

**MINUTES
BOARD OF REGENTS
MIDWESTERN STATE UNIVERSITY
December 13, 2017**

The Board of Regents, Midwestern State University, met in special session in the J. S. Bridwell Board Room, Hardin Administration Building, Wichita Falls, Texas, at 2:30 p.m., Wednesday, December 13, 2017. Regents in attendance were Mr. Sam Sanchez, Chairman; Mr. Caven Crosnoe, Vice Chairman; Ms. Nancy Marks, Secretary; Mr. Warren Ayres; Dr. Lynwood Givens (via teleconference); Mr. Jeff Gregg; Mr. Shawn Hessing; Dr. Shelley Sweatt; and Student Regent Shayla Owens. Regent Tiffany Burks was unable to attend.

Members of the administration present included Dr. Suzanne Shipley, President; Dr. James Johnston, Provost and Vice President for Academic Affairs; Dr. Marilyn Fowlé, Vice President for Administration and Finance; Dr. Keith Lamb, Vice President for Student Affairs and Enrollment Management; Mr. Anthony Vidmar, Vice President for University Advancement and Public Affairs; and Mr. Kyle Owen, Associate Vice President for Facilities Services. Other university personnel attending the meeting included Dr. David Carlston, Chairman, MSU Faculty Senate; Mr. Barry Macha, General Counsel; Ms. Leigh Kidwell, Director of Internal Audits; Ms. Cindy Ashlock, Executive Assistant to the President; and Ms. Debbie Barrow, Director of Board and Government Relations. Representing the news media were Mr. Tyler Manning, the new Editor of *The Wichitan*; Ms. Rachel Johnson, *The Wichitan* photographer; and Ms. Sarah Hines, KAUZ Channel 6.

Chairman Sanchez called the meeting to order at 2:30 p.m. and Ms. Gaynor introduced the guests.

Opening Comments

Mr. Sanchez welcomed everyone to the meeting and thanked them for their participation. He reminded everyone that the meeting was being streamed live on the internet and asked everyone to silence or turn off their cell phones.

Public Comment

Mr. Sanchez stated that no one had signed up to speak during the public comment period.

Health Sciences and Human Services (HSHS) Building Project – Construction Budget and Contract Approval

18-43. Mr. Sanchez stated that at the November meeting of the Board of Regents the administration informed the Board that the bids for this building came in substantially over budget. At that time the Board asked the administration to continue working with the architect and the Construction Manager at Risk (CMAR) to review options for the building. He mentioned that a summary of the project history, financing details, and budget overview, as well as revised drawings, were provided to the Board for their review the week previous (see Attachment 1). He asked Dr. Shipley to comment. Dr. Shipley thanked the Cabinet for their work during this process. She stated that this is a very important building for the university and that she looked forward to hearing the responses of Board members regarding the plans and the financing.

Dr. Fowlé reported that she was available to answer any questions related to the project history summary that was provided to the Board. She added that Provost Johnston was available to answer questions related to the use of the facility or functionality with regard to academic programs and student learning.

Mr. Owen began his presentation by reviewing the new renderings which showed the recommended changes to the building. He stated that the ideas and savings determinations occurred simultaneously and mentioned that some of the changes that the administration approved had not yet been incorporated into the renderings. Slide Two showed the southeast corner of the building. He reported that one of the cost savings ideas was to change the terracotta tile on the stair tower to Exterior Insulation Finishing System (EIFS), which is synthetic stucco. He stated that five different bricks are used to put together the "MSU Brick." He mentioned that the administration determined that it would be better to select one of the brick colors to cover the area that was originally terracotta tile. He stated this would help define certain areas of the building. He pointed out that the stair towers on the building would all be reduced to the same height as the top of the building. He added that the original design included a wall that extended further out from the atrium and it was eliminated. He pointed out that the eastern side of the building would still have a large glass view into the building. Mr. Owen noted that the atrium was reduced from four floors to three floors. He added that the original design included structural steel to support and provide an aesthetic look to the glass. This structural steel was eliminated. Dr. Shipley noted that the building would still be four stories but that the atrium would only be three stories. Mr. Owen pointed out that the fourth floor would have access to the large window. Mr. Hessing indicated his understanding that by reducing the height of the atrium, square footage would be added to the building on the fourth floor. Mr. Owen responded that Mr. Hessing's understanding was correct. He noted that the penthouse on the top of the building would be reduced in size from about 1,500 square feet to 120 square feet.

Slide Three showed a southwest view of the building. Mr. Owen noted that the changes were similar to the previous slide with the terracotta tiles being replaced by EIFS or brick and the stair tower being reduced to the same height as the building. He added that the west entrance was previously all glass and it was modified to a more traditional design. Slide Four showed a west facing perspective with similar changes and Slide Five presented a similar view from the northwest.

