

**MINUTES OF THE
INFRASTRUCTURE AND GENERAL GOVERNMENT
APPROPRIATIONS SUBCOMMITTEE MEETING**

Room 445, State Capitol
January 25, 2012

MEMBERS PRESENT: Sen. Stuart Adams, Co-Chair
Rep. Gage Froerer, Co-Chair
Rep. Derek Brown, House Vice Chair
Sen. Lyle W. Hillyard
Sen. David Hinkins
Sen. Mark B. Madsen
Sen. Karen Mayne
Sen. Aaron Osmond
Sen. Kevin T. Van Tassell
Rep. Johnny Anderson
Rep. David Butterfield
Rep. Fred C. Cox
Rep. Janice M. Fisher
Rep. Craig Frank
Rep. Wayne A. Harper
Rep. Lynn N. Hemingway
Rep. Neal B. Hendrickson

MEMBERS EXCUSED: Rep. Brad L. Dee

MEMBERS ABSENT: Rep. Patrick L. Painter

STAFF PRESENT: Mr. Mark Bleazard, Legislative Fiscal Analyst
Mr. Gary Ricks, Legislative Fiscal Analyst
Mr. Richard Amon, Legislative Fiscal Analyst
Ms. Ruby J. Roberds, Secretary

Note: A copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov
A list of visitors and a copy of handouts are filed with the Subcommittee minutes.

1. Call to Order/No minutes to approve

Co-Chair Adams called the meeting to order at 8:03 am.

2. Capital Development Budget and Issues

Rich Amon, Fiscal Analyst, Office of the Legislative Fiscal Analyst, explained to the subcommittee that this year there is a drop box section, for those using an iPad, computer or phone so the information discussed can be accessed.

a. Capital Development Overview

Mr. Amon explained Capital Development, which is where funds are budgeted for building programs in the state. In FY2008 there was \$30 million dollars ongoing that was taken out when budgets were reduced. The subcommittee may want to consider putting money back into Capital Development to fund some building programs going forward. Capital Development is divided into two sections, state funded and non state funded. State funded projects are funded by general obligation bonds or with General Education fund tax revenue. Non state funds are typically from institutions of higher education with donations, federal funds or revenue from student fees, hospital revenue, etc. There are three issues that are important to Capital Development. First are Space Standards that are recommend be updated. The second are contingency and project reserve funds and the third is office space leasing, which are buildings in the state being leased for office space.

b. 5 Year Book

The State Building Board is appointed by the Governor and oversee the construction of projects for capital improvement as well as the development in the state. One of the responsibilities is to rank and prioritize state funded projects. This year The University of Utah is the top priority.

The State Building Board 5 year book contains a prioritized list of state funded projects with a detailed sheet for each project, showing what the costs are, the square footage, and what the Operation and Maintenance (O&M) costs will be.

c. Building Space Standards

DFCM uses a space standard to assign square footage when designing a building. The space standards are seventeen years old. It is recommended that these standards be updated, which will cost about \$65,000. DFCM doesn't have this in their budget so it is recommended that money in the contingency fund be used to update these standards.

Sen. Osmond asked what the other funding represents, and if it is outside of state funding generated locally by a bond, and if the projects are managed by DFCM. Mr. Amon replied that it would be donations or in some cases federal funds, or revenue bonds. The DFCM oversee all the projects in the state. They delegate some of the projects to the Universities as they have capable management. The State Building Board also works with DFCM and monitors these projects.

Mr. Amon continued that in the past this committee has oversight of the non state funded projects to approve or disapprove them. If the projects are approved they go into a revenue and capital facilities bond bill that is usually sponsored by one of the subcommittee's co-chair. The bill authorizes the university to either bond or to proceed with these non-state funded projects. Legislative policy in the past has been to approve these projects that don't require state funded operations and maintenance.

