

EUGENE WATER & ELECTRIC BOARD
WORK SESSION
EWEB BOARD ROOM
500 EAST 4TH AVENUE
DECEMBER 19, 2006
6:30 P.M.

Commissioners present: Sandra Bishop, Mel Menegat, John Simpson, Patrick Lanning, and Ron Farmer.

Others present: Randy Berggren, Dick Varner, Tom Buckhouse, Marty Douglass, Jim Origliosso, Deborah Brewer, Jim Wiley, Terry Bequette, Debra Smith, Ken Beeson, Lance Robertson, and Krista Hince of the EWEB staff; Commissioner-elect John Brown; and Ruth Atcherson, City of Eugene minutes recorder.

President Bishop convened the Work Session of the Eugene Water & Electric Board (EWEB) at 6:42 p.m.

ROOSEVELT BUILDING PROJECT STATUS

Ken Beeson, Energy Resource Project Manager, stated that he was going to talk about the recent cost estimate of the Roosevelt building project with a power point presentation. He noted that he had distributed a backgrounder via email that covered much of his presentation in detail, but he intended to provide some additional context and perspective. He said there would be another estimate made in the spring and this would be the estimate that would be taken forward.

Mr. Beeson attributed the escalation of costs in the current estimate to escalating construction and materials costs. The increase in contingency was a result of consulting with the Construction Manager/General Contractor (CM/GC) and learning from their shared experience. He said the contingencies would either disappear or be incorporated into the design.

Mr. Beeson spoke about the possibility of reducing the estimate. He said they were looking for opportunities to reduce the cost to ensure the cost-effectiveness of the design within the parameters of success that had arisen from the 30 percent design process. Staff did not believe that a reduction of the space would be prudent, as the design process had determined that the planned amount of space would meet the need for the building to serve EWEB as it grew over the long-term. Additionally, he noted that a change in the design would delay the project, causing an increase in costs.

Mr. Beeson stated that the sustainability features could be analyzed to determine ways to reduce. He reiterated that the principle guiding design was that EWEB was trying to build a facility that would have a long-term value for the community. He noted that the choice of using more glass increased the building's energy efficiency and the health of those who worked in the building, but it also increased cost. He said money could also be saved by the use of asphalt instead of concrete, but in the long-term asphalt actually cost more. He averred that all of the potential reductions would lead to higher operating costs and more environmental impact.

Mr. Beeson reported that staff had compared the cost of the planned facilities to others in the area and found them to be comparable.

Mr. Beeson said though the estimate he presented was not the final, it was likely representative of what a final estimate would look like. He conveyed staff's belief that the new facility would be a good value for the community. He recommended that the project stay on track, though staff would continue to find ways to reduce the costs while remaining consistent with EWEB's program and the life cycle sustainability assumptions. He stated staff's intention to bring the architects and the CM/GC to a work session early in 2007 for a more elaborate discussion of the project.

Vice President Menegat said he had the opportunity to work with the team that had been reviewing the project. He related that they had responded to concerns regarding the escalation of costs. He stated that a lot of things had contributed to the escalation. He also related that he had been party to a meeting at which the managers had gone over the plans. He had been impressed with the design from the individual units or sections, as they had worked hard to maximize workspace efficiency. He averred that they were continuing to look at ways to reduce costs. He applauded the team for its continuing work to increase efficiencies and to bring the project before the Board on a regular basis.

Commissioner Lanning thanked Vice President Menegat for the time he had contributed to the project. He supported the idea of having the project return before the Board at regular intervals with a more detailed look. He also supported the idea of reducing costs and the efforts of the project to do so, but he was unwilling to support shortsighted savings. He said life-cycle costs would have to be built in to influence him to reduce the cost of the project.

President Bishop noted that Commissioner-elect John Brown had been attending the meetings because he would be taking her place on the Building Advisory Team in January. She said at first glance a 12,000 square foot increase in the space was shocking, but it was important to recognize that 8,000 square feet was intended to house the mechanical and electrical functions. She believed the systems would last longer if housed.

Commissioner Simpson indicated his full support for building the project. He stressed that it was not a posh facility. He said the space needs had been very carefully planned. While he had experienced concern about the additional square footage he agreed that it was the prudent thing to do. He commented that the presentation was "like a second wave of sticker shock," but it was important to realize that EWEB was merely experiencing the same escalation of prices in the construction market that everyone was experiencing. He wanted to move forward on the project as soon as possible.

Commissioner Farmer noted that staff had said that the project would not be a “Class A” office building. He wanted to know what the cost of a “Class A” office building would be. Mr. Beeson replied that he was uncertain. He said there was office space in the building, but all of the space in the downstairs area was meant to be operating space. He estimated that the cost would be between \$270 and \$310 per square foot.

Commissioner Farmer believed that the costs could go up but they could also go down. He thought steel prices might fall. He did not believe the escalation of costs was a given. The bottom line for him was that EWEB had decided to move the operations off the present site because of inefficiencies. He said he agreed that the site was inefficient, but he did not believe there were a “\$100 million worth of efficiencies.” He felt that if they could not get the costs under control, he was not certain he could support it.

Vice President Menegat supported having another Work Session in the early part of 2007 on the project.

In response to Commissioner Lanning, Mr. Beeson said he could put together information regarding the elements to contribute to cost effectiveness. He remarked that he had to acknowledge that while there was a view that costs would not escalate quite as fast as anticipated in the next few years, he did not hear the contractors expressing that view. He did not think anyone knew for certain what would happen in the next few years. He underscored that what they were looking at was the first cut at the estimate, though a considerable amount of work had gone into it.

President Bishop remarked that there was a danger that the fear of a large up front cost could throw EWEB off the track. She believed that the end result would offset these concerns as the resulting building would save costs through its efficiency-related features.

Commissioner Simpson asked if the percentage rate increase would be shouldered for both utilities. Mr. Beeson replied that it was approximately double for the water utility and it was somewhat less for the electric utility.

Commissioner Farmer averred that to justify the rate increase for the project the project needed to stand on its own. At the same time, he thought they should not just look at the rates in the abstract.

President Bishop thanked Mr. Beeson for the presentation and expressed appreciation for his straightforward approach.

President Bishop adjourned the meeting at 7:25 p.m.