

TRANSCRIPT PARTIAL of IVGID Board Meeting 8-30-2023

E. REPORTS TO THE BOARD E 1. CHAIR DENT: Reports to the board. Item E 1, report to the Board on opinion of probable construction costs for GMP2, and total project costs of the effluent pipeline project. Requesting staff member acting Director of Public Works Kate Nelson. Can be found on pages 6 through 22 of your board packet.

MR. KLEIN: Hudson Klein, interim Engineering Manager. I'll just quickly open with an update on GMP1. We did return this week for some preliminary work to set up for next week. We will be full monty excavation and pipe install, which does have us on track for the 5,500 feet of new pipeline to be brought online by mid October, and we will have reinstatement complete shortly after that. So that's exciting news for those of us in engineering, and I think the rest of community, other than the wait. Getting to the report, in the board packet this evening is the opinion of probable costs. To back up just for that quick timeline, in January of 2023, we presented a 90 percent design level opinion of probable cost, and fast forward to April 1, we awarded the contract for GMP1. That cost for GMP1 indicated that there would be an increase overall to that total project cost, and we were requested to return the following month with some revised costs to see if that is the case. That was borne out. We did see a substantial increase in that time. However, that was based only on the bid opening results that we had from the GMP1 process, the negotiation and the bid portion of the CMAR completed. Since that time in May that that was presented, we've had the two full months of construction and have had an opportunity to apply some lessons learned to the information that's in your packet now. And we are soon to start with negotiations for -- I guess I could say final negotiations for GMP2, and soon have the opportunity for the competitive bid of that portion of that process to start next month. And we do have some additional investigations that we are hoping to use to further refine that costs in GMP2, that we will present as and when we have that complete, and probably have some interim meetings with the trustees as requested. With that, I'll turn it back over to you, Chairman Dent, and any questions, I'll do my best to answer.

CHAIR DENT: Any questions, comments?

TRUSTEE TULLOCH: I think the big concern -- the big concern in the community still is the level of the CMAR fee from Granite. Just on a quick calculation of the latest update, we're going to be handing Granite something like 9 million bucks just as their CMAR fee. This is on top of them getting about 30 million bucks of construction business for their business as well. It's certainly -- put 9 million bucks in context, it's probably two years' worth of facility fees, it's two new lifts at Diamond Peak in terms of that. It certainly seems -- compared to the industry standard of eight to ten percent, it certainly seems very high. We've talked before about the basis of the justification of the 14 percent, perhaps you could just give the community a quick update on what their rationale is, their rationale is for keeping it when the 14 percent was originally just on the preconstruction services.

MR. KLEIN: Yep. I'll do what I can. The 14 percent was agreed as part of the preconstruction services, and it was through a selection process that members of the Board, IVGID staff were involved in. It was a collaborative process that that was agreed on. That 14 percent was also part of the scoring that informed the selection of Granite Construction over their competitors. So, in their case, the reason it stands is they stood to lose the job on the basis of that 14 percent; however, that, because they were scored, that did make up a part of the scoring metric for selection, so they put that out there, knowing that it could just as easily cost them the job. However, it didn't because the rest of their presentation and approach to the job was deemed superior to their competitors at that time. And NRS does stipulate that it would typically carry on through that we are required to negotiate as part of preconstruction services to go into a construction contract negotiation, that is the stage that awarded GMP1. We were hoping to -- we will proceed with GMP2. That negotiation and that 14 percent where they stand on it, certainly Granite, is that they had something to lose on the basis of that, however, that is how their business is structured. They are entitled to the level of profit they can earn. That is how they operate. Their business is always going to be different than anyone else's. And if that process was built into their scoring criteria that they were selected on, the current state is that it's fair, that they carry on with

that cost throughout the construction contract.

TRUSTEE TULLOCH: Thank you. It's good to clarify. There's been a lot of comments in the community about why Granite are walking away with nearly ten million bucks plus a whole bunch of business. It's quite as simple as that. Obviously, the 14 percent was based on a project that was estimated between 10 and 20 million, I think, not 60 million; is that correct?

MR. KLEIN: Yep. That's correct.

TRUSTEE TULLOCH: And stress that neither yourself nor director Nelson were involved in these negotiations; these took place previously to joining the District as well.

MR. KLEIN: That's correct as well.

TRUSTEE TULLOCH: Would I be correct in assuming there is an option for us just to go out for alternative bid if Granite's proposal is not acceptable?

MR. KLEIN: I wouldn't be the person answer to that question, certainly not tonight in this forum.

TRUSTEE TULLOCH: Correct.

MR. KLEIN: If any of our counsel has a quick answer on that, I'll it turn over to counsel.

TRUSTEE TULLOCH: I don't think any of us have it at the moment, but thank you. Also having been involved in a couple of the meetings with you as well, I think you've done a good job in getting it down from the 72 million that's there. I think there's still, hopefully, room for improvement. Hopefully, Granite realizes that there is, you know, it just doesn't look good in terms of taking 9 million from a job that's turned out to be relatively straightforward as well. That's just a personal view. Thank you.

