansas Legislative Research Department
Mike Corrigan, Office of the Revisor of Statutes
Helen Abramson, Committee Secretary

Conferees

Richard Gaito, Department of Administration
Marilyn Jacobson, Department of Administration
Rae Ann Davis, Department of Commerce
Scott Anglelmyer, Workshop Partnership
Theresa Gordzica, University of Kansas
Don Hah, University of Kansas Medical Center

Others Attending

See Attached List.

Chairperson Umbarger called the meeting to order at 12:35 p.m.

Staff presented an overview of the Department of Administration's FY 2008 and FY 2009 capital improvement budget projects (Attachment 1).

The Governor and the agency have some changes for the FY 2008 project. The agency's request of \$12.7 million, including \$10.5 million from the State General Fund, would increase \$2,159,234, all from the special revenue funds that carried over from FY 2007 for emergency repairs to the Landon State Office Building; and \$37,253, all from the State General Fund that carried over from FY 2007 for general repairs of state facilities. The agency also shifts \$377,102, all from the State General Fund, for the Docking State Office Building Chiller Project from the operating budget to the capital improvement classification to reflect principal payments for the debt repayment. Those will show up in FY 2009 as capital items.

A lot of the scaffolding on the Landon State Office Building is gone along the corridor facing the Capitol Building, and it has been moved to the North side. The agency also shifted \$37,253 from the State General Fund for the repair of the Docking State Office Building Chiller Project from the operating budget to the capital improvement classification to reflect principal payments for the debt repayment.

The Governor concurs with all adjustments and adds \$370,170, all from the State General Fund, for emergency repairs to a utility tunnel in the Capitol Complex. The Governor's recommendation indicates that the emergency repairs will extend the life of the tunnel approximately two years.

For FY2009 the agency requests \$18.5 million, including \$18.3 million from the State General Fund. Increases include State General Fund financing of \$2.0 million for principal payments on bonds, \$3.0 million for a Capitol Complex tunnel replacement, \$2.2 million for fire safety enhancements in state facilities, \$525,000 for general repairs to state facilities, and \$406,190 for the Docking State Office Building Chiller Project annual debt payment.

The Governor recommends expenditures of \$16.7 million, including \$1.1 million from the State General Fund. The Governor includes financing from the Expanded Lottery Act Revenue Fund (ELARF) of 11,470,000 for principal payments and \$4.0 million for capital improvement projects as follows:

- Kansas Department of Transportation bond funding \$7,010,000;
- Statehouse renovation bond funding \$4,390,000;
- Judicial Center bond funding \$70,000
- Capitol Complex maintenance \$3,000,000; and
- Docking State Office Building renovation planning \$1,000,000.

The Governor recommends bonding authority of \$80.0 million for reconstruction of the Docking State Office Building and \$16.0 million for furnishings in the building. The Governor recommends bonding authority of \$38.8 million for Capitol restoration of the north steps reconstruction and exterior stonework.

Marilyn Jacobsen, Director, Division of Facilities Management, Department of Administration (DOA), remarked that the actual temporary repairs of the Capitol Complex tunnel are presently taking place.

Staff offered the following remarks concerning the FY 2009 agency's request of \$18.5 million of which \$18.3 million would be from the State General Fund. The State General Fund financing includes \$2 million for the principal payment on bonds, \$3 million for the Capitol Complex tunnel

replacement, \$2.2 million for fire safety enhancement in state facilities, \$500,000 for general repairs to state facilities, and \$406,190 for continuing payments for the chillers for the Docking State Office Building.

The Governor's recommendation is less than the agency's request, as the Governor is recommending \$16.7 million, but has significantly reduced the State General Fund recommendation to \$1.1 million; the agency sought \$18.3 million from the State General Fund. The Governor has included financing from the ELARF of \$11.4 million for debt service payment and \$4 million for the five capital improvement projects previously mentioned. Reflected in the capital improvement budget are the principal payments when made, and the parallel corresponding interest payments that are in the operating budget. This Committee focuses on the capital budget, so in the KDOT bond funding of \$7 million originally scheduled to come from the State General Fund, the Governor substituted for principal payment \$7 million from ELARF. The Governor added two new items that the agency did not include in the budget request which is characterized as the Capitol Complex Maintenance for \$3 million as opposed to Capitol Complex tunnel replacement or fire and safety improvement. Also listed was \$1 million funded by ELARF for planned renovation to the Docking State Office Building (DSOB).

