

	CAPITAL PROJECTS ADVISORY BOARD MEETING MINUTES Tillamook Conference Room at Department of Forestry 2600 State Street, Salem, OR 97310
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MEETING MINUTES – February 20, 2004 1:30 – 3:00

Prepared By: Elaine Schacher

Date Distributed: 03-08-04

MEMBERS PRESENT:

Bill Neland, Chair
Tom McMullen, Vice Chair
Ron Polvi, Northwest Natural
Ed Galligan, Port of Portland
Denny Nielsen, Salem Hospital

MEMBERS NOT IN ATTENDANCE:

Edith Yang, A.I.A.
Doug Spencer, Providence Health Systems

OTHERS PRESENT:

Bill Foster, DAS Facilities Division
Shirley Finanger, DAS Facilities Division
Elin Shepard, DAS Facilities Division
Elaine Schacher, DAS Facilities Division

Distribution: All members present.

Handouts:

- Minutes from January 16, 2004 meeting
- State Facilities Planning Process Manual – Revised January, 2004
- Feasible Decisions to Own or Lease
- ORS 276.429 Leases; lease option purchase; cost policy; report to legislative review agency
- Administrative Rule Draft for CPAB changing role titled “Statewide Facility Planning Process”
- Administrative Rule Timeline

INTRODUCTORY REMARKS:

Chairman, *Bill Neland* called the meeting to order at 1:35 pm.

APPROVAL OF MINUTES FOR JANUARY MEETING:

The January 16, 2004 minutes were approved. *Denny Nielsen* moved, *Tom McMullen* seconded.

STATE FACILITIES PLAN UPDATE presented by Shirley Finanger:

Shirley Finanger, DAS Statewide Facilities Analyst, distributed and summarized the changes to the updated Facilities Planning Process manual.

Changes noted: 1) HB 3597-B Budget Note included in References (page 6).

2) Revised Reporting Schedules (Pages 25 and 26).

3) Agency Revenue Disbursements Summary at the end of the 2002 Facility Plan Review
Tom McMullen suggested to replace the Revenue Summary with the Agency Revenue Disbursements Summary. It is included in the Space Needs Plan with an attachment in the exhibits section for agencies to update..

4) Revised Office Space Request Form.

Shirley noted that there will be no agency plans presented during the March meeting, however there will be three plans presented in April and four in May. The April and May reporting agencies have construction projects. *Shirley* suggested that we allow 45 minutes for the presentation of each agency. June and July reporting agencies have only Space Needs and Maintenance Plan reports and their presentation time will be limited to 20 minutes each.

Shirley requested that the Board help DAS develop a strategy to provide funding for all agencies' facility deferred maintenance. Many of the General Fund agencies have had their budgets cut and the maintenance of the facilities is not a priority when they attempt to keep their programs functioning. This funding strategy would generate a plan with prioritization guidelines for the 2007-2009 budget to assist agencies in constructing their plans.

Ed Galligan: Has the need been identified and quantified?

Shirley reminded the board that the agencies had completed deferred maintenance listings that identified the dollars and priority for the agency.

Ed Galligan: Somewhere there is a document that says here is what needs to be done and the estimated cost.

The board discussed the need to budget for ongoing maintenance, not just the cost of construction of the building. Agency budgets have included dollars for maintenance and repair, but with the shortage, General Fund dollars they have not been approved. This would be a good project for the board to assess after the completion of the 2004 agency reports.

LEASE vs. OWNED ISSUES presented by Bill Foster:

Bill Foster discussed the statutory constraints on options to purchase and shared the Own vs. Lease Feasibility Report that was done in 2000 along with a copy of ORS 276.429.

► Issues

A. Employment Lease

1. Discussion of lease option at January meeting prompted further research.
2. Statutory charge is that facility choices are to be the most cost-effective.
3. Statutory constraints of 276.429 (item #4) – legislative approval required for any purchase option agreements. This would require additional time.

