

REAUTHORIZATION OF THE KENNEDY CENTER FOR THE PERFORMING ARTS

(108-41)

HEARING
BEFORE THE
SUBCOMMITTEE ON
ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS AND
EMERGENCY MANAGEMENT
OF THE
COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES
ONE HUNDRED EIGHTH CONGRESS
FIRST SESSION

SEPTEMBER 10, 2003

Printed for the use of the
Committee on Transportation and Infrastructure



U.S. GOVERNMENT PRINTING OFFICE

89-558 PS

WASHINGTON : 2005

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2250 Mail: Stop SSOP, Washington, DC 20402-0001

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

DON YOUNG, Alaska, *Chairman*

THOMAS E. PETRI, Wisconsin, <i>Vice-Chair</i>	JAMES L. OBERSTAR, Minnesota
SHERWOOD L. BOEHLERT, New York	NICK J. RAHALL, II, West Virginia
HOWARD COBLE, North Carolina	WILLIAM O. LIPINSKI, Illinois
JOHN J. DUNCAN, Jr., Tennessee	PETER A. DeFAZIO, Oregon
WAYNE T. GILCHREST, Maryland	JERRY F. COSTELLO, Illinois
JOHN L. MICA, Florida	ELEANOR HOLMES NORTON, District of Columbia
PETER HOEKSTRA, Michigan	JERROLD NADLER, New York
JACK QUINN, New York	ROBERT MENENDEZ, New Jersey
VERNON J. EHLERS, Michigan	CORRINE BROWN, Florida
SPENCER BACHUS, Alabama	BOB FILNER, California
STEVEN C. LATOURETTE, Ohio	EDDIE BERNICE JOHNSON, Texas
SUE W. KELLY, New York	GENE TAYLOR, Mississippi
RICHARD H. BAKER, Louisiana	JUANITA MILLENDER-McDONALD, California
ROBERT W. NEY, Ohio	ELIJAH E. CUMMINGS, Maryland
FRANK A. LoBIONDO, New Jersey	EARL BLUMENAUER, Oregon
JERRY MORAN, Kansas	ELLEN O. TAUSCHER, California
GARY G. MILLER, California	BILL PASCRELL, Jr., New Jersey
JIM DEMINT, South Carolina	LEONARD L. BOSWELL, Iowa
DOUG BEREUTER, Nebraska	TIM HOLDEN, Pennsylvania
JOHNNY ISAKSON, Georgia	NICK LAMPSON, Texas
ROBIN HAYES, North Carolina	BRIAN BAIRD, Washington
ROB SIMMONS, Connecticut	SHELLEY BERKLEY, Nevada
SHELLEY MOORE CAPITO, West Virginia	BRAD CARSON, Oklahoma
HENRY E. BROWN, Jr., South Carolina	JIM MATHESON, Utah
TIMOTHY V. JOHNSON, Illinois	MICHAEL M. HONDA, California
DENNIS R. REHBERG, Montana	RICK LARSEN, Washington
TODD RUSSELL PLATTS, Pennsylvania	MICHAEL E. CAPUANO, Massachusetts
SAM GRAVES, Missouri	ANTHONY D. WEINER, New York
MARK R. KENNEDY, Minnesota	JULIA CARSON, Indiana
BILL SHUSTER, Pennsylvania	JOSEPH M. HOEFFEL, Pennsylvania
JOHN BOOZMAN, Arkansas	MIKE THOMPSON, California
JOHN SULLIVAN, Oklahoma	TIMOTHY H. BISHOP, New York
CHRIS CHOCOLA, Indiana	MICHAEL H. MICHAUD, Maine
BOB BEAUPREZ, Colorado	LINCOLN DAVIS, Tennessee
MICHAEL C. BURGESS, Texas	
MAX BURNS, Georgia	
STEVAN PEARCE, New Mexico	
JIM GERLACH, Pennsylvania	
MARIO DIAZ-BALART, Florida	
JON C. PORTER, Nevada	

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS AND EMERGENCY
MANAGEMENT

STEVEN C. LATOURETTE, Ohio, *Chairman*

SHELLEY MOORE CAPITO, West Virginia

MICHAEL C. BURGESS, Texas

MAX BURNS, Georgia, *Vice-Chair*

JIM GERLACH, Pennsylvania

DON YOUNG, Alaska

(Ex Officio)

ELEANOR HOLMES NORTON, District of
Columbia

LINCOLN DAVIS, Tennessee

BRAD CARSON, Oklahoma

MICHAEL H. MICHAUD, Maine

JAMES L. OBERSTAR, Minnesota

(Ex Officio)

(III)

CONTENTS

TESTIMONY

	Page
Goldstein, Mark, Acting Director, Physical Infrastructure Team, U.S. General Accounting Office, accompanied by Charles Dorn, Assistant Director, and Casey Brown, Analyst	3
Kaiser, Michael, President, John F. Kennedy Center for the Performing Arts .	14

PREPARED STATEMENT SUBMITTED BY A MEMBER OF CONGRESS

Oberstar, Hon. James L., of Minnesota	42
---	----

PREPARED STATEMENTS SUBMITTED BY WITNESSES

Goldstein, Mark	30
Kaiser, Michael	38

SUBMISSION FOR THE RECORD

Kaiser, Michael, President, John F. Kennedy Center for the Performing Arts, response to a letter from Hon. Eleanor Holmes Norton, a Delegate in Congress from the District of Columbia	14
--	----

REAUTHORIZATION OF THE JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

Wednesday, September 10, 2003

HOUSE OF REPRESENTATIVES, COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE, SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS AND EMERGENCY MANAGEMENT, WASHINGTON, D.C.

The subcommittee met, pursuant to call, at 10:00 a.m. in room 2253, Rayburn House Office Building, Hon. Steven C. LaTourette [chairman of the subcommittee] presiding.

Mr. LATOURETTE. The subcommittee will come to order. I want to welcome everyone to this morning's hearing on the reauthorization of the John F. Kennedy Center for the Performing Arts.

Comprised of seven theaters capable of seating over 7,000 people at one time, in addition to standing room and outdoor performances, the Kennedy Center has entertained tens of millions of patrons from around the world. With both innovative and groundbreaking performances, as well as tried and true favorites, the Kennedy Center's programming schedule has truly become the gold standard. However, as any arts patron will tell you, the performers on the stage are but one part of the cast of characters that impact the theater-going experience. The halls, entryways, parking facilities, elevators, stairwells, and lighting that greet you upon your arrival set the tone, whether or not you are comfortable in your seat both from the ambient temperature to the softness of the cushion underneath you will affect your mood.

To truly be a world-class arts venue, you must be housed in a world-class arts venue. That is why, in 1994, this Committee required the Kennedy Center to develop and pursue a comprehensive building plan. To effectively maintain the building, it is vital to know the current state of each building system, from the air conditioning to the elevators and, yes, even to the bathrooms.

The Committee is pleased that the Kennedy Center has taken this mandate seriously through its submission of a comprehensive building plan that attempts to address many of these quality of experience issues. The Committee is concerned, however, by the results of a recent General Accounting Office report on the Kennedy Center's garage expansion and site improvement project. However, the lessons gleaned from this review have broad application to other large constructions being undertaken by the Center.

This report, which was completed at the request of this subcommittee, and which will be released to the public today, highlights some deficiencies in project oversight and management. Briefly, this report indicates that the Kennedy Center does not

have the three Ps of effective program management: personnel, policies and procedures. I am pleased to note, however, that the Center has agreed with the findings of the GAO and has stated their willingness to take the necessary steps to remedy these problems.

One area that I hope we will clear up in today's hearing, and which I believe may pose the greatest risk to future construction projects, is the lack of control over the scope of projects being undertaken. When originally approved, the site improvements portion of the garage expansion project was initially projected to cost \$3 million. According to the most recent estimates, the current expected cost is \$43 million. While I understand that a portion of this increase is related to some tainted soil, the majority of these increases are related to the expansion of the scope of the project. What was initially to be some road work in front of the Kennedy Center to improve traffic flow has turned into much more.

With the Kennedy Center beginning the initial phases of the plaza project approved by this Committee and passed into law last year, controlling the scope of a large project will become much more important. While it is true that the Kennedy Center's portion of this project will be funded with private dollars, how that project proceeds will surely impact the way the Kennedy Center is perceived, and could have significant impacts on the ability of the Center to raise future funds.

I look forward to hearing from our witnesses today to hear from them in more detail about these important issues and hope that we are able to shed some light on how we can preserve this living memorial.

Now I want to recognize our distinguished ranking member of the subcommittee, Ms. Norton from the District of Columbia, for any opening statements she might have.

Ms. NORTON. Thank you, Chairman LaTourette.

I am pleased to welcome today's witnesses, Mr. Chairman. Almost a decade ago this Committee, recognizing the inefficiency of years of divided responsibility for the operations, maintenance, and capital repairs of the Kennedy Center, passed H.R. 3567, which gave the Board of Trustees of the Kennedy Center centralized responsibility for these matters.

The Kennedy Center is the crown jewel of artistic endeavors in our city and in our Country. This Congress has a continuing interest in each and every aspect of its operation. In an effort to prevent continued building deterioration, the Board asked for and received authority to maintain and improve the Center. Former Presidents Wolfenson and Wilker, along with the current president, Michael Kaiser, continually worked to establish a capital improvement program to enhance the building. They believed it was of the utmost importance that the Kennedy Center management had the responsibility and accountability for the building, as well as its performing arts and education activities.

The Committee's interest focused on the use of appropriated funds for the capital improvement program, and the repair and alteration of this presidential memorial. To avoid the previous situation of unmet building needs and delayed repair, the Center is now

required to submit a five year capital plan to the Committee. Also, a budget is submitted along with the plan.

This morning we also hear from the General Accounting Office regarding the agency's review of the garage expansion and the site improvements associated with the expansion. GSA's review is especially useful because in 1993 the GAO expressed concern before this subcommittee about the capacity of the Center to undertake a major capital program.

While the Center has made progress in some areas, it appears that general management of the facility, as well as unmet personnel needs, continue to slow down the Center's goal of establishing a first-rate capital program. I believe that these issues are resolvable and look forward to hearing testimony concerning solutions.

Thank you, Chairman LaTourette, for your attention to these matters, which many consider routine and I continue fundamental, and look forward to working with you and this subcommittee to reauthorize the Kennedy Center.

Mr. LATOURETTE. I thank the gentlelady very much.

Initially I would ask unanimous consent that all of our witness statements today would be completed in full in the record. Without objection, so ordered.

Appearing on the first panel this morning is Mark Goldstein, Acting Director of the Physical Infrastructure Issues at the General Accounting Office.

Welcome, Mr. Goldstein. And a special welcome to you, indeed. You have worked with this subcommittee on a number of issues, but I believe that this is the first time that you appear before the subcommittee as a witness.

Is there anyone else that will be contributing with you today?

Mr. GOLDSTEIN. I have with me today, Mr. Chairman, Mr. Charles Dorn, the Assistant Director, and Mr. Casey Brown, the analyst on this particular engagement.

Mr. LATOURETTE. Okay. I thank you very much.

Mr. GOLDSTEIN. Thank you.

Mr. LATOURETTE. And since your written testimony has been made part of the record, the subcommittee would request that you try and bring your testimony to close in about five minutes. Thank you. Welcome and we look forward to hearing from you.

Mr. GOLDSTEIN. Thank you.

TESTIMONY OF MARK GOLDSTEIN, ACTING DIRECTOR, PHYSICAL INFRASTRUCTURE TEAM, U.S. GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY CHARLES DORN, ASSISTANT DIRECTOR, AND CASEY BROWN, ANALYST

Mr. GOLDSTEIN. Good morning. Good morning, Mr. Chairman and members of the subcommittee. We welcome the opportunity to testify before you today in our work related to the selected aspects of the Kennedy Center's construction program. Specifically, my testimony will discuss the differences between the current costs, time frames, and scope estimates of the garage expansion and site improvements project in the 1997 estimates provided to Congress, and the challenges that the Kennedy Center faces in managing large construction projects.

