Utah State Building Board

MEETING

December 4, 2013

MINUTES

Members in Attendance:
Ned Carnahan, Chair
David Fitzsimmons
Chip Nelson
David Tanner
Fred Hunsaker

Members Excused:
Bob Fitch
Gordon Snow
Kristen Cox, Ex-Officio

Guests in Attendance:
Matt Lund
Rich Amon
Kim Hood
Jeff Reddoor
Alan Bachman
Cee Cee Niederhauser
John Harrington
Bianca Shama
Rich Young
Bruce Whittington
Cheryl Searle
Josh Haines
Jim Russell
Wayne Christensen
Darrell Hunting
John Nichols
Amber Craighill
Chris Caras
Nannette Rolfe
Jeff Palmer
Porter McDonough
Fran Pruyn

Governor’s Office of Management and Budget
Department of Administrative Services
Department of Administrative Services
Utah State Building Board
Attorney General’s Office
Division of Facilities Construction & Management
Division of Facilities Construction & Management
Division of Facilities Construction & Management
Division of Facilities Construction & Management
Division of Facilities Construction & Management
Division of Facilities Construction & Management
Division of Facilities Construction & Management
Division of Facilities Construction & Management
Division of Facilities Construction & Management
BHB Engineers
Driver’s License
DPS/DLD
Layton Construction
Layton Construction
CRSA
Utah State Building Board Meeting Minutes
December 4, 2013
Page 2

Ralph Hardy Utah System of Higher Education
Jerry Jensen Department of Corrections
Ben Berrett Utah State University
David Cowley Utah State University
Charles Darnell Utah State University
Viron Lynch Weber State University
Jim Nielson CRSA
Russ Bachman FFKR Architects
Natalie Tippets University of Utah
Daniel Scott Dunn Associates
Mark Bleazard Legislative Fiscal Analyst
Mike Perez University of Utah
Corry Higgins University of Utah
Ken Nye University of Utah
Kelly Murdock RBC Capital Markets
Douglas Sagers Utah House of Representatives
Gage Froerer Utah House of Representatives
Julee Attig Reeveley Engineers
Lyndy Lovelady Tracy Stocking & Associates

On Wednesday, December 4, 2013 the Utah State Building Board held a regularly scheduled meeting in Room 250 of the Utah State Capitol Building, Salt Lake City, Utah. Chair Ned Carnahan called the meeting to order at 9:05 am.

☐ APPROVAL OF MINUTES OF OCTOBER 30, 2013.

Chair Carnahan asked if there were any correction or additions to the minutes. There were none.

MOTION: David Fitzsimmons moved to approve the Meeting Minutes of October 30, 2013. The motion was seconded by David Tanner and passed unanimously.

☐ REALLOCATION OF FUNDS FROM ABC TO THE UTAH SCHOOL FOR THE DEAF AND BLIND

DFCM Director Joshua Haines and Joel Coleman form USDB reported that this project was presented during the Capital Development Hearing in October, 2013. DFCM representatives visited the school and determined that resources could be gathered to address the issues needed and expedite this project. The amount of $290,500 from ABC will be reallocated toward this project which will include the relocation of portables to the site (obtained for $500 each from Salt Lake Community College), with minor repairs, and connection to utilities for the Libby School.
MOTION: Fred Hunsaker moved to approve the Reallocation of Funds ($290,500.00) from the ABC to the Utah School for the Deaf and Blind. The motion was seconded by Chip Nelson and passed unanimously.

REQUEST FOR APPROVAL OF UINTAH BASIN DRIVER LICENSE FACILITY

This item was tabled during the October 30, 2013 meeting. Chair Carnahan requested a motion to remove this item from the table.

MOTION: David Tanner moved to remove from the table Uintah Basin Driver License Facility and open this agenda item for discussion. The motion was seconded by David Fitzsimmons and passed unanimously.

