

CAPITAL PROJECTS ADVISORY REVIEW BOARD

PROJECT REVIEW COMMITTEE

Northwest Carpenters Facility
 First Floor Conference Room
 25120 Pacific Highway South
 Kent, Washington

**Meeting Notes
 May 23, 2019**

MEMBERS PRESENT

Janice Zahn, Chair	Jim Dugan, Vice Chair
Ato Apiafi, Minority & Women's Business	Sherrie Montgomery (phone)
Kurt Boyd, Specialty/Subcontractor	Jessica Murphy, Owner, Counties
Quinn Dolan, General Contractor	Jason Nakamura
Bryan Eppler, Specialty/Subcontractor	Mark Ottele, General Contractor
Curt Gimmetstad, General Contractor	John Palewicz, Owner – Higher Education
Thomas Golden, Design Architect	Ed Peters, Owner – School Districts
Rustin Hall, Design Architect	Linneth Riley Hall, General Owner
Brian Holecek, General Contractor	Yelena Semenova, Owner, DES
Jeff Jurgensen, Construction Manager	Mike Shinn, Specialty/Subcontractor
Timothy Buckley (Phone)	David Talcott, Design Engineer
Howard Hillinger (phone)	Kyle Twohig, Owner – Cities
Art McCluskey, General Public	

STAFF, GUEST, AND PRESENTERS

Talia Baker, Department of Enterprise Services	Mike LaVielle, WSU
Stan Hayes, Stantec	Louise Sweeney, WSU
Samol Hefley, City of Tacoma	Ron Veorvarghara, Tacoma Power
Maja Huff, WSU	David Wagner, Tacoma Power
Joe Kline, WSU	Olivia Yang, WSU
Martha Lantz, City of Tacoma	

WELCOME AND INTRODUCTIONS

8:30 am Business Meeting

PRC Chair: Jancie Zahn

Agenda

1. Welcome new PRC members
 - a. Owner Counties, Jessica Murphy effective 5/9/2019
 - b. General Contractor, Mark Ottele, retained
 - c. General Contractor, Dave Johnson – effective 7/1/2019
 - d. Specialty/Subcontractor, Mike Shinn, retained
 - e. Owner Ports, Kyle Dilbert, effective 7/1/19
2. Vacant Seats
 - a. Owner Public Hospitals – currently vacant
 - b. Construction Trades Labor – vacant 6/30/2019
3. Confirm your contact info on the website with Talia
4. CPARB Meeting Recap and Assignments:
 - a. HB1295 - RCW39.10 Design-Build Statue language modifications – signed by Governor
 - b. New GC/CM Best Practices subcommittee
 - c. Concerns from MCA on MC/CM
 - d. New RCW39.10 Re-authorization subcommittee

- Q. Are members of this group eligible to serve on other CPARB committees?
A. Yes. Let Talia know and she will forward your request to the CPARB Chair.
5. Nominations and vote for new PRC Vice-Chair (to start July 1 2019)
Mike Shinn nominated Ed Peters for Vice Chair, who accepted the nomination.
6. Review proposed modifications to PRC Bylaws
- a. Janice announced that some of the changes to the bylaws include owner recertifications and the requirement that owners come and give a presentation to the committee. The Committee suggested that the Chair and Vice Chair be able to approve administrative updates to the bylaws that do not change operations.
 - i. There was extensive conversation regarding the merits of owners presenting in person vs. presenting electronically or by phone. Many members feel the option should remain with the applicant and the PRC not require in-person reviews. If the PRC and DES is not willing to hold meetings in Eastern WA, then there needs to be understanding and flexible with presentation preferences. The Committee agreed to update wording to include ‘...up to 20 minutes...’ and do not wish to require a presentation to leave it open for any applicant that does not wish to give one. Bylaws should be flexible and are guidelines on how the Committee conducts business. Janice proposed that the bylaws retain the first two sentences of edits in Article 4.
 - o **Mike Shinn motioned to accept the edit to Article 4 and leave the remainder Bylaws as is and review process at a future meeting. Nobody seconded the motion, but the Committee unanimously approved.**
 - o **Mike Shinn made a motion to accept all other edits and changes as reviewed and Ed Peters seconded the motion. The motion was approved.**
 - b. The PRC will be adding that no paper ballots will be accepted. Votes must be by hand or voice. Janice will work with Talia to come up with the right language for the hand vote and the on-the-phone vote. Then it can be embedded in the bylaws.
7. Next meeting – June 27th (4 project applications received to date)
8. Other business
- Mike Shinn recommended that John or someone from UW, unless they have someone from the hospital that they would like to participate, write a letter to CPARB and encourage that Curt Gimmestad would like to sit on the PRC.
 - Linneth also recommended that the PRC endorse Curt to sit on the PRC; continue sitting on the PRC representing hospitals. Curt was not opposed to sitting and providing input where the input is valuable if it needs for representation of hospital districts, but would like have some conversation with somebody within the Washington State Hospital Healthcare system.

