

EUGENE WATER & ELECTRIC BOARD  
SPECIAL BOARD MEETING  
EWEB BOARD ROOM  
JANUARY 31, 2007  
6:00 P.M.

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

Others present: Randy Berggren, Ken Beeson, Debra Smith, Dick Varner, Tom Buckhouse, Jim Wiley, Lance Robertson, Jim Origliosso, Deborah Brewer, Mark Oberle, Roseanna McArthur, and Krista Hince of the EWEB staff; Eric Gunderson, Harriet Cherry, Larry Banks, PIVOT Architecture; Matt Pearson, Andy Dicam, Lease Crutcher Lewis; and Ruth Atcherson, City of Eugene minutes recorder.

President Menegat convened the Special Meeting session of the Eugene Water & Electric Board (EWEB) at 6:20 p.m.

## **ROOSEVELT BUILDING PROJECT REVIEW**

### **Introduction and Overview**

Roosevelt Project Manager Ken Beeson introduced the architects from PIVOT Architecture and the contract manager/general contractor (CM/GC) team from Lease Crutcher Lewis. He stated that the basic objective of the presentation was to ensure that the Board received a good understanding of the planning the design team was doing and the cost estimate. He noted that the cost estimate was “alive,” as in it was always changing. He acknowledged that there was some concern on the part of the Board regarding the current cost estimate. He emphasized that the design was based on work done over the past couple of years. He said staff and team believed the assumptions the design was based on were valid.

### **Review Current Plan**

Mr. Beeson reviewed the *EWEB Roosevelt Building Project* plan with power points. He noted the current project schedule was consistent with the schedule as it had been for several months. He showed an aerial slide of the 52-acre site and then a rendering from the same point of view of the building design and environmental restoration that was planned.

The base construction cost, e.g. the site and site improvements, was \$15.2 million. Mr. Beeson noted that the landscape restoration intended to return the wetland portion of the property to the state it was in approximately 100 years ago.

Mr. Gunderson said the design team had understood the Board's directive that the priorities were about the function of the site, the sustainability, and life cycle costs. He averred that if those were the priorities, the project as planned was the right one. He reviewed the *Yard Site Plan*. He underscored that the team had talked with many of the staff people the move would affect in order to arrive at the most efficiently organized plan possible.

Mr. Beeson stated that the team had met with all of the managers that would be moving to the Roosevelt Boulevard site in order to gain specific input regarding design.

In response to a question from Vice President Simpson, Mr. Beeson stated that as the permit application moved forward the location of the wetlands was precisely defined.

Vice President Simpson asked if there was any sense of when the freeway construction was planned for the northwest corner of the property. Mr. Beeson estimated that it would be at least 10 to 20 years before planning would begin for it. He said the plan would not locate anything in that corner of the property that would be expensive to move.

Mr. Beeson provided an overview of the Water and Electric Operations Building, slated to cost \$29.5 million. Mr. Gunderson walked the Board through the design of the building. He noted that on a material basis the building was relatively simple with concrete floors. Mr. Beeson added that it could be characterized as a typical public service operating structure.

Vice President Simpson asked if the second floor included cubicles. Mr. Beeson replied that it was meant to be open space, though there was some areas in which there were closed office spaces.

In response to another question from Vice President Simpson, Mr. Gunderson affirmed that vehicles would pull into the first floor shops. Vice President Simpson asked if that created any fire suppression issues. Mr. Gunderson replied that a code consultant had helped to review the design to ensure that the code was met.

Vice President Simpson observed that the windows were to cost \$2 million and asked if they were special windows or whether the high cost was attributable to the amount. Mr. Gunderson responded that there were a lot of windows as they were trying to plan for 40 percent glass in order to provide as much natural lighting as possible. He predicted that people would be able to work without electric lights for much of the day through much of the year. He added that the windows were also going to be constructed out of high performance glass that would save energy.

