

GAO

Report to the Chairman, Subcommittee
on Interior and Related Agencies,
Committee on Appropriations, House of
Representatives

September 2004

KENNEDY CENTER

More Information on
Project Status and
Budgets Needed to
Understand the
Impact of Future
Funding Decisions



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Highlights

Highlights of [GAO-04-933](#), a report to the Chairman, Subcommittee on Interior and Related Agencies, Committee on Appropriations, House of Representatives

Why GAO Did This Study

Since fiscal year 1995, the John F. Kennedy Center for the Performing Arts (Center) has been responsible and received federal funding for implementing capital improvement projects and operations and maintenance activities. The Kennedy Center's Comprehensive Building Plan identifies capital projects needed to renovate the Center and bring it into compliance with current life safety and accessibility codes. The Kennedy Center currently is planning to construct, with private funds, two new buildings to open in 2013 on a new plaza to be built adjacent to the existing facility. The Kennedy Center expects federal funding to operate and maintain these buildings. GAO was asked to examine (1) how much the Center has received in federal appropriations for capital projects, (2) the status of the Comprehensive Building Plan and updates, and (3) the potential impact of the Center's plaza project on the need for future operations and maintenance funding.

What GAO Recommends

GAO recommends the Kennedy Center annually update the Comprehensive Building Plan, as required by law, and include project prioritization, status, and budget information for ongoing and planned capital projects. In commenting on a draft of this report, the President of the Kennedy Center agreed with our recommendation and provided clarifying comments.

www.gao.gov/cgi-bin/getrpt?GAO-04-933.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Peter F. Guerrero at (202) 512-4907 or guerrerop@gao.gov.

KENNEDY CENTER

More Information on Project Status and Budgets Needed to Understand the Impact of Future Funding Decisions

What GAO Found

For fiscal years 1995 through 2004, the Kennedy Center received approximately \$152 million in federal appropriations for capital projects identified in its Comprehensive Building Plan. According to its fiscal year 2002 Comprehensive Building Plan, the Kennedy Center will need an additional \$57 million in federal appropriations from fiscal year 2005 through fiscal year 2008 to complete its planned capital projects.

The Kennedy Center has completed many of the capital projects identified in the Comprehensive Building Plan and has many more ongoing. However, we do not expect the Center to be able to complete all of the capital projects identified in the plan by fiscal year 2008. This is in part because the Kennedy Center reprioritized the sequence of its planned projects to minimize disruptions to its patrons. Several of the projects that will likely not be completed include components, such as the installation of sprinklers, that are important in meeting the Kennedy Center's goal of bringing the facility into compliance with current life safety codes. However, the Comprehensive Building Plan does not discuss changes to its prioritization of projects or the impact of those changes on completing its planned renovations. In addition, the updates to the plan do not include information on the status of projects identified in earlier plans or provide budget information for individual projects. As a result, the Comprehensive Building Plan is of limited use for understanding the Kennedy Center's progress in completing its planned renovations.

Operations and maintenance costs for the plaza project, including two new buildings, could range from \$6 million to \$11 million annually, in current dollars, based on data from a survey of museum facility management practices and Kennedy Center data. The Kennedy Center expects to request additional annual federal appropriations for these costs. However, because the project is currently in the early planning phase, the operations and maintenance estimate could change as designs are finalized. In fiscal year 2004, the Center received about \$16 million for the operations and maintenance costs of the existing facility.

The John F. Kennedy Center for the Performing Arts



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

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Abbreviations

Building Plan	Comprehensive Building Plan
Center	John F. Kennedy Center for the Performing Arts
O&M	operations and maintenance
OMB	Office of Management and Budget

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United States Government Accountability Office
Washington, D.C. 20548

September 15, 2004

The Honorable Charles Taylor
Chairman
Subcommittee on Interior
and Related Agencies
Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

The John F. Kennedy Center for the Performing Arts (Center) opened in 1971 in Washington, D.C., as both a national cultural arts center and a memorial to the 35th President. The Kennedy Center, open every day of the year, is visited by nearly 5 million people annually. By 1990, the Kennedy Center suffered from severe deterioration and a backlog of capital repairs. Responsibility for managing the Kennedy Center was shared between the National Park Service and the Kennedy Center itself. Officials from both agencies acknowledged that the Center had reached a seriously deteriorated state due to the lack of a clear mandate as to which agency was responsible for identifying and completing capital repairs and alterations.

In 1994, Congress transferred responsibility for the management of the Kennedy Center facility from the National Park Service to the Kennedy Center. At that time, Congress also required the Kennedy Center to develop, and annually update, a comprehensive building needs plan. In response, the Kennedy Center developed a Comprehensive Building Plan in 1995 that included an assessment of the facility and identified the capital projects it believed were necessary to restore the Center to the standards of a presidential memorial and bring it into compliance with current life safety and accessibility codes. The Kennedy Center has been gradually renovating the Center since 1995. Among other improvements, the Center has renovated its two largest theaters, replaced the roof, installed a new fire alarm system and improved its building systems, such as its heating and air-conditioning and plumbing systems.

The Kennedy Center is also working with the U.S. Department of Transportation and organizations within the District of Columbia to develop a new public plaza adjacent to the current facility, improving road and pedestrian access. The plaza project includes two new buildings located on the plaza to provide additional office, classroom, and rehearsal

space and house permanent and rotating exhibits on the history of performing arts. These buildings will be constructed with private donations, but the Center expects to fund the operations and maintenance (O&M) of the buildings with federal appropriations.

To assist the subcommittee in its oversight role and in making future funding decisions related to the Center and plaza building project, our report discusses (1) how much the Kennedy Center has received in federal appropriations for capital improvement projects¹ for fiscal years 1995 through 2004, (2) the status of the Comprehensive Building Plan and its updates, and (3) the potential impact of the Kennedy Center's proposed plaza project on the need for future federal funds to pay for the cost of operating and maintaining the new buildings and plaza.

To determine the amount of federal appropriations the Kennedy Center requested and received for capital improvement projects for fiscal years 1995 through 2004, we reviewed the Kennedy Center's Comprehensive Building Plan and its updates; its budget justifications and audited financial statements; and federal authorization and appropriation laws. To determine the status of the Kennedy Center's Comprehensive Building Plan and its updates we toured the Kennedy Center facility; obtained a status of the projects, including costs, from Kennedy Center officials and its financial system; and discussed the projects with Kennedy Center officials. To determine the potential impact of the Center's proposed plaza project on the need for future federal funds, we calculated the potential O&M costs based on museum survey data of facility management practices and the Kennedy Center's projected O&M rates. We discussed with Kennedy Center officials how these rates were determined, and we verified with the agency that conducted the survey that the museum rates provided were accurate. We researched building industry sources for estimates of O&M rates and determined that the Kennedy Center's projected rates were reasonable given the currently available information. We also determined that project status and cost data were sufficiently reliable for the purpose of our review. We conducted our work from January 2004 through July 2004 in accordance with generally accepted government auditing standards (see app. I for more information on our scope and methodology).

¹Capital projects are improvements to capital assets, which are defined as land, structures, equipment, intellectual property, and information technology that have an estimated useful life of two years or more.

Results in Brief

The Kennedy Center received about \$152 million in federal appropriations for capital improvement projects for fiscal years 1995 through 2004. In each of these fiscal years, the Kennedy Center generally received the amount it requested. According to its 2002 Comprehensive Building Plan, to complete the projects identified in the plan, the Kennedy Center will need an additional \$57 million in federal appropriations for capital projects for fiscal years 2005 through 2008.

Most of the capital projects identified in the Kennedy Center's Comprehensive Building Plan and its updates have been completed or are ongoing. However, we believe that the Kennedy Center will be unable to complete all of the capital projects identified in its Comprehensive Building Plan with the anticipated future appropriations by the end of fiscal year 2008, as planned. Several large projects still remain to be done, and project budgets are preliminary and will likely increase as the projects are designed. Furthermore, the Comprehensive Building Plan has not been updated annually as required by law, and it does not provide specific project status and budget information. This limits the usefulness of the plan and inhibits Congress's ability to know the impact of funding decisions or judge the performance and progress of the Center's capital projects.

We calculated that operations and maintenance costs for the proposed plaza project, including the two new buildings, could range from \$6 million to \$11 million annually, in current dollars. However, this is a preliminary estimate that will likely change as the building design is finalized. This calculation is based on the Kennedy Center's estimate that its operations and maintenance costs could range from \$15 to \$20 per square foot for the proposed plaza project. In addition, we estimated that O&M costs for the proposed project could be \$28 per gross square foot of space. The Kennedy Center expects to request federal appropriations for these costs, in addition to what it currently receives for operations and maintenance costs for the existing Center. In fiscal year 2004, the Center received about \$16 million for the operations and maintenance of the existing Center. The plaza and buildings project is in the early planning phase, and decisions made about the project through the design phase will affect actual O&M costs. The project is planned to be occupied in 2013, which would be the first year annual O&M funds would be needed for the new buildings.

We are making a recommendation to the Kennedy Center President and Board of Trustees to improve the usefulness of the Comprehensive Building Plan by including project updates, status, and budget information.

