

EUGENE WATER & ELECTRIC BOARD  
WORK SESSION  
EWEB BOARD ROOM  
APRIL 17, 2007  
5:30 P.M.

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

Others present: Randy Berggren, Dick Varner, Tom Buckhouse, Jim Origliosso, Dick Helgeson, Roseanna McArthur, Patty Boyle, Marty Douglass, Ken Beeson, Jay Bozievich, Jim Wiley, Lance Robertson, Debra Smith, Angela Cloepfil, Richard Jeffries, Claire Elliker-Vaagsberg, and Krista Hince of the EWEB staff; Harriet Cherry, Eric Gunderson, Pivot Architecture; Matt Pearson, Lease Crutcher Lewis; Roosevelt General Contractors, Ruth Atcherson, City of Eugene minutes recorder; and members of the public.

President Menegat convened the Work Session of the Eugene Water & Electric Board (EWEB) at 5:30 p.m.

### **ROOSEVELT PROJECT UPDATE**

General Manager Randy Berggren understood that the information had been disseminated, but there were still underlying questions related to the cost of the project. He wanted the full Board to have confidence in the numbers that they were presented with. He did not think the recommendation at this point would be adequate as there continued to be a “crisis in confidence” in the underlying cost estimates. He believed that the Board had been presented with the best information possible, but additional work might be needed. He felt there were ways to defer the project and this was one option.

Roosevelt Projects Manager Ken Beeson recapped the process to date. He provided a power point presentation entitled ***EWEB Roosevelt Building Project***, hard copies of which were provided to the Board. He hoped to move forward with the schematic design. He stated that the architects and the Building Advisory Team had determined that it would not be possible to build a structure that would also house the engineers for less than \$72 million.

Mr. Beeson reviewed the reductions in scope the team had proposed in order to reduce the overall cost of the project. This included an operations only site, which could be built for \$68.1 million, and an operations and engineering complex, which could be built for \$84.4 million. He offered to review in detail the recommendations with individual Commissioners.

Mr. Beeson discussed the estimated rate impacts of the project costs. He noted that the \$87 million estimate was for use of the original site the project was proposed to be built on and included some wetlands work.

Mr. Beeson reviewed the *Proposed Schedule*. He said project leaders were “shooting for” the April 2008 timeframe to be ready to pursue financing and this would prepare the way to begin the earth work.

Vice President Simpson asked how the original site proposal had been changed to reduce the cost. Mr. Beeson replied that the primary change over the first iterations was that the earth work had been deferred to 2008 from 2007.

Mr. Beeson said to the extent there was a lack of confidence in the current plan he would not request approval at the present meeting, but he did want to leave open the possibility of beginning the schematic design development.

Commissioner Farmer declared his commitment to moving the engineering leg of EWEB to the Roosevelt Boulevard site. He did not think moving any of EWEB to the site would be prudent if engineering was not there, too. He reiterated that he did not support the “split” move in the first place, that is, moving operations and engineering but not moving the administrative leg of the utility. He felt that initiating a “split of a split” would create less flexibility.

Commissioner Farmer noted that the plan had been for space with the capacity to be expanded into with an increase in the workforce. He pointed out that there had been no increase in Full Time Equivalent (FTE) employees in the last 20 years. He asked what the basis was for the assumption of a sizable increase. Mr. Beeson responded that he had reviewed all of the work sections and the number of FTEs that each utilized. He compared this to projections of the work in 2011 and 2020 and what FTE employees would be required to meet the work load. He had tried to line up the projections with the financial plan.

Mr. Berggren asked Mr. Beeson to elaborate regarding the number of FTEs. Mr. Beeson explained that in 2005 work across the organization had been done on long-term planning and at that time it was predicted that EWEB would need 100 additional FTE employees by 2020.

Commissioner Farmer said he struggled with the original premise. He questioned what it was in the operations that were driving a 25 percent growth in employees when there had not been any growth for 20 years. He asked what had fundamentally changed in the operations that would cause a “huge growth spurt.” Mr. Beeson replied the continued work would include further scrutiny of those numbers.

