

Minutes
Capital Planning and Budget Committee
Thursday, September 10, 2009

Committee Chair Regent Bartell convened the meeting of the Capital Planning and Budget Committee at 1:45 p.m. in Room 261, University Center on the UW-Whitewater campus. Committee members present were Regents Bartell, Drew, S. Davis, Loftus, and Opgenorth.

I.3.a. Approval of the Minutes of the July 9, 2009 Meeting of the Capital Planning and Budget Committee

Upon the motion of Regent Drew and the second of Regent Davis, the minutes of the July 9, 2009 meeting of the Capital Planning and Budget Committee were approved as presented.

I.3.b. UW-Whitewater Presentation: Campus Master Plan Update:

Vice Chancellor Randy Marnocha introduced a presentation of UW Whitewater's Master Plan Update which was a brief overview of new facilities on campus. Bob Schramm, Director of online and education technology and the College of Economics and Business, discussed the ways in which new technology Hyland Hall is used to make teaching and learning more productive. Athletic Director, Paul Plinske described the recent upgrades on the campus outdoor sports complex facilities. Plinske also commented that the student athletes at UW Whitewater have a higher graduation rate and a higher grade point average than non-student athletes. Dean of Students, Jeff Janz spoke of the new residence hall that is currently under construction. Regent Loftus asked if freshmen were required to live on campus. Janz answered that freshmen were required to live on campus and the room rates for UW Whitewater are among the lowest in the system. Mary Pinkerton, Dean of the College of Letters and Science then spoke on the need for remodeling Carlson Hall. Pinkerton pointed out that departments are currently spread out over campus and remodeling Carlson would bring Letters and Science together in one building. Pinkerton introduced Jonathan Hetzel, a student RA for the learning community. Hetzel spoke of the benefits to students that would come with the renovation of Carlson Hall, such as bringing students and faculty together. Associate Vice President Miller said that the renovation of Carlson Hall is presently in the pre-design stage and funding will be sought for the 2011-13 biennium.

I.3.c. UW-Green Bay: Authority to Enter into a Land Use Agreement for the Construction of Student Housing

This item requested authority to permit University Village Housing, Inc. (Village) to construct two additional student residence halls on the UW-Green Bay campus, under terms of a land use agreement with the University of Wisconsin System Board of Regents. No costs are associated with this transaction.

The agreement will permit Village to construct two buildings of approximately 49,000 gross square feet and three stories on a 6.31-acre parcel of land owned by the Board of Regents. The first building will be constructed immediately, followed by a second building that will be constructed at a time mutually agreed upon by UW-Green Bay and Village. The parcel is

adjacent to the existing campus housing complex that was granted a land use agreement in 2001. Each of the two buildings will house 122 students in suite-style living units. Development of the two buildings is estimated to cost \$8,000,000 each. Village will be solely responsible for the financing of the construction. As with the other sixteen Village residence buildings, housing revenues will pay for construction and operations, and UW-Green Bay will have the exclusive use of, and the right to purchase the Village-owned properties.

Housing rates at UW-Green Bay range from \$3,250 per student per academic year for suites to \$4,350/student/year for 2-bedroom apartments. These are comparable to the systemwide average rates. UW-Green Bay's rates are expected to increase by an average of approximately \$100/year to help offset the cost of construction. This would be an increase of approximately 2.3 percent to 3.1 percent.

Regent Drew asked Tom Macki, Vice Chancellor for Business and Finance at UW-Green Bay if freshmen were required to live on campus. Macki replied that effectively no one is required to live on campus because there is a substantial waiting list for housing right now.

Upon the motion of Regent Loftus and the second of Regent Opgenorth, the Committee approved Resolution I.3.c.

Resolution I.3.c.

That, upon the recommendation of the UW-Green Bay Chancellor and the President of the University of Wisconsin System, authority be granted to permit University Village Housing, Inc. (Village) to construct two additional student residence halls on the UW-Green Bay campus, under terms of a land use agreement with the University of Wisconsin System Board of Regents.

I.3.d. UW-Madison: Authority to Exercise the Lease Purchase Option for 21 North Park Street

This item requested authority to amend the existing lease and exercise the purchase option for the building at 21 North Park Street located on university-owned property at a total cost of \$38,546,000 (\$19,273,000 Program Revenue Supported Borrowing and \$19,273,000 Program Revenue). The purchase was enumerated in the 2009-11 Capital Budget.

