

**FINAL "REVISED"
MEETING MINUTES – June 18, 2004 1:30 – 3:30 p.m.**

MEMBERS PRESENT:

Bill Neland, Chair
Tom McMullen, Vice Chair
Doug Spencer, Providence Health Systems
Denny Nielsen, Salem Hospital
Edith Yang, A.I.A.

MEMBERS NOT IN ATTENDANCE:

Ed Galligan, Port of Portland
Ron Polvi, Northwest Natural Gas

OTHERS PRESENT:

Shirley Finanger, DAS Facilities Division
Elaine Schacher, DAS Facilities Division
Michael O'Connell, OLCC
Marlene Longabaugh, OLCC
Alan Maul, Forestry
Robert McKee, ODF
Clark Seely, ODF

Tom Wood, ODFW
Dan Hall, Employment Department
Linda Riddell, Dept of Human Services
Sharon Domaschofsky, Dept of Human Services

Handouts distributed to all members present:

- Minutes from May 21, 2004 meeting
- Oregon Department of Forestry (ODF) Salem-Keizer Area Project Review Information
- Oregon Department of Forestry (ODF) Site plan showing location of the new sign on the property.
- Oregon Department of Forestry (ODF) Facilities Plan for 2005-2007 biennium w/questions and answers
- Oregon Liquor Control Commission (OLCC) Facilities Plan for 2005-2007 biennium w/questions
- Oregon Liquor Control Commission (OLCC) Two questions submitted by Edith Yang
- Department of Employment Facilities Plan for 2005-2007 biennium w/questions and answers

INTRODUCTORY REMARKS:

Chairman, *Bill Neland* called the meeting to order at 1:35 pm.

APPROVAL OF MINUTES FOR MAY MEETING:

Denny Nielsen made a motion to approve the minutes of the May 21, 2004 meeting. The motion was seconded by *Tom McMullen* and passed unanimously.

SALEM-KEIZER AREA PLAN REVIEW

Bill Neland explained that this is the second meeting where additional responsibilities of the Capital Planning Commission will be presented to this Board during the 2-year suspension of the activities of the Capital Planning Commission. The Department of Forestry will present a sign project in this meeting. He asked if there were any visitors present who wished to make public testimony. There being no public testimony, the Salem-Keizer Area Project Review for the Department of Forestry was presented by *Alan Maul*.

The Department of Forestry plans to replace the existing log sign at the main entrance of the Forestry facility in Salem, adjacent to the statue. The entry sign **is still at the entrance to State Street. The large log that was on display was moved to the back of the building.** The flagstone around the base was salvaged by a forest inmate crew. The new sign will be a 24 **square** foot cedar sign set in a granite stone-work base, manufactured at the forest inmate camp in Tillamook. The sign design is similar to the Tillamook sign with adjustments made to meet the City of Salem sign codes. Granite is being used because eight to ten pallets were salvaged from a buried fountain discovered during excavation on the grounds during removal of the log entry sign. It turns out that when the original compound was built in 1938, by the Civilian Conservation Corp (CCC), a fountain was constructed, surrounded by a 6 to 8 foot deep moat. The fountain, which has been buried underground for many years, stood three tiers high with arches made of heavy concrete supports where the water would flow in and out; and it had a granite base. The State Historic Preservation Office (SHPO) came out to inspect the area and take archive photographs. It was determined there was a safety factor involved with the area of the moat and the cost to rebuild the fountain was estimated at over \$100,000. The Forestry Department doesn't really want to rebuild a fountain. Since the safety issues will still exist if the fountain were to be rebuilt, it was decided that as much granite and stone, as possible, would be salvaged and everything else would remain buried under the house. Documentation provided to the CPAB Board included the following items in order to meet the final requirements of the Salem-Keizer Area Review:

- Salem-Keizer Area Project and Siting Review Application
- Letter to CPAB regarding New additional Role for the Capital Projects Advisory Committee
- Airport Road Area Plan Policies
- Sign Elevation Plan
- E-mail from Kirk E. Ranzetta, Oregon State Historic Preservation Office.

Bill Neland asked if final approvals have been obtained from the City. *Alan* responded: The City of Salem State has approved the project pending the formal approval of the final design. State Historic Preservation Office (SHPO) was contacted and the archive photographer came out and took some pictures and they received an e-mail to document that there are no adverse effects with the new sign. Once the final design is complete, it will be submitted to the City of Salem for a permit.

Bill Neland asked if there were any other comments.

Bill Neland asked when the project will start. *Alan* responded: Formal design work will be completed within the next two weeks and they hope to start construction by the end of this summer.

Bill Neland asked for a motion to acknowledge that the material received from ODF meets the planning requirements for final project review outlined in the administrative rule.

Tom McMullen made a motion that the Board acknowledges that the material received from ODF meets the requirements of the Administrative Rule for final project review. The motion was seconded by *Denny Nielsen* and passed unanimously.

FACILITY PLAN PRESENTATIONS

Oregon Department of Forestry (ODF): Presented by Alan Maul

Space Needs.

