



MEETING MINUTES – November 19, 2004 1:30 – 2:50 p.m.

**MEMBERS PRESENT:**

Bill Neland, Chair  
Tom McMullen, Vice Chair  
Ed Galligan, Port of Portland  
Ron Polvi, Northwest Natural  
Denny Nielsen, Salem Hospital  
Peter Fernandez, City of Salem Public Works  
Vickie Hardin Woods, City of Salem

**MEMBERS NOT IN ATTENDANCE:**

Doug Spencer  
Edith Yang

**OTHERS PRESENT:**

Bill Foster, DAS Facilities Division  
Shirley Finanger, DAS Facilities Division  
Elaine Schacher, DAS Facilities Division  
John Wales, DAS Facilities Division  
Robert Reitmajer, DAS Facilities Division  
Brian Oylear, DAS Facilities Division  
Laurie Warner, Acting Director, DAS  
Maynard Hammer, Oregon State Hospital

Susie Jordan, Analyst Leg Fiscal Office  
James P. Welleford, Chief Major Construction, OMD  
Ltc. Dave Ferre, Director Installations, OMD  
Capt. Mark Williams, Project Manager, OMD  
Rich Scanlan, Construction Manager, ODOT  
Bryant Bischof, Maintenance Manager, ODOT  
Linda Riddell, Facilities Manager, DHS  
Sharon Domaschofsky, Deputy Administrator, DHS

**Handouts distributed to all members present:**

- Agenda
- Minutes from October 15, 2004 meeting
- Salem-Keizer Area Siting Review Application Packet for Military Department Airfield Operations Project
- Salem-Keizer Area Design Review Application Packet for Department of Administrative Services CNIC project
- CPAB Agency Facility Plan Report for Department of Transportation Update of Baker City Project
- CPAB Agency Facility Plan Report for Department of Human Services Milwaukie Leasing Project
- Facility Audit – Status update
- Letter from Doug Spencer

**CALL TO ORDER and INTRODUCTORY REMARKS:**

Chairman, *Bill Neland* called the meeting to order at 1:30 pm.

**1. RECOGNITION OF TWO RETIRING MEMBERS OF THE BOARD**

Laurie Warner, Acting Director, Department of Administrative Services recognized two retiring members of the CPAB Board, Doug Spencer, who works for Providence Hospital and Edith Yang, who worked for OSU and is a licensed architect. Doug and Edith are leaving the Board and unfortunately, neither of them could attend this meeting. The Plaque that each of them will receive was displayed. Both Doug and Edith were invaluable members of the Board and served since the Board was established. Doug Spencer sent a letter which was forwarded to all Board members.

**2. WELCOME NEW BOARD MEMBERS**

The new members are Vickie Hardin Woods who is the Community Development Director for the City of Salem and Peter Fernandez, who is the Assistant Public Works Director for the City of Salem. Laurie thanked them for attending and being willing to serve on the Board. Their expertise will be especially helpful as the Board works through siting of projects and design review work that was previously part of the Capitol Planning Commission's work before the Commission was suspended for 2003-05 biennium. Maynard Hammer was also recognized as the person responsible for working on the legislation that

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established this Board. He got the program up and running and is interested in seeing how the Board's work is going forward. Katie Cannon was recognized as the person who followed Maynard and worked with the Board several years and finalized the Planning Process that Maynard started. She developed further planning documents and guided the first agency reports to the Board. John Wales was recognized as the person following Katie. He continued refined the planning process, and developing additional documents. Shirley Finanger was recognized for adding additional reporting and guiding the agencies today in their planning process.

*Bill Neland* also recognized Alan Maul, with the Department of Forestry for making the first agency presentation to the Board.

*Laurie* continued that the Board has done a lot in terms of how the Board is functioning. It takes awhile for a Board to get established. Today the Board has a very defined process and it seems to be working for both the agencies as well as the Board in terms of review and understanding what is going on in the state agencies in the capital project area. To remind the Board of what it has accomplished in 2004, the following items were acknowledged:

- Expanded the Board review to include siting and design review due to the suspension of CPC
- 19 agency facility plans were reviewed and advised
- 51 capital projects were reviewed and 4 leases
- The Board added a document that included funding sources so the Board better understands where the money comes from to operate each agency on an on-going basis
- The Board has been collecting data of Deferred Maintenance which has been helpful for the Board to understand better what is going on with maintenance on an on-going basis and heard agency plans for how they will try to eliminate that backlog
- The Board supported DPSST to establish a capital fund so that they have money available for maintenance once that facility is operational.

The work of the board has fundamentally changed how most state agencies make planning decisions.

*Laurie* thanked all members who are continuing on the Board and welcomed them to enjoy a piece of cake in recognition of the outgoing members.