Mrs. Marks asked if the new bricks used would be a different color than the MSU brick shown in the rendering. Mr. Owen clarified that the brick already planned for the building was the traditional MSU brick and that is what is shown in the rendering. The other shades of brick would be used in the areas of the building that would have originally been covered with terracotta tiles. He stated that in that way the different colorations would be similar to the original design. Dr. Shipley stated that EIFS is less durable than are terracotta tiles. She added that this is a work in progress and the administration is still considering options. She indicated that the administration would like to try the lightest possible color brick where the white EIFS is shown on the slide and the closest to a terracotta color brick where the terracotta EIFS is shown. She stated that the result would be an all brick exterior rather than the stucco look similar to what is on Legacy Hall. Mr. Owen added that brick could be used on a 100-year building while the

EIFS lasts approximately 30 years and must be maintained to keep it sealed. Dr. Fowlé added that the price for brick or EIFS was the same.

Slide Six showed a view of the interior of the three-story atrium. Mr. Owen noted that the original glass elevator in the atrium would be changed to a standard elevator. Slide Seven showed a different view of the atrium. He noted that the structural steel that was part of the original design of the large atrium window was removed. Dr. Sweatt asked why the structural steel was included in the original design and if there would be an impact with its being removed. Mr. Owen responded that in addition to the steel being included for aesthetic purposes, it also helped support the glass structure. He added that in the modified design, the framework of the glass structure would be tied into the building. Dr. Sweatt if the window would still be structurally sound and Mr. Owen responded that it would be.

Slides Eight through Eleven showed the original building renderings from November 2016 with the changes noted. He added that the original renderings included a Spanish tile roof but that the tile roof was eliminated from the design early in the process because of cost. Mr. Sanchez asked what would be housed in the penthouse. Mr. Owen responded that the original design placed air handlers in the penthouse, but that in the new design these air handlers would be outside the penthouse. He stated that it was more of an aesthetic decision to put them inside originally. Dr. Shipley noted that the original renderings show the texture of the tile and that is why Dr. Fowlé suggested the use of brick rather than stucco.

Slide Twelve showed a summary of the major identified savings. Slide Thirteen showed the original and revised budgets as well as information related to additional funds that were available for the project. Mr. Owen mentioned that the architect fees and other services costs increased as a result of the higher construction budget. He noted that the difference between the original and revised budgets was an increase of \$4 million. He commented that \$2 million had been held in reserve to cover any cost overage; \$1 million was taken from the original equipment budget; and almost \$2 million would be pulled from savings from other Tuition Revenue Bond (TRB) projects. Mrs. Marks asked what Other Services includes. Mr. Owen responded that it includes management fees and required testing and inspections on various parts of the project.

Mr. Sanchez stated he was very frustrated with the increased architect fees. He noted that the architect knew what the budget was before he designed and presented the project to the Board. He added that it was difficult to pay the architect more for work that shouldn't need to be done. He asked Mr. Macha if there were some way to ensure something like this would not happen again in the future. Mr. Macha responded that he and the administration would look at what could be done. Mr. Crosnoe stated that the Board was told in November that the university would not have to pay the architect for a new design and questioned the additional cost. Mr. Owen responded that if the institution wanted the architect to redesign the building for \$29.25 million, the architect would have to do the work without additional compensation. However, since the university wants more than what the \$29.25 million would provide for the building, the contract requires that the architect must be paid a percentage of the increased construction cost. Mr. Hessing expressed the same frustration as did Mr. Sanchez with paying the architect an additional \$390,000. He agreed that the university should make changes to future contracts so that

this does not happen again. Mr. Hessing asked if the funds that would be taken from the other TRB projects were the result of project savings or modifications in the scope of the projects. Dr. Shipley commented that the administration considered numerous options, and determined that portions of the Bridwell Hall renovation and repurposing project would be left unfinished and would be completed when other university funds became available. She added that any savings achieved through the various projects would be used on other TRB projects as needed. Dr. Fowlé reported that the Texas Accessibility Standards (TAS), Americans with Disabilities Act (ADA), and Fire Marshal Upgrades Project was almost \$600,000 under budget. She stated her hope that additional savings would be achieved. She commented that Bridwell Hall is a well-furnished building and added her hope that much of the configuration and space could be put to use economically.

Mr. Ayres asked if the TRB funding was allocated specifically to certain projects or if the university had the latitude to move the funds as needed. Dr. Fowlé responded that the university requested funds for certain things and the funds were allocated for those projects. She added that the university must use the funds for those purposes, but the funds within the overall budget can be moved around. Dr. Shipley stated her understanding that the biggest portion of the funding request was for the HSHS building.

Mr. Hessing noted that the budget figures seemed to show an 11% increase in cost while the architect fees increased by 17%. Mr. Owen stated that the architect's fee was 7.25% and this percentage would apply to the additional costs. Dr. Fowlé added that the architect's fee was based on the construction budget and not the total cost of the project.

Mr. Sanchez stated that the administration did a great job with the redesign, but noted that the Board did not want to be in this position again. He commented that the architect presented a design and said it would come in within budget. The fact that it came in extremely over budget was very disappointing. Dr. Shipley responded that the administration shared the Board's frustration.

