



Summary of Proposed Action SBHE BFC Meeting – May 18, 2016 SBHE meeting – May 24, 2016

1. Issue: Original authorization for the [Workforce Training \(TrainND\) facility](#) specified the use of training revenue as part of the funding source. Due to a slowdown in the oil industry, revenue collections are significantly below projections and therefore WSC seeks authorization to instead use \$800,000 of the \$1,500,000 transferred to WSC as per HB1003 section 33. In addition, costs for financing the BND loan plus additional consulting fees for correcting unforeseen soil conditions have raised the project budget by \$150,000, prompting WSC to seek increased spending authorization of \$150,000 from the SBHE, and if approved to seek authorization from the interim budget section.

2. Proposed motion: Authorize Williston State College to use appropriated funding in the amount of \$800,000 from the one-time funding of \$1.5 million transferred to WSC as per *HB1003, Section 33 – Use of 2013-15 Biennium Appropriations – Contingent Appropriation Reduction* to complete the parking lot at the new TrainND Workforce Training Center (Phase III). Further, authorize WSC to increase Phase III from \$7,500,000 to \$7,650,000, funded from \$800,000 one-time funding, \$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, \$1,984,000 in private fundraising, and \$616,000 in local funds generated from training activities; and to seek authorization from the interim budget section committee during its June meeting.

3. Background: The WSC Workforce Training project began in 2007 as part of an initiative to train workers for the growing economy. Constructed in several phases, it was realized through a variety of funding sources including loans, grants, private fundraising, and training revenue. The project faced numerous challenges that included building in a volatile construction climate, unforeseen soil conditions, and the recent slowdown in oil industry training revenue.

4. Financial implications:

5. Academic implications: None

6. Legal/policy issues: The authorization would allow for use of appropriated funds which have not been specified for this project, although the legislation making the funds available to WSC does not prohibit their use for this purpose.

7. Review Process: Reviewed by Tonder

8. Enclosures: (agenda item and related material)

9. Contact person: President Nadolny, WSC

10. Chancellor's Recommendation: Chancellor recommends approval.

Williston State College, March 15, 2016

REQUESTED ACTION (SBHE policy 902.3):

Authorize Williston State College to use appropriated funding in the amount of \$800,000 from the one-time funding of \$1.5 million transferred to WSC as per *HB1003, Section 33 – Use of 2013-15 Biennium Appropriations – Contingent Appropriation Reduction* to complete the parking lot at the new TrainND Workforce Training Center (Phase III). Further, authorize WSC to increase Phase III from \$7,500,000 to \$7,650,000, funded from \$800,000 one-time funding, \$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, \$1,984,000 in private fundraising, and \$616,000 in local funds generated from training activities; and to seek authorization from the interim budget section committee during its June meeting.

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 the following funding sources: WFT Revenues.
- Phase II: Construction of classroom and office space addition to the PSTC. Completed September 2012 at \$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 and parking lot 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 62nd 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.
- March 12, 2014 – Budget Appropriations Committee approved the changes for all funding sources.

Phase 3

- March 2014 – Bids were awarded and contracts were signed. Alternate Bids for parking lot and lighting for parking area were not approved. These remained pending until fundraising was complete.
- April 2014 – Construction started on 19,740 sq. ft., two-story facility. Estimated date of completion of April 1, 2015.
- August 28, 2014 – Fundraising goal to cover the costs of the lower parking area with lights was reached. A change order for the project was awarded (G 3). Work began on lower parking area.
- September 2014 – Soil samples were conducted and the architect recommended mediating the soil by removing poor quality soil; adding drain tile, GEO fabric, and 12 inches of aggregate fill. This did not solve the soil issue. Two artesian wells were discovered on the parking lot site (one on the southeast and one on the northwest). The architect made another recommendation to add a soil stabilization product. Two companies were contacted in late September.
- October 2014 – Architect met with owner and contractor to determine how to proceed. Based on all of the information received, a decision was made to not proceed with the lower parking area (225 spaces). The soil stabilization product needed a certain ground temperature in order to mitigate the soil. Total additional cost to stabilize soil and remediate existing conditions: \$1,200,000.
- June 10, 2015 – Bids opened with thirty (30) date to sign and aware the contract. Bids came in lower than originally estimated.
- August 2015 – Contract was awarded to Knife River for a total of \$734,550. The parking lot was to be completed by October 2015, but unexpected weather resulted in delays and unanticipated cracking in the pavement, resulting in an anticipated completion date of 2016.