B. Need for additional criteria to consider ownership – Add questions to Agency Plan.

1. Stability – Demographics changes tend to cause need to move.
2. Likelihood of technological change/obsolescence, delivery method changes.
3. Potential term of 20 or more years.

Denny Nielsen – Commented that deferred maintenance should be assigned a priority and agencies need to address this issue with a sense of urgency. He suggested deferred maintenance budgets should be developed at the start of the budget cycles.

Bill Foster responded that different agencies have different funding sources and there are different dynamics. Example, Federal Funds are allocated to certain agencies for new construction but not for maintenance of existing buildings.

Denny Nielsen suggested that agencies should pay attention to return on investment and how to protect that investment.

Bill Foster responded that with some agencies, there is no firewall between facility operating and project budgets.

Ed Galligan commented that the following things would be helpful to the Board:

- 1) A diagram or matrix of funding sources for each agency to give the Board a fundamental understanding of general funding as each agency presents their plan (i.e., user fees, gas tax, grants, etc.).
- 2) Deferred Maintenance –There needs to be more sorting rather than taking deferred maintenance as one big picture. He suggested it be sorted into four (4) categories rather than lumping deferred maintenance into one. Categories would be: Roof, HVAC, Structural and Building Exterior.

Tom McMullen commented that there needs to be a long range funding plan for deferred maintenance along with the agency's long range plan. It is his understanding that the Board evaluates if the presenting agency is following the recommended guidelines in creating a plan, recommends an approach to the plan and tests to make sure it meets a permanent long-term need. His experience tells him that it's more expensive to repair a roof after it fails then to do preventative maintenance. He suggested that maybe agencies should pay into a fund like Uniform Rent

Bill Foster responded that any agency can set up a rent program that includes a maintenance fund. There is legislation in place.

Bill Neland asked what agencies are under uniform rent.

Bill Foster responded that all DAS owned office buildings are under uniform rent. This space is generally occupied by agencies that don't have the authority to own their own buildings.

Bill Neland suggested that these concepts be introduced and gather information on how deferred maintenance is funded and find out which agencies have established the depreciation fund.

Ron Polvi suggested joint bids for maintenance with other agencies. If a database were in place, this would be possible.

Solutions presented to reduce costs during the budget crisis:

- Shorter Lease Terms
- Specific Lease for a specific function
- Funded Depreciation for deferred maintenance
- Centralized functions
- Pooling
- Consolidating
- Reduce infrastructure (people, buildings, utility bills)

Bill Neland deferred the discussion to the next meeting after Board members have had a chance to think about the issues discussed today.

CHANGING ROLE OF CPAB UPDATE presented by Bill Foster:

Bill Foster presented a draft of an Administrative Rule for discussion and feedback.

Purpose of discussion was to see if the draft Rule makes sense and if it adequately describes the process of the Board. The Rule articulates the process CPAB has been using and includes the CPC issues that will become a function of this Board through June, 2005.

An Administrative Rule Timeline was presented showing the Temporary Rule Filing effective April 15, 2004 and the Permanent Rule Filing effective September 1, 2004. The next step is to present the rule draft to major agencies. When finalized, it will be filed as a Temporary Rule and used until September 27, 2004. On September 1, 2004, time then it will be filed as a Permanent Rule.

Denny Nielsen made a motion to approve the changes to the Temporary Administrative Rule 125-125-0050 as proposed. The motion was seconded by *Bill Neland* and was unanimously approved.

DISCUSSION OF CHANGING ROLE OF CPAB:

Bill Neland advised Board that the tentative plan includes a membership change. Three members will leave and three will come on. The existing Board will remain through July and any new members appointed will be added. The Board will be re-organized after the July meeting. Official notices have not been issued.

NEXT MEETING DATE: March 19, 2004 at Print Plant.

Meeting adjourned at 3:00 pm.