Approval of this request will permit acquisition of the three-story office building consisting of approximately 139,000 GSF of space. Administrative offices and support space for UW-Madison Business Services, Research and Sponsored Programs, Human Resources, and the Division of Continuing Studies, are located on floors five, six, and seven of the structure, above the parking ramp. The UW Welcome Center and a satellite office for Transportation Services are located on the ground level. The facility also contains space for shared conference and meeting rooms, professional development, computer lab space, and a common break area.

In 2004, the university entered into a ground lease with the owner of contiguous property, Park Street Properties I, LLC, to construct a residence hall, a parking ramp, and an office building, and to relocate UW-Fleet Services. At the same time, the university, the state, and the developer executed a thirty-year lease agreement that provided purchase options for the

various components of the project, with options to purchase every two years beginning in 2006. The residence hall, parking ramp, and fleet facility portions of the project were purchased in 2006.

The purchase option was intended to be exercised since the project's inception. The next available purchase opportunity for the office building is in 2010 at \$38,546,000. The campus is requesting the lease be amended to add an early purchase option that could be exercised in September 2009. Exercising an early purchase option will save the UW-Madison approximately \$3,662,833 in lease costs compared to the July 2010 purchase option.

In addition to the early purchase savings, by substituting internal campus funding for half of the program revenue bonding, the university will save approximately \$11,657,000 in the financing cost of a 20 year bond at five percent interest, over the life of the bond. The lease cost is currently being paid from UW-Madison general operating revenue. In order to avoid the cost of financing half of the purchase, the campus will borrow from cash reserve balances, and repay those reserves from the operating budget annually.

Associate Vice Chancellor Alan Fish was asked by Regent Bartell from where would the program revenue cash be taken. Mr. Fish replied that program revenue operations have sufficient cash reserves that can be borrowed without risk to the operations due to the stable funding streams of program revenue operations such as housing, food service, and parking.

Mr. Miller added that the campus operating budget is currently paying the lease costs and that instead of paying lease costs, the operating dollars would repay the program revenue internal loan. Repaying the internal loan instead of paying the lease costs or debt service would save a substantial amount of money and eliminate the obligation of operating funds more quickly, Miller said.

Regent Opgenorth asked why operating funds would be used for a capital expenditure and why the project was not funded in the Capital Budget. Miller explained that the building purchase was enumerated in the 2009-11 Capital Budget as the Regents requested. However, the request was to use Program Revenue Supported Borrowing instead of General Fund Supported Borrowing. The source of revenue identified for the debt service was the current lease payment being drawn from the operating budget. General Fund Supported Borrowing could have been sought, but would have only taken funding away from academic facility needs, Miller said.

Upon the motion of Regent Drew and the second of Regent Loftus the Committee unanimously approved Resolution I.3.d.

Resolution I.3.d.

That, upon the recommendation of the UW-Madison Chancellor and the President of the University of Wisconsin System, authority be granted to amend the existing lease and exercise the purchase option for the building at 21 North Park Street located on university-owned property at a total cost of \$38,546,000 (\$19,273,000 Program Revenue Supported Borrowing and \$19,273,000 Program Revenue). The purchase was enumerated in the 2009-11 Capital Budget.

I.3.e. UW-Madison: Authority to Plan the Charter Street Heating Plant Rebuild Project

This item requested authority to pre-purchase equipment and complete the Design Report for the Charter Street Heating Plant (CSHP) Rebuild project for an estimated total cost of \$24,500,000 Program Revenue Supported Borrowing.

This project implements the recommendations of the Comprehensive Feasibility Study (CFS) that was mandated by the Amended Consent Decree from the Sierra Club v. Morgan/Ehrfurth lawsuit. The conceptual design for the project was completed in August 2009. This request for partial funding is submitted at this time due to the long lead time required for equipment purchases which, in some instances, can be as long as 12 to 18 months. As a result, equipment purchases need to be made early in the design phase.