In addition to the recommendation, there also is included in the Governor's appropriation bill capital improvements for two proposed bond authorities. In the first one, the Governor is recommending bonding authority that would total \$96 million for the DSOB, of which \$80 million is for the reconstruction and \$16 million is for the cost related to furnishings, moving, temporary office space, and the like. The Governor also is recommending, at the request of the Legislative Coordinating Council, additional bonding authority of \$38.8 for capital restoration for the north steps of the Capitol and the exterior stone work. Last year, \$55 million was authorized in bonds and they are in the process of issuing the last of those bonds. The stone work will start this summer.

Chairperson Umbarger inquired about WATCO Railroads getting some of its funding from KDOT for capital improvements. Staff indicated that loan guarantees were provided by KDOT, and there is a port authority that issues bonds and makes payments based on the revenues. Chairperson Umbarger requested that the research staff present an overview of this matter at the Committee's next meeting.

Marilyn Jacobsen, DOA, remarked that the \$38 million would cover the cost pertaining to the Statehouse steps and the exterior stone work, but there may be some work that needs to be done on the dome.

Ms. Jacobsen remarked that six air quality tests were done from 2005 to the present on the Docking State Office Building, and in every single case the report was that there is actually less mold and less chance of getting any airborne toxins inside DSOB than outside DSOB.

The Joint Committee on State Building Construction expresses concern over the use of ELARF dollars for debt service principal and capital improvements projects in the state. The ELARF is a new fund and as such, revenue estimates for the fund are little more than speculative. In addition, pending legal action regarding the Expanded Lottery Act cast further doubt on the revenue to the ELARF.

Senator Morris moved the Committee concur with the Governor's recommendation for FY 2008 and 2009, which includes the three bonding projects and the two capital improvement projects with the following exception: The Joint Committee on State Building Construction recommends the shift of expenditures from the ELARF to the State General Fund for the Department of Administration in FY 2008 and FY 2009 and recommends review of this shift at Omnibus. Representative Humerickhouse seconded the motion. Motion carried.

Representative Brunk wanted his no vote recorded.

Chairperson Umbarger asked how many have had the opportunity to sit down during the audio presentation of the Statehouse restoration projects, where it came from, and how the scope of the nation had enlarged. He stated he believes that a lot of misinformation is out there about how the expenditures have increased, but they have not taken into account there was an inflationary factor, the underground parking and exterior were added, and additional office and operational space were added that expanded the scope of the project. The original bonding was anticipated between \$90 million and \$120 million, but taking in the inflation factor and the great price increases of some building materials may explain the increased construction cost.

Representative Feuerborn said the concern on the House of Representatives' side is, even with taking into account the added square footage and the inflation rate, the projects have escalated to three times the original estimate. There is also some concern about some of the workmanship and the timeliness.

Richard Gaito, Deputy Director, Department of Administration, presented a five-year lease for the Department of Commerce at 9221 Quivira Road, Overland Park ([Attachment 2](#)).

Deputy Director Gaito stated that the lease being presented today is a new sub-lease for the Department of Commerce and the local Workforce Investment Board for office spaces to house the workforce development program. The sub-lease is for 2,658 square feet of space to house offices and computer work stations. The lease space will house nine FTE, which equates to 295 square feet per FTE. The proposed lease exceeds the space standards of 250 square feet. The Department of Commerce has indicated that the extra space is required for computer work stations which are used by clients. The lease base rate for the first year is \$21.64. An additional cost of \$7.30 is added for operational costs. The DOA also has included with the lease details of the yearly lease costs, including the breakdown of the yearly operational cost for the lease. As listed, the base lease decreases to \$20.10 in year two and then remains constant at \$11.75 in the third through the fifth years of the lease. Projected operational costs increased from \$7.30 in year one to \$8.17 in year five. The total lease cost in the first year is \$28.94 and declines to \$27.58 in the second year and continues to decline to \$19.55 in the third year. The rates are projected to increase in year four to \$19.78, and \$20.02 in the fifth and final year of the lease. The increase is due to increased operational costs in years four and five. The projected average five-year total cost is \$23.17. The increased cost of the base lease amounts in the first two years of the lease are due to tenant improvements. The proposed lease has a starting date of November 2007, at which time the Department of Commerce took in occupying space. The procurement process of this lease is different than the normal established process. The Workforce Investment Board completed an Request for Quotation (RFQ) for brokerage services and collected 31 proposal locations, both to the Workforce Alliance Board for its review. The local Workforce Board negotiated the lease with the landlord. The process used by the Department of Commerce did not follow normal state statutes. After reviewing the process, the Department of Administration suggested changes to the Department of Commerce for future use in leases involving the local Workforce Investment Board. The changes that the Department of Commerce has agreed to implement in future leases include greater involvement in all phases of the lease process relating to the lease and, in addition, the Department of Commerce has agreed not to occupy a leased facility before the lease is presented to this Committee for review. In addition, the Division of Facilities Management is reviewing the leasing process to better examine expiring leases. It is the intention of the Chairperson to establish a process in which leases are not allowed to expire without notification of the pending lease. While the leasing process used by the Department of Commerce did not follow the established procedures, it is probably in the best interest to all parties to approve this lease.

