



**STATE BOARD OF EDUCATION
TRUSTEES OF BOISE STATE UNIVERSITY
TRUSTEES OF IDAHO STATE UNIVERSITY
TRUSTEES OF LEWIS-CLARK STATE COLLEGE
BOARD OF REGENTS OF THE UNIVERSITY OF IDAHO
STATE BOARD FOR PROFESSIONAL-TECHNICAL EDUCATION
TRUSTEES FOR THE IDAHO SCHOOL FOR THE DEAF AND THE BLIND**

**APPROVED MINUTES
STATE BOARD OF EDUCATION
SPECIAL MEETING
June 24, 2004
650 W. State St. Room 307
Boise, Idaho
11:30 am MT/10:30 am PT**

A special meeting of the Idaho State Board of Education was held on June 24, 2004 at 650 West State Street, Room 307, Boise, Idaho. The meeting was called to order at 11:30 a.m. and presided over by Board President Rod Lewis. The following members were present via teleconference or at the State Board of Education office:

Rod Lewis, President	Milford Terrell, Secretary
Laird Stone, Vice President	Blake Hall
Sue Thilo	Marilyn Howard, Superintendent of Public Instruction
Karen McGee	

Absent: Paul Agidius

1. Idaho State University Capital Project – Rendezvous Building

Leo Herrman, Darrell Buffaloe, and Ken Prolo represented Idaho State University (ISU). ISU needs Board approval to increase the cost for the Rendezvous Building. The March bids for Phase III came in \$8.8 million over budget. Plans changed and portions that were over budget were rebid. The new bids that were received brought the cost down to \$4.7 million over budget. It is the feeling of ISU that if they rebid the building again, the costs will be even higher. ISU is faced with two problems: (1) the rebids are about to expire; and (2) to get the rebid within budget; the building would be less than what was planned.

Board member Stone requested information on why certain items were not included in the construction manager's original estimate. Board President Lewis wanted to know the strength of the general contractor's first budget amount, and why ISU ended with such a variance. Mr. Buffaloe informed the Board that this is a construction manager project. A lot of this is related to steel and concrete costs that did not take into account inflation. Mr. Buffaloe was asked whether he went back and challenged the rebids and whether any value engineering was done. He informed the Board that they talked to everyone.

Mr. Prolo was asked what would happen with the amortization costs and to give the Board a better sense of how ISU intends to pay the debt. Mr. Prolo informed the Board that, overall, the bond indebtedness for ISU is very low. Mr. Herrman informed the Board that there is funding from student fees to cover these costs, as well as for the purchase of the Idaho Falls property. ISU anticipates there should be over \$650,000 surplus to put toward the debt financing in FY05.

President Lewis asked how much of the project is bonded and how much is not. Mr. Herrman directed the Board to the information sheet showing from where the funds would come. He went on to ask if ISU is seeking approval of the building budget and of the change in the bonding revenue. Mr. Hermann stated that ISU is seeking approval to go forward with the construction, and bringing the funding and land purchase to the August meeting.

Board member Hall believes that one of the problems is that this is a construction management process. What responsibility does the construction manager have to the Board and to ISU for his erroneous estimates? ISU staff informed the Board that the architects also estimated the budget. Board member Hall asked if ISU has known about the over budget amounts, why did ISU not bring it to the Board at its most recent Board meeting? Mr. Buffaloe informed the Board that when the bids came back in March 2004, they had a reasonable chance it would come in under budget, but they did not find out that there would still be an over budget bid until June 17, 2004.

Darren Dealy, who is the architect, asked to speak to the Board. He informed the Board that what occurred between when the rebids were opened in March and now, is that there have been other costs that have increased due to the increased cost for materials because of gasoline/oil product increases.

Board member Hall also called attention to the fact that someone from ISU advised the media that the Board had accepted the newest bids. Mr. Buffaloe informed the Board that he had spoken with the media, for which President Bowen reprimanded him.

Board member Howard wanted clarification regarding "different design." Mr. Herrman informed the Board that there have been changes made to the design, because of the value engineering, and it is now the building ISU really wants. Board member Howard went on to ask for clarification on the estimates of over \$650,000 from housing and whether these the increases recently approved by the Board? Mr. Herrman stated this is ongoing, and that this is a very conservative figure.