As you know, on September 5th, 2003, we issued a report to you and to the ranking member on these issues. Therefore, my statement today will be short and primarily focus on the report's major findings and recommendations.

In the mid-1990s, Kennedy Center officials recognized the need for additional parking and better site access. As a precursor to a planned project to construct an eight acre plaza and two additional buildings at the site, the Kennedy Center is currently in the process of constructing a garage expansion and site improvements project. As of July 2003, Kennedy Center officials estimated that the garage expansion and site improvement project would cost \$88 million. The garage expansion would be completed in December 2003, the site improvements would be completed in summer of 2004, and the project would include 525 parking spaces and various traffic flow improvements.

These estimates vary substantially from estimates that Kennedy Center officials provided to Congress in 1997 and 1998. At that time, Kennedy Center officials estimated that the project would cost \$28 million, would be completed by August 2000, and would include between 900 and 1,000 parking spaces. According to Kennedy Center officials, the initial estimates were preliminary in nature. Cost increases occurred in part due to some unrealistic assumptions related to comparable construction projects, failure to consider the need for ensuring year-round public access to the Kennedy Center, delays in bidding and designing the project, and unanticipated problems such as weather delays and contaminated soil. Cost increases related to the site improvements were primarily the result of project additions that broadened the scope of the construction efforts.

The Kennedy Center acknowledged that they should have done a better job of informing Congress of the preliminary nature of the estimates and the subsequent events in the project's planning and bidding phases that affected the costs, time frames, and scope. Kennedy Center officials said they now hold monthly meetings with Congress about the status of ongoing projects.

The Kennedy Center faces certain challenges in managing large construction projects as well. Specifically, the Kennedy Center lacks adequate policies and procedures to guide the planning and management of the construction project, some timely data on schedules and costs for effectively overseeing construction projects and measuring results, and key human capital resources and expertise that would be useful in managing the construction process.

The critical importance of having quality guidance, data, and human capital was highlighted by the National Research Council in a 2000 report on Federal organizations such as the Kennedy Center that contract out for construction management services to acquire and build facilities. The Council found that having adequate plans, policies, and procedures, timely data, an in-house staff with sufficient skills was necessary for effective management and oversight of all phases of the construction project.

In our September 2003 report, we recommended that the Kennedy Center (1) develop comprehensive project management policies and procedures, (2) ensure development and use of timely data, and (3) ensure that the needs for human capital expertise were

met. Kennedy Center officials have told us that they are now working to address these challenges. Although making improvements in these areas is no guarantee of project success, these types of improvements would strengthen the construction program and reduce risk by providing greater effectiveness in managing and overseeing projects and measuring results.

Mr. Chairman, this concludes my summary statement. I would be happy to respond to any questions that you or other members of the subcommittee have at this time.

Mr. LATOURETTE. Mr. Goldstein, thank you very much for your concise testimony. The first question is, is the GAO in the position to be willing to take an ongoing oversight role of the Kennedy Center as it proceeds with some of these larger construction projects?

Mr. GOLDSTEIN. Yes, Mr. Chairman, I am sure we would be happy to work with the subcommittee in any way that it sees fit to help figure out a way to oversee and to help to monitor construction projects as they go forward at the Kennedy Center. We would be happy to work with you.

Mr. LATOURETTE. Based upon your report today, do you have an opinion as to whether or not the Kennedy Center is prepared to undertake a project the size of the plaza project, given where we are now with some of the findings that you have made in this report?

Mr. GOLDSTEIN. Mr. Chairman, we are happy to have heard from the Kennedy Center that they are engaged in working through the recommendations that we made to them, that they found our recommendations to be helpful. We do know, for instance, that they are working with the Federal Facilities Council to develop some policies and procedures so that they will have them in place. They now recognize the need for getting data, timely and reliable data on a regular basis.

We recognize that they did receive some, but they didn't receive all the reports that they were even entitled to from the construction manager. They are now doing that, they have told us, and they have, indeed, also sought to get additional help. They are in the process of getting other spots filled that they have had vacant for some time, so they have made some definite progress, and we are very happy to see that that is the case.

I recognize that in 1993 we did tell the Kennedy Center and recommended that they needed to improve the capacity at that point in time, and they did so; however, it was obvious, you know, now, in retrospect, that more needed to be done, and they are taking those steps. I think whether that is sufficient remains to be seen, in light of the costs and the complexity of the new project. It is obviously a project that is of much greater magnitude than the current project.

Mr. LATOURETTE. And in that I think you have answered my next question, but if there is something more you want to add, I invite you to do that. We are encouraged, as well, that the Center has indicated that they have taken what you found in the spirit in which it was intended, that they intend to make some changes, and you mentioned a couple of them, in particular, getting reports back from the construction manager and other things. Sometimes people's words separate from their actions, and so people say, well, we like what you have done, so we are going to make some changes.

Are you encouraged today in the positive direction that the Center is going forward with and the changes that you have recommended?

Mr. GOLDSTEIN. We are, Mr. Chairman. We think that the Kennedy Center has taken our recommendations seriously. We produce a number of reports we call our high risk series, and one of them this year was on Federal buildings, and we put Federal real property on our high risk list. And one of the things that we have said in that report is that senior management throughout the Government needs to show leadership and commitment in ensuring that their Federal assets that they hold contribute to meeting the mission of their organization, and simply don't sort of exist in abeyance, and I think to the extent that the Kennedy Center can continue to show leadership and commitment, they will achieve the aims that they are setting out.

Mr. LATOURETTE. And the last question I would have for you, you note in your written testimony that the problems identified by your review aren't new and that after similar reports the Kennedy Center had taken some corrective action. Given that state of affairs, can you explain to us how the current problems with the garage expansion occurred? If there were problems before identified and corrected, how did we get to where we are with the garage?

Mr. GOLDSTEIN. How did we get to where we are today with the garage?

Mr. LATOURETTE. Yes, sir.

Mr. GOLDSTEIN. To the extent that we can explain it, and I must confess that we don't have all the data that we would like because due to some of the record-keeping issues that are in the report, we don't have a complete reconstruction of what occurred. There were a variety of delays that they did not anticipate, a variety of issues. They include, with the garage, early estimates that were based on an incomplete design at that time. They relied on unrealistic assumptions about the cost of comparable garages. When they were making those decisions, the Kennedy Center told us the comparisons they were making were with garages being built outside of D.C., not here, and so the cost of those garages were not as expensive. They did not adequately consider additional costs necessary to maintain public access to the Kennedy Center during construction. There were unanticipated problems with soil contamination. In fact, about half of the amount, the increase from the base, from the award is due to soil contamination, much greater soil contamination than they anticipated. And obviously there were considerable weather delays in the last year due to the rain and snow that we all remember, and then delays related to the project bidding and design initially.

Mr. LATOURETTE. I know I promised that was my last question, but the contaminated soil question, was that, based upon the items that you reviewed, something that was foreseeable or was it one of those things you couldn't figure out until you were in the midst of the project?

Mr. GOLDSTEIN. My understanding, sir, is that they knew there would be some because of the location itself, but they did not anticipate the extent of it.

Mr. LATOURETTE. Okay. Thank you.

Mr. GOLDSTEIN. And again, yes, until you actually got in there you didn't realize.

Mr. LATOURETTE. Right. I know we have a fuse wrap site in our district, and until they actually put the shovel in the ground, you don't actually know what you have got, and I was just wondering if that was the case or if it was something else. Thank you very much.

Mr. GOLDSTEIN. Yes, sir.

Mr. LATOURETTE. Ms. Norton.

Ms. NORTON. Yes, sometimes those are issues that you have to take off the table in trying to figure out what was reasonable to anticipate, but starting there, and to give this some perspective, because when you look at these figures, how far off the projections were from what actually transpired, it is good to have some sense of what the normal margin of error, if you will, is.

In your experience in dealing with construction projects, how much cost is added? We know it never comes where it says it is going to come, to the figure it says it is going to come, and that is even understandable, but how much cost is added due to delays so that if one sees a cost above the estimate, one looks at one cost above the estimate and says okay and looks at another the way you look at these and say wow. When I see 1997 and 1998 estimates of \$25 million for the garage, and now coming in at \$45 million, without that context and background, I do say wow. Or when I see the costs, my God, for site improvements in 1997 and 1998 at \$3 million, and now estimated at \$43 million, the normal layperson will say, my goodness.

So I have to ask you what kind of incremental increase or increase of any kind would one, speaking generally, and I understand that you would have to speak generally, expect to follow the original projected costs?

Mr. GOLDSTEIN. Sure. I think it is very difficult to isolate increases in costs based on delays or the like. My understanding is that GSA projects tend to be roughly, and this is quite rough, between 5 and 15% above what is expected when the initial decisions are made, but it varies considerably by market conditions, by specificity of the projects, and a whole lot of other factors. So it is very difficult to isolate what perhaps it should have been, and that is sort of the best I can tell you.

Ms. NORTON. The notion of a percentage of the kind you just gave is important if only because the manager, the agency ought to have some sense in its own head, as it tracks what it is doing, of what is reasonable and what is not, and it looks like they just kept going here without anything to pull them back, such as what kind of increases we ought to be expecting here. Is there anything we can do to control these or are these just the ordinary kinds of increases? Now, of course, we are dealing with an agency that doesn't have a lot of experience in doing construction, but the first thing one thinks about is personnel when one sees this, with an inexperienced agency, and I will have something to say about that in a minute. But who in the world was managing the garage and site improvement projects? Was there a manager for these projects in-house? What was the personnel on the ground at the time?

Mr. GOLDSTEIN. The Kennedy Center had a construction manager for the garage project, and they also had the Army Corps of Engineers helping out in some areas for the site improvements project, but they, of course, had their own in-house staff, and this was developed, again, after GAO did its 1993 report and recommended that they needed to build some capability. They did go ahead and build an in-house staff to manage construction projects. The problem with this project was that for the majority of the time that the garage project was under construction, the overall project manager position was vacant; it was vacant from September 2001, and I believe it is still vacant, although they are in the process of hiring.

Ms. NORTON. Who, then, had the responsibility?

Mr. GOLDSTEIN. My understanding is that the senior vice president had responsibility of the project.

Ms. NORTON. For operations at the Kennedy Center?

Mr. GOLDSTEIN. That is my understanding.

Ms. NORTON. Who has no expertise in construction projects, as far as you know?

Mr. GOLDSTEIN. That I can't speak to.

Ms. NORTON. We will have to ask the Kennedy Center about that. That is very risky to do. If you have never done this kind of thing before yourself, you need an expert. I think about being a lawyer. I am an expert in my little tiny area of the law, and I get me a lawyer if I need a lawyer.

Let me go further. The Chairman and I have had experience involving a bill in Government Reform where there would be decentralization of what amount to GSA type expertise to agencies which have none. Now, I supported the consolidation in 1993. I don't say I regret it now, because it seemed to me then, it seems to me now, more efficient. It is with great compunction that I, however, generally believe that this area, which is a very technical area involving great expertise, should simply be shifted out to whoever happens to be sitting there, and I have got to ask you about that.

Now, an example would be homeland security. When we passed the homeland security bill, we gave the homeland security department, the new department, the ability to go out and find its own space. They immediately turned to GSA. They are not stupid. They turned to GSA and they said, help us, we don't know what in the world we are doing; we are in the business of homeland security. I will give you another example. The Capitol Visitor's Center being built out here is under the architect of the capitol. Now, I am here to tell you the architect of the capitol does have some considerable expertise in construction, but when the Congress of the United States said build me a great big visitor's center, the architect had the good sense to look increasingly to the GSA for help, and even then there is some considerable difficulty over here about cost overruns and the rest of it.

This question really follows on much of what the Chairman asked in his initial question, and that is whether or not there is some systematic way to build in the expertise to the Kennedy Center. I mean, when you mentioned the people who were dabbling in this, the Corps of Engineers, and who else did you say?