ODF does not have any capital construction projects planned for the 2005-2007 biennium. They have a potential project in Forest Grove for the 2007-2009 biennium. The Space plans and Maintenance plans cover a lot of things with ODF.

Bill Neland commented that we are being exposed to some new formality of how for ODF manages buildings and the Board applauds that.

Forestry Department Overview

ODF has 390 buildings state wide. 382 of these are valued under \$1M . 8 are valued at \$1M and over.

ODF was established in 1911. They are a very decentralized organization. A lot of their organization originated from private forestry associations made up of land owners around the state for fire patrol. Originally, the primary function of these associations was to fight forest fires. Over time, ODF has taken over most of those local forces and they have become state districts. However, a lot of them still have the informal associations made up of the land owners. ODF's primary functions are: fire protection for 15.8M acres of state forest; state forest management of 790,000 acres, forestry service assistance and enforcement for 11.7M acres of private and community forests; Forest Nursery operations and Resource Planning programs, all supported by its Administrative Services operations.

ODF Capital Budgeting: Their main source of funds is "Other Funds". State forest dollars, nursery dollars (sale of seedlings), internal program moneys, and Forest patrol assessment dollars make up the fire budget. They are the only state agency who has a line item on a property tax statement from land owners. This is a Forest Patrol tax assessment for land owners who own forest land. This tax is a certain sum per acre, per year. This tax makes up half of their fire budget and the other half comes from General Fund match dollars. Because of this forest patrol assessment tax, ODF has a complex system for funding capital projects. ODF cannot spend these dollars in areas where there are no forests. Essentially anything from Eastern Oregon or Southern Oregon comes from Forest Patrol Assessment dollars. A project to build a \$ 50,000 storage shed, major improvements or major maintenance, will be scrutinized by the landowner associations in public meetings throughout the state before it comes before the CPAB Board or the Legislature. A lot of their projects are reviewed by the property owners who end up paying for it through the forest patrol assessment. By the time the ODF budget goes before the legislature, it has been reviewed by constituents in a public forum, in the area where the project will be located.

Facility Update

Organization –Alan is the Facilities procurement manager. When budget cuts were taken, he assumed the management of procurements in addition to managing the maintenance functions. There are 2 statewide facilities specialists, a facilities inspector who will be coming on board soon, 4 trades people who deal with the Salem Compound and 1 procurement (contracting) person.

History: The Facilities Unit is 6 years old. The agency was originally self-sufficient. They had photographers, drafters, planning and budget people and design engineers around the state. In 1990 four trends became apparent which threatened ODF facilities and these are key throughout their whole process: 1) Deterioration of the aging facility infrastructure. Most buildings are 50 to 60 year old, wood frame structures. 2) They are beginning to lose the construction expertise throughout the agency. With recent budget cuts, Agency Field offices are having to make budget decisions of whether to cut maintenance personnel or cut fire fighters. Often it's the maintenance people who will go rather than cut fire fighters. 3) They are starting to see increased maintenance and construction needs. 4) Flexibility and complexity of their funding and budget review process. In 1998 the facilities unit was created and Alan was the first person in the facilities manager position. Even though they have 390 buildings statewide, it usually takes two shots through the legislature to get funding for capital construction projects.

Duties: Construction coordination state-wide, long range planning, field assistance, state-wide energy conservation, state-wide facility site security. This is a little unique to ODF as well. They are not as concerned with graffiti or break-ins, as with terrorism. They have not had any building burned down yet, but they have had things left on their doorsteps saying "you're next". They also deal with the Salem Compound where they do all the sign construction, security, janitorial and maintenance.

Facility Planning Tools:

- Their long range facilities management plan goes out ten years. Each biennium this report is revised. It looks in detail by building, by fund when they are planning to do a major project whether it be a major maintenance, capital improvement, or capital construction. Cost is calculated and it is determined which biennium the project will be started. CPAB plans are also utilized as part of the long range facilities management planning. Anytime they do a capital construction project they will contract with an architectural and planning firm to draw up a

formal Site Master Plan/Feasibility Study. They ask: What do they need now and how long they are going to stay there.

- They also utilize the DAS Facilities data base for buildings valued over \$1M.
- They have a ten year relocation plan under development. They have six sites they need to look at re-locating (Forest Grove, Sisters, Springfield, Molalla, Medford and John Day). They will look at whether they want to stay or move and what should be done there. Their primary concern is urban encroachment.
- Facility Audit Program (under development). It is difficult to track deferred maintenance because they have so many small facilities located throughout the state. This program consists of a regular physical inspection of every facility periodically to determine what the needs are and the information will be tracked on a database showing what needs to be done, what has been done and what needs to be scheduled. This is the key thing they will introduce in the facilities maintenance plan. The person who previously held this position has left the agency so interviews are currently being held and they hope to have this position filled by the end of this summer to begin going out and putting this program together.
- ODF Facility Data Base (under development). This would be compatible with the DAS database for buildings valued over \$1M. This one will pick up the other 382 buildings valued under \$1M.

