

(Draft – Awaiting Formal Approval)
**MINUTES OF THE
INFRASTRUCTURE AND GENERAL GOVERNMENT APPROPRIATIONS
SUBCOMMITTEE**
Room 445 State Capitol Building
October 20, 2016

Members Present: Sen. Wayne A. Harper, Co-Chair
Rep. Gage Froerer Co-Chair
Rep. Craig Hall, House Vice Chair
Sen. J. Stuart Adams
Sen. Lyle W. Hillyard
Sen. Karen Mayne
Sen. Kevin T. Van Tassell
Rep. Jacob L. Anderegg
Rep. Lynn N. Hemingway
Rep. Brad King
Rep. John Knotwell
Rep. Douglas V. Sagers
Rep. Scott D. Sandall
Rep. Mike Schultz
Rep. R. Curt Webb

Members Absent: Sen. David P. Hinkins
Sen. Peter C. Knudson

Staff Present: Mr. Brian Wikle, Fiscal Analyst
Ms. Cami Thorpe, Secretary

Note: A copy of related materials and an audio recording of the meeting can be found www.le.utah.gov.

1. Call to Order/Approval of Minutes

Co-chair Harper called the meeting to order at 1:13 p.m.

MOTION: Rep. Webb moved to approve the minutes from the February 10, February 12, and July 14, 2016 meetings. The motion passed unanimously with Sen. Hillyard absent for the vote.

2. Internal Service Funds Rates and Impacts

Brian Wikle, Fiscal Analyst, Office of the Legislative Fiscal Analyst, presented an overview of Internal Service Fund rates and impacts. The Legislature approved a number of rate changes in

the 2016 General Session. The Legislature did not fund the cost impacts for changes to rates in Department of Administrative Services (DAS) or Department of Technology Services (DTS), which had a \$2.3 million impact. The issue brief presented several options the Committee should consider, which included: maintain the status quo, fully fund the impact, fund actuarially calculated rates, consider individual requests from each agency, or reallocate funding across agencies. More information can be found online at <http://le.utah.gov/interim/2016/pdf/00004222.pdf>

Mike Hussey, Executive Director, DTS, reviewed the cost impacts for rate changes to DTS. Mr. Hussey stated DTS would have a \$288,000 surplus, which funded cyber insurance. More information can be found online at <http://le.utah.gov/interim/2016/pdf/00004270.pdf>

Ken Hansen, Interim Executive Director, DAS, reviewed the cost impacts for rate changes to DAS. A few agencies had a budget shortfall while others had a surplus.

Tani Downing, Director, Risk Management, reviewed the cost impacts for rate changes to Risk Management. Risk would have unfunded liabilities leaving the liability fund actuarially unsound. Risk would also not be able to afford excess insurance or pay all claims. More information can be found online at <http://le.utah.gov/interim/2016/pdf/00004223.pdf>

Co-chair Froerer asked if the solution for Risk would be to fund the \$1.5 million shortfall and distribute the funds to agencies, which would allow them to pay the higher premiums. Ms. Downing stated that the agencies would be grateful to receive the compensation. Ms. Downing would like the Legislature to keep in mind that Risk can only keep 60 days of retained earnings and if agencies were not able to pay the increased premiums, Risk would then start running a deficit.

Co-chair Harper stated that agencies had the option to build the rate impacts into future budgets.

Sen. Hillyard asked if the \$1.5 million deficit was one time or ongoing. Ms. Downing stated if the rate impacts were not funded in future years it would become a problem. Sen. Hillyard asked if educational funds would have to be used to pay the increased premiums. Ms. Downing stated they would. Sen. Hillyard asked if the unfunded rate increases were an inadvertent mistake or a conscious decision. Ms. Downing stated her understanding was that the Legislature made a last minute decision to not fund the impact.

Mr. Hansen stated DAS would continue to scrutinize rates charged to other agencies and look for ways to be competitive.

Mr. Hussey added that an outside agency had reviewed DTS rates.

3. Uintah Basin Applied Technology College

Aaron Waite, Campus President, Uintah Basin Applied Technology College (UBATC), reviewed problems with the current facility, enrollment growth versus capacity, and the current need for a new building. The new facility would be centrally located and cost effective. More information can be found online at <http://le.utah.gov/interim/2016/pdf/00004228.pdf>

Mike Angus, Industry Representative, reviewed the benefits of the project to the welding industry.

Rep. Sandall asked how much square footage the facility would have, the price per square foot, and if equipment was included in the price. President Waite answered that the building would have 12,500 square feet, the cost was around \$350 per square foot, and included equipment costs.

Rep. Hemingway asked if welding students were able to find work in the Uintah Basin immediately after graduation. President Waite stated that they do, even in an economic downturn.

Sen. Van Tassell asked how many women go through the welding program. President Waite stated that the numbers were small. Sen. Van Tassell spoke in support of the project.

