

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
JULY 20, 2005
5:30 P.M.

Board Members Present: Ron Farmer, President; Sandra Bishop, Vice President; John Simpson, Mel Menegat and Patrick Lanning, Commissioners.

Others Present: Randy Berggren, Debra Smith, Mel Damewood, Mark Oberle, Richard Jeffryes, Judy Chase, Krista Hince of the EWEB staff; Eric Gunderson, Mark Young, of WBGS Architect; and Lynn Taylor, minutes recorder for the City of Eugene.

President Farmer convened the Regular Board Meeting of the Eugene Water & Electric Board (EWEB).

UPDATE ON THE HEADQUARTERS MASTER PLAN

Master Plan Project Manager Mel Damewood introduced Eric Gunderson and Mark Young of WBGC Architect. He said the presentation would provide a mid-point look at the design process for both the combined and split alternatives for the new headquarters facilities and offer an “order of magnitude” estimate for each of the two alternatives. He said October 2005 was the target for producing a report on the combined and split scenarios.

Mr. Damewood described the methodology used to predict FTE (full time equivalent) needs in 2010 and in 2020. He reminded the Board that 2020 was the date at which the design would be set in terms of sizing operations and administration buildings. He said 482 people currently on staff would be affected by a move and that figure would increase by 19 percent, to 575 people, by 2020. He said the current EWEB site had 203,000 square feet that were utilized between operations and administration and that translated to 270,000 gross square footage needs in a combined operation in 2020; that represented approximately a 33 percent growth in space needs. He noted that 31,000 square feet of enclosed and covered parking was included at the new site and if it was eliminated the growth in square footage needs was 23 percent. He said the space requirements were based on a detailed workspace allocation for each position and that square footage needs were also projected to 2050 for those sections where massive growth was expected.

Mr. Gunderson explained the design concepts based on projected space needs. He used conceptual drawings and diagrams to illustrate designs for each of the buildings and the site at the Roosevelt Boulevard property under both the combined and split scenarios. He noted that roughly half of the property consisted of designated wetlands that would require mitigation, including a site design that would use the wetlands area as an amenity for the buildings. He reviewed case studies of recent buildings in Eugene and other communities that were used to project the interim square foot costs of the scenarios. He noted that the cost per square foot for the sustainable buildings in those case studies ranged from \$140 to \$275 and the calculations for EWEB’s costs were within that range. He said that EWEB’s cost estimates ranged from \$224 to \$113 per square foot for the primary buildings, with the covered parking being considerably less.

Mr. Damewood noted that the costs in the case studies were only building costs and did not include site work or soft costs such as architectural services; they represented only the cost of constructing the buildings. He said in order to make a more direct comparison the cost of site work was shown separately at \$7 per square foot. He said that the discussion of costs for the split and combined alternatives would take a holistic approach by including costs such as fees, permits, moving, procurements and other related expenses to demonstrate the total cost of a move.

Mr. Damewood used a chart to show projected square footage and high and low costs for both scenarios. He said that square footage under the combined scenario was 275,000, with a cost range of \$90.9-\$77.4 million; square footage under the split scenario was 192,000 at the Roosevelt Boulevard property and 100,000 at the current EWEB site, with a cost range of \$69.2-\$60 million. He reminded the Board that the cost estimates were based only on square footage, were highly volatile and keyed into the order of magnitude. He explained that the difference between the high and low estimates was the amount of contingency placed in each estimate, from no contingency to a ten percent contingency.

In response to a question from President Farmer, Mr. Gunderson explained that contingency was shown as a separate cost category for soft costs but was built into the construction costs at approximately 10 percent. Mr. Damewood replied that the difference between the high and low estimates was not exclusively based on contingency, but contingency composed the bulk of the difference. He said that the square footage cost estimates had a broad range of contingencies and those contingency percentages would be reduced as the project moved toward 30 percent design when more detailed information about construction costs would be available.

Continuing, Mr. Damewood stated that the next steps would include a closer examination of space needs to achieve some slight reductions in some areas in order to optimize costs. He said it was unlikely that the higher estimate of \$90 million could be reduced to \$60 million. He asked for direction from the Board on whether to continue working with the split and combined alternatives and refine architectural and engineering designs and move forward to develop the schematic costs based on the original estimate in order to prepare a final report and costs and designs by October 2005, proceed only with the split scenario or consider another option.