Mr. GOLDSTEIN. Their construction manager, Centex Corporation, on the garage side.

Ms. NORTON. Yes. I wasn't clear who had responsibility for what; whereas, I am sure if GSA had been in there, it would have been clear what GSA was going to do and what the construction manager was going to do. So I have got to ask you is there some systematic way, is there a way that Congress should itself indicate GSA should be involved? Could this be done administratively through an MOU? What do you think? Have you ever approached the Kennedy Center in this regard? I would like to hear your views on the systematic involvement of the GSA, the only agency I know with this kind of broad-based expertise besides perhaps the Corps of Engineers, with this matter involving the Kennedy Center.

Mr. GOLDSTEIN. Sure. I mean, there certainly would be an opportunity, if the Kennedy Center were interested, I would imagine, for GSA to be involved. I am not aware that they have had those discussions. I think there are several things. I mean, to be quite honest, they really do need to move forward in implementing the kinds of recommendations we have made. You really shouldn't be running a large construction project like they are contemplating if you don't have formal written policies and procedures that can help guide the planning and the managing of your project.

Ms. NORTON. Well, who is going to help them do that? They are in the entertainment business, or the cultural business. Who is going to do that for them?

Mr. GOLDSTEIN. They have turned to the Federal Facilities Council, which is part of the National Research Council, the National Academies of Science, to help them do that. They do have considerable expertise in this area, and so they are working with them to develop them. Obviously, they have to implement those policies and procedures. They do have to improve the kind of timely, reliable data that they get and the way they house and use that data, and they have to obviously ensure that they have the requisite staff, the key human capital on board that can manage all of this.

Ms. NORTON. I am particularly concerned when I see these differences between projections and the current estimates in the fact that obviously the Kennedy Center and no agency does its own construction, therefore, it has to contract out. I assume this is done by competitive bidding?

Mr. GOLDSTEIN. Yes, I believe so.

Ms. NORTON. I assume they have to contract out. Now, part of the problem with contracting out is that you have got to have somebody who knows what he is doing in order to hold the contractor accountable. So I have to ask you in choosing contractors, subcontractors, were there in place people who had the expertise to sufficiently monitor and understand what the contractors were doing?

Mr. GOLDSTEIN. I think, ma'am, that I can't honestly say whether or not they were sufficiently a smart buyer in this case. The Kennedy Center ought to be like any other Federal organization that is contracting out for its construction management and needs to be a smart buyer. They need to do have enough people on staff who do know how to manage contractors and how to understand what it is they ought to be getting from the contractors. They need

to make sure that they can do that. Whether the individuals that they had on board were fully capable of doing that, I don't think I can speak to.

Ms. NORTON. So GSA didn't look at that. There was no director of capital projects during the whole time, however.

Mr. GOLDSTEIN. That is correct. They had a number of project managers that were below the project's executive, and they reported, as I mentioned earlier, upwards.

Ms. NORTON. The best way to waste money is to take a contract, give it to the contractor, and say you are on your own.

Thank you very much, Mr. Chairman.

Mr. LATOURETTE. I thank the gentlelady.

I note that we are joined by several other members, including the distinguished ranking member of the full Committee, and, without objection, their full statements will be inserted into the record.

Ms. CAPITO, do you have any questions?

Ms. CAPITO. I have no questions.

Mr. LATOURETTE. Mr. Oberstar?

Mr. OBERSTAR. Thank you very much, Mr. Chairman and Ms. Norton, for your work in requesting the GAO inquiry for holding this hearing to follow up on it, as it is our due diligence with respect to the Kennedy Center.

I apologize for not being here at the outset; I had a grand tour of the Washington horizon this morning driving in traffic. I think there is a certain committee that needs to be answerable to all this stuff.

Ms. NORTON. The George Washington Parkway?

Mr. OBERSTAR. Yes, the GW Parkway on the Maryland-Virginia side.

Ms. NORTON. I told you to live in D.C.

Mr. OBERSTAR. I did. I did. It was better. But the bicycling is better out in Maryland.

I got a grand tour of Route 66 and all the traffic delays and had a lot of time to think about this hearing.

A key observation of the GAO report reminds me very much of years of the hearings that our former colleague and my good friend, Bill Clinger, and I held on FAA contracting, on which GAO helped us similarly with extensive and in-depth inquiry, and a major conclusion was that FAA lacked the expertise to manage large-scale contracts that involved billion dollars or more of investment in modernization of the air traffic control system.

Key theme number one observation of this report is Kennedy Center lacks adequate policies and procedures for guiding the planning and management of the construction process. It is a similar observation, but it is not new.

In 1993, on this Committee, we moved to address the recurrent problems of the structural deficiencies of the Kennedy Center building itself, and to remove the management from the hands of the National Park Service, put it in the hands of the Kennedy Center with watchful oversight by this Committee, Mr. Chairman, Ms. Norton, and we asked GAO to give us an opinion on the ability of the Center to manage major capital improvement programs. GAO said, "On the basis of our discussions with Senate officials and our analysis of current staff resources and expertise of capital project,

we do not believe that the Center, at present, has sufficient capability to effectively manage such an undertaking." Ten years later, that is still your observation. What needs to happen? What didn't happen then? What hasn't happened now?

First I think is failure to have a centrally designated person to manage and oversee large projects of this nature. We are just talking about the garage. Nine hundred twenty-five or so spaces have shrunk, the amazing shrinking parking space, down to 525. But the next stage is what I am worried about. We want to open the Kennedy Center to monumental Washington. We put the authorization into the TEA-21 legislation. I want to move it ahead in the next authorization, but I cannot, in conscience, do that unless we see a fix to this problem of managing large construction contracts.

Now, Mr. Goldstein, you have given this very thoughtful analysis. You are aware of the decade-long history of this issue. Give me your further thoughts about this matter.

Mr. GOLDSTEIN. Sure. Good morning, Mr. Oberstar. I think you sort of hit the nail on the head. It has been a decade since GAO issued a report saying that the Kennedy Center did not fully have the capability in-house to manage. As I was discussing a few minutes ago with Ranking Member Ms. Norton, the Kennedy Center needs to learn how to become, I think better than they are today, a smart buyer, a smart owner. They need to, as we have indicated, follow the recommendations that we have asked for. That will help considerably, if you have a routine in place where you have written formal policies and procedures to guide how you develop a project, how you manage a project, how you implement it, if you have systems that can provide data so that you can measure the results in a timely fashion, and if you have the people on board that can effectively take care of the first two things and make sure that that happens. That is no guarantee of success, but it certainly would put them in a position better than they are in today.

Mr. OBERSTAR. And principal among those is the matter of accountability. We found that in FAA. We found that with the Corps of Engineers in overseeing some of their major projects, and they have historically been very responsive on the accountability issue. What does it mean to the ability to execute a contract of major size and prevent growth, both schedule creep and funding creep from \$3 million to \$43 million, not to have in place senior a vice president level person in charge of contract management? What does it mean not to have that person?

See, this Center is a world facility. It is the National Center for the Performing Arts. It is the place to which all of America now looks because of a great investment of time and energy and creativity, and attracting the best artistic talent in the Nation and in the world to this Center. Michael Kaiser has come in and brought the greatest talent from throughout the world, including the Kirov and the London Ballet, and underneath it is this structure that needs to be as well managed as the arts are managed, and I have the feeling that that is not happening, and you have documented it.

Mr. GOLDSTEIN. We think you need to have high level leadership and commitment that recognizes that the asset itself is part of a mission, and we are not sure that that has always occurred in the

past, and I think that is the distinction that needs to be fully reflected here.

Mr. OBERSTAR. And GAO, a decade ago, recommended the establishment of that kind of level of accountability. Why hasn't it happened?

Mr. GOLDSTEIN. I am not sure I can answer why it hasn't happened, sir. I can only indicate the sorts of things that we found. For whatever reason there appears to have not been sufficient attention to developing those things that are necessary to managing major projects. But as to why that hasn't occurred, I really can't answer.

Mr. OBERSTAR. Well, we have come a long way from the days when the roof would be periodically leaking, the carpets were stained from roof leakage, from other internal failures. We have seen a great deal of progress because we have plowed a lot of public money into this living memorial. But I have my eye on the next stage, where we go from here, from the parking garage. I don't want to see a \$450 million plaza project creep into a billion dollar project. I don't want to see it delayed. I don't want to see it take a back seat. Its critics are only too ready to pounce, to say, aha, we can't do this.

Just a closing comment. I took the last day of our pre-August session and played hooky, I confess. I went to the finish of the Tour de France and rode the last 40 kilometers before the Areve of the Pude-ton. While there, we stayed near the Cafe Lape and La Place de Opera, and this opera house has just been refurbished. Those gleaming gold-covered monuments on either end of the Opera, the glorious blue sky with the sun beating down on it and this magnificent structure. They didn't need a GAO to get it done. It didn't need an oversight committee, because they pay attention to the arts in France and give it their highest priority. The biggest construction activity in Paris is rebuilding monuments which the past have left to the future. That is what we need to do here.

Mr. LATOURETTE. I thank the gentleman very much. A couple of us had heard rumors that Lance Armstrong was nervous about some competition, and now you have cleared that up for us.

Mr. OBERSTAR. He needn't have been, Mr. Chairman. I have an identical bike; different legs and lungs.

Mr. LATOURETTE. Mr. Burns, do you have any questions?

Mr. BURNS. I would just like to take a minute to first thank the Chairman and ranking member for their hearing here today and the oversight responsibility of the Committee and the Congress faces as we deal with the issues of the Kennedy Center.

You know, your report suggests that there has been a lack of policies and procedures dealing with major construction projects. What types of policies and procedures would be appropriate for these types of major construction projects? As you say, and as Mr. Oberstar pointed out and your report points out, the initial estimate of \$3 million was grossly inadequate, and without good information at the beginning, it is unlikely that we are going to achieve the objectives that we desire. And I agree with Mr. Oberstar, and I think the Congress agrees that this is a National treasure. It is something that we have to enhance and protect and make very, very functional and useful. Let us start with policies and procedures that you would say are not there but need to be there.

Mr. GOLDSTEIN. Mr. Burns, we found that really the only policies and procedures they did have had been developed by their contractors in this instance and were related to essentially safety kinds of procedures. But they didn't have formal written policies and procedures that ought to cover an entire construction management program, that one would have in place in almost regardless of what one were building, that could talk about what your goals were, how you would establish your goals, how you would plan, how you would estimate, what the various phases of the project were, right down to the kinds of approvals that would be required for sign-offs, the documentation requirements, RFP procedures, all of the things that would be necessary to make this run smoothly, to plan, to administer, and to manage construction programs. They did not have formal written procedures that would do that.

Mr. BURNS. I understand at this time, at least, that we are now seeing a project management entity within the Kennedy Center management at a mid-level. Going back to Mr. Oberstar's comments about a senior level executive with good solid project management experience, I agree if, 10 years ago, that was a request, why has that not occurred? And will it occur in a reasonable period today?

Mr. GOLDSTEIN. The Kennedy Center has informed us that they have sought those individuals, that they are in the process of hiring people who would be able to manage the plaza project.

Mr. BURNS. The plaza project is a very base project; it is not a project that was, at least initially, designed to be an exceedingly large, complex project. I think we are going to have to go beyond that. We are going to have expertise that would ensure the ability to manage much, much larger and more comprehensive projects.

Mr. GOLDSTEIN. I think you are probably right. I think they will have to. Part of having the right kinds of procedures and information and personnel on board will be to help them assess the kinds of additional things that they are going to need. If they have the right tools in hand, that should help them, and obviously some other individuals. They can use the Army Corps, they could hopefully use GSA and some other entities to help give them the expertise that would augment their in-house staff.

Mr. BURNS. I would caution against the excessive use of external contractors in this role. If we rely too heavily on that, then we don't have the internal expertise to do the oversight and to do the management that is absolutely essential in this project and future projects, whether we are talking about the Kennedy Center or perhaps others around the Nation's infrastructure.

