

## **MINUTES**

### **JOINT COMMITTEE ON STATE BUILDING CONSTRUCTION**

August 13, 2008  
Room 545-N—Statehouse

#### **Members Present**

Representative Joe Humerickhouse, Vice-Chairperson  
Senator Greta Goodwin  
Senator Laura Kelly  
Senator Stephen Morris  
Representative Steve Brunk  
Representative Bob Grant  
Representative Bill Feuerborn  
Representative JoAnn Pottorff

#### **Staff Present**

Audrey Dunkel, Kansas Legislative Research Department  
Kimbra Caywood McCarthy, Kansas Legislative Research Department  
Kelly Navinsky-Wenzl, Kansas Legislative Research Department  
Mike Corrigan, Office of the Revisor of Statutes  
Helen Abramson, Committee Secretary

#### **Conferees**

Richard Gaito, Department of Administration  
Dennis Okrulilik, Department of Commerce  
Scott Brunner, Kansas Health Policy Authority  
Dick Koerth, Department of Wildlife and Parks  
Marilyn Jacobson, Department of Administration  
Lt. Colonel Blankenship, Kansas State Training Center, Salina Airport  
Eric King, Kansas Board of Regents  
Paul Stewart, Pittsburg State University  
Dana Cunningham, Fort Hays State University  
John Gist, Wichita State University  
Dr. Tom Rawson, Kansas State University  
Ed Heptig, Kansas State University  
Abe Fattaey, Kansas State University  
Jim Modig, University of Kansas  
Ed Phillips, University of Kansas Medical Center

## Others Attending

See attached list.

## Morning Session

The meeting was called to order by Vice-Chairperson Joe Humerickhouse at 9:15 a.m.

Richard Gaito, Deputy Director, Division of Facilities Management, Department of Administration, presented four proposed leases.

At the July 10, 2008 Committee meeting, the Department of Administration presented leases for the Department of Commerce which are again being presented today (Attachment 1). The leases were tabled because of the Committee's concerns that they were not competitively bid. The two leases are for office space in Overland Park. The leases will house the agency's trade division and business field office employees. Both divisions have been at the current location since 2003 and 2001, respectively. The lease terms for both the agency's trade division and business field offices are for two years, with two one-year renewal options. Both leases are identical in terms and conditions except the business development office is paying a higher rate due to the inclusion of office furniture in the lease. Both leases are full service leases, and both proposed terms and conditions are identical to the current leases. Both leases are within the space standards.

Dennis Okrulilik, Building Services Management, Department of Commerce (DOC), told the Committee that three phone bids were conducted. According to the Leasing Shared Services Handbook, if a lease is less than 5,000 square feet and less than two years, phone bids are an option. The Johnson County Community College and the Johnson County Workforce Center were contacted. The Johnson County Community College gave a "no bid." The Johnson County Workforce Center bid was actually higher than the current lease rate. This information was not provided when the leases were sent in, but after further investigation, the abovementioned phone bids were found. This is the reason the Department wishes to remain at its current location.

*Representative Grant moved that the Committee review favorably the proposed leases for the Department of Commerce division of trade and business field office at Overland Park, as presented today. Senator Goodwin seconded. Motion carried.*

The second lease presented was for a 0.84-lease amendment for the Kansas Health Policy Authority at 109 SE Ninth Street, Topeka (Attachment 2). This amendment is the first one to the original two-year lease, which expires July 31, 2009. The original lease has two one-year renewal options for the 9,150 square feet (s.f.) that it currently occupies at a rate of \$14.00 per s.f. The cost of utilities is included in the base rate amount. The amendment being presented is for an additional 3,160 s.f. of office space. The same terms and conditions of the original lease will apply to this amendment, as will the ending date of the original lease. The new space will be occupied by the Working Healthy and Data Management programs. These two programs currently are located at Landon State Office Building (LSOB). The space vacated at LSOB will continue to be occupied by the Health Policy Authority with staff increases. The amendment space is within the space standards, as is the combined original lease. The lease amendment is supported by the Department of Administration.

Scott Brunner, Chief Fiscal Officer, Kansas Health Policy Authority, stated that all of the 13 FTEs of the 37 positions currently are filled. Current FTEs occupy the entire ninth floor and one-half

on the tenth floor of the LSOB for a combined 35,000 s.f. The Authority currently is under the space standards, which allows for expansion. There is no more available space in LSOB for the agency to expand, and the Kansas Health Authority already occupies the remainder of this floor in the Mills Building. The two programs are small enough that they can be moved operationally without disrupting the management flow and the supervisory structure. Also, the Data Policy group will need an on-site consultant for the new data analytical interface project.