*Bill Neland* thanked everyone for their participation on the Board. For the state and the legislature, the Board has provided a forum for review of planning materials and documents. For the agencies, the Board has been a forum for agencies to have discussion with a group that understands their projects before the legislative session begins. Also, it has been very helpful to the agencies to have that oversight and endorsement by the Board.

*Bill Neland* commented that in the mid 1980's he was in Salem at a legislative session when he was approached by two representatives who had listened to agency presentations earlier that day. They commented that the agencies that had been before the CPAB Board certainly did it differently than other state agencies. Some of the agencies were presenting the same projects for six years in three legislative sessions in the same priority order with no success. These comments spoke to the planning. In the beginning of the Board, the first two years, there was a lot of sitting and staring. The agencies didn't know what to do with the Board and the Board didn't know what to do with the agencies. Plus they were dealing with renters and tenant agencies rather than those who were managing facilities. That sifted out as time went on and the comfort level of the agencies became greatly improved. The first reports were different than what the Board sees today. Now there is lots of PowerPoint and slides and emotional presentations. This means that the agencies are really comprehending and understanding how to sell what they want, which should make it better for them when they get the opportunity to address their plans before the legislature. They will be able to do it in a comprehensive and understandable fashion. In seven years, the Board is now where it is today and all its members should be proud of its accomplishments.

### 3. APPROVAL OF THE MINUTES

*Bill Neland* asked for a motion to approve the minutes of the last meeting.

*Denny Nielsen* made a motion to approve the minutes of the October 15, 2004 meeting. The motion was seconded by *Ran Polvi* and passed unanimously.

## 4. SALEM-KEIZER AREA PROJECT REVIEW

*Oregon Military Department –Salem Airfield Operations Center. Presented by Colonel David Ferre, Director of Installations for the Oregon National Guard, Jim Williker, Construction Branch Chief and Captain Marcus Williams, Project Manager and Commander of BRAVO 52<sup>nd</sup> Unit out of Albany, Oregon (just returning from a year in Iraq).*

Documentation provided to the CPAB Board included the following items in order to meet the siting requirements for a project named Salem Airfield Operations Center:

1) Siting Review Application 2) Narrative attachment of project 3) Vicinity Map Attachment A1 4) Vicinity Map Attachment A2 5) Vicinity Map Attachment A3 6) Topographic Map Attachment A4 7) Preliminary Site Information on Available Infrastructure Attachment A5 8) Preliminary Site Assessment showing flood way, Attachment A6 9) Preliminary Site Assessment showing 100 year flood plain, Attachment A7 10) City of Salem letter acknowledging request to change the Comprehensive Plan designation to "Community Service" with a zoning designation of PS (Public Service), Attachment A8 11) Local Zoning, Comprehensive Plan and Land Use Standards Compliance Information, Attachment A9.

**Salem Airfield Operations Center – Siting Review plan.** After the September 11<sup>th</sup> attacks on the United States, Congress authorized civil support teams to be placed strategically around the United States to respond rapidly to what they consider to be a Weapons of Mass Destruction incident which would be a nuclear, biological, chemical or conventional attack somewhere within the United States. Congress has determined that one of those facilities should be located in Oregon. The state is receiving 22 additional personnel and some very high tech equipment. That team will respond to incidents within the Pacific Northwest. In looking at where this facility could possibly be located, one of the considerations was to have it near air transportation and also near a major highway such as I-5. Portland was considered a potential target. It was determined that if the facility were located in Portland, and an incident occurred, the team would not be able to respond. With the Governor's concurrence and review, they elected to site the team in Salem at Military Department's Aviation facility which is near air traffic that could transport the Team. The Aviation project was started about 1993-1995 and the project was originally approved for design by the Congress. They started the design in 1995 and intended to construct the facility on the southern portion of the Aviation facility here in Salem. Unfortunately, a portion of the funding did not become available and the project was put on the shelf and suspended for awhile. Then a year or two ago, a 4 ½ acre parcel which sits in the middle of their facility became available on the market. The parcel is known as the "Eyerly property". Since September 11<sup>th</sup>, the Department of Defense requires a 150 foot stand off distance from military facilities. With the helicopters and other aviation assets at this location, this is considered one of those facilities. However, they do not have the 150 foot stand off distance at the original site. When the property became available they entered into negotiations and appeared before the State Legislative Emergency Board and asked for authorization to purchase the land. In September, 2004 the Emergency Board approved the request to purchase and provided the funds. Now the Department of Justice has entered into negotiations on behalf of the state of Oregon to acquire the property. About a month ago, OMD received notification that Oregon received funding to construct the Aviation facility, received the 22 person QST Team and was instructed to construct a facility for them. OMD believes it would be in the best interest of the state of Oregon is to combine the Aviation Project and the Salem Airfield Operations into one facility instead of constructing two separate buildings. The plan is to acquire 4.5 acres and construct a combined facility. If OMD is unable to complete negotiations to acquire the property and award the project by September 30, 2005, there is a chance that Oregon could lose the funding and it would be diverted to the state of Washington or California.