DFCM Director Joshua Haines reported that this project has come forward with additional information as requested by the Board. Their lease expires in April, 2014 and the Division would like to build their own facility which would address the overcrowding issues and allow them to provide better service to their customers. Mr. Haines provided a site plan which shows the location of the new facility and includes plenty of room for customer parking, on-site driving tests, and motorcycle safety instruction. Gordon Snow had requested that the Driver License Division look at the possibility of combining this new facility with the DMV. Mr. Haines reported that the DMV has no need for a new facility nor do they have the same funding sources for a new building. The new Driver License Building will be approximately $3,500 sf at a cost of $250 ft. Board members expressed concerns about funding and O & M costs. Nanette Rolfe, Director of the Driver License Division reported that Driver License operates from a restricted account and funding for replacement of facilities is part of their existing budget which is state funded. Mr. Haines responded that O & M will actually be less for the new building with an initial O & M rate at $5.76 psfpy growing .5% annually. Building Board Manager Jeff Reddoor added that if the Board approves this project it will then move forward with their recommendation to the Legislature as a non-state funded project. Dave Tanner asked if the $880,000.00 budgeted for this building would include total construction costs which would include all site work and design? Josh Haines said it was total cost for the building. There may be additional costs if the Division wants additional access to the property other than what presently exists.

MOTION: Chip Nelson moved to approve the Uintah Basin Driver License Facility. The motion was seconded by David Fitzsimmons and passed unanimously.

Jeff Reddoor said this project will now be included in their non-state funded requests which will be pushed forward in January to the Legislature.

REQUEST FOR APPROVAL OF A NEW TECHNOLOGY BUILDING FOR MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

Jeff Reddoor reported that MATC is presently working on obtaining the new information
requested by the Board and has asked that they be put on the agenda for the January Board meeting. Dave Tanner reminded the Board that the financial information and commitment from Utah County, the costs and funding source for O &M, as well as the impact on the student population should be addressed when MATC returns to the Board.

- **FY15 CAPITAL IMPROVEMENT PRELIMINARY LIST WITH RECOMMENDATIONS OF FUNDING FOR U OF U UTILITY DISTRIBUTION INFRASTRUCTURE (HIGH VOLTAGE/HIGH TEMPERATURE WATER)**

Jeff Reddoor reminded the Board that at their previous meeting, the U of U was instructed to return to the Board with an “Option C” that includes a most cost effective bonding solution and a recommendation for utilizing Capital Improvement Funding in order to move their project forward. As a result, the FY2015 Capital Improvement Recommendations include the allocation of a portion of these funds for the U of U Infrastructure Project. Mr. Reddoor explained that during the months of October and November, DFCM receives requests from state agencies and institutions for Capital Improvement funding. He has created a matrix which helps to organize and prioritizes these requests. Careful consideration is used in scoring these projects taking into account energy savings, the type of facility, classification of the project and the 80/20 split as mandated by the Legislature. The matrix shows different funding scenarios for the base budget of $41,739,000 and/or funding at .09% or at 1.1%. These figures will be determined by the Legislature at a later time. There were three projects which were classified differently in the matrix because of life-safety issues and were taken off the top of the Capital Improvement funding this year. They are:

- Dixie State University Tunnel Exiting and Fire Alarm System $183,000.00
- Utah Valley University Pope Science Gunther Trades Bldg Fire Door Repair and Replacement $80,000.00
- Fair Park – Three Condemned Barns $2,500,000.00

In addition to these three projects, it is proposed that a special funding for the UofU Infrastructure also be taken off the top of Capital Improvements

- FY2015 University of Utah Infrastructure Funding 1st year funding $6,750,000.00

**Total** $9,513,000.00

In addition to this FY2015 funding of Capital Improvement money for infrastructure, the University will match these funds using some of their allotted Capital Improvement Funds which are normally allocated to their other projects. This scenario will repeat in FY2016 with the University receiving another allotment of $6.75 Million and again matching these funds – a total of $27 Million for this project. This amount, along with bonding by the University, will fund their infrastructure project.

Mr. Reddoor said this list is for review only. The final Capital Improvement Funding list will be presented to the Board for their vote of approval in January, 2014.
BONDING INFORMATION FOR U OF U UTILITY DISTRIBUTION INFRASTRUCTURE
(HIGH VOLTAGE/HIGH TEMPERATURE WATER)

Mike Perez and Ken Nye from the University of Utah introduced Kelly Murdock, financial advisor for the University of Utah, who addressed the feasibility of the University effectively bonding for their portion of revenues required for the Infrastructure project. Mr. Perez explained the cash flows generated from the surcharge on auxiliaries which are presently in place at the University. Mr. Murdock explained the details of a General Revenue Bond vs a G.O. Bond and why the General Revenue Bond would work well for the $29.4 Million required for the University (see Attachment of Minutes on pages 10-12).