*Senator Morris moved that Committee review favorably the amendment to the Kansas Health Policy Authority lease at 109 SW Ninth Street, Topeka. Senator Kelly seconded. Motion carried.*

The third lease presented was for the Kansas Department of Wildlife and Parks (KDWP) for regional offices at 8304 Hedge Lane Terrace, Shawnee, at an annual cost of \$165,356 (Attachment 3). The agency has been at its current location since 2005. The lease being presented is for a new location. In September 2007, an RFP was issued by the Division of Purchases and eight proposals were submitted from four different bidders. The lease being presented is the lowest total cost of the proposals submitted. The lease is for 7,604 square feet, of which 4,307 is for offices and the remainder is for vehicle and equipment storage. The lease is for a ten-year lease at a rate of \$18.52 per square foot. The lease contains two renewal options for five additional years at the rate of \$24.88 per s.f. for the first five-year renewal period, and then increases to \$28.84 per s.f. for the remaining five years. The lease does contain a purchase option for the KDWP to purchase the building and the property at any time during the lease period. The purchase price will be determined by the fair market value of three independent appraisers. The lease requires that any improvements made by KDWP before the purchase of the facility would be credited to the purchase price in the event they were to purchase the property and building. In order to determine the current fair market value of office space in Shawnee, the Division of Facilities Management (DFM) Real Estate Department contacted the Shawnee Chamber of Commerce concerning the area market rates. The DFM was informed that a new building of a similar size would be \$22.00 - \$24.00 per s.f. The amount of office space does exceed the space standards, as it is 546 s.f. per FTE. The offices are within or close to the space standards; however, a large portion of the remaining office space is used for evidence, interrogations, and customer service areas. The lease followed the established procedures in procurement of the lease and is acceptable to the DOA.

Dick Koerth, Department of Wildlife and Parks, said the current location is off Highway K-7, a major highway in Johnson County. That facility is cramped and the KDWP is out of space. The agency is trying to find a location that is more efficient that will allow the KDWP to grow into over a period of years. The agency also is looking for an office that it can occupy for a long time, so the customers in Johnson County will have a place to go to that is convenient and accessible with all the staff equipment at the station. Approximately 75 percent of the cost will be paid for with KDWP park and boating fees. Since this is a new building, it will not be ready until June 2009. KDWP's current lease in Lenexa expires June 30, 2010, with a 30-day notice termination option. The new building will be built with KDWP in mind. The DFM sent out RFPs for a new office in Johnson County. Eight bids were received, including the proposed lease being presented today.

Mr. Koerth continued by stating that the Johnson County Office does a lot of business and sold \$200,000 worth of permits last year. Presently, the equipment is stored at Hillsdale.

Committee discussion followed regarding the amount of s.f. that will be used for equipment, as \$18.52 per square foot for storage space is very costly. Also discussed was the process of leasing with an option to purchase with the lease payments applying towards the purchase price. Information was supplied to the Committee that the location of the proposed new facility is in a tax incentive area, and therefore, the developer of this property for the first ten years is paying a greatly reduced tax rate.

*Representative Feuerborn moved that the Committee table until next month's meeting the proposed lease for the Department of Wildlife and Parks, Overland Park. Senator Kelly seconded. Motion carried.*

Discussion followed concerning the increased cost consideration for the proposed KDWP lease.

Marilyn Jacobson, Director of Facilities Management, Department of Administration, offered information that there are two state office buildings, Finney State Office Building in Wichita and the Curtis Building in Topeka, that have lease/purchase options.

The final lease for the day was a lease between the Board of Regents and the Kansas Military Board (Attachment 4). The property described in the lease is approximately eight acres of land and accompanying structures at the Salina Airport. The lease is for a ten-year period, during which one payment is required in the amount of \$148,500. The lease agreement does contain a purchase option for the lease property and structures for an additional \$1.

Lt. Colonel Blankenship from the Military Board addressed the Committee concerning this lease (Attachment 5). Lt. Colonel Blankenship remarked that K-State Salina wishes to divest of property and use the proceeds for campus improvements. The ownership of this property is in the long-term interest of the Kansas National Guard (KNG) for use of the property as a future site for simulation-building.