Sen. Mayne spoke in support of the project.

Rep. King asked how many work stations would be in the new space. President Waite answered that there were 30 work stations.

Sen. Hillyard suggested UBATC look for industry donors for the project and that UBATC show that graduates from the program come from the valley and stay in the valley.

Rep. Hemingway asked what the cost was to come out of the program certified. President Waite stated just over \$4,000.

Co-chair Harper asked where the project ranked on the prioritization list. Pres. Waite stated fourth on the Board of Regents list and fifth on the Building Board list.

4. Division of Fleet Operations General Fund Borrowing

Mr. Wikle presented an overview of the Division of Fleet Operations' \$31 million debt to the General Fund in FY16. The FY18 debt to the General Fund was projected to be \$19.9 million, which was the lowest it had been in 20 years. Options for the Legislature to handle the debt include: appropriate the money to Fleet to pay back the money to the General Fund, which would

eliminate and cover inflation; maintain the status quo; build an inflationary factor into lease rates; or continue the current lease rate model and add an annual appropriation to cover inflation. More information can be found online at <http://le.utah.gov/interim/2016/pdf/00004231.pdf>

Jeff Mottishaw, Director, Division of Fleet Operations, stated that the main contributors to the debt were the vehicle acquisitions model, fuel costs, and maintenance and repair. Mr. Mottishaw spoke to three strategies to cut costs under the vehicle acquisition model, which included: the Enterprise car rental partnership, an RFP for leasing pilot program, and internal process changes to reduce vehicle acquisition needs. More information can be found online at <http://le.utah.gov/interim/2016/pdf/00004235.pdf>

Rep. Sagers asked for a cost comparison on current costs versus expected long-term savings. Mr. Mottishaw stated that savings were expected to level off after a few years and they shouldn't have to borrow further from the General Fund. Mr. Wikle added that as Fleet transitioned to private vehicles, state-owned vehicles could be sold to pay down the debt.

Rep. Hemingway asked how the amount of mileage rented vehicles could use was determined. Mr. Mottishaw stated there were two options: 1) close-ended leasing where the leasing company holds the risk on the resale value of the vehicle; and 2) open-ended leasing where the State determines the number of miles and holds the risk of the resale value of the vehicle.

Co-chair Froerer commended Fleet for decreasing the debt level.

Rep. Sagers asked to what fund car sales proceeds would be allocated. Mr. Mottishaw stated the bulk of the proceeds would go to the Fleet program.

5. Fiscal Year-end Actuals Compared to Projections

Mr. Wikle reviewed actual expenditures versus budgeted expenditures at the line item level for FY16. More information can be found online at <http://le.utah.gov/interim/2016/pdf/00004272.pdf>

Mr. Hansen explained that the difference in actual versus budgeted funding for Administrative Rules was savings in personnel costs. The savings would be used for programming a new computer system.

6. State Fair Park and Department of Agriculture Long-term Building Plans

LuAnn Adams, Commissioner, Department of Agriculture (UDAF), presented existing conditions, opportunities and constraints of the new location, and the proposed plan. More information can be found online at <http://le.utah.gov/interim/2016/pdf/00004239.pdf>

Co-chair Harper asked if any new buildings would be used for the State Fair. Ms. Adams stated that the ground level area would be for the State Fair. Co-chair Harper asked how much the walkways and concessioners would be affected by the increased size of the building.

Larry Mullenax, Executive Director, Utah State Fair Park, stated they would not be affected.

Rep. Sandall asked if the parking lot to the north would be year-round parking for employees and how access to the UDAF building would be affected by the State Fair. Ms. Adams stated public access to the UDAF building during the State Fair would not be a problem.

Rep. Sagers asked if there were other State agencies that could be moved to the new UDAF building location as well. Ms. Adams stated it was a possibility to relocate other State agencies, but would add quite a bit more to the cost of the project. Rep. Sagers stated the lack of parking needed to be addressed. Mr. Mullenax stated a partnership with UTA was being worked out.

Sen. Mayne asked if they had looked at buying nearby residential areas. Ms. Adams stated that money would be an issue. Mr. Mullenax stated they were looking into purchasing the area just west of the river. Sen. Mayne spoke to the lack of parking.

Sen. Van Tassell spoke to the lack of parking.

Ms. Adams stated the original cost of the UDAF building and State Fair Park was about \$39 million. The new cost model was \$32 million and construction should be completed by February 2019.

Co-chair Harper asked what changes were made to decrease the costs. Eric Tholen, Director, Division of Facilities and Construction Management (DFCM), stated that they looked at what could be taken out and the programming of square footage.

Mr. Mullenax presented the multi-use arena update. The arena was on schedule to be completed by July 1, 2017.

Rep. Hemingway asked what construction company was building the arena. Mr. Mullenax stated Oakland Construction Company.