Plan B would be to move back to the alternate location where they intended to construct the project originally. It is available and it is on ground they have control of. The 4.5 acre parcel is much better situated for their Aviation facility because they could look out and see the helicopters and fixed wing aircraft and ground crew operations much better than the location to the south.

*Bill Neland* asked why Aviation chose to construct their facility at this location. Response: About 2 weeks ago there was an article in the newspaper that announced that OMD had acquired \$1.4M to construct this facility and the Oregon Department of Aviation contacted OMD and said they would like to partner. They have not had a chance to talk to the legislature yet about this but the preliminary discussions show promising opportunity. They will need approximately 3,000 square feet and they have some Federal funds that are available and OMD could add 3,000 square feet to their facility, which would save both agencies a considerable amount in construction costs as well as operations and maintenance. They are still in negotiations and hoping to take it to the February Emergency Board.

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*Bill Neland* asked if Aviation would be willing to partner if OMD was unable to acquire the 4.5 acre parcel.

Response: They would partner with OMD at either location. It appears right now that this is a very doable concept.

*Bill Neland* asked if this is a timing matter. Response: Yes, Col. Ferre spoke with the attorney for the Department of Justice yesterday and he said he thinks they are within days of consummating a deal and will be able to move ahead and work out the process.

*Denny Nielsen* asked if the property had a listed price. Response: It did not have a listed price. OMD made an offer on it after having the property appraised by an independent appraiser. The appraisal varied from \$1.6M to \$1.9M.

*Denny Nielsen* asked if there was contamination on the property. Response: There is extensive condemnation and that is part of the issue the Department of Justice is working through. The Eyerly family was into the chrome plating business and there are two places on the property with extensive contamination from the chrome plating operation. The contamination has actually come onto the state of Oregon property (under the OMD hanger). Part of the negotiations is what they will receive and the clean up process, because the state will not accept the property in a contaminated state. OMD has worked with DEQ and the Army has extended approximately \$100,000 to be spent to determine the level of contamination depth in partnership with the Eyerly family trust. They are in negotiations right now and before the property is transferred to the state of Oregon, it will be clean and meet DEQ standards. They do have a DEQ approved clean up plan. Yesterday, OMD appeared before the Emergency Board and requested Federal fund limitation and state matching funds to construct a facility and that request was approved.

*Bill Neland* asked if OMD was within their timeline. Response: Yes, the timeline is predicated upon reaching a deal with the Eyerly company prior to the close of this calendar year. If they can reach a deal before January 1, 2005 then they can proceed with the project at the site they prefer. If they cannot reach a deal, then they are going to proceed with the acquisition but they will not develop this project on that 4.5 acre site.

*Denny Nielsen* asked about the plan for the property. Response: The property still requires the 150 foot Department of Defense stand off which was the original purpose for acquiring the 4.5 acres. They can still obtain a 150 foot stand off distance at either location so if they don't construct on the 4.5 acres, the other portion of the deal that they are negotiating is that they will put structures on the other property. At that point, they would probably turn it into a parking lot or something until further development down the road. The concern is the possible compromise of security of the 12 Blackhawk helicopters and the fixed wing aircraft. The Department of Defense is concerned that if someone acquired the property and constructed a Seven Eleven store or something like that, there could be a possible risk of strike to the aircraft. OMD doesn't want to lose the opportunity to house those aircraft because the only other option would be to remove the aircraft from the state. The Federal government would possibly move the aircraft to California or Washington. OMD thinks it is in the best interest of the state to acquire the land so that the state is not threatened with the loss of the aviation facility in Oregon and OMD would be able to tell the Department of Defense that they can properly protect the aircraft. The only other alternative is to move the aircraft to another location that meets Department of Defense standards. They have no other development plans at that location; they just need to acquire the property as part of their Master Plan.

*Bill Neland* asked if OMD was down to dotting the I's and crossing the t's on the paperwork. Response: They are very close. They have been in negotiations for a long time so they felt they had a deal several weeks ago but there are some points the attorneys have not come to agreement on but they are very close.

*Bill Neland* asked if there was a contingency. Response: The contingency revolves around the clean up of the property.

Another option considered was:

Partitioning the property during the clean up process so the Eyerly's retain control of their portion of the property while OMD concurrently develops the portion of the property where they want to put the facility.

*Ed Galligan* asked if the agency has the ability to condemn the property. Response: No. That's outside the scope of their authority. *Bill Foster* commented that certain agencies do have that authority while others do not. OMD does not.