The intent is to demolish the Shilling Air Force Dining Hall, as it is no long habitable after securing possession of the 8.3 acres. Information concerning the property valuation is as follows: (1) the 1998 appraised value was \$148,500 (not including demolition); (2) per acre value of \$28,925 of adjacent cleared land computed from recent KSA 75-3043a appraisal; (3) 8.3 acres at \$28,925/acre is approximately \$240,000, and estimated cost of demolition and hazardous material disposal is in the range of \$80,000 to \$100,000; and (4) \$148,500 remains a fair, reasonable, and market based price for this property.

Options available for transfer of property are: competitive bid, legislative action, and lease with purchase option. The Kansas Military Board prefers the lease with purchase option concept. Basis of valuation would be the mutually agreed price of \$148,500 based on the 1998 appraisal, with a one-time up-front rental payment, with purchase option for \$1. Funding for acquisition is in the TAG budget, and the intent is to gain Kansas Military Board ownership soon after the lease execution by exercising a purchase option.

The Department of Administration legal staff has reviewed and approved the draft lease terms. The Leasing Shared Services Team was briefed two times and its concerns were met.

Today, the Kansas Military Board is requesting that the Building Committee grant approval for the Board of Regents and Kansas Military Board to proceed under this concept.

Committee discussion followed concerning the appraisal price, the need for the Board of Regents to approve the lease, the cost factor to clean up the demolition site, and a clean purchase of the land.

*Representative Brunk moved that the Committee review favorably the proposed lease for the Kansas Military Board with the understanding they will exercise the \$1 purchase option. Senator Kelly seconded. Motion failed.*

There was Committee discussion about presenting a modified substitute motion, but one was not made.

Eric King, Director of Facilities Management, Board of Regents (BOR), commented that he will need to consult with the BOR's legal counsel and this project will be discussed at a Board meeting, since the BOR needs to approve the project before money can change hands.

Committee discussion followed concerning the need for more information, a new appraisal, concerns the Board of Regents may have since this issue has not been before it, and that the minutes of today need to show that this issue will be discussed again at the Building Committee's next monthly meeting.

Eric King provided the quarterly report on the State Educational Institution Long-Term Infrastructure Maintenance Program (Attachment 6).

This report covers the final quarter of FY 2008, ending June 30, 2008. At the end of this period, the state universities had total, actual, project-to-date expenditures of \$6,296,661. The expenditure report includes only FY 2008 funds available through direct state funds (\$30,000,000 IMP) and through interest earnings from university funds (\$8,355,000).

The packet the members received provides written information outlining the current status of projects approved for FY 2008. Mr. King remarked that when he was recently out on all the campuses the expenditures to date (\$6.3 million) are not indicative of the amount of work being conducted. Most of the projects are under contract or under construction. \$6,300,000 out of \$38 million does not sound like a lot of headway is being made, but it is. There are cranes, holes, and all kinds of guard rails set up all over the campuses.

In addition to the direct state funds and the university interest funds, the other two important funding components of the State Educational Institution Long-Term Infrastructure Maintenance Program are the subsidized loan program and the state tax credit provisions.

The first series of bonds of \$20.0 million were issued in March 2008. A total of 13 coordinated institutions are participating and 48 projects have been authorized. As of June 30, 2008, \$2.3 million of that \$20.0 million has been disbursed. The BOR is monitoring the pace at which the bond proceeds are submitted, and recently a memorandum was sent to participating institutions reminding them of the IRS spending deadlines.

Regarding the tax credit, on May 15, 2008, the Kansas Department of Revenue (KDOR) Secretary Joan Wagnon and staff held a video-conference meeting which was open to the BOR's staff and to staff of all eligible institutions. She presented the final draft of KDOR policies and procedures for the Higher Education Deferred Maintenance Tax Credit Program to explain the KDOR's website tools to record and account for the tax credits, and to answer questions. Secretary Wagnon explained that the final regulations to implement the program were being reviewed by the Kansas Attorney General.

The BOR's staff developed forms that the community colleges and technical colleges will use to report to the BOR annually regarding the amount of donations or related tax credits for eligible projects at each institution. The forms and instructions for completion are posted on the BOR's website. All institutions eligible to participate in the program received the forms and instructions, a copy of final KDOR's policy and procedure/regulations, and a cover letter on July 16, 2008. To date, the BOR's staff has not been notified of any applications which opened up July 1, 2008. The BOR will summarize this information in its annually required report to the Legislature in January of each year.