Location: ODF facilities are located all over the state.

Bldg Statistics: Most were built from the 1930's to the 1950's. The 390 buildings, on 36 sites are of primarily wood frame construction, often built by agency personnel. Many of the buildings in Salem were built as a garage and later converted into offices. Guard towers are not included in these statistics. 94% of their facilities are under 4,000 sq ft, 68 are under 2,000 sq ft.

Types of buildings: Offices, warehouses, vehicle storage, equipment maintenance, cold storage, field offices, and a sealing / packing plant and cold storage at the nursery in Southern Oregon, maintenance buildings, residences, gas stations, guard towers, lookout towers, communications sites and one statue.

Systems furniture is not used in most facilities as it is not feasible. Most of their offices are small wood framed offices, occasionally in remote sites, used for a diverse number of field, administrative and law enforcement activities. Most consist of a manager's office, a rest room and an open dispatch room.

In the Salem, back 3-acre site, they have the Salem Fire Cache. This is used for equipment warehouse storage and statewide vehicle maintenance. The Salem Fire Cache is where they build their own fire trucks. The trucks are built on a one ton chassis and they add the box, tanks and pumps. The trucks available commercially are too large for their needs. They need little trucks, therefore they do their own fire truck manufacturing here in Salem and other places around the state. They also have a Radio and Communications and Maintenance facility; a processing /packing plant which is cold storage kept at 36 degrees; a residence in John Day; Columbia City; and Barracks Station in Florence. Most sites are a combination of Pump houses, look out towers, and communications sites on the top of mountains. There is a site maser plan being done in Forest Grove with a professional architect. Florence Guard Station was constructed for \$180,000 and is **an office and equipment storage building**. CPAB will not see a lot of ODF projects because they are under \$500,000.

2007-2009 Biennium Capital Construction Plans

- 1) Forest Grove Compound Facility Upgrade and Replacement Project.– Seed orchard administration plan building. Cost: \$500,000. The project would replace old, existing wood frame buildings that are up to 65 years old with new facilities that meet building codes, ADA, and meet the current needs of the agency. There is a Master Plan being developed by an architectural/planning firm. Design concept, funding options and construction timing will not be completed until later this year.
- 2) John Day Compound master Plan is also being developed.
- 3) Relocations are planned for Sisters and Springfield. Funds earned from sale of existing property will fund most of the construction.

Sustainability: ODF deconstructed a warehouse on the back 3 acre site in Salem by bringing in a crew from the Douglas area. A new warehouse was rebuilt using the material from the old warehouse. At the Salem Compound, they saved the building which was on the site of the new Administration Building by relocating it to the other side of Mill Creek. Most of their buildings were built in the 1930's by the CCC's. Douglas fir rafters in the new Salem Administration building were salvaged from another building on the Salem site. A lot of the beams and posts could not be re-used structurally in the new building so they became the wood benches scattered around the compound. Those benches were constructed by inmates up at the South Fork Forest inmate camp.

Key challenges: Funding in two key areas 1) General Fund support by the legislature for construction and project administration (50/50 match). 2) Funding for personnel that have the expertise to plan, coordinate, and manage these construction projects. Also, the existing personnel have had additional duties imposed upon them during the past 6 or 7 years. CPAB is an example and the State Historic Preservation Office is another. As buildings become over 50 years old, they fall into the historic preservation category and even if they aren't on the Historic Register, certain requirements need to be met.

Maintenance Plan: During future biennia, the agency is looking at upgrading various administrative sites/office complexes located around the state that are approximately 65 years old. This updating may involve removing old buildings and replacing them with new facilities. For all their fire construction in the last biennium, they were allotted \$88,000 of General Fund money for about a \$1M worth of projects. After the state budget reductions, that money was gone. This biennium ODF has no General Fund money in their capital improvement budget, as the legislature stripped it out. In order for ODF to build any of these structures on the fire side, even though the landowners have approved it, their Districts will probably have to use some general fund money slated for some other capital project (like a fire truck) and use it for match for building. Every biennium the agency goes before the legislature and requests funding.

Denny Nielsen asked how long it has been since ODF received match money. *Alan* responded: Ten years ago they received General Fund money from the legislature for the Salem Administration building project for debt service, because it has to be paid off. This is the only COP that they have issued for their projects. About 10 years ago they had an \$82,000 annual budget in match money. This was increased by 2% per biennium up to about \$88,000 until last biennium when it was taken away. General Fund is 8-9% of their budget, most of their budget is Other Funds.

Tom McMullen asked the size of the facilities being disposed of and if any of them is included in the eight facilities valued over \$1M. *Alan* responded: None are valued over \$1M. All are small, wood-frame buildings about the size of the Fossil structure.

Tom McMullen commented that studies are being done on facility disposal vs upgrading. When ODF is looking at upgrading buildings with a primary goal to meet code, they should be aware that it is not always required, necessary or cost effective to bring a building up to codes if it's not appropriate for that particular structure. A cost analysis should be done to determine if it is cost effective, in terms of final value, to meet building codes as it may not always be of value to do so. *Alan* responded that it is not so much a code issue but rather the primary issue is urban encroachment and compatibility.

