



Oregon Zoo Bond Citizens' Oversight Committee

Special Phone-in Meeting
Tuesday, Oct. 13, 2015
1 to 1:45 p.m.

MINUTES

MEMBERS PARTICIPATING

Bill Kabeiseman (Chair)
Noah Bishop
Linda S. Craig
Sharon Harmon
Daniel Morris
Robyn K. Pierce
Mike Schofield
Ruth Shelly
Dick Stenson
Tom Turnbull
Karen Weylandt

AFFILIATION

Garvey Schubert Barer
Bishop Bankruptcy Law, LLC
Retired CPA; nonprofit treasurer
Oregon Humane Society
Our Oregon
Pierce, Bonyhadi & Associates
Gresham-Barlow School District
Portland Children's Museum
Retired healthcare executive; community volunteer
OpenSesame Inc.
Providence Health & Services

MEMBERS NOT PARTICIPATING

Tony Butchart
Susan Hartnett
Deborah Herron
Mickey Lee
Kevin Spellman

AFFILIATION

Hummingbird Homes
Spectator Facilities and Development, City of Portland
Walmart
MPower Oregon
Spellman Consulting, Inc.

ELECTED OFFICIALS AND STAFF PARTICIPATING

Shirley Craddock	Metro Councilor
Teri Dresler	Oregon Zoo Interim Director
Caleb Ford	Oregon Zoo Budget and Finance Manager
Jani Iverson	Oregon Zoo Foundation Director
Jim Mitchell	Oregon Zoo Bond Construction Manager
Joel Morton	Metro Senior Attorney
Linnea Nelson	Oregon Zoo Bond Program Coordinator
Heidi Rahn	Oregon Zoo Bond Program Director
Scott Robinson	Metro Deputy Chief Operating Officer

A. Welcome / Phone-in meeting protocols

Attendees phoned in to participate in the meeting via conference phone. Bill Kabeiseman, Oregon Zoo Bond Citizens' Oversight Committee Chair, opened the meeting at 1:04 p.m.

Heidi Rahn, Zoo Bond Program Director indicated that she had called this special meeting to have the Committee weigh in on the two agenda items before they go to the Metro Council on October

20, 2015. She sent two memos with background information to Committee members in advance of the meeting.

B. Polar Bear Habitat project – construction using Construction Management General Contractor (CM/GC) alternate procurement method

Ms. Rahn explained that the bond program needs approval from the Metro Council to use the alternative procurement process of construction management by general contractor, instead of the standard low-bid process mandated by state law. Both the Metro Council and the Committee have been supportive of using CM/GC in the past, and it is being used successfully on Elephant Lands.

With CM/GC, the general contractor is brought on early in the process to work side-by-side with the architectural team, as opposed to the traditional process of fully designing the building, bidding it, awarding to the low bidder and then building it. The architect is selected by qualifications (not lowest cost) through a request for proposals process. This goes hand-in-hand with the selection of CM/GC by RFP, which is still a competitive process. The architect and CM/GC are evaluated on a series of criteria that include experience, quality of work, ability to use minority/women/emerging small businesses, sustainability, work plan, and approach. Metro advertises its RFPs and RFBs on the Oregon Procurement Information Network (ORPIN), which is used by public agencies statewide and automatically sends notices to MWESB contractors registered in Oregon.

With CM/GC, the contractor still must bid out the subcontract work and take the lowest qualified bidder. For work the CM/GC wishes to self-perform, the general contractor submits its own sealed bid for the subcontract work, and competes with all the other bids it receives. Zoo bond staff also are present at subcontractor bid openings to provide oversight and ensure transparency and fairness.

Zoo bond staff do not lose any oversight of the project using CM/GC, and in fact, it probably enhances the oversight. It creates a team from the start of the project that works more cooperatively together to solve problems and find the best way to design and build the project. This is particularly useful with complex projects with difficult site conditions.

Bringing on the general contractor early in the design process enables the contractor to foresee constructability problems before the design is final, which usually results in project cost reduction. An example of this is Elephant Lands CM/GC, which to date only has 5 percent of the total contract cost in change orders. Typically a low-bid project would have 10 to 15 percent in change orders.

Staff evaluated the complexity of the Polar Bear project to assess whether or not to pursue CM/GC. The evaluation references 10 criteria and provides a score that assists staff in determining the best contracting method. The Polar Bear project has many attributes that led to a CM/GC contracting recommendation. The project is in the middle of the zoo that operates 24 hours a day and seven days a week, with a difficult site layout, difficult access and geotechnical challenges. The project will have phased work, with utility corridor work first. The CM/GC provides a scheduling advantage since the contractor can start that work early while the rest of the design is being finalized.

Using CM/GC will promote diversity in contracting, since it provides more time for the contractor to encourage MWESB contractors to bid. On the education center project this was the case, and is enabling the bond program to exceed its 15 percent goal for MWESB utilization.

Members asked clarifying questions and noted why they supported the use of CM/GC for the Polar Bear project. Many felt using CM/GC is the only logical way to deal with complex projects, assuming the owner still has enough oversight and the contractor is qualified.

A motion was made, seconded and approved by all members to recommend using CM/GC for the Polar Bear project.

