

RM00
Morgan State University

Capital Budget Summary

State-owned *Capital Improvement Program*
(\$ in Millions)

<i>Projects</i>	<i>Prior Auth.</i>	<i>2016 Request</i>	<i>2017 Est.</i>	<i>2018 Est.</i>	<i>2019 Est.</i>	<i>2020 Est.</i>	<i>Beyond CIP</i>
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Campuswide Utilities Upgrade – Phase IV	\$36.275	\$4.613	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
New Behavioral and Social Sciences Center	9.697	31.007	33.200	5.500	0.00	0.000	0.000
New Student Services Support Building	1.600	0.000	4.500	6.350	28.550	36.850	0.000
McMechen Surge	0.000	0.000	0.200	2.550	0.000	0.000	0.000
Jenkins Demolition	0.000	0.000	0.000	0.000	0.300	3.350	0.000
Total	\$47.572	\$35.620	\$37.900	\$14.400	\$28.850	\$40.200	\$0.000

<i>Fund Source</i>	<i>Prior Auth.</i>	<i>2016 Request</i>	<i>2017 Est.</i>	<i>2018 Est.</i>	<i>2019 Est.</i>	<i>2020 Est.</i>	<i>Beyond CIP</i>
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GO Bonds	\$47.572	\$35.620	\$37.700	\$14.400	\$28.850	\$40.200	\$0.000
Nonbudgeted funds	0.000	0.000	0.200	0.000	0.000	0.000	0.000
Total	\$47.572	\$35.620	\$37.900	\$14.400	\$28.850	\$40.200	\$0.000

CIP: *Capital Improvement Program*

GO: general obligation

Summary of Issues

Management of Capital Projects

The increase in the scope, size, and cost of the Behavioral and Social Sciences Center, which came to light late in the design phase, resulted in the total cost of the project increasing \$12.0 million from \$67.4 million to \$79.4 million. This leads to a question regarding the institution's capital management process – does it have the capacity and ability to provide proper oversight of complex and large projects?

Summary of Recommended Bond Actions

	<u>Funds</u>
1. Campuswide Utility Upgrades	
Approve \$4.6 million to complete design and renovations and upgrades of campus utility systems.	
2. New Behavioral and Social Sciences Center	
Approve \$31 million for design and construction.	
3. Section 2 – Campuswide Utility Upgrade	-\$390,000 DA
De-authorize remaining unencumbered funds.	
4. Section 2 – Morgan State University – New Center for the Built Environment	-\$300,000 DA
Increase amount de-authorized.	
5. Section 2 – Campuswide Utilities Upgrades	-\$215,000 DA
This de-authorizes a portion of funds not needed to complete the Campuswide Utilities Upgrade project.	
6. Section 2 – Morgan State University – Banneker Hall Renovation	
Approve de-authorization of \$1 million.	
7. Section 2 – Morgan State University – Soper Library Demolition	
Approve de-authorization.	

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8. Section 2 – Morgan State University – Soper Library Demolition -\$200,000 DA

Increase amount de-authorized.