Background

The Kennedy Center opened in 1971 and is located on 17 acres along the Potomac River in Washington, D.C. The Center houses four major theaters and several smaller theaters, five public halls or galleries, educational facilities, rehearsal spaces, offices, and meeting rooms in about 1.1 million square feet of space. The Kennedy Center also has a recently expanded parking garage. The Center is open 365 days a year, and nearly 5 million people visit it annually to attend performances or tour the facility.

In 1972, the National Park Service, within the Department of Interior, assumed responsibility for services related to the nonperforming arts functions of the Kennedy Center facility, whereas the Kennedy Center Board of Trustees (Board)² retained responsibility for all performing arts activities. Under this dual management, the Kennedy Center facility suffered from severe deterioration and a backlog of capital repairs in part because responsibility for identifying and completing capital repairs and improvements at the Center was unclear. As a result, legislation was enacted in 1990 that directed the National Park Service and the Board to enter into a cooperative agreement setting forth their responsibilities relating to maintenance, repair, and alteration of the Center. However, after the parties were ultimately unable to agree on a methodology to enter into the cooperative agreement, which would have been the foundation of a capital improvement plan, legislation was enacted in 1994 that gave the Board sole responsibility for carrying out capital improvement projects at the Kennedy Center facility. A purpose of the legislation was to provide autonomy for the overall management of the Kennedy Center, which included better control over its capital projects and bringing the Kennedy Center building from a state of deterioration to a condition of excellence. The legislation further required the Board to develop and annually update a comprehensive building needs plan.³

In response to the legislation, the Kennedy Center developed a Comprehensive Building Plan (Building Plan) in 1995 to detail the existing condition of the Kennedy Center facility and planned renovations. The goals of the renovations were to address accessibility and life safety code

²The current composition of the Kennedy Center's Board of Trustees consists of 23 government positions, including congressional members, as well as 36 general trustees appointed by the President of the United States. Each general trustee serves a term of 6 years.

³20 U.S.C §76j(a)(F).

deficiencies, such as the installation of sprinklers throughout the Center, replace inefficient building systems, and improve visitor services. The original Building Plan anticipated that the capital projects at the Kennedy Center would be completed in two stages. Projects in the first stage—fiscal years 1995 through 1999—would address critical issues to protect the building from water intrusion, provide critical security and life safety measures, and provide improved accessibility. Projects undertaken in the second stage—fiscal years 2000 through 2009⁴—would eliminate the backlog of deferred capital repair projects. However, the Kennedy Center changed its approach to renovating the Center. Rather than undertaking broad-scale projects that could disrupt the entire Center, the Kennedy Center has taken certain areas or theaters out of service and performed all of the necessary renovations in a particular area at one time. For example, rather than installing a new sprinkler system throughout the entire Center, which would have closed multiple theaters simultaneously, the Center is installing sprinklers in each theater as it is renovated. Thus, only one theater is closed at a time. According to Center officials, this approach minimizes the disruptions to ongoing operations in other areas of the Kennedy Center. When the Opera House was renovated, for example, it was closed for almost a year but performances continued in all of the other theaters.

The Kennedy Center receives federal funding annually for capital improvement projects based on its Building Plan. In fiscal year 2004, the Kennedy Center received approximately \$16 million in federal funds for capital improvement projects. Revenue generated by performances at the Center are used for costs associated with the performances and are not used for capital projects in the Building Plan.

In addition to federally funded projects, the Building Plan also discusses other major projects that are being funded with private donations or other nonfederal funding sources, including the recent garage expansion and the proposed plaza project adjacent to the Kennedy Center facility. The plaza project, which will connect the Center to the National Mall, will relocate roadways to improve transportation and pedestrian accessibility to and from the Kennedy Center and surrounding streets. It will include a central fountain that runs from 23rd Street NW to the Kennedy Center, a pedestrian

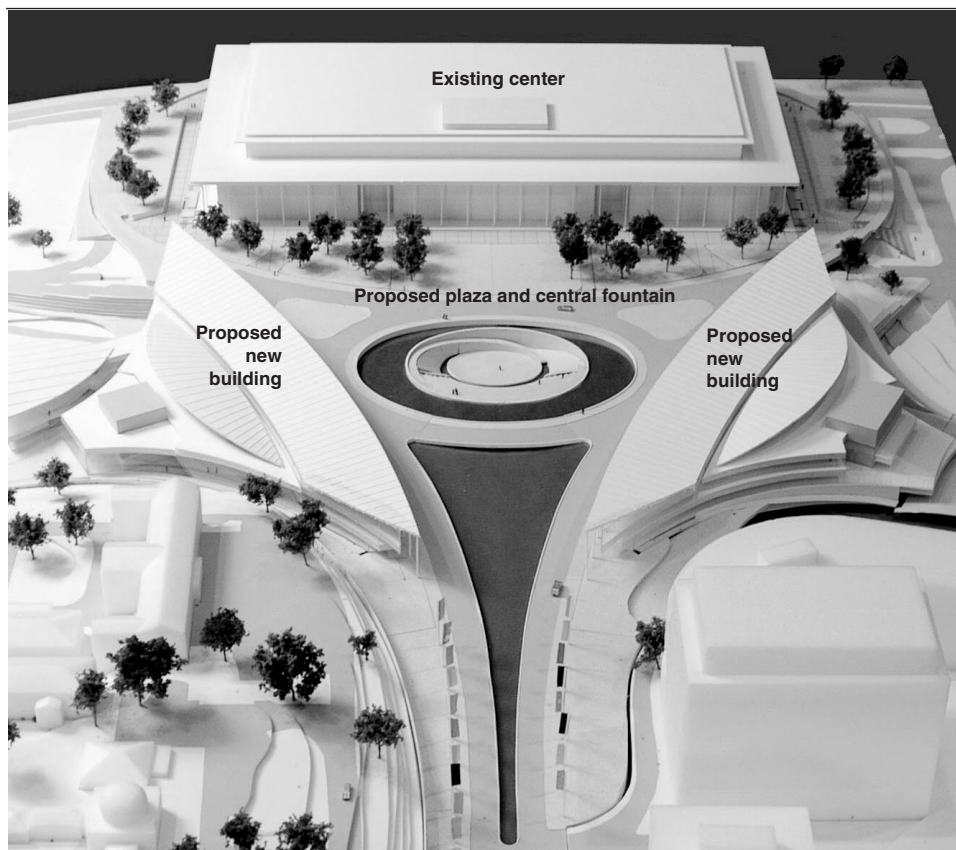
⁴The 2002 Building Plan shows the projects being completed in fiscal year 2008.

walkway, and a connection to the waterfront.⁵ In addition, the plaza will include two proposed buildings with about 200,000 gross square feet⁶ each, located on opposite sides of the central fountain (see fig. 1). The Kennedy Center plans for one building to house an exhibition devoted to the history of performing arts in America, include office space for the Kennedy Center staff, and be used as an education center for the performing arts. The other building will be used as rehearsal space for the Washington National Opera and the Kennedy Center and include some additional office space for Kennedy Center staff. These buildings will be constructed with private donations, and upon completion, the Kennedy Center Board will own, operate, and maintain the buildings and green space established on the plaza. In fiscal year 2003, the Center received a pledge of \$100 million to be used toward the construction of the planned plaza buildings. According to Kennedy Center officials, they are in the preliminary stages of designing and estimating the cost of the new buildings. Construction of the plaza project is expected to begin in fiscal year 2010, pending federal funding, and the Kennedy Center is expected to begin occupying the buildings in fiscal year 2013.

⁵The John F. Kennedy Center Plaza Authorization Act of 2002 authorized the Secretary of Transportation to spend up to \$400 million for fiscal year 2003 through fiscal year 2010 to create a plaza. In fiscal year 2004, Congress appropriated about \$6 million for this project.

⁶Gross square feet is a unit of measurement of the total floor area of the building as measured from the outer surface of exterior walls and windows.

Figure 1: The Proposed Plaza Project



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

The 1994 legislation that gave the Kennedy Center responsibility for capital projects also authorized the Board to carry out the day-to-day operations and maintenance activities for the Kennedy Center facility. Operations and maintenance funds are used to cover expenses for utilities, security, daily cleaning, and maintenance, among other things. In fiscal years 2003 and 2004, the Kennedy Center received about \$16 million in federal appropriations each year for the operations and maintenance of the current facility. Federal appropriations are not used for performance-related expenses. The Kennedy Center's total operating expenses in fiscal year 2003 were about \$118 million. The Kennedy Center generates the majority of its revenue from programs at the Center, contributions, and investments.

Kennedy Center Has Received Over \$150 Million for Capital Projects

The Kennedy Center has received approximately \$152 million in federal appropriations for capital projects since it took responsibility for these projects in fiscal year 1995. In every fiscal year since 1995, the Kennedy Center has generally received the federal appropriations it requested. For example, in fiscal year 2004, the Kennedy Center requested \$16 million in federal appropriations for capital projects and received \$15.8 million after rescissions to the budget authority were taken into account. (see table 1).

