

## MINUTES

### JOINT COMMITTEE ON STATE BUILDING COMMITTEE

November 18-19, 2008  
Room 545-N—Statehouse

#### Members Present

Senator Dwayne Umbarger, Chairperson  
Representative Joe Humerickhouse, Vice-Chairperson  
Senator Pat Apple  
Senator Laura Kelly  
Senator Stephen Morris (19<sup>th</sup> only)  
Representative Steve Brunk  
Representative Bill Feuerborn  
Representative Bob Grant  
Representative JoAnn Pottorff (18<sup>th</sup> only)

#### Staff Present

Audrey Dunkel, Kansas Legislative Research Department  
Aaron Klaassen, Kansas Legislative Research Department  
Corey Carnahan, Kansas Legislative Research Department  
Kelly Navinsky-Wenzl, Kansas Legislative Research Department  
Melissa Calderwood, Kansas Legislative Research Department  
Amy Deckard, Kansas Legislative Research Department  
Mike Corrigan, Office of the Revisor of Statutes  
Helen Abramson, Committee Secretary

#### Conferees

Richard Gaito, Department of Administration  
Debbie Rosacker, State Board of Indigents  
Marilyn Jacobson, Department of Administration  
Laura Howard, Department of Social and Rehabilitation Services  
Jim Frederick, Kansas Commission on Veterans' Affairs  
Kafer Peele, Kansas Commission on Veterans' Affairs  
Jim Hays, Kansas Veterans' Home  
Stephen Dunkin, Kansas Soldiers' Home  
J. Michael Hayden, Department of Wildlife and Parks  
Beth Martino, Department of Labor  
Dennis Okruhlik, Department of Commerce  
Catherine Patrick, Department of Transportation

Sabrina Well, Insurance Department  
Jennie Chinn, Kansas State Historical Society  
Eric King, Board of Regents  
Teresa Gordzica, University of Kansas  
Scott S. Wightman, Arthur J. Gallagher Risk Management Services, Inc.

### **Others Attending**

See attached list.

### **Tuesday, November 18 Morning Session**

The meeting was called to order by Chairperson Umbarger at 10:15 a.m.

Staff distributed copies of the Department of Administration report of approved change orders for and status of State construction projects less than \$125,000 for the month of October 2008.

Richard Gaito, Deputy Director, Division of Facilities Management (DFM), Department of Administration (DOA), presented proposed leases and a change order as follows:

- A five-year lease with five one-year renewal options for the Office of the State Bank Commission at 702 W. State Street, Erie (Attachment 1). The lease was advertised and in addition a request for space was placed on the DFM's website. The agency received two proposals, one of which was from the current landlord.

The lease presented today is not the lowest proposal, but meets the agency's space requirements which are within the space standards. The proposed lease is a full service lease except for electricity. The base lease is \$12.50 plus electrical. The reason for the space increase is because employees currently have to work on folding table surfaces and the new space will allow for cubicle offices. The proposed lease followed the acceptable procedure for procurement and the DOA is supportive of this lease.

*Representative Feuerborn moved that the Committee review favorably the five-year lease for the Office of the State Bank Commission at Erie. Representative Humerickhouse seconded. Motion carried.*

- A five-year lease for the Kansas Department of Health and Environment at Frontenac (Attachment 2). The lease was advertised for 8 days and also placed on the DFM's website. The agency received one proposed which was from the current landlord. The lease being presented is for a five-year period with a five year renewal option. It is a full service lease with at \$9.69 for the initial rate period. In the event a renewal option is exercised the lease rate decreases from \$9.69 to \$8.95 during the renewal period. The lease rate does increase from \$8.70 to \$9.69. The increase is due to two reasons; this is the first rate increase for the agency in 13 years and the second reason is that the agency has requested a number of improvements to the building ranging from repainting of the offices and replacement of carpet. In addition the agency requested the

addition of a storm shelter to the building. The proposed lease does exceed the space standards and the reasons for exceeding the standards are due to the space requirement for storage of testing equipment and laboratory space. The storm shelter is not included in the space standards as it is in a separate building outside the office facility. The lease followed the acceptable procedure for procurement.

*Senator Kelly moved that the Committee review favorably the Department of Health and Environment lease in Frontenac. Representative Grant seconded. Motion carried.*

- A five-year lease for the Health Care Stabilization Fund at 300 SW 8th Avenue, Topeka (Attachment 3). The agency advertised in the newspaper for three days and in addition request for space was listed on the DFM's website. The agency received six proposals. The proposal being presented today is from the current landlord. The lowest cost proposal was determined to be unacceptable because of the additional cost of renovation that was required of the space. The lease being presented is for a five-year period and is a full service lease with expense stops. The base lease rate is \$14.50 for the leased period. The proposed lease does exceed the space standards, but the proposed lease did follow the acceptable procedure for procurement.

*Representative Humerickhouse moved that the Committee review favorably the five-year lease for the Health Care Stabilization Fund at 300 SW 8<sup>th</sup> Avenue, Topeka. Representative Grant seconded. Motion carried.*

- A ten-year lease for the State Board of Indigents Defense at Olathe (Attachment 4). The agency advertised in a newspaper and in addition a request for space was listed on the DFM's website. Only one proposal was received. The present lease at 125-127 S. Kansas in Olathe had a annual lease rate of \$11.40 per square foot (s.f.). The lease being presented is located at 115 E. Park St. in Olathe and is a full service lease except for custodial services for \$16.11 per s.f. for the first year but will increase by 3 percent per year. The proposed lease does exceed the space standards. The agency requested 6500 s.f. in the request for proposal (RFP), which would have met the space standards. In addition the agency has dedicated space for a clothing bank and interview room for clients. The proposed lease followed the acceptable procedures.