*Col. Ferre* commented that OMD has talked with certain agencies that could represent them in that nature. *Bill Foster* further commented that in fact, DAS has not exercised it, but does have the authority. Several months ago there was a fireman who was a member of the Oregon National Guard who was killed in combat in Iraq. Since one of OMD's family of soldiers belongs to that family, they are hesitant to do anything to hurt the Eyerly family.

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*Ed Galligan* asked if condemnation of the property would be considered a hostile act. Response: The issue would be clean up. When options were being contemplated for a course of action, it was determined that condemnation was not a viable course of action because it left OMD holding the bag with regard to the clean up and the Eyerly Family Trust has no funds available for that. *Col. Ferre* added that it is their intent to give the Eyerly family a large enough down payment in order to pay for the clean up because they don't have the resources to clean it up. OMD would retain ownership of the clean portion while it is being cleaned up then OMD would receive ownership only of clean portions as they are cleaned.

*Tom McMullen* asked if OMD will be returning to the Board in February if this plan falls apart. Response: OMD is scheduled to return in February to give the Board an update either way in regards to the Eyerly property acquisition. If they don't reach an agreement with the Eyerly property by the end of this year, they will proceed with the development at the alternate site.

*Denny Nielsen* asked if the facility is in the flood plain. Response: Both the primary and alternate site are in the flood plain in fact this entire facility is in the flood plain. OMD's intent is to, through design and construction; mitigate the effects of the flood plain as much as possible by raising the building foot print above the flood plain. *Denny Nielsen* asked how high they would have to raise the building. Response: 3 feet. A chart was displayed showing the flood way (dark blue) and flood plain (light blue).

*Tom McMullen* motioned that the Board acknowledges that the material submitted by [Oregon Military Department \(OMD\)](#) meets the planning requirement for [siting](#) review outlined in the administrative rule. The motion was seconded by *Ron Polvi* and passed unanimously.

*Bill Neland* thanked the agency and wished them good luck. He further instructed them to advise Shirley Finanger if something should happen before February requiring Board review.

## DEPARTMENT OF ADMINISTRATIVE SERVICES – CONSOLIDATED DATA CENTER (CNIC)

### Initial Submittal, Major Project Design review

Presented by Robert Reitmajer and Brian Oylear

Documentation provided to the CPAB Board included the following items in order to meet the Initial Submittal for Major Project Design review requirements for a project named Consolidated Data Center.

1) Design Review Application 2) Elevation attachment A1 3) Building Perspectives attachment A2 4) Floorplan Attachment A3 5) Elevations Attachment A4 6) Site Plan Attachment

Bob Reitmajer introduced Brian Oylear, Project Manager for the Consolidated Data Center project. The Initial Submittal for Project Design was presented as well as an update of the project. Bob reminded the Board that this facility will be located in the same area as the Military project and will also be constructed three feet above the flood plain.

As shared previously, at the siting review, this is a very fast moving project. A Design Build team, JE Dunn Northwest, Inc. has been hired as the general contractor with Yost, Grube, Hall Architects within that team and Heery International, Inc. will be doing the electrical and HVAC design. The schematic development has been completed, Guaranteed Maximum Price has been agreed and ground has been broken. Construction is moving forward per the preliminary design. There are no changes to Area Plan compliance information or local zoning compliance information which was presented in the siting review.

The Data Center will be about 45,000 sq ft and will have three major areas. The middle is the actual Data Center where the machines will be located. The back part will be support equipment and the front part will be the various service areas and office space. The air handling units will be on the top with provisions for adding additional air handling units as the Data Center builds in more and becomes denser.

*Bill Neland* asked if there would be a raised floor in the computer area. Response: Yes, there will be a 2 foot raised computer "access flooring" in the center area. The office space will have an 18 inch raised floor in order to match it. Where the equipment is, the floor will be slab and grate. They are very excited about the project. There was a ground breaking ceremony yesterday and they are going to the City for the first stage Civil work permit first, then 2) Foundation 3) Shell and 4)Electrical,

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Mechanical, Plumbing and Tenant Improvement. The city of Salem has been working with DAS to make this fast track possible. The contractor is still confident that the building will be finished in September, 2005 so the computers can be moved in and the building occupied.

*Peter Fernandez* asked about the number of employees there will be on the site. Response: Unknown, they expect about 100.

*Bob Reitmajer* suggested that the Board take a field trip to the actual site at the February Meeting, when DAS will return with the Final Submittal and the building shell will be mostly done.

*Ed Galligan* requested that the Board be reminded where this fits into the scheme of agencies. Will the Data Center become a separate agency? Response: It is unknown at this time. The governance model is under development. The project got started by the DAS branch of computer people (IRMD). Because there are twelve agencies moving into this facility, it is very possible that this will become a new entity.