The scope of the project is to rebuild the CSHP facility by constructing a new 350,000 lbs/hour biomass boiler facility. The new boiler will be housed separately from the existing boilers requiring the construction of a building to house the boiler and the necessary distribution systems. The existing coal fired boilers will either be converted to natural gas use or replaced with new natural gas package boilers. A new steam turbine driven electrical generator will be installed in a new turbine building. The project will also upgrade the rail delivery system at the site and provide a fuel handling system for biomass fuels with an on-site storage capacity for three to four days of use. Ancillary equipment that is necessary to run the plant such as water treatment equipment, feed water pumps, air compressors, condensate collection systems, and electronic controls are included in the project scope.

The state conducted a planning study for the main heating plants servicing the UW–Madison campus and other state office buildings. The study was a result of an agreement between Departments of Administration, the Department of Natural Resources, the University of Wisconsin and the Sierra Club to analyze the feasibility of alternatives to bring the CSHP into compliance with the Clean Air Act and for making necessary upgrades to other state owned heating plants in Madison, Wisconsin.

Independent of the study, the state decided to phase out the use of coal at the CSHP and to increase fuel diversity, primarily by the inclusion of significant renewable biomass resources in the plant's fuel mix. Preliminary design of the project has tentatively defined the rebuilding of the facility as construction of a new 350,000 lbs/hour biomass boiler at the CSHP.

This project was included in the 2009-11 Capital Budget. The budget authorized \$250,636,600 Program Revenue Supported Borrowing to replace the coal fired boilers and steam generated chilled water with natural gas boilers and electric chillers at the CSHP.

Regent Bartell asked what would happen if the final project does not move forward. Mr. Fish answered that the investments being made at this point in design and material purchases would be adaptable to the final project, but that the project will move forward in some form as required by the court. Regent Loftus asked Fish who manufactures the boiler and if the manufacturer makes the boilers. Fish said that it is a limited number of international companies that manufacture such boilers and that once the particular boiler is designed the rest of the heating plant is designed around the boiler.

Upon the motion of Regent Drew and the second of Regent Loftus, the Committee unanimously approved Resolution I.3.e.

Resolution I.3.e.

That, upon the recommendation of the UW-Madison Chancellor and the President of the University of Wisconsin System, authority be granted to pre-purchase equipment and complete the Design Report for the Charter Street Heating Plant (CSHP) Rebuild project for an estimated total cost of \$24,500,000 Program Revenue Supported Borrowing.

I.3.f. UW-Madison: Authority to Adjust the Budget of the Physical Plant Shops and Office Building Project

This item requested authority to increase the budget of the Physical Plant Shops/Office Building project by \$1,400,000 (\$900,000 Program Revenue Supported Borrowing and \$500,000 Agency Cash) for a revised project cost of \$6,000,000 (\$5,500,000 Program Revenue Supported Borrowing and \$500,000 Agency Cash).

This project will design and construct a facility for UW-Madison Physical Plant functions. The 60,900 GSF building will be located on the southeast portion of the site currently occupied by Parking Lot 51 on the Madison campus. This new three story building will house offices, shop space, stores, and storage operations which must be moved for the expansion of the Charter Street Heating Plant. The facility will be constructed with shell space to allow Physical Plant to consolidate operations in a future project.

In May 2009, the campus began the replacement of the 115 North Mills Street facility with the construction of a new facility for its service functions to clear the site for rebuilding the Charter Street Heating Plant. During the implementation of the project, it became apparent that the original cost estimate of \$4,600,000 was only a construction estimate and did not include the soft costs (fees and contingency) that are normally included in state construction projects. The \$900,000 that is requested will cover those soft costs. The additional \$500,000 that will be funded with agency cash will cover the cost of the additional programmatic space that was added to consolidate the additional Physical Plant functions currently located in the Service Building and Service Building Annex.

Regent Bartell asks where the funding is coming from for this adjustment. Mr. Fish answered that funding money is coming from the campus facilities operating budget. Regent Opgenorth questioned whether spending funds from the operating budget for capital projects is going to be the standard practice. Fish said that it is a project by project situation in which the bids may come in over budget and if no other funding is available and the Chancellor and/or Chief Business Officer decide to use operating budget funds to make up the difference and have the project go forward. Mr. Miller added that in this case the additional space being funded will create operating efficiencies in the facilities division that will benefit the facilities operations budget.

Upon the motion of Regent Davis and the second of Regent Loftus, the Committee approved Resolution I.3.f.

Resolution I.3.f.