Mr. Gaito explained that the agency wishes to move to another location because of a number of their concerns with the present leased space such as it does not meet ADA requirements since it doesn't have an elevator, the agency has outgrown the space and the conditions are poor, at its best.

Debbie Rosacker Assistant Director, State Board of Indigents Defense stated that the 3 percent increase yearly has been removed. The RFP requested the agency be located within three blocks, or a close vicinity to the county courthouse as attorneys regularly frequent the courthouse, which otherwise would use extra time and expense. Also, there budget would not cover paying for transportation. This is the second time bids have been let.

Committee discussion followed concerning the agency staying in their present location since there is a month of month extension for six months after the lease expires February 28, 2009. During

that time the lease could be re-bid since markets have recently changed which may create lower rates. Also suggested was finding space a greater distance than three blocks from the Courthouse. Mr. Gaito suggested that the agency could go back and inform the current bidder that the rate is too high.

*Representative Grant moved that the Committee table this lease for now. Representative Grant seconded. Motion carried.*

- A co-location lease at Independence for the State Board of Indigent Defense, Kansas Commission on Veterans Affairs, Kansas Department of Labor, Kansas Department of Revenue, Kansas Department of Corrections, Kansas Highway Patrol, Kansas Human Rights Commission, and Department of Social and Rehabilitation Services (SRS) (Attachment 5). The Division of Purchases (DOP) released an RFP and placed ads in the local newspapers and posted it to the website. The SRS has a two-year initial lease period with renewal options at the end of the two-year period. As noted on the comparison sheet, all lease rates remain the same except for the Department of Correction (DOC) and SRS. The lease rates include all utilities in the base rates and the only cost not included is for custodian services. All but two agencies maintain the current amount of square footage. The Commission on Veterans Affairs decreased by 30 s.f. and the Doc increased by 916 s.f. The DOC increased their s.f. because of the addition of space for the substance abuse and sex offender programs. The proposed lease followed procurement procedures and the DOA is supportive of the lease.

Director Gaito remarked that the DOC moved to a different floor within the building because of the concern of the Board of Indigent Defense being located too near the DOC. He also explained that the Department of Revenue needed more space due to driver's license testing.

*Representative Feuerborn moved that the Committee favorably review the eight co-located leases at Independence. Representative Grant seconded. Motion carried.*

- A lease amendment for the Department of Social and Rehabilitation Service (SRS) in Kansas City (Attachment 6). The original lease was presented to the Committee and approved in March 2007. The agency began occupying the new facility effective this October. The amendment is for change orders requested by the agency and the reallocations of an upfront initial payment requested by the developer. The first change order of \$21,833 involved in the amendment is related to electrical changes. The addition expense occurred in a large conference room so in the future it could be utilized for the regional command center for K.C. Metro Region of SRS and agency partners. These expenses included the additions of floor boxes to supply power, data, and phone, as well as adding dedicated circuits to the ceiling for power poles of necessity in case of an emergency. The second change order of \$166,110 is for the addition of data outlet panels. This expense was due to the impression of the future possibilities of downsizing from 8 x 8 cubicles to 8 x 6 cubicles should additional work stations be necessary at this location. The building floor plans were reviewed for placement and maximum efficiency on where and how to place additional data and power jacks. The final change order of \$13,039 is for door activators providing improved ADA accessibility, due to design changes during the construction phase. The developer requested an initial up-front payment of \$450,000 which was agreed upon to be reallocated under the terms of the lease.

The current lease is for a 1five-year period with an average lease rate of \$20.75. The proposed amendment would add five additional years to the lease changing it to a 20-year lease with the initial rate from year 1 thru 5 at \$19.25, from year 6 thru year 10 at \$21.73, from year 11 thru 15 at \$23.01, and from year 16 thru 20 at \$23.75.

Chairperson Umbarger recessed the meeting at 11:00 a.m. in lieu of a scheduled announcement from the Governor.

Chairperson Umbarger resumed the meeting at 11:25 a.m.

Laura Howard, Secretary of Department of Social and Rehabilitation Services informed that the additional costs came up during the construction period and that the agency negotiated that the lease be extended form 15 years to 20 years instead of an upfront payment. Part of the \$450,000 upfront cost was for a rolling file system and security issues. These costs arose since this is a new building and came up during management and operational meetings when looking deeper into the disaster planning phase. There are two pieces to the \$633,000 total change order. One piece being the upfront payment of \$450,000 and the other piece being for electrical changes, data outlet panels and for ADA upgrades. Initially, the developer requested an upfront payment. What happened is when the lease was signed with the developer; the developer expected that the agency would make an upfront payment of \$450,000, but here was some confusion about that provision of the lease. In order to deal with that issue and the other change orders in a responsible fiscal way the agency went back to the table to look at alternatives in lieu of paying the \$450,000.

Committee discussion followed regarding why these costs were not looked at from the beginning of the design work and if these expenses are in the agency's budget.

Chairperson Umbarger suggested that the Committee make a statement expressing their disappointment or displeasure about how this situation was handled and that the Appropriations and Ways and Means Committees be aware of this Committees' statement.

*Senator Kelly moved that the Committee forgo a recommendation regarding this lease and to make a Committee report about their displeasure with the SRS lease prior to this matter going before the appropriation committees. Senator Apple seconded.*

Marilyn Jacobson, Director, Division of Facilities Management, Department of Administration, informed that even though the agency signed the lease that the Department of Administration has not signed off on it.