Dr. Shipley asked Dr. Fowlé or Mr. Owen to explain the Guaranteed Maximum Price (GMP) portion of the second part of the administration's recommendation shown on Slide Fourteen. Mr. Owen stated that this represents the "risk" portion for the Construction Manager at Risk (CMAR). The CMAR must construct the building for the Guaranteed Maximum Price (GMP), unless the university authorizes a change in scope. Mr. Hessing stated his understanding that the GMP of \$34.301 million was the \$33.55 million plus the \$811,000 for the data center. Mr. Owen responded that was correct.

Mr. Sanchez presented the administration's recommendations as follows:

1. Approval of increasing the project budget to \$42.811 million (\$42 million from the HSHS budget plus \$811,000 for the server room from the Information Technology Relocation Project budget) and;
2. Authorize the administration to negotiate and award a Guaranteed Maximum Price (GMP) contract with Trinity Hughes/Sundt (THS) of \$34.301 million to construct the Health Sciences and Human Services building and the data center.

Mr. Hessing moved approval of these recommendations and Mr. Ayres seconded the motion.

Mr. Gregg asked if the project would be rebid. Mr. Owen responded that if the Board approved these recommendations the university would be locked into a contract with Trinity Hughes/Sundt. Mr. Gregg asked how this firm was selected. Mr. Owen responded that the university went through a Request for Proposals process approximately one year ago and this firm was recommended to and approved by the Board. Ms. Owens asked when the ground would be broken on the project. Mr. Owen responded that if approved a fence would be up the following Monday and work would resume on the site preparation.

Dr. Shipley indicated that Ms. Owens' comments at the November meeting about the expectations students had for this building were very important. She asked Ms. Owens if she was satisfied with the impact of the new design in terms of what she thought students wanted to see in the new facility. Ms. Owens responded that she was.

Mr. Crosnoe noted the \$1 million reduction in equipment for the building. He asked if less equipment was needed or if the administration was going to have to find other ways to pay for the needed equipment. Dr. Shipley responded that the equipment was needed and it would require fundraising.

There being no further discussion the motion was approved.


Executive Session

18-44. Mr. Sanchez stated that the Board of Regents would go into Executive Session to discuss Items 18-44A (Consultation with Attorney), 18-44B (Real Property), and 18-44C (Prospective Gift or Donation) as allowed by Texas Government Code Sections 551.071, 072, and 073. The Executive Session began at 3:05 p.m. Mr. Sanchez, Dr. Givens (via teleconference), Mr. Hessing, Mr. Gregg, Mr. Ayres, Mr. Crosnoe, Ms. Owens, Mrs. Marks, Dr. Sweatt, Dr. Shipley, Mr. Macha, and Ms. Barrow remained for the discussion. Mr. Vidmar remained for discussion of Item 18-44C and Dr. Fowlé joined the meeting for the discussion of Item 18-44B. The closed session concluded at 3:40 p.m. and the open meeting resumed. Mr. Sanchez stated that the only items discussed were the items announced and no votes were taken.

Adjournment

There being no further business, the meeting adjourned at 3:40 p.m. Mr. Sanchez thanked everyone for their participation and wished everyone a wonderful holiday season.

I, Nancy Marks, the fully appointed and qualified Secretary of the Midwestern State University Board of Regents, hereby certify that the above and foregoing is a true and correct copy of the minutes of the Midwestern State University Board of Regents meeting December 13, 2017.


Nancy Marks, Secretary
Midwestern State University
Board of Regents

ATTACHMENT:

1. HSHS Building Project History, Financing Details, Renderings and Budget Overview

Review of Gunn College of Health Sciences and Human Services Building Project

The new Gunn College of Health Sciences and Human Services building was Midwestern State University's top priority Tuition Revenue Bond (TRB) request during the 84th legislative session. In addition to the building, the TRB request included funds for ADA/Fire Marshal updates in several campus buildings, a library renovation, relocation of Information Technology (IT), and repurposing of the Bridwell building that would be vacated by the Gunn College.

The university completed master planning efforts to analyze the university's greatest needs in order to have a successful TRB request to the legislature in August 2014. The university justified a total of \$73 million in its TRB appropriation request, with \$61 million requested for a new HSHS building at 126,250 square feet. This amount of space was determined through the master planning process to accommodate significant HSHS growth and to match Texas peers for these types of programs.

In May 2015, the legislature approved \$58.4 million in TRB funding for the university, with the first date of issuance possible in the fall of 2016. Bond payment appropriations did not begin until September 1, 2016. The university issued the Tuition Revenue Bonds in October 2016. The university hired HMB Architects in November 2015 to review the original master planning programming of \$73 million and recommend a revised scope for the projects within the \$58.4 million approved by the legislature. Their work was completed in April 2016 and they recommended adjusting totals to the following amounts for the projects:

HSHS building	\$40.0 million
Library renovation	\$ 7.5 million
ADA/Fire Marshall	\$ 5.6 million
IT Move	\$ 1.6 million
Bridwell Repurpose	<u>\$ 3.7 million</u>
Total	\$58.4 million

