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Board of Regents, Murray State University

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**Minutes of the Special Joint Meeting of the Board of Regents
Buildings and Grounds and Finance Committees**

**Murray State University
March 8, 2018**

Call to Order/Roll Call

The Murray State University Board of Regents Buildings and Grounds and Finance Committees met in Special Joint Session on Thursday, March 8, 2018, in the *Jesse Stuart Room* in Pogue Library on the main campus of Murray State University. Buildings and Grounds Committee Chair Sharon Green and Finance Committee Chair Daniel Kemp called the meeting to order at 2 p.m. and welcomed those present.

The roll was called and, in addition to Ms. Green and Mr. Kemp, the following Buildings and Grounds Committee and Finance Committee members were present: Katherine Farmer, Jerry Rhoads, Phil Schooley and Tori Wood. Absent: Walter Bumphus. Other members of the Board of Regents present included: Susan Guess, Lisa Rudolph, Don Tharpe and Stephen Williams.

Others present were: Robert O. Davies, President; Jill Hunt, Senior Executive Coordinator for the President, Coordinator for Board Relations and Secretary to the Board; Mark Arant, Provost and Vice President for Academic Affairs; Jackie Dudley, Vice President for Finance and Administrative Services and Treasurer to the Board; Don Robertson, Vice President for Student Affairs; Adrienne King, Vice President for University Advancement; Fred Dietz, Associate Vice President for Enrollment Management; Renee Fister, Chief of Staff; John Rall, General Counsel; Kevin Jones, Interim Director of Facilities Management and Associate Director of Facilities Operations; Jason Youngblood, Associate Director of Facilities Design and Construction and members of the faculty, staff, students, news media and visitors.

Agenda

Call to Order

**Buildings and Grounds Committee Chair
Sharon Green/Finance Committee Chair
Dan Kemp**

Roll Call

Secretary Jill Hunt

JH Richmond Hall

**President Bob Davies/Vice President for
Finance and Administrative Services
Jackie Dudley**

Adjournment

Dr. Davies stated that the purpose/goal of the Special Joint Meeting of the Board of Regents Buildings and Grounds and Finance Committees is for discussion to occur regarding the potential options which have been presented by Luckett & Farley of Louisville, Kentucky, for the restoration or rebuild of JH Richmond Hall which was significantly damaged in an incident which occurred on June 28, 2017. The cause of the incident remains under investigation by the State Fire Marshal and the University has received no new information. There is also no timeline in terms of when the investigation will be completed. Luckett & Farley, the architectural and engineering firm that designed the original building, was asked by the University to undertake an analysis of the structural integrity of JH Richmond and provide options for restoring or replacing the facility. This work also includes alternatives for additional work for improvements related to life/safety, maintenance, energy savings and revenue enhancements. Throughout this entire process the University has worked with FM Global which is the catastrophic insurance carrier for the entire Commonwealth. FM Global has provided excellent advice and guidance throughout the process and has been proactive in helping the University move forward.

Aric Andrew, Architect, President and Chief Executive Officer and John Whitney, Architect and Market Director, Higher Education Division of Luckett & Farley were in attendance to present the various options. It was reported that selective demolition has been completed and efforts to

this point have been structural in nature to ensure the building has complete integrity and stability. It was necessary to undertake this work to allow for structural engineers to enter and evaluate the building to determine the extent of the damage and this work was undertaken by Luckett & Farley. Confirmation was provided that the firm chose the most conservative (safest) path when making decisions and developing cost projections, erring on the side of the higher arch of cost versus lower. It is possible that once the work is actually undertaken costs may not be as high as originally estimated if less work than anticipated has to be performed.

Different restoration options were presented for the various zones in JH Richmond – Area C where the explosion occurred, Area B which includes the lobby area on all four floors and Area A where there is little visible damage. Renderings were also provided in the eBoard book related to these options. Once a design option has been chosen, drawings completed and firm costs determined, a Project Statement will be presented to the Board for approval. This would include details regarding any enhancements that would need to be funded by the University. All options will include negotiation with FM Global; appropriate approval will be sought from the Council on Postsecondary Education, Legislative Research Commission and the Capital Projects and Bond Oversight Committee and funding or financing options will be determined.

