

Government Service Committee Meeting
August 17, 2010
Testimony Provided by Curt Zimmerman
Facility Management Director
Workforce Safety & Insurance

Good afternoon Chairman Svedjan and members of the Government Services Committee. My name is Curt Zimmerman and I am the Facility Management Director for Workforce Safety & Insurance.

WSI moved its agency operations from 500 E Front Avenue in Bismarck to their newly constructed 116,000 square foot Century Center office building, located at 1600 E Century Avenue, in May 2003. WSI occupies the top two floors of the building utilizing approximately 54,144 square feet of office space and 1,340 square feet of storage space on the first floor. WSI leases out most of the lower two floors of the building to other state agencies. The tenants located on the lower two floors of Century Center are the North Dakota Department of Commerce, North Dakota Parks and Recreation Department, North Dakota Council on the Arts, the Risk Management Division of OMB, and the Child Support and Provider Audit divisions of the North Dakota Department of Human Services. The combined space leased by the tenants is 32,816 square feet of office space and 2,878 square feet of storage space. The current rental rate for the leased office space is \$13.50 per square foot per year and storage space is \$5.00 per square foot per year. There has only been one rental rate increase of \$.50 per square foot for the tenant office space since we began leasing to other state agencies in June 2003. There will be an increase of \$1.00 per square foot in the rental rate for the 2011 – 2013 biennium to offset rising operating costs.

Century Center is an energy efficient building utilizing geothermal heating and cooling systems, low voltage lighting controls, and an energy management system designed to maximize the building system capabilities thereby reducing energy costs. Century Center was awarded the Energy Star Certification by the EPA in 2004 and we continue to monitor and log our energy usage and costs each month to the Energy Star online system so that we can monitor our energy performance of the building.

The WSI Facility Management Department consists of myself as the director with one full time maintenance worker and one part time maintenance worker. The two maintenance workers provide all of the light maintenance repair work within the building and WSI courier services. All other maintenance services are contracted out to local companies. Some of the current service contracts include office cleaning , groundskeeping, window cleaning , HVAC repair, pest control, snow removal and elevator maintenance services.

The largest portion of our operating costs is allocated to in lieu of property taxes, cleaning services and utilities. The property tax payment for 2009 paid in 2010 was \$200,735.44, the annual cleaning service costs are approximately \$130,000 and the annual utility costs are approximately \$120,000.

Cost Benefit of Owning Versus Leasing Office Space

If WSI were to lease its current 54,144 square feet of office space at the 2011- 2013 Century Center rental rate of \$14.50 per square feet per year, it would spend \$785,088 for office space lease costs per year plus storage space costs of \$6,700 for a total annual expenditure of \$791,788. WSI currently contributes \$252,000 annually to the building fund for operational expenses so there would be a net savings of \$539,788 per year by owning the property versus leasing. The total cost of construction of the building plus land costs in 2003 were \$11,975,310. The return on investment with the above noted assumptions would be approximately 4.5% on this investment.

The final cost per square foot for construction of the Century Center building in 2003 was \$94.72. In today's market it is my understanding the construction costs are running about \$200 per square foot which would make the cost benefit analysis quite different if we were using today's construction cost numbers.

Mr. Chairman that concludes my comments and I am available to answer any questions that you or the committee members may have.