Co-Chair Adams commented that there will be different variations on how a building is maintained after being built. The projects discussed today, are those that are funded outside of

state funding. The Building Board has the ability to approve or disapprove all of the projects and the projects come to the subcommittee for final approval. Mr. Amon added that the Board of Regents approves the projects before they go to the Building Board.

Rep. Butterfield asked if there is any direction in the types of projects this committee should fund. Co-Chair Adams responded that the subcommittee will hear about infrastructure issues, and will discuss how to pay for and maintain them.

Mr. Amon explained that whenever a building is built through bonding there is an ongoing debt cost.

d. Reserve Funds

The Capital Facilities Reserve funds have two major funds in the construction program, the contingency reserve fund and the project reserve fund. The contingency fund receives a certain percentage of each project reserved to pay out contingencies. It fluctuates with how many projects there are. The project reserve fund is for bid savings which collects the difference as well as any residual when the project is done. Mr. Amon recommends keeping reserve funds at the current levels.

e. Leasing

The Division of Facility Construction Management (DFCM) leases a variety of property, and the issue brief discussed briefly by Mr. Ammon focuses on office spaces. One facility that is currently leasing will transition to a state-owned space and save several hundred thousand dollars.

Co-Chair Froerer assumed the Chair.

Rep. Hendrickson asked to hear an update on the records and the problems moving to the Freeport Center. Mr. Amon responded that those items will be discussed in a future meeting.

Rep. Cox disclosed that one of the projects on the list he designed for a private client.

Co-Chair Froerer commented that one of the main concerns for capital improvement money is in relation to building assets, and the percentage of O&M funds have gone down. The subcommittee needs to consider how the O&M expenses will be funded on new buildings.

Sen. Hillyard made the comment that there is a constitutional bond limit of 85 percent, and that has become more of a target than a limit, and he suggests bonding be limited, so that the bonding is more along the 50 percent target.

Co-Chair Froerer explained to the subcommittee that a AAA bond rating is essential to keep and that the state only has about \$5 million in earthquake insurance. The subcommittee needs to look at the older buildings and how to maintain those buildings the best way possible.

Co-Chair Adams resumed the Chair.

Co-Chair Adams made the comment that buildings are only financed for 6 years, and road infrastructure for 15 years. If cash is paid for 6 years, then the state is debt free as far as building is concerned, and that is a good goal to have.

f. DFCM Capital Improvements

Greg Buxton, Director, Division of Facility Construction Management (DFCM), explained to the subcommittee that DFCM funds about 25 percent of the requests that are received in a year. He gave an example of the Uintah Basin Applied Technology Center (UBATC) to illustrate the problem DFCM is facing. UBATC has a building that was built in the late 1970's which has a need for upgrades throughout the whole building. DFCM can only fund the top two or three requests because of lack of funding, which is creating huge problems. Capital improvements and infrastructure is a silent giant; as it gets older and older, costs will go up. A small repair grows into a large repair unless infrastructure is taken care of.

Rep. Fisher asked what universities and UBATC anticipate in terms of how far down the priority list the subcommittee will approve. Mr. Buxton responded that the money is divided out as a percentage of the whole. The agencies expect repairs to be funded. Co-Chair Adams responded that preventative maintenance is by far less expensive.

3. Non-State Funded Capital Development Requests

a. University of Utah

Mike Perez, Associate Vice President, Facilities Management, University of Utah told the subcommittee that the University of Utah's (U of U) non-state funded projects will be explained by the individual over that building.

Law School

Dean Hyrum Chodosh, Dean, College of Law School, U of U, explained to the subcommittee the need for a new Law School building. The main building was built in 1963 and was allowed to get through the site inspection only because a new building was in the plan. If this building does not get built, the accreditation of the Law School is at risk. Because of the location of the building, this new Law School will be a welcoming entrance for the campus. Operation and Maintenance will not be requested this year, but will come next year when there is a better understanding of the O&M costs. There is \$60 million of non-state funding being brought to this project. The school seeks approval to build and design.