Mr. King remarked that the BOR set some ground rules on tax credits, where the campuses would have to only use those tax credits that were on the top priority list, but if problems develop with

donors wanting to give to whatever project they so desired, the BOR may need to come back to this Committee to talk about that issue.

Committee discussion followed concerning whether the State will ever be able to get on top of the deferred maintenance problem.

Paul Stewart, Director of Facilities Management, Pittsburg State University, presented an update on the University's deferred maintenance projects. The current year's projects included Russ Hall masonry restoration; Axe Library limestone cleaning and restoration; Heckert-Well & Weede electrical switch gear replacement; McCray Hall; Porter Hall; and utility distribution systems improvements.

The five-year capital budget list submitted for the University by the BOR showed capital improvement projects for the current year through FY 2012 (Attachment 7).

Mr. Stewart noted that recently completed projects are: Tyler Research Center, PSU Student Recreation Center and KNG Armory, Gibson Plaza, and the Columbarium.

Mr. Stewart then reviewed the University's FY 2010 capital improvement projects.

Dana Cunningham, Director of Facilities Planning, Fort Hays State University, reported on the status of deferred maintenance comprised of the following projects (Attachment 8):

- The Picken Hall improvements are 50 percent complete on construction documents, with starting bid time around December 1, 2008. The building has been vacated.
- The utility tunnel improvements in the center of the quadrant are under construction. Completion is estimated for December 1, 2008.
- For the electrical system improvements, the University previously completed a power study of the campus. Starting the design process is estimated to begin in the spring 2009.
- The street improvement project will be started along the north end of Campus Drive for the first part of the replacement.
- Akers Energy Center replacement of three old boilers is an out-year project so there is no present activity.
- The Sheridan Hall roof repairs were completed in April 2008.
- The Service Building masonry cleaning and sealing project was started this week and will be completed in about three weeks.
- The Cunningham Hall Gyms 100, 101, 102, and 121 repainting of walls project will be bid in the fall of 2008.
- The Felten-Start Theatre seating replacement will begin subject to the usage of that facility. Bidding is anticipated in December 2008.
- The Campus Exterior Graphics – Phase II has been designed for some time and this project is in its final coordination.

Mr. Cunningham noted that on the five-year capital budget plan (Attachment 9), only the parking maintenance and improvements project for \$400,000 in FY 2010 is funded from parking fees.

John Gist, Director of Facilities Planning, Wichita State University, presented an update on the University's five-year capital budget plan (Attachment 10). Items listed were:

Deferred Maintenance Projects;  
Parking Maintenance and Improvements;  
Ninnescah Biological Research Facility; and  
Eck Stadium/Home of Tyler Field/Phase V Improvements.

When the University met with the Building Committee in February 2008, the Committee reviewed favorably an amendment to the University's FY 2009 capital improvement budget plan to increase the level of funding for the parking maintenance and improvements item because of interest in a particular project to be started sooner than waiting for FY 2010. The Committee also reviewed favorably the addition of Phase V Improvements for Eck Stadium Eck on the Tyler Field. The Program Statement was submitted at that time.

On form DA-418B project request explanation for Deferred Maintenance Program (Attachment 11), under the heading of "Amount by Source of Funding," there are three columns: Infrastructure Maintenance Program; University Interest Earnings; and the State General Fund, which is being reviewed for the out-years to keep up with the deferred maintenance. The Board recognizes that university interest earnings are mandated by statute to be expended annually for deferred maintenance needs. However, for the purposes of this worksheet, the Board has included projected university interest earnings as a separate category only for fiscal years 2008 through 2012, which is the duration of the legislatively created Infrastructure Maintenance Program.

If you look at the funding in terms of prior years and current year, the prior years are that which were approved by this Committee for FY 2008. The current year had been approved on July 10. FY 2009 funding totaling \$3,369,383 was directed toward three projects which need to accumulate for multi-year funding in order to accomplish those high priority HVAC replacement projects. There is a 12 percent inflation cost already this year in construction materials.

To give the Committee a different kind of report on status of the University's projects, the University completed three engineering studies that define the scope and need of the HVAC replacements for Duerksen's Fine Arts Center, the Engineering Building, and Grace Wilkie Hall. Those studies went through the process of working with the Division of Facilities Management and there are now three different engineering consultation firms that will work on each one of those three buildings. Fourteen projects went through the planning, bidding, and contract awarding process and are under construction right now.