If the restoration option is approved by the Board, FM Global will work with the University during the restoration process and will cover the costs to restore the building as it was immediately before the damage occurred. Any enhancements the University wishes to make during the restoration would have to be funded by the University. For this option it is recommended that Luckett & Farley be contracted for architectural and engineering work due to their extensive knowledge of the structure and this would represent a sole-sourced contract. The construction project would be bid.

If rebuilding the facility is the option approved by the Board, FM Global will work with the University and take into consideration the report prepared by Luckett & Farley. FM Global will also work with their own consultants to determine a fair cost for the restoration and will negotiate a settlement with the University. The University will then rebuild the facility in the original footprint and design and in the same location. All added costs of a new building will be funded by the University or debt will need to be issued. For the rebuilding option, it is also recommended that Luckett & Farley be contracted for architectural and engineering work since the firm performed this work for the original structure. The same drawings would be used as those for the restoration option (with any necessary updates). This would be a sole-sourced contract and the construction project would be bid.

Several options were presented to the Board and some contained enhancements to the buildings such as larger center lobbies, multi-use spaces and providing more natural light that are now being included in most student residences. The architects indicated there are some opportunities with the option of rebuilding or restoring and repairing the facility to its original condition to reflect current trends. The nature of student residences is changing to incorporate multi-use spaces for activities such as tutoring and study sessions. The building originally had two classrooms – one which was demolished – but these spaces were underutilized and could be repurposed because they were designed to be tall spaces that include two floors of footprint and this design would lend itself to the enhancement.

The cost estimates provided include construction costs, architect/engineering fees, special inspection and fees and furnishings. A construction contingency for Option 4, rebuild, is set at the typical standard of 5 percent. Due to the complex nature of the repair/restore work of the other options, a larger construction contingency of 15 percent (for change orders) is included. Furnishing costs assume that 50 percent of the original furniture is not to be replaced. Options 2 and 3 assume new furnishings for the expanded lobby/commons area. The completion dates provided assume a start date for design and development of construction documents of March 2018. Confirmation was provided that a detailed estimate was given to the insurance company four weeks ago and they seemed satisfied with the thorough exercise undertaken and no concerns were expressed. If the building is renovated there will be bills that can be provided to the insurance company so they know exactly how much something cost and this is believed to be how they would reimburse the University. Confirmation was provided that the architects and engineers are confident that if the building is restored there will be no sacrifices relative to the structural integrity of the facility.

Additional assumptions include cost inflation from 2008 to 2018 (+/- 23.5 percent) based upon tracking actual construction costs for the Richmond (2008) and Franklin (2016) projects, then extrapolating for 2018. Commentary which specifically reflects work required to selectively demolish and repair/restore the existing building per the parameters of Option 1 (repair/restore/replicate 2008 design) was provided. The work involved with Options 2 and 3 is similar. A description of work for each area was also provided and included sitework/demolition, substructure (concrete foundations, footings and slabs), super structure (structural steel and composite concrete slabs), exterior closures (brick veneer, steel stud framing, insulation, windows and doors), thermal and moisture protection (roof), interior construction, equipment, special construction/furniture, conveying systems, mechanical, plumbing and electrical and information was provided accordingly in the eBoard book.

Selective demolition in Area A would include the removal/demolition of all suspended acoustic ceilings and grid and light fixtures, minor removal of water damaged flooring and gypsum board and removal of gypsum board on one surface of all plumbing walls to allow for piping inspection. Careful review will be undertaken to ensure there is no hidden damage in this area. It was also stated that most of the finishes will be replaced in Area A so individuals will not be able to tell a difference between the three areas. The renovation plan for Area A extends beyond the demolition line in order to be conservative. In response to a question, it was stated that the language of “minor removal of water damaged flooring and gypsum board” may be misleading. It was confirmed that anything which is damaged or suspected to be damaged will be removed and replaced.

Demolition and removal of everything down to metal studs would be undertaken in Area B, including all ceilings and lighting; interior door frames and doors; gypsum board; flooring; plumbing fixtures and piping; electrical wiring and fixtures and mechanical equipment, piping and ductwork. This work would also include leaving steel studs and insulation in the walls and windows (at exterior walls).