10:30 am WASHINGTON STATE UNIVERSITY – RECERTIFICATION – GC/CM

PRC Chair: Janice Zahn

Committee Members consisting of the full committee listed above provided self-introduction.

Project Presentation Summary:

Applicants introduced themselves: Olivia Yang, Associate Vice President for WSU-Facilities; Joe Kline, Assistant Vice President Capital and WSU; Louise Sweeney, Lead Project Manager; Mike LaVielle, Construction Manager Lead; and Maja Huff, Contracts Manager.

Washington State University is a Land Grant, Research Facility with five campuses. Pullman is 1,742 acres, Spokane has 40 acres, Tri-Cities has 202 acres, Vancouver has 351 acres, and Everett has 5 acres. There are also research and extension centers in Prosser, Puyallup, Wenatchee, and Mt. Vernon. WSU’s capital project portfolio is \$150M - \$300M.

Joe Kline reviewed the organizational chart with broad experience in Alternative Public Works. They have 10 Project Managers, 3 Construction Managers, and a new engineering group that we put together of 6 individuals. There is also outside legal counsel, Perkins Coie; Dick Prenke and Andrew Greene and an internal AG, Nathan Deen.

WSU presented three GC/CM projects that were finished during the latest reporting period.

- The Vet/Med Research Building was a \$96M building with Lydig and SRG. It is a neuroscience and biomedical laboratory building.
- The Martin Stadium Football Operations Building was \$61M building with Hoffman and ALSC.
- The Spokane Biomed and Health Sciences Building was an \$80M Building with Graham and NBBJ.
 - WSU anticipates another building, a Predesign, coming soon in Spokane.

WSU is ready for recertification. They are committed to process improvement and many of the project managers and contracts managers have attended AGC's GC/CM training program. They are very involved and do both internal and external training. They are active in DBIA, CMAA, AIA, and all trade organizations. Mike LaVielle is very familiar with Alternative Public Works and has developed 45 discreet CM/PM trainings. WSU has a history of alternative procurement success and demonstrated success on a wide variety of project types.

Panel Questions:

Q. Please share more about your OWMBE, most importantly the improvements you make from the last time WSU was before the PRC in regards to OWMBE.

A. WSU has included a section in their procurement process in the RFQ interviews and in the RFP's, to identify inclusion plans for Minority Women Owned Businesses. They talk about things that can be done to remove barriers whether it is to remove or lower bonding requirements.

Q. What would be WSU's major challenge of using the delivery method and not only identifying what that major challenge is but how it is deal with?

A. With GC/CM, the two biggest challenges we see, the authorizing RCW is fairly prescriptive on how to get through the process. One of the pieces is the arguably late setting of the Maximum Allowable Construction Costs (MACC). The biggest part there is the need to do more check-ins. WSU believes it needs to be a constant and not just at given points. The second part of that is that the way that the RCW weighs out the subcontracting methodology for the GC/CM can be limiting especially if when trying to get inclusion because the tendency is to go out and end up will hard bidding the scope.