In February 2016 the Board of Regents approved Randall Scott and Associates (RSA) as the architect for the project. The Board of Regents approved the HSHS project budget in May 2016 in the amount of \$38 million with \$2 million being held in reserve in case of higher than anticipated construction costs as was experienced with the Legacy Hall building project. The Board also approved Trinity Hughes/Sundt (THS) as the Construction Manager at Risk (CMAR). RSA began meeting with the stakeholders in May 2016 to review programmatic needs and budget constraints. From this assessment, it was determined a building of approximately 83,000 square feet would meet the needs of the College within the budget constraint total of \$38 million. RSA presented a design for the building to the Board in November 2016 and received a favorable review. The original budget for the project was broken into these categories:

Construction	\$29.25 million
Equipment	\$ 4.10 million
Furniture	\$.70 million
Architect Fees	\$ 2.50 million
Other services	<u>\$ 1.45 million</u>
Total	\$38.00 million

Based on the programming and preliminary design approval of the Board, RSA began to finalize building specifications with more refined estimates of cost. During this period, THS reviewed the plans and also developed estimates of cost. MSU also hired Broaddus and Associates to assist with the project management and to provide a third cost estimate. All three construction estimates came in at \$29.25 million, which met the overall \$38 million budget goal. Because the estimates showed that the design was within budget, RSA developed drawings that were 100% complete to send out to bid. The more detailed the drawings, the more accurate contractors can be when they submit their best pricing. Without complete drawings, contractors are more likely to build in a “fudge factor” to cover surprises that might turn up in the final drawings. Subcontractors had one month to review the plans and submit their best pricing.

RSA divided the project into two “packages.” This was done to ensure that the project was started in a timely fashion to meet an aggressive schedule and align with Board of Regents meetings for the most expeditious approval. Bid Package One was for site work (e.g. piers, foundation and utility infrastructure), came in at budget, and was approved by the Board at the August 2017 meeting, with construction planned to begin around the middle of October. Bid Package Two was for the building itself, was completed September 6, and bids were opened October 12. After bids were accepted by MSU on Bid Package Two, the total on both bid packages was \$36.73 million, \$7.48 million, or 26%, over budget. With the overage on Bid Package Two, a slowdown was ordered on the site work in case changes had to be made in those areas.

At the November 2017 Board of Regent’s meeting, the administration informed the Board that the HSHS building project bids came in higher than expected and recommended the project budget be raised to \$41 million. The Board requested more information on the modifications that would be necessary to ensure the building came in at the increased budget amount. It was agreed that a special Board meeting would be scheduled in December to review the budget as well as modifications that would be necessary to the project. Following the November meeting the administration worked with RSA and THS to adjust the project to something that would provide some of the design elements that were important to the Board and would meet the instructional needs of the academic areas in the building. An overriding goal was to maintain the square footage originally identified as necessary for the delivery of academic programs.

THS worked with the subcontractors on ideas that could reduce the cost of the project. From this process, \$3.64 million was identified as changes that could be made and would not dramatically impact the functionality, square footage, or appearance of the building.

The amended cost of the construction portion of the project currently stands at \$33.49 million or \$4.24 million over the original \$29.25 million construction budget. With a more expensive building, other expenses related to the construction have increased by approximately \$700,000. To cover the increase, management proposes several financial adjustments to the original plan:

1. Expend/release the \$2 million held in reserve;
2. Reduce the project’s equipment budget by \$1 million; and
3. Reduce other TRB budgets by the remaining amount needed (approximately \$2 million).

This results in the following revised budget:

Construction	\$33.55 million
Equipment	\$ 3.10 million
Furniture	\$.65 million

Architect Fees	\$ 2.89 million
Other services	<u>\$ 1.81 million</u>
Total	\$42.00 million

In order to realize the \$3.64 million in construction savings, 34 items were changed to lower cost construction methods. Items which had the largest decrease compared to the original bids include the following:

Replace west side terra cotta with stucco (EIFS)	\$694,000
Add 4 th floor at atrium, delete smoke exhaust	\$663,000
Reduced scope of east exterior wall	\$400,000
Sheetrock stairwell's steel instead of fireproof paint	\$310,000
Significant reduction in size of mechanical penthouse	\$300,000
Change glass elevator to standard	\$199,000

As part of this construction project, MSU will contract with an audit firm to audit the bills from THS, RSA, and any other contractor to ensure accurate billing. MSU will issue an RFQ in the next month to solicit an audit firm to perform this work throughout the building project. The cost of this contract will be in the \$50,000 range, but similar projects have saved universities multiples of this fee in identifying billing errors. Ms. Kidwell, Director of Internal Audits, will work with Facilities Services to hire the audit firm and coordinate their work.