Ken Nye said that originally the University had requested $56.5 Million in Revenue Bond authorization. The Board had requested another plan for funding using Capital Improvement money which resulted in the University’s portion being cut back to $29.4 Million for bonding. The Building Board will recommend to the Legislature the $27.1 Million in Capital Improvements with a $29.4 Million Bond for the University – a total of $56.5 Million for their infrastructure project.

Dave Tanner asked that the minutes state that this does satisfy the requirements and discussion that took place last month and that this is a funding model that can move forward.

ESTABLISHMENT OF FORMAL POLICY REGARDING ROOF TO WALL SEISMIC UPGRADES

Josh Haines explained that Prior to the 2012 Utah Legislative Session, DFCM performed seismic upgrades on buildings undergoing reroofing, alterations, or repair of the roof area as well as “when the building is undergoing a total reroofing.” This practice has been a life safety priority for many state buildings. During the 2012 Legislative Session, Statute 15A-3-113 was altered to limit when this work could be performed and as a result, would not require seismic upgrades during a reroofing project until June 30, 2014. In addition, as of July 1, 2014 requirements will be changed to “when the building is undergoing a total reroofing.”

DFCM would like to have the Board approve a policy which allows them to continue with the roof to wall seismic upgrades. This policy consists of enhancement of code requirements that DFCM has initiated for best practices for State owned facilities. The policy is as follows:

It is the policy of DFCM that a building constructed before 1975 shall have parapet bracing, wall anchors, and appendages such as cornices, spires, towers, tanks, signs, statuary, etc. evaluated by a licensed engineer when the building is undergoing a total reroofing. Parapet bracing, wall anchors, and appendages required by this section shall be evaluated in accordance with 75% of the seismic forces as specified in IBC Section 1613. When allowed by the building official, alternate methods of equivalent strength as referenced in an approved code under Utah Code, Subsection 15A-1-204(6)(a), will be considered when
accompanied by engineer-sealed drawings, details, and calculations. When found to be deficient because of design or deteriorated condition, the engineer’s recommendations to anchor, brace, reinforce, or remove the deficient feature shall be implemented.

Exceptions:
1. Group R-3 and U occupancies.
2. Unreinforced masonry parapets need not be braced according to the above stated provisions provided that the maximum height of an unreinforced masonry parapet above the level of the diaphragm tension anchors or above the parapet braces shall not exceed one and one-half times the thickness of the parapet wall. The parapet height may be a maximum of two and one-half times its thickness in other than Seismic Design Categories D, E, or F.”

Board member Fred Hunsaker expressed concern why DFCM would want to go against the code change created by the Legislature. Representative Gage Froerer said the intent of the legislation was to deal with a situation with municipalities and counties that required private property owners to do total re-roofs for buildings. He did not see any issues of contradictory language in the DFCM policy that would counter what the Legislature intended. Jeff Reddoor reminded the Board that the policy concerns only State Buildings constructed before 1975. David Fitzsimmons endorsed the policy explaining that this is a simple fix and has a huge impact on public safety. In addition it is economical when you are in the middle of a major reroof.

MOTION: David Fitzsimmons moved to approve the Formal Policy Recommended by DFCM Regarding Roof to Wall Seismic Upgrades. The motion was seconded by Fred Hunsaker and passed unanimously.

REQUEST FOR APPROVAL OF USU TOOELE SCIENCE AND TECHNOLOGY CLASSROOM BUILDING

David Cowley reported that this project is being resubmitted to the Board because of a significant scope change. The project as approved a year ago and was approved by the Legislature as a 28,000 sf classroom facility with a total project cost of $8 Million. Since that time there has been programming and redesign for parts of this project. These efforts have identified the need to reduce the number of classrooms in this building in favor of additional class laboratories in order to meet the needs of the regional campus’ mission particularly in the Biological Sciences. The project has increased to $9.8 Million with a 5,000 sf increase in space; a total of 33,000 sf. This is still a non-state funded project and funding is secured and available. The O&M will increase to reflex the additional costs and scope of the project. Mr. Cowley asked that this project be put on the non-state funded list in its totality and go back to the Legislature for reapproval.