Rae Anne Davis, Executive Secretary, Department of Commerce, stated the agency appears today to ask the Committee's approval of this lease (Workforce Center) at Overland Park. It is co-located there with the local Workforce Investment Board. The Federal Workforce Investment Act gives authority to the local board to make leasing decisions, so that is why a decision was made in this manner. The local board goes out and finds the location of the workforce centers and the programs administered by the Department of Commerce, which is a different federal stream that is a mandatory one-stop partner. By co-locating with the Workforce Investment Board in the facilities, the letter and intent of federal law is met. The agencies believe the citizens of Johnson County and surrounding area are better served if the agencies co-locate. By having Commerce in a separate facility, they lose quite a bit of efficiency and there is poorer customer service. The Department of Commerce probably would not have approached this lease as the local board did, but are requesting approval to allow them to continue with this co-location. The Board did do a competitive procurement, but normally would have had much more involvement with the local board staff when going through the procurement process. The Department of Commerce indicated displeasure with the board at the time. The Building Committee expects to be more involved in the future.

Committee discussion followed, including the difference in the cost of leases at 7700 Shawnee, Mission Parkway, and the proposed lease at 9221 Quivira Road, as the buildings are located very close to one another.

Scott Anglemyer, Executive Director, Workforce Partnership, stated that those locations are probably actually four or five miles apart and the buildings are entirely different neighbors.

Senator Kelly moved that the Committee review favorably the five-year lease for the Department of Commerce at Overland Park. Representative Humerickhouse seconded.

Representative Feuerborn commented he has concerns with the way this lease was handled.

Motion passed.

Staff presented an overview of the Wichita State University capital improvement for FY 2008 and FY 2009 (Attachment 3).

For FY 2008, the University requested and the Governor approved \$8,371,827 and noted that \$1.7 million of that is for rehabilitation and repair which would be funded from the Educational Building Fund. About \$4 million is for deferred maintenance projects and the University's portion of that \$30 million for infrastructure maintenance project is about \$3.1 million. Debt service principal payment is about \$2.8 million.

For FY 2009, there is nothing in repair and rehabilitation because the University does not have the transfer of Educational Building Fund money. The deferred maintenance is estimated at \$1.2 million, and this total is excluded from the intra-structural maintenance fund money which is encumbered to the Board of Regents, and then debt service of principal payment of about \$2.8 million. The Governor concurred with the agency request, with one adjustment in order to shift the debt service payment of \$1.3 million to the ELARF.

The Joint Committee on State Building Construction expresses concern over the use of ELARF dollars for debt service principal and capital improvements projects in the state. The ELARF is a new fund and as such, revenue estimates for the fund are little more than speculative. In addition, pending legal action regarding the Expanded Lottery Act cast further doubt on the revenue to the ELARF.

Vice-Chairperson Humerickhouse moved for the Committee to concur with the Governor on the FY 2008 and FY 2009 capital improvements, except the Joint Committee on State Building

Construction recommends the shift of expenditures from the ELARF to the State General Fund for the Department of Administration in FY 2009 and recommends review of this shift at Omnibus. Representative Pottorff seconded. Motion carried.

Staff presented for the Board of Regents two projects for Wichita State University as follows (Attachment 4):

- Improvement and maintenance of campus parking. The improvement will be funded by University parking funds. Rather than wait until submission of the FY 2010 capital improvement request, it is believed to be more cost effective to bid this project as early as possible while paving contractors are still planning an filling out their work load for calendar year 2008. The project cost is estimated at \$475,000, including engineering and contingencies. The actual construction would begin following this spring semester and be completed in FY 2009.
- Improvements for the WSU Baseball Program at Eck Stadium/Home of Tyler Field. Estimated cost of the project is \$5,990,000 to be paid for by private gifts and ICAA funds. Recently the University received a major private gift toward this project, which is expected to help accelerate the time frame for a lease moving forward with an initial phase of the proposed improvements. Accordingly, the University has requested approval to amend its FY 2009 five-year capital budget plan to include this project.

