

## **MINUTES**

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

November 13-14, 2006

Fox Theatre

Hays, Kansas

#### **Members Present**

Senator Dwayne Umbarger, Chairman  
Representative Joe Humerickhouse, Vice-Chairman  
Senator Pat Apple  
Senator Jim Barone  
Senator Greta Goodwin  
Senator Stephen Morris (November 13)  
Representative Steve Brunk  
Representative Bill Feuerborn  
Representative Bob Grant

#### **Member Absent**

Representative Melvin Neufeld

#### **Staff Present**

Audrey Dunkel, Legislative Research Department  
Reagan Cussimano, Legislative Research Department  
Daniel Nibarger, Legislative Research Department  
Helen Abramson, Committee Secretary

The meeting of November 13 and 14, 2007 was called to order by Chairperson Dwayne Umbarger at 12:00 Noon on November 13, 2006 at the Fox Theatre in Hays, Kansas.

#### **Conferees**

Dr. Edward Hammond, Fort Hays State University  
Mike Barnett, Fort Hays State University  
Jennie Chinn, Kansas State Historical Society  
Terry Marmet, Kansas State Historical Society  
Richard Gaito, Department of Administration

Charles Simmons, Department of Corrections  
Jay L. Shelton, Norton Correctional Facility

## **Others Attending**

See attached list.

## **November 13 Afternoon Session**

Dr. Edward Hammond, President of Fort Hays State University (FHSU) welcomed the Committee, followed by a presentation concerning deferred maintenance projects. The state universities face a backlog of \$584.0 million that continues to grow. Two out of ever three buildings that the State of Kansas owns can be found on the six state university campuses. The Board of Regent's audit stated that the primary factors leading to the current state of deferred maintenance are a lack of funding coupled with the age of the buildings. The 437 educational and general buildings included in the audit exclude auxiliary facilities such as residence halls, student unions, and parking lots. Eighty percent of the total state university building inventory is at least 20 years old. The average FHSU building is 46 years old. FHSU's deferred maintenance totals \$35.2 million. To prevent further maintenance backlogs, \$74.0 million per year is required to adequately maintain the university campuses. Unfortunately, only 15 million was available in FY 2006. FHSU enrollment increased from 5,686 in Academic Year (AY) 2000 to 9,500 in AY 2006. During that time the university did not add any square footage on campus. FHSU serves 50 percent of their students on campus and the other 50.0 percent virtually. Legislative Post Audit's 2005 study concluded that a dangerous maintenance backlog exists on our state university campuses. The 1996 "Crumbling Classrooms" initiative, which provided an important short-term funding solution, did not represent new state funding. "Crumbling Classrooms" allowed the Board of Regents (BOR) to borrow money from an existing statewide property tax levy, significantly reducing the amount available for ongoing building maintenance, and essentially charging building repairs to a credit card whose balance will not be paid off until the year 2012.

Dr. Hammond informed the Committee that FHSU annually receives about 7.0 percent of the total rehabilitation and repair funding. In the past 18 years it has averaged \$615,977 from the rehabilitation and repair (R & R) fund. Last year about \$460,000 was spent from the R & R fund for maintenance, and in additional \$460,000 was spent on facilities, such as McCartney Hall, from tuition revenue. R & R for FY 2006 was \$1.17 million and \$1.36 for FY 2007. FHSU also has created their own construction group, that has a variety of expertise, which did work cheaper, resulting in a savings of 50 cents on the dollar.

Dana Cunningham, Architect, FHSU, informed the Committee that typical annual R & R investments are for roof repairs, roofing replacement, masonry cleaning and repairs, elevator repairs, asbestos abatement, HVAC repairs, exterior utility repairs, carpet replacement, sidewalk repairs, steam generation and distribution upgrades.

Currently, deferred rehabilitation and repair needs are:

- The utility tunnel between Picken and Davis Hall;

- Renovation of Pickens's Hall;
- Stone replacement, Sheridan Hall;
- Boiler replacement, Akers Energy;
- Monolithic dome roofing replacement, Beach Hall;
- Campus electrical system;
- Street paving;
- Fly loft roof repairs, Sheridan Hall;
- Replacement of deteriorated sanitary sewer lines, Cunningham and Gross Halls;
- Re-purpose excess space in men's and women's locker rooms, Cunningham Hall; and
- Annual repair and rehabilitation needs, Tomanek Hall.

Mr. Cunningham related information about the life cycle of building components, and predicted annual campus rehabilitation and repair needs as follows: Buildings \$1,944,000, infrastructure \$346,000 (total \$2,290,000) and \$1,036,000 repair and rehabilitation allocations for FY 2008.

Committee discussion followed regarding deferred maintenance projects, student fees, the energy program at the university, the Board of Regent's budget request for deferred maintenance for FY 2008, period of time to complete all deferred maintenance requests, and funding sources. Next, Mr. Cunningham, and Mike Barnett, Vice-President of Finance, lead a tour of the campus facilities, and answered Committee member's questions.