Committee discussion followed concerning the large increase of the square footage space.

*Representative Humerickhouse made a substitute motion that the Committee reviews unfavorably the SRS lease. Representative Pottorff seconded.*

Discussion followed concerning if the developer could sue the State, if the agency and the developer could meet again for further negotiations, and should the Committee delay further action until the December 8, 2008 Committee meeting.

*Senator Kelly withdrew her motion with the agreement of Senator Apply who seconded the motion.*

*Representative Humerickhouse withdrew his substitute motion with the agreement of Representative Pottorff who seconded the motion.*

*Representative Grant moved that the committee table the SRS lease until the Committee's December 8, 2008 meeting to allow time for the SRS to get together with the builder to explore solutions. Representative Humerickhouse seconded. Motion carried.*

At 12: 15 p.m. Chairperson Senator Umbarger recessed the meeting for lunch.

### **Afternoon Session**

Chairperson Umbarger resumes the meeting at 1:30 p.m.

Jim Frederick, Chief Fiscal Officer, Kansas Commission on Veterans' Affairs, summarized the agency's five-year (FY 2010 through 2014+) \$8.0 million capital improvement plan as follows:

- \$0.5 (6 percent) is for State Cemetery at Fort Riley funded by USDVA and final construction activity will be completed in SFY 2019. The total grant award was for \$6,714,692.
- \$2.4 million (30 percent) is for the 65 percent federal share of proposed construction activities for KSH health and safety projects from USDVA funds for SFY 2011.
- \$1.3 million (16 percent) is for 35 percent state share of proposed construction activities for KSH health and safety projects State match funds for SFY 2011.
- \$3.8 million (48 percent) is for the full funding of other repair and rehabilitation projects for KSH and KVH from the State Institutional Building Fund (SIBF) for SFY's 2010 through SFY 2014+.

Kafer Peele, Cemetery Program Director, Kansas Commission on Veterans' Affairs gave an update on the cemetery program. The Fort Riley cemetery project is 90 percent complete at this time and the \$450,000 upfront State cost payback will occur in late 2009 or early 2010.

Jim Hays, Superintendent, Kansas Veterans' Home (Home), reviewed the Home's five-year capital improvement projects (Attachment 7) but first remarked about the status of their existing federal grant. A grant was received from the Department of Veterans Affairs for \$939,000 for a back up generator at the Veterans' Home so the Home is no longer dependent on the Department of Corrections for electricity or back up service. Also, with federal funds the Home looked at some of the residential areas and installed some flooring in Triplett and Donlon Halls plus installation of an overhead sprinkling system in Donlon Hall. The value of those federally funded projects was \$1.4 million and the Home received close to \$1 million. The State portion was about \$500,000.

In the past ten years federal grants has comprised a great deal of how improvements have been made. Since 1999, all together, the Veterans' Home has received three federal grants totaling \$14 million. The State's contribution was \$285,000. However, the Home is going to have a problem getting any more federal grants from the Department of Veterans' Affairs, as they have cracked down and now to receive a federal grant and to placed on the priority list the State Home has to be cited by the Kansas Department of Navy or the Department of Veterans' Affairs, or the State Fire Marshall. If you are cited, then another grant can be submitted (65/35 split) and then you will be placed on the

priority list. The federal government is going to strictly enforce this policy. Presently, neither of us have any outside citations.

In FY 2009 the agency received \$153,531 for rehabilitation and repair. One of the issues for FY 2009 concerns the drawings and recommendations to put flooring over an old therapy pool in one of the buildings which is needed for maintenance personnel.

For FY 2010 the agency is requesting \$85,000 for preventative and emergency repair and \$176,505 for Donlon Hall Window replacement, with the total window replacement project cost being spread over the next two fiscal years. For FY 2014 the request is for \$445,000 for the Donlon Hall roof replacement.

Stephen Dunkin, Superintendent, Kansas Soldiers' Home, remarked about the completion of federal projects. In the pasts the Home has had five back-up generators installed, a storm shelter has been constructed, the sliding doors project was completed, and also the balance of piping for the sprinkler system for the domiciliary buildings of Grant, Lincoln, and Nimitz Halls.

The Soldier's Home Health and Safety Matching Grant for FY 2011 is no longer valid since the Department of Veterans' Affairs has changed their policy regarding being placed on a priority list, as mentioned in Superintendent Hays testimony.

Requests for FY 2010 for the Soldier's Home was \$150,000 for major maintenance, \$100,000 for street replacement, \$130,000 for stone/foundation repair, and \$38,279 for Pershing windows.

J. Michael Hayden, Kansas Department of Wildlife and Parks (KDWP) presented the agency's five-year capital improvement plan ([Attachment 8](#)). The Kansas Department of Wildlife and Parks have submitted a revised FY 2010 capital improvements request. The request now totals \$11,912,584 of which \$1,687,314 is from the State General Fund. The original FY 2010 capital improvement request submitted in June 2008 totaled \$10,635,114. In the revised request \$1,000,000 was added for funding for a minimum water storage pool at Webster Reservoir, \$300,000 funding for riparian easements, and \$22,530 for road maintenance.

For FY 2010, KDWP is requesting an amount of \$4,710,000 for Parks Major Maintenance. The funding for this request is \$1,500,000 for the State General Fund (SGF), \$210,000 from the Federal Land and Water Conservation Fund (LWCF), and \$3,000,000 from the Expanded Lottery Act Revenue Fund (ELARF). A similar amount from the ELARF was included in the Governor's Recommendation for FY 2009. It is the recommendation that the best solution for the long term maintenance needs of the parks would be a dedicated funding source; and that the ELARF is an appropriate source of funding for this purpose.