*Laurie Warner* responded to this question. The Governance Board met two weeks ago and adopted a budget for the 2005-07 biennium. The CNIC project will be a part of the Department of Administrative Services' (DAS) budget but the governing Board will provide the direction. It will not be under Information Resource Management Division (IRMD). It will be a free-standing entity. There will be a discussion about whether or not this should become a separate agency, a part of DAS or should be in some other agency other than DAS. This will be part of the budget discussion which will start shortly. This project will be situated within DAS for the 2005-07 Budget.

*Ed Galligan* re-stated the question he asked at the last presentation regarding the management structure of CNIC. He'd feel a lot better if the management structure were in place. At best there are 12 IT managers on the Governing Board who are coordinating things now. *Laurie Warner* responded that the structure is that the governing board is the twelve agency directors and there is a technical committee that is advising on the technical side (the twelve CIO's from the agencies). There will be a Data Center Manager hired that will report to the DAS Director. The DAS Director then reports to the governing board of the CNIC project.

*Ed Galligan* asked about security technology. Response: There will be 24/7 security with minimal access by key card. The way it is constructed with the computer equipment in the middle, there is minimal access. Also as you approach from the side, the way it is laid out, it will be difficult to make a run at the building with any kind of vehicle because the building will sit three to five feet above ground level. There is a pond in front which will be kind of like a moat.. *Brian Oylea* commented that the service yard which is currently under construction for HVAC equipment and chillers, generator, fuel tanks and those sort of functions is protected by a ten to eleven foot solid concrete wall. The only entrance to that area is two gates (one on either side). One for fire access and one for the primary entrance. There will be closed circuit TV and card readers at all entrances with cameras and lights on the back side (Mill Creek side). *Bob Reitmajer* further commented that when they presented the building design to the Chief Information Officer of the state, there was concerned about someone coming in from the back; from the Mill Creek side. Therefore, there will also be cameras and some lights on the back side also.

*Peter Fernandez* asked if CNIC employees will be using the same driveway as Lottery. Response: Yes, they will share a driveway. *Peter* also asked if there is a traffic signal at that driveway and whether the lottery employees have any difficulty getting in and out. Response: No, it doesn't require a traffic study and there has been minimal difficulty getting in and out and there has been a discussion for sometime in the future, adding a signal. It was determined that it was not appropriate or necessary for this project.

*Peter Fernandez* asked if the architectural appearance blends well with the Lottery building. Response: Yes, in fact the same architect is designing this building so he intends to match it to the Lottery building. The outside finish will match and blend in. *Peter* asked if the concrete wall would be esthetically pleasing. Response: It will be as aesthetically pleasing as possible. It will not be visible from the road. The only difference you will see with the buildings is that right now the Lottery and the Print Plant both are shades of beige or off-white. There is no way to actually match this color so the CNIC building will be a complementary color, probably a warm grey tone in a high tech material.

*Ed Galligan* commented that he thinks the construction of this facility is a great idea and this is an impressive project. However, he considers the governance or management team a critical point to the overall success of the operation. He wants to make it

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a part of the record that whatever the Board can do to support and encourage the governance body to ultimately come up with a management structure to complete this operation at the end of the day when it's time to worry about the function. The importance of getting the management team in place so that the operation is functioning well, cannot be emphasized strongly enough.

*Bill Neland* commented that it seems that the design of the building doesn't lend itself to having twelve managers in one open floor plan. Response: Exactly, it will be an open floor plan. *Bill Neland* further asked if there was anything to give them pause about that being carried out. Response: It is going in that direction. They are not putting in any fences or new lighting .

*Denny Nielsen* reminded the Board of the August 20, 2004 meeting, where the Board strongly recommended that the management team decision be accelerated as much as possible and at least a temporary interim business model put into place. The Board asked for language to be crafted to reflect the Board's concern on this issue. *Shirley Finanger* responded that the Board's concern was included in the minutes and on the siting review document.

*Bill Neland* commented that putting the management team in place is critical to the success of the project and the Board's concern is that this management structure will not be put into place quickly enough to make it work. *Shirley* responded that the governance is more under the authority of the Governor and the Agency Governing Board.

*Ed Galligan* commented that he appreciates that it is not the function of this Board but he wants to make sure there is a strong enough voice put out on this issue because it is intricately linked to the project's ultimate success. He wants to make sure this point is not ignored.