Thank you, Mr. Chairman.

Mr. LATOURETTE. I thank the gentleman very much.

And, Mr. Goldstein, we thank you for not only your testimony, but answering our questions and the fine work you did with the report. Thank you very much.

Mr. GOLDSTEIN. I thank the Committee.

Mr. LATOURETTE. Thank you.

Appearing on the second panel this morning, returning witness, Michael Kaiser, who is the President of the John F. Kennedy Center for the Performing Arts.

Welcome, Mr. Kaiser. And if there is anyone that is going to be assisting you during your testimony, if you would identify them for the purposes of the record. Since your written testimony is also made part of the record, we would ask you to summarize that. We thank you very much for being here and making yourself available to answer our questions, and you may proceed at any time.

TESTIMONY OF MICHAEL KAISER, PRESIDENT, JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

Mr. KAISER. Thank you, Mr. Chairman. You spoke very kindly about our artistic and our educational accomplishments, so I will not mention those in my remarks, as they are in the printed statement.

Five years ago this subcommittee recommended a five year authorization for the Center's 10-year comprehensive building plan and asked us to return this year to request authorization for the remaining five years. During the first five-year authorization period, substantial rehabilitation has occurred, most of which has focused on security, health, and safety considerations. The entire roof was replaced, the roof terrace pavers were replaced and new safety railings were installed. Likewise, the marble deck is in the process of being removed and replaced with new granite decking. The Center is also replacing damaged marble panels in the western face of the building and installing new safety railings in the west terrace.

The Center has installed a new fire alarm management system and public address system for the entire building, and installed new door safety devices and close circuit television cameras. Planning and design for rehabilitation and modernization of the Center's elevators has also been completed. The Center has conducted a comprehensive study to identify all asbestos-containing materials in the building and has implemented an ongoing inspection and maintenance program, including substantial abatement activity.

In 1997, the Center reopened its renovated state-of-the-art Concert Hall that offers total wheelchair accessibility in all areas. The Opera House is being renovated currently. The roof terrace restaurant kitchen floor was replaced during the renovation of the restaurant. The Center conducted renovations of some administrative offices to create additional office space and increase efficiency. New offices for project management were built as the site improvements necessitated removal of construction trailers which served as offices on the south area of the property.

New wall finishes, new carpeting, new public seating, and new food service stations were installed in all relevant public areas. All lighting fixtures in the Grand Foyer were removed and reinstalled. Accessibility ramps were constructed and installed at the entrance to the Concert Hall, Opera House, and Eisenhower Theater. The Eisenhower Theater and opera house presidential boxes were renovated. New signage was designed, fabricated, and installed in all public areas. New visitor interactive exhibits were developed, designed, and installed.

Site work improvements are underway and include reworking of the access roadway to revise circulation. The new circulation will provide drop-off points in front of main entrances and free-flow traffic movement to the garage, additional garage entrances and

exits, and direct access to the Potomac Expressway from the Kennedy Center site. The work will also improve pedestrian access. The site is also being re-landscaped.

Repair and structural modifications are being made to the service tunnel, service drive, and loading docks. This entails structural reinforcement to portions of the service tunnel roof to accommodate the new roadway above the plaza, including the repair of deteriorated concrete floor slabs. Along with these repairs is extensive mechanical work required to reroute the supply and exhaust systems that currently service the entire building. Additionally, a secured exit will be provided out of the tunnel at the south end, making the service tunnel a secure usable means of entrance to the building by Secret Service for high level dignitary visits, including the President of the United States.

Moving forward with the reauthorization proposal before you, the Kennedy Center will continue to operate a safe, secure, and well maintained building for all its patrons and visitors. The Center will also continue to provide preventative maintenance, as well as routine and emergency repairs and replacement of building systems. Rehabilitation of the facility under this reauthorization will include a complete renovation of the Eisenhower Theater, making it fully accessible, and the conversion of the Film Theater to a theater for families and children.

With regard to the exterior of the building, we plan to restore our curtain wall, our windows in the west facade of the building. This project will include removal and cleaning of glass, refinishing of existing curtain wall framing, and replacement of failed gasket seals of the original glazed acoustical curtain wall systems at the plaza level. Additionally, there will be selective replacement of exterior automatic doors and hardware.

We will continue to address security issues with new door security devices and electronic security system improvements, repairs, and augmentations as necessary. The entrance to the service tunnel will be analyzed by security experts to develop a plan for heightening security, and that plan will be implemented. Design work will continue to improve the life safety aspects of the building, including phased insulation of automatic sprinkler and fire suppression systems, and the development of fire separation between buildings.

In the Film Theater, renovations will be made to meet or exceed accessibility requirements, achieve complete sprinkler coverage, correct egress deficiencies, and restore or replace deteriorated finishes and building systems. For patrons and visitors, the Center plans to create and install a new visitor's services desk and an assisted listening device desk in the Hall of States. The Level A visitor's area will be expanded and renovated to create an enlarged and improved visitor area.

We believe this aggressive list of improvements will enhance audience health and safety, and the security of all who attend or work at our Nation's cultural center.

Mr. Chairman, on behalf of James A. Johnson, the Chairman of the Board, and all our trustees, I thank you for this opportunity to review the reauthorization proposal with the subcommittee

today, and I am pleased to answer any questions that members of the Committee may have. Thank you.

Mr. LATOURETTE. I thank you very much, not only for your written testimony, but for your very informative oral presentation, as well.

When Mr. Goldstein was here, not to belabor this point, but obviously I think, having sat through his observations and the questions from the members of the subcommittee, you get what is troubling people about the GAO report. I think that in my opening statement you are recognized for the many great accomplishments that you have brought to the Center, and the Center, as Mr. Oberstar indicates, is a world-class facility, but we have a new football stadium in Cleveland, and I wouldn't ask the football players to build the stadium. They are very good at playing football, but they are not so good at construction. I would hope that you take the comments and the observations, not only in the report, but that have been generated by the members of the Committee, to heart, and I think that the difficulties evidenced in that report aren't only symptomatic of what we now are being told about the Kennedy Center.

Ms. Norton talked about the fact that we are locked sort of in this death struggle with another committee in the House over who should manage Federal property, not only repairs, but construction and alterations. We do have sort of this move to privatize everything and just sort of throw things to the wind and hopefully things will turn out okay. It is not my experience that that works very well. We do have experts within the Federal Government and we have experts throughout the Federal Government that are good at these things, and I am encouraged already by the comments that Mr. Goldstein made that you have taken to heart their recommendations and observations, and would continue to take those to heart, because it does get people's attention when you go from obviously 3 to \$43 million. People sort of think something is amiss there. And so we appreciate that.

I wanted to ask you, however, you give a very detailed list of the acceleration and part of the scope increases related to the site improvement portion of your plan. It is our understanding that a number of those things were the acceleration of planned repairs which you have sort of detailed. Do you have a price figure for that rather lengthy list of accelerated repairs that you gave us?

Mr. KAISER. The repairs and the capital improvements we are anticipating over the next five years total \$75 million, which was the amount that we discussed with this subcommittee five years ago when we talked about a 10-year plan. Originally, we talked about a 10-year funding plan, and the Committee suggested we break it into two pieces: \$96 million for the first five years, \$75 million for the second five years. And it is that \$75 million that our plan corresponds with today.

Mr. LATOURETTE. Okay. Thank you. And back to the garage for a minute. It is my understanding that the bonds that have been issued, about \$33 million in bonds, are going to be retired as a result of increased parking revenues. What is the plan to pay for the rest, which I understand is about \$52 million? Where is that money going to come from?

Mr. KAISER. The revenue from the bonds is \$34 million. In addition to that \$34 million, we received approximately \$5 million in interest while the revenue from the bonds was accruing for the expenditures, which yields \$39 million. We anticipate that the garage project will cost approximately \$45 million, so there is \$6 million that is different from the revenue from the bonds in total and the costs. That \$6 million we anticipate to be coming out of our trust fund, the non-government side of our budget. We also have a \$10 million revolving line of credit that was approved by our finance committee and our executive committee to cover any of that \$6 million shortfall.

I think it is important, though, to note that this garage project, over its 30-year life of the bonds, shows a profit, a cash flow profit of \$80 million. All \$80 million goes to the further education and artistic programs of the Kennedy Center. So even with the increased costs, it is a very profitable project.

Mr. LATOURETTE. Thank you. The reauthorization that the subcommittee is now in the process of looking at, submitted by you, has requested \$33 million for fiscal year 2004 and such sums as may be necessary thereafter, and that, I think as you know, makes the subcommittee nervous, or such sums that may be necessary thereafter. It is our preference to attach numbers to its authorizations. In order to assist us as we move forward on your request for reauthorization, again, I think I would make a request of you that you submit to the Committee a breakdown of your five-year needs in two categories: capital projects and maintenance, and then repair and security expenses.

Mr. KAISER. I can give you those figures today or I can supply them in writing, whichever you prefer.

Mr. LATOURETTE. Why don't you just go over them with us, and then if you can just give us a note?

Mr. KAISER. Surely. For operations and maintenance starting in fiscal year 2004 and proceeding to fiscal year 2008: \$17 million, \$18 million, \$18 million, \$19 million, and \$19 million. That is for the operations and maintenance. And for the capital we are requesting, starting again in 2004 and proceeding to 2008: \$16 million, \$18 million, \$18 million, \$14 million, and \$9 million.

Mr. LATOURETTE. Thank you very much. I have no further questions.

Ms. Norton?

Ms. NORTON. Thank you very much, Mr. Chairman.

Welcome, Mr. Kaiser.

Mr. KAISER. Thank you very much.

Ms. NORTON. Congratulations on all the work you are doing at the Kennedy Center.

Mr. KAISER. Thank you.

Ms. NORTON. Before I get to my questions concerning this matter, may I ask you about a letter I wrote to you on June 9th, 2003? I very much appreciated that you sent a representative to my office for a meeting on February 26th, 2003, to discuss an apprenticeship policy regarding the use of apprentices as GSA is now doing throughout the national capital region. As you may have been told, this not only assures that projects are staffed with well trained personnel, the use of apprenticeship training programs sanctioned

by the business community, business roundtable because of the losses that occur when you get people who supposedly know what they are doing but have not been adequately trained. The GSA has a new policy to use in its RFPs in order to incorporate an apprenticeship training policy in its work.

I have received no answer to that letter of June 9th in which I asked what progress the Kennedy Center was making in incorporating an apprenticeship policy into its construction.

Mr. KAISER. All of our construction contracts have the apprenticeship program as part of them. That is a requirement for all contractors.

Ms. NORTON. Does that mean that when the RFP goes out there is some kind of point system, for example as the GSA uses, given for apprenticeship programs?

Mr. KAISER. It is an absolute requirement that there be an apprenticeship program.

Ms. NORTON. Can you get me in writing an answer to my letter of June 9th so that I will have an understanding of what you are doing in that regard?

Mr. KAISER. Yes, ma'am.

[Information received follows:]

11/18/2004 21:41 FAX

003/004

ELEANOR HOLMES NORTON
DISTRICT OF COLUMBIA**COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE****SUBCOMMITTEES****AVIATION**ECONOMIC DEVELOPMENT,
PUBLIC BUILDINGS, AND
EMERGENCY MANAGEMENT**Congress of the United States
House of Representatives
Washington, D.C. 20515****COMMITTEE ON
GOVERNMENT REFORM****SUBCOMMITTEES**RANKING MINORITY MEMBER,
DISTRICT OF COLUMBIACIVIL SERVICE AND
AGENCY ORGANIZATION

June 9, 2003

Mr. Michael Kaiser
Office of the President
The Kennedy Center for the Performing Arts
2700 F Street, NW
Washington, DC 20566

Dear Mr. Kaiser:

Thank you for agreeing to adopt the new apprenticeship policy we discussed at our meeting in my office on February 26, 2003. I assume you may have the information that I am enclosing: (1) a summary of the apprenticeship policy recently implemented by GSA National Capitol Region; (2) a copy of the RFP language used by GSA; and (3) additional background information on this subject.