Mr. Gist presented information about the Ninnescah Biological Research Facility (Attachment 12). This project proposes to build a small building of about 3,000 square feet to provide enclosed laboratory and office and storage space to better accommodate the research activities being conducted at the experimental tract. The University received a \$240,000 grant from the National Science Foundation and \$140,000 from private gifts to start the project.

Mr. Gist next addressed the Eck Stadium/Home of Tyler Field/ Phase V improvements. The Building Committee in February approved adding this project to the FY 2009 capital improvement plan. It is planned to be built in two separate phases.

Mr. Gist also presented two recently completed projects: Phase 2 – Engineering Research

Laboratory Building, now known as Aviation Testing Laboratory Building (Attachment 13); and Phase I – Engineering Research Laboratory Building (Attachment 14).

Ray Hauke, Vice-President, Administration and Fiscal Affairs, Emporia State University, presented an overview of the University's five-year deferred maintenance project list that comprises the following items (Attachment 15):

- Physical Education Building roof replacement, HVAC repairs/replacement, and plumbing repair/replacement;
- William Allen White Library for HVAC repairs/replacement, electrical repairs/replacement, elevator repairs/replacement and partition repairs/replacement;
- Utility tunnels for repairs/replacement. Work is currently underway, and expected to be completed during September;
- Roosevelt Hall for foundation stabilization/repairs, HVAC repairs/replacement, and plumbing replacement;
- Cremer Hall elevator repairs/replacement;
- King Hall for elevator repairs/replacement;
- Vasser Hall for HVAC repairs/replacement;
- Stormont Maintenance Building HVAC repairs/replacement; and
- Power House roof replacement.

Mr. Hauke informed the Committee that the University is requesting an additional \$4,648,000 in FY 2010 and similar totals in subsequent years of the five-year plan to cover what remains in addition to approved projects. The request is reasonable because of multiple projects which cannot be funded by the \$8 million from the program approved in 2007. Additional high need projects for which financing is not available within present allocations are:

- Remodeling of approximately 50 teaching laboratories;
- Electrical distribution system for King Hall;
- Replacement of fan coil units at Science Hall and other academic buildings with newer more efficient unit;
- Renovation of King Hall;
- Renovation of William Allen White Library;
- Remodeling of Health Physical Education Building; and
- Replacing single pane windows at multiple locations.

Non state financed five-year plan requests for the Memorial Student Union renovation project (funded with student fees, donor funds, and revenue bonds) and the parking maintenance/improvements project (funded with parking fees) are shown on the University's 5-year capital budget plan for FY 2010 and subsequent years (Attachment 16).

The Memorial Student Union renovation project total cost is estimated at \$25 million. Treanor Architects in Lawrence have been selected with consultation by WTW in Pittsburg, Pennsylvania. A fee is being negotiated and the contract is being finalized. Also, a construction manager at risk delivery method is considered. The project will necessitate student fee increases and involve relocation/remodeling for Student Health.

Projects considered for the University's ten-year improvement were:

- Remodel/relocate Stormont Facility;
- Addition /remodeling William A. White Library; and
- Remodel Morse Residential Complex.

Committee discussion followed concerning the utility tunnels.

*Representative Grant moved for Committee's approval of the Committee's minutes of May 29 and June 10, 2008. Representative Pottorff seconded. Motion carried.*

Vice-Chairperson Humerickhouse recessed the morning meeting at 11:45 a.m.

### **Afternoon Session**

Vice-Chairperson Humerickhouse reconvened the meeting at 1:45 p.m.

Dr. Edward Rice, Assistant Vice President at Kansas State University, introduced Ed Heptig, Director, Facilities Planning, Kansas State University, who gave an update and presented a pictorial tour follow-up of the tornado damage as of August 11, 2008 at Kansas State University.

Mr. Heptig presented information about numerous storm damaged projects that are in the process of being completed or have been completed. Classrooms will all be open and ready to go on August 25.

Committee discussion followed regarding FEMA's emergency fund being used for repair costs. Mr. Heptig stated that FEMA is looking at what the insurance company is not picking up, so there will be some amount of deductible which is not known at this time. Also, some buildings are being re-evaluated, as those buildings in the beginning were given just a cursive look because it was felt that they were not badly hit, but this may not be the case. The insurance company and FEMA have some of their staff on campus, and a total cost estimate is still unknown and probably will not be known until around the first of the year.