*Bill Neland* commented that the Board is buying off on this projected based on the assumption that the management team is being coordinated and asked if it is reasonable to make the assumption that this management team decision is being out into place. Laurie Warner responded with a suggestion that the Board have a discussion in February, when DAS returns for the Final Review, about a status of the plans for how the facility will function operationally. They have hired a Data Center Manager and they did agree that the Manager would not like to report to 12 agency heads so that's why they made the position report to the DAS Director who will then sit with the other 11 agencies on the Governing Board. This is theoretical and how it works out remains to be seen. The shared services concept is new to the state. If any of you have experience with the shared services concept, if any of you have tried it or seen it or have suggestions about what you think are pitfalls or what won't work; it would be helpful to here your experiences. DAS is on a new path here for governing this Data Center as a shared resource for the state which hasn't been done before. In the past, there were multiple data centers and they bought services from DAS, which is different than actually governing something and deciding priorities. *Ed Galligan* commented that that is exactly the key issue to be considered and to be aware of. He doesn't think there is any best way to do it but it must be carefully thought out

*Tom McMullen* motioned that the Board acknowledges that the material submitted by the [Department of Administrative Services \(DAS\)](#) meets the planning requirement for Initial Submittal, Major Project Design review outlined in the rule. The motion was seconded by *Ron Polvi* and passed unanimously.

*Bill Neland* asked about the status of the DPSST project. *Bill Foster* responded they are well under construction and DAS could arrange to have an update on that project at a future meeting. They put out a newsletter and you can get it by email.

## **PUBLIC TESTIMONY**

Opportunity was given for comments from the audience. There were no comments.

## **5. AGENCY FACILITY PLAN REPORTS**

### **OREGON DEPARTMENT OF TRANSPORTATION (ODOT) – Baker City Relocation**

Presented by: Bryant Bischof,, Maintenance Manager and Rick Scanlan, Construction Manager on behalf of Virginia Carey, who was unable to attend

In ODOT's May 21, 2004 presentation before the CPAB Board, this project was identified as a 2007-2009 biennium project. Recently, the potential for available Federal Funds has surfaced and they are planning to escalate this project to start construction in the 2005-07 biennium. The Transportation Commission does not have this on their formal agenda but they are

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aware that this plan is being presented to the CPAB Board today to request that this project be moved into the 2005-07 biennium. That is the only reason they are here today.

- **Replace Baker City Maintenance Station** – 3,104 sq ft office Space; 16,762 sq ft Equipment and Maintenance Buildings. Maintenance Station plan was presented last biennium. Needs for replacement are: environmental concerns regarding wastewater management and herbicide storage; the new larger equipment cannot fit into the existing bays; poor ventilation in the welding area; large equipment must use congested residential streets for site access; inadequate electrical service in the buildings. Plan is to relocate the site outside the city limits. Cost: \$8M.

It was moved by *Ed Galligan* and seconded by *Denny Nielsen* to accept the Baker City Relocation plan update submitted by Oregon Department of Transportation. The motion passed unanimously.

## DEPARTMENT OF HUMAN SERVICE (DHS) – Milwaukie Lease

Presented by *Linda Riddell*, Administrator and *Sharon Domaschofsky*, Deputy Administrator

A packet was handed out to the Board which contained a corrected office space request worksheet showing the correct calculation of fixed costs and program space. There was an error in the formula of the document emailed to the Board prior to the meeting so that document should be disregarded and replaced with the handout. The numbers that changed are highlighted. The rentable square footage changed which resulted in changes to the dollar figures. A special DHS space justification description was also included in the packet as well as an explanation of what that space is used for. A perfect example is for the visitation rooms that have adjoining observation rooms so they can tape interaction with children as part of a child abuse process.

Because of the type of services DHS provides to Oregonians, they have special needs for rooms that wouldn't normally be included in an office setting. That's what the supplemental section is for. The cost benefit analysis shows the corrected square footage and corrected dollar calculations. The numbers increased. DHS is asking to relocate their facility in Milwaukie. It is a combination office for child welfare and self-sufficiency. The current building is 11,400 sq ft. It was built for occupancy of 38 people in 1995. Because of the growth in services and client base since 1995 (almost 10 years), staff has been added as well as conference rooms added which are used for foster parent visitations, family decision meetings interviews, etc. They are now doing those activities off-site because the building is so full and it's just not a good way to operate. *Bill Neland* asked if DHS is a tenant in the current building. Response: Yes. The plan is to increase square footage to 24, 459 sq ft in a new facility. It will hold 80 staff and will have all the specialized rooms she spoke about before. The reason they need to move is to ease overcrowding in the current building and to provide one stop services to their client base. They also need to have better access to public transportation. They do have public transportation now; however, it is two blocks away. A lot of the people they see in that office are disabled or in wheel chairs and they have to cross a very busy street to get to the office, which is a safety hazard. Another reason they need to move to increase proximity to their client base and to ease the travel between offices. They are having to do a lot of the child interviews, foster parent / biological parent visitation, training for people who are trying to get work in an off-site location. A lot of travel is involved by the staff so a new facility will also result in a better use of staff time. *Linda* asked if there were any questions.

