

University of North Dakota, September 16, 2010

#### **REQUESTED ACTION**

Authorize UND to seek Budget Section approval to utilize \$220,000 in unrestricted gift funds as local matching funds on the O'Kelly Hall renovation project authorized in 2007-09 per NDCC 15-10-12.3.

#### **Background Information**

The 2007-09 Executive Budget Recommendation included \$2.2 million in general funds for the O'Kelly Hall renovation project. The 2007 Legislative Assembly amended the funding to require a local match of \$220,000 (special funds). A copy of the project description follows this section.

UND originally utilized \$220,000 in asbestos settlement funds as the local match requirement, as the funds were used to address asbestos issues in the facility as part of the renovation project. The Performance Audit Report on University System Capital Projects identifies the fact that per NDCC 15-10-12.3 "... the source of any local matching funds required for state-funded or bonded projects must be funds raised and designated for the project or obtain approval to transfer institution or agency funds."

UND intends to utilize unrestricted gift funds, instead of asbestos funds, as the required \$220,000 local match; however, unrestricted gift funds do not fit the requirement (e.g. funds raised and designated for), therefore legislative or budget section approval is required.

#### **Project Description - O'Kelly Hall / Ireland Laboratory Renovation - \$2,200,000**

Located in the center of the UND campus, the O'Kelly/Ireland Hall facility remains a valuable instruction and research asset requiring significant space renovation to adequately support those functions. The project has been and remains a top priority for the institution, evidenced by the number of successful small-scale projects which have recovered unusable space and converted it into modern instructional areas.

Due to building code restrictions, no additional space renovations can be completed without significant improvements to the building's mechanical and electrical systems. This stems from a requirement to meet current codes once a percentage of floor space has been modernized. The code-required improvements include fire protection systems, accessibility improvements, and ventilation corrections. Because the budgets for small-scale projects cannot accommodate the building-wide mechanical and electrical upgrades, a major investment in those systems is required before any further progress is made.

The revised budget estimate of \$2,200,000 reflects a reduction in the scope of work from previous plans, but also an increase in system costs for mechanical and electrical work that includes fire protection systems, installation of HVAC components, and a new electrical service to the structure. UND will continue to seek alternative funding sources which can supplement the above requested appropriation for a more complete scope of work that includes space renovation.

The renovation project was completed June 15, 2010.