

Board of Regents of the University of Wisconsin System
Capital Planning and Budget Committee Minutes
Thursday, April 5, 2018

The meeting of the Capital Planning and Budget Committee was called to order at 9:07 a.m. by Committee Chair Regent Steil in the Concerto Room in the Gordon Dining and Event Center on the UW-Madison campus. Regent Steil, Regent Evers, Regent Jones, Regent Plante, and Regent Ring were in attendance. Regent Delgado was absent.

Regent Steil asked the committee members if any items on the agenda represented a conflict of interest to them, and hearing that there were none, he proceeded with the agenda.

I.3.a. Approval of the Minutes of the February 8, 2018 Meeting of the Capital Planning and Budget Committee

After receipt of a motion and second, the minutes of the February 8, 2018, meeting of the Capital Planning and Budget Committee were approved as presented.

I.3.b. UW-Madison: Authority to Increase the Budget of the Chemistry Building Addition and Renovation Project

This item requested authority to increase the budget of the Chemistry Building Addition and Renovation project by \$29.3 M (\$5.3 M Program Revenue-Cash and \$24 M Gifts) for a revised estimated total cost of \$123.1 M (\$86.2 M General Fund Supported Borrowing, \$11.1 M Program Revenue-Cash, and \$25.8 M Gifts).

The project, as currently funded, consists of the design and construction of a ten level undergraduate chemistry teaching tower, and the replacement of critical HVAC and exhaust systems that serve the existing research and teaching labs in the Daniels and Mathews chemistry buildings. The previous approval did not provide adequate funds to finish floors four, seven, and eight of the tower, or to complete the renovation of the Daniels building's teaching lab floors.

Ms. Roe explained that the university set aside reserves and raised enough gift funds to complete this additional scope of the project. She added that there may also be a need to install sprinklers throughout the remaining portion of the Daniels tower and, if that occurs, a request for additional funding will be presented to the Board at a future date.

Regent Steil commented that this is very important and exciting project and congratulated the university on its fundraising success that helps support this renovation. He asked for a description of the source of the additional cash and UW-Madison Vice Chancellor for Finance and Administration Laurent Heller explained that the \$5.3 million dollars of program revenue cash comes from identified reserve balances that are meant to pay for unexpected one-time expenses. Mr. Heller continued by saying that the funds were indirect federal funds related to partial reimbursement for research facility costs and administration. Regent Steil added that those are appropriate funds to use for a project that is research-focused and critical to the academic mission of UW-Madison.

Regent Steil added that there is a potential for further safety improvements for the project, such as providing sprinklers in the old tower, and what a cost estimate for that work might be and Ms. Roe answered that although there are some early estimates, the drawings for that portion of the project would need to be completed to inform a true estimate and it is hoped that the project will be released for bidding in July.

Upon the motion of Regent Jones, and the second of Regent Ring, the Committee approved Resolution I.3.b., as noted below:

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 Chemistry Addition and Renovation project by \$29,300,000 (\$5,300,000 Program Revenue-Cash and \$24,000,000 Gifts) for a revised estimated total cost of \$123,100,000 (\$86,200,000 General Fund Supported Borrowing, \$11,072,000 Program Revenue-Cash, and \$25,828,000 Gifts).

I.3.c. UW-Madison: Authority to Increase the Budget of the Babcock Hall Dairy Plant and Center for Dairy Research Addition Project

This item requested authority to increase the budget of the Babcock Hall Dairy Plant and Center for Dairy Research Addition project \$12.5 M (\$6.25 M Existing General Fund Supported Borrowing and \$6.25 M Cash) for a revised estimated total cost of \$46.9 M (\$16 M General Fund Supported Borrowing, \$6.25 M Existing General Fund Supported Borrowing, \$18.5 M Gifts and \$6.25 M Cash).

Associate Vice President Roe described the project by saying that it will renovate portions of Babcock Hall and construct an addition to house both the dairy plant operations and the Center for Dairy Research activities. She explained that since the building hasn't been modernized since the 1950s, it is difficult for the university to meet today's health code standards and dairy regulations and to separate research areas from those for production activities.

Ms. Roe explained that when bids for the project were opened, they were higher than anticipated due to the following factors: the need for additional specialized dairy design; the integration of additional dairy equipment; other unforeseen complexities of the project; and a very active local construction market. She added that this increase will allow for the acceptance of the March bids and re-establish an appropriate post bid contingency to accommodate any unforeseen conditions that may occur during construction.

Ms. Roe also informed the committee that the dairy equipment portion of the project still needs to be bid and that if actual costs exceed the amount that was estimated, the budget of the project may need to be revisited later this year.