Q. Can you take a moment to expand upon the substantial revision WSU made in 2015 for the contractor?

A. In 2015, WSU had a lot of silo types of contracts and the terms of each one down through our division were unique to bid public works; unique to Design-Build and unique to GC/CM. For Project Managers, standardizing strong training and practices to be as consistent across the state's public contracts as possible. WSU started with the general conditions and made as minimal changes as possible to those to achieve standardization. All contracts had to be rewritten to apply against that one standard. That is probably the biggest point and then Design-Build at the time was new for to WSU so they really delved into a Design-Build contract that worked for them, and then bringing the GC/CM up to the most current RCW's at the time, as well.

Q. Please talk a little bit about the methodology selection; describe the lessons learned and the changes made in that selection process since the last certification. Please give an example of when WSU chose a GC/CM and maybe part way through the project realized it was not the right fit and some changes made to the evaluation and screening process as a result?

A. WSU has been focusing more on Design-Build just for the flexibility part in the last few years, but really how Alternative Public Works' selection process qualification-based selection is really very similar. The

things learned from GC/CM, were brought to the Design-Build. If more GC/CM projects are done, WSU is going to do some things very similarly. They have gotten a little smarter about evaluating what is promised during the proposal phases. When delving into it now, WSU goes into it trying to be armed with an idea of 'what am I expecting to get' so they can potentially weed out those proposers who are overly optimistic.

Q. Obviously WSU's here for recertification for GC/CM, but it appears WSU really favors Design-Build. Why would use GC/CM if there is a preference for Design-Build?

A. In GC/CM, there could be certain funding streams or requirements that might lead to what is the best solution if uncertain about which type is right for a project. Say it is a donated project or something like that and we may or may not get construction funding, or it is uncertain how much we might be able to fundraise for. The contractual elements of GC/CM are much better laid out to have an off ramp if necessary.

Q. In this presentation, Joe Kline has done about 90% of the experience in alternative public works. It would be favorable to hear from other members of the project.

A. Mike LaVielle is in charge of the construction program. The team has construction meetings every two weeks with the construction managers. In addition to the trainings, the team talks about all the issues that come up. They are not necessarily specific to GC/CM or Design-Build, they could be JOC, whatever it is. But what Joe and Mike do is review the change orders, why did this change order happen or what happened here. they look at scheduling and talk about lessons learned. They also have the CMA training, books and guidelines and we go over those on a biweekly basis

Public Comments:

No public comments.

Panel Deliberation and Determination:

It would have been good to hear more from the rest of the team, but their competencies are not in doubt. The teams' experience has been very progressive. Good presentation and the covering of the training of the team.

David Talcott moved to accept the application. Linneth Riley Hall seconded the motion. The panel voted unanimously to approve the project.

11:30 am TACOMA POWER – ALDER UNIT 11 REBUILD – DESIGN-BUILD PROJECT

Panel Chair: Bryan Eppler

Panel: Kurt Boyd, Tom Golden, Howard Hillinger, Brian Holecek, Art McCluskey, Mark Ottele, and Kyle Twohig

Project Presentation Summary:

Applicants introduced themselves: David Wagner, Ram Veeraraghavan, Stanley Hayes, Martha Lantz and Sam Hefley from Tacoma Power.

Tacoma Power is one of the three utilities under Tacoma Public Utility; power, water, and rail. Tacoma Public Utility is one of the departments under the city, just like Public Works, Planning, and Environmental Services and other support functions, like HR, finance, etc. The city is certified as a public body to do Design-Build and has been approved by this committee. However, Tacoma Power and the department itself was specifically not included in that application and out of an abundance of caution, we are here to seek project approval for this specific project.

Tacoma Power was established in 1893, and has 798 employees, and 180,000 customers. There are 22 hydro power plants; they are generating power units. A condition assessment of the hydro units found that 4-6 hydro units are going to need to be rebuilt in the next 8-10 years. The first one is Alder Dam.

Alder Dam and Powerhouse were constructed in the mid 1940's. There are two 25 megawatt hydro-electric turbine generators in the powerhouse. In the construction portal one unit is fully assembled and the other unit still under construction. Unit 11 was placed in service in 1947 and after 70 years of operation, many of the original components are still in service today. The business case was approved for this project by the city council in 2018.