9. Section 12 – Morgan State University – New Behavioral and Social Sciences Building

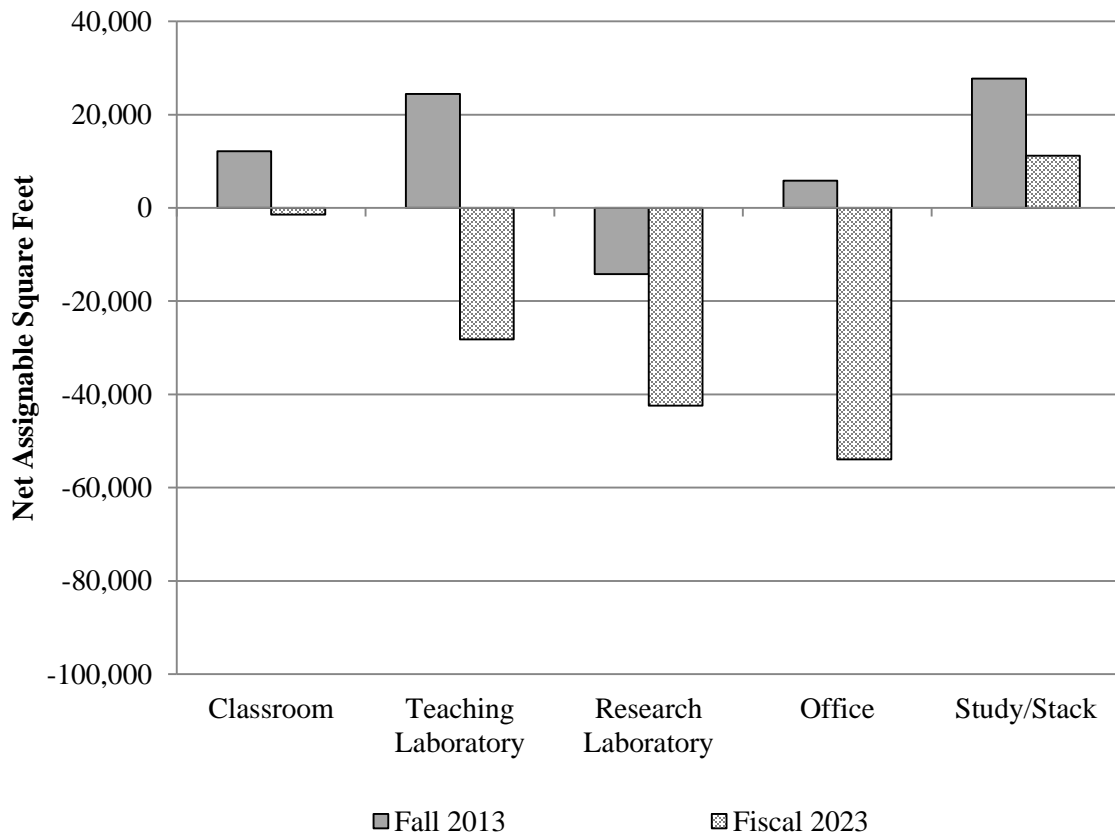
Approve the pre-authorization of \$30.2 million.

Total Reductions **-\$1,105,000**

Performance Measures and Outputs

According to the Maryland Higher Education Commission (MHEC), as of fall 2013, Morgan State University (MSU) has a surplus of 36,592 net assignable square feet (NASF) of academic space (classroom and teaching laboratory) as shown in **Exhibit 1**. By fiscal 2023, based on MSU's projected 17% enrollment growth in full-time day students, it will have an academic space deficit of 29,657 NASF. While MSU is projected to have space deficits by fiscal 2023 in all areas except study/stack, most notable is the significant deficit in office space, which is estimated to grow by 48,117 NASF to -53,959 NASF. This is primarily due to MSU's projection of a 28% increase in the number of full-time equivalent faculty.

Exhibit 1
Academic and Research Space Deficiency
Fall 2013 and Fiscal 2023



Source: Maryland Higher Education Commission, Four-year Public Colleges and Universities Academic Space Surplus/Deficiency, Fall 2013, Projected 2023

Budget Overview

Campuswide Utilities Upgrade – Phase IV

This is the final phase to construct upgrades to the gas, water, sewer, stormwater, steam, electric, and data/telecommunication systems across campus. Prior authorizations for previous phases total \$30.2 million. The 2014 capital budget provided \$6.1 million to complete the design and construct the first portion of the Phase IV projects, an increase of \$1.1 million from what was programmed in the 2013 *Capital Improvement Program* (CIP) due to the addition of an upfront chiller and related utility equipment purchases. The 2015 capital budget provides \$4.6 million to complete design and construction of the project.