Table 1: Requested and Actual Federal Appropriations for Kennedy Center Capital Projects

Fiscal year	Requested federal appropriations	Federal appropriations available for capital projects
1995	\$8,983,000	\$8,982,810 ^a
1996	9,000,000	8,983,000
1997	9,000,000	12,400,000 ^b
1998	9,000,000	9,000,000
1999	20,000,000	20,000,000
2000	20,000,000	19,924,000 ^a
2001	20,000,000	19,956,000 ^a
2002	19,000,000	19,000,000
2003	17,600,000	17,485,600 ^a
2004	16,000,000	15,802,848 ^a
Total	\$148,583,000	\$151,534,258

Source: GAO analysis of the Kennedy Center's annual budget justifications to Congress, federal appropriations for capital projects, and Comprehensive Building Plan.

^aIn these years, the Kennedy Center's appropriations for capital projects were reduced by rescissions to the budget authority for most government agencies and entities receiving appropriated funds.

^bIn fiscal year 1997, the Kennedy Center received an additional \$3.4 million for capital projects to address anti-terrorism requirements.

As shown in table 1, the Kennedy Center requested approximately \$9 million annually for capital projects for fiscal year 1995 through fiscal year 1998. The Center generally received what it requested in each of these years, but the actual funding available was reduced in some of these years due to a rescission of budget authority. In fiscal year 1997, additional appropriations were provided to the Kennedy Center to address antiterrorism requirements. In fiscal year 1999, the Kennedy Center requested and received \$20 million in federal appropriations for capital projects, an increase from the \$9 million it originally anticipated receiving

in its initial 1995 Building Plan. This increase in funding was given to the Kennedy Center to address several critical projects over a 3-year period.⁷ Center officials requested the increased funding on the basis of studies conducted by its architecture and engineering consultants, who concluded an increase in “up front” funding could lead to overall cost savings on the Kennedy Center renovation in the long term. For fiscal years 2002 through 2004, the Kennedy Center gradually reduced its annual funding request from \$20 million; however, the total requested funding for these years was about \$17 million more than was anticipated in the initial 1995 Building Plan.

The Kennedy Center uses its Building Plan to communicate to Congress its planned capital improvement projects and to provide budget estimates for carrying out these projects. The Kennedy Center further describes its planned capital projects and requests federal appropriations for these projects in its annual budget justifications to Congress. Both the Building Plan and budget justifications present budget estimates for broad categories of projects, such as interior repair, accessibility, and egress, but they do not include budget information for specific projects. Unlike the General Services Administration, the Kennedy Center receives a lump sum appropriation for capital projects, and the appropriations are not dedicated to specific projects. The Kennedy Center has the flexibility to change the projects or sequence of projects it plans to fund on the basis of such factors as the need to minimize disruptions to the operations of the Center and budget constraints.

The Kennedy Center has requested about \$16 million for capital projects in fiscal year 2005. The 2002 Building Plan anticipates the Kennedy Center will receive another \$41 million in appropriations through fiscal year 2008 to carry out its planned capital projects, for a total of \$209 million. This is consistent with the funding amounts anticipated in the 1997 Building Plan; however, it is \$44 million more than was anticipated in the initial 1995 Building Plan to accomplish the same goals.

⁷These projects included Opera House renovations; security, fire alarm, and building automation systems updates; and fire safety improvements.

It Is Unlikely That Building Plan Will be Fully Implemented by 2008, and More Project Information Is Needed in the Plan

The Kennedy Center has completed or has ongoing 100⁸ of the projects it identified in its initial Building Plan and its updates,⁹ and has decided not to implement or has postponed 15 of the identified projects. Seventeen projects are planned for fiscal years 2005 through 2008 and include several large projects with life safety components, such as the installation of sprinklers. We believe it is unlikely that the Center will be able to complete the planned projects by the end of fiscal year 2008 or within the appropriation amounts anticipated in the current Building Plan. Several large projects remain to be done because, in part, the Kennedy Center changed the order of projects to minimize disruption to the operations of the Center. The budget estimates for the capital projects planned through fiscal year 2008 are preliminary and will likely increase as the projects are designed. Furthermore, the Comprehensive Building Plan has not been updated annually as required, and it does not provide specific project status and budget information. This limits the usefulness of the plan and inhibits Congress's ability to know the impact of funding decisions or judge the performance and progress of the Center's capital projects.

Status of Projects in Building Plan

Since the first Building Plan was developed in 1995, 132 capital projects have been identified in the plan, and the updates to the plan, to address the deterioration and backlog of capital repairs, and an additional 12 capital projects that were not in the plan have been completed. (See app. II for a list of the specific projects and their status.) The completed projects that had not been identified in the Building Plan were relatively small projects totaling \$1.2 million, and include such projects as kitchen repairs and engraving restoration. The Building Plan lacks individual project information necessary to determine if projects are being completed within the original budget estimates and on schedule. Table 2 shows the status of all of the Kennedy Center's projects since fiscal year 1995.

⁸The Kennedy Center completed another 12 capital projects that were not identified in the plan.

⁹According to a Kennedy Center official, the updates to the building plan have not been consistent in how projects have been listed. For example, some updates list design and implementation of a project as separate projects, while other projects combine design and implementation and are listed as one project. For purposes of this report, we list and count projects as they were listed in the original building plan and its updates.

Table 2: Status of the Kennedy Center’s Projects Since Fiscal Year 1995, as of February 29, 2004

Status	Number of projects	Actual or estimated cost of projects (in millions)
Completed	74	\$97.6 ^a
Ongoing	38	67.2
Planned for future years	17	38.5 ^b
Not implemented or Postponed	15	0.6 ^c
Total	144	\$203.9

Source: GAO analysis of Kennedy Center data.

^aFive of these projects were completed using O&M funds or energy savings performance contracts that are paid for with O&M funds.

^bKennedy Center officials reported that the budgets for these projects would be confirmed and adjusted as necessary during design. Estimated cost information was not provided for 2 of the projects in this category.

^cCapital project funding was spent to study 2 projects that the Kennedy Center later decided not to implement. Estimated cost information was not available for the other 13 projects in this category.

The following describes each of the status categories and examples of projects in each category as of February 29, 2004:

Completed Projects

Seventy-four capital projects have been completed at a total cost of about \$98 million. Examples of major projects completed include the replacement of chillers; renovation and installation of sprinklers in the two largest theaters—the Concert Hall and Opera House; and installation of a new fire alarm system throughout the building. Figure 1 shows the Opera House during and after the renovation. The Kennedy Center has also completed many smaller projects ranging from the installation of safety rails on the roof terrace to new directional signs in the Center.

Figure 2: Kennedy Center Opera House during and after Renovation



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

Ongoing Projects

Thirty-eight capital projects are currently ongoing at a total estimated cost of \$67.2 million. Many of these projects, originally planned to begin in different fiscal years, have been combined into single projects for implementation. For example, 15 projects reported in the Building Plan, originally planned to begin as early as fiscal year 1998, have been combined under the one current site improvements project, beginning in fiscal year 2003. Kennedy Center officials expect this project to be completed by the end of calendar year 2004. The ongoing projects include elevator modernization, the installation of sprinklers in areas outside of the theaters, and a smoke evacuation system in the Grand Foyer and Halls of State and Nations. According to Center officials, some of these projects are in the design phase, and their actual costs could increase.

Planned Projects

Seventeen projects are planned for future years (through fiscal year 2008), with initial budget estimates totaling over \$38 million for 15 of the projects. The Kennedy Center did not provide an estimate for 2 of these projects—design and restoration of the windows on the roof terrace level—because officials expect the scope of the restoration project to change significantly based on early design work for window restoration on other levels. Major projects planned for the future include renovations of the Family Theater, Eisenhower Theater, and the Terrace Theater. Kennedy Center officials have cautioned that initial budget estimates are preliminary and are expected to change as the projects are designed. In addition, project

estimates are based on the year the project is expected to start; as projects are postponed, costs are expected to increase.

Not Implemented and Postponed Projects

Fifteen projects will not be implemented or have been postponed beyond fiscal year 2008. Eleven of these projects, including the relocation of a theater, will not be implemented because Center officials have determined the projects were not financially viable or were no longer needed. The Kennedy Center spent about \$600,000 studying two of the projects it decided not to implement. The other 4 projects, related to office renovations and public space improvements, have been postponed because other projects have higher priority. While the Kennedy Center decided to postpone or not implement these 15 projects, the Building Plan did not reflect any changes in the amount it reported as necessary to implement the plan.

It is Unlikely the Building Plan Will be Fully Implemented by 2008

Given the number and size of the renovation projects that remain to be done and the current likelihood that project estimates may increase, we believe it is unlikely the Kennedy Center will be able to fully implement its Building Plan with the anticipated future appropriations by the end of fiscal year 2008.

Each year, the Kennedy Center receives federal funding for capital projects at the Center that is not tied to specific projects. Although the Building Plan includes a proposed construction order for the projects, the Kennedy Center has the flexibility to change the sequence of projects or change specific projects that will be done in any given year. According to Kennedy Center officials, capital projects are prioritized according to a combination of factors, including (1) life safety issues, (2) risk and impact to patrons and staff, (3) needed upgrades to the building systems, (4) theater accessibility, and (5) the need to minimize disruptions to the Center's operations. As a performing arts center, in fiscal year 2003, the Kennedy Center generated about 70 percent of its income from performances and programs held at the Center and from contributions. Center officials stated that it must continue operations during renovations to the extent possible to continue generating revenue.