### **November 14 Morning Session**

The Committee members assembled at Historic Fort Hays and were greeted by Jennie Chinn, Executive Director, Kansas State Historical Society, and Terry Marmet, Director of Historic Sites, Kansas State Historical Society. Directors Chinn and Marmet, lead Committee members on a tour of the Fort, relating the history of the Fort, and pointed out the most recent buildings renovations and future planned renovations.

### **Afternoon Session**

Chairman Umbarger called the meeting to order at the Norton Correctional Facility and recognized Richard Gaito, Deputy Director, Division of Facilities Management, Department of Administration, who presented a proposed lease (with comparisons) for the Kansas Department of Corrections in Wichita ([Attachment 1](#)). The proposed lease is the result of an RFP that was issued that consolidates three current location leases (South Parole at 1530 Oliver, Wichita, North Parole at 210 N. St. Francis, Wichita, and Re-entry at 630 N. St. Francis, Wichita) that terminate in the near future. The proposed consolidated lease would be located at 212 S. Market, Wichita. Three bids received as a result of the RFP range from \$15.00 to \$27.00 per square foot. The lease presented today is from the low bid. Further negotiations took place with the low bidder, resulting in a further reduced rate. There is one item in the proposed lease which is unique as the lease includes a

provision to buyout the current three leases that the Department of Corrections (DOC) has in Wichita. The leases expire in April 2007. The Department of Administration supports the new proposed lease and the process it underwent. Aggregated leasing expenses for the three current leases total \$1,075,045 for 17,267 square feet which also includes additional services costs. The 10-year lease for the proposed new facility is priced at \$3,074,138 for 22,594 square feet and will house 74.0 FTE's. The lease also includes additional services. The space standard's amount per square foot per person is a little high, but it is acceptable due to the DOC's type of work regarding paroles. Cost of two other comparable leases were: \$865,982 for 15,817 square feet that includes additional services for Commerce Building at 150 N. Main, Wichita and \$2,368,400 for 19,493 square feet that include additional services for WSU building at 358 N. Main. Insurance, major maintenance (including ground maintenance), and pest control is included in the proposed lease, however, utilities are not. The DOC asked for additional phone service hardware that equates to \$.42 per square foot. The other additional cost equated into the lease other than the utilities, is the cost of parking, which is located next to the Finney State Office Building. The base rate for this lease is \$10.69 per square foot, and with additional services it is \$13.61. It is difficult to make a comparison with the Commerce and WSU buildings in Wichita, as the lease for Commerce building did not include any parking and the WSU building did not include utilities.

Discussion followed concerning the buyout of the expiring three leases, which was included in the RFP process. In the original RFP the DOC had to commence leasing by November, but by agreeing to move it up to April, the buyout cost was avoided.

Discussion followed concerning the lessee on the proposed lease, the comparable leases, and funding of the additional leasing cost of the proposed lease. Director Gaito informed the DOC requested approximately \$180,000+ additional funding from the Division of Budget in the FY 2008 budget which was approved.

Keven Pellant, Deputy Secretary, DOC, informed the Committees that Builders, Inc. offered an alternative location for all three together, however, they were not the lowest bidder. The other landlord also bid, but also was not the low bidder for consolidation of the three leases. The low bidder was a new landlord, Kaufman LLC. These three locations are being consolidated for efficiency reasons, to provide better service to the customers, and because of increase space needs.

Representative Brunk mentioned there is a large building on Second Street in Wichita that the Department of Labor already owns that should be considered, which will be vacant this spring. Deputy Pellant informed the Committee that building was explored and an RFP was put out, but at that time due to the space allocations and what was available it was not available for DOC's use.

Secretary Simons informed the Committee that there are some supplemental requests for FY 2007 for one time money for Labette and bond issues.

Senator Goodwin remarked that the re-entry program has nine employees that will make up the expected 97 employees when the leases are consolidated.

Keven Pellant explained one duty of the re-entry procedure concerns case management of people on post-release.

Director Gaito said the agency believes the increase efficiency will make up for much of the increase in the leasing cost, and also will give the agency much more flexibility.

*Representative Feuerborn moved for the Committee's recommendation for approval of the*

*proposed 10-year consolidated lease for the Department of Correction at 212 S. Market, Wichita. Representative Humerickhouse seconded the motion.*

Discussion followed concerning why the Second Street Building in Wichita was not suitable for consolidation of the three leases.

*Senator Barone moved a substitute motion that action on the proposed consolidated lease for the DOC be deferred until the Committee has a full answer on the state owned building in Wichita as to why that building is not acceptable. Representative Brunk seconded the motion.*

Keven Pellant said the agency expects to start renovation of the building by December 1, and therefore, would appreciate a decision on the consolidated lease today.

Senator Goodwin stated that she would be opposing the substitute motion because all day yesterday efficiency was discussed. The Committee saw efficiency implemented and the resulting State savings at FHSU. She noted Committee may not have a total picture of the efficiencies. The DOC has a handle on its needs and has worked very hard to bring all this information to the Committee. The Building Committee should not micro-manage agencies.