That, upon the recommendation of the UW-Madison Chancellor and the President of the University of Wisconsin System, authority be granted to increase the budget of the Physical Plant Shops/Office Building project by \$1,400,000 (\$900,000 Program Revenue Supported Borrowing and \$500,000 Agency Cash) for a revised project cost of \$6,000,000 (\$5,500,000 Program Revenue Supported Borrowing and \$500,000 Agency Cash).

I.3.g. UW-Madison: Authority to Construct the East Campus Utility Improvements - Phase V Project

This item requested authority to construct the East Campus Utility Improvements, Phase 5 project at an estimated total project cost of \$3,855,000 (\$3,045,450 General Fund Supported Borrowing and \$809,550 Program Revenue Supported Borrowing).

This project will provide steam, steam condensate, compressed air, and chilled water piping as well as signal and power conduits in Library Mall from State Street to Langdon Street. Signal and power conduit will also be installed in Langdon Street from Lake Street to Park Street.

- Steam, Steam Condensate, and Compressed Air Piping: Approximately 225 linear feet of 14 inch steam, 8 inch steam condensate and 4 inch compressed air piping will be installed in a new utility tunnel under Library Mall from the north side of State Street to the south side of Langdon Street. The new tunnel will be extended north from the northern terminus of the utility tunnel, which was just completed under Phase 3 of the East Campus Utility project, and connected to the existing utility tunnel located on the south side of Landon Street. Steam, steam condensate, and compressed air piping will be extended approximately 130 linear feet west from the tunnel to Steam Pit 52/12. The existing direct buried steam and steam condensate piping in Library Mall will be abandoned.

- Chilled Water System: Approximately 225 linear feet of two 24 inch chilled water lines will be constructed in the new utility tunnel under Library Mall from the north side of State Street to the south side of Langdon Street. Approximately 120 feet of 18 inch direct buried chilled water piping will be installed from the north end of the new utility tunnel to connect to existing chilled water lines on the north side of Langdon Street.

- Electrical/Signal System: Approximately 400 feet of electrical/signal ductbank consisting of nine 5 inch electrical power conduits and twelve 4 inch signal conduits as well as any necessary pits/vaults will be constructed under Library Mall from existing electrical pits 8P45/8S45 on the north side of State Street to new electrical pits on the north side of Langdon Street. Nine 5 inch power conduits and twelve 4 inch signal conduits will be installed along Langdon Street from Lake Street to Park Street.

This project will finish the steam, steam condensate, compressed air piping, and chilled water piping mains in the northeast portion of campus.

Regent Loftus asked if this project would cause the closure of Library Mall. Mr. Fish answered that only a section of Library Mall would be affected.

Upon the motion of Regent Drew and the second of Regent Davis, the Committee unanimously approved Resolution I.3.g.

Resolution I.3.g.

That, upon the recommendation of the UW-Madison Chancellor and the President of the University of Wisconsin System, authority be granted to construct the East Campus Utility Improvements, Phase 5 project at an estimated total project cost of \$3,855,000 (\$3,045,450 General Fund Supported Borrowing and \$809,550 Program Revenue Supported Borrowing).

I.3.h. UW-Madison: Authority to Lease Space for the University of Wisconsin School of Medicine and Public Health's Department of Ophthalmology and Visual Science Fundus Reading Center

This item requested authority for the Department of Administration to execute a lease for 22,172 leasable feet of office space at 8010 Excelsior Drive, Madison, Wisconsin, on behalf of the University of Wisconsin School of Medicine and Public Health – Department of Ophthalmology and Visual Science's Fundus Reading Center.

This lease provides 22,172 LSF of laboratory and support space for the Fundus Reading Center, a center within the Department of Ophthalmology and Visual Science. This space will be designed to provide research and office space. The improvement costs will be funded by the School of Medicine and Public Health. Improvement costs will not exceed \$665,160 and will be amortized over the term of the lease and are included in the lease rate.

The Lessor is NCMNT Partners, 8020 Excelsior Drive - Suite 300, Madison, Wisconsin, 53717. The proposed lease at 8010 Excelsior Drive covers 22,172 LSF of space for the period beginning December 1, 2009 (or date of occupancy), through November 30, 2014, at an annual rate of \$509,956 (\$23.00/GSF). The lease also provides for three five-year renewal options from December 1, 2014.