Workforce Safety & Insurance
Building Operations Fund
FY 2010 Actual Expenses

	Jul 2009	Aug 2009	Sep 2009	Oct 2009	Nov 2009	Dec 2009	Jan 2010	Feb 2010	Mar 2010	Apr 2010	May 2010	Jun 2010	Annual
Revenues													
ND Council on the Arts	1,501.54	1,501.54	1,501.54	1,501.54	1,501.54	1,501.54	1,501.54	1,501.54	1,501.54	1,501.54	1,501.54	1,501.54	18,018.48
ND Dept of Commerce	17,881.08	17,881.08	17,881.08	17,881.08	17,881.08	17,881.08	17,881.08	17,881.08	17,881.08	17,881.08	17,881.08	17,881.08	214,572.96
ND Human Svcs Child Support	8,793.64	8,793.64	8,793.64	8,793.64	8,793.64	8,793.64	8,793.64	8,793.64	8,793.64	8,793.64	8,793.64	8,793.64	105,523.68
ND Human Svcs Provider Audit	1,777.50	1,777.50	1,777.50	1,777.50	1,777.50	1,777.50	1,777.50	1,777.50	1,777.50	1,777.50	1,777.50	1,777.50	21,330.00
ND OMB Risk Management	1,742.92	1,742.92	1,742.92	1,742.92	1,742.92	1,742.92	1,742.92	1,742.92	1,742.92	1,742.92	1,742.92	1,742.92	20,915.04
ND Parks & Recreation	6,420.50	6,420.50	6,420.50	6,420.50	6,420.50	6,420.50	6,420.50	6,420.50	6,420.50	6,420.50	6,420.50	6,420.50	77,046.00
Workforce Safety & Insurance	21,000.00	21,000.00	21,000.00	21,000.00	21,000.00	21,000.00	21,000.00	21,000.00	21,000.00	21,000.00	21,000.00	21,000.00	252,000.00
Miscellaneous Billings								675.00					675.00
Total Revenues	59,117.18	59,117.18	59,117.18	59,117.18	59,117.18	59,117.18	59,117.18	59,792.18	59,117.18	59,117.18	59,117.18	59,117.18	710,081.16
Operating Expenses-													
Water	180.29	952.03	1,178.63	1,151.85	346.39	324.69	398.62	360.52	349.09	383.38	370.78	1,371.51	7,367.78
Electric		10,085.50	10,147.00	9,181.00	2,665.08	15,136.33	10,797.31	11,082.12	10,026.89	9,805.95	8,531.57	19,792.60	117,251.35
Natural Gas	96.46	103.72	100.08	100.90	89.17	114.49	104.39	106.45	127.81	113.39	99.27	107.80	1,263.93
Cleaning Service		10,733.37	10,733.37	21,466.74		10,733.37	10,733.37	10,733.37	10,733.37	10,733.37	10,733.37	21,658.94	128,992.64
Janitorial Supplies/Misc Supplies	806.90	2,184.59	1,441.05	1,101.65	1,992.26	1,535.07	4,135.51	4,707.98	4,773.52	1,459.11	1,913.25	1,572.59	27,623.48
Interior Window Cleaning					1,400.00								1,400.00
Exterior Window Cleaning				5,800.00					510.00	54.00			6,364.00
Fire Alarm Monitoring & Maint	350.00												350.00
Elevator Service Contract		5,238.00										5,563.92	10,801.92
Temperature Control Service													-
Telephone		264.77	264.77	248.00	281.46	235.73	236.56	275.73	235.83	235.97	235.97	476.54	2,991.33
Cable Service	44.02	44.02	44.02	44.02	44.02	44.02	44.02	44.02	44.02	44.02	44.02	46.53	530.75
Misc. Services	150.00		316.80	443.79	260.00	77.68	150.00			150.00	20.00	476.00	2,044.27
Garbage Removal	285.75	257.00	257.00	257.00	257.00	257.00	257.00	257.00	257.00	257.00	257.00	257.00	3,112.75
Grounds Keeping		2,778.00	2,310.00	2,762.00	955.00					850.00	1,743.00	5,256.00	16,654.00
Snow Removal						1,608.75	13,245.00	8,096.40	2,242.50	725.00			25,917.65
Insurance	5,357.95						619.55						5,977.50
Professional Development				85.00			89.00		81.00		(20.00)		235.00
In Lieu of Taxes								200,735.44					200,735.44
Payroll	3,812.07	3,931.04	3,813.98	3,802.99	3,805.61	3,811.64	4,001.95	3,811.64	3,811.64	3,811.65	3,811.64	3,811.64	46,037.49
Total Operating Expenses	11,083.44	36,572.04	30,606.70	46,444.94	12,095.99	33,878.77	44,812.28	39,475.23	33,192.67	28,622.84	27,739.87	60,391.07	404,915.84
This does not include tax accrual expense.													
Building Maintenance													
Building Updates				1,877.00									1,877.00
Repairs	2,424.51	2,636.45	6,510.41	4,979.00	10,190.83	748.12	2,144.09	142.77	5,567.00	8,466.19	2,460.89	10,975.68	57,245.94
Equipment				381.99			3,325.00					630.00	4,336.99
Remodeling													-
Park Lot Crack Seal													-
Park Lot Restripe													-
Park Lot Chip Seal													-
Total Building Maintenance	2,424.51	2,636.45	6,510.41	7,237.99	10,190.83	748.12	5,469.09	142.77	5,567.00	8,466.19	2,460.89	11,605.68	63,459.93
Monthly Change in Fund	45,609.23	19,908.69	22,000.07	5,434.25	36,830.36	24,490.29	8,835.81	20,174.18	20,357.51	22,028.15	28,916.42	(12,879.57)	241,705.39
Property Tax Accrual	(20,666.66)	(20,666.67)	(20,666.67)	(20,666.66)	(20,666.67)	26,597.89	(18,416.67)	(18,416.67)	(18,416.67)	(18,416.67)	(18,416.67)	(18,416.67)	(187,235.46)
FY10 Building Operations (Expense) Revenue	24,942.57	(757.98)	1,333.40	(15,232.41)	16,163.69	51,088.18	(9,580.86)	1,757.51	1,940.84	3,611.48	10,499.75	(31,296.24)	54,469.93
Total Tax accrual Expense Working TB figure													
Beginning Fund Balance	23,869.07	48,811.64	48,053.66	49,387.06	34,154.65	50,318.34	101,406.52	91,825.66	93,583.17	95,524.01	99,135.49	109,635.24	23,869.07
Change in Fund Balance	24,942.57	(757.98)	1,333.40	(15,232.41)	16,163.69	51,088.18	(9,580.86)	1,757.51	1,940.84	3,611.48	10,499.75	(31,296.24)	54,469.93
Ending Fund Balance	48,811.64	48,053.66	49,387.06	34,154.65	50,318.34	101,406.52	91,825.66	93,583.17	95,524.01	99,135.49	109,635.24	78,339.00	78,339.00