October 19, 2009

The Honorable Christine Gregoire  
Governor of the State of Washington  
Legislative Building  
Olympia, WA 98504

Dear Governor Gregoire:

This letter transmits the 2010 capital budget request for Eastern Washington University. Developed within the guidelines set by the Office of Financial Management, this request represents Eastern's continued university-wide efforts to focus on its mission to prepare broadly educated, technologically proficient, and highly productive citizens.

Eastern's request, representing a revised funding and project execution plan, generates $7,500,000 in total project savings for the State of Washington. Moreover, it provides for completion of the planned renovation of Patterson Hall 13 months ahead of the original schedule, a significant mitigation of disruptive activities to our academic programs associated with the reconstruction of our largest, most heavily utilized academic building. In addition to saving the state of Washington $7,500,000, accelerating Phase 2 into the current biennium will intensify the economic stimulus impact by compressing the overall project timeline.

Eastern Washington University remains focused on its mission and is diligently working to fulfill its obligation to serve the educational needs of its region. Your support for and recognition of the role of higher education in a successful state economy is critical to our institution, our citizens and our state.

I urge you to carefully consider and support this request as mutually beneficial to the capital budget of the State of Washington and to the delivery of academic instruction by Eastern Washington University. Thank you for your favorable consideration.

Sincerely,

Rodolfo Arevalo, Ph.D.  
President

RA:cgg
Accelerated Patterson Hall Phase II

Project Overview

Eastern Washington University has identified an opportunity to generate up to $7,500,000 in total project savings to the state if the Patterson Hall project timeline is shortened by up to 13 months.

The renovation of Patterson Hall is in the fifth year of an eight year capital funding process. The original pre-design was funded in the 2005-07 biennial budget for $200,000 and design was funded in the 2007-09 biennial budget for $2,000,000. The legislature appropriated $26,600,000 in the 2009-11 biennial budget to complete design and fund construction of Phase I. Eastern will request $34,800,000 for 2011-13 identified in the 2009-19 capital plan that is needed to complete construction of the final phase of the project.

The funding requests were divided into two separate phases to keep the biennial requests more balanced, but both phases are necessary in order for the project to result in a complete and useable facility. Eastern Washington University requests the Patterson Hall project timeline be accelerated by up to 13 months.

In addition to saving the state of Washington $7,500,000, accelerating Phase 2 into the current biennium will intensify the economic stimulus impact by compressing the overall project timeline.

Eastern requests appropriation of Phase 2 project funding of $27,300,000 by July 2010, to realize the projected savings of $7,500,000. This action would provide significant savings to the state of Washington and complete renovation of Eastern’s largest academic building.

Project Status

The university has committed to vacating the entire building for the duration of the project to mitigate impacts to academic programs. As a result, the design agent has been directed to focus their efforts on producing construction bid documents for a single phase; complete building renovation. This puts the project in a position to be competitively bid as a single construction effort, with potential total project savings of around $7,500,000.

Achieving these savings requires legislative authority to fund the project as a
single construction contract rather than separately bidding out Phase II at a later date. This can be achieved by appropriating the requested Phase II funding, less $7,500,000. The result would be the same quality facility at a much lower cost completed in time to support academic classes a full year earlier.

In contrast, a multi-phase project requires each phase to be separately and competitively bid. Phase II of this project would likely be advertised about 18 months after Phase I, with no guarantee of the award for the second phase going to the same contractor. This scenario presents added risk associated with transitioning a major construction effort between different general contractors. More importantly, additional costs will occur due to the longer construction period, higher risk, out-year inflation, and additional contractor mobilization efforts between project phases. The project would lose all of the projected savings, and would instead be completed for the full amount originally requested, including the $34,800,000 programmed in the 2011-13 biennial budget.

**Potential Cost Savings**

Anticipated savings to the overall, total project cost are identified in the following areas:

- **Maximum Allowable Construction Cost (MACC)** $5,340,000
  This amount reflects what the value engineering study identified as costs savings by constructing the project in a single phase as opposed to the two-phase approach in the original design. Major cost saving areas include temporary barriers for separate construction areas (not required in single-phase approach), contractor mobilization/demobilization (one vs. two), temporary utilities, and contractor overhead costs (reduced by a shortened schedule). It also accounts for inflation, as construction costs are anticipated to be very low for the first bid but must be planned for being greater on the second bid.

- **Value Engineering Items** $750,000
  This amount reflects all other items of costs savings that could be achieved through design revisions proposed by the value engineering consultant.

- **Consultant Fees** $690,000
  The original A/E fee proposal included this amount to cover the additional costs over and above the basic services fee to design the project to be constructed in two phases. It also included the A/E’s costs for construction phase services for an extended construction time period.

- **Project Management Costs** $190,000
  In a single-phase project, the overall project schedule is reduced by more than a year, thereby reducing the in-house project management time.
Eastern Washington University
2010 Supplemental Capital Budget Request
Patterson Hall
October 19, 2009

- **Other Costs (Washington State Sales Tax, Permit Fees, etc.) $530,000**

  This amount reflects a reduction in costs that are calculated as a percentage of other reduced costs. Examples include sales tax (8.7% of the construction contract), building permits (1% of the construction cost), inflation tied to schedule duration (1/4 % per month), and state-mandated artwork (1/2 % of the total of construction plus basic services A/E fee).

Total proposed project cost savings:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Patterson Hall project (two phases)</strong></td>
<td>$200,000</td>
<td>$2,000,000</td>
<td>$26,600,000</td>
<td>$34,800,000</td>
<td>$63,600,000</td>
</tr>
<tr>
<td><strong>Proposed accelerated Patterson Hall project</strong></td>
<td>$200,000</td>
<td>$2,000,000</td>
<td>$53,900,000</td>
<td>$0</td>
<td>$56,100,000</td>
</tr>
<tr>
<td><strong>Proposed net cost savings from current plan</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$7,500,000</td>
</tr>
</tbody>
</table>

**Requested Action**

Eastern requests appropriation of Phase 2 project funding of $27,300,000 by July 2010, to realize the projected savings of $7,500,000. This action would provide significant savings to the state of Washington and complete renovation of Eastern’s largest academic building.