Representative Humerickhouse moved that the Committee favorably recommend the University of Kansas project for the improvement and maintenance of campus parking at WSU and for the improvements of the WSU baseball field at Eck Stadium/Home of Tyler Field (Program statements are on file with the Legislative Research Department).

Representative Grant moved that the Committee recommend favorable the Improvement and maintenance of campus parking and the improvements for the WSU Baseball Program at Eck Stadium/Home of Tyler Field. Representative Brunk seconded. Motion carried.

Staff presented an overview of the University of Kansas capital improvement request for FY 2008 and FY 2009 (Attachment 5).

The agency estimates FY 2008 capital improvements expenditures of \$37.2 million, including \$763,768 from the State General Fund. The request includes deferred maintenance projects totaling \$10.0 million and debt service principal payments of \$4.2 million.

The Governor concurs with the agency estimate for FY 2008.

The agency requests FY 2009 capital improvements expenditures of \$7.2 million, including \$728,120 from the State General Fund. The request includes deferred maintenance projects totaling \$1.4 million, as funded from the institution's Deferred Maintenance Support Fund, which receives revenue from retained interest.

The Governor concurs with the agency request and adds \$1.0 million, all from the ELARF, for planning to expand the School of Pharmacy (Attachment 6). In addition, the Governor recommended bonding authority of \$50.0 million for the University and for the debt service to be paid from the State General Fund \$5 million per year over 15 years. Note that the payments will not show up until FY 2010.

Staff informed the Committee that if one looks at the broad post-secondary education

systemwide budget, there was an item that was requested through the Board office for additional investment in post-secondary education, and one of those investment packages was expansion of the School of Pharmacy. Out of the whole, the Governor did not fund those investment packages in that particular way, but for this one item she did add \$1 million for framing in the capital improvement budget.

Senator Morris stated that he understands that the total project would be about \$150 million and the state's share would be \$50 million infrastructure.

Representative Feuerborn noted that this would include planning for a new facility at the University of Kansas and the remodeling of the third floor facility in Wichita.

Staff presented the Board of Regents six projects for the University of Kansas (Attachment 7). They were:

- Jayhawk Towers, Renovate Tower A at an estimated cost of \$8.1 million and funded with revenue bonds issued through the Kansas Development Finance Authority and secured with a pledge of the revenue from the housing system. This project was included in the Governor's recommendation. The project was not included in the original budget submission because the project was still being developed and funding had not been identified. The University has now identified funding from this project from existing resources.
- Construction of a classroom/shop facility on the West Campus for the School of Architecture. The estimated cost of the projects is \$7,078,000 and will be funded from restricted fee funds and course fees. (Note that a new fund will be needed for the project and authorization to transfer funds from the Restricted Fees and General Fees funds.) This project was not included in the original budget submission because the project was still being developed and funding had not been identified. The University has now identified funding for this project from existing resources.
- Renovation of Smissman Hall. The estimated cost of the project is \$2,338,000 and will be funded with a combination of University funds, private funds and federal grant funds. This project was not included in the original budget submission because the project was still being developed and funding had not been identified. The University has not identified funding for the project from existing resources.
- Raze Building #342 and the garage at the Sunflower Research Farm in Johnson County. The estimated cost of razing the building is \$20,000 funded with University funds. The vacated lot will be returned to pasture/lawn-type grass.
- Improvements to Allen Fieldhouse. The estimated cost of the project is \$15 million funded by private gift funds.
- Structural Biology Center - Phase Four. The project is funded with a \$5 million grant from the Kansas Bioscience Eminent Scholars Program and will be constructed by Kansas University Center for Research (KUCR) under an authorization by KSA 76-759. KUCR will pay out of the Research Grant for the maintenance of this facility.

Architectural statements for the Pharmacy Teaching and Administration Facility, Jayhawk

Towers Renovation, School of Architecture-West Campus, Smissman Hall Renovation, and Allen Field House are on file at the Legislative Research Department, Statehouse.

Staff deferred to the Board of Regents regarding a project that was dropped off the list.

Theresa Gordzica, CFO, University of Kansas, informed the Committee that on the University's original capital improvement request there was a \$13 million project for Gertrude Sellards Pearson Residency Hall renovation project, and it was in the budget directions, but was inadvertently overlooked in the Governor's recommendation. This project is to be funded by bonds. It is very similar to the Jayhawk Tower's renovation project.