A utility survey completed in 2000 revealed that several of MSU's systems were at the end of their life cycles and in poor condition. The utilities upgrade project was broken into four phases with this being the fourth and final phase, which includes improvements to the campus electrical distribution system to provide communication upgrades to various facilities; telecommunications upgrades to enhance and support current and future communication requirements; and installation of new chillers to lower energy consumption and reduce maintenance costs. A majority of the improvements will occur at the southern end of the campus near the Morgan Commons and the Montebello complex.

Projects include replacing high voltage switchgear in the Montebello substation, replacing the telecommunications duct bank on south campus, replacing steam and domestic water pipes, connecting Baldwin Hall and the Hill Field House to the Morgan Commons district chiller plant, replacing two chiller units and installing an additional unit in Spencer Hall, and installing a fiber voice network.

New Behavioral and Social Sciences Center

The General Assembly added \$4.5 million in general obligation bond funds to the 2014 session capital budget bill so that MSU could initiate the procurement process and begin construction of the New Behavioral and Social Sciences Center in fiscal 2015. Language was also added providing pre-authorizations of \$32.3 million and \$25.6 million for fiscal 2016 and 2017, respectively, for construction enabling the Board of Public Works to approve the construction contract during fiscal 2015.

Since the 2014 CIP, there has been a significant increase in the size, scope, and cost of the project. The size of the project has increased by 5,757 NASF/23,299 gross square feet (GSF) resulting in a 74,462 NASF/148,229 GSF facility. This resulted in the total cost of the project increasing \$12.0 million from \$67.4 million to \$79.4 million of which \$8.8 million and \$3.5 million are related to construction and equipment, respectively. This cost overage is due to the addition of academic and operational space including a Dean's office suite, reconfiguration of classroom space, a mechanical penthouse, and teaching laboratory space. Increases in equipment costs are mainly related to furniture, which accounts for over half of the total cost. In addition, \$1.6 million of the overage is related to costs associated with the poor soils identified in the Geotechnical Report that was not completed until the end of schematic design but is a cost that should have been anticipated given the geology of the area.

By the time these issues came to the Department of Budget and Management's (DBM) attention, the project was at a point in the design process where any significant changes to reduce the scope and cost would require additional design funds and delay the project. MSU agreed to remove two items from the scope – work on the Morgan Wall surrounding the shopping center and community and resurfacing the South Parking Lot and Havenwood Road – resulting in \$1.3 million reduction in the cost of the project. These factors lead to questions regarding MSU's capital management process, which is discussed in Issue 1.

This facility will replace the Jenkins Behavioral and Social Science Building, which was constructed in 1974 and is currently in poor condition and cannot be economically renovated. The departments of Psychology, Sociology and Anthropology, Political Science, History and Geography, and Economics are currently housed in the existing Jenkins building. The building's 40-year-old mechanical, electrical, and plumbing systems are failing, making the instructional space functionally inadequate. Due to the configuration of the building, which contains an atrium and a massive staircase, it is not cost effective to renovate the building since it would be technically difficult to enclose the atrium and remove the central staircase without affecting the structural integrity of the building. The new facility will provide 23,769 NASF and 14,396 NASF of classroom and teaching laboratory space, 17,375 NASF of office space, and 1,134 NASF of animal facilities space.

Issues

1. Management of Capital Projects

As previously discussed in the budget overview, the increase in the scope, size, and cost of the Behavioral and Social Sciences Center, which came to light late in the design phase, leads to questions regarding MSU's capital process. This is not the first project in which the scope was changed, thereby affecting costs *i.e.*, adding a connecting bridge to the School of Business and the demolition cost of the Northwood building increased because the original estimates did not reflect the actual size of the building to be demolished.

