

MINUTES OF THE CBOC MEETING:

August 22, 2013
135 Van Ness Avenue, Room 210

Facilitator: Mike Theriault, Vice Chair

Committee Members Present: Yakuh Askew Nan McGuire
Craig Issod Monica Pressley
Brian Liles Mike Theriault, Vice Chair
Nancy Mayeda

Committee Members Not Present: Lourdes Garcia Jim Quadra, Chair
Walter Haub

Interested Parties Present: Leonard Tom Richard Pio Roda
David Goldin Arden Bucklin-Sporer

Minutes prepared by: Susan Ortega-Resurreccion

1. Mike Theriault presided over the meeting.

2. Roll call. A quorum is present for this meeting.

3. Approval of Minutes of June 13, 2013 meeting.

The minutes were unanimously approved by the CBOC members present in the meeting.

4. Public Comment – None.

5. Greening Program: Presentation by Education Outside.

Arden introduced herself as the Executive Director of Education Outside (formerly SF Green Schoolyard Alliance). She reported that Nan McGuire shepherded the original organization. Arden presented a video presentation of what Education Outside (EO) is about. EO is a non-profit organization working with our school district. There are over 80 school gardens in our city and about 50 of those are really outdoor classrooms. Many of those are green schoolyards built by the Bond Program. EO launched the first national service core of young college grads to bring science alive in the outdoor classroom. We are increasingly living in a world where science is more and more important and science is being taught less and less. Out here in this space, where things are so dynamic, things are happening, the ecosystem is at work, and students are engaging in that world in a really hands-on way. It is experiential based, which bodes well with holistic learning. We see a tremendous need and potential for the core for EO. They work not only teaching in outdoor classrooms, science standards, literacy standards, math standards, we also work on sustainability for the schools. They're doing composting, leading energy reduction campaigns, and organizing transportation campaigns to bring the community together around their school. To have Education Outside as part of schools changed the gardens dramatically. Suddenly, it wasn't just an aesthetic place to look at; it was actually a place where children were going to learn.

The EO program is in elementary schools. Currently, they have 22 schools and will probably be up to 35 by next year. Schools fill out an application and pay a site fee with introductory rate of \$6K to \$10K for a full-time core member. The core member is on the site M-Th and on Fridays at the office. Core members are the

future teachers. They are recent college grads. They get paid \$25,000 a year plus benefits. These core members help the schools on how to reduce utilities (electricity and water) thru the program Shared Savings.

6. Program Status Reports from:

- **Chair, Vice Chair Comments** - None.

- **David Goldin – Project review current work progress.**

David reported about the recent school opening. There were almost 60 non-Bond projects at 60 sites over the summer. One site, Cesar Chavez, was very complicated and “down to the wire”, but in general the school opened clean and safe. Superintendent Carranza and Mayor Lee were at Denman MS on the first day of school to launch the ipad donations to the middle schools from Mr. Marc Benioff, CEO of Salesforce.com. That meant a frantic amount of work over the summer to have special closets to lock the ipads up. There was nominal Bond construction as most Bond 2011 projects are in the design phase. David reported that he had conversation with Superintendent Carranza about the rising costs of construction and \$50M worth of state eligibility that may not materialize. Program enhancements to schools that were desperately needed and within the scope of the Bond Program were added which meant that in some cases project costs went up a lot higher. This also meant moving things around, doing certain number of projects right and leave certain number of projects undone and have another bond. The Superintendent understands and so far is on board. David also mentioned talk about another bond measure for a central kitchen or mini food service kitchens, SOTA, and building the School of Mission Bay. The need for another bond measure is driven somewhat by the change in the economy.

David stated that the board will vote next Tuesday on passing the project labor agreement (PLA) for all projects over \$1M and will also fold the Local Hire Program into it.

David also talked about shortage of kindergarten seats in the District, and that the pre-K program will potentially take over Head Start. Schools are clamoring for pre-K classrooms at the same time that a huge special-ed need has been identified. A question was asked if pre-Ks need different kind of facilities. David replied that it requires different licensure, different bathrooms, outdoor and safety requirements. A question was raised about kids with disabilities.

Design for Visitation Valley ES, Daniel Webster ES, and Longfellow ES are launching tomorrow. We need information on future special-ed, pre-K and any other needs early as changes midway are costly. Leonard added that getting information in the project assessment phase keeps the costs at bay. David brought up that certain projects, such as the Mission Bay elementary school, could be put on hold as it is currently unclear if there are sufficient funds allotted in the 2011 Bond program to complete all listed projects.

- David said that we had a tough time with bidding this summer. There were certain trades we couldn't get. Bids came in higher than expected. One thought is to accelerate. Instead of doing a project 3 years from now, do it next year. If escalation is 5% per year, then it will cost 15% more to wait for 3 years. On the other hand, if we tried to bid \$150M in the spring, there may not be enough qualified contractors to bid. A question was asked if there was any success in breaking up bigger projects into smaller pieces to get a bigger pool of perspective bidders. David replied that they had better results bidding as larger projects than as smaller projects. Leonard added that past green schoolyard projects had a problem with contract values being too small to attract contractor interest. We tried “bundling” and had a limited amount of success in attracting more contractors. David mentioned that if you break the project into too many parts, you are managing too many contracts.

- **Leonard Tom – 2003, 2006 and 2011 Bond financial report update.**

Leonard presented a written report that showed escalation has become a major concern for the 2013 bond. By the end of July, 15 construction contracts had been bid for the 2011 program. Collectively, the contracts were about 2.3% over what our budgeted funds. If you look at just the bids in calendar 2013 the contracts

were 6.9% over budget. We are modifying the basis upon which we have the architects evaluate the projected costs of their projects. The impact of implementing a Local Hire Policy is not yet known.

