

## MINUTES

### Life Cycle Cost Analysis (LRC) (2011) Committee

THURSDAY, January 26, 2012

10:00 a.m.

Room 421, Legislative Office Building

The Life Cycle Cost Analysis (LRC) (2011) Committee met on Thursday, January 26, 2012, at 10:00 a.m. in Room 421 of the Legislative Office Building. Representatives Gillespie, Hilton, Iler, Murry, and Torbett attended.

Representative Torbett presided. He welcomed members and acknowledged Rep. Killian who is serving in Afghanistan and turned the meeting over to Giles Perry to explain the purpose and budget of the committee.

Giles Perry presented committee authorization (see on committee website) and the budget of \$9,946.00

Rep. Torbett asked for a motion for the budget adoption. Motion was made by Rep. Gillespie. Motion is adopted unanimously. I would like to welcome Terry Gibson, the State Highway Administrator.

Terry Gibson gave the presentation (see on committee website).

Rep. Iler: What part of the cost is your environmental studies and erosion control of a project and within that, how much is dictated by the EPA, DENR, and common sense?

Terry Gibson: I will get back to you.

Rep. Iler: On the contract letting we have something called change orders, does the contractor have to eat that or do you have cost overruns that the state has to eat?

Terry Gibson: I want to be clear on my contracts. There are multiple contracting methods. Our contracts are let with line item costs, so if there is a change order, we call them supplemental agreements and we enter into change orders with the contractors if a change is outside of their responsibility and we pay them for that. Under the design build process, since they control the design, it is a lump sum contract. There are change order possibilities, but they are not very frequent. If that's the risk piece, we assume the risk of unknown work in a lot of cases under the design bid build process which most buildings and things are built by, non lump sum contracts are built by. On the lump sum, they are taking more of that risk.

Rep. Iler: On the ITS, how to utilize that and training drivers that the left lane is for passing, that's your mobility and I'm very serious about that. The design life versus tolling, have we looked at whether or not tolling has paid a particular project, is that a goal?

Terry Gibson: I will get you some information on how we are looking at using tolling from a department perspective new tool.

Rep. Torbett: If we can make it more cost affordable and more economical to build roads, perhaps we'll have less opportunities for tolling anyway. I think we are looking now at tolling as being a way to build roads in a very restrained economic time. I know other states do it and there is nothing wrong with it, but I personally just hate to see us going that route.

Rep. Iler: What I mentioned about the erosion control and the environmental impact, one of your presentations has erosion as one step here. Another one of your presentations I've seen, erosion control came in at various stages.

Terry Gibson: You have to maintain, and as you bring those builds up, you have to control that runoff from the top. Erosion control starts on day one when we clear and it ends after the grass establishment on the whole road.

Rep. Murry: Can you elaborate, describe, when design build and design bid is used and I want to go through the risk shifting. Maybe there is a way we don't know. Where did that innovation occur?

Terry Gibson: We can bring somebody back to be more detailed about that. We are involved nationally on design build committees' innovative techniques. You will see more innovation in a design build process because the designer is working right with the contractor; we have problems with that because of conflict issues on the bid side. Us getting too close to a contractor before we put it out creates issues, so you do see a lot of innovation on the design build process.

Rep. Torbett: I have spoken to engineers and they are eager to bring forward suggestions that are out of the box, as well as Terry and the NC DOT.

Rep. Hilton: Are there recommendations you didn't touch on for savings cost.

Terry Gibson: We have a list of those things. An example is right-of-way. We want to pay a fair price and guard the state against getting gauged. We go to condemnation if a price agreement cannot be reached, deposit the money, which they can come take it anytime they want and we will allow the contractor to go to work and negotiate or wind up in court. Today there is a statutory fixed 8% on the money that they receive. There is a one year time frame that they have to file suit. Maybe there is a better way to tie that interest down.

Rep. Torbett: When you are in the process of letting a contract, do you let the entire project out or do you let it out in phases, such as, to get the best current value for your stone for example.

Terry Gibson: We do a little bit of all of it. Most contracts we are letting that are turnkey, which means the stone and the asphalt are in there from the beginning because you will have temporary traffic patterns that will have to occur very early in the project, but the final paving may not occur until the end of the project. There are other projects, that we are getting such good prices on earthmoving, so we threw some projects out that were just up through the fine grading. I think you will be wise to have the contracting industry to tell you what they see about ways we can save money as well.

Rep. Torbett: Can we get the federal engineer requirements? I am extremely interested in the land acquisition and how that comes to play as to how much distance is involved.

Terry Gibson: We've talked about generating that document. In most cases our requirements are below the federal.

Rep. Murry: In a rapidly developing area, are those improvements factored into the total cost?

Terry Gibson: In a rapidly developing area, often times our project may end up being just across a couple of parcels, that we've log jammed it, and just come in and tie them together.

Barry Jenkins, Associated General Contractors: A couple of years ago DOT initiated meetings with micro engineers, where the whole topic was how we can contain costs. We can prevail upon Ricky Vick, S.T. Wooten Corporation from a contractor's perspective because they do design build and design bid.

Rep. Torbett adjourned the meeting at 11:20 a.m.

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Representative John Torbett, Chair

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Viddia Torbett, Clerk