In February 2008, the Office of Legislative Audits released an audit of MSU, which included five findings related to the telecommunication hub relocation project. As a result, restrictive language was added to the fiscal 2009 capital budget on two projects until a management consultant was retained to review MSU's capital project management and make recommendations ensuring appropriate oversight by the university and the Board of Regents. Based on the recommendations of the consultant, MSU made several changes to its process including improving management oversight of the design and construction management process through the creation of a Capital Construction Review Committee. The consultant's report further stated that the actions being undertaken by MSU should result in improvement in project outcomes. However, the consultants recommended that MSU should use an outside construction management firm for large or complex projects. The complexity and size of recent projects, along with other projects, which contain many components (such as campuswide improvements), appear to challenge the university's ability to adequately manage and ensure projects are appropriately designed and within budget. **Therefore, consideration should be given to the**

consultant's recommendation of using an outside firm or at least utilizing the experience and services of the Department of General Services to manage larger and complex projects.

Operating Budget Impact Statement

Executive's Operating Budget Impact Statement (\$ in Millions)

		<i>FY 2016</i>	<i>FY 2017</i>	<i>FY 2018</i>	<i>FY 2019</i>	<i>FY 2020</i>
Campuswide Utilities Upgrade – Phase IV						
	Estimated Operating Cost	\$0.000	\$0.040	\$0.000	\$0.000	\$0.000
	Estimated Staffing	0	0	0	0	0
New Behavioral and Social Science Center						
	Estimated Operating Cost	0.000	0.000	0.816	1.399	1.423
	Estimated Staffing	0	0	0	0	0
Total Operating Impact						
	Estimated Operating Cost	\$0.000	\$0.040	\$0.816	\$1.399	\$1.423
	Estimated Staffing	0	0	0	0	0

Summary of Other Projects in the Capital Improvement Program

McMechan Surge

This project was added to the 2014 CIP and would renovate space at McMechen in order to provide surge space for the remaining occupants in the Jenkins building who will not be relocated to the New Behavioral and Social Sciences Center. This will allow for the demolition of the Jenkins building. The 2015 CIP programs \$0.2 million in design funds in fiscal 2017 and \$2.6 million in construction funding in fiscal 2018.

Jenkins Demolition

The project to demolish the Jenkins Behavioral and Social Sciences Building was added to the 2014 CIP. The 2015 CIP programs \$0.3 million for planning in fiscal 2019 and \$3.3 million for construction in fiscal 2020.

Projects Deferred

Preliminary design funds of \$1.6 million were added to the 2014 session capital budget bill to start the design of the New Student Services Support Building in fiscal 2015, one year ahead of the schedule programmed in the 2014 CIP. However, detailed design funding for the New Student Services Support Building has been deferred from fiscal 2016 to 2017 in order to remain within the debt affordability ratios. A description of the project is shown in **Exhibit 2**. Funding of \$5.5 million to begin construction is programmed in fiscal 2018. Construction funding of \$27.2 million and \$32.7 million is programmed in fiscal 2019 and 2020, respectively. The facility will be constructed on the site previously occupied by the Soper Library. The 71,595 NASF facility is estimated to cost \$77.9 million.

Exhibit 2 Projects Deferred Fiscal 2016

<u>Project</u>	<u>Description</u>	<u>Reason for Deferral</u>
New Student Services Support Building	Construct a new facility to house student services functions	Remain within debt affordability ratios

Source: Department of Budget and Management, 2015 *Capital Improvement Program*

Pre-authorizations and De-authorizations

Exhibit 3 shows the pre-authorizations for the New Behavioral and Social Sciences Building as previously discussed and the de-authorizations of \$0.5 million for the Center for the Built Environment and Infrastructure Studies, \$1.0 million for the Banneker Hall Renovation and Hub Relocation, \$0.3 million for the demolition of Soper Library, and \$0.6 million for campuswide utilities upgrade. De-authorizations for all the projects, excluding Banneker Hall, were increased because funds were not needed as the projects were completed.