Commissioner Farmer did not think this was a part of the design of the building. He said he did not have a lack of confidence in the ability to design or the ability to cost out what the design would be; his questions were whether the building could be built differently and more cheaply. He averred that an expensive car might cost more to build, but a more basic car could still be of a good design and lifetime and would cost less to build. He likened the building to car design. He reiterated his approval of a third party review of the design process.

Commissioner Farmer shared his struggle with the “hard position” of not being able to build the project for less than \$100 million and now staff was declaring that it could not be built for less than \$84 million. He said he would like that number more if someone would validate it by delineating how \$15 million in savings had been found and why another \$15 million in savings could not be found.

Additionally, Commissioner Farmer thought the project had started out in an arbitrary manner by saying that it should result in no more than a two percent increase. He did not believe this was tied to the cost of the building.

Regarding the schedule, Commissioner Farmer restated his desire to move the field operations from the current location. He said he was not “locked into” a specific timeframe within which to do so. He preferred to “get the whole thing right” to being able to initiate the work in 2008. He commented that though he did not want to remain at the current location he did not think it would be detrimental to remain at the site for another ten years. He acknowledged that it would cost money to remain, but pointed out that the money saved by not building a new facility would pay for the Carmen-Smith relicensing project in full.

Commissioner Farmer asked if the reason to continue the schematic design process was to continue the design in order to meet a construction deadline for the 2008 building season or whether it was to refine the costs. Mr. Beeson replied that it was “probably a little of both.” He said the primary reason would be to keep the project on track for 2008 should there be Board support for it.

Commissioner Farmer indicated that his concern with further schematic design was that he did not want to spend money on designing a project that would cost \$400 per square foot and then find out that the Board was really only willing to support a project that would cost \$330 per square foot.

President Menegat said the car analogy could be taken a step further as the utility could end up with a cheaply built car that would not work correctly. He reiterated that the process for developing the initial design had been lengthy and had taken into consideration all of the factors the project would need to address. He thought it had been done right the first time. He declared that he was not willing to reduce the project to “a Yugo.” He supported moving ahead with the schematic design.

President Menegat commented, in regard to the suggestion that an independent third party review the project as proposed, that at this point EWEB was in a conceptual design phase. He said the decision had not been absolutely made to move operations to the site. He did not know how someone coming in could say with certainty that they could build a warehouse for ‘x’ number of dollars when that person would not have a strong sense of the needs the warehouse would have to meet.

President Menegat asked how much the schematic design was likely to cost and when it would happen. Mr. Beeson replied that it would begin in the next four to five months and would cost between \$400,000 and \$500,000. He said they would not have to “reinvent the wheel,” but because

the design would change somewhat the design team would have to revisit it at the staff level.

President Menegat ascertained from Mr. Beeson that the Board needed to decide whether the operations and the support legs of the utility were both moving in order to conduct a complete design.

Vice President Simpson recalled that he had made the motion for changing the budget to \$72 million. He said he had made the motion to serve as a reference point as it was not known what could be built for that amount of money. He averred that this was necessary in order to make this budget decision. He felt that the \$98 million option was the best option for the community. He did not think one could compare a 20-year building for \$87 million to a 50-year building for \$106 million. He said the utility would get a facility that would last longer and would have considerable advantages relative to the environmental attributes. He stressed the importance of leading with a long-term vision. While he recognized there would be a rate increase to pay for the bond for the project, he said the payback period would not last forever. He noted that the project would increase the average bill by \$7 a month, adding that \$7 would look “a lot smaller in 15 or 20 years.”

Vice President Simpson stated his interest in preserving the staff analysis of programming, i.e. which people were most optimally considered to need to have proximity to each other. He declared his opposition to a project that would only have the operations leg of the utility moving to the Roosevelt Boulevard site.

Vice President Simpson stressed the importance of knowing what dollar target the schematic design would be built around. He expressed some surprise at the depiction of the Board’s sense of the project as a “lack of confidence” in the financial estimates. He disputed this, saying that he had full confidence in the numbers and that they were coming in at a level he had anticipated. He said it would be very helpful to the Board’s decisions to come up with the overall lifecycle costs of the buildings, though he acknowledged this could take a lot of work. He was concerned that losing the environmental attributes and replacing them with items that would initially cost less would cost more in the long run.

