



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD
GENERAL MANAGER'S DIVISION

Rely on us.

TO: Commissioners Bishop, Menegat, Lanning, Simpson, Farmer
FROM: Ken Beeson
DATE: November 2, 2006
SUBJECT: Roosevelt Building Project – Construction Financing

Issue Statement.

This memo provides support material for Board discussion on November 7 of potential use of the URBA process in mid-2007 to secure bond authorization for construction funding for the Roosevelt Building Project.

Background.

In January 2006, staff prepared an initial work plan and schedule for completion of the Roosevelt Building Project. This plan, based in part on the 2005 30% design work, assumed Board authorization of bond funding for construction would be obtained in the fall of 2007 with construction in the 2008-2010 time period. That same assumption was in place last spring when the Board decided to relocate operations and engineering to Roosevelt and also approved using the URBA process for bond funding of the Project design costs.

By July, as decisions were made to proceed with final design and also to employ a CM/GC for pre-construction support, the possibility of beginning construction in the summer of 2007 began to emerge and was referenced in some of the staff-Board discussions. This possibility included a staff assumption that the URBA process would be considered by the Board to obtain bond authority for construction financing. The Board has made no decision or commitment on this matter.

Given the above, it is now important, as staff proceeds with project development, that the Board understand the scope and timing of the decisions required to ensure funding authority is in place to allow for 2007 construction. Fundamental to this is a Board decision on whether they will support use of URBA for bond funding or whether they want to refer the funding question to the ballot.

It is staff's belief, based on current schedule assumptions on development of cost estimates that can be relied on for determining construction funding requirements, it will be necessary to use the URBA process in mid-2007 to secure funding authority to allow for a construction start in summer 2007. If the Board decides to refer this funding question to the ballot, staff believes that September 2007 would be the earliest election date we could obtain which, given wet weather constraints on the initial construction, would push the construction start to mid-2008.

Given the above, staff would like to discuss with the Board use of URBA process and the related

issues and decisions that will need to be addressed.

Discussion.

Attachment A presents a timeline list of the significant issues and decisions that need to be addressed to allow commencement of construction on the Roosevelt Project in 2007. The notes below provide brief explanation and context for the various items on the timeline.

1. *Design.* The current schedule assumes completion of all design work (Design Development and Construction Documents) by February 2008. Design Development is expected to be 85% complete by February 2006 allowing for completion of “Design Development Estimate” (item 3c).
2. *Determine Final Electric and Water Rate Assumptions.* These questions and decisions should be addressed by the Board prior to approval of any final cost estimate (item 3e) or approval of a bond funding resolution (item 5b).
 - a. *Determine Water Utility Cost Share.* Estimates of rate impacts related to the Roosevelt Project previous shared with the Board have assumed the traditional 86% electric and 14% water split. Staff will review the Roosevelt plan to determine if that cost sharing assumption is accurate or if another assumption should be considered.
 - b. *Water Utility: Lease or Own?* The Finance Department will provide background for Board review and consideration on this question.
 - c. *Include Riverfront Property Sale Price Assumption?* The most recent estimate of long-term water and electric rate impacts associated with the Roosevelt Project were provided to the Board in June and assumed that some portion of the EWEB riverfront property would be sold post-2013 and the proceeds would be used to offset project debt service. We will provide the Board, for review and perspective, estimates with and without this assumption on sale price.
3. Complete Final Cost Estimate.
 - a. *Project Budget Estimate.* This amount is \$72.3 million and was approved by the Board in June 2006 and includes a 5% reduction from the November 2005 30% design estimate.
 - b. *CM/GC Estimate.* Completion of this estimate is expected in November 2006; it will be compared to the project budget estimate (item 3e) and used to specify, resolve and eliminate differences. The CM/GC estimate will also be referenced and adjusted by the design team as we proceed with design development work.
 - c. *Design Development Estimates.* These estimates will be completed separately by the Architect and the CM/GC in early March 2007 and will be based on the Design Development work completed to that point (estimated to be about 85%).
 - d. *Reconcile / Justify Estimates.* Differences in the Design Development estimates (item 3c), as well as differences with the Project Budget estimate (item 3a), will be reviewed and resolved, with the goal of completing a single project cost estimate that can be brought to the Board for review and consideration.
 - e. *Approve Final Estimate.* This estimate will need to be consistent with the Project Budget Estimate (item 3a) and any variation justified for and approved by the Board. This estimate will also need to include adequate contingencies and reserves to cover any expected escalation of building construction costs in the 2008-09 period.