Regent Steil remarked that this is another important project that involves both the research mission of the university and its tie to the economy of the state. He commented that the project came in over budget and asked if the additional funding comes from the same cash reserve of research available funds as the chemistry project. Vice Chancellor Heller responded that it did draw from that same funding source. Ms. Roe elaborated by saying that

UW System has worked with the Department of Administration to close out projects and identify any remaining residual funds. Those funds are then accumulated and used to assist in the funding other projects, when necessary. She explained that \$6,250,000 Existing-General Fund Supported Borrowing that remained in UW System closed-out projects were used to match the cash contribution for the budget increase of this project.

Regent Steil called attention to the budget's \$8,000,000 equipment allowance and remarked that if bids for that portion of the project are higher, there will need to be a future conversation with the Board about how to address that overage.

Regent Plante asked if the infrastructure piping was included with the equipment in the base bid and Ms. Roe answered that it was.

Upon the motion of Regent Jones, and the second of Regent Ring, the Committee approved Resolution I.3.c., as noted below:

That, upon the recommendation of the UW-Madison Chancellor and the President of the University of Wisconsin System, authority be granted to increase the project budget for the Babcock Hall Dairy Plant and Center for Dairy Research Addition project by \$12,500,000 (\$6,250,000 Ex-General Fund Supported Borrowing and \$6,250,000 Cash) for a revised estimated total cost of \$46,920,000 (\$15,959,000 General Fund Supported Borrowing, \$6,250,000 Ex-General Fund Supported Borrowing, \$18,461,000 Gifts and \$6,250,000 Cash).

I.3.d. UW-Madison: Authority to Increase the Budget of the Meat Science and Muscle Biology Laboratory Project

This item requested authority to increase the budget of the Meat Science and Muscle Biology Laboratory project by \$3.7 M (\$1.5 M General Fund Supported Borrowing and \$2.2 M Cash) for a revised total cost of \$49.5 M (\$24.4 M General Fund Supported Borrowing, \$22.9 M Gifts and \$2.2 M Cash).

This project demolishes the Seed Facility and constructs a new building for the Meat Science program to house a meat laboratory, a lecture/demonstration suite, a biosafety laboratory suite, and teaching/research laboratories. The budget increase is due to higher costs for soil excavation and disposal and to replenish the contingency and equipment budgets.

Ms. Roe briefly explained that this facility will provide space to train the next generation of meat industry leaders; support innovative research interests; provide outreach education; and further the economic development of the meat industry. She added that \$22.9 M of gift funds to support this project were provided by donations to the university.

Ms. Roe reported that during the project's excavation stage, it was discovered that a larger volume of unsuitable soils composed of coal-fired cinders had previously been used as fill in the construction site. The excavation and removal of that waste to certified landfills resulted in greater transportation costs and tipping fees than originally anticipated and depleted the project's contingency fund. This budget increase will replenish that fund.

Regent Steil noted that the increase of \$1.5 M General Fund Supported Borrowing is existing residual borrowing and Ms. Roe added that the university contributed \$2.2 M of cash and that residual borrowing funds generally come from the unused contingency allocations of closed projects. He restated that occasionally situations occur when projects approved by the Board don't use all the allocated funds in the budget's contingency and that those unused funds can be captured and redistributed for other unrelated projects that need additional funding.

Regent Evers advised that there may be a need to decide if using federal indirect funding for a building project is the most appropriate use, since it can also be used for other competing priorities that might be more important.

Regent Steil added that this project, like the Babcock Hall project, supports both the research mission of the university and its tie to the economy of the state.

Upon the motion of Regent Jones, and the second of Regent Evers, the Committee approved Resolution I.3.d., as noted below:

That, upon the recommendation of the UW-Madison Chancellor and the President of the University of Wisconsin System, authority be granted to increase the project budget for the Meat Science and Muscle Biology Laboratory project by \$3,700,000 (\$1,500,000 General Fund Supported Borrowing and \$2,200,000 Cash) for a revised total cost of \$49,477,000 (\$24,377,000 General Fund Supported Borrowing, \$22,900,000 Gifts and \$2,200,000 Cash).

I.3.e. UW-Superior: Authority to Reimburse the City of Superior, Wisconsin, for Assessable Improvements

This item requested authority to pay a municipal assessment to the Wisconsin Department of Transportation and the City of Superior for street and utility improvements on US Highway 2/Belknap Street. The project reconstructs the intersection at the UW-Superior main entrance and remediates petroleum contaminated soils from an old gas station that was located on Board of Regents-owned property within the highway easement.

Associate Vice President Roe briefly described the project and mentioned that it will upgrade vehicular and pedestrian facilities, rework the main entrance, and install new entry signs.