The FY 2010 request includes several new or one-time items: \$187,314 to finance a special assessment levied by the City of Topeka against KDWP for road improvements impacting the Kaw River State Park, \$250,000 for Cabin Site Preparation as a part of the expanding program for placing cabins in state parks and other public lands areas, and \$650,000 to repair the spillway at Clark State Fishing Lake. KDWP has had a dam repair program for several years and the KDWP's is now considering dams for repair on an as needed basis.

The remaining items in the FY 2009 capital improvement request include wetlands acquisition and development, land acquisition, public lands maintenance and construction of a storage building addition at the Pratt Operations facility, bridge maintenance, river access projects, federally mandated boating access projects and road maintenance.

Discussion followed concerning the silting in at the federally built John Redmond Reservoir.

Secretary Hayden remarked that Kansas and other states may be facing with smaller amounts of water storage since water supplies are being forecast to get tighter. If this occurs it will lead to something the State may need to address.

Secretary Hayden remarked that the whole legislature is going to have to deal with what is the long range plan for the ELARF monies. The water authority and water office have both said in their recommendation that the reservoir question be looked at. As storage is being lost because of sedimentation we are beginning to jeopardize public water supplies and flood controls and in some cases irrigation as well. A long term stable financing for these kinds of capital improvements issues are needed.

Secretary Hayden informed that the John Redmond Reservoir was federally funded, and is going to bill the State \$60 million as they gave us 50 years to begin to pay, so it is one of those pay me now or pay me latter deals. The truth is that the State has been deferring. One reasons being there wasn't anybody to sell the water to in the beginning. It took years to develop a water marketing plan and as the cities grew, especially Johnson, Douglas, and Shawnee counties the water began to be marketed to cities. But the federal government still hasn't been paid back. They are not demanding that they be paid \$60 million today but the sooner the payments start, the less interest will be paid in the long term and the sooner it will be paid for.

Beth Martino, Deputy Secretary, Department of Labor (DOL), provided an update on the agency's five-year capital improvements request (Attachment 9). Nothing has changed since the last time the agency reported to the committee. For FY 2009 the primary project is the second phase renovation of the East Building at a cost of \$1,615,417 funded from the Reed Act. This is the building which now houses the Unemployment Call Center. The Wichita, Kansas City and Topeka call centers were consolidated into one location at the Topeka Hospital Grounds. Also funded by the Reed Act is \$40,000 for the rehabilitation and repair projects, which includes updates to the 401 Topeka building as the agency is trying to move as many employees as possible out of leased space and into state owned space.

For FY 2010 the agency has requested \$80,000 for rehabilitation and repair on the 1309 Topeka Building, funded by the Reed Act. The first phase rehabilitation was completed in FY 2007 by reroofing the building, and re-carpeting, painting and replaced the HVAC. The second phase will complete another floor of the building by renovating restrooms and some of the office and conference room space.

Ms. Martino referred to Secretary Garner's letter of July 10, 2008 concerning the sale of KDOL's property in Wichita (Attachment 10). The appraised and asking price was \$1,360,000 with closing anticipated on or before March 1, 2009.

Dennis Okruhlik, Building Manager, Department of Commerce (DOC), presented the agency's five-year capital improvement budget plan (FY 2009 – FY 2014) (Attachment 11) and informed that nothing has initially changed since his initial appearance last year. Projects for FY 2009 were for \$110,000 for Kansas City roof repair. Previously there was concern about the slope of the roof and the design of the roof will be known in March or April 2009.

Also, in FY 2009 rehabilitation and repair projects request was for \$20,000. That amount is on any number of facilities as there are a total of eleven DOC's work center locations. Three of the work centers are presently closed and paper work is being prepared to place them on the selling block, however, before that is done, the agency will appear again before this Committee. The three work centers have been turned over to the State.

For FY 2010 thru the remaining years the yearly request for rehabilitation and repair projects is \$80,000.



Catherine Patrick, Director of the Division of Operations, Department of Transportation (KDOT) presented the agency's five-year capital improvement budget (Attachment 12). Due to the concerns with the agency's cash flow regarding federal and state funding our initial list of projects for FY 2010 was scaled back from \$15.5 million down to \$7.8 million. The agency has chosen to prioritize their dollars. The dollars will be used on preservation and maintenance of existing buildings. Although the federal fiscal year 2009 shortfall in the federal highway trust fund was corrected, a similar shortfall exists in FY 2010 and unless Congress takes action Kansas faces a 45 percent reduction (\$150 M) in federal funding. KDOT is reviewing plans. You have probably heard about a contingency plan, based on the use of the federal funds. Projects may be delayed or eliminated to prevent Kansas Highway Funds from incurring a deficit. The agency will continue to monitor the situation and work with the Kansas Congressional Delegation to help address this federal funding shortfall. Revenue estimates continue to indicate that mounting pressures on the State General Fund will likely result in a deficit beginning in early 2009 and continue into future years. In the past, some of the impacts to the State General Fund (SGF) have had a rippling affect on the budget and funding sources for agencies. The agency realizes the budget issues they are facing and have made adjustments in requests.

Rehabilitation and repair is the agency's first program which consists of typical expenditures. For FY 2009 \$11,048,648 was requested and for FY 2010 \$7,837,439 was requested. However, two items previously requested for FY 2010 has been deleted which are \$2,000,000 for relocation of subarea at Ulysses and \$195,000 for Purchase of land. For FY 2009 the largest projects were for rehabilitation and repair projects, reroofing buildings, subarea bay extension/addition, equipment storage sheds and vehicle wash bays. The largest projects for FY 2010 are for rehabilitation and repair projects and subarea bay extension/addition. Instead of replacing subareas the agency is making extensions/additions.