The Joint Committee on State Building Construction expresses concern over the use of \$1 million for the planning and start-up in FY 2009 and \$50 million in bonding authority funded by the ELARF dollars. The ELARF is a new fund and, as such, revenue estimates for the fund are little more than speculative. In addition, pending legal action regarding the Expanded Lottery Act cast further doubt on the revenue to the ELARF.

Representative Humerickhouse moved that the Committee concur with the Governor's recommendation for FY 2008 and FY 2009 capital improvements request, including the additional capital improvement projects brought forth today for the University of Kansas, with the following exception. The Joint Committee on State Building Construction recommends the shift of expenditures from the ELARF to the State General Fund for the \$1 million for the planning and start-up in FY 2009 of the Pharmacy Building and addition, and \$50 million in bonding for the new Lawrence campus building, and recommends review of this shift at Omnibus. Senator Morris seconded. Motion carried.

Staff presented an overview of FY 2008 and FY 2009 for the University of Kansas Medical Center capital improvement request ([Attachment 8](#)).

The agency estimates FY 2008 capital improvement expenditures of \$6.4 million, including \$370,000 from the State General Fund. The request includes deferred maintenance projects totaling \$3.6 million and debt service principal payments of \$850,000, including \$370,000 from the State General Fund.

The Governor concurs with the agency estimate of FY 2008.

For FY 2009, the agency requests FY 2009 capital improvement expenditures of \$4.0 million, including \$395,000 from the State General Fund. In addition to ongoing projects, the request includes \$2.1 million from special revenue funds for the Lied Biomedical Building, and \$360,000 from the Deferred Maintenance Support Fund for deferred maintenance projects.

Two other capital improvement projects presented were as follows:

- Amended Program Statement for the Applegate Energy Center Infrastructure and Utility Distribution project, funded with a combination of Infrastructure Maintenance Program Funding and University Interest Earning Funding for a total of \$11,461,000 over fiscal years 2008-2012. (On file with the Legislative Research Department.)

Don Rau, Director of Facilities, University of Kansas Medical Center (KUMC), stated that the number one infrastructure deferred maintenance issue at the Medical Center is the complete renovation of the remaining infrastructure and chillers, boilers, pumps, motors, electrical switches, and electrical distribution systems. The total project is about \$15 million. The University is currently in the

process of submitting that, and the first year is for a \$3.4 million project that is in the process of being implemented.

Theresa Gordzica, CFO, University of Kansas, informed the Committee that the University of Kansas Medical Center top deferred maintenance project is the Applegate Energy Center's project. Engineers looked at the size, and suggested steps to take to get the most from the money allocated. The program has been amended, but it is still the same project as in the infrastructure maintenance fund.

Don Rau, KUMC, informed the Committee that the University included the KUMC five-year capital plan, dated February, 2008 that shows the original plan for the Applegate Energy Center Project and the amended plan, and also the current capital improvement requests, together with the Breidenthal renovation.

- Breidenthal Research Building Renovation. The budget for this project is \$6 million with \$5 million allocated to construction/renovation and \$1 million to furnishing and equipping the facility. The project will be jointly funded by grants from the federal Department of Commerce Economic Development Administration, the Kansas Bioscience Authority, and the KUMC Research Institute. Once the renovation is completed, the building will be leased to start up companies through the KUMC Research Institute. The leases will provide that all direct expenses be paid by the occupants, including a surcharge for maintenance.

Program statements for the Structural Biology Center Phase IV addition are on file with the Legislative Research Department, Statehouse.

The Joint Committee on State Building Construction expresses concern over the use of ELARF dollars for debt service principal. ELARF is a new fund and as such, revenue estimates for the fund are little more than speculative. In addition, pending legal action regarding the Expanded Lottery Act cast further doubt on the revenue to the ELARF.

Representative Feuerborn moved that the Committee concur with the Governor's recommendation for FY 2008 and FY 2009, with the exception that the Joint Committee on State Building Construction recommends the shift of expenditures of \$395,000 from the ELARF to the State General Fund for the University of Kansas Medical Center in FY 2009 and recommends review of this shift at Omnibus. Senator Kelly seconded. Motion carried.

Chairperson Umbarger adjourned the meeting at 1:35 p.m.

Prepared by Helen Abramson
Edited by Audrey Dunkel

Approved by Committee on:

July 10, 2008
(Date)