Upon the motion of Regent Jones, and the second of Regent Ring, the Committee approved Resolution I.3.e., as noted below:

That, upon the recommendation of the UW-Superior Chancellor and the President of the University of Wisconsin System, authority be granted to: (a) pay an estimated \$165,000 (\$115,500 General Fund Supported Borrowing-Utility Repair and Renovation and \$49,500 Program Revenue-Cash) municipal assessment to the Wisconsin Department of Transportation and the City of Superior, Wisconsin, for street and utility improvements on US Highway 2/Belknap Street per Wis. Stat. § 66.0705(2); and (b) transfer the approved General Fund Supported Borrowing All Agency allocation to the UW Infrastructure Maintenance appropriation.

I.3.f. UW System: Authority to Increase the Budget of the UW-River Falls Dairy Plant Remodel Project

This item requested authority to increase the project budget of the UW-River Falls Dairy Plant Remodel project by \$1 M Existing General Fund Supported Borrowing to accept bids for a revised estimated total cost of \$1.9 M.

Ms. Roe described the project as part of the Instructional Space Projects Program and said it expands the dairy pilot plant by annexing the adjacent, underutilized, fruit/vegetable pilot plant, and renovates the space to accommodate donated modern dairy processing equipment. She showed images of the crowded and insufficient space. Ms. Roe explained that a lack of experience with dairy facilities let a pre-design team to underestimate the complexity of this project, which resulted in a significant miscalculation of the project's scope and budget. She added that the university has worked hard to reduce the scope of the project and that to accept the bids opened in March and to provide enough contingency for any additional unforeseen conditions, a budget increase of \$1 M is requested. She noted that unused funds will be returned to the UW System residual fund.

Upon the motion of Regent Jones, and the second of Regent Ring, the Committee approved Resolution I.3.f., as noted below:

That, upon the recommendation of the President of the University of Wisconsin System, authority be granted to increase the project budget of the UW-River Falls Dairy Plant Remodel project by \$1,000,000 Existing General Fund Supported Borrowing to accept bids for a revised estimated total cost of \$1,940,000 (\$915,000 General Fund Supported Borrowing; \$1,000,000 Existing General Fund Supported Borrowing; and \$25,000 Cash).

I.3.g. UW System: All Agency Maintenance and Repair Projects

This item requested authority to construct ten All Agency Maintenance and Repair Projects at an estimated total cost of \$31 M. The projects include utility repair and renovations at UW-La Crosse, UW-Madison, and UW-Platteville and a programmatic renovation of UW-River Falls as well as heating plant fuel reliability upgrades at UW-Oshkosh, UW-Platteville, UW-Stout, UW-Stevens Point, and UW-Superior.

Ms. Roe began her description of the request by giving an overview of two projects that reconstruct parking lots – one for a lot at UW-La Crosse and the other for three lots at UW-Platteville. She then summarized two utility projects at UW-Madison. Regent Evers asked about the cash portions of those projects and Ms. Roe explained that all the parking lot and utility projects have a GPR/PR funding split and that the cash portion comes from program revenue components such as parking revenues. She continued by summarizing details of the fuel reliability upgrade projects at five institutions that will provide improved on-site fuel oil storage, burner redundant capacity, and associated equipment for the heating plants. She added that the upgrade projects for the other three institutions, UW-Eau Claire, River Falls, and La Crosse won't require as much work as the five projects presented this month.

Regent Steil stated how critical it is to have a supply of back up fuel for the heating plants and explained that UW System and DOA jointly decided to shift to heating oil as the primary backup supply for those plants.

In response to a question from Regent Jones about the source of the program revenue funds, Ms. Roe answered that those funds come from parking, housing, dining, and recreation programs. In response to a question from Regent Plante about whether the new back-up systems would be less expensive to operate, Ms. Roe answered that is the expectation.

Ms. Roe described the need for the UW-River Falls McMillan Hall Restrooms Remodeling project to resolve maintenance problems and improve the functionality and aesthetics of the restrooms in that facility. She explained that project work includes selective replacement of partition walls and building infrastructure systems; creation of new individual shower rooms, toilet rooms, and common lavatory spaces; and the installation of new room finishes and accessories.

Upon the motion of Regent Jones, and the second of Regent Ring, the Committee approved Resolution I.3.g., as noted below:

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 \$31,145,800 (\$16,195,500 General Fund Supported Borrowing; \$12,394,400 Program Revenue Supported Borrowing; and \$2,555,900 Agency Cash).

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

1. State Building Commission Actions

Associate Vice President Roe reported that the State Building Commission voted its support of the following two projects at its February SBC meeting:

UW-Stevens Point - allows Portage County to construct various improvements in the Schmeeckle Reserve and accept those improvements as a gift.

UW-Platteville – releases \$663,000 Building Trust Funds to prepare a design report for the Boebel Hall Addition and Renovation, Phase II project.

Ms. Roe informed the committee that the universities submitted 49 major project requests for the 2019-21 capital budget and that she will report about the development of the capital budget proposal at the June committee meeting.

2. Other Updates – There were no other updates.

The Capital Planning and Budget Committee meeting was adjourned at 9:56 a.m.