Denny Nielsen commented that he is fascinated by the public and governmental interaction that provides screening of ODF projects. This is a terrific model and a thorough process.

Bill Neland asked when the sign will be completed. *Alan* responded: By the end of this summer, 2004.

Denny Nielsen made a motion to accept the report from ODF. The motion was seconded by *Doug Spencer* and passed unanimously.

Oregon Liquor Control Commission (OLCC): Presented by Marlene Longabaugh and Michael O'Connell

Function: The OLCC headquarters is located in Portland and their mission is to promote the public interest through the responsible sales and services of alcoholic beverages. There are three program areas: 1) Merchandising, which includes overseeing liquor stores and distribution of liquor; 2) Regulatory Branch and 3) Support Services.

Current Facilities: They currently own one building with 174,361 sq ft and lease 10 buildings totaling 11,340 sq ft. Of this space, 29% is office space and 71% is warehouse space. OLCC has 202 employees, 160 are located in the Portland facility and 40 are located throughout the state in ten leased offices used for licensing and regulatory issues throughout the state. They have no plans to expand facilities or employees. They do, however, plan to expand their fee structure.

Bill Neland asked if OLCC has land available to expand: *Marlene* responded: Yes, 15 acres which is currently a long standing lease to a Clackamas residential structure but OLCC owns the land.

The main building was built in 1954 and the original construction included the warehouse. The warehouse was expanded in 1977 and the office was expanded in 1990.

Preventive Maintenance is performed by OLCC staff. Things like HVAC maintenance or circuit board repairs are contracted. While the facilities are well maintained, their facilities maintenance budget was cut in 2003-2005 by \$75,000 making it difficult to continue to maintain the facilities. They are at the point of having to make cuts in services and supplies in order to continue to maintain the facilities. They currently have no deferred maintenance and they will try to keep it that way.

Bill Neland asked if the budget cut was done by the OLCC Board or the legislature. *Marlene* responded: Legislature. They are completely Other Funds. They maintain a ten year capital improvement plan which lists all the bienniums' major projects. They receive funding in their base budget to accomplish critical capital improvement. Any more expensive and extensive projects go through a policy option budget package process. They anticipate that their capital improvement budget for the next biennium will be the current budget plus inflation factors. They have no indication that will be changing. Their spending for capital improvements is budgeted based on 10% of the facility's value.

Energy Savings Measures

OLCC has implemented DAS's energy conservation policies and reduced electrical usage by 16% and natural gas by 36% which is well within the statute and also helped to contain costs within their budget. In the future, OLCC plans to achieve other energy savings by bringing in more energy efficient equipment. Most of the things have been done, that they can. Some things planned for the next biennium are: replacement of steam coils; heating system upgrades; replacing caulking; and in the 1977 building, replacing rooftop heaters coupled with seismic and roofing repairs.

Sustainability

OLCC supports sustainability whenever they can with project design and purchase of equipment, supplies, maintenance, etc. DAS contracts are used to support the governor's executive order on sustainability.

Space Needs Plan – Three projects are planned

OLCC's distribution center has been experiencing some increases in demand for distilled spirits products. Over the last 14 years, product demand has increased and continues to rise. In 2004, they anticipate shipping 2M cases to liquor stores. Demand is continuing to rise and they intend to work within their existing facilities but they need to expand two of three order processing areas to allow them to increase greater throughput of their products so they can ship it out the door.

Denny Nielsen asked if OLCC understands what is driving the increased demand. *Michael* responded: Part of it is a 30% increase in population over the last ten years. In the 1990's they shipped more beer and wine, following a dip in the 1990's, they now ship 1,300 products because the public is demanding variety. A lot of it is the marketing being done by

the distilleries. In 1994 they had 800-850 products, now they are up to 1,300 different products leaving the warehouse. They are not only shipping more cases, they are also shipping a greater variety of products so more floor space is required. In order to meet the demand and stay within the existing facilities, they plan to erect two steel mezzanine structures.

Project Plans 2005-2007 biennium

- 1) Mezzanine Structures for 1954 Warehouse – There are two mezzanine structures within this project; “North Belt” structure for a cost of \$489,500 to \$504,185 and “Repack” structure for a cost of \$259,560 to \$267,347, which will add 15,152 sq ft. These mezzanine structures will allow OLCC to maximize vertical space over existing order processing sites.
- 2) Seismic repairs to 1977 Warehouse – Structural and seismic repairs need to be made to existing warehouse facility as soon as possible as this structure failed FEMA 178 evaluation. Cost: \$571,492 to \$602,540.

Project Plans 2007-2009 biennium

- 1) Seismic Repairs to 1954 Warehouse – Structural and seismic repairs need to be made to existing warehouse facility. Cost: \$569,170 to \$600,346.