Leonard added that 2006 Bond Program is not finished. We are using the surplus we gathered there to fund two big projects. We are contributing \$12 million to SOTA at the McAteer campus and another \$10.5 million toward the Leadership HS charter school located at 300 Seneca Ave.

David stated that original budgets for 2011 sites were established based on past experience, size of the school, and the kind of construction. As the architects engaged with the school sites, new site dynamics arose. For example, Monroe had nine aging modulars and needed a new building. Sunnyside needed a new building. Peabody needed a new multipurpose room. Program needs must sometimes change from the time the bond was originally conceived in order to move forward. Projects that were thought to be \$6M could end up being \$10M. Program changes in the early phase of the 2011 program were eating up its programwide contingency. David commented that scope of the 2003 Bond was completely driven by accessibility, fire life safety and strict deadlines. 2006 project scopes were more robust because of good pricing.

Leonard stated that with the 2011 Bond, a project assessment is done by the architects wherein a detailed exploration of all possibilities is completed. Cost estimates are compared with the original planning number. Senior Bond program managers determine the final scope and cost. Project assessments for 19 schools were completed with original budgets starting at \$177M (hard cost). \$18M was added to that \$177M for those 19 sites. Another aspect is the "mark-up" maintained for those 19 sites. The architects determine the raw hard costs and then we multiply that by a percentage factor for overhead, profit and inflation. For the first 19, the mark-up was 35%. Currently, we are using 37-49%, depending on the duration of the project. This will have a significant impact, either reducing scope or vastly increasing budgets. Part of the reason we experienced relatively high bids against our budgets is because of the assumed lower mark-up factor.

There are other factors that will have impact on the cost that go beyond escalation or go beyond actual scope. One issue is "**State Contractor Pre-Qualification**". Starting January of next year, any project involving State funds will require "prequalified" general contractors and mechanical, electrical, and plumbing subcontractors. The concern is that will reduce the number of contractors bidding on our projects. Secondly, is the local hire policy which will apply to projects of \$1M or more. The local hire policy potentially conflicts with the State's prequalification mandate. Local hire policy wants to expand the number of local contractors and subcontractors working on our jobs while the new State policy seeks to reduce the contracting pool. Third is the **soft cost/hard cost ratio** in our project budgets. Hard costs are what we call "fixed budget limit" and that a contractual dollar amount that was agreed with each architectural firm. Soft costs are everything else associated with the project including construction contingency, cost of the architects, geotech engineers, stipends for teachers who are required to spend time to pack and unpack, building inspectors, construction managers, building permits, etc. In the past we used a 50% ratio of soft to hard cost. For the 2011 Bond program we will need to use a 55 to 60% ratio. Confirmation was asked if FBL is the cost of the constructed asset itself. Leonard confirmed this is correct and added that on top of that is the soft cost.

We have changed in our process with the design/construction teams. We are now assuming an **escalation increase between 3-5% per year**. Those factors were not used with the 2006 program because of the recession. David said we would drop projects that are end of the program list, rather than take any project below what the minimum would be.

Leonard reiterated that **State grant funding** is not part of the 2011 program at this point. We are applying to get on the list for eligibility, but there's no time frame for when State funds will become available.

Another point is "**accrued interest**" on the unspent bonds. The 2003 Bonds earned about \$25M in interest and we paid arbitrage on that. The 2006 Bond earned \$12M. It was a bigger program, but the rates were low.

Programwide Management is currently budgeted at \$30M in the 2011 Bond, about 5.65 of the total program budget. Of the \$30M, \$17.1M is allocated to staff salary and fringe benefits, but that does not include the \$1.5M for the local hire program staff. The 2011 Bond is scheduled to end in construction in FY2018. Project close usually takes a year or so after so that there will have to some staffing maintained beyond that point of time. An alternative we are exploring is acceleration; finish the program sooner to see if we can save some money.

The final point is the issue of **project cost overruns**. Of the 19 projects that have completed the project assessments, project cost overruns are expected in many instances. Leonard proposed to create a reserve for these projects in anticipation of some net cost overrun collectively. A question was asked on the contingency amount in the budget. Leonard replied that there used to be a 10% contingency in line item within projects. He explained that we had been unable to achieve a 10% project contingency with most of the early projects. With higher bids the contingency this gets emptied the day we take the bid. That is the reason a reserve has to be created to cover the anticipated cost net overruns for the first 19 projects. For the remainder of the 2011 program, a 10% factor will be maintained upfront. The bottom line is that some projects may be lost in the end.

A question was asked about the number of 2011 projects listed. Leonard replied that currently there are 19 projects with assessments and 24 without. He added that two projects have been cancelled and three have been defunded (remove all funds). Concerns were raised about the reasons for defunding. David mentioned the Washington HS project can't be done because of scope and logistics. 300 Seneca was defunded from 2011 because alternate funding was available. We decided to spend up to \$1M on 20 Cook Street to keep the building together; the roof was leaking and windows were falling out. Hard choices are being made to meet the needs of the school sites. We are challenging the architects to make smart, good looking proposals.

We are trying to optimize the use of our resources. Leonard cited the McAteer campus as an example. It is funded by 2006 and 2011 bond funds and had a fixed budget limit of about \$22.4M. Architects said it could cost about \$45M. The addition of 2006 funds for SOTA will enhance the budget. David added that haz mat abatement costs are expected to be very high.

Leonard reported there will be 2 or 3 more contracts bid out by the end of the calendar year. We will see if the upward trend is going to continue.

Craig asked to have a list of projects/funding progress for the next meeting.

7. Proposed Schedule and Agenda for Next Meeting.

Proposed Agenda for next meeting:

- 1) Presentation of Bond 2011 list of projects/funding progress.

8. Adjournment.

Meeting was adjourned at 7:38PM.