

## Williston State College, February 27, 2014

Authorize WSC to increase spending for the Workforce Training project from \$6,738,267 to \$8,238,267 funded from \$500,000 general fund, \$2,500,000 financed through the Bank of North Dakota, \$1,750,000 received as an oil impact grant from the Department of Trust Lands, \$2,600,000 in private fundraising, and \$888,267 in local funds generated from training activities and to proceed with the project contingent upon successful fund raising efforts. Furthermore, seek Budget Section approval per NDCC 48-01.2-25.

### General Background Information

The Workforce Training (WFT) project at Williston State College is a multiphase, multi-project, need-driven endeavor which has evolved in both scope and budget as it meets the changing demands for training North Dakota's growing workforce. Below is a general description of the project phases.

- Phase I: Renovation of the Petroleum Safety and Technology Center (PSTC) to accommodate a Well Control Simulator. Completed November, 2011 at a cost of \$77,687, with following funding sources: WFT Revenues
- Phase II: Construction of classroom and office space addition to the PSTC. Completed September 2012 at a cost of \$738,267, with the following funding sources: General Fund Appropriation of \$500,000 and WFT revenue of \$238,267.
- Phase III: Construction of a new building adjacent to the PSTC which will provide additional classroom, office, conference, and common area space.

Having its origins in the 2007 construction of the PSTC, the overall project scope has included new construction, renovations, and relocations. The project time line and SBHE/Legislative history is outlined below.

- 2008 - SBHE and budget section approve increasing the PSTC project scope and budget from \$700,000 to \$810,000 and a total of 7500 square feet. Constructed prior to the 2011 WFT initiative, it is nevertheless an integral part of the three phase plan.
- 2011 – Phase 1 of an anticipated 3 phase project is initiated, where a portion of the PSTC is renovated to house a Well Control Simulator. The total cost for this renovation was \$77,687 and funded through WFT revenues. Although described as Phase 1, it was a stand-alone project, and not part of any other authorization or appropriation, and referred to in this regard only as a reference to program progress.
- 2011 – Workforce Training Center (WFTC) is authorized by the 62<sup>nd</sup> Legislative Assembly and includes construction of high-bay shops, bathrooms, and classrooms, and offices which comprise the Phase 2 and 3 project scopes. The high bay shops will house a Commercial Driver's License simulator and the Well Control Simulator which will be moved from its original Phase 1 location.
- 2012 – Phase 2 and 3 project scopes are adjusted to allow Phase 2 to proceed.
- 2012 – Phase 2 of the anticipated 3 phase project underway and soon completed at a cost of \$738,267. The project is an addition of classroom and office space to the PSTC. Note that the funding and authorization for this project is part of the 2011 WFT initiative, and integral to the program objectives.
- 2012 – Phase 2 and 3 project funding authorization is increased from \$3,910,000 to \$6,738,267 and reflects the extraordinary need and industry interest in this project.
- 2014 - WSC seeks authorization to proceed with the Phase 3 WFTC. In addition, WSC seeks authorization to increase the cost of Phase 3 using additional private funding sources (donations.), a reduction in funds from revenue, and increased borrowing authority from BND.

## Project Description

Phase III is construction of a new building to be located adjacent to the Petroleum Safety and Technology Center (East Industrial Park) and is to be used by the TrainND division. The building includes classrooms, offices, conference room, and a reception area (20,000 SF Total). This will allow students easy access to the \$2 million in donated equipment for hands-on training. Currently, the TrainND division is located in the Crighton Building (10,074 SF Total). This project will allow the majority of the space vacated by TrainND to be returned to the Diesel Program, providing space for program expansion and to recover a classroom previously assigned to TrainND. Other long-term plans may be developed for the Crighton Building, with private industry financial support of renovation.

WSC Foundation purchased nine acres of land to develop this hands-on program. The TrainND Division at Williston State College leased the property from the Foundation. Companies have donated and installed the necessary oil field equipment to develop the site, with over \$2 million dollars in equipment and services donated to this project. The building will be located at the Petroleum Safety and Technology Center (East Industrial Park), adjacent to the two million dollars in donated oil field equipment. This will allow hands-on training opportunities for participants in training programs. The oil field equipment was installed in the fall of 2011 by Mitchells Oilfield Services.

If the College is unable to generate the identified private fundraising targets, the project will be put on hold while the College determines whether the project is capable of generating the private support necessary to justify the program's expansion.

## Consistency with Campus Master Plan and Budget

This project is part of the mission of Williston State College "to provide training for North Dakota business and industry to enhance their ability to compete globally". The Crighton building is filled to capacity on a regular basis, inhibiting the ability to provide quality training and develop/deliver new training programs as requested by the oil industry.

## SBHE and/or Legislative History

The following is the last 6 years of TrainND capital project related activity, including limits of spending authorization:

- May 2007: Legislative Assembly appropriated \$700,000 from the permanent oil tax trust fund for the Petroleum Safety and Technology Center (PSTC).
- March 2008: SBHE and Budget Section authorize an increase in the PSTC project from \$700,000 to \$810,000 (\$55,000 0709 SBHE contingency and capital improvement funds, \$55,000 local funds)
- December 2010: SBHE amends the biennial budget capital project priority list, to incorporate, as the number #1 priority, what becomes Phase II and III of the WFT Project.
- May 2011: 62<sup>nd</sup> Legislative Assembly enacts HB1003, providing:
  - \$500,000 in state general fund appropriation
  - \$1.725 million in other fund authority.
  - \$1.725 million or so much of the sum as may be necessary, borrowing authority from the Bank of ND ending June 30, 2013.
- June 2011: SBHE and Budget Section approve proceeding with project and approve an increase in WSC Workforce Training Center project from \$2,225,000 to \$3,910,000 funded as follows:
  - \$500,000 from state general fund, and
  - Up to \$1.725 million from Bank of ND loan, to be repaid from workforce training revenues.
  - A minimum of \$1.675 million from private and/or workforce training revenues.
  - \$10,000 donated funding.