“North Belt” mezzanine structure - This is an Order Processing Area. They have 4 conveyer systems now that eventually load into the trucks by order. On the sides are the pick locations and behind these are the storage locations of cases, which are fed by the fork lifts. Pallets are picked from the storage area and moved to the pick area where orders are packaged for shipping and placement on the conveyor. They don't have enough order processing space for all the variety of products they need to pick. Workers are currently going around on electric carts to pull the extra cases from the storage area and merge them into the order system at the right point in the order process to fill an order. This is a very labor and time intensive process. The plan calls for erecting steel structures where the floor of the mezzanine will sit between the storage area and the pick area. They are not increasing floor space. They are trying to maximize the vertical space that already exists which cannot be used for anything else.

“Repack” mezzanine structure - has a slightly different configuration which will be storage space for seasonal items. The Repack Order Processing Area is down the center, where they pick less than full case allotments of product. They have increased their order picking locations but during the seasonal demand, which is September through January, they do a lot of specialty product and promotional things for the holidays and events. There is an increased need for storage for these specialty products so part of the mezzanine over the Repack Order Processing Area would be the picking area and storage for the seasonal items. The plan calls for a steel structure in a difference configuration than the “North Belt” mezzanine structure.

Bill Neland asked if employees work 8 hours per day. *Marlene* responded: They have one shift, 8 hours per day. They work overtime until all the orders are finished. On holidays they always work over time. Their holiday hours season begins in September and continues through early in January.

Denny Nielsen asked if the order processing was all done manually. *Marlene* responded: Yes. The State of Washington has a state-of-the-art carousel order processing system and having a lot of problems with certain aspects of it. OLCC has found that their process works pretty well and they just need to make some improvements to continue to meet the demand, while giving a good revenue return back to the state, without a lot of expensive equipment.

Bill Neland asked if the increase in demand was brought about by the opening of the Salem pilot program in stores – *Michael* responded: No, they will be opening 5 or 6 new stores every year. What OLCC is trying to do is change the shopping experience for the consumer. The way that the pilot program is going to be structured is it will be the same concept as a liquor store. They are projecting a \$600M revenue in the next biennium which is an increase of \$30M in this biennium. Distillers and all the vendors they deal with say they see an increasing market. *Marlene* commented that their current business volume now supports the necessity for this construction.

Analysis – Options considered:

- 1) Swing shift (add up to 10 people) - There are some inefficiencies in a swing shift because they cannot ship the product out during the evening hours. The shipping lines only work during the day. They have an automated warehouse work processing system and that runs at night. All the processing steps that need to be completed, could not be done because the product still needs to be merged into the orders. While there is possibly some efficiency, there are probably more inefficiencies in a second shift to meet all the shipping needs and demands. If they are unable to meet demands, it reduces the revenue to the state and local governments and it also has an impact on businesses. Bars and restaurants would not be able to give their clients the quality of product their clientele is wanting. It also has an impact on profitability.
- 2) New facility – They feel they don't need a new facility yet and the cost would be \$15M.
- 3) Leasing off-site space – Distribution trucks and security are the key issues with Bailment being the main one. Distillers ship their product into the OLCC warehouse and it is actually warehoused until shipped to the liquor stores. At that point, the state then purchases the product and owns the inventory from the point it ships out until it is sold in the liquor store and that minimizes the state's expense. So, when you start housing liquor off-site then you have a whole other issue of security and the state is liable for that liquor until they buy it. The State has to guarantee it and maintain insurance on it.
- 4) Utilize existing Space – This was determined to be the best option because it is the most efficient and cost effective process and they expect to repay this in about 4 years.

Bill Neland asked how far along they are in the design concept. *Marlene* responded: They have had some concept designs made up and they are a fairly simple structure to have done. They anticipate with approval from the legislative process they would start working with an engineer to design the actual structure because they want a design that meets all their business needs. They really don't want to do design build out to the bidding population because they don't feel that all their business needs would be met if they do that.

Bill Neland asked if they feel secure in their estimate of cost. *Marlene* responded: Yes, there are a lot of pre-fab structures like this out there. The biggest variable is the cost of steel. Some articles say it's going to increase and others say it's going to stay about the same over the next couple years. A little inflation increase was put into their cost estimate in case the cost of steel goes up for equipment and design.

Denny Nielsen commented that a bid for steel that is not signed is good for less than 72 hours and the price has gone up 60% in the last 2 months.

Denny Nielsen asked to be excused in order to attend another meeting and stated that he has reviewed the material and would vote favorably to accept the OLCC report.