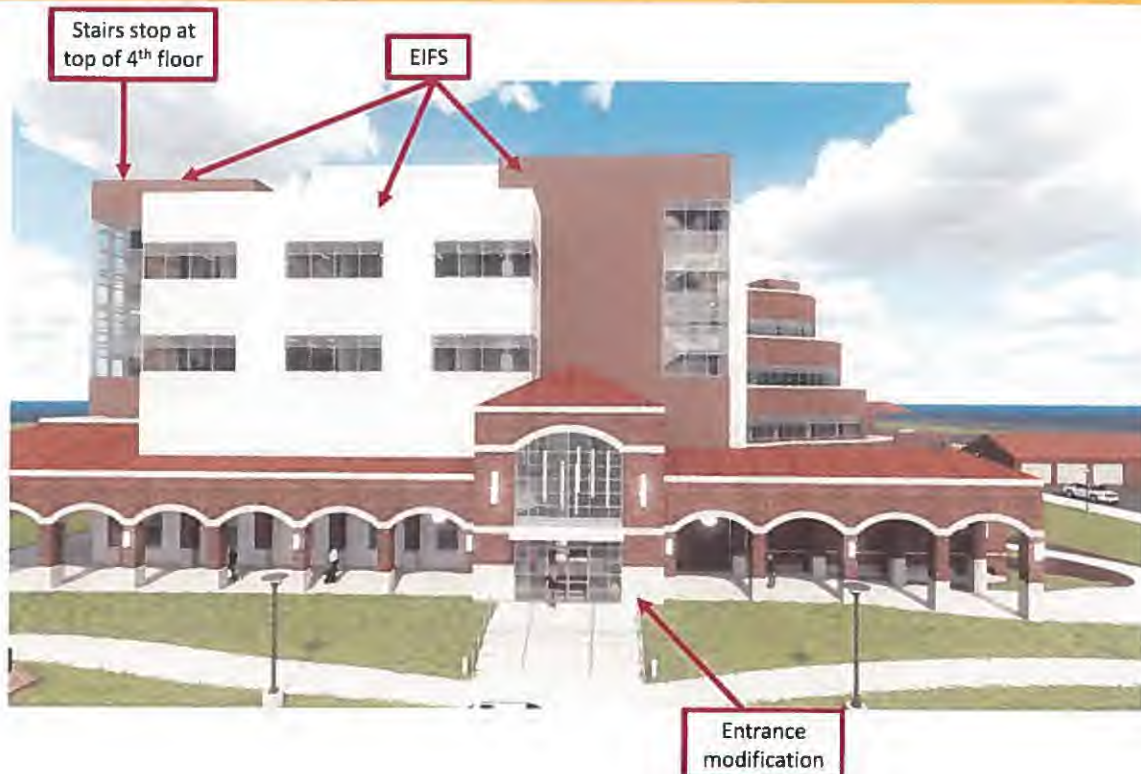
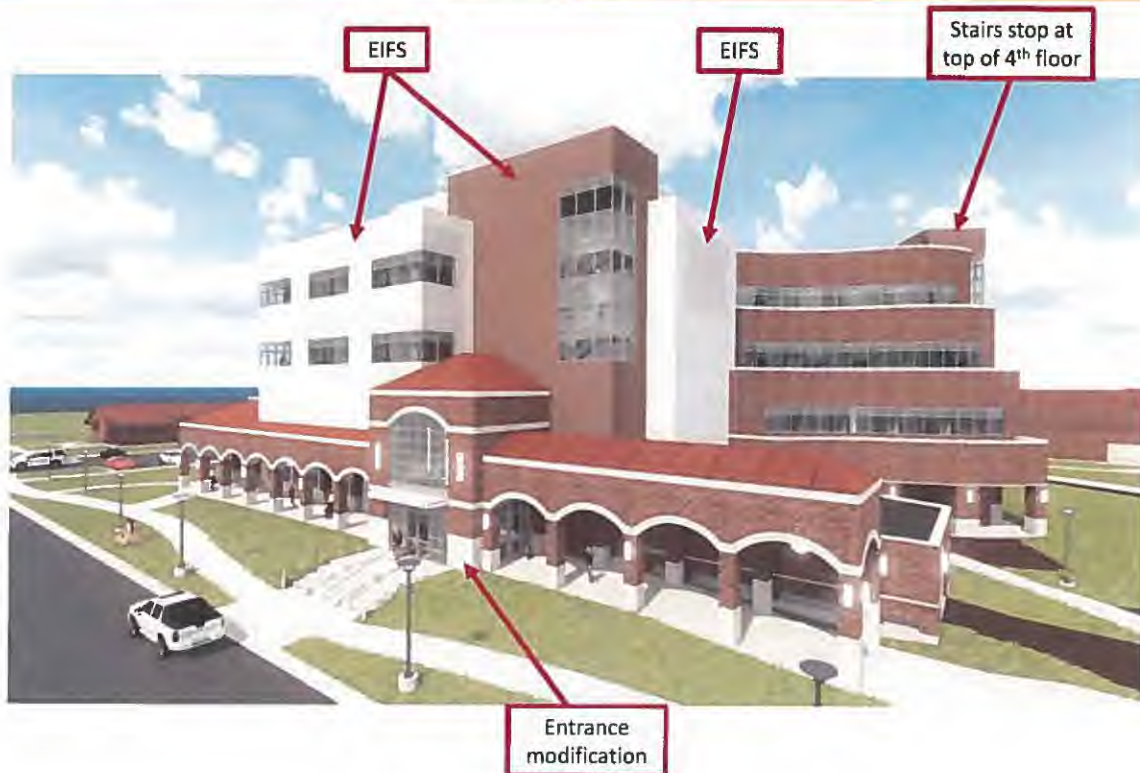
Included in the HSHS project, is a new, more secure server room/data center for IT. Funding for the specialty construction items for this room totals \$811,000 and will come from the IT Relocation TRB project budget. THS has provided a guaranteed maximum price (GMP) for the new HSHS building of \$34.3 million, including the server room expense (\$33.49 million plus \$811,000).