The need to minimize disruptions to the Center's operations appeared to be the key consideration when determining the order of capital projects. To minimize disruptions to the Center's operations and patrons, the Kennedy Center changed its original approach of doing critical life safety projects by the end of fiscal year 1999 to renovating the Center a particular area at a

time. For example, the recent renovation of the Opera House included all necessary projects in the theater, such as the removal of asbestos, the installation of a sprinkler system, and the installation of new wall coverings. This approach is less disruptive to the operations of the Kennedy Center; however, many of the life safety projects that the initial Building Plan anticipated would be completed by the late 1990s, although currently ongoing, will not be completed until fiscal year 2006. In addition, three theaters—Family, Eisenhower, and Terrace—still remain to be renovated, including the installation of sprinklers.

The renovation of the Family Theater is currently being designed and the Kennedy Center plans to complete this renovation in fiscal year 2005. The Eisenhower Theater renovation is currently in the preliminary design phase. The renovation of the Eisenhower Theater was originally planned for fiscal year 2006, but according to Center officials, the actual renovation has been postponed until fiscal year 2007 or 2008. Finally, the 2002 Building Plan reports that the complete renovation of the Terrace Theater will not be completed until after fiscal year 2008 but indicates complete sprinkler coverage and accessible railings would be added to the theater by the end of fiscal year 2008.

Finally, we believe the funding anticipated in the Building Plan may not be sufficient to complete all of the planned projects. Since fiscal year 1995, the Kennedy Center has received almost \$152 million for capital projects, and the Center anticipates another \$57 million in appropriations for capital projects, through fiscal year 2008, for a total of \$209 million. As noted earlier, this is \$44 million more than was anticipated in the initial 1995 Building Plan to accomplish the same goals. As of February 29, 2004, the Center has spent over \$98 million since fiscal year 1995 on the capital projects it has completed so far or studied but did not implement. It estimates the remaining projects will cost almost another \$106 million to complete, for a total of about \$204 million. Although the current project budget estimates fall within the anticipated appropriations, many of these estimates are based on preliminary or no design work and are expected to change as the project design is refined and construction begins. According to the Construction Industry Institute, actual project costs may vary by as

much as 30 percent to 50 percent from project estimates developed in the early stages of design.¹⁰

The Comprehensive Building Plan Is of Limited Use in Understanding the Status of the Kennedy Center's Renovations

The Building Plan is of limited use in understanding the Kennedy Center's progress in implementing its plan to renovate the Center because it does not include the status of projects identified in prior plans or provide budget information for individual projects. Instead, the plan includes a proposed sequence of work that lists the projects expected to be implemented each fiscal year through fiscal year 2008. In addition, budget information is provided only at a summary level for seven broad categories¹¹ and not for individual projects. For example, the Building Plan shows that in fiscal year 2004 the Center planned to spend \$7.4 million on life safety and security but does not show the amounts budgeted to individual projects such as the installation of smoke evacuation systems. Our 1998 Executive Guide on Capital Planning highlights the importance of sound capital planning, noting that clear communication and good data are essential to supporting sound capital planning and decision making.¹²

The Building Plan does not clearly explain how the Center prioritizes and restructures capital projects. For example, the Kennedy Center combined several life safety projects identified in the Building Plan into one project that is currently under way and the Center expects to be completed in fiscal year 2006. The Building Plan had originally identified some of these projects to be started as early as 1996. While the Building Plan updates state that projects may be combined, they do not clearly communicate the decision to combine these projects and that this decision would delay the Center's progress in meeting life safety codes. In addition, Center officials have said that the potential of future federal funding below the levels identified in the Building Plan will require some projects to be delayed. Without sufficient information in the Building Plan on the prioritization of projects, congressional decision makers will not be able to gauge the

¹⁰The Construction Industry Institute is a research organization composed of construction contractors and owners seeking to improve the construction and capital investment process.

¹¹These categories are exterior building envelope; life safety and security; interior repair, accessibility, and egress; building systems; memorial interpretation and visitor services; parking and site circulation; and comprehensive planning and project management.

¹²GAO, *Executive Guide: Leading Practices in Capital Decision-making*, GAO/AIMD-99-32 (Washington, D.C.: December 1998).

Center's progress in implementing the Building Plan or the impact of funding decisions on individual capital projects.

The Kennedy Center reports monthly to the Office of Management and Budget (OMB) the status of individual projects and budget information for ongoing projects. Specifically, for each project, it includes the estimated budget, expenditures to date, and changes in project schedule, which could be used to determine if these projects are on budget and on schedule. However, the report does not include information for projects in future years. Including information on planned projects as well as ongoing projects in the Building Plan would ensure that the Kennedy Center is held accountable for the cost and schedule of its capital projects and is achieving the goals of the Building Plan. Such information could also help the Kennedy Center Board support its requests for appropriations and explain the potential effect on the implementation of the Building Plan if lesser amounts are appropriated.

In addition to lacking sufficient information on which to gauge the Kennedy Center's progress in implementing the Building Plan, the Building Plan has not been updated annually as required in the John F. Kennedy Center Act Amendments of 1994. The Kennedy Center recognizes that annually updating and implementing the Building Plan could help guard against a recurrence of severe deterioration of the facility and over the long term should ultimately reduce the public costs of operating and maintaining the monument. According to a Kennedy Center official, the Center has continued to implement the December 2002 Building Plan but has not updated it because officials did not believe there had been significant changes at the Center and the plan was still applicable. The Kennedy Center has recently hired a new Director of Capital Projects, who expects to issue an update to the Building Plan by the end of 2004.

Kennedy Center Will Likely Request Additional Operations and Maintenance Funding for Its New Plaza Project

In fiscal year 2004, the Kennedy Center received about \$16 million for operations and maintenance costs for the existing Center and will likely need additional federal appropriations for O&M expenses when the new plaza project is complete. We calculate that annual additional O&M costs could range from \$6 million to \$11 million, in current dollars, for the proposed new plaza and two buildings. However, this preliminary estimate will likely change before fiscal year 2013, the first year annual O&M funds may be needed. The plaza project is in the early planning phase, and decisions made about the project through the design phase will affect

actual O&M costs. For example, the planning phase could result in smaller buildings and a plaza with less square footage, reducing O&M costs.

O&M Costs for the Existing Center

The Kennedy Center currently receives federal appropriations for O&M costs at the existing Center. O&M refers to activities that keep a facility running on a daily basis and routine maintenance required based on the use of the facility. Specifically, O&M includes costs for such items as utilities, daily cleaning and maintenance for the building and grounds, minor repair and maintenance, security, and salaries for support staff. In fiscal year 2004, the Kennedy Center received over \$16 million in federal funds for O&M related to the existing Center.

O&M Costs for the Proposed Plaza Project Could Range from \$6 Million to \$11 Million

On the basis of data from a survey of museum facility management practices and Kennedy Center data, we calculate that the potential O&M costs for the proposed plaza project could range from \$6 million to \$11 million, in current dollars. Kennedy Center officials said they have not formally estimated O&M costs for the proposed plaza project because it is in the early planning phase and decisions on the design of the buildings, which can affect O&M costs, have not been finalized. They expect to estimate O&M costs after the project is designed. However, for purposes of our report, Kennedy Center officials used current O&M costs and O&M cost data obtained from an existing survey of six museums in Washington, D.C., to estimate that O&M costs for the proposed project could range from \$15 to \$20 per gross square foot of space, in current dollars. Using a slightly different set of assumptions, we estimated O&M costs for the proposed project could be \$28 per gross square foot of space.

O&M costs are usually estimated on the basis of cost per square foot; if the size of the project changes, the O&M estimate is easily adjusted. O&M rates also vary by type of space because different types of space have different maintenance needs. For example, cleaning and maintaining private office space is generally less expensive than cleaning and maintaining space open to the public that gets more traffic and would require items such as carpeting to be replaced more often. Building industry data is available for the average O&M cost for office space. However, the current plaza project plan indicates that a combination of office, museum quality exhibition space, and rehearsal space will be included in the proposed buildings. Given the combination of the different types of space in the proposed buildings, we estimated potential O&M costs per square foot for the proposed project on the basis of (1) O&M costs for the current Kennedy

Center building, (2) a 2002 museum benchmarking survey of facility management practices, and (3) Kennedy Center officials' estimates. Using these sources, estimates for the potential O&M costs of the buildings were developed as follows:

- Kennedy Center officials determined that the minimum potential rate for O&M would be based on the rate for the current building. The Center currently pays about \$15 a gross square foot for O&M, based on the size of the current facility (1.1 million gross square feet).
- Kennedy Center officials provided O&M data for six Washington, D.C., museums based on a 2002 museum benchmarking survey of facility management practices conducted by Facility Management Services Ltd., a consulting practice specializing in facility management.¹³ The survey obtained information on the costs per square foot of space for five categories of O&M services—janitorial, utilities, building maintenance, exterior grounds maintenance, and building security—for each of the six museums. The O&M costs per square foot of space for each of these categories varied widely among the museums. For example, building maintenance costs ranged from \$3.38 to \$22.88 per square foot of space. Building maintenance costs can vary depending on the type of building materials used to construct the building and the type of equipment inside the building. Similarly, building security costs ranged from \$2.66 to \$23.43 per square foot of space. Factors that could affect building security costs include the value of the museum's contents (e.g., fine art) and the location of the facility. Because the proposed new plaza buildings are still in the early planning phase and many factors, including the size of the proposed buildings and the types of building materials used, could change before designs are finalized, we estimated the potential O&M rate for the proposed buildings by averaging the aggregate O&M costs for the six museums. This resulted in an O&M rate of \$28 per gross square foot.
- Kennedy Center officials also estimated the potential O&M rate for the proposed buildings using the museum data described above, and adjusted the data based on such factors as the size of the other museums relative to the proposed new buildings and plaza, estimates from the Kennedy Center's current janitorial provider, and the difference

¹³*Museum Benchmarks 2002, Survey of Facility Management Practices*, Facility Management Services Ltd.

in security levels needed at the two proposed buildings. In addition, Kennedy Center officials discounted the information from the museums with the highest and lowest O&M costs and projected O&M costs on the basis of data from the other four museums. As a result, Kennedy Center officials estimated that the average O&M rate for the two buildings could be \$20 per gross square foot.¹⁴

On the basis of the potential O&M rates—\$15, \$20, and \$28 per gross square foot—and the current proposed size of the two new buildings—a total of about 402,000 gross square feet—we calculate that total O&M for the new plaza and buildings could range from \$6 million to \$11 million annually, in current dollars.

Many Factors Could Substantially Affect Actual O&M Costs

The plaza and buildings project is in the early stages of the planning phase, and many factors could affect the actual O&M costs. Some of the factors that will affect O&M costs are within the control of the Kennedy Center, and others are not.

Examples of factors within the Kennedy Center's control that may affect O&M costs are as follows:

- The current plaza proposal includes a large fountain located above a roadway that connects the Kennedy Center to the National Mall. Fountains are expensive to maintain, and locating the fountain above a roadway could present additional security risks from the traffic below, which may increase security costs.
- The size of the plaza and buildings has not yet been finalized.¹⁵ A reduction or increase in the size of the plaza and buildings would have a direct affect on O&M costs.

¹⁴According to Kennedy Center officials, they developed an average O&M rate for the two buildings because of the difference in the cost to maintain the different space. They said the cost of O&M for the new building with the exhibition space will be much higher than the O&M for the other new building because much of the space must be climate-controlled to preserve the exhibits, additional security is needed for securing the objects, and additional maintenance is needed given the anticipated high volume of visitors.

¹⁵According to a Kennedy Center official, the Federal Highway Administration was expected to construct an underground garage in the new buildings, but the garage has been eliminated due to budget issues. The official believes the current garage should provide sufficient parking for the proposed buildings.

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- The selection of building materials, such as the current plan to use a large amount of glass on the outside of the buildings, will affect O&M costs. Buildings with a large amount of glass on the outside are more expensive to cool due to the heat that is absorbed by the glass. In addition, glass is more expensive to clean than other materials, such as brick.

The plaza and buildings project is not expected to be occupied until 2013, and economic factors that are not within the Kennedy Center's control may affect actual O&M costs. For example, utility and labor rates have generally increased at a higher rate than the rate of inflation. It is difficult to anticipate these rates so far in the future. Furthermore, the actual O&M costs may not be known until the buildings are in operation for at least one annual cycle of using the plaza and for heating and cooling the new buildings. At the end of that cycle, the Kennedy Center's appropriations request should be based on the actual O&M costs it incurred.

As discussed earlier in this report, Congress currently funds Kennedy Center capital improvement projects not related to performances. Given the current precedent of providing funding for capital improvement projects at the Center, Congress may also be expected to provide additional funds in the future for capital improvement costs associated with the plaza project.

Conclusions

The requirement to develop and annually update a Comprehensive Building Plan was intended to help improve management of the Kennedy Center's capital projects and, over the long term, help reduce the public costs of operating and maintaining the facility. The current plan anticipated that projects addressing life safety and accessibility issues—needed to meet current codes—would be completed by the end of fiscal year 2008. However, it is unlikely the Kennedy Center's Building Plan will be fully implemented by 2008, including life safety projects in some areas. This is due, in part, to changes in the sequence of its planned projects. Furthermore, the current Building Plan has not been updated since December 2002, and it does not provide individual project budgets or prioritize capital projects; thus, it is unclear which projects might be delayed or not implemented due to budget constraints. It is also not possible to determine from the Building Plan if individual projects are completed within project budget estimates. Including this information in its annual Building Plan, as well as the progress that has been made in renovating the Center and in meeting life safety and accessibility codes,

would make the Kennedy Center's use of federal funds to carry out its capital renovations more transparent and make the Kennedy Center more accountable for the use of federal funds. This information could also help the Kennedy Center support its request for federal funding and communicate more clearly the potential impact of federal funding decisions on the day-to-day operations of the Kennedy Center facility.

Recommendation

To help congressional decision makers oversee the capital projects at the Kennedy Center and make funding decisions, we recommend that the President of the Kennedy Center, in conjunction with the Chairman of the Board of Trustees, annually update the comprehensive building plan, as required, and include (1) the prioritization of projects, (2) project status, and (3) updated budget information for planned and ongoing projects.

Agency Comments

We provided a draft copy of this report to the President of the Kennedy Center. On August 18, 2004, the Kennedy Center President provided us with written comments on behalf of the trustees and staff (see app. III). The President agreed with our recommendation and stated that Kennedy Center staff will plan to implement it immediately. Kennedy Center officials also provided technical comments that have been incorporated throughout the report, as appropriate.

The letter also emphasized that the Comprehensive Building Plan is primarily a management tool and that other reports are the vehicles for keeping Congress informed of the Center's progress in its renovation program. As part of our work, we reviewed the reports to the Operations Committee and a monthly report to OMB. While some of the information we are recommending be included in the Comprehensive Building Plan is provided in these reports, other recommended project information is not. For example, neither report provides information on project prioritization or projects planned for the future. The project information that is provided is not presented in a format that allows stakeholders to easily track the overall progress of the Kennedy Center renovations or specific capital projects from the building plan. It also appears that this information is not being conveyed to all congressional stakeholders. We believe that having project specific information available in one document that is provided to the stakeholders annually, as described in our recommendation, will help congressional decision makers and other stakeholders oversee the capital projects at the Kennedy Center.

In addition, the letter did not agree with how we counted the projects identified in the Comprehensive Building Plan. However, it stated that the Comprehensive Building Plan has not been consistent in how it has identified projects and that the most recent plan lists design and implementation as two separate projects, while the earlier plans listed them as one project. As we noted in our report, the Comprehensive Building Plan does not clearly explain how projects are restructured or reported in different updates. Since our objective was to compare the actual projects undertaken with those reported in the Comprehensive Building Plan, we have identified and numbered the projects as listed in the plan and its updates to the plan. We understand the Kennedy Center's concern that how the projects are counted can change the reported percentage of projects completed. Thus, we have deleted the reference to the percentage of projects completed as an indication of the Kennedy Center's progress in implementing the Comprehensive Building Plan and only report actual numbers of projects. We believe that if the Kennedy Center implements our recommendation and provides more clear project information, this type of analysis should be possible in the future.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 5 days from the report date. At that time, we will send copies to the appropriate congressional committees, the Chairman of the Kennedy Center Board of Trustees, and the President of the Kennedy Center. We will also make copies available to others on request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff has any questions, please contact me on (202) 512-2834 or at guerrerop@gao.gov. See appendix IV for a list of the major contributors to this report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "P. F. Guerrero". The signature is stylized with a large, looped initial "P" and a long, sweeping tail.

Peter F. Guerrero
Director, Physical Infrastructure Issues

Scope and Methodology

To determine the amount of federal appropriations the John F. Kennedy Center for the Performing Arts (Center) requested and received for capital projects for fiscal years 1995 to 2004, we reviewed the Kennedy Center's annual budget justification to Congress and Comprehensive Building Plan and its updates; federal authorization and appropriation laws; and the Kennedy Center's audited financial statements. The Kennedy Center's budget justifications to Congress contain the Kennedy Center's request for federal funding for its capital repairs and rehabilitation. We compared the amount the Kennedy Center requested with the actual appropriations the Kennedy Center received from fiscal year 1995 through 2004, taking into account rescissions to budget authority. We also compared the amounts of the appropriations identified in the law with the amounts identified in the Kennedy Center's audited financial statements and verified rescission amounts with Kennedy Center officials. Finally, we relied on the Kennedy Center's 2002 Comprehensive Building Plan to determine the amount of federal appropriations the Center expects to request through fiscal year 2008. We also reviewed the budget justifications and Building Plans to determine why changes were made to the Kennedy Center's funding request.

