

Soledad Unified School District Main Street Middle School Project:

Update and Discussion

**Regular Board Meeting
July 27, 2016**

Project Team Presenter Introductions

- John Dominguez, School Site Solutions, Inc., Program Manager
 - Jim Kisel, Principal Architect, LPA, Inc. – Project Architects
 - Kevin McIntosh, Project Manager, Blach Construction, Inc.
-

Goals for Tonight's Presentation

- Offer clarity by providing up-to-date and accurate information on the status of the Main Street Middle School (MSMS) Construction Project
 - Provide a quick overview of the construction process and various cost categories
 - Provide a budget update on the project
 - Provide project scope options for moving forward
-

Measure C -- \$40 Million General Obligation Bond

- Passed in November, 2012 with 75% approval
 - This bond required a 2/3 (66.67%) approval by voters
 - Bond language allowed for proceeds to be used for middle school construction and/or renovation at other school sites
 - Focus is now on the MSMS project
-

Measure C Issuance Schedule So Far

- Bond issuances occur when money is actually needed, not all at once
 - Issuance #1 was in 2013 for \$5 million (A letter from DWK (attorneys) indicated \$6 million – that was incorrect)
 - Issuance #2 occurred in 2014 for \$22 million
 - That totals \$27 million in available bond funds so far
 - Issuance #3 may occur in 2017 when the funds are needed -- \$13 million
 - With Issuance #3, that will be the total of \$40 million
-

Project Status as of July, 2016: Increment #1

- Increment #1 – Site Development - This was essentially complete in July, 2016
 - Blach Construction, Inc. - Construction Contract
 - Original Amount: \$2,637,621
 - Contract Decreases/Savings: \$307,489
 - Final Contract Amount: \$2,330,132
 - Scope of Work: Turf removal, site rough grading, soil treatment for proposed future construction, permitting and removal of underground tank, building pads constructed, installation of underground utilities, imported clean fill for excavated areas
 - Current Status: Watering the soil, dust and weed control the site, maintaining the fencing, preventing and repairing any vandalism. Waiting on DSA Plan Approval for buildings
-

Project Status as of July, 2016: Increment #2

- Architectural plans are at Division of State Architect for review and approval – anticipated approval in September/October, 2016
 - Through validation of budget review and reconciliation of actual expenditures, the project is currently over budget
 - School Site Solutions, Inc. has reviewed past expenditures and developed a revised preliminary budget
 - Through review and discussion with District, it appears that scope increases and changes have been approved without the necessary accompanying budget increases and/or deleting other scope to bring the project within budget
-

How Did This Project Go Over Budget?

- School Site Solutions, Inc. has reviewed:
 - Past Expenditures – and Measure C expenditures for past four years from the beginning of the bond
 - Current and anticipated bond funds
 - Information and data from the project team and school district staff
 - Past Expenditures: with some minor exceptions, the expenditures appear to be appropriately funded out of Measure C funds. The Monterey County Office of Education as well as the district's annual audit will continue the review of past expenditures to confirm.
 - From our review, the budget overruns may be due to lack of adequate budget controls during planning and design – wanting to build more without having the funds to do so.
 - In addition, some cost categories have been underestimated.
 - Finally, better and more frequent communication between the project team and the district will improve project delivery.
-

Types of Costs for a Typical School Construction Project

- Hard Costs – Actual Construction – estimated at 70%-75%
 - Soft Costs – or Construction-related costs --- estimated at 20%-30%
 - These are the other items that are required to bring the project to construction – including architect, engineers, testing, inspection, plan check fees, California Department of Education fees, geotechnical/geo-hazard and other studies and analyses
 - Contingencies – Three Types
 - Project Contingencies – to achieve quality plans (previous errors and omissions), also any changes required by Division of State Architect (DSA) in plan check
 - Construction Contingencies – the costs related to the project contingencies above
 - Owner Contingencies – amounts for owner-requested changes
 - Inflation – We are in an inflationary environment currently estimated at 4-6% per year
 - Many school districts have passed local general obligation bonds
 - State School Facility Bond scheduled for November election
 - Not enough workforce in the trades and in various geographical areas – less competition makes the prices of construction rise
 - Steel costs are increasing again, like in the early 2000's
-