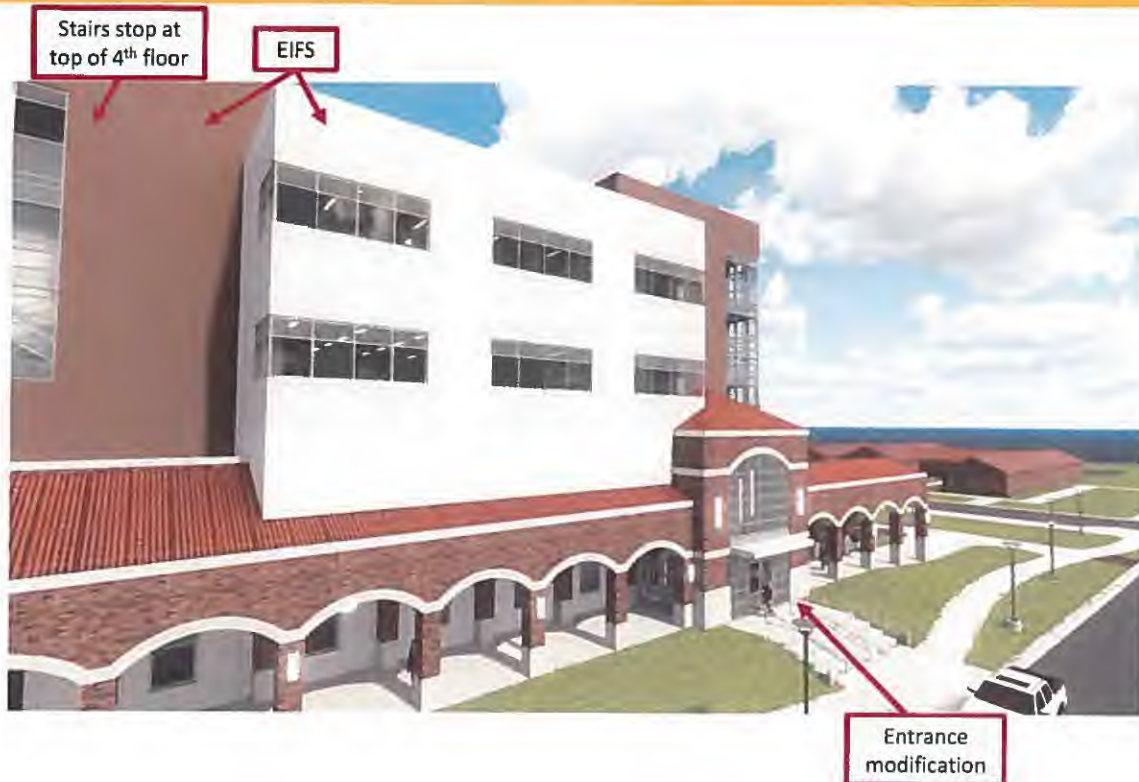
Gunn College of Health Sciences & Human Services Building Project Update