*Bill Neland* asked if they were a tenant in that building. Response: Yes.

*Ed Galligan* asked what the source of funding is for this project. Response: The BAM analyst did look at this project and DHS does have the money in their budget. It is a combination of General Fund, Other Fund, and Federal Fund. DHS is the recipient of a number of Federal Fund dollars because of the services they provide so it is a combination of funds. *Ed* further requested that the Funding Matrix be included in all future reports for the Board's reference. *Shirley Finanger* stated that it shall be provided for all future agency reports and updates.

*Laurie Warner* asked if this was in the DHS 2003-05 budget. Response: No, it was not in the 2003-05 budget. The cost will not be incurred until 2005-07 so it will become part of their 2005-07 budget.

*Peter Fernandez* asked how much time was remaining in the existing lease. Response: Current lease expires, May 31, 2005.

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*Peter* also asked what area DHS serves out of that facility. Response: Mostly Clackamas County. It is not the entire metro area. They have an Oregon City location and Milwaukie is on the other side of the 205 Fwy.

*Bill Neland* asked if it is in the southeast part of Portland. Response: Yes.

*Bill* also asked if they are going into a rented building. Response: Yes, they are working with DAS and planning to send out a Hot Sheet but they wanted to talk with this Board first so a building has not yet been located.

*Bill* also asked if MAX runs out there. Response: That would be fabulous. A lot of their client base does not have reliable transportation so being on public transportation routes is very important to providing access to their services.

*Bill* asked what the rental rate is: Response: \$1.46 per sq ft is what they are paying now. The goal is to lease space with a similar rate.

*Bill Neland* commented that the first big step is to sell this plan to the legislature in their Budget. They are trading off different priorities. *Bill* also asked if it is their preference **not** to extend the current lease. Response: Yes.

*Tom McMullen* asked if they have the ability to make a short time extension to the current lease. Response: Yes there is a holdover provision in the current lease and they have been working with a DAS leasing agent to extend the lease for six months so if they do need the additional time, they will have it.

*Denny Nielsen* moved to accept the report and *Ron Polvie* seconded. The motion passed unanimously.

*Bill Neland* asked about the process of putting out a Hot Sheet and asked for an explanation of where they are legislatively. *Bill Foster* responded that this is somewhat independent. *Linda Riddell* explained that they are changing priorities to get this project going. The ability to pay for this is in the budget. They don't have to request more money from the legislature but they do need to change priorities on some other things won't get done.

*Bill Neland* further asked if they have identified a building. Response: No, they have a leasing agent working on it and they have done their own preliminary investigation, however, no final selection has been made.

## **6. FACILITY AUDIT – STATUS UPDATE**

*Bill Neland* opened the discussion of the facility audit and gave an update on the status. Bill met with Rex, the Senior Auditor with the Secretary of State's office. They have been entertaining the idea of an audit on Deferred Maintenance for the past several months. Bill met with the auditors for one hour and for two hours on another occasion. They met to discuss what Deferred Maintenance was and what their audit would do about it. Bill's concern was to make sure they have a good understanding of the definition of deferred maintenance and explained that the elevator fire in the Capitol building was a good example of deferred maintenance. It was a very good session and the deferred maintenance at the State Hospital was also discussed. They haven't decided to do the audit until they decide if it will be beneficial.

*Shirley Finanger* stated that this past week she received a request from the auditors for copies of preventative maintenance schedules and what kind of information DAS maintains on all of the equipment in the buildings. That information was sent out to them today. The auditors have not yet made a decision as to whether they are going to do the audit.

*Bill Neland* continued that he explained to the auditors that most agencies have a list of deferred maintenance. They do what they can within the budget and what they cannot do, gets deferred and stays on the list. If there is an emergency then something else doesn't get done.

*Tom McMullen* asked, if the deferred maintenance number is carried on the agency's accounting system as a liability or a deficit or is it just a list. *Ed Galligan* commented that it is not required by either GAAP or other accounting methods unless there is an asset impairment which generally relates to income capabilities. There is a standard approach, which is fairly limited and probably not applicable to government.

*Tom McMullen* raised the question of why the state wants to spend time or effort in doing an audit when all they would be doing is uncovering a list of deferred maintenance that already exists. They wouldn't be uncovering anything new. It would be a trivial exercise at best. Most of the agencies are locked into a budget and there is nothing that can be done about it and the

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legislature won't do anything unless an emergency exists. In general there could possibly be some value in an audit to expose incompetence or indifference or poor management. It seems that if nobody cares about it, you shouldn't do it. However, if it were exposed that this is in fact a liability, which can be accounted for officially, which this state carries in relationship to a huge investment of facilities. This would be in line with the kind of things this Board has tried to promote with this process.