New Funding Request

- Due to the decline in the oil industry, funds generated from training activities has decreased. WSC is requesting a change of funding source of \$800,000 from local funds to appropriated funds designated for extraordinary needs.
- WSC is seeking authorization to expend \$800,000 of the \$1.5 Million transferred to WSC as per HB1003, section 33 for deferred maintenance and or extraordinary campus needs to complete the TrainND parking lot. In addition, increase spending for Phase III from \$7,500,000 to \$7,650,000.
- Further, WSC is requesting to increase the spending authorization for Phase III from \$7,500,000 to \$7,650,000 due to the following factors:
 - WSC was required to secure a construction loan from a local bank for Bank of North Dakota does not provide construction loans. The fees (interest payments, loan origination,

closing costs, etc.) associated with this loan are part of the requested increase in spending authorization.

- Increase in architect fees to cover additional labor for parking lot issues.

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 (19,740 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.

Consistency with Campus Facility 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: 62nd 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;

- 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: 63rd 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).

| | August 2013 SBHE approved revised | February 2014 SBHE approved revised | Revised Jan. |
|--|--|--|---------------------|
| Planning, Permits and Insurance (design costs associated with current project, OMB preplanning revolving funds, architect and engineer fees, permits, insurance) | \$315,397 | \$360,000 | \$360,000 |
| Land/Building Preparation and Purchase or Donated Costs (land acquisition and site preparation/development) | \$25,000 | \$25,000 | \$25,000 |
| Demolition and Disposal | \$0 | \$0 | \$0 |
| Construction (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 | \$7,265,000 |
| Institutional work (value of work completed by institutional trade staff) | \$0 | \$0 | \$0 |
| Contingency | \$175,000 | \$0 | \$0 |
| Hazardous Material Abatement | \$0 | \$0 | \$0 |
| Other, including 3rd party costs (donated costs to move equipment, contractor mobilization, bond & insurance) | \$400,000 | \$0 | \$0 |
| SUBTOTAL (if total exceeds \$250,000, requires SBHE approval) | \$0 | \$7,357,800 | \$7,650,000 |
| Furniture, Fixture and Equipment (FF&E) | \$0 | \$142,200 | \$0 |
| Phase II Work Completed and Included with this Authorization | | \$738,267 | \$738,267 |
| TOTAL | \$6,738,627 | \$8,238,267 | \$8,388,267 |

No other work, other than that specified within this request, is required for the completion of the project not 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. In addition, we have loan payment to the Bank of North totaling \$189,636 per year. This is an additional financial burden for the TrainND Northwest division to maintain, especially now with the low oil prices.

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. The donations/pledges noted above have already been guaranteed by the WSC Foundation. Additional general fund appropriations (if approved) would be requested through an emergency appropriation bill and available upon signature by the Governor.

| | Original | Approved, SBHE August 2013 | Approved, SBHE February 2014 | Current Request |
|---------------------------------------|-----------------|---------------------------------------|---|------------------------|
| General Fund | \$500,000 | \$500,000 | \$500,000 | \$1,300,000 |
| General Fund- Oil Impact (HB 1215) | | \$700,000 | \$1,750,000 | \$1,750,000 |
| Private/WF training revenues | | \$1,675,000 | \$888,267 | \$854,267 |
| Donations/Grants | | \$2,138,267 | \$2,600,000 | \$1,984,000 |
| BND Financing | \$1,725,000 | \$1,725,000 | \$2,500,000 | \$2,500,000 |
| Authorization | \$2,225,000 | \$6,738,267 | \$8,238,267 | \$8,388,267 |
| Less Expenditures- Phase II | \$738,267 | \$738,267 | \$738,267 | \$738,267 |
| Available Authorization | \$1,486,733 | \$6,000,000 | \$7,500,000 | \$7,650,000 |

Project Management Oversight (consistent with 9/25/13 SBHE approved guidelines)

Project Management will continue as originally established for this project.

Estimated Project Timeline and Completion Date

Phase III is anticipated to be completed summer 2016.

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