

LONG RANGE CAPITAL PLANNING COMMISSION
Minutes

February 6, 2014
Meeting room 419C
1:00 p.m.
State Capitol Building
Oklahoma City, Oklahoma

A meeting notice was filed with the Secretary of State and Agenda posted in accordance with the Open Meeting Act.

MEMBERS PRESENT: Jeffrey Davis, Partner, Acorn Growth Companies
Ted Fisher, Economic Development Director, City of Sapulpa
Charles Ford, President, Charles Ford Company
Grant Humphreys, President/CEO, The Humphrey's Company
Tad Jones, Executive Director, Grand Lake Association
Jeff Stava, Chief Operating Officer, Tulsa Community Foundation
Jerry Winchester, Senior Vice President, Oilfield Services and CEO
of Chesapeake Oilfield Services
John Woods, President/CEO, Norman Chamber of Commerce

ABSENT: Kirkland Hall, CEO and Vice-Chairman, Hall Capital

GUESTS: Ben Davis, OMES/DCAM/Construction and Properties
Michelle Day, OMES/DCAM/Administration
Travis Monroe, OMES/OCIA
Melissa Milburn, OMES/DCAM/State Leasing
Tim Tuck, OMES/DCAM/Legal Division
Beverly Hicks, OMES/DCAM/Administration
Jim Joseph, State Bond Advisor
Christie Southern, eCapitol
Harry Birdwell, CLO
Karen Johnson, CLO
Terri Watkins, CLO
Tim Talley, Associated Press
Barbara Hoberock, Tulsa World

Agenda Item 1 - Call to order and confirmation of quorum

The meeting was called to order by Chairman Davis. Chairman Davis was advised that notice of the meeting had been given, and an agenda posted in accordance with the Open Meeting Act. The roll was taken and it was ascertained that a quorum was present.

Agenda Item 2 – Approval of the minutes from December 10, 2013

Mr. Davis noted a typo in the December 10, 2013 minutes. The statement in question is in the next to last paragraph on page 5 and reads \$3 million, and should read \$3 billion. Motion was made by Mr. Fisher to approve the minutes. Mr. Humphreys seconded the motion. The following votes were recorded: Jeffrey Davis - aye; Ted Fisher - aye; Charles Ford - aye; Grant Humphreys - aye; Tad Jones - aye; Jeff Stava – abstain; Jerry Winchester – abstain; John Woods - aye. Motion passed.

Agenda Item 3 – Overview of the work of the Commissioners of the Land Office

Dr. Harry Birdwell is the Secretary of the Commissioners of the Land Office and shared the purpose of the CLO which is rooted in the Organic Act of 1890 and the Enabling Act of 1906 by which Oklahoma became a state. When the state was formed, two sections (sections 16 and 36) of each township were given to the state for the benefit of common education, and one section (section 13) of every township was given for higher education. It is the mandate of the CLO to make as much money as possible, from the land and resources that they have, to support education in Oklahoma. That is their mission. The members of the Commission are four elected state-wide officials and they manage more than \$5 billion in land and cash investments. The beneficiaries are the 24 common school districts in Oklahoma and the 13 higher education institutions.

The CLO is interested in acquiring income-producing properties, refurbishing those properties and then leasing those properties to government agencies. The intent is not only to earn a profitable return on the CLO's investment for education, but also to provide safe, affordable and quality environments for state agencies.

The CLO is actively working on several significant projects at this time.

Agenda Item 4 – Overview of the state’s bond programs and debt capacity

Jim Joseph, of the Oklahoma State Bond Advisor’s office, presented that the agency’s responsibilities are to assure that the state is entering into agreements and contracts which are in its best interest, to be the issuer’s representative in transactions, to assure that the state is getting the best rates, and that it is receiving competitive fees for services provided.

The principal borrowing programs that the state has utilized are the Building Bonds Commission, the Oklahoma Capitol Improvement Authority (OCIA), the Regents’ Master Lease Program, University (OU and OSU) General Revenue Bonds, Energy Management Leases, and Revenue Bond Programs. The Building Bonds Commission was created to issue General Obligation (G.O.) bonds. OCIA is the most active capital funding program that the state has. It was originally created to build the four buildings north of the capitol, but has also been used for other state agencies. The Regents Master Lease Program is similar to OCIA but the lease is held by OSRHE, and these are very popular with colleges and universities. University General Revenue Bonds were created for OU and OSU in 2005, and gives them the authority to borrow against their own credit. The Energy Management Leases were created to encourage government entities to improve energy efficiency in their facilities. Revenue Bond Programs are secured by the revenues generated by the operations of the system or the loans made by the program.

The outstanding tax-backed debt obligations as of December of 2013 show a gross total of just under \$2 billion. The outstanding revenue bond debt is approximately \$4.5 billion.

