

March 2, 2024

To: The Haines Borough Mayor; and
The Haines Borough Assembly Members

As a concerned taxpayer, I urge you to look at the Turnagain GMP (fixed price) of the current Lutak Dock proposal and ask for an UPDATED GMP as Turnagain's proposal allows for in the documents at the end of this letter.

The current GMP was based on a 2024/2025 construction "season" in Haines, Alaska.

With the recent MARAD choices given for the unauthorized purchase of steel, the construction season will now begin at a minimum in the 2025/2026 "seasons", maybe longer (2027) depending on when a new order of steel will be delivered to the mobilization site.

The Borough Manager expressed that Turnagain would make less overall profit because of this situation. However, she did not add that Change Orders and Unforeseen Expenses are billable in the current contract. In my opinion, any stable business would not willingly take a large net profit loss on this project.

Turnagain's contract states it can charge extra for "unforeseen expenses." Please clarify if the timeline for buying new steel as of Oct. 1st, 2024 constitutes an "unforeseen expense?" The expected rise in fuel costs by 2025/2026 will increase the Mobilization and Demobilization costs from a total of \$1,655,000.00 currently listed on the original GMP. Please consider inflation costs, long term average of 3.28%, as well as Certified Payroll expenses that will change in 1-2 years.

Turnagain's Contract allows for "Change Orders." In the construction business, Change Orders are where a company makes the "cream", or the extra profit, on contracted jobs. This is a standard in the construction industry that is accepted nationwide.

My former son-in-law owned a large construction company in Sitka, AK. I performed his accounting for several years. I urge you to study the GMP, and the rising costs associated with the timeline delay as it currently stands.

Please examine how the Haines Borough will pay for the extra "unforeseen expenses" and the Change Orders associated with this quote? Raise property taxes, raise the mill rate, raise sales tax? We don't have several extra million dollars laying around to pay for this.

MY EXPERIENCE: Providing bookkeeping/accounting services since 1966. My experience includes working for Contractors, the State of Alaska, a sole-proprietor business "Money Matters" which provided accounting services to 27

businesses, preparing Corporate, Sole-Proprietor, and Individual Tax Returns, Certified Davis-Bacon Payroll, IRS Payroll Deposits and Quarterly Reports, State Payroll Deposits and Quarterly Reports, AP, AR, P&L's, procuring 501(c)3 status for various entities, Grants Administrator for the Child Care Assistance Program with the State of Alaska for 28 years which included payroll for licensed day care providers and pre-schools for services on behalf of qualified parents in Haines, Klukwan, Skagway and Hoonah. I taught the class "The Basics of How to Start Your Own Business" in Haines through Community Education.

ALL OF THE FOLLOWING INFO IS FROM TURNAGAIN'S PROPOSAL AND CONTRACT:

IV. With the current market, escalation is the primary risk to a GMP contract.

ESCALATION TIME: Turnagain has developed similar concepts to 65% design and has priced a similar project within the last 6 months. We know the market and have a current feel for costs. We keep tabs on and maintain good working relationships with our supply network. Through these connections Turnagain is often able to identify materials of opportunity or surplus materials and lock down prices that may not otherwise be achievable. With our previous experience and network, Turnagain remains confident that we can provide and perform to a GMP within the Borough's budget despite market conditions.

CURRENT INSURANCE:

6. Professional Errors and Omissions pursuant to Section 1.1.3 (A) and 1.1.3 (B) below (per claim/aggregate) providing coverage for services performed by the named insured and \$ 2,000,000.

8. Umbrella Excess Liability Insurance \$10,000,000.

9. Builder's risk insurance provided pursuant to Article 5 of the General Conditions.

An amount equal to the full insurable value of the completed project on a replacement cost basis

1.06 DEVELOPMENT OF GMP PRICING

A. The forecasting and development of accurate project cost estimates throughout each phase of the Project is vital to the Owner's financial management strategy. The Owner relies on the Design Builder to provide and validate current and detailed cost estimates and forecasts that will be incorporated into the overall cost controls for the Owner.

B. Throughout the Project, Design Builder will update estimates and forecasts and provide data to the Owner to reflect real time information. Design Builder will provide all pricing, estimates and other data used to develop the Commercial Terms on an open and transparent basis. The project controls system used by the Design Builder shall be acceptable to the Owner and will be capable of being broken down and reported in a number of different work breakdown structures,

including but not limited to organizing the financial data by cost element codes, subcontracts, vendors, Construction Document packages, etc.

