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**Remarks by Don McGlamery
VP, NCM Demolition
Austin City Council
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Late Backup

Hello, I am Don McGlamery, VP for NCM Demolition, formerly CST Environmental. My company is among the largest and most experienced demolition companies in the United States.

Thank you for the opportunity to speak with you today regarding the Holly Street Power Plant project. My company has bid twice on this project, the first time as low bidder, the second time we were second to low bid.

Over the course of my 20 years in the demolition industry, bidding and winning many projects like this, I've never seen a process as seemingly unfair as this. For that reason I'd like to ask some questions I think Council should be asking to ensure you are making the best decision possible on this important and sensitive project.

I'll begin with the fairness of the process:

- Last week I sent Council a letter that illustrated many of my concerns. I hope you had an opportunity to review that document.
- TRC has been treated as though it is the only bidder in both RFP processes, including an hour on Tuesday to explain their bid while others were not. Why is that? Does that seem truly competitive?
- Because I am not afforded the same opportunity as TRC I will be brief with my comments.

Based on comments by TRC representatives Tuesday, it seems they are interested in winning this project based on whom they know, rather than the standard industry criteria of price, safety and experience, which is what I would like to address.

Now I'd like to address the evaluation process:

- First, it's remarkable that safety was not scored in the evaluation process. Safety is a bedrock of our industry. As a result, you may not know that TRC and its subcontractor, LVI had a double fatality on a project in San Francisco, virtually identical to the Holly Street Project. NCM/CST has never had a fatality or serious injury on any project. My question is why was there no value placed on safety in the evaluation process?
- Questions have been rightly raised about who participated in the evaluation process. Do you know who? We don't. And do you know their qualifications? This is highly technical and highly specialized. Do you know if they were

experienced and capable of making informed assessments of proposals in this industry?

- Lastly, regarding the evaluation process, I'd like to clarify the scoring of price. Price was worth 18 points in the first RFP –three bidders scored more than 13 points on price per the matrix. I am not sure why there is confusion about that, or why staff has not made that clear. But let me. In the first RFP, price was worth 18 points. In the second, it was worth 25.

Now I'll discuss Change orders:

- You'll recall, after the first proposals were submitted and then made public, TRC GM Mike Holder himself, publicly stated the only way this project could be completed at NCM's price is with multiple change orders. Now they have dropped their bid down to a pricing level at which they said would require change orders.
- I would like to state as I did in my letter to you last week, NCM is willing to cap change orders at the 5% owners contingency exclusive of unit price work. This will save the City and taxpayers' exposure. Will other contractors do the same? If not, why won't they?

Let me highlight TRC's Bid Process:

- Essentially they have been caught in a lie from the first bid and they are now trying to spin it. In their first bid they said it could not be done for the price of NCM's bid. Now their 2nd bid has been reduced to our number. This is clear validation that NCM is right on cost and best understands the project.
- To someone familiar with our industry and this project, TRC has never adequately explained their price decrease. Even when asked by the Utility Committee they had no response. No one in our industry would ever accept "sharpening our pencils" as a financially sound excuse for a 42 percent bid reduction. The Electric Utility Commission rightfully said this stinks and voted not to recommend.
- Now here we are and staff has given TRC two additional chances to find excuses to explain their wild price swing. At the very least, these additional chances generates the perception that staff is creating an unlevel playing field to ensure TRC wins the project.

Specifically regarding the price decrease discussion, upon viewing the video of your work session Tuesday, several issues came up:

1. Why was there not a reconciliation of price changes from the first RFP to the second RFP of the EUC agenda breakdown? I did this reconciliation.

- TRC dropped its price \$4.597 million, but there has been no discussion of which costs were reduced and by how much by TRC. That is especially important considering LVI is doing all of the asbestos/non-asbestos removal and dismantling (Salvage credit, salvage transportation and non-asbestos insulation deducts) and TRC is sub -contracting out the civil work (\$1.5 million deduct). This leaves the question, what is TRC's drop in price?
- LVI dropped its price \$6.095 million. TRC's explanation is that \$3 million is in change in treatment of non-asbestos insulation; \$3 million is in salvage and \$500,000 in transportation. That's \$6.5 million, which is more than the \$6.095 million reflected in the bid. To put this in perspective, LVI's price for asbestos and dismantling is now \$2.439 million. NCM's price for asbestos and non-asbestos environmental alone is more than that, even before factoring the cost of dismantling. This clearly means their representation of price is untrue or they will make up the difference in additional change orders.
- As I said before TRC has been caught in a lie and they are trying to spin it. Unfortunately for them, when the numbers are analyzed in detail, they just don't add up.