Rep. Cox commented that when he recently walked through the Utah Science, Technology, And Research (USTAR) building, he saw a \$30 million in savings in just a few minutes. He asked if this was to be built using in state contractors or will it be sent out of state. Dean Chodosh responded that there have been in and out of state contractors used in other building projects, and

it will most likely be the same. Rep. Cox commented that \$388 a square foot is costly, and that other universities have built more cost effectively.

Sen. Hillyard asked if there will be new programs and expansion in the school. He also commented that there seems to be a perception around the state that it is harder for Utah students to get into this Law School. Dean Chodosh responded that there will not be an expansion in the size of the school, and that there are plans to raise the prestige to obtain the best students from Utah

Rep. Butterfield asked what the plan is if the O&M funding was not approved. Dean Chodosh replied that the current budget model is that the O&M will be needed in the budget for next year.

Dental School

Mr. Perez introduced Vivian Lee, Senior Vice President of Dental School, U of U and explained that this project cost is estimated high with the site option one, which will cost more than site option two.

Ms. Leigh explained that the dental program was established in 1980 and in the program 10 students are trained for one year at the U of U, and then sent to Creighton University to complete the other three years. Another 10 students are sent to dental schools in other parts of the country, and pay for tuition if the students come back to serve the state. The advantages of a new building is that students will save in tuition and relocation costs. The school received a \$30 million dollar anonymous gift, and will not be asking the state for O&M funds for this building. This dental program will provide a need for dentists in the state, boost the economy and bring about 90 new jobs to the state.

Co-Chair Froerer asked if programming is covered. Ms. Leigh responded that the programming will also be covered, and the expectation is that the school will build a program that we will be among the top 10 in the country.

Orthopaedic Center

Mr. Perez presented the Orthopaedic Center project at the U of U. He explained that this is an expansion project that has been on planned previously. The purpose of the expansion is for sports medicine and the funding is in place through a revenue bond.

Rep. Fisher asked if they offer a degree in kinesiology at the U of U. Mr. Perez replied that he thinks the U of U does offer that degree.

Athletic Center

Mr. Perez said the Dee Glen Smith Athletic Center expansion was approved last year at \$20 million, but because of the U of U moving into the Pack 12 Conference, it needs to be expanded, for a total cost of \$30 million.

Dr Chris Hill, Athletic Director, U of U, explained that there is a need to expand so the men and women athletes could compete on the level needed in the Pack 12 Conference. A media area needs to be built, the sports medicine area expanded and a nutrition based cafeteria needs to be built. The quality of the program needs expansion for the ability to compete with other teams in the league.

Mr. Perez said that this building project will be funded by revenues which will be retired by revenue and operations. The O&M will be funded by revenue and operations, and some private contribution.

Health, Physical Education and Recreation (HPER) and Health Science Parking

Mr. Perez explained to the subcommittee that there will be two parking structures at the U of U, one at central campus and, the other at Health Sciences that will be funded and introduced Dr. Gordon Wilson, Assistant Vice President, Auxiliary Services.

Mr. Wilson said that the master plan in place calls for seven parking structures, and they are asking for two this year, one at the Health Sciences and one at central campus. This will be funded by a revenue bond and paid through parking fees.

b. Weber State University

Social Science Building

Norm Tarbox, Vice President for Administrative Services, Weber State University (WSU) explained to the subcommittee that there are two projects that are in dire need. Both projects need to be taken care of, so one is being requested through non-state funds and, the other through state funds. The renovation of Social Science Building is being requested through non-state funds. There is currently state funded O&M on this building. The building is not in good shape, especially with heating and air conditioning problems. There have been classrooms regularly at 60 degrees or lower or 80 degrees and higher, as well as complaints of sick air. In 2008 the building had a storm that caused a bubbling in the roof membrane. The plan is to keep the structurally sound portions and gut and renovate the rest to modern standard. There is also a covered patio that can be used for expansion space. The proposal is to allow WSU to raise the funds for this building; and true up the state funded O&M on the building.