I am also requesting information from you concerning your progress in implementing an apprenticeship policy. The GSA policy is just one example of an approach that can be used in this area. The GSA policy is a good start, but we can and should do even more to encourage the effective development of high quality apprenticeship programs in our nation's capital. For example, the GSA has placed a minimum of 10 points out of 100 for apprenticeship in its model RFP language, although the importance of this matter easily justifies considerably greater weight. As you know, it is well recognized in the construction industry that craft apprenticeship programs provide an effective means of helping an agency ensure that its projects are staffed with well-trained, qualified craft personnel, which is vital to the success of any project. This is why it makes good business sense to include the apprenticeship factor in RFP criteria and give it substantial weight.

Moreover, actively encouraging the development of apprenticeship programs also benefits an agency's long-term interests in securing a supply of skilled workers for future projects. The apprenticeship initiative is sound public policy that benefits government agencies, the local construction industry in which you operate and the taxpayers who have entrusted us to handle our capital construction programs in a responsible, effective manner.

529 14TH STREET, N.W., Suite 900
WASHINGTON, D.C. 20045-1928
(202) 726-5085
(202) 726-5211 (FAX)2138 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515-6101
(202) 225-8056
(202) 225-3002 (FAX)
(202) 225-7829 (TDD)
www.house.gov/norton

Recycling Paper

2041 MARTIN L. KING AVENUE, S.E.
Suite 300
WASHINGTON, D.C. 20020-6734
(202) 678-8900
(202) 678-8844 (FAX)

11/18/2004 21:41 FAX

004/004

Please write me concerning the status of your agency's progress by July 9, 2003. If you have any questions, or should need any further assistance from my office, please contact Christopher Hicks at: 202-225-8050. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Eleanor Holmes Norton", with a long horizontal flourish extending to the right.

Eleanor Holmes Norton
Member of Congress

11/18/2004 21:41 FAX

002/004

The John F. Kennedy Center for the Performing Arts

MICHAEL M. KAISER
PRESIDENTWASHINGTON, D.C. 20566-0001
202 416-8010
FAX 202 416-8018

September 11, 2003

The Honorable Eleanor Holmes Norton
US House of Representatives
2136 Rayburn House Office Building
Washington, DC 20515

Dear Congresswoman Norton:

In response to your question regarding the Kennedy Center Apprenticeship Program, I am in full agreement and support your efforts to make the Apprenticeship Program part of the contracting process. As an example, our current garage expansion project, funded through Industrial Revenue Bonds incorporates the requirements of contractors having a certified apprenticeship program.

As we go forward with the award of future construction contracts we will incorporate an Apprenticeship policy as a selection factor to encourage the development of high quality apprenticeship programs in the District. The use of apprenticeship training programs by project contractors will be included as a technical evaluation factor.

Since the meeting in your office, no construction contracts have been awarded. But, please be assured that future contracts will include an apprenticeship program as a key source selection factor.

We thank you for the leadership and encouragement in the furtherance of this project.

Sincerely,



Michael M. Kaiser

Ms. NORTON. Mr. Kaiser, you did not address the issues raised in the GAO report, so I am going to ask you some questions related to that report.

Mr. KAISER. Certainly.

Ms. NORTON. I am interested in who is in charge now. At least the GSA believed that there was a vice president of the Center who was in charge of contracts or construction. Who is in charge now? Who approved the increase in the project scope for the improvements that were involved in the garage and site improvements?

Mr. KAISER. Those are two separate questions, and if I could address them in reverse order, please. The site improvements that are now considered under the site improvements were part of our 10-year plan that was submitted five years ago. They were submitted in pieces and originally attached to the garage project was going to be simply one small piece of that site improvement which totaled \$3 million, which is where that number comes from, but there were many other pieces of site improvement that were anticipated happening in the next five years. What happened was one large project at the Kennedy Center got canceled. This was called the center block project, which included expanding the size of the opera house. When that project was canceled, the various pieces of the site improvement project were moved up in time and combined into one what we now call the site improvement project. That is why the amount is so much larger than the \$3 million; it is a different project. It takes together many of the pieces that were anticipated over a 10-year time and moved them into the first five years of the planning period.

Ms. NORTON. So are you going to have to resubmit this as a project or were there some kind of change orders made in order to account for the increases that would be necessary?

Mr. KAISER. What happened was when we canceled the center block project, it freed up funds to do these other pieces of the plan that were already written down and submitted in the 10-year plan but were anticipated happening later than they are happening now. So we just moved up in time completing the various pieces of the site work project. So we didn't go from \$3 million to \$44 million, what we did was we took many projects that were anticipated happening in the next five years and moved them earlier because we canceled a large project.

And I should say that when all of that planning was done and when all of the cost estimates were done that are now under scrutiny, we did have a capital projects manager who was the kind of senior executive that we are talking about hiring again. That gentleman left the organization in the year 2001. Running all of our construction projects is our executive vice president, Claudette Donlon, who has substantial construction experience building both a large museum in New York and also a large school in New York. But as we have talked with the GAO, we are now in the process of hiring a capital projects manager, and that person should be engaged in the next several weeks, so we are just in the interview phase. So we will have a senior level capital projects manager at the Kennedy Center. We did have one in the past. That person, and I think the work, was not satisfactory. We will have one again in the future.

Ms. NORTON. What is your view of the suggestions you have heard from the podium here about involvement of GSA more closely in your work?

Mr. KAISER. We are very happy to have more help with the Government in our large projects. I should say that the Army Corps of Engineers, through the Huntsville unit, is actually managing the entire site work project. We felt we did not have the expertise to run that site work project, and we did engage the Corps of Engineers and they are running that project, they are the conduit to the contractor. So where we don't have the expertise, we do feel we needed to get expertise. But we are very happy to discuss ways in which we can have additional help from the Government in our large projects.

Ms. NORTON. Now, as I understand it, the garage is scheduled to open fully in December.

Mr. KAISER. That is correct.

Ms. NORTON. Are you on schedule?

Mr. KAISER. Yes, we are, ma'am. The original schedule was to open right now. We are three months delayed on the garage project. I should say the garage project is being managed by the Kennedy Center itself, not through the Corps of Engineers. And if I might, just for the record, suggest why the big difference between the \$25 million that was originally suggested and the amount that is now suggested, what the original \$25 million did not include was neither the capitalized interest cost of the bond, which is \$7 million, nor when it was testified to by my predecessor before this Committee did it include any of the soft costs of this project, which equal about \$9 million. So if you take the \$9 million, or the soft costs, and add the \$7 million of the capital interest costs, that is \$16 million. That takes the \$25 million estimate to \$41 million. And the difference between the 41 and the 45 are primarily the unforeseen conditions of the soil.

Ms. NORTON. You heard a lot of discussion about the absence of policies and procedures.

Mr. KAISER. Yes, ma'am.

Ms. NORTON. And as I understand it, you contracted with, and let me get the name right, the Federal Facilities Council for assistance for upgrading your own policies and procedures. I wonder if you can tell us something about the status.

Mr. KAISER. Yes, ma'am. And, if I might say, we found the GAO report very enlightening and very helpful to us. We contacted, at their request, Linda Stanley, who is the director of the Federal Facilities Council at the National Academies, and she has provided us with a great deal of help and with several National Research Council reports that help us to update our policies and procedures. On her recommendation we have also contacted the Department of Energy, which has been very helpful, and the Smithsonian Institution, who are sharing with us their project management procedures. And we have also hired a contract officer in our contract department that comes to us from the U.S. Navy with extensive experience in contracting construction projects. So we feel we are starting to make strides in this area.

Ms. NORTON. When do you believe you will have policies and procedures done and in place, written down?

Mr. KAISER. I believe we should have that completed by the end of this calendar year.

Ms. NORTON. I wonder if you would be good enough to submit copies to the Chairman so that we may have an understanding of those procedures.

Mr. KAISER. Absolutely.

[Information received follows:]

The witness stated that policies and procedures should be completed by the end of this calendar year and agreed to submit copies to the Chairman upon completion.

Ms. NORTON. One final question, if I may, Mr. Chairman.

When, in 1993, we agreed to give this authority to the Center, one of the issues that propelled us was our concern about fire safety and ADA accessibility. It looks as though we are not there yet on either of those items. Would you care to elaborate on both of those?

Mr. KAISER. Yes, ma'am. I believe we are very far along in both of those areas. In terms of ADA compliance, the Concert Hall has been fully renovated and is fully ADA compliant. The Opera House is in the process of being renovated and will open this December on time fully ADA compliant. The back stage of the Opera House will be accessible and we are adding a second passenger elevator to help with accessibility. We added accessibility ramps in front of the Opera House, the Eisenhower Theater, and the concert hall. As part of our site improvement project, now we are developing a fully accessible walkway for those who are walking from the north side of the Center to the Kennedy Center. The renovation of our Roof Terrace Restaurant and our KC Cafe make them fully ADA compliant, and all signage is now ADA compliant.

Where we are making ADA compliant renovations are the film theater and the Eisenhower Theater, both of which will be renovated in this next five-year authorization.

Ms. NORTON. And are those the only two areas that are not ADA compliant now?

Mr. KAISER. That is correct, ma'am. When it comes to fire alarm and sprinkler systems, we have a new fire alarm system, as I mentioned. The sprinkler systems are tested semi-annually, and they are a wet system throughout the building with these exceptions: in the garage it is a dry pipe system; in the computer center, the telephone room, and the restaurant kitchen it is a halon system; and in our organ room it is also a wet system, but it is a delayed wet system so that we can test before we destroy the organ.

Where there is no sprinkler protection are primarily in the very large spaces, the Hall of Nations, Hall of States, Grand Foyer, North and South galleries. In the next five years, as I mentioned, we are going to be doing studies of these areas because sprinklers won't work in such large spaces and we need to study other fire suppression systems for those spaces.

Ms. NORTON. Well, you don't have to reinvent the wheel; there must be lots of large spaces that know what to do.

Mr. KAISER. And we are bringing in expertise from outside, obviously, to help us with that project.

Ms. NORTON. Is it your testimony that the bathrooms and the phone booths are all ADA compliant?

Mr. KAISER. As each area gets renovated, everything is made ADA compliant.

Ms. NORTON. So renovated areas now have bathrooms and phone booths that are ADA compliant?

Mr. KAISER. That is correct, ma'am.

Ms. NORTON. Thank you very much, Mr. Chairman.

Thank you, Mr. Kaiser.

Mr. KAISER. Thank you very much.

Mr. LATOURETTE. I thank the gentlelady.

Ms. Capito?

Ms. CAPITO. Thank you, Mr. Chairman.

Thank you, Mr. Kaiser. I have a question, being unfamiliar how active your board is, your board of trustees. What type of reporting do you do in terms of regular updates to the board? Is there a board committee that does oversight on construction of five-year plans on capital improvements? If you could just tell me a little bit about that.

Mr. KAISER. Certainly, ma'am. We report to several committees. We have an operations committee of our board, which includes those members of Congress and several other trustees, presidentially appointed trustees to whom we report about capital projects. Our finance committee, which meets three times a year, is also fully apprised of all the financial details of all capital projects. And then when we have a capital project recommendation, we report to the executive committee of the board as well.

Ms. CAPITO. In the course of the parking garage escalation, price and scope and everything, did the board weigh in on this? What was their discussion? I mean, what kind of interaction would they have? And I didn't read the GAO report to its entirety. I don't know, it might have been covered in that.

Mr. KAISER. Again, the escalation, when we actually began construction of this project, we fully expected the cost of the project, including capitalization costs, to be roughly \$41 million. So we are talking over the last two and a half years of just an escalation from \$41 to \$45 million, and that escalation was discussed fully with the finance committee.