Abe Fattaey, Director of Facilities Planning, Kansas State University, presented a capital improvement summary with project updates including the Deferred Maintenance Program (Attachment 17). The deferred maintenance projects were for the utility infrastructure and power

plant improvements (Phase I), renovating the Academic Support Space in Old Memorial Stadium, and addressing health and life safety issues on Leasure and Willard Halls. These improvements will be funded by university interest earnings of \$3,000,000; infrastructure maintenance program funding of \$4,533,000; and requesting as indicated by the Board of Regents \$22,687,000 of additional deferred maintenance funding. This will go toward repairing and replacing remaining infrastructure and building deficiencies on Kansas State University list as scheduled.

FY 2010 items in the five-year capital budget plan were as follows:

- \$189,446 for the KSU Salina Aero Laboratory Expansion funded by the State General Fund;
- \$750,000 for the Veterinary Medical Teaching Hospital Surgery Suite remodel funded by private gifts, restricted fees, and revenue bonds;
- \$8,000,000 for the Equine Education Center funded by private gifts;
- \$2,000,000 for the Kramer, Derby, and Van Zile dining improvements funded by housing funds;
- \$600,000 for parking maintenance and improvements funded by parking fees;
- \$14,000,000 for Jardine Apartment Housing funded by housing funds and revenue bonds;
- \$5,500,000 for the Child Care Center funded by restricted funds and revenue bonds;
- \$25,000,000 for Bramlage Coliseum and Bill Snyder Family Stadium improvements funded by restricted fees and private gifts; and
- \$22,500,000 for Chester E. Peters Student Recreation Center enhancement funded by student fees and revenue bonds.

Jim Modig, Director of Design & Construction Management, University of Kansas (KU), presented the university's FY 2010 capital improvement requests ([Attachment 18](#)) and also provided details that will help the university to achieve a plan that both preserves and improves the infrastructure at the University of Kansas ([Attachment 19](#)).

Mr. Modig related that in recent years, KU has received approximately \$4.4 million from the Educational Building Fund for the purpose of major repairs of the university's building infrastructure. Action taken by the 2007 Legislature will provide approximately \$39 million from the Infrastructure Maintenance Program and university interest earnings over five years. However, the university is still faced with a deferred maintenance backlog of \$166.6 million. Not taking into consideration the present rate of inflation, for the current five-year funding plan, the rate of growth in the backlog is now approximately \$20 million per year. Without adequate funding to maintain the facilities, the rate of deterioration will only increase and risk of a potential failure will proportionally increase.

Projects were shown on a map presented by the university depicting projects that are not included in the five-year deferred maintenance plan facilities and infrastructure. The buildings, along with underground utilities, streets and sidewalks, are the major repairs that are seriously needed. Within the buildings, KU is requesting funding to address life safety improvements, mechanical

system repairs and replacements, electrical system replacements, plumbing improvements, and other associated infrastructure repairs.

Some of the buildings in need of heating, air conditioning and ventilation improvements are the Computer Services Facility, Dyche Hall, Spencer Research Library, Nichols Hall, Twente Hall, and Summerfield Hall.

There has been very little progress on storm water needs. The current deferred maintenance need for storm sewer improvements is over \$5 million.

Today, the university is beginning to experience new failures in water and sanitary sewer lines. Just north of Wescoe Hall, a 20-foot section of waterline began to leak and had to be replaced. A leaking water condition may be the cause of other failures like Wescoe Hall first floor slab, which was removed and a constant flow of water into the shale substrata was found. In August 2008, a section of the sanitary sewer line collapsed.

Besides the deferred maintenance program, an item listed in the FY 2010 capital improvements was the \$2,146,166 Pharmacy Teaching and Administration Phase I funded by private gifts.

Originally the total cost of the project request was for \$45,593,834. The project was approved with a three-year funding package. Given the rent rate of inflation and other needs, the university will be taking a request for approval to the Board of Regents to seek private funding of an additional \$5,146,166 for a new project total of \$50,740,000. The additional funding will be used to purchase equipment and furnishings, assist in site utility development, and address the current high rate of inflation.