Project Budget and Expenditures (as of June 30, 2016)

| Main Street Middle School Project Increment #1 and Increment #2 | | | | |
|---|--------------------|---------------------|----------------|-----------------|
| Budget and Expenditures Overview July 2016 | | | | |
| | Budget/Expend | Total B/E | Increment #2 % | Total Project % |
| Total Measure C Funds* | \$40,000,000 | | | |
| Actual and Proj. Interest | <u>\$500,159</u> | | | |
| Total Available Funds | | \$40,500,159 | | |
| Expenditures to Date | | | | |
| Increment #1 and #2 Soft Costs | \$2,598,164 | | | |
| Increment #1 Construction | \$2,696,777 | | | |
| Total Expenditures to Date | | <u>\$5,294,941</u> | | |
| Total Unexpended Avail. Funds | | \$35,205,218 | | |
| Increment #2 Construction | \$29,050,000 | | 83% | 78% |
| Inc. #2 Contingencies and DSA Comments | \$2,142,500 | | 6% | 5% |
| Inflation @ 6% | \$1,597,750 | | 5% | <u>4%</u> |
| Inc. #2 Soft Costs | <u>\$2,414,968</u> | | 7% | 12% |
| Total Remaining Proj Costs | | \$35,205,218 | | 100% |
| *Furn/Equip/Tech through other funds | | | | |
| Cannot be paid for out of non-Prop 39 bonds | | | | |

Construction Budget Challenge

| | | |
|--|-----------------------|---------------------------|
| Soledad USD | | |
| Main Street Middle School Project Increment #1 and Increment #2 | | |
| Scope and Construction Cost Estimates -- Hard Construction Costs Only | | |
| | | |
| | Estimated Cost | |
| Blach Cost Estimate -- May, 2016 | \$38,500,000 | (Precon Agreement) |
| Cost Savings -- Scope Reduction work | <u>(\$4,717,213)</u> | |
| Prepared by LPA, Blach Construction, and District | | |
| | | |
| New Cost Estimate | | \$33,782,787 |
| | | |
| Target Budget (Hard Cost) | \$29,050,000 | |
| | | |
| Difference -- Overbudget | | <u>\$4,732,787</u> |

Increment #2 Current Scope

- Increment #2 – Current scope: construction of 4 new 2-story buildings: classrooms, science/STEAM classrooms, library/administration, and gym/multi-purpose room, associated planting, paving and site improvements
 - Increment #2 – also including potential demolition of the existing MSMS campus if budget permitted
 - Additional scope decreases are required in order to align the estimated costs with the revised and updated budget
-

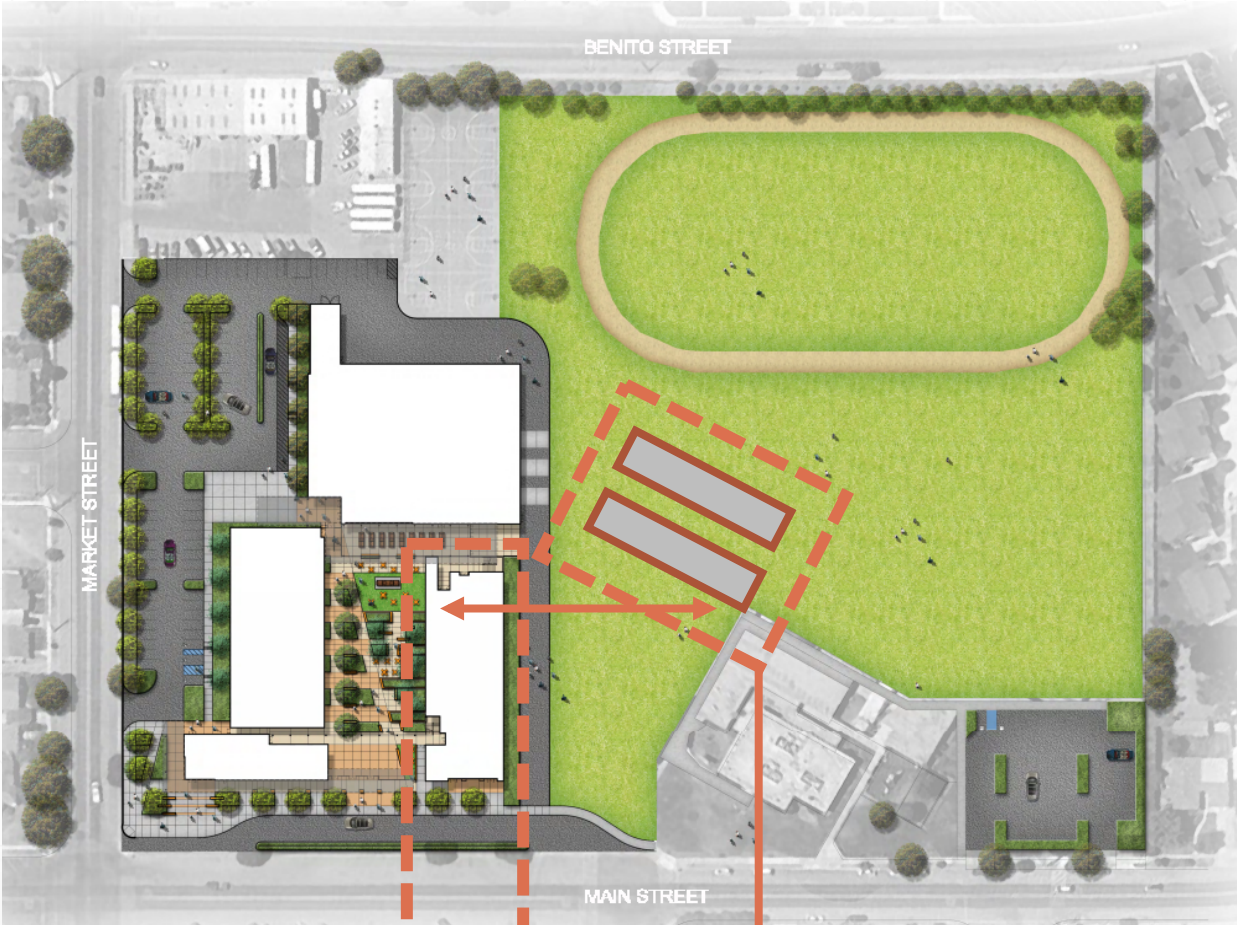
Project Team is Committed to a Successful Project – A Phased MSMS Project