4. *Complete Permitting.* We will need to secure, before any construction can begin in 2007, an approved Fill and Removal Permit from the Corps of Engineers and the Oregon Department of State lands, and permit approval from the City.
5. *Financing Decisions*
 - a. *Authorize URBA Preparation.* This is the “URBA or Ballot” question referenced above.
 - b. *Authorize URBA (EWEB Resolution).* This is the formal decision to issue bonds for construction funds using the URBA process. Board approval of a final cost estimate (item 3e) would precede this authorization. This authorization would also refer this question to the city council.
 - c. *Authorize URBA (City Council Resolution).* This is the council authorization necessary to proceed with the URBA process (preceded by item 5b).
 - d. *URBA Remonstrance Period.* This is the 60 day period during which 5% of the registered voters in the City can petition to have the question referred to the ballot) or refer the question to a ballot. This period can start immediately after council authorization.
6. *Construction Agreements*
 - a. *Consider “2 phase” GMP.* Our current plan is to negotiate a Guaranteed Maximum Price” (“GMP”) agreement with the CM/GC for construction of the project. As a variation to using one GMP agreement for all construction, staff will want to review with the Board the possibility of using two GMP agreements: (1) one agreement for the initial earthwork portion (see item 7 below) of the project which would be completed in late summer 2007; and (2) a second agreement for the building construction which would start in early 2008.
 - b. *Authorize Construction Agreement.* This would be the Board authorization of the necessary construction agreement with the CM/GC that will allow us to proceed.
7. *Construction (earthwork).* The initial construction necessary for the project includes installation of the base roads and rock pads for the buildings, yard and parking areas. It also includes installation of some underground substructure (conduit, pipes, vaults) necessary for water, electric and on-site storm and sanitary sewer systems. Our current understanding is this work would need to be completed by November 1 to comply with the Fill and Removal permit requirements as well as adverse weather in the late fall. Completion of this work in 2007 would position us to start building construction by spring 2008 allowing for project completion by mid-2009.

Recommendation / Requested Action.

There is no recommendation or requested action at this time. On November 7, I want to review this material with the Board and discuss how best to work through them in the next few months.

Please call me with any questions or if you need additional information.

Attachment

revised: November 2, 2006

EWEB Roosevelt Building Project

DRAFT

		Nov	Dec 2006	Jan 2007	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2008	Feb	
1 Design (complete by February 2008)																		
2 Determine Final Electric, Water Rate Assumptions																		
a	Determine Water Utility Cost Share	Board																
b	Water Utility: Lease or Own?	Board																
c	Include RF Property Sale Price Assumption?	Board																
d	Approve final Rate Assumptions	Board																
3 Complete Final Cost Estimate																		
a	Project Budget Estimate																	
b	CM/GC estimate																	
c	Design Development Estimates																	
d	Reconcile / Justify Estimates																	
e	Approve Final Estimate	Board																
4 Complete Permitting																		
5 Financing Decisions																		
a	Authorize URBA preparation (URBA or Ballot)	Board																
b	Authorize URBA (EWEB Resolution)	Board																
c	Authorize URBA (CC Resolution)	Council																
d	URBA Remonstrance period (60 day)																	
6 Construction Agreement																		
a	Consider "2 Phase" approach	Board																
b	Authorize Construction Agreement	Board																
7 Construction (earthwork)																		

Approved by Board in June 2006

Initial estimate complete by mid-November

Architect and CM/GC; complete by mid-March 2007

Complete by mid-June

Complete by mid-April

Complete by end April

Complete by July 1

Phase I: Earthwork (2007); Phase II: Building Construction (2008-09)