To determine the status of the Kennedy Center's Comprehensive Building Plan and its updates, we reviewed the initial 1995 Comprehensive Building Plan and subsequent updates to the plan. We developed a list of capital projects the Kennedy Center reported it was planning to complete. We discussed with Kennedy Center officials the project status and cost information for these projects and other projects that it had completed with federal funds appropriated for capital projects since fiscal year 1995. We reviewed the Kennedy Center's annual financial statements and supporting capital project schedules. We determined that the information provided for project costs appeared reasonable based on the annual capital expenditures and capital projects in progress listed in the financial statements. We toured the Kennedy Center and visually saw many of the projects listed in the Building Plan. We also interviewed the Kennedy Center's external auditor to determine what testing was performed on internal controls over federal expenditures. Thus, we determined that project status and cost data were sufficiently reliable for the purpose of our review. Finally, we compared the information the Kennedy Center provided on the status of the capital projects in the Building Plan and its updates and capital appropriations received since fiscal year 1995 to evaluate the likelihood that the plan would be fully implemented as planned by the end of fiscal year 2008. We did not evaluate whether individual capital projects were completed within their original budgets or on schedule.

To determine the potential impact of the Center's proposed plaza project on the need for future federal funds, we calculated the potential operations and maintenance (O&M) costs based on data from a survey of museum facility management practices and the Kennedy Center's projected O&M rates. Kennedy Center officials provided data for five categories of O&M expenses for six Washington, D.C., museums based on a 2002 museum benchmarking survey of facility management practices conducted by Facility Management Services Ltd. Since one of the buildings in the proposed plaza project will contain space that the Center officials said would be maintained at the same level as a museum, we agreed that it was appropriate to use museums in Washington, D.C., to estimate the potential O&M costs. We estimated the potential O&M rate for the proposed plaza project by averaging the aggregate O&M costs for the six museums. We used the average O&M costs to develop our estimate because the proposed plaza project is still in the early planning phase and many factors, including the size of the buildings, could change before designs are finalized. The Kennedy Center officials' projections were based on its current O&M costs and the O&M cost data for six museums in Washington, D.C., described above. Kennedy Center officials believe that the new buildings will cost at least as much to maintain and operate per square foot as the current Center. They could not identify any category of O&M expenses they believed would be less expensive to operate than the current building. The Center officials said they disregarded the information from the museums with the highest and lowest O&M costs and projected O&M costs on the basis of data from the other four museums. According to the officials, they adjusted the rates for the different categories that make up the O&M costs, based on a number of factors, such as the size of the other museums relative to the proposed new plaza project. For example, the Center officials said they increased the expected cost of grounds maintenance over the other museums because the proposed plaza project includes a large fountain, which will be expensive to maintain. In addition, because the plaza will be suspended over a roadway, all of the plants will have to be in containers, which will also increase operations and maintenance costs. Since there are a wide variety of types of proposed space in the buildings, ranging from museum space to rehearsal rooms, the Kennedy Center officials said they averaged rates based on the different types of space. We independently researched building industry groups' rates, including the Building Owners and Managers Association and the International Facility Management Association, but did not identify any O&M rates that would have been appropriate to use for the type of space planned for the proposed plaza buildings. We discussed the methodology used in conducting the museum survey with Facility Management Services Ltd and

discussed the measures incorporated into the survey to maximize accuracy of the data. We determined that the data on O&M costs for the six Washington, D.C., area museums is reliable for purposes of this report and that the Kennedy Center's estimated rates were rational given the currently available information.

We conducted our work from January 2004 through July 2004 in accordance with generally accepted government auditing standards.

Kennedy Center Capital Projects

The following tables show the cost or expected cost of the Kennedy Center's capital projects as identified in its Comprehensive Building Plan and its updates. The tables show those projects that are completed, ongoing, or planned for future years, and those that have not been implemented or have been postponed.

Table 3: Capital Projects Completed by the Kennedy Center Since Fiscal Year 1995, as of February 29, 2004

	Projects identified in Kennedy Center's Comprehensive Building Plan ^a	Year plan identified project to be undertaken	Project status	Cost
1	Cooling coils—replacement	Fiscal year 1995	Completed 1996	\$305,881
2	Fountain piping and valves—replace	Fiscal year 1995	Completed 1996	\$1,392,321
3	Planters and fountains—repair	Fiscal year 1995	Completed 1996	Included in project above
4	Service tunnel and drive—repair (phase 1)	Fiscal year 1996 moved to fiscal year 1997	Completed 1996	Included in project above
5	Service tunnel and drive—repair (phase 2)	Fiscal year 1997	Completed 1997	Included in project above
6	Garage ventilation renovation and piping insulation installation	Fiscal year 1997	Completed 1997	Included in project above
7	Condenser water tank—repair	Fiscal year 1995	Completed 1996	\$1,690,345
8	Concert Hall—rehabilitation	Fiscal year 1996	Completed 1996	\$21,292,808
9	Office space—partial phased renovation (administrative office phase 1)	Fiscal year 1996	Completed 1996	\$262,624
10	Sprinkler system (phase 1)	Fiscal year 1997 moved to fiscal year 1998	Completed 1996	\$4,687
11	Chiller replacement	Fiscal year 1995	Completed 1997	\$209,557
12	Hall of Nations/States wall lighting—replace	Fiscal year 1995	Completed 1997	\$387,778
13	Roof—tear off and replace	Fiscal year 1995	Completed 1998	\$16,290,411
14	Roof Terrace paving—removal and replacement	Fiscal year 1995	Completed 1998	Included in project above
15	Marble fascias and soffits—repair	Fiscal year 1995	Completed 1998	Included in project above
16	Centrally controlled security system installation (security systems phase 1)	Fiscal year 1995	Completed 1998	\$2,657,361
17	Security system—construction (phase 3)	Fiscal year 1997	Completed 1998	Included in project above
18	Exterior marble wall at Plaza level—clean	Fiscal year 1995	Completed 1998	\$443,138

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Kennedy Center Capital Projects**

(Continued From Previous Page)

	Projects identified in Kennedy Center's Comprehensive Building Plan^a	Year plan identified project to be undertaken	Project status	Cost
19	Office space—partial phased renovation (administrative office phase 2)	Fiscal year 1997	Completed 1998	\$156,638
20	Plaza paving—interim repair	Fiscal year 1995	Completed 1999	\$207,000
21	Fire alarm system—replace (phase 1)	Fiscal year 1996 moved to fiscal year 1997 and 1998	Completed 1999	\$426,592
22	Security system—construction (phase 2)	Fiscal year 1996	Completed 1999	\$37,074
23	Remove/replace underground storage tanks	Fiscal year 1999	Completed 1999	\$157,649
24	Education/rehearsal space modifications	Fiscal year 2001 moved to fiscal year 1999	Completed 1999	\$1,716,861
25	Minor repairs—Plaza uprights	Fiscal year 1999	Completed 1999	\$97,688
26	Repairs to technical system	Fiscal year 1999	Completed 1999	\$795,755
27	Office space—partial phased renovation (administrative office phase 4)	Fiscal year 1999	Completed 1999	\$115,808
28	Theater lab renovation	Fiscal year 2001	Completed 1999	\$39,488
29	Space modification (phase 2)—loading dock #2	Fiscal year 1997 moved to fiscal year 1998	Completed 2000	\$19,647
30	Office space—partial phased renovation (administrative office phase 3)	Fiscal year 1998	Completed 2000	\$1,214,864
31	Roof Terrace safety railing	Fiscal year 1998	Completed 2000	\$11,430
32	Technical systems	Fiscal year 2000	Completed 2000	\$1,100,483
33	North gallery bathroom	Fiscal year 2000	Completed 2000	\$354,561
34	Memorial Interpretation (phase 1)	Fiscal year 2001 moved to fiscal year 1997	Completed 2001	Included in project below
35	Memorial interpretation (phase 2)	Fiscal year 2002 moved to fiscal year 1998	Completed 2001	\$2,591,628
36	Space modifications at 56-foot and 69-foot level	Fiscal year 1997 moved to fiscal year 1999	Completed 2001	\$1,503,493
37	Administrative office 69-foot level	Fiscal year 2000	Completed 2001	Included in project above
38	Replace temp Millennium Stage	Fiscal year 1999	Completed 2001	\$1,606,106
39	Backstage repairs to concert hall	Fiscal year 1999	Completed 2001	\$1,617,125
40	Minor repairs—Terrace theater catwalk	Fiscal year 1999	Completed 2001	\$87,753
41	Administrative office renovation (phase 5)	Fiscal year 2000	Completed 2001	\$55,504
42	Galleries and atrium, accessibility and rehab interior	Fiscal year 2000	Completed 2001	\$69,832

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Kennedy Center Capital Projects**