The university has already initiated the bond sale for primary funding to start the design, assign other ancillary contracts, and to find early construction packages such as utility extensions to the project site. The goal is to be under construction by spring 2009, and to complete the facility by December 2010 or sooner.

Discussion followed concerning the amount of private funds raised thus far for this project, whether a funding stream will be included for ongoing maintenance, and the great percentage increase of the project cost.

Other projects include:

- \$15,630,000 for KU-Lawrence Cancer Center Initiative funded by the Kansas Bioscience Authority. This project has been referred to in the past as Interdisciplinary Research Building or Pharmacy Building Phase 2, but the more appropriate name is the Cancer Center Initiative.
- \$2,600,000 Allen Field house renovation expansion funded by private gifts and revenue bonds.
- \$800,000 for parking maintenance and improvements funded by parking fees. This is an annual request. A comprehensive study recommended operating policy changes, planned parking lot maintenance, and development of additional parking. The \$800,000 per year was the recommended allocation to take care of the deferred maintenance of parking lots over a period of 24 years. This was based on an average inflation rate of 3 percent. Since inflation increased dramatically, the university will be looking at the numbers in the very near future.

Mr. Modig stated that the Wescoe Hall project is the first deferred maintenance project completed.

Ed Phillips, Vice Chancellor of Administration, University of Kansas Medical Center (KUMC), provided information concerning the KUMC's deferred maintenance projects as follows: Applegate Energy Center, Utility Distribution System, Delp D, Delp F, Miller, Olathe Pavilion, Smith East, Student Center, Wescoe C, Wescoe B, and Sudier (Attachment 20), as well as the five-year capital budget plan (Attachment 21).

Mr. Phillips presented testimony regarding the Medical Office Building, which is the consolidated site for ambulatory care provided on the Medical Center's campus. The building will be constructed by the KU Hospital Authority, with the university leasing the space. It will be under construction in the first half of 2009. Today, access to ambulatory care on the campus exists in about eight different buildings on 14 different floors making it difficult to find a patient's doctor. The university's parking establishment will be built on a surface lot directly across from the facility.

The current medical education school of medicine is located in a 32-year old building and the practice of medicine and teaching of young physicians has changed significantly in the last 30 years. The size of that building, with the size of the auditorium and the number of small groupings, is an absolute limitation on KUMC's ability to increase the size of the classes in the school of medicine, which have a direct impact on the shortage of physicians in all areas of Kansas. All of the lectures are held there. In the building that offered first-year medical student curriculum, the theatre type seating was removed and replaced by tables and chairs to support cabinet computers, as the old flip-up arms were inadequate. This reduced the capacity of the room, which causes physical constraints. This would be about 168,000–175,000 s.f. of new space and would be built on a parking lot directly across the street from the other principal academic buildings on campus. Construction cost is estimated at \$48 - \$50 million. The university is looking toward potential donors for this kind of academic building, but the university also is looking at ways the State can assist in the project.

The Kansas Masonic Cancer Research Institute – Phase I is central to KUMC's goal of achieving MCI visitation as an operative cancer center that is primarily a research designation. This is the building where physician scientists and basic scientists try to identify potentially a genetic marker in a particular cancer that might suggest a treatment. When that genetic marker is found, it is sent to the Lawrence Campus and the capabilities in the pharmacy school are where that generic marker would be addressed. The ability to do that research is absolutely dependent on having appropriate facilities. The KUMC is looking at having support from the Kansas Bioscience Authority and also from federal and private authorities. Estimated cost of the 225,000 square foot building is \$115 million. The Campus Life Sciences Innovation Center, the newest research center, shows that when there is that type of facility and technology in Kansas, it is possible to recruit the best faculty from around the country to come here and participate in the research programs. So even if the National Institute of Health budget at the federal level has been basically flat the last several years, the funding that has been retrieved at the KUMC has increased to the double digit rate over each of the last few years.

Mr. Phillips next addressed the Pharmacy and Standardized Patient Training Area, School of Medicine, Wichita. There is currently approximately 150,000 square feet of space. Part of the pharmacy project is to expand a satellite campus for the School of Pharmacy. There will be an addition to the second floor (referred to as the Robinson Building) that would support the pharmacy expansion. It also would provide a clinical skills classroom for the 110 – 123 fourth-year medical students who are doing the clinical portion of their education. The architect was selected last week and construction is expected to start in early 2009. The Wichita addition will support up to 80 pharmacy students. Pharmacy students will start before that in Wichita, but there will basically be a

camping out phase as KUMC goes through the addition to the building.