Peter Carter, KDOT, informed that the agency has 112 sub-areas in the State and 70+ are of the 1950-60 design. KDOT is presently working on converting four of them and in the process of the change different things will be done to the shape of the buildings. Ms. Patrick explained that the bunkers mostly have the sand/salt mix and the salt domes have just straight salt in them.

At 2:45 PM, Chairperson Umbarger recessed the meeting until tomorrow morning at 9:00 a.m.

### **Wednesday, November 19 Morning Session**

Chairperson Senator Umbarger resumed the meeting at 8:10 a.m.

Marilyn Jacobson, Director, Division of Facilities Management, Department of Administration, reported on the agency's five-year capital improvement budget plan (Attachment 13). Director Jacobson first gave background on the DOA's managed 64 building/land assets in Shawnee County and the total amount of gross square feet and amount of acres for each item. Ms. Jacobson remarked that the Finney State Office Building is leased from the Wichita Public Building Commission, and the State of Kansas is charged a fixed monthly fee covering rent and pro-rated portion of the annual estimate of operating expenses required to keep the facility in reasonable good repair. The report showed an assessment ranking of each building condition.

The Capitol Complex Utility Tunnel was a FY 2008 project. Major life safety issues were identified and the 2008 Legislature approved \$370,170 in FY 2008 for immediate repairs to the

tunnel. The 2008 Legislature approved \$3.0M to make long-term repairs to the Capitol Complex Utility Tunnel. Several routings of new tunnel and pip trench were evaluated. The conclusion reached was that it is cost effective to use buildings rather than new tunnel where practical. The design and construction for this project is estimated to take 18 months.

The highest prioritized items in this year's plan (FY 2010) include authorization for the agency to spend rehabilitation and repair (R&R) funding on the Capitol complex buildings, Surplus Property, Printing Plant and Parking Lot/Sidewalks. What remains is a prioritized list of projects that address building components that are at or near the end of their useful lives. The top six priorities after R&R are as follows:

SMRI – R&R (State Buildings Depreciation Fund \$400,000);

State House and Cedar Crest R&R (SGF \$200,000);

Kansas Judicial Center R&R (SGF \$225,000);

Printing Plant R&R (Printing Svc Dep. Fund \$75,000);

Surplus Property R&R (Surplus Depreciation Fund \$50,000); and

Parking Lot/Sidewalk Maintenance and Repair (B & G Fund \$165,000).

Committee discussion followed concerning the doors being locked at Landon State Office Building when the fire alarm goes off as when employees exit they cannot get back onto their floors. The emergency stairwell doors are not in the public reception area, but are within the actual agency's work areas so if those doors were unlooked during the course of the day anybody could come through a back alley and enter into a stairwell and then proceed into the actual secure work areas. The fix is that the doors are set up so on every fifth floor those doors, after the fire alarm is activated, the doors automatic unlock and stay unlocked while the fire alarm is going off. In other words, the fire alarm triggers a mechanism that unlocks them. The project is proposed for FY 2010 which will take six to ten weeks to complete.

Director Jacobson next addressed the Capital Complex Deferred Maintenance Plan. Using the Building condition Index (BCI) scores, there is little doubt that the majority of the existing state owned/managed office space in the Capitol Complex is either in or near a very critical condition of disrepair. A BCI of less than 80 is considered to be deficient. Based on current BCI scores and FTE counts for buildings, over 70 percent of the State workforce in State owned/managed facilities in the Capitol Complex (excluding the Statehouse and Judicial Center) works in sub-optimal office space.

Director Jacobson then addressed the Dillon House. A task force was formed to look at the house and the Historical Society has received some funding in order to do a site survey of the house and bring the information back to this Committee.

Jennie Chinn, Director, Kansas State Historical Society, noted that they were waiting for a \$10,000 match which was recommended by the State. Outside money was raised. Now the KSHS needs to give the money to some entity to actually contract with a company to do the structural report.

Committee discussion followed concerning the occupancy of the Finney Building in Wichita, the replacement of Honeywell controls with Johnson Controls in the Finney Building, and the long term care of the utility tunnels in the Capitol Complex.

Sabrina Wells, Director of Financial Services Division, Insurance Department, presented the agency's five-year capital improvement (Attachment 14). For the current year \$60,000 was requested for building rehabilitation and repair and ongoing maintenance plus the principal debt service. The same requested amounts were made for the following years. The agency would have liked to have improved lighting and repairing of the alley brick, but decided to defer these two projects due to fiscal conditions.

Jennie Chinn, Director, Kansas State Historical Society (KSHS), presented the agency's five-year capital improvement program (Attachment 15). The five-year capital improvement budget plan has changed since it was presented last spring. Although the capital improvement needs of the agency are still very real, agency suggest the following approach to those needs in light of the current financial restrictions.

The highest priorities are: \$125,000 for annual emergency repairs Fund, and 476,370 for steam humidification system replacement – Kansas Museum History (Topeka).

The Division of Budget has recommended funding of the two highest priorities with the following conditions:

- In both FY 2009 and FY 2010 Division of Budget (DOB) has recommended reducing the agency's annual emergency repair fun to \$100,000. DOB has also recommended an additional \$25,000 of SGF to go towards the humidification system each year.
- In FY 2009 DOB has recommended \$163,185 in SGF towards the humidification system, and in FY 2010 DOB has recommended another \$163,185 for the project.
- The agency has agreed to take \$50,000 in fee fund monies in both FY 2009 and FY 2010 to put toward the humidification system.
- DOB has recommended a reduction of \$241,917 of SGF monies for capital improvements that were carried over into 2009.