Area C has already been selectively demolished for safety and to secure the site. Some additional demolition may be necessary to address the damaged basement foundation concrete and concrete stairs. It was also stated that underground utilities will be dug up and replaced and the demolition line actually stops before where the demolition is actually being done to be conservative or cautious.

The various options outlined and discussed were as follows:

Option 1 – repair and replace the building exactly as it is now – includes selectively demolishing Area B down to metal studs and structure/floor slabs; surveying and testing infrastructure Area A to determine extent of required work and repairing and restoring to replicate original 2008 plans (no changes to the floor plans or building exterior). The bed count would remain at the current level – 266 beds (no loss) and the estimated cost of construction is approximately \$10 million, with an estimated total cost of \$12.4 million (79,910 total square footage) and a ten-month construction phase with final completion in July 2019 (ready for student occupancy in August 2019). Option 1 advantages include lower project cost, shorter timeline, sustainability (retention and reuse of the original building which is a much more sustainable process than complete demolition and replacement) and additional savings because there is the potential for discovering engineering infrastructure items/equipment that may be reusable resulting in credit change orders.

Option 2 – repair and restore with some repurposing – includes selectively demolishing Area B down to metal studs and structure/floor slabs; surveying and testing infrastructure Area A to determine extent of required work; repairing and restoring to match original 2008 plans with repurposing/proposed modifications such as expanding the center lobby commons on all four floors and repurposing meeting rooms on the first and second floors as four-bed suites. The bed count would remain at the current level – 266 beds – and the estimated cost of construction would be \$10.7 million, with an estimated total cost of \$13.3 million (79,910 total square footage) and a ten-month construction phase with final completion in July 2019 (ready for student occupancy in August 2019). This option does not retain the large classroom spaces but it does provide a large gathering space for students in the center of the building. This option also includes opening up the facade to provide more light into the space by removing existing brick in windows and replacing with a curtain wall of glass. Confirmation was provided that this would

be done on both sides of the building. As students walk past the facility they will be able to see the activity taking place inside and this represents a community-building activity. This option starts to change the look of the building and get beyond any stigma that may be attached to the facility which helps with the culture on campus. Another possibility associated with this option is clearing out some residence rooms on the second floor to make the gathering space even larger.

Option 3 – includes selectively demolishing Area B down to metal studs and structure/floor slabs; surveying and testing infrastructure Area A to determine extent of required work and repairing and restoring to match the original 2008 plans with significant repurposing/proposed modifications to expand the center lobby/commons area on the first floor; expand center lobby on the second, third and fourth floors and repurpose meeting rooms on the first and second floors as four-bed suites. The bed count would be 260 beds (loss of six beds), with an estimated construction cost of \$11.1 million and an estimated total cost of \$13.8 million (79,910 square footage). A ten-month construction phase is projected with final completion in July 2019 (ready for student occupancy in August 2019). This option includes opening up the facade to provide more light into the space by removing existing brick in windows and replacing with a curtain wall of glass which will alter the exterior design of the building. This option also includes creating an overlook on the second floor to connect with the first floor lobby space. The third and fourth floor would be identical to those presented in Option 2. The addition of a covered porch area is included in this option on the back of the building and this represents a more modern solution.

Option 4 – includes demolishing the entire building, reconstructing and replacing to replicate original 2008 plans (no changes to floor plans or building exterior) and incorporating current energy and building code requirements. The bed count would remain at 266 with an estimated construction cost of \$16.2 million and estimated total cost of \$18.2 million (79,910 total square footage). A 16-month construction phase is projected with final completion in December 2019. Under this option warranties would be in place and all infrastructure will be new. All HVAC units and plumbing fixtures would be age consistent resulting in better energy performance. Under this option there is no concern about matching existing material finishes with new materials (roof). The entire facility would be built to meet current energy codes and because there are fewer unknowns in complete replacement versus repair/restore, Luckett & Farley has recommended reserving a 5 percent construction contingency for Option 4 versus a 15 percent construction contingency for Options 1, 2 and 3. For a reasonable additional investment, improvements can be incorporated by reworking the 2008 plans and including enhancements outlined in Options 1 and 2 (delete underutilized classrooms and increase central commons, window size and the floor-to-floor height on the upper floors).