The Lessor is responsible for utility and maintenance services. Rental payments will be provided from program revenue funds generated primarily from pharmaceutical company contracts. The rental rate for the entire lease term includes all expenses including real estate taxes and operating costs. After the initial year, the base rental rate will increase three percent annually, including each of the five-year renewal options. Operating expenses will also be adjusted annually to reflect a proportionate share of the actual operating expenses for the prior 12-month period. These costs will be funded by research grants for the Institute for Influenza Viral Research program.

Regent Bartell asked why this space was not contiguous to the campus. Mr. Fish answered that for the type of research being done at this facility, it does not have to be near campus.

Upon the motion of Regent Drew and the second of Regent Opgenorth, the Committee approved Resolution I.3.h.

Resolution I.3.h.

That, upon the recommendation of the UW-Madison Chancellor and the President of the University of Wisconsin System, authority be granted for the Department of Administration to execute a lease for 22,172 leasable feet of office space at 8010 Excelsior Drive, Madison, Wisconsin, on behalf of the University of Wisconsin School of Medicine and Public Health – Department of Ophthalmology and Visual Science’s Fundus Reading Center.

I.3.i. UW System: Authority to Construct All Agency Maintenance and Repair Projects

This item requested authority to construct various maintenance and repair projects at an estimated total cost of \$19,637,800 (\$5,157,700 General Fund Supported Borrowing; \$4,381,000 Program Revenue Supported Borrowing; \$4,674,000 Gifts and Grants; and \$5,425,100 Program Revenue Cash).

Facilities Maintenance and Repair

EAU - Oak Ridge Hall Infrastructure Maintenance (\$2,567,300): This project will replace several building infrastructure systems (exterior doors and windows, fire alarm and smoke detection, and building heating system and controls) to extend the life of the facility. The project will also extend chilled water from Chancellors Hall into the building to create a new district chilled water system.

MIL - Multi-Building Parking Ramp Maintenance and Repairs (\$1,813,700): This project will conduct maintenance and repair work for the underground parking facilities at Engineering and Mathematical Sciences (EMS), Sandburg Hall, and the Student Union. Project work will include repairing delaminated and cracked structural flooring surfaces, spalled joists, and the concrete deck and joist members.

Project work in the Engineering and Mathematical Sciences Parking Ramp will include repairing the main traffic aisles and select parking areas. New electrical lighting and controls, a sprinkler system, a traffic membrane, and corrosion inhibitors will be installed as part of this project.

Project work in the Student Union Parking Ramp will include repair of the plaza and upper parking level, repair of the northeast and southeast stairwells, installation of a carbon dioxide detection system with interconnection to the mechanical system fans, and replacement of the damaged plumbing insulation. This maintenance is included in the parking fee structure and parking fees will not be impacted by this project.

WTW - Tutt Hall Elevator Installation (\$498,000): This project will construct a new 5-stop passenger elevator to serve Tutt Hall (53,122 GSF). This elevator will be enclosed within a new elevator tower constructed as an addition to the building.

Programmatic Remodeling and Renovation

MSN - UW Hospital Modules H4-5/H4-6 Remodeling (\$4,674,000): This project will remodel 12,500 ASF/15,000 GSF of vacated office and laboratory spaces into new School of Medicine and Public Health clinical research program space. Project work includes complete remodeling of the center areas offices and laboratories in modules H4/5 and H4/6, and upgrading 1,000 GSF of office space.

STP - Maintenance and Materiel Addition and Remodeling and Military Science Relocation (\$4,777,800): This project constructs the Maintenance and Materiel Remodeling and Addition and the Military Science Relocation project. Both projects were enumerated in the 2007-09 capital budget and were combined to gain design and construction efficiencies.

A 12,188 GSF addition to the Maintenance and Materiel (M&M) building will be constructed to provide a maintenance vehicle garage, reconfigure the Central Stores operation, enclose the loading dock, and provide cohesive administrative office space. Ten maintenance shops will be created by renovating 7,320 GSF of existing warehouse space. The project will construct a weather protected salt storage bin and five open storage bins for grounds material. The gasoline and diesel pumps will be replaced and an all-weather fueling canopy will be constructed. The mechanical system will be repaired and the restrooms and shower facilities will be upgraded.