The ODFA has loan programs through which they issue bonds for business purposes. One is a pool program where the companies issue a note and hold it themselves. Repayment for the note is from withholding taxes that they would have otherwise paid to the state.

Regarding payments, within the next five years the state will pay off 41.5 % of tax-backed debt. And as of January 2014 the annual debt service limit is \$264 billion.

Agenda Item 5 – Overview of the proposed Real Property Asset Management Program and possible action to adopt guiding principles for the program

Ben Davis went over the foundation of the Real Property Asset Management Program, which is to optimize the state’s real estate portfolio by disposing of unneeded property, improving the efficiency of space management, refining facility operations, reducing capital costs through real property management decision-making, improved utilization and performance through benchmarking, and extending asset life through appropriate investment in maintenance.

The Guiding Principles for the program are as follows:

1. Support agency missions and strategic goals.
2. Use public and commercial benchmarks and best practices.
3. Employ life-cycle cost benefit analyses.
4. Promote full and appropriate utilization.
5. Dispose of unneeded assets.
6. Provide appropriate levels of investment.
7. Accurately inventory and describe all assets.
8. Employ balanced performance measures.
9. Advance customer satisfaction.
10. Provide for safe, secure and healthy workplaces.

The program framework would include the following: assure asset management accountability; identify persons accountable for decisions and activities; establish a process for making real property decisions; determine what an agency owns, what it needs and what it costs to manage it; establish standards and processes for management and maintenance; establish measures for facilities performance; share knowledge by developing networks with professionals; recognize excellence and promote continuing education; promote optimization by establishing state-wide objectives; develop and monitor real property performance measures; and identify and dispose of unneeded assets.

Mr. Davis suggested that a designated senior real property manager be appointed at each agency. This would not be a new position, just a new responsibility, and that position would manage the agency's real property assets, would build knowledge within the agency about asset management principles, processes and standards, enforce state-wide and agency standards within their organization, and manage the preparation of the agency's annual real property plan.

The plan for starting the program is to start asking real property questions of the agencies regarding goals, decision making, acquisitions, planning, capital means, etc. Regarding operations and maintenance, questions will cover tracking assets, process of operation, measures of improving operations, tracking disposals of assets, etc.

Mr. Davis will be working with budget and finance to get the Capital Improvements Plan inserted into the operating budget so that it will get into the appropriations process on a regular basis. He will also be working on the state-wide roll-out of the AssetWorks software.

Motion was made by Mr. Fisher to approve the Guiding Principles. Mr. Stava seconded the motion. The following votes were recorded: Jeffrey Davis - aye; Ted Fisher - aye; Charles Ford - aye; Grant Humphreys - aye; Tad Jones - aye; Jeff Stava - aye; Jerry Winchester - aye; John Woods - aye. Motion passed.

Agenda Item 6 – Overview, discussion and possible action to adopt the “Capital Outlay Request Submittal and Evaluation Guidelines” to replace the “Project Rating Criteria Sheet”

Previously, agencies self-scored their projects using the current Project Rating Criteria Sheet, and then those scores were used to prioritize the list of projects. It is recommended that the agencies continue to self-score their projects, but that the planning staff also score the projects based on the criteria, with the understanding that the agencies be informed of this.

Chairman Davis made a motion to table further action on this item until more information is available. Mr. Humphreys seconded the motion. The following votes were recorded: Jeffrey Davis - aye; Ted Fisher - aye; Charles Ford - aye; Grant Humphreys - aye; Tad Jones - aye; Jeff Stava – aye; Jerry Winchester – aye; John Woods - aye. Motion passed.

Agenda Item 7 – Subcommittee reports:

- **Capital Improvements Plan Subcommittee**
- **Maintenance Standards and Facilities Strategy Subcommittee**
- **Policy and Funding Subcommittee**

No subcommittee reports were forthcoming.

Agenda Item 8 – Updates and discussion

- **Capitol restoration**
- **Capital Improvements Plan**

Michelle Day reported on the Supreme Court ruling to disapprove the first level of funding for the Capitol. Other methods of funding the project are being sought. It’s projected to be a \$160 million project with 48 months of work. In the Governor’s executive budget, the desire is for a \$120 million bond issue. The Legislature is also working toward getting some sort of funding mechanism in place to address the restoration needs.

The logistics for the restoration will also impact funding and timing (moving people in and out of offices, scheduling legislative session around the construction, etc.).

Capital Improvements Plan

The Capital Improvements Plan was submitted to the Governor's, Speaker's and Senate President's offices on December 31st, 2013. The Legislature has 45 days from the beginning of session to disapprove it in total or line-item disapprove it. If the Legislature does not take action on the plan by March 20th, then it is deemed as approved. We would then be able to implement it beginning July 1st, the beginning of Fiscal Year 2015.

Agenda Item 9 – Adjournment

There being no further business, the meeting was adjourned at 2:55 p.m.