*Bill Neland* agreed and commented that the Facilities Managers and staff are coping.

*Denny Nielsen* commented that they cope at an enormous expense and the thing that ultimately must be determined, is whether the audit would be useful. At least exposing the liability is a good thing and translating that in a way to people who are able to do something about it. It's not an issue of incompetence. He doesn't think there is an agency out there who doesn't understand the problem. It's a layer of beurocracy. At the very least, perhaps the Board could craft some language to express deep concern, as members of this Board as well as tax payers, that there is a certain day-to-day, ongoing cost which is growing larger and larger. This deferred maintenance doesn't go away. There cannot be a higher priority. He would say that there will be no new projects constructed until they take care of the state's existing assets. This is one of the biggest arguments the private sector brings to bear whenever someone gets excited about the state building another building. What he is seeing is that every time the state builds another building, it sits there and rots.

*Laurie Warner* commented that the Secretary of State does these audits. The auditor will go to the agency, the Department of Administrative Services and also the Joint Legislative Audit Committee of the legislature. It does raise a level of awareness because most of these agencies, individually, do try to get money in their budgets, but they vary in success depending upon choice of funds. The audit could be very helpful, but the state is also looking at a \$1B general fund shortfall in the 2005-07 budget so she doesn't know where the money would come from.

*Ed Galligan* asked if the audit would be done by an outside auditor. Response: No, it is done by the Secretary of State. *Denny Nielsen* stated that he is concerned that the audit is not being done by an objective third party. *Laurie Warner* responded that they consider themselves an objective third party.

*Ron Polvi* asked if there could be a difference in deferred maintenance between agencies and not be equitable across the board. Are all agencies assessing their conditions with the same criteria? *Laurie Warner* stated that this Board has standardized some what the agencies are reporting so there should be improvement in this area.

*Bill Neland* commented that he has seen some improvements, Corrections is one, who has made massive improvements in reducing its deferred maintenance.

*Tom Mc Mullen* stated that we have also seen agencies that have reported more deferred maintenance due to transfer from other accounts. The issue is critical because if an agency were to choose to spend the money somewhere else, then it could be construed that they were not good stewards, and can't be trusted, so they don't get future funding. This doesn't benefit the overall interest of the state.

*Ed Galligan* commented that Tom's point was well spoken and asked *Bill Neland* to comment on his assessment of where the auditors are with regards to this upcoming legislative session.

*Bill Neland* responded that he thinks the auditors now understand what the state calls "deferred maintenance". They understand that resources are not available and the agencies take a chance and don't replace equipment or make major repairs to building. When an agency determines that something should be replaced in 10 years, they have been getting 12 years and 15 years. Certain things have to take priority over something else due to lack of funds.

*Denny Nielsen* stated that there is an incredibly poor program within the state, especially now, it is ludicrous.

*Bill Neland* commented that it's interesting to watch the agencies that are coping with this better than others. The legislature is getting this information now, which they were not getting previously. It is a tough problem and it is something the state will have to deal with. Most of the agencies are also reducing their maintenance staff and not replacing staff because of budget shortfall.

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*Shirley Finanger* stated that she has started to craft a Board Comments document. This will be sent out to the Board for review and correction shortly and this document will become part of the facilities report to the Legislature.

*Bill Neland* suggested that the auditors be invited to the February Board meeting.

*Ed Galligan* stated that he would enjoy the opportunity to have a dialog with the auditors. *Ed* also asked about the background of the auditors, are they engineers? Response: No, accountants, CPA's.

*Bill Foster* shared a conversation about deferred maintenance that he had recently with one of the auditors. Bill was asked if there is a formula for what it does to future cost. Bill's response to them is that it is not that simple because they were defining deferred maintenance by something that was planned and then for one reason or another, didn't accomplish. But, in some instances, the cost of that may only be inflation. In others, if there is degradation of the asset, it can compound. There is also consideration to increased operational costs. On some of the items that are deferred, that are programmed out, that was needing replacement, the cost is zero. On others, say a roof that is a wood structure and it begins to leak and erode the wood framing, then you have repairs on top of the roof so then you are compounding the cost. It's not a simple straight forward formula. It's like driving your car with a bad fan belt. You can replace the fan belt early and avoid down time on the road or you can wait and get a couple more years out of it and maybe you make it and maybe you don't. There is a certain amount of luck involved, as far as consequences. Obviously the more stuff deferred, the greater the probability of getting caught. That was the nature of the discussion.

*Bill Neland* commented that this is a good point and is probably the case with the elevator systems at the Capitol.

*Ron Polvi* commented that it also applies to emergency generators.

7. **NEXT MEETING DATE:** February 18, 2005 from 1:30 pm to 3:30 pm at the Forestry Building.

Meeting adjourned at 2:50 pm.