- SSS, Inc., LPA and Blach Construction have met and have diligently worked on budget reconciliation and project scope/budget alignment
 - Your Project Team met on July 20, 2016 to review the existing budget, brainstorm on scope options and to provide next steps and critical path
 - Your Project Team has developed three proposed scope options and one recommendation in order to complete this project on budget
 - The recommended scope option includes phasing over several increments for MSMS project completion
 - Once approved by the District, the scope changes can be accomplished without disrupting and stopping the DSA plan check process, thereby saving needed budget
-

Scope Options – Option #1

- Delete main and small towers
 - Deferral of Building C (eastern classroom building) to a future increment
 - Improving/modernizing 6 to 8 classrooms on existing campus and path of travel connection between new and existing buildings
 - Provide for interim housing of students
 - Minimal schedule impact, will provide savings and ability to plan for next increment
-

Scope Options – Option #1 (Continued)



deferral to a
future
increment

improve/modernize
6 to 8 existing
classrooms

Scope Options – Option #2

- Delete main and small towers, simplify entry plaza
 - Minimize improvements at Court Yard
 - Delete sunshade fins at exterior windows
 - This option does not require deletion of a building
 - **However....this option does not achieve required cost savings**
-

Scope Options – Option #2 (Continued)



simplify

delete

delete
exterior
sunshades

delete



minimize
improvements

Scope Options – Option #3

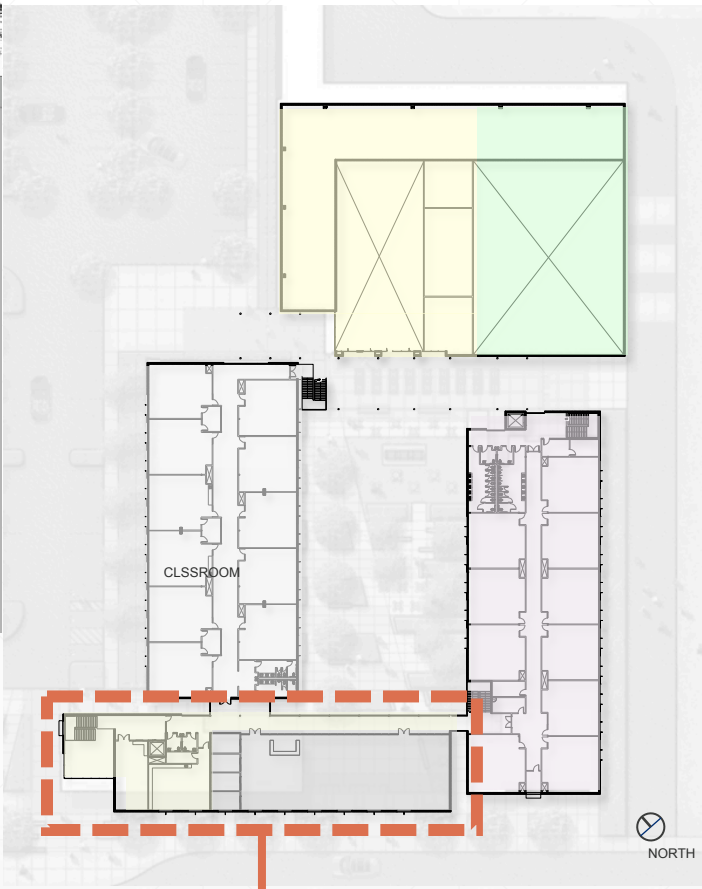
- Redesign one or more buildings to one-story
 - Or delete library on 2nd floor of Administration building and convert to classrooms (would require use of existing library)