Advantages of Option 1 include lower project cost, shorter timeline, sustainability and additional savings because as the investigation, testing and examination process proceeds during construction there is the potential for discovering engineering infrastructure items/equipment that may be reusable resulting in credit change orders. Estimates for Options 2 and 3 are projected to cost more than Option 1 but both incorporate improvements to the original 2008 design, including reconfiguring under-utilized classroom/multi-use space as residence rooms and providing expanded and more usable student commons facilities on all four floors at the building center. Option 3 costs \$1.5 million more than base Option 1 and approximately \$500,000 more than Option 2.

In response to a question regarding the actual dollar amount insurance will pay, Ms. Dudley reported that Options 1, 2 and 3 are the restoration options and insurance owes the University to restore the building to where it was before the incident occurred. If the decision is made to rebuild the facility, negotiation will need to occur with the insurance carrier and a final determination will be made in terms of how much they will pay. It is known the insurance company will not pay the entire cost of constructing a new facility. The baseline figure is \$12.3 million from the insurance company for restoring the facility. If the decision is made to restore the facility and the University chooses to make additional enhancements during the restoration process, these projects would be covered by \$2 million in additional funding the Board is being asked to approve for the purpose of making the facility even better. The same would be true for Option 4 because these additional projects would represent enhancements from what was in the original facility. If the restoration option is chosen, the insurance company will be paying actual costs as this project moves forward and the final number paid by insurance could be less or more

than the estimates provided. The insurance company has reimbursed the University for approximately \$500,000 for work which has already been undertaken for selective demolition and remediation and that amount is not included in the estimates presented. Dr. Davies clarified that the additional \$2 million from reserves the Board is being asked to approve would be utilized to undertake selected options but at this time the Regents are not being asked, if the restoration option is selected, to choose between Options 1, 2 and 3. If the Board selects Option 4 – replacement – making any of the suggested enhancements would be added onto the projected \$18 million cost.

Ms. Dudley reported that when these options were reviewed with the insurance company it was that \$12.3 million is the base reimbursement and they would begin negotiating down from there. If Option 4 is chosen, the construction contingency would be immediately reduced, resulting in close to \$10 million from the insurance company, when an \$18 million facility would be constructed. In terms of approvals required from the state, it was indicated that for the restore options there is an emergency bill – Senate Bill 61 (SB 61) – which was just approved by the Senate and contains authorization for Murray State to begin the project and does not require the University to secure approval from the Capital Projects and Bond Oversight Committee. SB 61, sponsored by Senator Chris McDaniel and co-sponsored by Senator Stan Humphries, on the basis of an emergency, authorizes Murray State University to use the proceeds of the insurance and up to \$2 million of its own resources to proceed with this project immediately. Option 4 would require approval from the Capital Projects and Bond Oversight Committee and the Council on Postsecondary Education and would basically be treated as an entirely new project, meaning it could not begin until after the start of the new fiscal year and would not be completed by December 2019. Dr. Davies clarified that if Option 4 is selected, and the additional enhancements to the facility are added, Murray State will need to contribute funding to the project and this will be very challenging to do and still maintain the University's fund balance. There is already a \$32 million infrastructure project (electrical grid) on the horizon and the institution most likely will have to contribute one-half of that cost which will require bond activity. There is already a 20-year note on JH Richmond and the University would have to continue to make that payment for another ten years (slightly over \$900,000 per year) and any other bond notes would be on top of that amount. The Commonwealth's fiscal situation must also be taken into consideration in making this decision. It likely would not be perceived well legislatively if the University decides not to renovate the facility, with possible enhancements.

Confirmation was provided that work is underway to document that bid packages will be evaluated on best value criteria instead of on lowest cost as the highest weighted value.

Concerns discussed included:

- 1) Whether the structure will look like two different buildings if the option of repair/restore is chosen. Confirmation was provided that the materials in the building are straight-forward and readily available – such as paint and drywall, flooring and ceiling systems.
- 2) Whether the new brick will match the old under the restoration option. Confirmation was provided that what is currently on the building is a common brick. This likely will not be an issue because there is no location where the brick of the current structure will match up with the brick of the new structure, although a limestone band may have to be utilized in some locations (such as corners).
- 3) Whether the University will be responsible for the cost of replacing the red metal roof because of the slim likelihood that a new roof would match up exactly with the old. The University will add funding to this project to replace the entire roof so it matches. Confirmation was provided that insurance has to this point indicated it will not cover the full cost if the University elects to proceed in this fashion. A suggestion was made that additional negotiation with the insurance company may need to occur in terms of what constitutes fully restoring the building to its original condition prior to the event because part of that is having everything match aesthetically. It was indicated that from the insurance company's perspective only replacing a portion of the roof would restore the facility to where it was functionally. The structural engineers did look at the remaining roof and do not believe it has any structural damage. If it does have damage, then insurance would be responsible for covering that cost. Confirmation was provided that the entire roof replacement cost is included in the \$2 million in additional funding mentioned earlier. Enhancements such as turning the classrooms into multi-use space and reworking the lobby areas will not be covered by insurance. If the Board desires for additional investigation to be undertaken in order to have a more detailed picture up front

of all potential damage which may exist in the structure that is still standing, this will extend the timeline for being able to begin making necessary repairs to the facility.

- 4) Hazardous abatement and remediation may need to be discussed further. It is known that mold has been discovered in Area A and, as a result, part of the drywall has been removed which caused great concern for one Regent in particular in terms of what could happen in the future. Confirmation was provided that all plumbing walls will be checked thoroughly for water damage which could lead to mold and this includes what occurred as a result of the incident and subsequent to the event. In response to whether Luckett & Farley will guarantee if the restoration option is chosen that there will be no mold in the building, it was indicated they cannot make that guarantee. They also would not be able to make that guarantee for a new building. Ensuring the conditions necessary for mold to develop are not present will be a primary consideration. Mold spores are everywhere but will not continue to live unless there is a food source and water and any significant concentration of mold spores will be identified and removed. Part of the proposed restoration plan is to engage professionals to inspect and test for mold and certify the building as being free from mold as part of their process. A hazardous materials testing agency would inspect the building according to standard procedures for doing so. Throughout Area A repairs will be made to all gypsum board affected by water damage, in addition to replacing all carpet, acoustic ceiling, sheet vinyl, vinyl tile and wall coverings. All finishes will be completely redone in Area A but at this point the full extent of the damage is unknown. Anything that does not look right will be removed and either the insurance company or contingency funding will cover the cost. There will be a visual inspection and contractors will remove what logically needs to be removed. Exploratory demolition will also be undertaken in a logical fashion and then testing will be done to determine whether there is the presence of mold. No contractor will guarantee there will be no mold but buildings are designed in a way so they do not have the sources necessary for mold to grow. Agreement was reached that exactly how this process works and exactly what certification means will be researched further and additional information will be shared with the Board.
- 5) Confirmation was provided that the bidding process for construction work will need to follow state-mandated procedures.

Restoration of JH Richmond Hall, approved

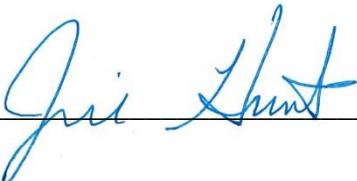
Mr. Rhoads moved that the Board of Regents Joint Buildings and Grounds and Finance Committees, upon the recommendation of the President of the University, approve the option to restore JH Richmond Hall to its original condition immediately prior to its damage, approve a Personal Services Contract with Luckett & Farley for the design work on this project and approve the use of no more than \$2 million for energy efficient, long-term maintenance, revenue factors and structural changes to the building funded from existing housing reserves. Ms. Wood seconded.

Confirmation was provided that, when available, the administration will present to the Board final cost figures for the restoration work, including any enhancements to JH Richmond, for final design approval. The Board will also be required to approve any proposal for how the additional \$2 million would be expended for enhancements. It is anticipated this will be presented to the Board for consideration at the Special Board of Regents Meeting on May 11, 2018, the Quarterly Meeting on June 8, 2018 or at another Special Meeting of the Board of Regents – date to be determined.

The roll was called with the following voting: Ms. Farmer, yes; Ms. Green, yes; Mr. Kemp, yes; Mr. Rhoads, yes; Mr. Schooley, yes and Ms. Wood, yes. The motion carried.

Adjournment

There being no further business to come before the Special Joint Meeting of the Board of Regents Buildings and Grounds and Finance Committees, Mr. Rhoads moved, seconded by Ms. Wood, that the meeting adjourn. Adjournment was at 3:45 p.m.


Secretary


Chair