Vice President Simpson asked if there would be heating costs. Mr. Gunderson replied that heating would be needed in the wintertime. Mr. Beeson added that they would be trying to make the building able to cool without using energy. Mr. Gunderson stated that the energy model indicated that without the passive cooling the building was approximately 30 percent below the energy performance standard for such a structure.

Mr. Beeson highlighted the plan for the warehouse, slated to cost \$5.2 million. Mr. Gunderson underscored that it was a simple building made from concrete blocks though, like the other structures, it was planned to have a green roof. He stated that the biggest expense lay in the concrete loading docks.

Mr. Beeson noted that there had been a lot of discussion regarding the dock width and most people determined that they could “live with” 15 foot loading docks.

In response to a question from Vice President Simpson, Mr. Beeson stated that there would be office space for a manager and a person from purchasing as well as an employee room.

Commissioner Brown asked what made the warehouse cost \$140 to \$170 per square foot. Mr. Pearson responded that the sustainable features such as the green roofs and the 50 to 100 year building had up-front costs that were high, but would save money over time. He also noted that the features that helped EWEB attain Leading in Energy and Environmental Design (LEED) certification boosted costs.

In response to a follow-up question from Commissioner Brown, Mr. Pearson affirmed that the planned building was a 50-year building in concrete masonry units (CMU).

Mr. Beeson reviewed the plans for the Fleet Services building, the repair and maintenance facility for the operations division.

In response to a question from Vice President Simpson, Mr. Gunderson explained that there were two kinds of vehicle washing stations, an outside cosmetic wash and a washing station on the inside for chassis. He said the chassis washing would produce water that required treatment as the runoff would contain oil and other contaminants.

Mr. Gunderson noted that the present fleet building would not fit an entire line truck in it.

Mr. Gunderson related that based on conversations with EWEB staff and management, the design team had decided to pursue a design standard for essential facilities, which meant those buildings met a higher seismic standard. He noted that they were not required by code to meet this standard, but the team had felt that getting power and water to people after a disaster was an essential service. They had tried to mitigate costs, but felt these standards were very important.

Mr. Beeson noted that the water and electric utilities both had emergency dispatch centers so that they could continue to be operated after an earthquake.

In response to a question from Commissioner Brown, Mr. Gunderson clarified that not all parts of the structures would be built to these standards.

### **Cost Estimate**

Mr. Beeson reviewed the *Roosevelt Project Cost Estimate*.

Mr. Pearson explained the contingencies, which served to mitigate risk. He noted that the escalation of labor and commodities costs in the Eugene to Portland market in the last 12 months had been from 11 to 15 percent. Based on this, a 10 percent escalation had been built into the construction budget.

Mr. Beeson predicted that the final estimate would look much like the present estimate. He said professional cost estimators would work on the projections and the final estimate would be completed in mid-April.

Commissioner Lanning asked why there was an “owner’s contingency.” Mr. Beeson replied that it was EWEB’s contingency and was held out separately from the construction overheads because along with the other contingencies it was an amount of money to account for uncertainty.

Commissioner Brown asked if the EWEB overhead included moving costs. Mr. Beeson responded that those costs were included under “owner services.”

In response to a follow-up question from Commissioner Brown, Mr. Beeson stated that financing costs were not included in the estimate. He said this information was not known at this time. Mr. Varner added that he estimated it would be one to two percent.

Vice President Simpson asked if there was any need to include incentives for an under-budget delivery. Mr. Beeson responded that thus far the contract intended to use a guaranteed maximum price. Mr. Pearson explained that the CM/GC did not have a finalized contract and whatever was left at the end of the project would be back to EWEB. He did not believe, given the contract structure, that any incentives to spend less were necessary.

Mr. Beeson related the design team’s view that the project as currently planned was comparable to other public service buildings.

Mr. Gunderson noted that 17 acres of pavement was planned. He pointed out that most sites do not include that magnitude of site work. He underscored that they planned to build to essential service standards, like police and fire facilities were built to.