The deferred maintenance is identified at \$72 million, and House Bill 2337 provided additional funding for the Medical Center which is \$11.46 million over a five-year period. About \$9.6 million of that is funded from the State General Fund and \$1.5 million from interest earned from tuition at the Medical Center. That funding has been devoted to the Applegate Energy Center as the number one deferred maintenance priority on the campus. That facility is over 30 years old. When looking at the main infrastructure, there are four basis tests – capacity, reliability, efficiency, and maintainability. KUMC identified the principle vulnerability at Applegate and prioritized those in FY 2008.

KUMC contracted with Black and Veatch to do a complete reassignment at Applegate and to identify the greatest vulnerabilities at some places where first investments were made. From that they identified the emergency electrical generation's system that is resident in Applegate. That emergency power system still supports three patient care units that the Kansas University Hospital maintains in university buildings. Also, it supports the research facilities, and very importantly, it supports the computer center on campus that serves both the university and the medical center. About a year ago, one of the generators had a problem and had to be removed. It was sent to Alabama to find a company that had the ability to rewind a generator of that age.

Also, three 30-year old chillers are part of the central air-conditioning system. They were "D" rated several years ago when the gases had to be changed and they are not very efficient with the use of electricity. Those chillers, associated pumps, and electrical systems will be replaced over the next five years. Attached to KUMC's summary of projects is the five-year spread of those. One of the things that became very clear is the potential of having multiple contractors involved in installation of this equipment which is a nightmare for coordination. For that reason, KUMC is utilizing the new authority that the Legislature gave it and now has the Construction Manager at Risk project that will be with the university throughout the five phases of this project. When that \$11.5 million estimate is completed, there is still over \$3 million of additional work required at Applegate to bring it fully up to standards.

One of the other problems KUMC is wrestling with is the impact of inflation in the construction industry. The schedule presented to the Committee today is subject to the risk involved, particularly with the later years as prices increase. The university will potentially have to re-allocate dollars which may leave a greater residual of deferred maintenance projects in that building.

KUMC spends about \$3.80 a year per square foot on maintenance. It uses a benchmark that the National Institute of Health provided several years ago. Last year, KUMC should have spent over \$4.80 per square foot. The deferred maintenance backlog at the Medical Center is growing at about \$2 million yearly with that investment.

Another project addressed was the Renovation of the Wahl Laboratory Complex (Wahl East and Wahl West). Wahl West is a 55-year-old research building. Wahl East is 25-years old. However, 50-year-old buildings can be made into modern efficient laboratories. A floor and a half has already been renovated by the use of a federal grant and now provides modern, open, and well-lit laboratories. This is important because the renovation can be done at about a 40 percent savings, which is still way less than the cost of construction of new facilities regardless of the increased inflationary rate.

The next project addressed was the Breidenthal Building Renovation for KUMC Research Institute Biomedical Entrepreneurial Research Incubator. It was previously home of the pharmacology department at the Medical Center. They are now an occupant in the new Research Building. The Breidenthal Building is 50 years old, and for \$6 million, it can be renovated to serve as a bioscience incubator for Kansas and the region. \$3 million of those dollars were provided by the

federal Department of Commerce, \$2 million by the Kansas Bioscience Authority, and the University Research Institute is contributing the additional \$1 million.

The last project addressed was the Parking Maintenance and Improvements item. There are constant maintenance problems and KUMC has a request to support maintenance of the existing garages and the service parking that surrounds the Medical Center. Cost of the project is \$1.5 million. KUMC's estimate of the backlog within the parking enterprise is \$6 million.

Eric King said he needs to clarify something. Two of KUMC's projects presented today were not approved by the Board (the Medical Education Building and the Wahl Hall Laboratory projects). Those two projects did not come out at the top of the priority list. The Board of Regents booklet that was distributed today for the five-year capital improvements, or the summary sheet for the KUMC, (Attachment 22) is the one the Committee needs to follow rather than the sheet that was handed out today by KUMC.

Vice-Chairperson Humerickhouse adjourned the meeting at 3:00 p.m.

The next meeting is scheduled on September 17, 2008 in Room 545-North of the Statehouse.

Prepared by Helen Abramson  
Edited by Kimbra Caywood McCarthy

Approved by Committee on:

June 4, 2009

(Date)