Stromberg Center

Mr. Tarbox continued that there is a proposal to expand the Stromberg Center to a health and wellness project. The proposal is to add a connection between the Swenson Gym to a tear drop shaped area, where students can participate in wellness and fitness. The funding for the expansion and the O&M will come from revenue bonds.

Rep. Fisher asked if the students will be funding this expansion through their activity. Mr. Tarbox answered yes, through a student revenue bond system, which is an increase by \$5 a year in student fees.

c. Courts

Alyn Lunceford, is requesting the purchase of the Sevier County Court Facility located in Richfield. It is a very nice building and is very well maintained. There is room to expand if necessary. The building is currently maintained by DCFM. This building will not require additional funding for the purchase or the O&M. This purchase is budgetarily sound.

Rep. Cox asked if this purchase would this go against the 85% debt limit. Mr. Amon said no, because this is a revenue bond. None of the non-state funded projects go against the constitutional debt limit.

d. Uintah Basin Applied Technology College

Pres. Mark Walker, President, Uintah Basin Applied Technology College (UBATC) introduced President Brems, President, Utah College of Applied Technology (UCAT). President Walker said that UBATC is the oldest of all UCAT campuses and has campuses in Roosevelt and Vernal. UBATC is requesting a building for a new petroleum technology program matriculated with Utah State University. Petroleum extraction in the Uintah Basin is where most people are employed, either directly or indirectly. Funds have been donated for this program, and will need O&M funds. The Petroleum Technology Programs does all the training for the people who work in the petroleum wells, and the building will help augment the ability to train. There is an outdoor lab, which has had equipment donated for this lab.

Mr. Brams commented that it is astounding the reliance the petroleum extraction has on the campus, and to provide for this training would be significant

Rep. Fisher expressed appreciated the concept of training Utah people for Utah jobs.

Pres. Walker added that when the new Vernal campus was built the state provided \$10 million for the building and Impact Mitigation District and business partners provided 17 million dollars. The community gives great support.

e. Utah State University

Dave Cowley, Administrative Vice President, Utah State University explained that the project being proposed is an additional housing project at the San Juan Campus in Blanding with 75 new beds. This campus is small, but has grown considerably. The style of housing proposed, have small kitchenettes. The housing is 100% full, and there are about 50 students that are making housing out of old hotels, which have no cooking facilities and are not close to campus. There is expansion space if needed. The O&M will be funded through the auxiliary system at the Blanding Campus. The request is to proceed with this project through revenue bonds.

Sen. Van Tassell commented that 50 percent of population at this campus is Native American.

Co-Chair Adams went over with the subcommittee where to find the priority list and funding graph for the projects. He asked Mr. Buxton what the building costs have been and are projected

to be. Mr. Buxton said that building costs have taken a 25 % dip in the past. The bottom has hit, and DFCM is currently building about four percent inflation into the cost estimates. Co-Chair Adams said that now is the time to move forward on these projects

Sen. Mayne asked about the bidding process and if it is updated every year and if there are change orders in the bidding process. Mr. Buxton said that the bidding process has been refined and is better now than ever. He said the process has reduced bidding changes orders.

Sen. Mayne expressed appreciation for Utahns building Utah products.

Co-Chair Forerer asked Mr. Buxton to explain when the last space study was done, and what is expected in the future. Mr. Buxton said the last space study was in 1994 and while the consultants offered to create a new web-based product for \$85,000, he felt the \$65,000 estimate for a paper-based space study would be sufficient.

The subcommittee was asked to introduce themselves, what district they represent, and a tell a little about themselves.

Co-Chair Adams announced that a group of youth city council are here today.

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

Co-Chair Adams adjourned the meeting at 9:45 a.m.

Minutes were reported by Karen C. Allred, Senate Secretary

Sen. Stuart Adams, Co-Chair

Rep. Gage Froerer, Co-Chair