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	Projects identified in Kennedy Center's Comprehensive Building Plan^a	Year plan identified project to be undertaken	Project status	Cost
43	Interior signage (phase 1)	Fiscal year 2000	Completed 2001	\$727,207
44	Administrative office renovation (phase 6)	Fiscal year 2001	Completed 2001	\$354,947
45	Office support (phase 1)	Fiscal year 2001	Completed 2001	\$108,516
46	Technical systems	Fiscal year 2001	Completed 2001	\$649,185
47	Accessibility (phase 1)—Grand Foyer improvements	Fiscal year 1997	Completed 2002	\$2,469,939
48	Rehab Concert Hall public lobbies and restrooms	Fiscal year 2002	Completed 2002	Included in project above
49	Terrace Level interpretive graphics	Fiscal year 2000	Completed 2002	\$22,432
50	Technical system	Fiscal year 2002	Completed 2002	\$633,265
51	Interior signs (phase 2)	Fiscal year 2002	Completed 2002	\$246,628
52	Building automation system—install	Fiscal year 1995 moved to fiscal year 1999	Completed 2003	\$3,501,224
53	Restaurant kitchen rehabilitation/floor replacement	Fiscal year 2001 moved to fiscal year 2003	Completed 2003	\$889,058
54	Terrace Theater—install Americans with Disabilities Act handrails	Fiscal year 2003	Completed 2003	\$54,298
55	Fire alarm system—replace	Fiscal year 1997 moved to fiscal year 2003	Completed 2004	\$4,551,223
56	Opera House renovations	Fiscal year 1998 moved to fiscal year 2003	Completed 2004	\$22,239,000
57	Exterior plaza lighting—installation	Fiscal year 2003	Completed 2004	\$1,050,669
58	Exterior column restoration	Not in Building Plan	Completed 2002	\$371,465
59	Garage repairs	Not in Building Plan	Completed 2001	\$44,848
60	Kitchen repairs	Not in Building Plan	Completed 1997	\$23,808
61	Restaurant planning	Not in Building Plan	Completed 2001	\$90,417
62	Terrace Theater seats	Not in Building Plan	Completed 1997	\$126,685
63	Theater accessibility projects (various)	Not in Building Plan	Completed 1997	\$37,824
64	Theatre box seats and theater repairs	Not in Building Plan	Completed 1999	\$134,735
65	Gift shop floor—repair	Not in Building Plan	Completed 2001	\$53,411
66	Wheelchair lift in American Film Institute Theater	Not in Building Plan	Completed 2000	\$73,110
67	Grand foyer sconce and mirror—repair	Not in Building Plan	Completed 2001	\$107,056
68	Orientation film	Not in Building Plan	Completed 2000	\$118,851
69	Engraving restoration	Not in Building Plan	Completed 2001	\$27,175

**Appendix II
Kennedy Center Capital Projects**

(Continued From Previous Page)

	Projects identified in Kennedy Center's Comprehensive Building Plan^a	Year plan identified project to be undertaken	Project status	Cost
70	Energy conservation (phase 1)	Fiscal year 2001	Completed using Energy Saving Performance Contract	Energy Saving Performance Contract
71	Energy conservation (phase 2)	Fiscal year 2002	Completed using Energy Saving Performance Contract	Energy Saving Performance Contract
72	Ventilation system—garage, offices, theaters and public spaces	Fiscal year 2002	Completed using Energy Saving Performance Contract	Energy Saving Performance Contract
73	Minor repairs—fire damper and separation assemblies	Fiscal year 1999	Completed 1999	O&M funds used
74	Install fire pump and risers	Fiscal year 2003	Completed using O&M funds	O&M funds used
	Total			\$97,626,866

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

^aThis table includes 12 capital projects that were not listed in the Comprehensive Building Plan but, according to Kennedy center officials, were completed using appropriations for capital projects.

Table 4: Capital Projects Ongoing or Under Way at the Kennedy Center as of February 29, 2004

	Projects identified in Kennedy Center's Comprehensive Building Plan	Year plan identified project to be undertaken	Project status	Estimated cost
1	Asbestos removal from building automation system	Fiscal year 1996	Ongoing as needed	\$,951,091
2	Elevator and escalator modernization—commencement	Fiscal year 2001 moved to fiscal year 2005	Ongoing as other projects allow	\$3,500,000
3	Elevator and escalator modernization—continue	Fiscal year 2002 moved to fiscal year 2006	Ongoing as other projects allow	Included in project above
4	Elevator and escalator modernization complete	Fiscal year 2003 moved to fiscal year 2007	Ongoing	Included in project above
5	Garage expansion and site improvement projects	Fiscal year 2003	Under way	\$46,532,299
6	Design and planning to move entrance road	Fiscal year 1998	Under way	Included in project above
7	Site improvements funded by anti-terrorism supplemental	Fiscal year 1998	Under way	Included in project above
8	Repair median	Fiscal year 2000	Under way	Included in project above

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Kennedy Center Capital Projects**

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	Projects identified in Kennedy Center's Comprehensive Building Plan	Year plan identified project to be undertaken	Project status	Estimated cost
9	Rehabilitate entrance drive	Fiscal year 2000	Under way	Included in project above
10	Improve exterior signage	Fiscal year 2000	Under way	Included in project above
11	Site phase 1—north and east sides, service tunnel repairs	Fiscal year 2000	Under way	Included in project above
12	Existing garage—restraining, exiting, ventilation, etc.	Fiscal year 2000	Under way	Included in project above
13	Site (phase 2) south side	Fiscal year 2001	Under way	Included in project above
14	Plaza repairs—east Plaza	Fiscal year 2001	Under way	Included in project above
15	West Fascia, planters, railing	Fiscal year 2001	Under way	Included in project above
16	Existing garage systems (remove ramp)	Fiscal year 2001	Under way	Included in project above
17	Fascia and soffits (phase 1)	Fiscal year 2002	Under way	Included in project above
18	Plaza paving and repairs (west, north, and south sides)	Fiscal year 2002	Under way	Included in project above
19	Plaza planters and fountains	Fiscal year 2002	Under way	Included in project above
20	Site elements (phase 1)	Fiscal year 2002	Under way	Included in project above
21	Design—complete renovation of American Film Institute Theater	Fiscal year 2004	Under way	\$1,195,000
22	Security system (phase 2A)	Fiscal year 2000	Under way—to be completed fiscal year 2005	\$2,500,000
23	Visitor services and assisted listening device desks-install new in Hall of States	Fiscal year 2003	Under way—to be completed fiscal year 2004	\$700,000
24	Security command center construction	Fiscal year 2003	Under way—to be completed fiscal year 2005	\$1,000,000
25	Design work—new training room and security break room	Fiscal year 2003	Under way—to be completed fiscal year 2005	Included in project above
26	Training room and security break room	Fiscal year 2004	Under way—to be completed fiscal year 2005	Included in project above

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Kennedy Center Capital Projects**

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	Projects identified in Kennedy Center's Comprehensive Building Plan	Year plan identified project to be undertaken	Project status	Estimated cost
27	Design work—miscellaneous life safety improvements	Fiscal year 2003	Under way—to be completed fiscal year 2006	\$445,183
28	Miscellaneous life safety improvements—Grand Foyer, Halls of States and Nations smoke evacuation system; sprinkler systems; create fire rated enclosure	Fiscal year 2004	Under way—to be completed fiscal year 2006	\$3,769,000
29	Fire separation—garage and Plaza level and rehabilitation interior finishes	Fiscal year 1996	Under way—to be completed fiscal year 2006	Included in project above
30	Egress stairs and exit ways—panic hardware and egress deficiencies (phase 1)	Fiscal year 1996	Under way—to be completed fiscal year 2006	Included in project above
31	Egress stairs and exit ways—panic hardware and egress deficiencies (phase 2)	Fiscal year 1998	Under way—to be completed fiscal year 2006	Included in project above
32	Egress stairs and exit ways (phase 3)	Fiscal year 2003	Under way—to be completed fiscal year 2006	Included in project above
33	Sprinkler system (phase 2)	Fiscal year 1998 moved to fiscal year 2001	Under way—to be completed fiscal year 2006	Included in project above
34	Sprinkler system (phase 3) infrastructure for buildingwide system	Fiscal year 1999 moved to fiscal year 2002	Under way—to be completed fiscal year 2006	Included in project above
35	Sprinkler system (phase 4) infrastructure for buildingwide system	Fiscal year 2003	Under way—to be completed fiscal year 2006	Included in project above
36	East and west Plaza curtainwall restoration	Fiscal year 2004	Under way—to be completed fiscal year 2006	\$2,229,000
37	Design work—motor lobby renovation	Fiscal year 2003	Under way—to be completed fiscal year 2006	Included in project above
38	Motor lobbies renovation	Fiscal year 2001 moved to fiscal year 2004	Under way—to be completed fiscal year 2006	\$3,366,000
	Total			\$67,187,573

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

**Appendix II
Kennedy Center Capital Projects**

Table 5: Capital Projects Planned for Future Years at the Kennedy Center as of February 29, 2004