Ms. CAPITO. Okay. How many visitors does the Kennedy Center have?

Mr. KAISER. We have approximately two million people coming to our performances and approximately another million people coming to the Center in the daytime to visit the memorial.

Ms. CAPITO. That is a fantastic sum of people, and certainly maintenance of the building and renovation of the building is an enormous task.

Mr. KAISER. It is, and it is the challenge to us primarily that we are open 15 hours a day, seven days a week, so that we can't do maintenance or construction work in ways that normally would by closing a facility.

Ms. CAPITO. Thank you very much.

Mr. KAISER. Thank you very much.

Mr. LATOURETTE. I thank the gentlelady.

Mr. Oberstar?

Mr. OBERSTAR. Thank you, Mr. Chairman. I appreciate the questions that you have raised and the probing inquiry of our ranking

member. In response to the point raised by the gentlewoman from West Virginia, Mr. Kaiser has laid out, I think quite well, the various committees of the board of trustees that have oversight responsibility. I do serve on the operations committee and repeatedly raised these issues that GAO has addressed here in writing and in person, and we made progress, but I am concerned about this further GAO report.

Now, I do appreciate the response, President Kaiser, that you have made to Ms. Norton's questions about participation with the Federal Facilities Council and laying out a plan and moving ahead.

You know, I almost feel sort of embarrassed to be here asking questions about \$43 million here and \$75 million there in the context of the authorization responsibilities of the Committee on Transportation and Infrastructure, which add up, Mr. Chairman, to about \$80 billion a year we have jurisdiction over. We are here talking about a little piece of it. But we love every one of those dollars equally, and it is because we love this Kennedy Center that we are here spending the time on it.

You have the artistic level of the Center to new height, new levels of achievement. You have engaged on so many fronts, as I said a moment ago, the finest artistic talent this Country and outside the United States. You have brought the private giving to a new level, you are brilliant and talented at that. You have added the arts management program to bring people from artistic institutions around the Country to the Kennedy Center to develop further the skill that you have demonstrated in arts management. President Kennedy said without the arts, a Nation has nothing to look backward to with pride, nor forward to with hope.

Now, let us resolve here that we will have a great deal to look forward to with hope about the management of the hard side, the construction side of this facility so that it too will last as long, maybe longer, let us hope, then La Scala or Opera Paris, or any of the other great centers of artistic performance in the western world.

And what I want to understand clearly from you, you have been most responsive to GAO from the comments that I had in a briefing yesterday and from what they said today and what they printed in their report, but when are we going to have at the Center sort of a vice president level person to relieve Claudette Donnelly of that responsibility? She has a lot of other things to do. Very competent, talented, dedicated person. We need somebody who is really overall in charge, whose focus is these construction projects and who is preparing for the big dig.

Mr. KAISER. If I might respond, congressman, thank you. There are two executives who we are in the process of engaging. The first executive, who will be the capital projects executive, who is the person I think you are talking about primarily, we are in the middle of interviews, hope to have the individual identified in the next two or three weeks, and then to engage that individual. The second is what we are calling the project executive for the plaza project itself. The Plaza Project is such a large project coming forward that we believe we need a separate staff person, a senior staff person just to worry about that project. That person has actually been identified. The problem is until we know that we have an appro-

priation to the DOT to continue the plaza project, we are not in the position to engage someone, not knowing whether the project is actually going to happen or not. So we have gone through the interview process, we have identified a project executive, a very senior person with a great deal of construction expertise, and we will engage that individual as soon as we know there is an appropriation for the plaza project.

So we have two senior executives we are in the process of engaging. We believe those two individuals, in addition to having engaged the firm of Carr America to serve as the developer for the Plaza Project, we believe we will have the team in place and the expertise in place to run the plaza project and to do the capital projects, other capital projects at the Kennedy Center.

Mr. OBERSTAR. Well, with respect to the Plaza Project, I can say that when we, next year, get to the reauthorization of the successor legislation to TEA-21, we will reaffirm this Plaza Project. It is my firm objective to do that. We have bipartisan consensus on accomplishing it and we will bend every effort to fully fund that project and make this happen. I think this is the future of the Center and of Washington, D.C. It just has so many implications for the quality of experience at the Center, for engaging the people of the District of Columbia, as well as the millions who come to the Nation's capital with, at least in part, the expectation of enjoying a performance at the Kennedy Center. So many of my constituents come with the expectation this is going to be a highlight of their visit to our Nation's capital. So we need to see that step taken and that person put in place. I can understand your reluctance to do it unless you know the money is going to be there, but we need that quality of person anyway.

In the end, you can't point to the Corps of Engineers and say, you know, we put them in charge, they didn't do the job. We are about to bring a lot of resources bill to the House floor next week that says Corps of Engineers hasn't been doing such a good job on the thing that is their stock in trade, so we are setting up a board of review for the Corps of Engineers. You need to have the in-house skill, expertise, project management, project oversight, because in the end the buck stops at your office.

Mr. KAISER. We recognize that. That is why we are now engaging these two individuals with tremendous experience.

Mr. OBERSTAR. Stay on track with it. And, secondly, keep communicating with this Committee and with our counterparts in the other body so that we know in advance that there are no surprises, there are no gaps.

Mr. KAISER. One of the things we learned in this process of the GAO study was that we have a responsibility to report to this Committee not just about projects that have Government funding, but all construction projects at the Kennedy Center. And for that reason we have now been holding monthly briefings of the staffs of the Committee members to brief on all construction projects, not just on those that include congressional money.

Mr. OBERSTAR. Well, it is a whole lot less exciting than engaging the Kirov, I must say. It is a whole lot less exciting than getting the concert series of the Sondheim festival underway. Those are really fun. That is your stock in trade. Some of us live and breathe

asphalt, concrete, and steel, and we like to see these things happen.

Mr. KAISER. I have to say, congressman, that a lot of my career has been spent building buildings. I built an opera house in London and I built a museum in New York, so I am very cognizant of the importance of the infrastructure.

Mr. OBERSTAR. Thank you, Mr. Chairman.

Mr. LATOURETTE. I thank the gentleman.

Mr. Burns.

Mr. BURNS. Again, thank you, Mr. Kaiser, for your input. I appreciate your leadership and I would like to echo that of my colleagues about the quality of the programs and the opportunities that America has because of your efforts. Thank you.

You listed a good long list of projects that were completed over the last five years, and, again, that is quite impressive. Can you maybe provide us the comparison of cost versus estimates in both dollars and time? I would like some confidence that we indeed have had a number of successes there where we encountered an opportunity and we met it on time and on budget. Is that something you can provide either here or through written?

Mr. KAISER. I can provide it through written testimony, I can't speak to every project. I can say that we were given \$96 million to spend. We are spending \$96 million.

Mr. BURNS. Now, was the \$96 million that we spent well spent, and did we indeed estimate projects both in dollars and time and then achieve those?

Mr. KAISER. The only projects that we did not accomplish, one of which was canceled, was this expansion of the opera house, which we don't want to accomplish.

Mr. BURNS. And we took those funds and we used it for site improvement.

Mr. KAISER. That is correct. That was already in the plan, but it was in the plan to do in the next five years rather than the first five years. And there were two other projects that were deferred into the next five years. One is what is called a curtain wall project. That is the fixing of the glass wall on the west side of the Kennedy Center. That is taking out the glass, repairing the glass, repairing the gasket seals. And the second was the small visitor area that is at our Level A, one level down from ground level, where we are putting in a new little cafe and we are fixing our tour gathering point. Those are the two projects that were delayed, and one project was canceled.

Mr. BURNS. So those are the only two projects as a part of the comprehensive building plan that were deferred.

Mr. KAISER. For the first five years that were deferred to the second five years.

Mr. BURNS. And my last question deals with really the facilities comprehensive engineering plan and proposal that hopefully we have in place that would allow us to understand what I going to have to be done over maybe 20 or 25 years of activity.

Mr. KAISER. Yes, sir.

Mr. BURNS. Do you have that plan? Is it effective? Is it something that is being followed?

Mr. KAISER. We don't have a 25-year plan, I am afraid, but we have a 10-year plan.

Mr. BURNS. A 10-year plan?

Mr. KAISER. And I have to say that a lot of the specifics will depend upon whether the big Plaza Project that is being discussed is actually implemented or not. This is the project that connects us to downtown and that allows us to build two new buildings. If that project happens, it has tremendous impact on the existing building because many activities in the existing building will move to the new buildings. So many of the specifics will depend upon the implementation of the Plaza Project. But we have been studying the building structure, the structural systems, the HVAC systems, the plumbing systems, the electrical systems, the fire protection systems, the vertical transportation systems, the life safety systems, the security systems, and interior conditions as part of the comprehensive plan.

Mr. BURNS. So a comprehensive plan over 10 years for making sure that this facility meets the needs of really the Nation.

Mr. KAISER. That is exactly right.

Mr. BURNS. And that is something that, if you would, please, provide that to the Committee just for our information.

Mr. KAISER. Absolutely, sir. That is completed, and we can happily provide that to you.

Mr. BURNS. Very good. Thank you. And again I would like to congratulate you and the Kennedy Center for the great work that you do for our Nation.

Mr. KAISER. Thank you very much.

[Information received follows:]

The John F. Kennedy Center for the Performing Arts 2002 Comprehensive Building Plan will be on file with the committee.

Mr. LATOURETTE. Thank you, Mr. Burns, for your questions and contribution.

Mr. Kaiser, thank you very much. I want to thank you, and our previous witness as well, for your testimony. You both have been very helpful to our discussion today, and also very helpful as we look at the reauthorization, and we appreciate your cooperation very much. Thanks for being here.

If there is no further business to come before the subcommittee, we are adjourned.

[Whereupon, at 11:20 a.m., the subcommittee was adjourned, to reconvene at the call of the Chair.]

United States General Accounting Office

GAO

Testimony

Before the Chairman, Subcommittee on Economic Development, Public Buildings, and Emergency Management, Committee on Transportation and Infrastructure, House of Representatives

For Release on Delivery
Expected at 10:00 a.m. EDT
Wednesday, September 10, 2003

KENNEDY CENTER

Improvements Needed to
Strengthen the Construction
Process

Statement of Mark L. Goldstein, Acting Director
Physical Infrastructure Issues



GAO-03-1141T



Highlights of GAO-03-1141T, a testimony before the Subcommittee on Economic Development, Public Buildings, and Emergency Management, Committee on Transportation and Infrastructure, House of Representatives

Why GAO Did This Study

In the mid-1990s, John F. Kennedy Center for the Performing Arts (Kennedy Center) officials recognized a need for additional parking and better site access. As a precursor to a planned project to construct an 8-acre plaza and two additional buildings at the site, the Kennedy Center is currently in the process of constructing a garage expansion and site improvement project.

Because of congressional concerns over project delays and costs as well as challenges the Kennedy Center faces as it pursues this major construction effort, GAO was requested to examine (1) the garage expansion and site improvement project's current costs, time frames, and scope compared to estimates provided to congressional stakeholders in 1997 and 1998 and (2) challenges the Kennedy Center faces in managing large construction projects. GAO issued its findings in a report entitled *Kennedy Center: Improvements Needed to Strengthen the Management and Oversight of the Construction Process*, GAO-03-823 (Sept. 5, 2003). This testimony is based on that report.

www.gao.gov/cgi-bin/getrpt?GAO-03-1141T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Mark L. Goldstein, (202) 512-2834, or goldsteinm@gao.gov.