The Kansas State Historical Society will be submitting an appeal to the DOB and the Governor for \$50,880 of the lapsed \$241,917 for the following reason. At the May 29, 2008 meeting of the Joint committee on State Building Construction the agency presented a plan of how to address the broken steam humidification system. The agency suggested that they reduce the scope of work on the previously approved museum ceiling replacement and use some of the additional funds to pay for engineering of the humidification system. This would allow the agency to present more up-to-date estimates of the system during the 2009 legislative session. On May 29 we were instructed to proceed with this plan. The 440,880 represents money that the agency has already spent out of the lapsed \$241,917. The ceiling replacement was reduced to \$12,480 and engineering of the humidification system is under contract for \$38,400 for a total of \$50,880. Additional request and new approaches were as follows:

- Goodnow House rehabilitation—seek private funds or delay work;
- Pawnee Rock rehabilitation—100 percent Transportation Enhancement Fund (Federal);
- Hollenberg Station—withdraw due to reduced scope of work required by county

or use agency emergency repair funds, if available in FY 2009 to complete work;

- John Brown Museum parapet repair – seek private funds or delay work;
- Grinter Place ADA outdoor restroom remodel—seek private funds or close restrooms;
- Shawnee Indian Mission drainage improvements—seek private funds or delay work;
- Cottonwood Ranch outbuilding improvements—100 percent private funds, project to begin in spring 2009; and
- Native American Heritage Museum interior rehabilitation—site recommended for closure by DOB. Request removed.

At this time the agency respectfully requests the following:

- If fiscally possible, the agency requests your support of DOB's plan to pay for the steam humidification system over two fiscal years as described.
- If it is not possible to fund the humidification system, we request that the \$25,000 from the annual emergency repair allocation be redirected back to emergency repairs for an annual budget of \$125,000.
- The agency request permission to continue to seek private funds for capital Improvement projects.
- The only thing we will be repealing is part of that \$241,000 they took included \$50,000 for the ceiling repair.

Director Chinn remarked that the humidification system is working in the other part of the building where archives are stored and they are being monitored very carefully.

Committee discussion followed concerning the recommendations on the Dillon House and Docking State Office Building which are on the LCC's Referred topics.

Director Jennie Chinn, KSHS, presented a synopsis concerning the Dillon House Restoration. The Dillon House is on the National Register of Historical Places. The Building Committee formed a task force and the recommendation to the Committee was to do a historical structural report. The historical structural report will tell you what the real potential problems are with the building. By looking at it in a much more detailed way the Committee will know before allocated funds for repairs and rehabilitations what the potential of the building has long term. The Historical Structural Report also worked with the Committee and other people in the Legislature, as owners of the building, to try to determine what was seen as the best uses, to determine the needs and how they could be met. It should also give pretty accurate projections of the cost in today's market. Also, it would provide you with the information that the Task Force felt you didn't have at your finger tips at this point to make really good decisions about the historical home. In order to pay for the report the KSH found State money as it was a 50/50 match. I was able to work with the National Trust for Historical Preservation, which is a private entity which come up with \$5,000 and asking that the State put in \$10,000. It is my understanding that LCC took up this matter and did approve the \$10,000. Therefore, at this point in time the money is on hand for the structural report. The next

recommendation would be for the KSHS to give the money to somebody and we are willing to do the specification and make sure the contract highest and best use for this facility. The contractor would lead you through this and different option would be offered.

Staff informed that \$10,000 given for the Dillon House Structural report should be credited into the Dillon House account of the State Facility Gift Fund within the Department of Administration.

Sabrina Well, Insurance Department, stated that the Insurance Department indicated they would be interested in being a tenant of the Dillon House to a limited extent. It was thought it would be good to have somebody in the building at all times, so the Insurance Company put out a proposal for ten FTEs positions, but it will all depend on the feasibility study.

*Representative Brunk moved that the Committee delay any recommendation on the Dillon House until the Historical Structural Report is completed and at that time re-evaluate a recommendation. Representative Humerickhouse second. Motion carried.*

The Committee next turned their attention to the Docking State Office Building.

Director Jacobson, DOA, presented information given previously about the Reconstruction of the Docking State Office Building (DSOB) as well as the Landon State Office Building (LSOB) (Attachment 16). Last year it was the DOA's recommendation that it be reconstructed and not torn down and a new building built. The seating capacity would increase if the building was reconstructed and therefore more state employees could be housed. The heat plant is in the basement of the DSOB. Regardless of what is done with the building, that facility is in very good shape and has at least 10 more years of useful life and probably longer. The heat plant is necessary because it provides heat to a number of buildings in the Capitol Complex. The Statehouse chilled water system runs through there so that is a piece of DSOB that needs to be preserved which makes DSOB a little bit of a difficult situation when there is talk about tearing it down. The DSOB was built in 1956 and the building condition is very poor. Most of the mechanical systems in the building are original systems. A majority of the building is heated and air-conditioned by a perimeter fan coil system that was installed in 1955. This equipment should have been replaced in 1975 given the typical service life of fan coils is 20 years. All the electrical distribution, transformer and panel boards were installed in 1955. This equipment should have been replaced in 1985 as the typical service life of this equipment is 30 years. A majority of the light fixtures were installed in 1955 and also should have been replaced in 1985. The construction estimate to reconstruct DSOB during the last legislative session was \$77,426,276. Construction estimate for individual repairs were \$147,750,785.