The hydro-electric turbine generator is made up of two main parts- the turbine and the generator. These machines are made of large, heavy components that fit together and operate in very small tolerances and clearances in rotating and stationary parts. For instance, the rotor weighs 100 tons, it is 14 feet in diameter and it needs to be lifted out of and put back in the stator with just over ½ inch of clearance. Precise machine fabrication and alignment down to a 1,000th of an inch are key for success. To execute this work safely and efficiently, it requires an intimate knowledge of hydro-units from both the designers' perspective and the builders' perspective. For this reason, close coordination between the designer and builder is key when tearing apart and putting back together these highly integrated and large machines.

Project scope lists the high level steps of construction beginning with machine disassembly. Upon disassembling the machine, there will be a component assessment. There will be some disassembly, cleaning, and inspection and testing of the components. Following would be repair, refurbishment, or replacement of the components. Some of the major scope items for the turbine and generator are listed, which may end up being small. Finally, there will be reassembly of the machine. Running through these steps, keeping in mind the size and weight of these components and the tolerances and clearances we are working with, it is clear that an experienced team working together collaboratively to control the quality, cost, schedule, and safety is key to success.

We wanted to present out there to the industry a realistic schedule based upon a Design-Build project delivery method. That was the key element. A couple of the potential challenges here are, particularly for the generator work, as there are only 5-7 suppliers currently active in the US market for this type of specialized equipment. In the realm of this capacity and size of unit, it is a relatively small contract for those vendors. We have worked closely with all those suppliers on multiple projects over the years so we have a good handle on what their expectations are in terms of how much time they would need to develop a good qualifications package, the actual proposal, execute the design and manufacturing phase, and then the site construction work. That experience developed over multiple property vendors is what is integrated into the schedule. Obviously as the project evolves and you are talking to the vendors, that will be refined as the project goes on but we think this is a very achievable and very realistic schedule at this point in the project.

Our project meets all the appropriate criteria under RCW 39.10.300. It is a highly specialized project; there is only a few design builders that are qualified to bid on this work, and those that would be proposing on this project are fully integrated such that design, construction, and part manufacturing would all be performed by one entity. This would result in greater innovation and efficiencies between the designer and the builder. Also, once the units have been disassembled, which is a key step in the project, it will be essential for us to have full integration of the designer and the construction manager to evaluate and assess the portions of the units that can be reused and the portions that have to be replaced.

Because the team would be integrated, these units are open and evaluated, this will allow the overall evaluation to take less time, and because many of the parts for this specialized equipment are long lead items, knowing sooner rather than later what we need to order or what can be reused or refurbished will result in significant savings in project delivery time which is appropriate criteria for the Design-Build method.

The project is going to be carried out with a new version of RCW 39.10 which takes effect in July. The approval is still under the existing statute and because our project is between \$2 and \$10 million, under existing RCW 39.10.300, the Design-Build procedure is authorized for projects in that dollar range when the criteria of RCW 39.10.300 are met. While we believe that all the criteria are met, the most significant to this particular one would be with the significant savings and

project delivery time by using the Design-Build procedure. The project has been funded, scope defined, and the budget has been allocated. We believe the project meets the criteria and we have a great team to work together and request for your approval to get moving on this project.

Panel Questions:

Q. In the presentation, it covers Design Builder interviews. What is the activity that happened on January 6-10, 2019?
A. The design builder interviews are the post drain evaluations of the proposals once we receive them in order to clarify anything that would be in the proposal.

Q. Is it your thoughts that a contractor is going to bring their designer, their electrical mechanical engineer, and their builders to all present together as one? Or is it going to be more of a progressive Design-Build process?
A. There are certain aspects of design that are key and prescriptive in a sense of certain small pieces and that is where Stantec is working with our technical folks within those parameters. A lot of it is performance-based and, a lot of these companies are vertically integrated. When they come into these interviews, they start looking at the existing system and understanding of the unique product that we are trying to supply; A lot of these parts are manufactured overseas; these long lead items take as long as a year to manufacture them so certain design concepts could accelerate or reduce or increase those times so having that holistic thinking vantage point as we embark on this early on will really help us avoid any scope or schedule or budget surprises later on.