September 10, 2003

KENNEDY CENTER

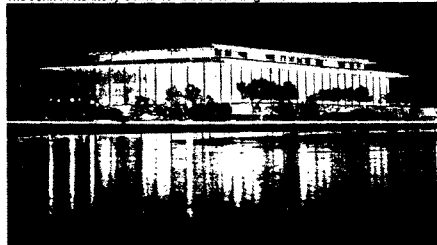
Improvements Needed to Strengthen the Construction Process

What GAO Found

As of July 2003, Kennedy Center officials estimated that the garage expansion and site improvement project would cost \$88 million, the garage expansion would be completed in December 2003, the site improvements would be completed in summer 2004, and the project would include 525 parking spaces and various traffic flow improvements. These estimates vary substantially from estimates that Kennedy Center officials provided to congressional stakeholders in 1997 and 1998. At that time, Kennedy Center officials estimated that the project would cost \$28 million, would be completed by August 2000, and would include between 900 and 1,000 parking spaces. According to Kennedy Center officials, the initial estimates were preliminary in nature and were based on some unrealistic assumptions. They acknowledged that they should have done a better job of informing Congress of the preliminary nature of the estimates and the subsequent events in the project's planning and bidding phases that affected the costs, time frames, and scope. Kennedy Center officials said they now hold monthly meetings with Congress about the status of ongoing projects.

The Kennedy Center faces certain challenges in managing large construction projects. Specifically, the Kennedy Center lacks (1) adequate policies and procedures to guide the planning and management of the construction process, (2) some timely construction data on schedules and costs for effectively overseeing construction projects and measuring results, and (3) key human capital resources and expertise that would be useful in managing the construction process. In its September 2003 report, GAO recommended that the Kennedy Center develop comprehensive project management policies and procedures, ensure development and use of timely data, and ensure that the needs for human capital expertise are met. Kennedy Center officials are now working to address these challenges.

The John F. Kennedy Center for the Performing Arts



Source: The John F. Kennedy Center for the Performing Arts

United States General Accounting Office

Mr. Chairman, Ranking Minority Member, and Members of the Subcommittee:

We welcome the opportunity to testify before you today on our work related to selected aspects of the Kennedy Center's construction program. Specifically, my testimony will discuss the (1) differences between the current costs, time frames, and scope estimates of the garage expansion and site improvements project and the 1997 and 1998 estimates provided to congressional stakeholders; and (2) challenges that the Kennedy Center faces in managing large construction projects. As you know, on September 5, 2003, we issued a report to you and the Ranking Minority Member on these issues.¹ Therefore, my statement today will be short and primarily focus on the report's major findings and recommendations.

Let me begin by giving you a brief overview of the Kennedy Center's construction program and the garage expansion and site improvements project.

Overview

The John F. Kennedy Center for the Performing Arts, which was established in 1964 as both a national cultural arts center and a memorial to the 35th President, opened in September 1971 as an independently administered bureau of the Smithsonian Institution. Shortly thereafter, in 1972, the Secretary of the Interior, through the National Park Service, assumed responsibility for maintenance and all other services related to the administration of the Kennedy Center facility. In 1994, legislation was enacted that transferred responsibility for operations and maintenance of the facility to the Kennedy Center Board of Trustees.² The 1994 legislation also required the Kennedy Center to develop and update annually a comprehensive building needs plan that details the condition of the Kennedy Center facility and planned renovations.

¹U.S. General Accounting Office, *Kennedy Center: Improvements Needed to Strengthen Management and Oversight of the Construction Process*, GAO-03-823 (Washington, D.C.: Sept. 5, 2003).

²The Kennedy Center Board of Trustees is composed of 36 general trustees who must be U.S. citizens and who are appointed by the President of the United States, 13 trustees designated ex-officio representatives of the executive branch and other government branches, and 10 congressional representative trustees. Each appointed trustee serves a term of 6 years.

The Kennedy Center receives annual appropriations to fund operations and maintenance as well as construction. The Kennedy Center also has other sources of funds to finance capital improvements in addition to annual appropriations, such as charitable donations and the ability to borrow funds. The John F. Kennedy Center Parking Improvement Act of 1997 gave the Kennedy Center approval to design and construct the parking garage expansion and site improvements project.² The garage expansion is being funded through a loan from the District of Columbia, which issued revenue bonds to provide the related funding,³ and the site improvements are being funded through annual appropriations. To assist in the construction of the garage expansion, the Kennedy Center has hired a construction management firm. For the site improvements, the Kennedy Center is using construction-contracting services available to federal entities through a Corps of Engineers indefinite-delivery, indefinite-quantity contract. The Corps of Engineers is also providing limited management assistance to the project.

Garage Expansion and Site Improvements Project Estimates

The July 2003 estimates of the garage expansion and site improvements project costs, time frames, and scope vary substantially from estimates that the Kennedy Center provided to Congress in 1997 and 1998. Current estimates show that the garage expansion is estimated to cost \$45 million, include 525 parking spaces, and be completed in December 2003. The site improvements are estimated to cost \$43 million; include various improvements to the sidewalks, roads, and landscaping; and be completed in the summer of 2004. In contrast, in 1997 and 1998, Kennedy Center officials estimated that the garage expansion would cost \$25 million and include 900 to 1,000 parking spaces. The site improvements were estimated to cost \$3 million and include construction of a new front entry driveway. At that time, Kennedy Center officials estimated that the garage expansion and site improvements project would be completed by August 2000.

²20 U.S.C. 76i(b).

³On December 15, 1999, the District of Columbia issued \$34 million in District of Columbia revenue bonds and loaned the proceeds to the Kennedy Center for the purpose of constructing the garage expansion. The bonds are secured by parking revenues from the garage expansion. Payments of principal and interest on the bonds are insured by Ambac Assurance Corporation.

According to Kennedy Center officials, the initial garage expansion estimates were preliminary in nature and were based on some unrealistic assumptions related to comparable construction projects, the failure to consider the need for year-round operations, and construction market conditions. In addition, Kennedy Center officials said that the final scope of the site improvements portion of the project increased significantly from the early estimates because they decided to accelerate the scheduling of some planned repairs in hopes of expediting the work and reducing the number of contractors, thus simplifying project coordination efforts. These officials acknowledged that they should have done a better job of informing Congress of the preliminary nature of the estimates and the subsequent events in the planning and bidding phases of the project that affected the costs, time frames, and scope. Kennedy Center officials said they are now holding monthly meetings with congressional stakeholders regarding the status of Kennedy Center projects.

Kennedy Center Faces Challenges in Managing its Construction Program

In addition to problems associated with the planning phases of the projects, we also noted that the Kennedy Center faces a number of challenges in managing large construction projects. The Kennedy Center lacks (1) adequate policies and procedures to guide the planning and management of the construction process, (2) some timely construction data on schedules and costs for effectively overseeing construction projects and measuring results, and (3) key human capital resources and expertise that would be highly beneficial in managing the construction process. Let me elaborate on these three challenges.

- *Policies and procedures*—Although the Kennedy Center had some limited construction-related guidance, such as safety plans developed by the construction management contractor, it does not have formal, written project management policies and procedures to help guide and administer construction projects in various areas such as project organization, quality control and assurance, project execution, and day-to-day contract administration. Such policies and procedures would help ensure overall project oversight of all Kennedy Center construction projects, including the garage expansion and site improvements project.
- *Timely construction data*—The Kennedy Center does not always receive timely construction data on schedules and costs that are necessary for monitoring construction costs and measuring results, such as estimated total project costs. For example, regarding the garage expansion, the Kennedy Center decided to waive submission of key timely written project management reports from the construction manager and rely instead on

weekly meetings. These weekly meetings are no substitute for timely written reports typically used in construction project management—reports that would have provided additional detailed information on schedules and costs that could have been helpful in project oversight.

- *Human capital resources and expertise*—Kennedy Center officials lack key human capital resources and expertise that would be highly beneficial in managing the construction process. For example, the Kennedy Center experienced significant turnover in both in-house staff and contractor personnel during the design stages of the garage expansion and site improvements project, which has contributed to reduced institutional knowledge of the project and has increased the time necessary to finalize design decisions. The President of the Kennedy Center told us he recognized that the Kennedy Center continues to lack adequate staff or expertise to manage its upcoming plaza and buildings project. However, Kennedy Center officials have since noted that they are in the process of filling key positions of director of capital projects and project manager, have engaged an architect and developer firm, and now feel that they do have sufficient staff and expertise.

These construction management challenges are not new to the Kennedy Center. In September 1995, a Kennedy Center consultant reported that there were no clear lines of responsibility within the existing facility management structure, and that job descriptions were not clearly defined.³ In addition, the consultant's report also noted that "An organized system should be developed for managing information concerning the facility operations to be used to monitor performance against established standards." Regarding human capital, we reported in 1993 that the Kennedy Center lacked a federal contracting officer, architects, engineers, or other professional occupations associated with capital projects.⁴ We concluded that the Kennedy Center did not have sufficient capability to effectively manage large-capital construction projects. Since 1993, the Kennedy Center added a contracting department with 5 full-time positions and an entire project management department consisting of 9 employees—6 full-time Kennedy Center employees, including 4 project managers and 2 support personnel, plus 3 contract employees.

³Wiss, Janney, Elstner Associates, Inc., Trammell Crow Company, and Environmental Systems Design, Inc., *Facility Management Assessment, Phase I* (Washington, D.C.: September 1995).

⁴U.S. General Accounting Office, *Kennedy Center: Information on the Capital Improvement Program*, GAO/IGD-93-49 (Washington, D.C.: Feb. 9, 1993).

Although it is difficult to determine the extent to which these challenges have hindered the Kennedy Center's efforts on the garage expansion and site improvements project to date, having adequate policies and procedures, timely construction data, and qualified human capital would help to strengthen the overall construction program and reduce risk. Addressing these challenges will become increasingly important as the Kennedy Center undertakes the larger, more costly, and more complex plaza and buildings project. The critical importance of having quality guidance, data, and human capital was highlighted by the National Research Council's 2000 report on federal organizations that contract out for construction management services to acquire and build facilities, such as the Kennedy Center.⁷ The council found that, among other things, these organizations should have (1) plans, policies, and procedures to define project goals and develop strategies and methods for achieving those goals; (2) detailed data to monitor progress and assess risks; and (3) in-house staff with sufficient management, financial, and technical skills necessary for effective oversight of all phases of the project. Effective policies and procedures would provide a road map for project managers on how best to estimate project costs, administer the contract, and define the roles and responsibilities of project staff. Timely data would allow project managers to effectively oversee project status and measure results to gauge effectiveness. Qualified human capital and expertise would improve efforts to control project costs, time frames, and scope.

We recognize that changes in costs, time frames, and scope are not unusual in construction projects. However, in the case of the Kennedy Center garage expansion and site improvements project, early estimates proved to be especially problematic and were based on unrealistic assumptions. Furthermore, if the Kennedy Center continues to operate without adequate construction policies and procedures, timely schedule and cost data, and qualified human capital, the success of its future plaza and buildings project will be at risk. Although making improvements in these areas is no guarantee of project success, such improvements would strengthen the overall construction program and reduce risk by providing greater effectiveness in managing and overseeing future projects and measuring results.

⁷National Research Council, *Outsourcing Management Functions for the Acquisition of Federal Facilities* (Washington, D.C.: National Academy Press, 2000). The council is the working arm of the National Academy of Sciences and the National Academy of Engineering, and it carries out studies to advise the federal government.

Given this, we recommended in our September 2003 report that the Kennedy Center

- develop comprehensive project management policies and procedures to guide the construction process;
- ensure development and utilization of timely data to oversee construction projects;
- ensure that needs for human capital expertise are met.

Kennedy Center officials agreed with our findings and recommendations and acknowledged the importance of focusing on these areas. The officials said that they have initiated efforts to improve the overall construction program by (1) contacting the Federal Facilities Council for assistance with updating and improving construction management policies and procedures; (2) requesting monthly written project management reports; and (3) hiring additional in-house and contractor staff to assist in the upcoming plaza and buildings project.

Mr. Chairman, this concludes my prepared statement. I would be happy to respond to any questions you or the other members of the subcommittee may have at this time.

Contact and Acknowledgements

For future contacts regarding this testimony, please contact Mark L. Goldstein at (202) 512-2834. Individuals making key contributions to this testimony included Terrell Dorn and Casey Brown.