Commissioner Lanning wondered what the estimate would be if one took out the high and the low among the comparables. He asked what buildings had been used for comparison. Mr. Beeson replied that comparables included the Lane Transit District (LTD) site, the new Fire Station #1, the City of Eugene Public Safety building on 2<sup>nd</sup> Avenue and Chambers Street. He said they tried to find a range of facilities that had been built in the area over the last decade.

Commissioner Brown asked if staff had backed out the site development costs on the comparable facilities. Ms. Cherry replied that they had done so with the 2<sup>nd</sup> & Chambers site and that the comparables all dealt with final costs.

In response to a question from Vice President Simpson, Ms. Cherry affirmed that the canopies were considered buildings.

Mr. Beeson pointed out that the site was approximately \$50 per square foot.

### **Rate Impacts**

Fiscal Services Supervisor Dick Varner reviewed the rate impacts. He explained that they made gross estimates to the water and electric utilities separately. He stated that a typical residential user would experience a \$50 to \$65 increase on an annual basis. He said large industrial customers might see an increase of \$10,000 to \$50,000.

In response to a question from President Menegat, Mr. Varner explained that the latter increase represented an increase of 1 to 1.5 percent on electricity and 10 to 20 percent on water.

Commissioner Brown asked if the projected rate increase assumed that costs for the Carmen-Smith facility would remain the same. Mr. Varner replied that he was using the rates that customers currently paid.

Commissioner Farmer remarked that the piece that was missing was that in 2010 EWEB might not be just facing a 3.7 percent increase, given the other factors that EWEB was facing. He averred that it was not possible to look at the project in the abstract, rather it should be considered among the other demands on EWEB ratepayers.

Mr. Varner indicated he would bring back a range of rate impacts to customers for the Commissioners to review.

### **Alternatives**

Mr. Beeson briefly highlighted the *Potential Cost Reductions*. He noted, as an example, that if they were not to install “green” roofs a \$1.7 million cost reduction would be realized. He said a green roof would stabilize some of the interior thermal characteristics of the building and it would also handle some of the water on site, which would provide some storm water cost savings.

Vice President Simpson observed that Attachment 'B' included information on solar water heating that indicated there would be a five-year payback period. He said it seemed that all of the elements that could potentially be eliminated had a payback period. He commented that it would be helpful to him to see the list of items ranked as to what kind of payback period they were projected to have. Mr. Beeson responded that he could do so. Vice President Simpson said he would be more willing to "throw out" an item that had a longer payback period.

Mr. Beeson said to the extent EWEB could employ photo-voltaics to generate electricity at the site it would benefit the operation, though the payback would be over the course of a long time, and EWEB could get some types of credits for it as well.

President Menegat asked if the *Potential Cost Reductions* represented net savings. Mr. Beeson replied that the numbers were estimates and were intended to be net savings.

Commissioner Brown said it was very important to him that the radiant floor heating remain in the project.

Mr. Beeson underscored that a building that was more cheaply built would cost more in ongoing expenses.

### **Discussion**

General Manager Randy Berggren commented that he did not believe the numbers would "move much." He said the building was consistent with what the Board, staff, and design team had talked about but there was an issue of sticker shock. He noted staff would have the cost estimate based on an 80 percent design in April. He stated that they were \$1.5 million into the design costs and in April this number would increase by \$800,000. He observed a growing discomfort relative to the cost on the part of the Commissioners. He averred that if a fundamental change in direction was to be embarked upon then the Board needed to decide soon so that the design process would not continue on its present track.

Mr. Berggren touched on the implications of changing the design, which included delaying the project. He noted that it would still be possible to conduct some of the site work in 2007.

President Menegat agreed that the Board faced some decisions in this process. His position was that if EWEB was going to construct the facilities at the Roosevelt Boulevard site, it needed to do it "right." He felt the building would define EWEB. He reiterated that he was comfortable with moving ahead with the project as it stood.