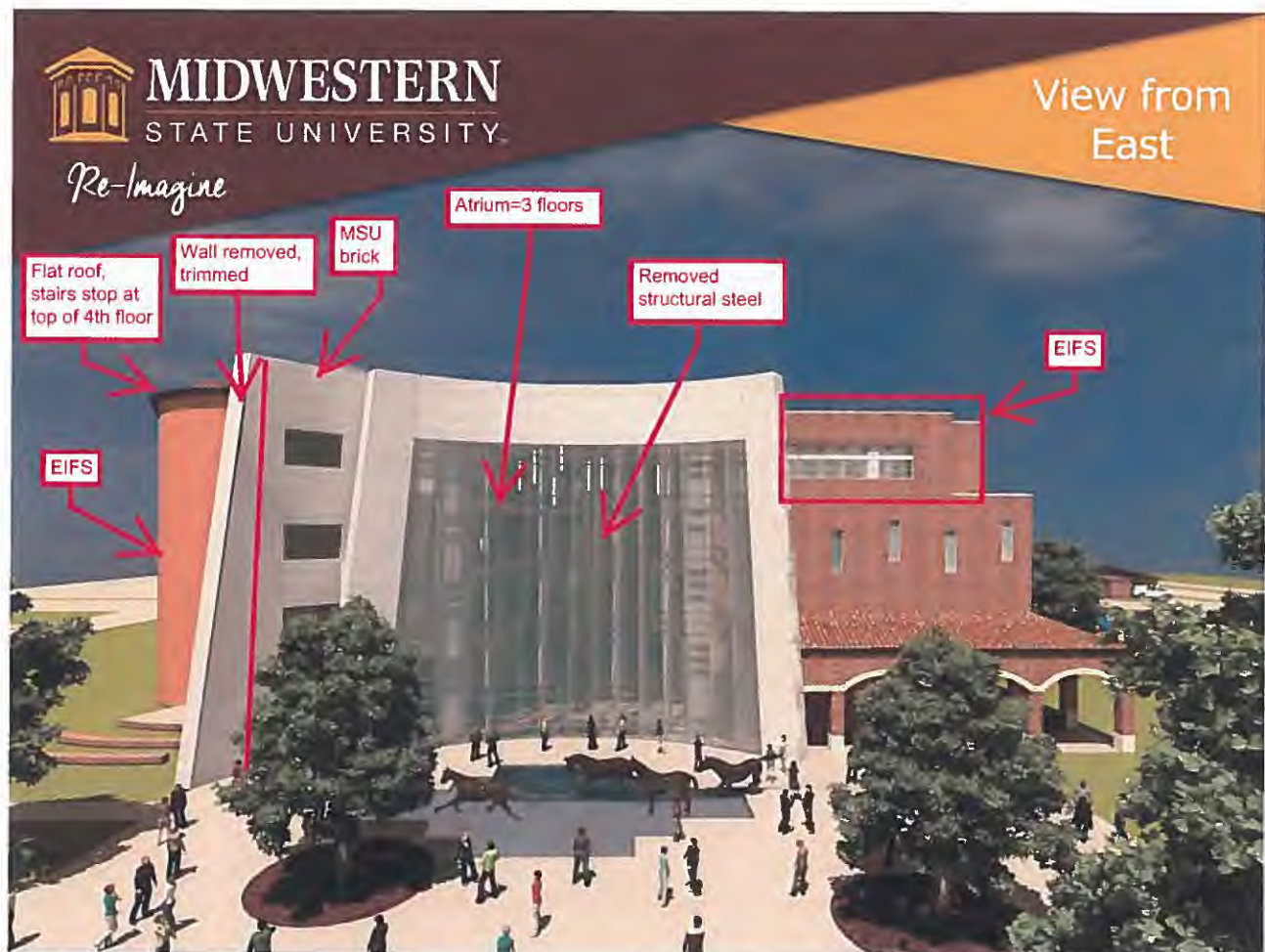
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HS+HS: Renderings of Design Adjustments, Southeast