C. Education Center budget – Inflationary construction costs exceed budget estimates

Heidi Rahn reminded members that at the last Oversight Committee meeting in September, the education center project CM/GC was about to go out to bid for the subcontract work. At the time of bid, the contractor and architect cost estimation placed the project within the identified budget. In order to provide management options, the project had contingency and bid alternates in place, and staff tried to take as many precautions as they could to control costs. Despite those precautions, the bids came in above the construction cost estimates due to inflationary construction costs that have escalated in the current highly competitive market. After significant value engineering efforts, staff is recommending that to preserve the program and vision as promised to project partners and voters, the project budget be increased. The issue will be considered by the Metro Council on Oct. 20, 2015, and the Council will appreciate the review and recommendation of the Oversight Committee.

Project Manager Brent Shelby spoke about the cost estimating and value engineering process. During design, the project had three scope and construction cost estimate check-ins with architects, the CM/GC and an independent architectural cost estimator. This process resulted in \$2.7 million in cost reductions due to value engineering, after which the project was estimated to be within budget in August, with add alternates and contingency in place to manage costs. But market expectations changed, availability of some subcontractors was limited – especially for glass and concrete – and bids came in \$1.6 million over estimates. So staff activated the contingency plan of using bid alternates, value engineering measures and post-bid deductions to reduce costs by \$706,974, while still preserving the program goals, partner commitments, and sustainability elements. Any additional reduction beyond that would jeopardize the vision of the project, and it would go forward without some core elements. To keep the project whole, staff is recommending that the remaining cost variance of \$975,000 be paid from unallocated bond premium funds, which currently total \$5.8 million.

Some of the bond premium funds were used for Elephant Lands, but not for the Veterinary Medical Center, Condors of the Columbia or Penguin water filtration projects. The bond program does estimate that it may need some of the premium for Polar Bears and Primates/Rhino projects due to construction cost escalation, as well as for additional program administration costs with the schedule extension.

Chair Kabeiseman noted that the bond program has been lucky historically in that the early bond projects were built during a down construction market, and, when the bonds were sold during a down market several years ago, it resulted in a \$10 million premium. At that time, the Committee discussed options for using the premium – everything from refunding it to voters to adding it to the project budgets – and the Committee recommended holding it for future project needs.

Members discussed the issue. With construction, one has to assume you will run into the vagaries of the market. Members noted it is very impressive that staff has already value-engineered it twice.

The additional amount for the education center project will not exhaust the program contingency of unallocated bond premium funds, so it seems like a good use for a portion of those funds. Members questioned the amount of contingency the Education Center project will have. The general contractor is carrying \$340,000 for contingency, and the zoo will have \$1.1 million of its own contingency. The additional \$975,000 is not for contingency, but to keep elements that retain the vision of the Education Center including classrooms, the insect zoo and the turtle lab. The project is not anticipated to need more funding than that, since the bid is a not-to-exceed amount. Members emphasized that they do not want to jeopardize funding future projects.

Scott Robinson, Metro Deputy Chief Operating Officer, agreed that funding future bond projects is foremost in Metro's mind. Metro has two more bond sales to go, and expects to receive another premium. Also, the Remote Elephant Center project has \$7.2 million in allocated bond funds that could become unallocated, depending on how that project proceeds.

Since the education center project has add-alternates that will be added if funding is available, the project would not expect to have any extra unspent funds left over to put back into program contingency. The add alternates are mostly landscaping, and can be activated late in the project if the project contingency is still available.

With construction costs up now and continuing to rise, future bond projects will be budgeted accordingly. Scott Robinson made three points: 1.) The bond program will re-forecast the remaining projects to see if they need more budget, to prospectively control costs; 2.) The bond program is more than 50 percent complete, and with the education center done, will be around 60 percent complete, so the program has diminishing risks; and 3.) The unallocated bond premium provides adequate contingency for all remaining projects.

The next issuance of bonds is scheduled for spring 2016 for \$30 million, with a date yet to be set. The final \$10 million will be sold later in conjunction with the Metro Natural Areas program, to provide a better offer to investors. The program cannot sell all the bonds too soon, since Metro has to reasonably project to spend 85 percent of the funds within three years. Thus, the remaining bond sale will occur in two phases.

Karen Weylandt said that Providence Health & Services is also reforecasting their construction due to the market, and is using 4.5 percent escalation. When the budgets for each of the zoo's bond projects were set in 2011, the percent of escalation varied starting at 3 percent up to 6 percent depending on when the project was scheduled to be built. Kevin Spellman was not able to attend the meeting, but he shared with Ms. Rahn that Portland Public Schools has upcoming construction on two schools and projected a 5 percent escalation on those projects.

Linda Craig asked if something important was given up when the \$706,974 was value-engineered out of the education center project? Mr. Shelby explained that the project had four priorities – classrooms and education spaces, sustainability features, zoo operations and revenue generation, and partnership needs – and the team had taken out items that did not impact those four pieces. They reduced finishes, changed the siding profile, and made other changes that may have some impact to the eye, but not to the core priorities.

A motion was made, seconded and approved by all in favor of recommending using \$975,000 from the bond premium contingency to fund the education center project.

D. Adjournment

Chair Kabeiseman thanked everyone for calling in and adjourned the meeting at 1:45 p.m.

Upcoming meeting dates –Wednesdays, 3 to 5 p.m.

Nov. 4, 2015 Skyline Room, Oregon Zoo
Feb. 10, 2016 Skyline Room, Oregon Zoo
May 11, 2016 Kalahari Room, Oregon Zoo
Sept. 14, 2016 Skyline Room, Oregon Zoo
Nov. 9, 2016 Skyline Room, Oregon Zoo