MOTION: Fred Hunsaker moved to reapprove the USU Tooele Science and
Technology Classroom Building for $9.8 Million and to place this project on the non-state funded list to be resubmitted to the Legislature. The motion was seconded by David Tanner and passed unanimously.

- **REVISION OF ADMINISTRATIVE RULE R23-29-3 ACROSS THE BOARD DELEGATION**

Alan Bachman explained this is a draft of a rule that is presently out of date with current practices. This rule addresses several problems including distribution of funds, and delegation authority. The rule attempts to codify certain practices that are already in place specifically with delegation. The current rule gives Utah State University delegation authority for $2 Million and the University of Utah delegation for $5 Million. However, there was a Building Board Memo several years ago that gave Utah State delegation for $4 Million and University of Utah for $10 Million. This is the standard being used today. The revision of R23-29-2 will codify these current amounts which are presently being used and give $350,000 of delegation authority to Utah Department of Transportation. Mr. Reddoor said there will be meetings to discuss any additional changes to delegation before this rule returns to the Board. There was considerable discussion concerning other aspects of the rule which should be updated such as design criteria, value engineering, space standards, and the role of DFCM. It was decided that due to time constraints there would not be enough time to address every aspect of the rule and that the issue with delegation must be codified so the rule is current with basic practices. This rule will return to the Board as an action item in February, 2014.

- **APPROVAL OF PLANNING FUNDS FOR DXATC**

Kelle Stephens, President of DXATC thanked members of the Board for visiting the current site in St. George. They currently have 3 years left on the lease with St. George City for the property they currently occupy. The city has completed a master plan for the area and they are anxious to see DXATC move forward with their plans for their facility. DXATC is requesting master planning money for their 30 acres on the hill and programming money for their first building which will be their permanent campus. The permanent campus will provide instructional space for existing programs and future expansion as new programs are added. It will house all administrative and student success functions, and proposes to make space available to Dixie State University for the delivery of general education courses in conjunction with their articulation agreement. Joshua Haines said that of all the Applied Technology Colleges, DXATC is in greatest need of additional space. He recommends that planning funds for the site and programming for the building be approved. They are requesting $450,000 in funding.

**MOTION:** David Tanner moved to support/approve the use of $450,000 in planning and design funds for the new DXATC facility. The motion was seconded by David Fitzsimmons and passed unanimously.
APPROVAL OF 2014 SCHEDULE

The Board changed one item on the 2014 schedule. They would like to change the January Business meeting for January 9th rather than the same day as the Board meeting on January 8th. Additional Business Meetings will be called as necessary. He reminded Board members to reserve the week of August 18th to the 22nd for the Capital Facilities Tour. The Board will decide at a later date the exact days of the week they will participate in this tour.

MOTION: David Tanner moved to approve the 2014 schedule for the Board with the change in the Business Meeting to January 9, 2014. The motion was seconded by David Fitzsimmons and passed unanimously.

ADMINISTRATIVE REPORTS FOR UNIVERSITY OF UTAH AND UTAH STATE UNIVERSITY

Ken Nye reported that there were thirteen Design Agreements and three Planning/Other Agreements. Construction Contracts consisted of nine Remodeling Contracts and two Site Improvement Contracts with nothing notable or unusual about these contracts. The Project Reserve had one increase of $953.75 from the E. Foothills Fire Protection Project which was completed and leaves the current balance at $635,313.76. The Contingency Reserve Fund did not experience increases and had one decrease for $10,580 for the Genetics Building Heating Water Piping Replacement Project. The bidding documents for this project did not specify any additional access panels to provide ceiling access. The Contingency Reserve is at $2,036,222.

Ben Berrett reported that USU had two Professional Contracts issued this reporting period and six Construction Contracts. These Professional Contracts were with Colvin Engineering for the Business Building HVAC Study which is a Capital Improvement project, and Sunrise Engineering for testing and inspections on the Kent Concert Hall Entry Replacement. Construction Contracts include a Medium Voltage Upgrade with manhole work at the Quad, Fine Arts Center and Old Main. The Contingency Reserve had no activity this reporting period as well as the Project Reserve Fund.