MR. KLEIN: Yep. I suppose what I can say is thus far, as well through the process, both construction and looking forward to GMP2, they have been extremely collaborative, it has been a very positive working relationship. The results on the ground, thus far, they have a very clean safety record, which, to me, is probably going to be more important than they dollar value we ever put to this project. And so I would just like to state for the record that Granite does have my support in terms of their ability and collaborative nature thus far and what I would see to complete the job.

TRUSTEE TULLOCH: I agree with that. That's good sentiments. If I had 9 million at stake as well, I would be looking very carefully at it. I am just putting this out there for the record so people understand where these numbers are coming from as well. TRUSTEE

SCHMITZ: Thank you for your effort to try to figure out where and how we can have some cost reductions. I appreciate that. And if you can continue to do that good work, we would all be grateful. I, too, have a similar sentiment -- and we discussed this one-on-one -- is that when this project was bid and went out to bid, it was a few years ago, and it was project that was about a \$25-million project. And while the costs have gone up, the scope of the project really hasn't changed. So, I think if there's some way that we can find some compromise and find a way to continue to do the good work together, I think that would be for the benefit of all of us. I just wanted to say thank you and appreciate the effort. I know you worked hard to get this put together.

MR. KLEIN: Thank you, Trustee Schmitz. There's still quite a bit work. I do that as well. We're not there yet. The cost you do have front of you, again, is just an opinion of costs, where we stand today. There is some further work to go, both on our end and Granite's.

CHAIR DENT: When you're referring to that, are you talking about the nearly 9 million dollars in the risk reserve or just decisions that still need to be made and assessment that need to happen to lower that risk?

MR. KLEIN: Short answer, yes. In addition to some of the construction rates that live, quote, above the line in that contract. I think there is still some room for negotiation relative again to lessons learned thus far. And we will also have some bidding that goes out to subcontractors that will work under

Granite, that is still a questions mark. Depending on how those rates come, we input those, and we'll have the opportunity to work around anything that sits outside those subcontract numbers by direct, self-performed work within Granite. I think there is some opportunity there. And within the risk reserve, what I'll say as well, we've completed some preliminary investigation that has proven valuable. It's confirmed some locations of route in GMP1. Thus far, we've been fortunate. We've not run into a lot of bedrock. Anyone familiar with 28, understands that there's large outcrops everywhere. Granite does have quite a bit of history down there, which has been invaluable in informing this process. But going forward in this next month, we are doing some additional work, working within our current risk reserve to identify the extents of those routes and the likely costs, and more importantly, schedule impact to completion of GMP2, which would be the subsequently 25,000 feet of pipe. And depending on the outcome of that, we hope to be able to refine that number further, ideally in the decreased direction. There is some very hard rock that we've discovered thus far, and we're going to break some of that now so that we can use that information to apply directly to forward works and make sure that we don't miss the mark going forward.

CHAIR DENT: How much investigative work did we do at the angles or at the transition points as it -- I mean, what we were told is some of the freeway is segmented now and everything's been renamed a couple times. But there's a large chunk -- a large portion of the project that has a lifespan of somewhere of 10 to 15 years left, that are our concerns with at the joints or at the angles that, I think, as they go into the pump stations. Were we able to attain some of that data through this investigative process?

MR. KLEIN: We've -- where we were able to get additional information to what had been gathered in the past was, at the time, just north of where the Thunderbird Lodge is and we tied in 2,000 feet of the pipe that is now operational around the NDOT work that required the relocation of that pipe, we camera-ed, used our internal resources to camera that existing portion of pipe, and before it went completely under water, what we saw was two things. One, was the barrel of pipe in very competent condition, however, the nature of the construction of that pipe is a butt weld orientation where two steel pipes were butted up face to face, and then welded from the outside. And at those locations, what we saw was the cement mortar lining that protects the inside of the pipe from corrosion, it might result from the presence of the treated effluent, that was not in a perfect seal, you could say, and so even the section that we cut out, we were able to put or head inside. And you can see very clearly the seam where that weld was and the cement -- protective, cement mortar lining is compromised, and you might see pieces of corrosion, active corrosion, visible on the surface of the interior of the pipe about the size of the head of this microphone or so. And where -- there's a bit of a risk judgment that has to be input to that because we've got hundreds of joints in that 5,000 feet of pipe where everything we have seen, even most recently, indicates that there are weak points that haven't been quantified accurately from previous investigations. And so the risk is you've got 400-and-something pounds of pressure pushing on that hole, right next to the either a steep embankment next to the Lake, under a publicly traveled highway. So the question becomes: What's the cost benefit? We might be able to save some more money, but we also might have a very costly pipe failure that could cause damage, not only to physical property, but could result in serious injury, to personal injury. So in that regard, we're not comfortable reducing that section of work relative to that risk profile. And I think we further reinforce that that risk is very real and in the best interest of the District and the public, basically in general, to replace that pipe, rather than roll that dice.

CHAIR DENT: Thank you for that response. And in your response, it just made me think that -- Mr. Bandelin, I think we have the right person speaking to us when it comes to this project. You can tell he's actively engaged in it and passionate about it. We appreciate your efforts. Thank you. That will close out this item. We are going to take a three- to five-minute break while IT reboots or system again. (Recess from 7:21 P.M. to 7:29 P.M.)

CHAIR DENT: Okay. We're going to resume the meeting.