Vice President Simpson indicated his preference for the \$87 million option. He felt it would be prudent to keep the building in the original location because it allowed for the possible future move of the main headquarters building. He reiterated that his first choice would be to build using the originally proposed design and that the \$87 million proposal was a default choice for him.

Commissioner Brown thanked Mr. Beeson and the team for all of their work. He indicated that he also supported keeping the engineering division with the operations of the utility.

Commissioner Brown echoed Commissioner Farmer’s support for an independent third party review of the project. He thought that at this point EWEB was choosing the absolutely most expensive option they had. He looked at some of the other business entities in town and the construction projects they were undertaking and he believed that they were striking a balance

between the environment and economic reality.

In response to a question from Commissioner Brown, Mr. Beeson confirmed that the \$68 million project that would build for the operations arm of the utility only included both hard and soft costs.

Commissioner Brown said, regarding building life, that a tent or a trailer would last 20 years. He averred to say that a building with a 20-year design versus a 50-year design was a misunderstanding. He did not know of a building being built that would not last 20 years.

In response to a question from Commissioner Brown, Mr. Beeson explained that the difference in cost for adding the engineering division in a stand alone building was due to the need for an additional foundation and that more of the site would have to be cleared.

Commissioner Brown thought a third party review would increase community buy-in for the project. He added that he could not approve of a project that would cost \$100 million.

Commissioner Farmer observed that people quit using a building because the building no longer filled its purpose. He opined that tossing out terms like a 20-year building or a 50-year building was a red herring.

Commissioner Lanning arrived at 6:45 p.m.

Vice President Simpson commented that it was not his intention to spend money unnecessarily; and that he wanted to build a facility that would meet the needs of the community. He expressed some concern that among the elements that could be potentially cut from the overall cost of the project were the design elements that would make the structure meet the “essential service” level of seismic requirements. He averred that if the community experienced a large earthquake a lot of the water and electricity facilities would “go down” and EWEB’s ability to mobilize its operations would be key.

Commissioner Brown asked if the estimates that were presented were exclusive of land costs. Mr. Beeson affirmed that the land costs had been in the previous budget. He added that the finance costs were also not in the estimate because the financing had not happened at this point. He said they could be added in.

Commissioner Brown commented that the amount of money that the Midgley Building was estimated to be worth at a future point of sale implied that the headquarters building would sell for \$40 or \$50 million. Mr. Beeson responded that he had been hesitant to put those numbers into the information provided to the Commissioners. He said the effort had been made to provide context between the operations only and the operations and engineering move.

President Menegat observed that four Commissioners had indicated they would not support moving the operations only. Continuing, he remarked that he would probably support the reduction of some elements if that were the will of the Board. He found that the description of what was different in the new proposal seemed reasonable to him and appeared to meet the needs of the utility.

Commissioner Farmer said he was not ready to accept the recommendation. He wanted an independent third party to review and verify the numbers.

President Menegat asked what this third party would verify. Commissioner Farmer replied that he wanted some sense of knowing that the price the utility would pay was close to "market."

Commissioner Brown said he would ask, for instance, why the architect fees for a \$100 million building were \$7.4 million while for an \$84 million project those same fees were \$8.7 million and why on a \$103 million project the furniture, fixtures, and equipment was projected to cost \$3.4 million while for an \$84 million project the cost was projected at \$4.3 million. He stated that he would want those costs to be verified by a third party.

Mr. Beeson said he would suggest that either separately or concurrent with a schematic design work staff would reach out to some of the local contractors or people who have questions or knowledge about the project and talk with them.

Mr. Pearson explained that as part of the Construction Manager/General Contractor (CM/GC) process Lease Crutcher Lewis had a company to review and validate numbers. He stated that this had happened once and would happen again. He said it was also important to understand that before the maximum price was established competitive select bids would be solicited and prices estimated according to the bids. He underscored that Lease Crutcher Lewis had been hired based on its submittal of the lowest fee on the proposal. He reiterated that all of the cost would be based on competitively bidding out the jobs locally and regionally. He noted that the business was currently doing over \$110 million of work in the City of Eugene. He felt he understood the area very well. He stated that the important thing to note was the cost escalation from year to year.