ADMINISTRATIVE REPORT FOR DFCM

DFCM Director Josh Haines reported pages 1 - 2 of the Report shows back up data for the Lease Reports. There were thirty-two Professional Service Agreements and twenty Construction Contracts. The Contingency Reserve Fund Analysis shows the fund balance at $3,855,966. DFCM is recommending that this excess balance remain in the Contingency Reserve Fund for unresolved issues on some larger projects. The Project Reserve fund shows the decreases from the Ogden Juvenile Courthouse for $2,473,000 which originally started out as $4.5 Million over budget. Bids were not accepted and the project was resubmitted for value.
 engineering. The project was reduced by $2.5 Million which brought the construction down to $2.4 Million for this building.

OTHER

Ned Carnahan reminded Board members of the January 9th Business Meeting and asked Board members to review the following items that would be on the agenda:

1) A document from Higher Ed regarding infrastructure that should be reviewed
2) The tour dates for the 2014 season.
3) The final Capital Improvement List
4) Possible meeting with the Board of Regents during 2014

ADJOURNMENT

MOTION: David Tanner moved to adjourn the meeting. The motion was seconded by David Fitzsimmons and passed unanimously.

The meeting adjourned at 11:12 am.

Following the meeting, the Board met with several members of the Infrastructure and General Government Subcommittee for a luncheon in the Cooper Room of the Senate Building.

Attendees at the Luncheon include:

Chair Ned Carnahan
David Fitzsimmons
Chip Nelson
Fred Hunsaker
David Tanner
Jeff Reddoor
Josh Haines
Bruce Whittington
Cee Cee Niederhauser
Darrell Hunting
Representative Gage Froerer
Representative Johnny Anderson
Mark Bleazard
Matt Lund
Jim Russell
Representative Curt Webb
Representative Doug Sagers
Representative John Westwood
Representative Kay Christofferson
Senator Scott Jenkins
December 3, 2013

Mr. Michael G. Perez  
Associate Vice President  
University of Utah  
1795 South Campus Drive, Room 222  
Salt Lake City, UT 84112-9404

Dear Mike,

It is my understanding that the University of Utah (the “University”) is in continued discussions with the Utah State Building Board regarding the financing of approximately $29.4 million of costs associated with the University’s ‘Utility Distribution Infrastructure Replacement’ project (the “Project”).

You have asked my firm, RBC Capital Markets, in its role as the University of Utah’s Financial Advisor, to review the projected Project cash flows and, based upon their timing and amounts, determine if a structurally sound financing option would be available. In addition, you have asked us to provide an indication of the relative borrowing cost between a bond issued under the University’s current General Revenue Bond (“GRB”) system and a general obligation bond issued by the State of Utah as well as provide any additional information and highlight any distinctions between the two bonding vehicles that might be helpful to these discussions.

After careful review of the University’s cash flow projections and modeling them under both State and University bonding systems and interest rate scenarios, it is our belief that the dedicated revenue stream as outlined to us could support a bond issue of approximately $29 million, but only if amortized over a period of between 20 and 25 years.

As to the question of the borrowing cost to be expected between a GRB of the University and a general obligation bond issued by the State of Utah, the answer is relatively simple: a State of Utah general obligation bond would currently sell at a lower effective borrowing rate than that of a University GRB. The central reason for this is because the State of Utah’s general obligation bonds currently enjoy triple-A ratings from each of the three main bond rating agencies (Moody’s Investors Service, Standard and Poor’s Corporation, and Fitch Ratings). These ratings reflect the highest possible ratings any municipal bond can enjoy and thus demand the lowest possible interest rates in the market place.

The University of Utah’s General Revenue Bonds also enjoy extremely high bond ratings, but not quite to the level of the State of Utah’s G.O.’s. Moody’s Investors Service currently rates the University’s GRB’s as ‘Aa1’—only one notch lower than ‘Aaa’. Standard and Poor’s currently rates these bonds ‘AA’—two notches lower.

It is RBC Capital Markets’ view that the pricing differential between these two bonding systems for a 20 to 25-year transaction would be in the range of 15 to 20 basis points, in a normal market environment. This would translate into a differential of approximately $36,000 per year in debt service.