- TOTAL: \$3,910,000
- May-June 2012: SBHE and Budget Section approve a change in project scope in Phase II and to proceed with Phase II. SBHE and Budget Section approve a change in project amount and scope for Phase III of WSC Workforce Training Center funded as follows:
  - \$500,000 from state general fund.
  - Up to \$1.725 million from Bank of ND loan, to be repaid from workforce training revenues.
  - A minimum of \$1.675 million from private and/or workforce training revenues.
  - \$2,838,267 donated funding. (addition of \$2,828,267 from previous)
  - TOTAL: \$6,738,267
- May 2013: 63<sup>rd</sup> Legislative Assembly approves \$2,500,000 in borrowing authority from Bank of North Dakota per SB2019, section 6.
- August 2013: SBHE approves \$700,000 in additional funding from Department of Trust Lands as per HB 1215 with Budget Section approval to be sought in March, 2014, and the project funded as follows, with Phase II of the project now complete with total expenditures of \$738,267:
  - \$500,000 from state general fund. (\$0 available after Phase II expenditures.)
  - Up to \$1.725 million from Bank of ND loan, to be repaid from workforce training revenues.
  - A minimum of \$1.675 million from private and/or workforce training revenues. (\$1,436,733 available authorization after Phase II expenditures.)
  - \$2,138,267 donated funding. (donated funding is reduced by the same amount as the addition of Department of Trust Land funding, below)
  - \$700,000 Department of Trust Lands
  - TOTAL: \$6,738,267 (\$6,000,000 available authorization after Phase II expenditures.)
- February 2014: Proposed changes in funding presented to the SBHE for approval and subsequent Budget Section consideration if approved, including the increased oil impact funding approved in December 2013 from the Department of Trust Lands
  - \$500,000 from state general fund. (\$0 available after Phase II expenditures.)
  - Up to \$2.5 million from Bank of ND loan, to be repaid from workforce training revenues.
  - A minimum of \$888,267 (\$650,000 available plus \$238,267 expended) from workforce training revenues. (A total reduction of \$786,733 from previous)
  - \$2,600,000 donated funding. (A total increase of \$461,733 from previous)
  - \$1,750,000 Department of Trust Lands (A total increase of \$1,050,00 from previous)
- TOTAL: \$8,238,267 (\$7,500,000 available after Phase II expenditures.)

**Estimated Total Purchased or Donated Costs** (ALL costs should be included in the estimate, unless specifically noted otherwise).

	<b>August 2013 SBHE approved revised</b>	<b>Amount</b>
<b>Planning, Permits and Insurance</b> (design costs associated with current project, OMB preplanning revolving funds, architect and engineer fees, permits, insurance)	\$315,397	\$360,000
<b>Land/Building Preparation and Purchase or Donated Costs</b> (land acquisition and site preparation/development)	\$25,000	\$25,000
<b>Demolition and Disposal</b>	\$0	\$0
<b>Construction</b> (foundation and building construction or renovation, including fixed equipment, landscape, infrastructure and utilities, mechanical and electrical, parking and driveways or roadways)	\$5,822,870	\$6,972,800
<b>Institutional work</b> (value of work completed by institutional trade staff)	\$0	\$0
<b>Contingency</b>	\$175,000	\$0
<b>Hazardous Material Abatement</b>	\$0	\$0
<b>Other, including 3<sup>rd</sup> party costs</b> (donated costs to move equipment, contractor mobilization, bond & insurance)	\$400,000	\$0
<b>SUBTOTAL</b> (if total exceeds \$250,000, requires SBHE approval)	\$0	\$7,357,800
<b>Furniture, Fixture and Equipment (FF&amp;E)</b>	\$0	\$142,200
<b>Phase II Work Completed and Included with this Authorization</b>		\$738,267
<b>TOTAL</b>	\$6,738,627	\$8,238,267

*No other work, other than that specified within this request, is required for the completion of the project nor is other work planned to supplement this project using funding or authority not included within this request.*

### **Future Operating/Improvement Costs and Funding Sources**

Operating/Utility costs are estimated to be \$106,280 per year, including the addition to the current facility and the new building, to be paid from WF training revenues.

### **Source and Availability of Funds (including FF&E)**

General Fund Appropriations of \$500,000 currently approved have been expended in Phase II.

Workforce training revenues of \$238,267 have been expended in Phase II. Fundraising is not complete, with amounts NOT guaranteed by any foundation or other donated fund source.

	<b>Original</b>	<b>Currently Approved, SBHE 8-23-13</b>	<b>Proposed Changes</b>
General Fund	\$500,000	\$500,000	\$500,000
General Fund- Oil Impact (HB 1215)		\$700,000	\$1,750,000
Private/WF training revenues		\$1,675,000	\$888,267
Donations/Grants		\$2,138,267	\$2,600,000
BND Financing	\$1,725,000	\$1,725,000	\$2,500,000
Authorization	\$2,225,000	\$6,738,267	\$8,238,267
Less Expenditures- Phase II	\$738,267	\$738,267	\$738,267
Available Authorization	\$1,486,733	\$6,000,000	\$7,500,000

**Project Management Oversight (consistent with 9/25/13 SBHE approved guidelines):** See attached checklist.

**Estimated Project Timeline and Completion Date**

Phase III will be dependent on fundraising activities, with a goal of starting construction in Spring 2014.