Tom McMullen commented that OLCC plans to ask for \$770,000 for a mezzanine structure in the 1954 building and two seismic upgrades, one in the 2005-07 biennium in the 1977 building and the other in the 2007-2009 biennium in the 1954 building for \$600,000. He wanted to know their rationale for separating the seismic upgrades from the mezzanine construction as well as separating the two seismic upgrades from each other. Since they are relatively small projects what is the reason for not going ahead with both at one time and why are they spread out. Sometimes there is a simplification in doing whatever you are going to do and building all at one time so you don't have to go through the disruption twice. *Marlene* responded: They decided to split the seismic project into two packages as they relate to the existing facility to make it a more attractive package in the legislative process. The upgrade on the 1977 building needs to be done now but the 1954 building is in relatively good shape. The mezzanine will never touch the seismic issues. They have windows that go all the way around the perimeter of the 1954 warehouse and one of the things recommended to be done is to block those windows in, so there is more strength in the walls. They also want to make improvements to where the roof meets the wall and do some boundary maintenance by bolting some things. Those kinds of things, while they could be done all at one time, don't have any relationship to the mezzanines. The mezzanines aren't going to give any strength to the seismic issues.

Tom McMullen commented that having contractors on site requires a high level of security and there are interruptions in the work process because construction is going on in different places. He asked if it makes sense to do all of the construction in one three month period instead of doing half in one 3 month period and half in another 3 month period? *Marlene* responded: It is very difficult to do a lot of construction work in the warehouse at one time because it disrupts the business. OLCC cannot interrupt business at all because they have to find somewhere else to put the product and they can only do this a certain length of time. There are very small windows of opportunity due to very few lag times in their order processing schedule. For example, in order to repair the concrete in the parking lot, only one window of opportunity was found, next April. The project had to be coordinated with an inventory time when there are no trucks in the lot. They must be very sensitive to the business process and their need for space.

Denny Nielsen commented that the question was answered very well and it all has to do with flow and maintaining the operation. Certainly there are mobilization costs whenever you have to stop and restart. There probably is a component that is not so insignificant with respect to mobilizing the contractors. He suggested they schedule the projects back to back and they could probably reduce that costs because they should probably figure 10% for mobilization.

Bill Neland commented that the big issue is the funding process in the legislature. OLCC's strategy is to present a smaller target to the legislature in the hopes that they will receive the funding needed for the critical repairs this biennium. He understands that when the target is smaller, funding is more likely to be obtained.

Tom McMullen suggested that they may want to consider bidding the seismic upgrades as one project with two phases. If they do the projects end-to-end then the mobilization might be slightly higher but probably not.

Denny Nielsen was excused.

Future Maintenance is projected at \$5,000 per biennium and they expect no impact on the budget. Their maintenance budget is funded through operating cash flow.

Michael O'Connell provided information on how OLCC anticipates paying for this project. OLCC collects revenue of \$280M to \$290M per year and returns \$118M to the state general fund, counties and city revenue sharing. All of their projects are self-funded. They have the cash flow available based on the amount of cash they bring in. This fiscal year they are anticipating that close to \$120M will be returned back to cities, county and general fund. They fund all their operations through cash flow. They pay for cost of goods, payment to the liquor agents for commissions, credit card fees and operation costs through operating cash. It is the net cash that is returned to the various governments. While there has been a substantial volume increase, they have seen a greater increase in actual revenue generated. The more expensive products are more popular and there is also a substantially greater markup on them as well.

Seismic Repairs for the 1977 warehouse –In June, 2001 they contracted a structural engineer to come in and do a seismic evaluation. A FEMA 178 evaluation was done and it is recognized by the city of Portland. They identified some seismic repairs that need to be made to the new office addition and some seismic repairs that need to be made to the 1954 warehouse, but the most serious problems encountered are in the 1977 warehouse. The engineer wrote in his report that this building miserably failed the FEMA 178 evaluation. Pictures were provided to show the condition of the building. Problems identified were in the South wall looking east. One panel has started to bow and they have other bowing as well. The walls were under-designed and need to be reinforced to remove the threat of sudden failure. A lot of the problems they are seeing are design issues. They have recently uncovered additional damage than was originally shown in their original proposal. These walls started bowing and cracking in 2001 and 2002, in the middle of the panels. Now the 40 ft tall panels are bowing and cracking on the walls 2/3 of the way down. The building's ability to resist lateral forces is much less than required by the design loads. The roof diaphragm consists of ½ inch plywood and is extremely weak. It is unable to transfer any significant amount of shear. The wall panels are poor design and they are questioning the quality of the concrete. They haven't done core samples yet but that will be one of the next steps. Most panels have cracks in them. Within the past two weeks, there is a drastically noticeable deterioration with cracking along the base of the panels where they are pulling away from the concrete. For awhile they were doing epoxy injections on

the cracks inside of the walls to keep the integrity of the building. The problem is with the weight of the panels not being properly supported by butterfly clips so they will stay together.

Tom McMullen asked if the panels are baring wall and how long the span is. *Marlene* responded: Panels are baring wall, 390 ft long. There are no beams or columns inside, only the trusses above. The Southwest corner of the warehouse has the most severe damage. The engineer has been called in to reassess the new damage discovered within the past two months. Originally the cost of repairs was estimated at \$602,000 and included things like adding boundary nailing and anchoring and bolting to the ledger, adding butterfly clips to add more stability to the panels, steel strong backing connections to help support the panels which they thought would correct the lateral problems. There is a continuing deterioration. The engineer's report has not yet been received so they don't know if the new repairs can wait until the 2005-2007 biennium and be integrated into this package.