Vice President Simpson commented that it seemed like a difficult decision, but when he looked at the "big picture" of what the community needed and wanted, he believed the current concepts of the facility would address those needs and wants. He underscored the necessity to build to higher essential service seismic standards. He believed the facility would also address the goals of

sustainability that EWEB embraced. He added that he thought a lot of what the Board was dealing with was that in addition to the “\$100 million weight” of the facility as proposed the Carmen-Smith relicensing project was also projected to cost \$100 million and the water infrastructure was aging and required upgrading. He favored proceeding with the existing design. He felt the building would serve EWEB and the community long after the people who were present had retired and gone away.

Commissioner Farmer maintained that the Board needed to seriously question the current estimates. He did not want to argue about individual components at a meeting. He did not put much stock in examples and comparisons and he did not think prices should be comparable. He said he could argue against green roofs and all of the glass that was proposed and he was uncertain whether the contingencies were valid or not. He noted there was some sentiment in the construction industry that thought the costs would go down and not up. He did not think EWEB needed to place 335 employees at the site. Nonetheless, the biggest issue for him was simply the cost. He was certain that a building that was LEED certified could be built at half of the price.

Commissioner Brown noted he had not been involved in the initial decision. He agreed that it was in the best interest of the community and the operations divisions of the electric and water utilities off the current site. But he did not believe what was on the table was affordable for the utility. He supported continuing with the 2007 site work and giving the design team a firm budget, such as \$70 million, and asking the team to return to the drawing table. He wished to ensure the Board was being responsible to the ratepayers.

Commissioner Lanning thought it was in the best interest of the community for the EWEB operations to be off the current site, but he did not think it was in the ratepayers’ best interests to have the new facilities cost so much. He supported the idea of moving forward with the most cost-effective idea for the ratepayers. He commented that it might not be the right time to invest in a new building. He thought construction costs would go down. He also was certain the selling price for the existing property would continue to rise. He could not support the project at its current cost level. He also could not support “pushing off the cost to future generations” by not constructing the building with life cycle costs in mind. He supported Commissioner Brown’s idea of setting a budget to which the design and construction should adhere.

Mr. Berggren observed that there were two views of economics, present worth and cash flow. He acknowledged that for the present the majority of the Board viewed the project as too expensive to undertake at this time. He suggested that staff return with a budget concept and that initiation of the actual construction be delayed a year.

In response to a question from Vice President Simpson, Mr. Berggren stated that \$15 million in basic site development work. He said there were specific things that should be done to the site, such as pushing the development site to the back of the property to create distance between the EWEB facility and residential areas and to work around the wetlands features. He noted that on a fundamental level, there could be choices made to move the facility to the front of the site in order to

save money.

President Menegat asked what was being proposed in terms of timing. He saw decisions the Board needed to make and he underscored that the Board had not yet made a decision to change the course of action. He noted that a Uniform Revenue Bond Act (URBA) bond would have to be initiated by April. Mr. Berggren responded that without a finite cost it would not be possible to move forward with the URBA process. He thought there was value in pushing hard to get the site done in 2007 unless there was something fundamentally not acceptable from a cost perspective in doing so.

Commissioner Lanning believed it was the Board's responsibility to provide leadership and also to do things right. He was convinced EWEB needed the site. He was convinced EWEB needed the community to support the effort and the master planning. He also believed that when EWEB made the move it had to "do it right." He did not want to cut costs just for the sake of cutting costs. He wanted to be convinced that the new design would be beneficial in all respects.

Commissioner Farmer stressed that he did not want to be perceived as being critical of all of the work that had gone into the project thus far. He did appreciate the work of the design team. He acknowledged that the costs were valid as well. He simply did not want to "buy a Ferrari when we can only afford a Taurus." He was uncertain EWEB could afford \$100 million to move operations from the current site in conjunction with the \$100 to \$150 million that relicensing the Carmen-Smith facility was slated to cost as well as some of the other things that EWEB's aging infrastructure would require.

Vice President Menegat adjourned the Special Meeting at 8:50 p.m.

---

Assistant Secretary

---

President