A 10,721 GSF addition to the Health Enhancement Center (HEC) will be constructed to house the Military Science Department (Reserve Officer Training Corp) and provide a storage area associated with the Multi-Activity Center and Quandt Fieldhouse. The addition will provide a second-story office suite for department personnel, a 32-seat instructional space, a 10-seat tactical laboratory, secure and non-secure Military Science/ROTC storage space, and joint-use general building storage. A pre-fabricated metal storage building will be razed to provide space for the primary addition.

Both of these projects were submitted individually as part the 2005-07 Capital Budget at a combined amount of \$3,226,000 but they were not recommended for enumeration by the building commission. They were resubmitted individually in the 2007-09 biennium at a combined amount of \$3,707,000 and both were subsequently enumerated as All Agency funded projects. Due to the limited amount of All-Agency funding available to UW-System during the 2007-09 biennium, it was decided to defer requesting approval for both projects. A design team was selected last spring and authorized to complete a 10% concept report to determine a current budget.

The gap between the previously enumerated budget and the current budget estimate is due to inflation (4% per year) and an underestimation of the amount of work required to renovate the mechanical system in the Maintenance and Materiel building.

Utilities Repair and Renovation

EAU - Heating Plant Coal Elevator/Hopper Repairs (\$655,000): This project will replace deteriorated metal components on the coal feed system for boilers 1 and 2. Project work will include the replacement of the deteriorated housing for the coal elevator and hopper.

MSN - University Houses Site Utility Renovation (\$4,652,000): This project will replace and upgrade the underground site civil, electrical, and mechanical utilities infrastructure that serves the University Houses complex.

Site civil utility work will replace 4,200 LF of 6-inch domestic water mains and laterals and 3,800 LF of sanitary sewer mains and laterals. The new water main will be increased to an 8-inch pipe from the meter pit to both 6-inch Eagle Heights connections.

Site electrical utility work will replace the eleven light poles located along the access drive and parking areas with new high efficiency campus standard lighting fixtures. The primary and secondary electrical loops will be replaced by Madison Gas & Electric.

Site mechanical utility work will replace 5,300 LF of underground hot water piping and the domestic hot water boiler and both heating hot water boilers in each of the central hub housing units with new high efficiency units that are sized to handle the unique system loop loads.

Regent Loftus inquired if there were any student fees in any of those projects. Mr. Miller answered that there are student rental fees in the housing project, but there are no segregated fees in these projects.

Upon the motion of Regent Opgenorth and the second of Regent Drew, the Committee unanimously approved Resolution I.3.i.

Resolution I.3.i.

That, upon the recommendation of the President of the University of Wisconsin System, authority be granted to construct various maintenance and repair projects at an estimated total cost of \$19,637,800 (\$5,157,700 General Fund Supported Borrowing; \$4,381,000 Program Revenue Supported Borrowing; \$4,674,000 Gifts and Grants; and \$5,425,100 Program Revenue Cash).

I.3.j. Report of the Associate Vice President

Associate Vice President David Miller reported that the Building Commission approved approximately \$17M for projects at its July 2009 meeting. The funding breakdown for those projects is \$15M General Fund Supported Borrowing, \$1.5M Program Revenue, and \$.5M Gift Funds.

Miller updated the committee on the status of legislation regarding project delivery methods. The state Building Commission recommended introduction of legislation to permit a variety of project delivery methods instead of the current preference for multiple-prime bidding.

In answer to questions from Regents Bartell and Loftus, Miller explained the differences in each of the delivery methods proposed. Regent Opgenorth asked if there were guidelines as to when each delivery method should be used. Miller responded that the Building Commission Secretary can select from any of the named methods based on DSF and owner agency staff recommendations. The legislation requires the Department of Administration to

promulgate Administrative Rules to determine what delivery method is appropriate for various projects and how that determination would be made.

I.3.k. Additional items which may be presented to the Committee with its approval

No additional items were presented to the Committee.

I.3.z. Closed session for purposes of considering personal histories, as permitted by s.19.85(1)(f), Wis. Stats., related to the naming of a facility at UW-Whitewater

Upon the motion of Regent Drew and the second of Regent Loftus the Capital Planning and Budget Committee adjourned to closed session at 3:33 p.m. Regents Bartell, Bartell, Drew, S. Davis, Loftus, and Opgenorth were present.

The closed session concluded at 3:44 p.m., at which time the meeting was adjourned.