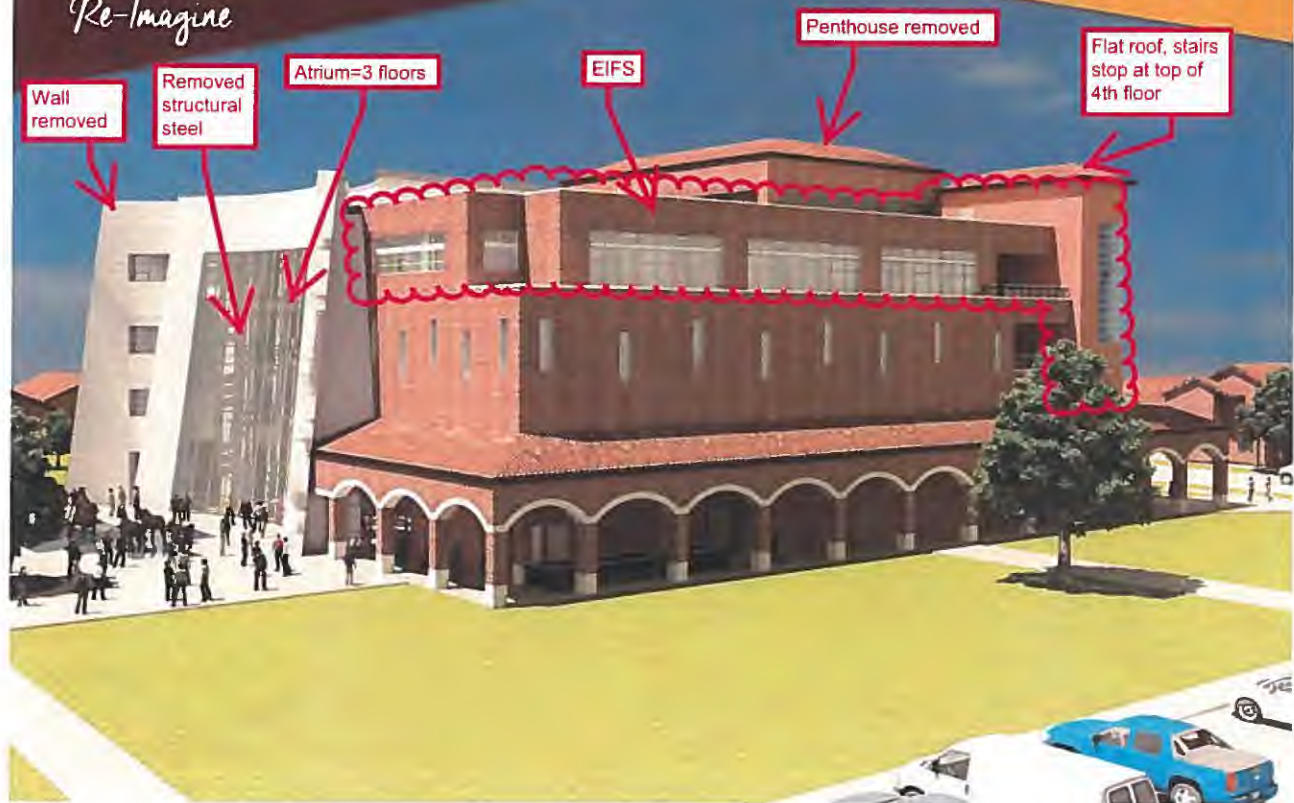




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Re-Imagine

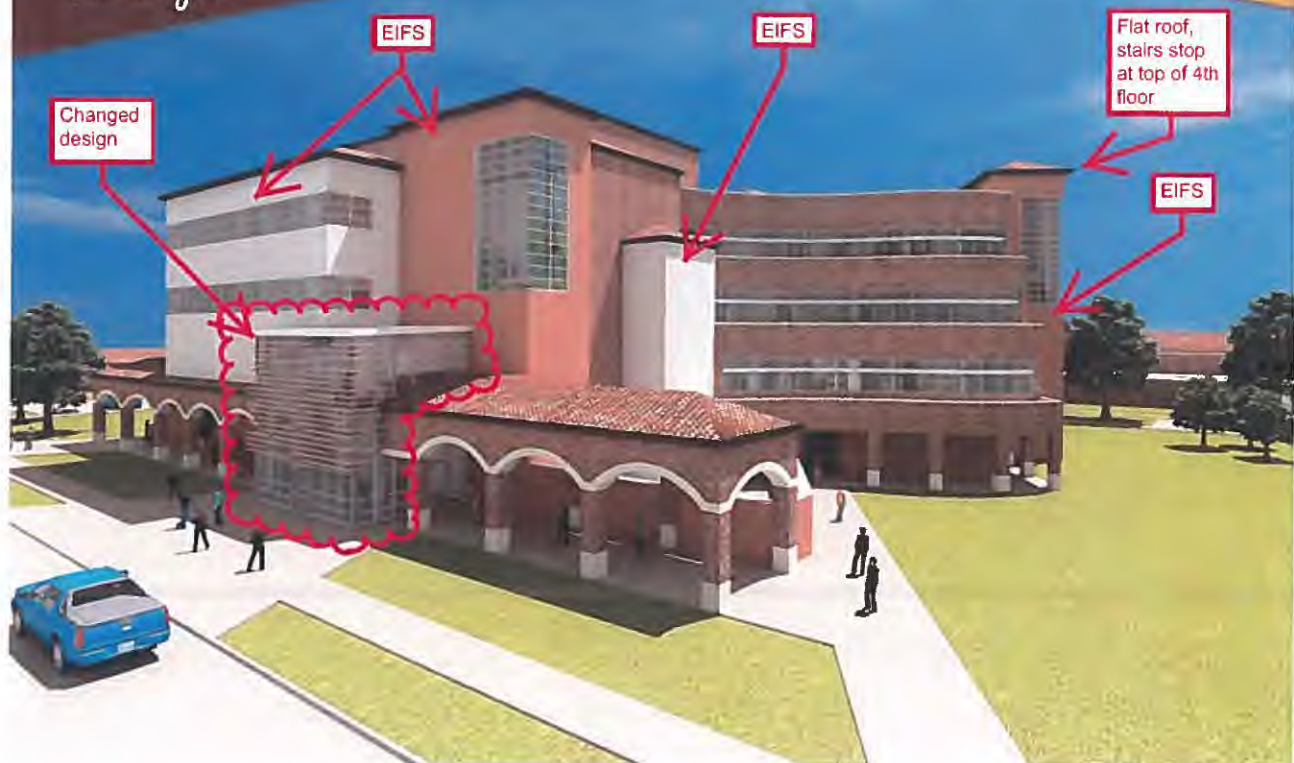
View from
Northeast



MIDWESTERN
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Re-Imagine

View from
Southwest



Removed
structural steel



HS+HS: Identified Savings



- Nov, 2017: THS developed savings options totaling \$3.64 MM. Largest savings:
 - Replace terra cotta with stucco/EIFS, west side of building \$694k
 - Atrium 3 stories, delete most smoke exhaust \$663k
 - Reduce scope of east glass wall \$400k
 - Sheetrock stairwell steel instead of fireproof paint \$310k
 - Penthouse size reduction \$300k
 - Change glass elevators to standard \$199k

	<u>Revised Budget</u>	<u>Original Budget</u>
	(Dec, 2017)	(Nov, 2016)
Construction	\$33.55 MM	\$29.25 MM
Equipment	\$3.10 MM	\$4.10 MM
Furniture	\$0.65 MM	\$0.70 MM
Architect Fees	\$2.89 MM	\$2.50 MM
Other Services	<u>\$1.81 MM</u>	<u>\$1.45 MM</u>
TOTAL	\$42.00 MM	\$38.00 MM

Fund via:

- \$2 MM reserves
- \$1 MM dec in project equip
- \$1.96 MM other TRB projects

The administration recommends the following:

1. Approval of project budget of \$42,811,000 (\$42,000,000 from HS+HS, \$811,000 from IT Relocation).
2. Authorization to contract with THS for a GMP of \$34,301,000 for HS+HS and the data center.