



# Oregon

Theodore R. Kulongoski, Governor

## Department of Administrative Services

Office of the Director  
155 Cottage Street NE, U20  
Salem, OR 97301-3966  
(503) 378-3104  
FAX (503) 373-7643

March 13, 2006

The Honorable Peter Courtney, Co-Chair  
The Honorable Karen Minnis, Co-Chair  
State Emergency Board  
900 Court Street NE  
H-178 State Capitol  
Salem OR 97301-4048

Dear Co-Chairpersons:

### **Nature of the Request**

The Department of Administrative Services (DAS) requests a \$9,000,000 increase of Other Funds Capital Construction expenditure limitation for the DEQ and Public Health Laboratory Building Project to complete construction. This amount is based on the bids that have been received. Additionally Department of Environmental Quality (DEQ) requests an increase of \$630,000 and Department of Human Services (DHS) requests an increase of \$630,000 Other Funds expenditure limitation for Furniture, Fixtures & Equipment (FF&E). All expenditures will be made using Certificates of Participation (COP's). Increased limitation is now needed so that the construction contract can be awarded.

### **Agency Action**

This request is the last step toward constructing a joint laboratory facility for DEQ and DHS that will replace an inadequate facility located on the Portland State University campus. During the 2003 Legislative Session, the Legislature approved \$6 million of Other Funds expenditure limitation to acquire land and an existing building shell, and to start the design process. DAS purchased the site and building shell to house the laboratories for \$5.5 million. DAS returned to the September 2004 Emergency Board and received approval for an additional \$17.5 million of Other Funds expenditure limitation, which was less than the estimated cost. Because of the difficulty in producing reliable estimates early in the project's development, the Legislative Fiscal Office instructed DAS return to the Emergency Board after the design was completed and bids received.

The Honorable Peter Courtney, Co-Chair  
The Honorable Karen Minnis, Co-Chair  
March 13, 2006  
Page 2 of 3

DAS and the two agencies have been working collaboratively toward the best possible design and the best possible price. However, since the early estimates were produced, construction costs have escalated significantly; in 2004 alone the construction cost index increased by 10%. Based upon the bids that have been received and the other project costs, the total limitation required for the project is \$32 million or an increase of \$8.5 million over the existing expenditure limitation. The \$32 million amount is consistent with the original 2002 laboratory report. This additional limitation is required to award the contract. Additionally, since the costs of issuing COP's and paying debt is no longer non-limited, \$500,000 needs to be added to this amount to cover the costs of issuance and construction period interest. Construction costs will be covered by the sale of COP's and recovered through rents paid to DAS by the two agencies. No rents will be due until the 2007-09 biennium.

The project costs include the costs to construct the building and the equipment that is part of the construction. To be functional for DEQ and DHS, there are some furnishings, fixtures, and equipment costs that are outside the cost of the facility. These costs total \$630,000 for DEQ and \$630,000 for DHS and include systems furniture, telephone system cabling, and program specific equipment like autoclaves and glass washers. These acquisitions will be made using Certificates of Participation, but the agencies will need additional Other Funds expenditure limitation. Since portions of these expenditures will be included in the construction contract, the increased limitation is needed now so the construction contract can be encumbered. The COP's will not be sold until late in the biennium, so the first payment will not be due until the start of 2007-09. As a result, there will be no General Fund impact for 2005-07.

#### **Action Requested**

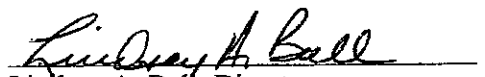
Increase the Capital Construction Other Funds expenditure limitation by \$9,000,000 for the design and construction of the facility. Provide additional Other Funds expenditure limitation of \$630,000 for DEQ and \$630,000 for DHS. All increased expenditures will rely on existing DAS COP authority.

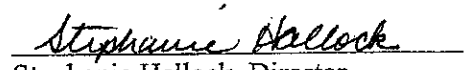
The Honorable Peter Courtney, Co-Chair  
The Honorable Karen Minnis, Co-Chair  
March 13, 2006  
Page 3 of 3

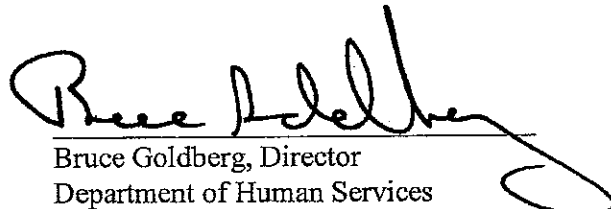
**Legislation Affected**

Increase Chapter 623, Section 1, Subsection 3(g), O.L. 2003 by \$9,000,000 (Other Funds).  
Increase Chapter 778, Section 2, Subsection 2, O.L. 2005 by \$630,000 (Other Funds)  
Increase Chapter 713, Section 2, Subsection 3, O.L. 2005 by \$630,000 (Other Funds)

Sincerely,

  
Lindsay A. Ball, Director  
Department of Administrative Services

  
Stephanie Hallock, Director  
Department of Environmental Quality

  
Bruce Goldberg, Director  
Department of Human Services