	Projects identified in Kennedy Center's Comprehensive Building Plan	Year plan identified project to be undertaken	Project status	Estimated cost
1	Design Level A backstage and support areas	Fiscal year 2004	Planned/ongoing—to begin fiscal year 2002-2008	With theater renovations
2	Backstage and support area renovations	Fiscal year 2005	Planned—to begin fiscal year 2005-2008	With theater renovations
3	Design—Roof Terrace renovations	Fiscal year 2005	Planned—to begin fiscal year 2006-2007	Included in project below
4	Roof Terrace renovation (phase I) to begin after completion of American Film Institute Theater renovation	Fiscal year 2006	Planned—to begin fiscal year 2007	\$9,107,000
5	Design—Roof Terrace renovation (phase II), including sprinkler coverage of Roof Terrace	Fiscal year 2006	Planned—to begin fiscal year 2007	\$4,515,000
6	Roof Terrace level renovations (phase II)	Fiscal year 2007	Planned—to begin fiscal year 2008	Included in project above
7	Design—Eisenhower Theater renovation	Fiscal year 2005	Planned—to begin fiscal year 2004-2005	\$1,358,000
8	Eisenhower Theater renovation (phase I)	Fiscal year 2006	Planned—to begin fiscal year 2007-2008	\$11,895,500
9	Eisenhower Theater renovation (phase II)	Fiscal year 2007	Planned—to begin fiscal year 2007-2008	Included in project above
10	Design—Roof Terrace curtainwall restoration	Fiscal year 2007	Planned—to begin fiscal year 2008	TBD ^a
11	Roof Terrace curtainwall restoration	Fiscal year 2008	Planned—to begin fiscal year 2008-2009	TBD ^a
12	American Film Institute Theater renovation commencement	Fiscal year 2005	Planned—to begin fiscal year 2005	\$7,400,000
13	Toilet room renovations	Fiscal year 2005	Planned—to begin fiscal year 2006-2009	\$2,580,000
14	Toilet room renovations—continue	Fiscal year 2006	Planned—to begin fiscal year 2006-2009	Included in project above
15	Toilet room renovations (final phase)	Fiscal year 2007	Planned—to begin fiscal year 2006-2009	Included in project above
16	Design Level A visitor area renovation	Fiscal year 2003	Planned—to begin fiscal year 2006	\$1,648,000
17	Level A visitor area construction	Fiscal year 2004	Planned—to begin fiscal year 2006	Included in project above
	Total			\$38,503,500

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

^aBudget will be confirmed and fine-tuned in conceptual design phase.

**Appendix II
Kennedy Center Capital Projects**

Table 6: Capital Projects Not Implemented or Postponed at the Kennedy Center as of February 29, 2004

	Projects identified in Kennedy Center's Comprehensive Building Plan	Year plan identified project to be undertaken	Project status	Cost
1	Space modifications (phase 3)—modifications at 69-foot level	Fiscal year 1998	Not implemented	N/A
2	Relocate American Film Institute Theater	Fiscal year 2000	Not implemented	N/A
3	New office windows	Fiscal years 2000 and 2002	Not implemented	N/A
4	New production shop	Fiscal year 2002	Not implemented	N/A
5	Interpretive theater modernization	Fiscal year 1998 moved to fiscal year 2002	Not implemented	N/A
6	Egress from River Terrace	Fiscal year 2002	Not implemented— part of Plaza project	N/A
7	Administrative office renovation (phase 7)	Fiscal year 2002	Not implemented	N/A
8	Administrative office renovation (phase 8)	Fiscal year 2003	Not implemented	N/A
9	Administrative office renovation (phase 9)	Fiscal year 2004	Not implemented	N/A
10	Design—office renovation	Fiscal year 2004	To be determined; priority given to other projects	N/A
11	Office renovations	Fiscal year 2005	To be determined; priority given to other projects	N/A
12	Public space improvements—commence	Fiscal year 2006	To be determined	N/A
13	Continue public space improvements	Fiscal year 2007	To be determined	N/A
14	Mezzanines (phase 1)—visitor amenities	Fiscal year 1998	Studied 1998; not implemented	\$564,206
15	Terrace level reorganization	Fiscal year 2000	Studied 2001; not implemented	\$55,539
	Total			\$619,745

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

Comments from the John F. Kennedy Center for the Performing Arts

The John F. Kennedy Center for the Performing Arts

MICHAEL M. KAISER
PRESIDENT

August 18, 2004

WASHINGTON, D.C. 20566-0001
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Mr. Peter F. Guerrero
Director, Physical Infrastructure Issues
United States General Accounting Office
441 G St. NW
Washington DC 20458

Dear Mr. Guerrero:

On behalf of the Trustees and staff of the John F. Kennedy Center for the Performing Arts, I want to thank you and your team from the General Accounting Office for forwarding the draft report, "Kennedy Center: More Information on Project Status and Budgets Needed to Understand the Impact of Future Funding Decisions."

We found your analysis revealing and insightful and plan to implement your one major recommendation immediately. We are also investigating ways to address your many helpful comments.

In an effort to ensure that the report is as accurate and helpful as possible, we would like to clarify a few points.

- In reference to the total appropriations anticipated by the Kennedy Center through 2008, the total of \$209 million represents the amounts appropriated in fiscal years 1995 through 1998 plus the amount of funding for fiscal years 1999 through 2008 suggested by the 1997 Building Plan, on which Congress based the John F. Kennedy Center for the Performing Arts Authorization Act of 1998. The Center's requested appropriations have not changed since the amount was agreed to with Congress at that time.
- The Comprehensive Building Plan (CBP) serves as the primary management tool for capital project planning and as a general implementation plan for the future based on assumed financial and operational constraints. However, it has not been the primary vehicle for understanding the Center's progress in implementing its renovation plan. Internal planning documents (including individual project budget spreadsheets and five-year financial projections, sometimes updated as frequently as monthly) are used for such purposes.

The CBP is also not the central vehicle for keeping Congress and other agencies informed of the Center's progress in its renovation program. Specific project status and budget information is maintained in supplemental documents that are regularly presented to Congress. For example, periodic reports that delineate the past year's expenditures, the

**Appendix III
Comments from the John F. Kennedy Center
for the Performing Arts**

projected expenditures for the current year and the budget for the following year, project by project, are provided to the Kennedy Center Operations Committee, comprised of Trustees and Congressional representatives. In addition, monthly reports that delineate the budget, prior month's obligations and expenditures, current month's projected obligations and expenditures, and obligations and expenditures to-date for each project are provided to OMB.

We concur that clear communication and good data are essential to sound capital planning and decision-making and in that respect rely on these internal tools, which can be updated more frequently than the CBP, to facilitate that process. Projects are evaluated and re-prioritized continually throughout the year as specific details and drawings are developed for each project and more specific and accurate budgets are developed. This re-prioritization is also necessary when appropriations are reduced due to rescissions and budget cuts.

The Center always tries to spend its appropriated funds most prudently and expeditiously. So that as the environment, appropriations levels, the economy and Center programming changes, the renovation plan is changed accordingly. For example, no one developing the 1995 CBP could have conceived of the impact of September 11, 2001 and the resulting need for devoting more funds to security. The current restrictive federal budget environment has also had an impact, projects planned for the coming years are postponed or cancelled as planned appropriated funds levels are falling precipitously. I hold regular meetings with key managers and trustees to reevaluate renovation plans based on new institutional priorities and updated budget information.

- Although we understand the methodology on which the analysis of percentage of projects completed and ongoing was based, we do not fully agree with this methodology for two reasons:
 1. In past Comprehensive Building Plans, the design and implementation of a project were listed as one project. In the most recent CBP, design and implementation were listed as two separate projects. To obtain the proper ratio of projects completed, one must treat all projects identically. Either one must count design and implementation separately for *every* project or one must count every project only once. We believe the latter approach is more appropriate for this evaluation.
 2. Some plans counted the continuation of a project as a new and separate project. Again, we believe that every project should be counted only once.

If the total number of projects is developed by naively adding up every project mentioned in every plan, as was done in this study, the number of total projects is inflated and the ratio of projects completed and ongoing is skewed.

We have completed a thorough review of every project mentioned in every CBP in an effort to treat every project consistently and to avoid all double-counting. Our analysis suggests that there were 115 separate projects identified of which 96 have been

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completed and ongoing. This results in a ratio of 83% project completion rather than the 75% mentioned in your study.

The vast majority of the projects delineated in the 1995 CBP were either completed or are in process. Of the projects delineated in the 1995 CBP, there are essentially only five major projects that will not be implemented: the interpretive IMAX theater (five of the listed projects are related to the conversion of a theater into an interpretive IMAX theater), addition of a mezzanine, installation of office windows, creation of the west terrace stairs, and some administrative office renovations. The first three were determined not to be a good use of government funds after more careful analysis and the west terrace stairs were incorporated into the larger Plaza Project that is currently awaiting government funding. Staffing changes removed the need to renovate the offices planned in the 1995 CBP. It is important to note that there are projects not included in the 1995 CBP that the Trustees of the Center felt of great importance including the development of a Family Theater and the renovation of the Eisenhower Theater needed to make it fully accessible and ADA compliant.

Although these changes have been regularly communicated to Congress, in response to this GAO report, the Comprehensive Building Plan will be revised annually to include project status information and any revisions to future project planning. We believe detailed budget information may be most beneficial as a supplementary document, perhaps attached as an appendix, because of frequent changes.

We appreciate the time, effort and thoughtfulness of the GAO team that completed this project and will use your recommendations to better communicate the status and budgets of the Center's capital projects.

Sincerely yours,



Michael M. Kaiser

GAO Contact and Staff Acknowledgments

GAO Contact

Susan Fleming, (202) 512-4431

**Staff
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In addition to the individual named above, Omar Beyah, Maria Edelstein, Brandon Haller, Nancy Lueke, Julie Phillips, and Susan Michal-Smith made significant contributions to this report.

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