Reasonableness of explanations:

1. TRC claims \$3 million in scrap decrease due to hedging in London. This sounds impressive, but unless this is a private placement that nobody else knows about it's not possible for the following reasons:
 - a. London Metal Exchange does not have a market for scrap that could be hedged.
 - b. Additionally, we checked with investment brokerage houses and large metal recyclers, i.e. the major scrap recyclers we, and all of our competition and all other companies in the United States work with that have steel by-products, and they do not know of any "hedging" market. It only stands to reason that these companies would be hedging if they could as, they can become far more exposed than any one demolition company can become since they process hundreds of thousands of tons of scrap a month. If a market could be made it would begin with these big companies.
 - c. If you use the actual salvage price fluctuation from the first RFP to the second RFP the delta is \$1.8 million as I outlined in my letter to Council, not \$3 million.
2. TRC discussed a \$500,000 savings for transportation. If they are hedging this scrap and delivering it locally, the recycling company will eventually have to deliver it somewhere. The \$500k charge is a true cost to someone unless the place they are going to deliver it is going to refine it as well. Because Austin has no scrap steel refining facility, that material will have to move again and there will be

transportation charges. If it is sent local, the local dealer has to incorporate those transportation costs into the price they are offering TRC, thus TRC would get paid \$500,000 less for the steel. Also, as I said in my letter to Council last week, Austin pricing for scrap is always lower than Houston, where TRC said they were originally planning to take it. Either TRC pays the transportation or they get a lower price for the scrap locally so somebody else can pay for the transportation. There is no such thing as free transportation, so there is no way TRC can just make up that \$500k.

3. The \$1.5 million decrease in civil work is perplexing to us as in our opinion the clarifications in the 2nd RFP made the work more difficult and costly. Both Dixie and us increased our price on this task yet TRC dropped their price \$1.5 million. I have no hard evidence, but having prepared and won numerous projects like this over my 20-year career in this industry, it does not pass the smell test and I am very suspect of their justification.
4. Non-asbestos insulation issue – Big picture they are saying this is a \$3 million credit, while our total asbestos abatement number and non-asbestos number is \$3.4 million. The quantities involved are approximately 20,500 linear feet of pipe insulation and 67,000 sf of boiler insulation. About 25% of the pipe insulation and 50% of the boiler insulation are in areas that containments are going to be required to do the asbestos surrounding this non-acm insulation. Thus, there is no savings as it relates to containment. There is still savings as it relates to bagging the material and disposal of the materials.

Recap of Savings:

Boiler in existing containment	33,564 x \$6 / sf	201,384
Boiler not needing containment	33,564 x \$10 sf	335,640
Pipe insulation in containment	5,000 x \$5 / lf	25,000
Pipe insulation not needing cont	15,473 x \$8 / lf	123,784
Total		\$685,808

This is using very conservative numbers trying to increase LVI's credit amount. I know the scope of this work and there is no way possible their numbers can add up to a \$3 million credit as TRC represents.

I would ask what has staff or Council done in the past 48 hours since TRC's presentation to corroborate the accuracy of TRC's explanation?

To re recap these points, TRC claims it will save \$8 million. It is very easy to see at least \$4 million of this explanation is not true or accurate. One thing I identified early on is that TRC share of the price dropped \$4.6 million from their first price, approximately the same value of the inaccurate representations we're discussing here. Why has there been no discussion of this? In my professional assessment they are using these explanations to try to hide a \$4.6 million drop in TRC's share of the money. It leads me to wonder if this is an effort to cover up a failed attempt to gouge the city in the first RFP.

Closing Thoughts:

- Based on the information I've provided in my letter last week and here today, it is obvious to me TRC is trying to take advantage of the City and your taxpayers. Is this the kind of contractor you can trust? Is this the kind of integrity you want in those who do business with the City of Austin? Would you trust that company to work on your home?
- In other words, if a contractor offers to complete work on your home for \$19,000 and another offers to do it for \$12,000, then the first one drops their bid to \$11,000, would you trust the honesty and integrity of the first contractor?
- Because this is a complicated project with many technical and safety-related considerations and costs, it is easy for TRC to obscure the facts in their wild price swing and try to win this proposal through confusion of the true costs and issues. It takes an experienced eye to work through their explanations and identify their inaccurate representations as I have tried to do in this brief presentation.
- Through two RFP processes, NCM has presented what could reasonably be considered the most consistent proposals, demonstrating our clear understanding and scope of this very sensitive project as well as our 'best value' to the City and your citizens.
- In fact, we're so confident in our understanding of the project, we would offer a 5% cap on change orders other than the unit price work consistent with the contingency put on by staff. Would other contractors do this? It would limit your constituent's exposure. Again, TRC themselves said they couldn't complete the project at the bid they now claim they can, without multiple change orders to make up the difference.

In conclusion, we would ask Council not award the contract to TRC today, but to truly ensure a competitive process, allow NCM the same opportunity afforded TRC, to present our full proposal and qualifications to Council. We are confident you will determine NCM is the safest, most qualified and cost effective company for this important project.

Thank you and I'm pleased to answer any questions.