Tom McMullen commented that those answers seem very critical. They started with the assumption that fixing the seismic upgrades and fixing the panels was necessary, however, now he senses that what they are saying is that this is a bigger project with greater urgency. Concrete deteriorates over a long period of time so usually there is not an urgency for real action in terms of time. But, if there is significant bowing in a short period of time, then there may be some other answer called for, more urgency in taking care of that. He feels that not moving forward with the project, contingent on some other piece of information is not recommended.

Bill Neland commented that the recommendation of this Board would be to move forward now. Bill also asked if OLCC has authority to move forward now, if the recommendation is that emergency action is required to prevent the building from falling down. *Michael* responded: OLCC does not have the authority in their budget to do so, however, they have the cash available. They just don't have the authority to move forward.

Bill Neland commented that it probably would not be prudent to wait. *Marlene* responded: Doing nothing is not an option. When the written report was originally submitted, the economic climate was not such that they could recommend this kind of package to the legislature so they decided to wait. The damage was just starting to show at that time. But, within the last couple weeks the failure has begun to accelerate. The same engineer who did the original inspection was called back so he had the history of the building and hopefully the new repairs could be integrated into what they already proposed. This is just the preliminary information until the report is received from the engineer.

Doug Spencer asked if they have seen the failure accelerated over the past couple weeks and whether the panels could be braced. *Marlene* responded: A significant bowing and warping of the panels has occurred within the last two months. Within the past couple weeks it has really started to show up and they are finding that moisture is getting into the panels where it is cracking. They originally talked about steel structural supports on the inside. However, when the walls are straightened, there might be some additional cracking and it's possible more epoxy injections required.

Tom McMullen commented that additional information is needed to solve the problem and further investigation of the concrete should be done. The right things are being done, they just haven't been done yet.

OLCC offered to come back and report to CPAB any new information received from the engineer's report.

Bill Neland stated that the Board would like to be advised of the results of the engineering report and suggested that perhaps some pictures would suffice instead of a formal presentation before the board because scheduling would be difficult. He also offered to do whatever the Board can, to facilitate these repairs as quickly as possible. He suggested that OLCC contact Shirley Finanger once the engineer's report is received.

Edith Yang asked if the building has basic concrete construction. *Marlene* responded: Yes. *Edith* further commented that it sounds like the baring is mainly on the joints of the panels. It would be steel construction and could be easily tied in with the roof construction going across the steel construction. It should be fairly simple to fix.

Two additional written questions were presented by Edith Yang:

- 1) The amount of additional product required at order processing sites; and
- 2) The amount of vertical space available for expansion at the existing order processing sites. The amount of space added is 15,152 for a cost of \$771,532 at almost \$51 a sq ft. However, the mezzanine additions become very reasonable when their design is used to reinforce the existing structure's ability to resist the required lateral forces.

Marlene commented that the roof is flat and very light because of how it was designed. Also, they are now seeing cracking near the bottom of the panels at the floor line, inside, 8 or 9 feet up. The question is how to support the cracking there and whether the bracing on the inside will be enough or will they have to go down into the footing and put additional steel supports in the footing. These are some of the questions the engineer is looking at right now.

Bill Neland commented that it would not be recommended to wait a year to address these problems.

Deferred Maintenance Projects – None

A motion was made by *Tom McMullen* to accept the report submitted by OLCC with the following comment: If a structural analysis indicates that a more severe emergency exists, the agency should follow emergency process authority to proceed with the necessary repairs so that CPAB does not slow down the process to complete repairs. The motion was seconded by *Doug Spencer* and unanimously approved.

EMPLOYMENT DEPARTMENT : Presented by Dan Hall

This presentation is an update to the Employment Department's Facilities Plan which was presented in January, 2004.

SPACE NEEDS PLAN

Project Plans 2005-2007

- **Portland Metro**
- **Eugene**
- **Bend**

Metro Call Center Update

The process was started last fall to look for siting in the Portland Metro area. The first two space searches didn't yield good results, they didn't get good selection, so they expanded their parameters. Initial parameters were within one mile east and west of I-5 from the Wilsonville exit to OMSI exit. The parameters were expanded to within five miles either side of I-5 from the Wilsonville exit to exit 295; 5 miles west of hwy 217 at exit #4 and north boundary I-205 at hwy 224 west exit including 5 miles either side of I-205. This change resulted in a very good selection. A site was chosen in Milwaukie off International Way. This site is a good balance for their commuters which come from Salem, McMinnville, Astoria, St. Helens. They are also very pleased with the lease rate negotiated, \$1.42 sq ft which is under their budget of \$1.70 sq ft. They are in the process of getting the lease signed this week and doing space planning needs. The facility is set to be ready to occupy October 1, 2004. Right now they are in the process of identifying the sequencing of how this office can be moved into. They have studied models from other states that have been successful in this type of operation and those that haven't been successful have tried to turn the switch by moving everyone at once. Their plan is to move an office at a time. The Gresham office will move in first (20 people) and the Beaverton office after that. Originally they were planning to move an office a month but they have now accelerate that and are planning to do all the offices within about 46 weeks at this point. The move hinges on the technology solution they have selected. They just signed a contract with Connect, the telecommunications provider and they are in negotiations right now to determine how soon they will be ready to have the equipment delivered, tested, and up and going. It looks like it will be ready in

Mid-December, 2004. The goal is to move staff in some time prior to that date while the system is being tested. Due to the Christmas holiday it looks like it should be up a running in January, 2005.