Mr. Stivers informed the Board that if the current bids expire, the cost overruns will increase another \$2-\$3 million. ISU staff told the Board that if they go back to the rebids, these costs could go even higher due to the increases in gasoline/oil products. Board member Hall asked for empirical evidence to verify these statements. However, due to the building code, a lot of changes could not be made.

Board member McGee asked Board member Terrell about whether bidders come back with lower bids. Board member Terrell declined to answer because of his involvement in the process.

Board President Lewis asked to what extent the June 2003 design change impacted the budget. When ISU put the budget together, there was a different concept of what the building would look like; and that's how the June 2003 redesign came about. In June 2003, ISU requested an increase of approximately \$1.5 million.

Board President Lewis wanted to know what additional net income of the \$650,000 comes from the student fee increase just approved. ISU staff stated this is not related to the increase in bonding, but to the increases in housing, which includes salaries and expenses. This is net income only in the fact that none of the bond payments have been subtracted from this amount, but it is dedicated to the housing bonds.

Board President Lewis asked for a timeline on a budget that would fit the current budget amount; whatever steps would need to be taken. ISU staff informed the Board that it would be at least until next year before the rebids would go out and it would not be the building ISU envisioned. ISU also told the Board that there are bids that will expire June 29, but there are other bids that will not expire for another 45 days.

Board member Hall asked if this was one of the projects approved by the Legislature, and it was. ISU staff told the Board that the Legislature approved money for the academic portion of the building, and other funding is necessary for the new student union building and the residential portion. If that portion of the building was only built, the entire building would need to be redesigned.

Mr. Nick Miller, of the firm Hawley Troxell Ennis & Hawley, LLP, reiterated that the Idaho State Building Authority (ISBA) only had the money to work on the academic portion, and so each institution would have to pick up the cost of any overages. The project was authorized by the Legislature, but only a certain amount of money was committed. ISBA retained the right to approve changes to the building in their oversight role and, as long as the development agreement with the institutions was upheld.

Board member McGee asked what would happen to the project if the Board does not approve this. Mr. Herrman informed the Board that if that were the case, a complete redesign would need to be made and the savings would not be that significant. Mr. Dealy stated there would be additional costs of \$500,000 to \$1 million before it ever hits the streets again for bid.

Board member Howard wants to know how ISU going to pay for this building. Is it true that they have enough in student fees. Mr. Herrman stated that that is the case. Dr. Howard then asked if, when the Board voted to increase student fees, was this building included. ISU staff stated it was not. Board President Lewis asked how much additional income will ISU expect to derive from the increase in housing costs approved by the Board in their regular June meeting? The increase was not factored into the Rendezvous Building. Board President Lewis asked the net dollar amount and percentage ISU could expect to receive. Jeff Shin stated the percentage was in the range of 3-4%. Dr. Howard asked if there is some hidden agenda to build in some cushions in the student fees.

Board President Lewis went on to state that he is very troubled by this type of review and request for approval. He is also concerned by the idea that the budget amount might be going up.

Mr. Shinn stated he does not have the total dollar amount generated, but the percentage is in the 3-4% range. Mr. Herrman said he would be able to get those figures for the Board, but that he did not have them readily handy. He went on to state that the housing portion was informational only.

M/S (Hall/Howard): To not approve the request by Idaho State University to increase the project budget for the Rendezvous Building from \$38,810,000 to \$43,510,000 and not go forward with the project at this time. *A roll call vote was asked for. The motion failed by a 3-to-3 vote, with member Terrell abstaining (Hall, Howard and Lewis voted in the affirmative; Stone, Thilo and McGee voted in the negative).*

Board member Terrell requested that the questions asked during this meeting be answered in writing. Board member McGee asked that another special meeting be held to discuss this matter.

Board member Thilo requested further information be sent to the Board before the bids expire on June 29. Mr. Shinn offered to obtain more information for the Board members from ISU. Board member Thilo asked about the bonding capacity.

M/S (Hall/Terrell): To adjourn the meeting. *A roll call vote was called for. The motion passed by a 5-to-2 vote, McGee and Terrell dissenting.*

There being no further business, the meeting adjourned at 12:50 pm.