Rep. Sagers stated the State Fair Park was a great base for development and Salt Lake City would be wise to further develop the area. Mr. Mullenax stated there was a Salt Lake City RDA meeting that evening at the State Fair Park.

Rep. Schultz added his support for working with Salt Lake City for parking and RDA.

Sen. Van Tassell asked how far the current UDAF building was from the State Fair Park and if it

could be used for parking or staging. Ms. Adams stated about three blocks and it was a possibility.

7. Division of Facilities Construction and Management update on inventory list of State-leased buildings and information on square footage, current utilization of existing State-owned buildings, etc.

Mr. Tholen reviewed the State-owned and leased facilities. More information can be found online at <http://le.utah.gov/interim/2016/pdf/00004244.pdf>

Co-chair Froerer stated that State buildings were supposed to be built to last 50 years and asked if existing buildings were meeting the 50-year mark. Mr. Tholen stated the majority of existing buildings met the 50-year mark. Co-chair Froerer asked if it was more cost effective to lease versus own. Mr. Tholen stated that it was more cost effective to own rather than lease buildings. However, there was not adequate funding up front to own all State buildings and leasing arrangements helped.

Mr. Tholen presented State-owned land inventory, which included 4,458 parcels totaling 1,247,570 acres. Seventy-seven parcels were outside of Utah, and 4,340 parcels did not have structures. A decision would need to be made on what parcels should be sold versus land banked.

Co-chair Harper asked if UDOT parcels had been included in the inventory. Mr. Tholen stated UDOT information had been removed.

8. Operations and Maintenance Expenditure Update

Jeff Reddoor, Director, State Building Board, presented an update on the State-owned building database including the operations and maintenance (O&M) agency expenditures. He said that the State owned approximately 3,600 buildings totaling 55 million square feet. There was a total of \$207 million in ongoing expenditures for O&M.

Co-chair Harper asked when the report would be complete. Mr. Reddoor stated that the portal would be open November 1, 2016. Co-chair Harper asked that a fully completed report be made available for the next pre-session appropriation committee meeting.

Sen. Mayne asked if institutions had a checklist that would show what infrastructure had been maintained. Mr. Reddoor stated that the Building Board completed a facility condition assessment that showed building deficiencies and deferred maintenance.

Rep. Sagers asked how utilities were billed. Mr. Reddoor stated that currently the utilities were billed to the building occupant and the managing agency.

9. State Building Board and Higher Education Building Priorities

Ned Carnahan, Chairman, State Building Board, reviewed the priority rankings for FY18 Capital Development projects. More information can be found online at

<http://le.utah.gov/interim/2016/pdf/00004320.pdf> and <http://le.utah.gov/interim/2016/pdf/00004247.pdf>

Mr. Reddoor reviewed the weighting used for ranking projects. There had been \$703 million in project requests. The Building Board and Higher Ed rankings were very similar.

Co-chair Harper asked why the additional \$10 million for Utah State University and Utah Valley University projects was not shown on the ranking list. Mr. Reddoor understood that projects that had already received funding didn't need to be included in the priority rankings. Dave Buehler, Commissioner, Utah Higher Education, stated that the funds had already been included in the base budget. Mr. Wikle confirmed.

Sen. Van Tassell asked if buildings that had local matching funds were included in the rankings. Mr. Buehler spoke to the University of Utah project at ranking one, which had \$242 in matching funds and would only need \$50 million in additional funding. Dixie State University, ranking number two, had cash in the bank and \$5 million in private donations. The Weber State building, ranking number three, had \$5 million in private donations. Mr. Reddoor stated that other funding was taken into consideration when ranking projects. Sen. Van Tassell asked for an update on the School for the Deaf and Blind project. Mr. Reddoor stated that the project had moved up to number six on the priority list.

Rep. Schultz asked what was being done to bring building design costs down. Mr. Reddoor and Mr. Buehler stated that design, programming, and construction should be funded in the same year. Mr. Carnahan stated that high efficiency requirements also increased costs. Rep. Schultz asked for clarification on how projects were ranked. Mr. Reddoor stated that the Building Board was required to give a higher weight to Higher Education projects from the Board of Regents priority list. Mr. Buehler stated that 75 percent of the ranking was based on quantitative measures and 25 percent was more discretionary.

House Vice Chair Hall assumed the chair.

Sen. Adams asked if there was intent language allowing institutions to use their own funds for design and if that was taken into account when ranking projects. Mr. Buehler stated that the intent language states that institutional funds could be used to begin the design and that this was considered when ranking projects. Sen. Adams asked if renovating rather than constructing a new building was taken into consideration when ranking projects. Mr. Buehler stated that it was.

10. Adjourn

MOTION: Rep. Schultz moved to adjourn. The motion passed unanimously.

House Vice Chair Hall adjourned the meeting at 4:22 pm.