Mr. Beeson noted that a company called Architectural Cost Consultants conducted the independent review. He explained that the company prepared an estimate and then Lease Crutcher Lewis prepared an estimate and then the two would be reconciled.

Commissioner Farmer was concerned that it could be hard to sell the community and the City Council on a Uniform Revenue Bond Act (URBA) bond without an independent review. He related that he had already heard from certain councilors that there was uncertainty regarding whether EWEB should or should not pursue an URBA bond. He felt it would be especially tough to gain public approval of such a bond in the face of the County's looming funding crisis.

Commissioner Brown asked what the response would be if the Board set a budget at \$70 million and said if it could not be built for that it would not be built. He had heard staff's comment that it could not be built for that. Mr. Beeson replied that there was only so many ways the project could be built. He said one assumption about the building was that it had to be fire-proof. He noted that concrete "tilt-up" walls or possibly prefabricated buildings would be the most economic. He stated that the most economic form of construction would be to construct from wood. He said it was hard to grasp without "really getting into it" the magnitude of the operation and the magnitude of the facility. He stressed that the project included a fairly large building and a fairly large area. He pointed out that the current operations yard was 14 acres. He commented that they could work to reduce costs to a considerable degree but they were still left with a substantial amount of materials.

In response to a question from Vice President Simpson, Mr. Beeson said he had chosen not to build with flammable materials such as wood as a base assumption in the project.

Commissioner Brown observed that the differential between \$68 million for a site for operations only and \$84 million for a site that included engineering was \$16 million. He pointed out that \$16 million divided by 38,000 square feet came to \$421 per square foot. He averred that a "Class A office building" could be built for \$220 or \$230 per square foot.

Mr. Beeson reiterated his offer to sit down and respond to those individual questions. He surmised that Commissioner Brown was talking about construction costs, as that was what those costs typically were comprised of. He said these costs did not often include the cost of the land, legal costs, or administrative costs.

Commissioner Farmer asked what assumptions were being made for the contingencies. He wondered if half of it would be used or all of it would be used. Mr. Beeson replied that at this point the project was at a conceptual level for the redesign. He said the schematic design was not done nor had the design development been done. He explained that the contingency in the estimate was a 15 percent "adder" for things that had not been thought of at this point or materials that might cost more and other things of this type.

Mr. Pearson said the Building Advisory Team and CM/GC reviewed four sheets of drawings and based the numbers on them. He stressed that there were a number of variables and they had given the best estimates possible. He reiterated that the last three years had seen double digit escalation for materials.

Commissioner Farmer ascertained from Mr. Pearson that the contingencies were likely going

to be spent.

President Menegat expressed some concern regarding the possibility of an independent third party review of the conceptual design. He asked if the Board had decided on what level of building project EWEB should undertake. He asked if the Board was asking a third party to come in and redesign the project. He said someone could potentially come in and claim to be able to save money by putting in a Quonset hut. He did not think it was possible to get a realistic comparison of “apples to apples,” given that the building at the Roosevelt site sought to serve a unique purpose.

Commissioner Brown reiterated that it would help the community to buy into the project if there was some third party input. Commissioner Farmer concurred.

Mr. Berggren offered to develop the definition of an independent third party. He observed that the Board was still uncertain as to which class of construction it wanted to undertake. He did not believe this was a good time to proceed with the schematic design until this question had been resolved. He acknowledged the Board’s directive to maintain the goal of moving both operations and engineering to the Roosevelt Boulevard site.

Mr. Beeson stressed the importance of gaining consensus on the Board. He invited anyone with questions to bring them to him. He stated that the people that had been hired were very good at what they did. He said he thought staff could do some outreach for an independent review and could come back with more information.

President Menegat adjourned the meeting at 7:31 p.m.

---

Assistant Secretary

---

President