Commissioner Menegat thanked staff for the information. He said when the Board commissioned the study and the 30 percent design he was comfortable with that direction because it would provide cost information about moving either the entire organization or only operations. He said that while the split option appeared to be the most feasible it was still important to understand the costs of moving the entire EWEB organization at some point.

Commissioner Lanning expressed “sticker shock” over the costs and agreed with Commissioner Menegat’s comments that it made sense to proceed with an analysis of both options. He noted that a major driver was the projection of future space needs. He asked what EWEB’s FTE increase had been over the last 15 years. He questioned the projected growth in the electric section given advances in technology that would allow customers better access to services in the future.

Mr. Berggren said that EWEB was currently operating with slightly fewer employees than it was in 1980 while it had increased customer accounts by nearly 25 percent. He said that initial projections of FTE increases were reexamined and the figures presented to the Board represented a 50 percent reduction in the original estimates. He felt the figures were not an unreasonable projection of growth through 2020 given the complexity of future activities and was consistent with assumptions being used in other financial planning work. He noted that most of the increase was not in administrative positions.

Commissioner Simpson acknowledged the “sticker shock” reaction to the cost estimates but emphasized that the figures were very preliminary estimates based on projections 15 years into the future. He said EWEB had a unique opportunity to construct a facility that served its needs and fixed problems related to the current facility. He noted deferred maintenance and upgrades to the current facility had suffered over the past several years because of the uncertainty of a future move. He was pleased to see numbers for both the split and combined alternatives and did not look at them from the standpoint of absolute values as much as the differential between them.

President Farmer said he did not have enough information to address details of the scenarios. He said he was less shocked by the cost estimates than by the growth assumptions and questioned whether the growth assumptions were accurate given their inconsistency with EWEB’s growth over the past 25 years. He said the increase in square footage needs was significantly greater than the increase in employees and could be misinterpreted by the public. He wondered if the project team had considered construction of buildings that would meet current needs with a potential for expansion over the years to accommodate growth, especially for field operations. He questioned whether it was necessary to move a large number of employees from the current administration office to the new site. He indicated he was not prepared to provide direction to staff at this time.

Vice President Bishop expressed her pleasure with the cost estimates, which she said confirmed her sense that there was no point in moving from the current headquarters facility. She was surprised that the contingency was not larger and that there was not a greater difference between the combined and split alternatives. In terms of next steps or direction from the Board, she felt more time was needed to digest the information and develop questions for another discussion. She asked for details of the FTE growth projections in order to determine the rate of growth in specific areas.

Commissioner Simpson was surprised at the high cost of the split option as he had assumed that engineering services would remain at the current site and the new site would consist primarily of field operations. He suggested that engineering could remain if the cost to move was prohibitive, but retain the option of adding engineering at the Roosevelt Boulevard site later. Mr. Damewood

indicated that engineering and operations had agreed that it was important to be collocated in an operations facility because of the integration of their activities and the efficiencies that collocation would produce.

President Farmer asked how much of the cost at the new site was associated with moving engineering. Mr. Damewood said that he did not have the specific figures, but the square footage assigned to engineering would cost \$200 per square foot. He noted that with respect to square footage v. FTE count, much of the space in the new facility was multiple use space and filled a need that was not met at all in the current facility, such as a crew room for the electric crews that would also be used for meetings, training and an incident command center in times of emergencies.

President Farmer said that was alarming because it indicated money would need to be spent to meet those needs, either at a new site or at the current site.

Vice President Bishop commented that timing was a missing piece and it had been clear for some time that the current site had certain inadequacies. She said the current site was an appreciating asset and while it would be necessary at some point to move operations, but the headquarters might or might not move. She said another missing piece was a master plan that took an overall look at the plan for the current site and for growth in the future. She said EWEB could not afford the proposed development at the present and should consider contingency plans. She thought that 30 percent more capacity was foolish.

President Farmer remarked that the information indicated that additional capacity had to be built, regardless of where and when that occurred, and continuing to push it out into the future would not decrease the impact. He said the appraisals still had relevance to him, particularly if the estimated cost to build an administration facility at the new site was \$21 million. He was struggling with the estimated costs compared to the appraised value. Mark Oberle said that the last appraisal used both the cost approach and the comparable sales approach. He said that while the cost approach generated a higher figure it was necessary to use the comparable sales approach as it was unlikely that someone would play more for the site than they would have to pay for a similar building elsewhere in the market.