Director Jacobson informed that it is possible to tear down the DSOB and leave the heat plant.

Senator Morris said he remembers from years past that it would be cheaper to implode the DSOB and build new than do the reconstruction. Director Jacobson said it could be cheaper, but it would depend on the size of the replacement building. If the new building would be the same size as the DSOB is today and hold as many people, the cost is higher because there would also be the demolition costs. Razing the building would cost a little over \$10 M. A new building the size of DSOB with the same seating capacity would be \$83 M.

Senator Morris noted that if the DSOB was imploded one of the advantages would be that you would not have the expense of moving out everybody.

Representative Feuerborn suggested that the Committee delay any action for the next two years on the DSOB.

Director Jacobson said the building is structurally sound it is only the systems behind the scenes. The Department of Revenue has 824 employees which would be \$1,551. The building presently holds 1500 state employees. The outside of the DSOB could look entirely different as the entire envelope would be taken away and would go down to the beams if the building was reconstructed.

Discussions followed concerning if there is there enough space in other Capitol Complex buildings to house the current Department of Revenue 824 employees, or perhaps even the DOSB total employees of 1500, to delay action on the DSOB until at least the renovation of the Statehouse is completed, that the Committee have a discussion about the Capitol Complex Area and move to a master plan complex, it being too early for a recommendation about the DSOB due to present day economics, and possibly for the Building Committee to put together a committee or a task force to look at the situation.

Director Jacobson said the SRS also has a large space in the DSOB. It was thought last year that consolidated Highway Patrol Office may use space in a new building. Also, the City of Topeka previously had \$50,000 and the State had \$200,000 earmarked to do the master plan for the Capitol Complex.

Trudy Aron, Director, American Institute of Architects (AIA) of Kansas noted that she could take this up with the Board this matter of forming a task force to look at a situation for a master plan and it could be a project for next year.

Chairperson Umbarger said with cooperation with the City of Topeka, this Committee could recommend such a resolution. There is also the option about setting up a special committee, but the State does not have any money. Right now we do have a committee whereby information can be gathered and reported to the full Building Committee. If we see that in the next couple of years we have the money then maybe another committee could be set up at that time to give more attention to it. Right now, I think that this Committee should gather the information and make a request, but I don't think there is going to be any action over the next couple or three years, so I guess I'm questioning why we need this other entity when nothing much is going to be done on this issue.

Senator Kelly said she thinks that the architects just made the Committee an offer that the Committee might not like to refuse in order to get the professionals in on this and an ideal time would be when we don't have the money, so things could be put in place so that in the future we would be ready to go.

Chairperson Umbarger stated that the Committee could give a directive to the Plaza Authority to work with the Architectural Board and report back to this Committee.

*Representative Blunt moved that the Committee recommends that the Architectural Board in conjunction with Capitol Area Plaza Authority and with coordination of the Building Committee to form a long term Committee that would report back to the Building Committee. Seconded by Representative Humerickhouse.*

Committee discussion followed if the motion included the Building Committee in the long term Committee. Senator Kelly said her recollections were that some of the members of this Committee be part of the formed long term committee and should also be contingent on the architects coming back with their Board approval.

Staff informed that there were originally 14 members, but there is one opening now so there are 13 members on the Authority including four legislators.

*Representative Feuerborn made a substitute motion that the Committee delay any action on recommendations and await the report of the Capitol Plaza Authority and architects and any opening positions on the Capitol Plaza Area Authority to be filled by Representative Humerickhouse.*

Representative Brunk with the consent of Representative Humerickhouse withdrew his motion.

*Representative Grant seconded the substitute motion. Motion carried.*

Eric King, Director of Facilities, Kansas Board of Regents, provided the quarterly report on the State Education Institution Long-Term Infrastructure Maintenance Program (IMP) as well as several important financing components that will be implemented over the five year period beginning 2008 (Attachment 17). There will be fewer dollars to work with. For the time being the spreadsheets are being left alone and we are leaving the dollars alone but most likely there will need to be adjustments. The bottom of the first page and the next several pages is a narrative update that I have been providing in the past, because I think that just looking at the dollars does not tell much. The BOR's have ask the campuses to provide a narrative on the current status of these projects, and will let the Committee members at their leisure to read through the information.

Starting on page seven of the narratives are a few other sources of funding in the infrastructural maintenance program bill, one of them being the bond portion of the legislation and that primarily is being used by the community and technical colleges plus Washburn University. About this time last year we went through the process the BOR office did of soliciting projects from the campuses, reviewing and prioritizing them and reallocated fund out to various institutions. Page eight depicts how those monies were allocated which totals \$20 million. Also, depicted in the chart are the amounts that are spent as of the end of the quarter. According to the Department of Revenue's first quarter report to the Board of Regents, for the quarter ending September 30, 2008: applications for the tax credit received through this program totaled 51; total contributions received were \$523,250; and the amount of state tax credits issued totaled \$309,950. It is not possible to get a further breakdown of these quarterly figures, because there were fewer than five applicants for most institutions, and the Department of Revenue's policy prohibits displaying data from fewer than five filers, to ensure the confidentiality of filer information, pursuant to KSA 9-3234 (b).

Currently BOR's is getting ready to go through the same process for the next year as the institutions requests are due in January, and there is a committee set up again to review those requests to make sure they adhere to those requirements. That will be another \$20 million allocated out in interest free loans for institutions. The last segment of money that was included in the bill was the tax bill portion. You may recall that actually this is kind of being run through the Department of Revenue (DOR) and probably the BOR's office is less familiar with that because the DOR has some privacy laws. where if there are fewer than five applicants for institutions they are prohibited from displaying that information. What the BOR's does know is that at the end of the quarter that the DOR received 51 applications. The total contributions received were \$500,000, and given out the same tax issue totaled \$300,000. As far as what projects are being funded, and who is giving the money, the BOR's is not privileged to give out that information.