C. The Design Builder will coordinate the development of the GMP pricing with the development of the Final Basis of Design Documents as well as the Project Schedule so that the Owner may obtain an accurate understanding of the GMP. The GMP set forth in the Agreement shall not be exceeded without a written Change Order.

THIS IS AN EXCERPT OF A LETTER FROM ROBIN THAXTON IN DECEMBER, 2023 THAT REFERENCES THE INCREASED COSTS OF STEEL THAT WILL BE INCURRED ACCORDING TO TURNAGAIN.

40 CFR 1506.1(b) In fact, to proceed through the NEPA and other permitting processes, the Borough was required to submit a design so that the regulators and agencies reviewing the permits and other applications could understand what would be built. The Borough has not done anything to limit the choice of reasonable alternatives with respect to the NEPA process. The limitations on the Borough's choices arise from the timing of the MARAD grant. As part of the progressive design-build process, at 65% design, Turnagain Marine submitted a lump sum price for the cost of the Project of \$25,594,147. The Assembly approved the price on February 28, 2023 and entered into a Phase 2 Amendment with Turnagain Marine. The Phase 2 Amendment includes several protections and milestones that Turnagain Marine must meet before proceeding with the project. Turnagain Marine was required to obtain approval of the final drawings and Construction Documents before proceeding with the Project. Agreement with Turnagain Marine, Exhibit C, Section 2.03.B.3. In addition, in the Notice of Intent to Award from the Borough, Turnagain was informed that it would be issuing a Notice to Proceed with the Construction Phase once permitting was approved. Turnagain Marine is fully aware that it cannot be reimbursed for any expenditures on the project until the MARAD grant is approved. Because of significant supply chain issues, Turnagain Marine was faced with a difficult issue in October 2023. Although it had placed a hold in the production line with its steel supplier, the steel supplier informed Turnagain that it would lose its place in the production line if it did not convert its hold into a purchase of the steel. Losing its place in the production line would mean more than a year delay in the project and potentially significantly higher cost. Turnagain Marine was faced with a difficult decision and without informing the Borough or obtaining authorization to proceed, in October 2023 Turnagain Marine decided to convert the hold into a purchase of the steel to avoid the delay and increased costs. Part of Turnagain's responsibility under its Agreement is to ensure compliance with the MARAD grant requirements; therefore, Turnagain was fully aware that it could not invoice the Borough for the cost until the MARAD grant was approved. Turnagain Marine informed the Borough of the purchase in November 2023, after the purchase had been made. The November 17, 2023 letter from Turnagain is attached. Turnagain has represented that it is managing the delivery schedule so that the cost of the steel will not become due until after the Grant Agreement is approved. Haines Borough Status Report December 21, 2023 Page 3 The Borough has not authorized the purchase of any materials. It is the Borough's position that Turnagain Marine purchased the steel at its own risk. Turnagain Marine has taken a different position. The Borough has confirmed with Turnagain Marine that it is not authorized to perform any work that is not associated with completing the NEPA process and obtaining remaining permits for the project. If this project does not continue, the Borough will likely be involved in litigation with Turnagain Marine regarding the purchase of the materials. Borough staff are doing what they can to avoid any litigation. The Borough has informed MARAD of Turnagain's purchase. MARAD has requested additional information regarding the purchase and the contract, primarily if the purchase complied with the Buy America and other federal requirements in the Grant. Turnagain has provided the Buy America certifications from the steel supplier, and we are working with Turnagain to ensure that all federal requirements were met. Currently, the Borough has no information that would suggest that Turnagain's unilateral purchase will endanger the MARAD funding or render the funds ineligible for reimbursement. Again, the Borough's position is that Turnagain has incurred these costs, and the Borough will not be responsible for reimbursing Turnagain unless and until the MARAD funding is finalized. Current Status The NEPA process should be completed by February 2024. The Endangered Species Act (ES) consultation is anticipated to be completed by mid-January 2024, and the Incidental Harassment

Authorization (IHA) should be issued by the end of January 2024. The USACE Section 10/404 permit should be issued by February 2024. Once the NEPA process is complete, MARAD will review and make a final determination regarding the grant, and the Borough anticipates that this decision will be made by end of February/early March 2024. Currently, the Borough anticipates no reason for MARAD to disapprove the grant. Provided MARAD approves the grant in the time expected, the project is scheduled to be completed by mid-November 2025.

Thank you for consideration of the realistic price increase of this project due to the recent determination by MARAD.

Please ask for an updated GMP going forward.

Sheri Loomis
Haines Resident/Taxpayer