Exhibit 3
Pre-authorizations and De-authorizations
(\$ in Millions)

Pre-authorizations				
Project	FY 17	FY 18	FY 19	Reason
New Behavioral and Social Sciences Building	\$30.2	\$0.0	\$0.0	Allows for bidding and awarding of construction contract in fiscal 2016.

De-authorizations		
Project	De-authorized Amount	Reason
Center for the Built Environment and Infrastructure Studies	\$0.5	Project completed.
Banneker Hall Renovation and Hub Relocation	1.0	Project completed.
Soper Library Demolition	0.3	Project completed.
Campuswide Utility Upgrade	0.6	Project completed.

Source: Department of Budget and Management, 2015 *Capital Improvement Program*

GO Bond Recommended Actions

1. Approve \$4.6 million in general obligation bonds to complete design and construction of Phase IV of renovations and upgrades of campus utility systems.
2. Approve \$31 million in general obligation bonds to design and construct the New Behavioral and Social Sciences Building.
3. De-authorize remaining unencumbered funds.

ZF0650	Section 2 – Campuswide Utility Upgrade.....	\$ 0
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Add the following language:

<u>RM00</u>	<u>MORGAN STATE UNIVERSITY</u> <u>(Baltimore City)</u>
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<u>(A)</u>	<u>Campuswide Utility Upgrade. Provide funds to construct Phase III and design Phase IV of the utility upgrades on the Morgan State University Campus</u>	<u>[7,723,000]</u> <u>7,333,000</u>
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Explanation: This action de-authorizes a portion of the funds provided for the Morgan State University Campuswide Utility Upgrade project as the project is near completion and the funds are not needed to complete the project.

4. Increase amount de-authorized.

ZF1200	Section 2 – Morgan State University -- New Center for the Built Environment	\$ 0
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RM00 – Morgan State University

Amend the following language:

Section 12(3)

RM00

MORGAN STATE UNIVERSITY
(Baltimore City)

- (E) New Center for the Built Environment and Infrastructure Studies.
Provide funds to construct and equip a new Center for the Built
Environment and Infrastructure Studies [26,935,000]
26,735,000
26,435,000

Explanation: This action increases the amount de-authorized to reflect additional unencumbered funds that remain available at the close out of the project.

5. This de-authorizes a portion of funds not needed to complete the Campuswide Utilities Upgrade project.

ZF1550 Section 2 – Campuswide Utilities Upgrades..... \$ 0

Add the following language:

Chapter 485 of the Acts of 2009, as amended by Chapter 396 of the Acts of 2011

Section 1(3)

RM00

MORGAN STATE UNIVERSITY
(Baltimore City)

- (A) Campuswide Utilities Upgrade. Provide funds to complete the
construction of a utility tunnel project on the Morgan State University
campus and to reimburses the University for utility upgrades in the
Morgan Commons and the Academic Quad [4,035,281]
3,820,281

Explanation: This action de-authorizes a portion of the general obligation bond funds authorized in the 2009 capital budget bill for the Morgan State University Campuswide Utilities Upgrade project as the funds are not needed to complete the project.

6. Approve the de-authorization of \$1.0 million in general obligation bonds to renovate Banneker Hall and relocate the telecommunications hub.

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7. Approve de-authorization of funds not needed to complete the project.
8. Increase amount de-authorized.

ZF3400	Section 2 – Morgan State University – Soper Library Demolition	\$ 0
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Amend the following language:

RM00	MORGAN STATE UNIVERSITY (Baltimore City)
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(B)	Soper Library Demolition. Provide construction funds for the demolition of Soper Library, provided that notwithstanding Section 6 of this Act, work may commence on this project prior to the appropriation of all funds necessary to complete this project	[3,850,000] 3,750,000 <u>3,550,000</u>
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Explanation: This action increases the amount of funds to be de-authorized based on the amount of funds needed to complete the project.

9. Approve the pre-authorization of \$30.2 million in general obligation bond funds for fiscal 2017 to complete construction of the New Behavioral and Social Sciences Building.