The Deferred Maintenance Bill required that the BOR's update every two years the space utilization inventory and a maintenance report which are due in January. The BOR's has completed the inventory portion and is currently working on the maintenance report. However, the construction inflation has really taken its toll the last two years. The campuses have accounted for projects that they have received funding on whether they are or are not done. The BOR's direction to them was to treat them as if they were done.

Director King noted that in August he met with each one of the campuses and walked through

some samples in order to try to arrive at some consistency among them. They have completed their audits and I received them. The large spread sheets that were distributed is a summary of all the campuses and all the projects over a five-year period that has been approved to date. The BOR is coming in June and asking for projects to be approved for a specific year that has actually been funded. The BOR's is still using the most part of the form that was worked on initially with this Committee. However, we found out that the BOR's would not be able to provide you the transparency on keeping track of revisions to allocations unless it was broken down to the next level. The large spread sheets distributed to the Committee for each campus takes the revised allocations to the next level.

Committee discussion followed concerning the tax credit issue and the possibility of Endowment's and Foundation's participation as a way of investing in the deferred maintenance issue.

Staff informed because tax credits are issued on calendar year it is not really know how much donation was realized for the calendar year 2008, until after September is over. It is hoped there will be some additional tax credits issued in the last quarter of this calendar year. A better idea of how well the program is going will occur when the end of year report is completed.

Staff distributed the November 1, 2008 report on capital improvement request for FY 2010 from the State Building Advisory commission and also an amended list of the Kansas Board of Regents Director's approval of rehabilitation and repair projects for the University of Kansas Lawrence campus and Kansas University Medical Center (copies are on file with the Legislative Research Department).

Theresa Gordzica, Chief Business and Financial Planning Officer, University of Kansas, provided additional information on the new state university property insurance policy which took effect July 1, and covers property at the state universities (Attachment 18).

On July 10, Diane Duffy, Vice President, Finance and Administration from the Board of Regents provided a briefing on this topic. As a result of that briefing, the Committee expressed an interest in hearing from our consultant about the approach we used to procure the property insurance. With me today is Scott Wightman, Executive Vice President, Arthur J. Gallagher Risk Management Services, Inc.

Ms. Gordzica gave background information that resulted in statute KSA 75-4101 (d).

Prior to July 1, 2008, housing and bond-funded, state-owned, buildings on the university campuses were covered under individual policies written on Each such property for each state university. All other state-owned buildings at the campuses were covered under the state policy.

From the university perspective, there were three basic problems with the state policy: 1) its high \$5 million deductible, 2) the absence of contents coverage, and 3) no coverage for buildings having a value less than \$500,000. Last fall, a joint Request for Proposal (RFP) was issued by KU (including KUMC) and KSU for insurance services including consulting services. The RFP also sought alternatives to review and bid for property insurance at all state universities. Arthur J. Gallagher Risk Management Services was selected to provide consulting services and Scott Wightman was the lead consultant providing expert advice and facilitation of the process. The consultant is paid on a fee-for-service basis.

Ms. Gordzica noted this reduced the deductible on the State-owned buildings from \$5,000,000 to \$100,000 and increased the overall limit from \$100,000,000 to \$500,000,000.

Ms. Gordzica informed that as yet there isn't coverage of vehicles at universities but that it is being considered.



Scott S. Wightman, ARM, Executive Vice President, Arthur J. Gallagher Risk Management Services, Inc. provided background information about the company and explained the credentialed broker process, objectives, coordinating with the Department of Administration, and bid results (Attachment 19).

Mr. Wightman explained that the credentialed broker process has three basic options for procuring insurance. The option selected was to select a panel of brokers upfront and assign insurance companies for each to approach. This model still keeps a good deal of competition in the process, but you have already interviewed the brokers, agreed on a list of other consulting services to be provided, and set a fee for service commensurate with the level of effort anticipated. The market assignment starts with the brokers requesting which carriers they would like to use, in order, and then they are assigned based on a drawing to see who gets the first pick and then going down the lists.

The objectives on the property coverage were: 1) Purchase one master policy on all BOR properties, including State-owned buildings, 2) significantly reduce the deductible on the State-owned buildings, 3) add contents coverage as requested by the institutions, 4) increase the overall limit which covered all State agencies, 5) improve the coverage where possible, 6) procure a competitive rate, and 7) work closely with the Department of Administration.

Mr. Wightman noted that the most significant advantage to the State as a whole, however, is that \$3.3 billion of property owned by the State now has a \$100,000 deductible instead of \$5,000,000.

State-owned properties went up because of the much-enhanced coverage, but the savings came from pulling all the other policies into one group purchase. Regarding the tornado at Kansas State University, if something like that were to happen in the future, it would only cost \$100,000 out of pocket.

The rollout of the new program has been excellent and the BOR institutions have been working with the broker and Travelers to make sure their local coverage is exactly as they need it, i.e. adding smaller buildings, adding contents coverage, etc.

Mr. Wightman remarked that if the same tornado struck more than one campus, it would be considered one event regarding coverage.

Chairperson Umbarger adjourned the meeting at 10:45 a.m.

Prepared by Helen Abramson  
Edited by Audrey Dunkel

Approved by Committee on:

June 4, 2009

(Date)

48638--(6/9/9(9:05AM))