Commissioner Simpson said that the increased public attention on the river front and the new courthouse district would be factors in the value of the current site and he agreed with Vice President Bishop that the property would increase in value.

Commission Lanning stated that he needed more time to reflect on the information and formulate additional questions because of the importance of responsibly planning for the future.

Vice President Bishop asked how far the design work had proceeded. Mr. Gunderson said the design work was midway through the third step of a four-step process. Mr. Damewood added that the next steps were refinement of the preliminary design and working toward the 30 percent level.

Vice President Bishop agreed with Commissioner Menegat that it was valuable to continue to move forward with the design work and planning for both options, even though she did not think it would be possible to move the entire utility within the next five years. She appreciated the quality of the work by EWEB staff, WBSGS Architect and consultants. She hoped that the bulk of master planning could be completed during the year if funds were available. Mr. Berggren pointed out that a master plan was not in the work plan or budget for the current year, although it would ultimately need to be done to obtain the highest and best value from the properties regardless of the scenario.

Commissioner Menegat said that the discussions of property disposition to date had been done without the benefit of solid information on options and costs. He said that the Board was not progressing to a point where it would have better information as the basis for making decisions and the project should proceed to the 30 percent design phase. He felt that the growth estimates with respect to FTEs and space were reasonable.

Mr. Berggren agreed that the project would proceed with both designs, but it was important that at the end of the 30 percent design exercise those figures were not subject to challenge and the Board had ownership of the assumptions they represented. He pointed out that proceeding to 30 percent design would not necessarily change those figures and the Board should spend more time reviewing the details and posing questions and concerns to which the project team could respond so there was confidence in the assumptions and cost estimates. He said the Board should not only review data but also examine the physical plant in order to understand the issues and fundamental assumptions in the design and "build to" date.

President Farmer said it was important for the Board to reconcile the value of going forward with the value of the end product. He asked what process the Board wanted to take to address its questions in a timely manner.

Vice President suggested the Board should discuss the matter now instead of scheduling another meeting.

Commissioner Lanning said he needed more detailed information in order to discuss options and staff required time to respond to the questions and requests for specific data that focused on the Board's areas of concern.

Commissioner Simpson suggested that a retreat or workshop format would be best to work through the issues.

Vice President Bishop asked for additional information and a greater level of detail regarding the environmental assumptions and standards being used as well as the operational costs of facilities, which she said was more significant than the initial cost of construction. She said it should be clear at a policy level that cutting costs could have consequences in terms of violating standards such as ISO and lead standards, as well as what energy-efficient alternative and renewable components were in the design. She asked if the process would have the entire Board addressing each of the concerns raised by individual members.

President Farmer said the purpose of the meeting was for staff to hear members' individual concerns. Mr. Damewood said that staff wanted direction from the Board on how to proceed and now understood that the direction was to continue to develop the combined and split alternatives analysis as well as go through processes to assure that the Board was in agreement with the underlying assumptions. Mr. Berggren said that staff would propose a process for addressing all of the areas identified as of interest to Board members during the discussion. He said the areas were somewhat generic but as more detailed information was provided Board members could focus on more specific concerns.

In response to a question from Commissioner Simpson, Mr. Berggren responded that the purpose of the presentation was to determine if the Board wished to proceed with the project and to identify any questions and concerns the Board might have regarding the underlying assumptions. He said it was apparent from the discussion that there was a need for more information to provide confidence in the assumptions.

Commissioner Simpson remarked that he felt the figures were accurate and the community reaction to them was important and would raise questions about whether the property could be sold to finance a new facility without raising rates.

President Farmer agreed that the practical issue was whether it was financially possible to relocate and build a facility that would meet projected growth needs. Mr. Berggren said the cost estimates placed the Board in a different feasibility decision context.

Vice President Bishop stated that her interest in a master plan was to establish a point at which the Board would need to make decisions on the timing of a new facility. She said was pleased the Board was taking the next step to spend concentrated time on the issue and as an individual commissioner she was not approaching it with the goal to cut costs, but rather to achieve a better understanding of the assumptions and the bigger picture.

Mr. Berggren said that staff would begin to identify data for the work session and propose an agenda based on Board comments. He asked that commissioner's email any additional comments or questions to him by July 25, 2005.

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President Farmer emphasized the importance of making it clear to the public that the cost estimates being discussed were fluid and subject to change.

President Farmer adjourned the meeting at 7:30 p.m.

Assistant Secretary

President