**Statement of Michael M. Kaiser
President The John F. Kennedy Center for the Performing Arts
Before the House Subcommittee on Economic Development, Public Buildings and
Emergency Management
September 10, 2003**

Mr. Chairman and Members of the Committee:

My name is Michael Kaiser and I have the great honor to serve as President of the John F. Kennedy Center for the Performing Arts. It is a pleasure to appear before you today as you consider proposed legislation to reauthorize the operations and maintenance and capital repair appropriations for the Kennedy Center beginning in Fiscal Year 2004. The draft authorization bill is submitted by the Kennedy Center Board of Trustees to the Congress for its consideration.

The Kennedy Center is both our national cultural center and a living memorial to President John F. Kennedy. I emphasize the word "living" since there is a vitality to the building and the institution that far exceeds anything that could have been envisioned when the Center was chartered by Congress in 1958 under President Dwight D. Eisenhower as the national cultural center.

Each year, the Kennedy Center reaches over 2 million people with more than 3,000 performances in all performing arts disciplines. Our focus over the past three seasons has been on developing programming that achieves national and international acclaim as is befitting our role as the national cultural center. But our performing arts activities are not limited to the Washington D.C. area. We are committed to touring productions to all 50 states to make them available to all Americans.

The National Symphony Orchestra, a vital part of the Kennedy Center for 16 years, is fulfilling this mandate by expanding its national touring activities. Our Imagination Celebration on Tour program brings the best of family and children's theater to 107 cities in 31 states and serves over a quarter million people. And, our own Suzanne Farrell Ballet Company now tours to 16 cities throughout the United States.

The Center is committed to making arts accessible to everyone and presents free performances every day of the year on its Millennium Stage. These performances are available free to every American via live Internet broadcasts.

Our leadership in the performing arts is mirrored by our commitment to arts education.

The Kennedy Center has created one of the most extensive arts education programs in the world and spends over \$15 million a year on this effort and serves 11 million people nationwide. We now train 16,000 teachers annually to bring the arts into the classroom at all levels. Our distance learning initiative, which touches over one million teachers and students, enables classrooms to experience world-class performances and to engage in discussions with artists at the Kennedy Center. Our Partners in Education Program mentors relationships between arts organizations and their

community school systems with 83 organization teams in school systems in 43 states, the District of Columbia and Mexico.

The Kennedy Center also provides training to talented young Americans who aspire to careers in dance, music, conducting and set design. And our American College Theater Festival identifies the next generation of actors, designers and playwrights with 20,000 students from 900 colleges participating. The Kennedy Center has recently instituted two programs which we hope will change the landscape of the arts in America: The Vilar Institute for Arts Management, which prepares arts managers for jobs running major institutions throughout the world, and the Capacity Building Program for Culturally Specific Arts Organizations, which trains managers of African-American, Latino, Asian-American and Native American arts organizations. In July, under the auspices of the State Department, our arts management training programs were expanded to organizations across the globe beginning with Mexico and will soon include China, South Africa, Argentina, Brazil and Germany.

In support of our artistic and educational programming, the Kennedy Center Board of Trustees takes seriously its responsibility to keep the building, a Federal asset, in the best condition possible and we appreciate the support and guidance we receive from Congress and your subcommittee in particular.

Five years ago, the subcommittee recommended a five-year authorization for the Center's ten-year Comprehensive Building Plan and asked us to return this year to request authorization for the remaining five years. The Center's draft bill seeks authorization for appropriations for capital projects in the amount of \$16 million for fiscal year 2004 and such sums as may be necessary for fiscal years 2005 through 2008. The Center's bill also seeks authorization for appropriations for maintenance, repair and security expenses in the amount of \$17 million in fiscal 2004 and such sums as may be necessary for fiscal years 2005 through 2008.

During the past five-year authorization period, substantial rehabilitation has occurred most of which has focused on security, health and safety considerations. The entire roof was replaced. The roof terrace pavers were replaced and new safety railings were installed. Likewise, the marble deck is in the process of being removed and replaced with new granite decking. The Center is also replacing damaged marble panels on the western face of the building and installing new safety railings on the west terrace.

The Center has installed a new fire alarm management system and public address system for the entire building and installed new door security devices and closed circuit television cameras. Planning and design for rehabilitation and modernization of the Center's elevators has also been completed. The Center has conducted a comprehensive survey to identify all asbestos-containing materials in the building and has implemented an on-going inspection and maintenance program including substantial abatement activity.

In 1997, the Center re-opened its renovated state-of-the-art Concert Hall that offers total wheelchair accessibility in all areas. The Opera House is being renovated currently.

The Roof Terrace Restaurant kitchen floor was replaced during the renovation of the restaurant. All drains and plumbing fixtures were replaced to prevent future leaks. The Center conducted renovations of some administrative office space to create additional office space and increase efficiency. New offices for Project Management were built as the site improvements necessitated removal of construction trailers, which served as offices, from the south area of the property.

New wall finishes, new carpeting, new public seating and new food service stations were installed in relevant public areas.

All lighting fixtures in the Grand Foyer were removed, stripped of worn shellac, refinished, rewired and re-installed. Accessibility ramps were constructed and installed at the entrance to the Concert Hall, Opera House, and Eisenhower Theater. Also, a wheelchair lift was installed in the Film Theater and accessible handrails were installed in the Terrace Theater to improve patron safety.

The Eisenhower Theater and Opera House Presidential Boxes were renovated with new paint, wall covering and carpet. A new building automation system was installed, including automatic ventilation systems for the garage.

New signage was designed, fabricated and installed in the public areas of the building and in the public areas within the theaters. New visitor interactive exhibits were developed, designed and installed. Also, wall-mounted delay speaker patch points and under-floor conduit clad wiring were installed throughout the Grand Foyer to replace temporary external cable runs.

Site work improvements are underway and include reworking of the access roadway to revise circulation in order to reduce traffic congestion and provide additional security. The new circulation will provide drop off points in front of the main entrances and free flow traffic movement to the garage, additional garage entrances and exits, and direct access to Potomac Expressway from the Kennedy Center site. The work will also improve pedestrian access by replacing the steep ramp with a monumental stairway and a fully accessible walkway. The site is also being re-landscaped.

Repair and structural modifications are being made to the service tunnel, service drive and loading docks. This entails structural reinforcement to portions of the service tunnel roof to accommodate the new roadway above the plaza, including the repair of deteriorated concrete floor slabs. Along with these repairs is extensive mechanical work required to reroute the supply and exhaust systems that currently service the entire building.

Additionally, a secured exit will be provided out of the service tunnel at the south end, making the service tunnel a secure, useable means of entrance to the building by the Secret Service for high-level dignitary visits including the President of the United States.

Repair and replacement of mechanical systems including, exhaust fans and underground ducts, and installation of carbon monoxide monitors tied into the existing garage exhaust system are being performed.

Moving forward with the reauthorization proposal before you, the Kennedy Center will continue to operate a safe, secure and well-maintained building for all of its patrons and visitors. The Center will also continue to provide preventative maintenance as well as routine and emergency repairs and replacement of building systems. Rehabilitation of the facility under this reauthorization will include a complete renovation of the Eisenhower Theater, making it fully accessible, and the conversion of the Film Theater to a Theater for families and children. With regard to the exterior of the building, we plan to restore the curtain wall, or windows, on the west façade of the building. This project will include removal and cleaning of glass, refinishing of existing curtain wall framing and replacement of failed gasket seals of the original glazed acoustical curtain wall systems at the Plaza level. Additionally there will be selective replacement of exterior automatic doors and hardware.

We will continue to address security issues with new door security devices and electronic security systems improvements, repairs and augmentations as necessary. The entrance to the service tunnel will be analyzed by security experts to develop a plan for heightening security, and that plan will be implemented.

Design work will continue to improve the life safety aspects of the building, including phased installation of automatic sprinkler/fire suppression systems, and development of fire separations between building areas. Initially, a performance based engineering evaluation of the building, including fire modeling analysis and timed egress studies, will be performed to develop and confirm the design recommendations.

In the Film Theater, renovations will be made to meet or exceed accessibility requirements, achieve complete sprinkler coverage, correct egress deficiencies and restore or replace deteriorated finishes and building systems. We will plan, design and renovate backstage and support areas to make dressing rooms, locker rooms, toilets and artists' lounges ADA compliant and update worn finishes and fixtures.

For patrons and visitors, the Center plans to create and install a new Visitor Services Desk and an Assisted Listening Device Desk in the Hall of States. These desks will include workstations for volunteers and ushers, storage cabinets, and lighting. The Level A visitors' area will be expanded and renovated to create an enlarged and improved visitor area. The visitor area will include a tour desk, waiting area with displays, and a coffee/snack shop.

We believe this aggressive list of improvements will enhance audience health safety and the security of all who attend or work at our nation's cultural center.

Mr. Chairman, on behalf of James A. Johnson, the Chairman of the Board, and all our Trustees, I thank you for this opportunity to review the reauthorization proposal with the subcommittee today. I am pleased to answer any questions that members of the Committee may have. Thank you very much.

Statement
James Oberstar
Reauthorization of the John F. Kennedy Center
Sept. 10, 2003

Thank you, Chairman LaTourette, and welcome to our colleagues from the General Accounting Office and to Mr. Michael Kaiser, President of the Kennedy Center.

The John F. Kennedy Center has come a long way since the enactment of P.L. 103-279 in 1994, which gave to the Center long sought authority to manage not only its routine maintenance but also authority to "plan, design, and contract for all major capital repairs." As you are aware, the Transportation and Infrastructure Committee, and its predecessor the Committee on Public Works and Transportation, has long been associated with efforts to strengthen our cultural heritage, dating back to 1938 when the Committee authorized appropriations for salaries for a director and other officers for exhibitions here in Washington, D.C. Also, in 1958 the Committee was instrumental in creating the National Cultural Center, which was later designated at the behest of the Committee as the John f. Kennedy Center for the Performing Arts. Through the decades the Committee has authorized appropriations and reauthorized the Center. The Committee's long-standing support continues today.

Almost a decade ago, when the Committee successfully transferred control of the Center from the Park Service to the Board of Trustees, the focus was on an orderly transition of functions, personnel, duties and responsibilities. In response to a Committee request The General Accounting Office (GAO) was directed to render and opinion of the Center's capability to implement a major capital improvement program. They concluded: "*On the basis of our discussions with Center officials and our analysis of current staff resources and expertise with capital projects, we do not believe that the Center, at present, has sufficient capability to effectively manage such a an undertaking.*" (GAO/GGD 93-46).

In 1998, as the Committee contemplated the first reauthorization of the Center since the transfer, The GAO testified before this subcommittee that the Center was developing a facilities management organization under the premise that the organization would include a small in-house staff supported by contractor technical staff. (GAO/GGD 98-86 p.4) Further, the Center staff had developed a series of reports for use in tracking and managing appropriated funds.

In preparation for this authorization, in January 2003, the Subcommittee Chairman and Ranking Member requested that GAO audit and evaluate the garage expansion project. In the report released this morning the GAO continues to find weaknesses in the Center's ability to manage and oversee its construction program and recommended that the Board develop comprehensive project management policies and procedures, develop and use timely data, and hire personnel with experience and expertise.

In his reply to GAO Mr. Kaiser indicates he is moving aggressively to implement these recommendations. These corrective actions are essential as the Center moves forward with partnership with the Department of Transportation on the Plaza project. Mr. Kaiser also has established a standing series of meetings with relevant Members and staff to ensure Congress is fully informed of the status of this major, complex project.

Within that context I would suggest a fourth recommendation – that is the DOT, as the lead agency in the Plaza Project, develop in conjunction with the Center procedures that will ensure close coordination and consultation with the Department as the project moves forward.

The John F. Kennedy Center is not only a Presidential monument but also a living memorial to President John F. Kennedy. Through its series of theaters and performance halls, its programming, and its national outreach efforts Americans and tourists from all over the world enjoy the highest level of programming which is the hallmark of the Nation's cultural center.