Q. The schedule shows 16 months allocated for design and manufacturing and only about 6 months for construction. Please elaborate on that. Also, how you are going to communicate that to the proposers so they can appropriately price it. What are the ramifications if you go long?
A. When we looked at the schedule we do not think 6 months is an unreasonable time. In this industry, every day the unit is out of service, it is losing money. Typically, you give the contractors an outage window to do the construction work. They will likely be double shifting; there is some kind of routine labor type work where they might actually do three shifts continuously to meet the schedule. That portion of the schedule is driven primarily by Tacoma Power's needs.

Between design and manufacturing and some mobilization, it is almost a 6 month buffer. One of the key things we see is on the long lead items because they are shipped out from overseas. There is a possibility in condensing the outage by building a unit outside on an erection bay and then swapping it out. As part of Design-Build, we want the vendor to come back and give us some creative solutions saying that 'Instead of tearing it apart and rebuilding this, which will take us 6 months, we could spend another x number of dollars to buy a new frame, build it on the erection bay, swap it out, and now we take this one, then use it for the next year'. We have creative ideas as to how we could expedite this but these are the alternatives.

Q. The budget was in today's dollars, but you will start negotiating your contract with your design builder toward the end of the year, and then your construction time frame is for June 2022. There's a 10% contingency. That is generous and good, but how are you going to make sure that everything works for construction 2 years from now?
A. This is part of our CD's typical budgeting strategy so we have an RFP preplanning group. Basically, when we budget our projects, we are doing it in current dollars and they escalate it as part of what the actual expense would be in the future. We do a 2 year budgeting cycle and the city's budget for power is offset for escalation. That feeds into how our rates are established and how we debt fund or cash fund it. That mechanism is in place for what is not covered here.

Q. Can you speak to the actual project funding and the contingency?
A. The city works on a biennium budget. This project spans two bienniums, so four years from start to finish. In the application, we split the dollar amount on what is the first biennium spend and the 2nd biennium spend. Stantec has been doing a lot of this stuff, so they have given their opinion on what other projects are costing and what the escalation will look like in the future, what it would cost in today's dollars if you were to do it 3-4 years from now.

The biennium for 19-20 budget has been approved by the city and it is allocated and assigned to this project. The next biennium is the second piece of it and the capital committee looks at it and sees that it is spanning multi-biennium. They have approved the current biennium spend, it goes in front of the city council and they bless it, and release that money. Then the next biennium funding process starts, one of the first projects that get approved is under the Alder Continuation Project because the city does not want to drop a project midway. So the second piece of the project is approved but the city council passes a resolution in September to approve the budget and it gets signed by the mayor, so that formality for the 2nd biennium has not happened.

Q. How are you handling the risk allocation? Are you handling it or doing some of the major orders ahead of time? Is that going to be done while the contractors are on board? Or is it going to be handled ahead of time to make this 6 month window? Have you thought about that process? Have you thought about the issues that risk negotiation that will get design builders to propose on your job?

A. We are in the midst of having those discussions with subject matter experts, contractual risks from legal and creating the risk log. That is procurement risk, which if it does not show up onsite how you deal with it once you start taking the outage. We have a crane that needs to be used and we are going to go through the testing of the crane here so that we make sure that is not a risk. So yes, we are talking about all that stuff, procurement, long lead items, etc.

We talk quite a bit about quality control and what sort of 3rd party inspection points we have along the lines of long lead item production so that we are not a year from and say that it does not meet the clearances that it needs to. We are talking about it, thinking about it, created a risk log that captures all that.

Public Comments:

No public comments.

Panel Deliberation and Determination:

Stantec, without question, has the capacity to do what has been represented here and the ability for the Design-Build consultant. A lot of manufacturing and design can hinge on what you find when you start to pull things out. It still makes sense, from a Design-Build stand point, just having that ability to shift the flexibility in the design based on what is found in the disassembly process. The specialization of this type of work is very unique so there are some avenues or vehicles they have to use to really identify what the issues are and hopefully they pick solid teams with hydrotech experience.

*Jim Dugan made a motion to approve this project and Kurt Boyd.
The panel voted unanimously to approve the project.*

12:30 pm
ADJOURN