There may be, however, mitigating factors that should be considered in this regard. It has been our experience that the State of Utah rarely, if ever, issues its general obligation bonds with 20 to 25-year final maturities. State G.O. bonds’ final maturities have more traditionally been 10-years, or even less. In addition, the State weighs and considers each issuance of general obligation bonds very carefully due to the fact that it is constrained statutorily and constitutionally on the total amount of G.O. bonds it can have outstanding. Currently the State is somewhat closer to these debt ceiling levels given large issuances over the past number of years, particularly for highway-related projects.
Letter to Mike Perez  
December 3, 2013  
Page 2 of 2

These two items—as well as taking into account other political considerations—could leave decision-makers looking for other financing options.

An alternative State financing conduit that could be employed on behalf of the University’s Project is its “State Building Ownership Authority” with the sale of lower-rated lease revenue bonds (Moody’s ‘Aa1”; S&P ‘AA+”). This bonding system, however, has generally been used to finance the construction, renovation or acquisition of physical assets—such as land and buildings—which in turn become part of the collateral pledge backing the bond issue. Because the nature of and collateral behind the University’s Project differ materially from the type of project that is traditionally financed through this State vehicle, if pursued, the State might seek alternative collateral. There is precedence in this regard. In a past lease revenue financing on behalf of the University where it became extremely difficult to pledge a mortgage of the financed property, the State demanded and received a pledge of other University property (Kingsbury Hall) as collateral.

It is, therefore, RBC Capital Markets’ view that issuance of a State of Utah lease revenue bond for the University’s Project could be problematic from a credit/collateral standpoint. In addition, it is our view that State Building Ownership Authority lease revenue bonds would not trade materially any stronger than a University GRB, and that costs of issuance relative to such a transaction would, in fact, be higher than those of a GRB.

As discussed above, the University of Utah’s recent merging of its three bonding systems into one General Revenue Bond system has now created a stronger bonding system capable of attaining lower borrowing rates than ever before. In addition, projects such as the one under consideration are perfectly suited within the GRB system due to its ability to provide long-term financing solutions which match up with projected internal cash flows but which also offer to the investor the general financial support of the entire University and not just one particular component.

Due to these and other considerations, it is our professional view that a University GRB—with the full oversight and approval of the State’s Legislature—would provide the best suited and most flexible financing alternative available.

Hopefully this information is helpful to you and the other decision makers who are considering financing approaches for the Project.

Sincerely,

[Signature]
Kelly A. Murdock  
Director, RBC Capital Markets

Cc:  Annie Combe  
      Jason Perry  
      Jeff West  
      Ken Nye
### Projected Spending Summary - Summary Details

<table>
<thead>
<tr>
<th>Year</th>
<th>Current</th>
<th>Difference</th>
<th>Estimated</th>
<th>Projected</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2014</td>
<td>1,066,966</td>
<td>-2,958,174</td>
<td>3,946,660</td>
<td>2,988,000</td>
<td>-2,946,844</td>
</tr>
<tr>
<td>FY 2015</td>
<td>1,161,000</td>
<td>-2,958,174</td>
<td>3,946,660</td>
<td>2,988,000</td>
<td>-2,946,844</td>
</tr>
<tr>
<td>FY 2016</td>
<td>1,161,000</td>
<td>-2,958,174</td>
<td>3,946,660</td>
<td>2,988,000</td>
<td>-2,946,844</td>
</tr>
<tr>
<td>FY 2017</td>
<td>1,161,000</td>
<td>-2,958,174</td>
<td>3,946,660</td>
<td>2,988,000</td>
<td>-2,946,844</td>
</tr>
<tr>
<td>FY 2018</td>
<td>1,161,000</td>
<td>-2,958,174</td>
<td>3,946,660</td>
<td>2,988,000</td>
<td>-2,946,844</td>
</tr>
<tr>
<td>FY 2019</td>
<td>1,161,000</td>
<td>-2,958,174</td>
<td>3,946,660</td>
<td>2,988,000</td>
<td>-2,946,844</td>
</tr>
<tr>
<td>FY 2020</td>
<td>1,161,000</td>
<td>-2,958,174</td>
<td>3,946,660</td>
<td>2,988,000</td>
<td>-2,946,844</td>
</tr>
</tbody>
</table>

### Draft Materials