 - This will require substantial redesign of those buildings
 - This would add months to the schedule and would essentially be a new project
 - This would cause additional inflation costs, which would add several millions of dollars to the project cost, which would in turn require even more down scoping
 - This would require substantial additional architect fees, engineering fees, etc., again requiring even more down scoping to meet the budget
-

Scope Options – Option #3 (Continued)

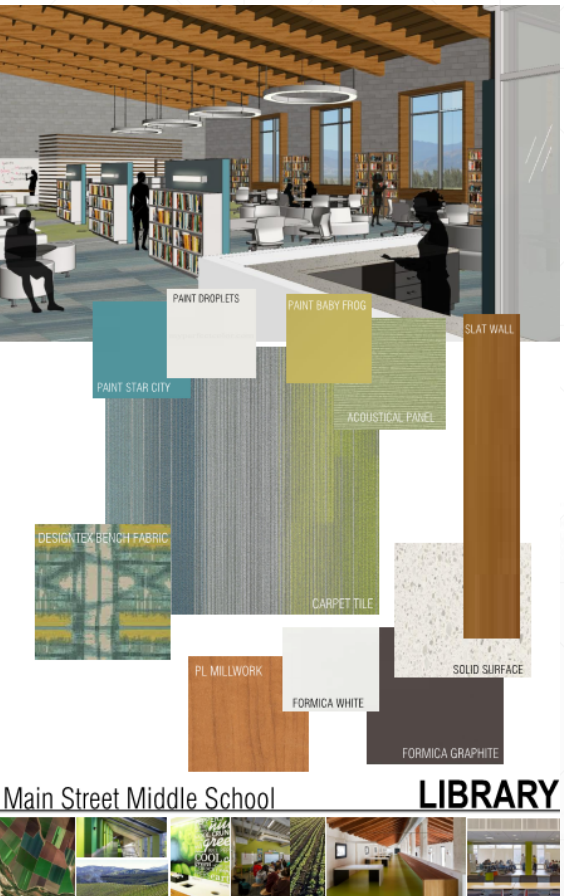


re-design one or more buildings to one-story

or



delete Library



Main Street Middle School LIBRARY

Next Steps

- CA Dept. of Education (CDE) Approval of Plans (SSS, Inc.)
 - DSA Approval (LPA)
 - Coordination of project on-site (SSS, Inc.)
 - Determine occupancy schedule and interim housing needs (Project team)
 - Bidding of subcontractors and trades (Blach/SSS, Inc.)
 - Guaranteed Maximum Price (GMP) Development and Approval (District, Blach, SSS, Inc.)
 - Lease-Leaseback Validation Procedure (SSS. Inc./Attorney)
-

Potential Timeline

- **Many unknowns still make the final schedule tentative at this time**
 - Budget reconciliation and scope determination – August, 2016
 - CDE Plan Submittal – End of August, 2016
 - Potential DSA Plan Approval – September/October, 2016
 - Possible Bidding of Subcontractors – Following DSA Plan Approval – Sept/Oct.
 - Possible Guaranteed Max. Price (GMP) – November, 2016
 - Validation of Lease-Leaseback Process – January, 2017
 - Possible Commencement of Construction – January/February 2017
 - Construction Completion – 16 months – early summer, 2018
 - Packing/Moving – May, 2018
 - Move-In/Occupancy – August, 2018
-

Questions?

- Thank you.