Eugene Call Center Update

This call center is set to be open July 1, 2004. The facility is done and the furniture is installed. They are finishing up a punch list right now and they have actually moved people in and started training. It is located on Club Drive, across from the Eugene Country Club. It is a former Pacific Health Care Call Center. The site in Milwaukie was formerly a JC Penney call center. It was originally a one story construction and they ended up adding a second story so they are occupying the entire second story of that building. In terms of their needs for security, it is very secure because it is on the second floor and they will be able to control access to the second floor. Also, the call centers are anonymous to the public as they will have no signage.

Bend Call Center Update

This will be located in their existing owned building. They are in the process of looking for a new office to move the Employment Services folks into and out of the Bend office. They have gone through a Hot Sheet process with DAS and identified two finalists, offers have been made and July 9th is their selection date. They started this process early because they were not sure if they could find an existing building or if it would have to be build-to-suit. Their space needs are only 8,500 sq ft but they are partnering with Central Oregon Intergovernmental Council which will have about eight classrooms. As a result of that, the total facility will be around 20,000 sq ft so most of the facility will be used by their partner. They weren't sure they could find a facility of this size that would meet their needs so they started looking early. Luckily they found two sites, one is the former DHS site on Emkay which is right next door to their partner's building and the other is an existing Forest Service Building on Hwy 20, east of Cottage Grove, toward Klamath Butte. The current occupants are moving too and are in a hold over period. They have been looking for some time but haven't identified where they are going yet.

Employment's Facility Plan is on schedule and on budget. They have 11 owned field offices, and 47 leased. In these offices they have identified six that are leased offices they will be moving out of. They are not planning to leave communities, these are annexes in Medford, Beaverton, Oregon City and Salem. There will be six leases they won't have. In the meantime their managers are working with partners locally to determine exactly how to back fill the vacated space. Some of the leases are still a few months out. Employment will return to this Board in the fall to give another update and show how the pieces are coming together. In addition to partners coming in, they are looking to move people from another department within the Employment Department. They have the Administrative Hearings Office (OAH) that has folks enter in a lot of offices around the state as well as homes. At this point, in both Eugene and Beaverton they are backfilling some of the vacant space with OAH folks. They have moved in about 45 folks at the Beaverton office and 15 in the Eugene office. They are also currently leasing space in the Portland State Office building and are planning to move these people out into the Gresham office. There are a lot of different moves that will be taking place. They have identified two of their owned offices that at some point in the future, it might make sense to sell if they can't find a favorable solution to partner with. That's probably 4 or 5 years down the road in terms of relationships with those partners and the way those negotiations are at this point. Those communities are Roseburg and Klamath Falls and both those offices are small. They want to stay in those communities but it doesn't look like there is a favorable partnering solution. Overall, it currently looks like they have added space but once the leased space is vacated and filled by local partners they will actually be reducing space in the next biennium.

Building Maintenance Needs

Last biennium and this biennium they had a \$1M budget for Repair and Maintenance. They have budgeted \$618,665 for the 2005-2007 biennium.

Deferred Maintenance

They are pretty well caught up on deferred maintenance. They have only \$40,000 worth of projects on the books at this point for the 2003-2005 biennium.

Bill Neland asked if there were any further questions and commented that the Board was pleased to see that the rental rates are less than projected (\$1.52 sq ft in Eugene and \$1.42 in Milwaukie).

Dan Hall commented that the employees are thrilled with the new offices and one of the significant reasons these projects have been so successful is because the management team involved a lot of the staff along the way in the plan development. The staff feels good about the moves and they've got all the staff they need to staff the new facilities.

Tom McMullen made a motion to accept the report for ODF. The motion was seconded by *Doug Spencer* and passed unanimously.

Dan Hall offered to come back and give the Board an update in the fall.

Shirley Finanger commented that there has been a reporting schedule change because the Military Department will be returning with a small proposal to give the Board an update on the four projects they presented in April. The July 16th meeting will have presentations by: Fish and Wildlife, Education, and Military. The August 20th meeting will have presentations by: Veterans, State Lands, Human Services, PERS, State Fair and DAS.

Tom McMullen commented that he may not be able to attend the July 16, 2004 meeting due to a conflict, however, he will keep Shirley informed.

NEXT MEETING DATE: July 16, 2004 from 1:30 pm to 4:00 pm at the Forestry Building.

Meeting adjourned at 3:30 pm.