The Committee asked the DOC to telephone the Department of Labor to ascertain why the Second Street Building in Wichita was not available for leasing by the DOC.

Chairman Umbarger recessed the Committee at 2:00 p.m. for five minutes in order for the DOC to ascertain why the Second Street building was not available for DOC.

After the five minute recess, Director Gaito informed the Committee, that the Department of Labor, lessee of the Second Street building in Wichita does not know what will be done about their lease as it is still up in the air. Also, the building was purchased with federal Reed Act funds for the Department of Labor. If it is sold, the proceeds from the sale would revert back to the Federal Government if it is not spent to purchase a new building or for specific capital improvements to specific properties.

Discussion followed concerning agencies giving the Committee more time to review leases.

Discussion followed concerning should the lease/purchase computer model be run on this project. Director Gaito said he believes that this lease is a good lease, and if the model was run the landlord may not be willing to do a lease/purchase option. If this is something the Committee wants, then it could be put in as an amendment before the lease is signed.

Due to the information just received from the Department of Labor about the Second Street Building in Wichita, Senator Barone withdrew his motion to delay action on the proposed DOC consolidated lease. Representative Brunk withdrew his second.

*Chairman Umbarger called for a vote on the original motion by Representative Feuerborn and seconded by Representative Humerickhouse concerning the proposed consolidation of three leases for the Department of Corrections. Motion carried. Senator Barone and Representative Brunk ask that their no vote be recorded.*

Discussion followed concerning setting some time aside for the Committee to establish a protocol of what the Committee expects and how they would like to conduct business as a Committee in reviewing leases.

Chairman Umbarger, stated that related to lease/purchase agreements this is something that can be presented to the Committee as an option, especially on ten-year leases and large dollar lease amounts. It also would be helpful if the agency could give the Committee prior information which could even be done by e-mail. Discussion followed concerning the amount of notice time the agency should give the Committee prior to presenting leases which needs quick action which would allow concerns to be answered prior to the meeting. It was suggested that the agency present information at the Committee's previous meeting prior to the actual presentation of leases if action is necessary at the next meeting. However, on leases that the DOA feels comfortable about, then it may not be necessary to make the Committee aware of the lease beforehand.

Director Gaito remarked that previously the DOA's biggest problem was that negotiations sometimes takes a long time and that agencies could come two days beforehand and say they wanted this matter presented to the Building Committee. Now the DOA has a policy that agencies must present lease information 14 working days prior to being brought before the Building Committee. This allows time for the DOA to receive data, review it, and present it in a timely manner to the Building Committee.

Chairman Umbarger suggested that in lieu of the DOA's 14-day policy then the Building Committee also should use the 14-day policy in receiving information.

Senator Barone suggested that Director Gaito be the one to write a policy, to be reviewed by the Committee regarding the procedure of timely bringing leases to the Building Committee.

Senator Goodwin stated that as the process gone through today has been good for all of us, but this Committee was never set up to micro-manage agencies, and has seen this grow and grow. The Committee in the past has felt the agencies know what they are doing, they have done the research, they know what is going to work for them, and it may appear the Committee knows more than the agencies. She stated the Committee needs to study matters more thoroughly sometimes, but hopes the Committee does not think that the Committee knows more than the agency that has brought the matter to it which could be the impression given. Agencies have been very favorable on what they are doing and the Building Committee should give them the benefit of the doubt.

Director Gaito said the DOA would work under the suggested guideline in presenting leases and will tell agencies that on larger leases and more controversial leases information needs to be given before hand to the Building Committee.

Director Gaito, DOA, presented a change order for the Department of Corrections for the primary electrical system improvements – phase two to provide 10 electrical transformers, conductors, primary terminations, and installation for an additional \$169,858.00 (Attachment 2). Initially the transformers were to be purchased via a state purchasing contract. However, the \$128,814 cost via the contract exceeded the contractor's price of \$119,624. Although purchasing the transformers via the contractor saved money, the cost does exceed the \$75,000 limit for a change order without the Building Committee approval.

*Representative Grant moved Committee's recommendation to approve the change order for the Department of Correction for an additional \$169,858. Senator Apple seconded the motion. Motion carried.*

Staff presented copies of a University of Kansas notification from the Kansas Board of Regents on the Director's approval on various projects for various for the University of Kansas, University of Kansas Medical Center, Kansas State University, and Wichita State University (Attachment 3).

Chairman Umbarger adjoined the Committee at 2:35 p.m. after which Warden Shelton of the Norton Correctional Facility together with Charles Simmons, Deputy Secretary, KDOT, lead the tour of the Correctional Facility and pointed out where the new dining facility will be sited and the shop where inmates repair/restore wheelchairs, bicycles and tricycles. Warden Shelton also presented copies to the members of the projects included in the proposed bond issue (Attachment 4).

The next Committee meeting is scheduled on December 13, 14, 2006.

Prepared by Helen Abramson  
Edited by Audrey Dunkel

Approved by Committee on:

May 22, 2007  
(Date)