



MEETING NOTES

MEETING: **Bond Oversight Committee Meeting**
2012 HISD Facilities Capital (Bond) Program

LOCATION: Sterling High School
School Library
11625 Martindale Road
Houston, Texas 77048

DATE: 26 April 2016 **TIME:** 8:30 A.M.

PRESENT: **Bond Oversight Committee (BOC)**
Mr. Gary J. White
Mr. Martin Debrovner
Mr. Michael G. Davis
Mr. D.V. "Sonny" Flores
Mr. Robert M. Eury
Mr. Craig Johnson
Ms. Jessica Diaz

Houston Independent School District (HISD)
Mr. Lenny Schad, Chief Technology Information Officer, Interim Chief Operations Officer
Mr. Dan Bankhead, CS
Mr. Derrick Sanders, CS
Mr. Andreas Peebles, CS
Ms. Alexis Licata, Business Assistance
Ms. Sherrie Robinson, Interim Chief Financial Officer
Ms. Tonya Savoie, Controller's office
Ms. Sylvia Wood, Communications
Ms. Christine Manrique, CS
Ms. Holly Huffman, Bond Communications
Ms. Rebecca Kiest, Bond Communications
Ms. Jade Mays, CS
Ms. Jennifer Douglas, CS
Ms. Mary Rochon, CS
Ms. Ashlea Graves, Government Relations
Mr. John Chilo, Sterling High School
Mr. Justin Fuentes, Sterling High School
Mr. John Gerwin, Construction Audit
Ms. Pat Collins, Information Technology

ABSENT: Mrs. Phoebe Tudor
Mr. David Quan

The general purpose of the meeting was to brief the Bond Oversight Committee on the current status of the new construction and renovation projects funded through the 2012 Facilities Capital Program. Related issues, questions and activities were also discussed:

Item 1 Welcome

Construction Services Officer Derrick Sanders welcomed the participants at 8:45 a.m. to the tour at Sterling High School. The goal of the tour was to showcase 21st century learning spaces and to point out construction materials that are common throughout the bond program.

Aviation Hangar :



Facilities Design General Manager Dan Bankhead stated that Sterling HS is an aviation school. He reported the hangar door will open and allow the school to bring airplanes in and out of the building. Sterling High School Principal Justin Fuentes noted that there will be two airplanes — one for display and the other on which students will work. Mr. Bankhead also informed the participants that there will be motor labs, also known as aviation rooms, where teachers will instruct students. He also noted that there will be Career and Technical Education studios where students will get hands-on experiences.

Reception/Administration:

Mr. Bankhead noted that the administration area will be located near the secure entry to the school, where visitors must check-in before gaining access to the building. Such vestibules are being used throughout the 2012 bond program to enhance safety and security.

Learning Stairs:

Mr. Bankhead mentioned the wide learning stairway will have a dual function as both an impromptu lecture space, as well as a functional staircase providing access to the second floor. The stairs are designed to allow students to gather and work collaboratively.

Circulation/Breakout:

Mr. Bankhead noted the learning centers represent classrooms. Some large classrooms are equipped with an operable wall in the middle, allowing school officials to use the space as two standard classrooms or one large learning space. He noted that the glass hallway windows allow teachers to supervise students in the classroom, while also maintaining visibility of extended learning areas outside of the classroom. Mr. Bankhead noted that science labs are large and flexible with rolling tables to allow the space to be used for both lecture and lab. Electric, gas, and plumbing outlets will be located along the perimeter of the room for lab set up, but tables can be moved to the center or rear of the room for lectures.

East Atrium

Mr. Bankhead said this will be an open area for students and teachers to view all levels of the building.

Food Serving

Mr. Bankhead noted that the kitchen/dining area will have two serving lines, and will be set up like an airport food court area with grab and go dining options. Unlike more traditional cafeterias, the dining area will not have the long tables and there will be a patio where students can enjoy outdoor dining.

Auditorium

Mr. Bankhead stated that the auditorium is designed to seat 500 individuals.

Athletics

Mr. Bankhead mentioned the main gym will have a hard surface, and enough room for two full courts. Adjacent to the main gym is an auxiliary gym. The main gym can fit up to 1,200 people and can be used for a full-school assembly, community events or town hall meetings.



Mr. Sanders asked if there were any issues with the minutes. There being none noted, the committee approved the minutes as presented.

Item 3 Introduction

Interim Chief Operating Officer Lenny Schad told the committee that former Construction and Facilities Services Officer Sundaresh Kamath resigned at the end of February, and that Mr. Sanders was now in charge of the 2012 Bond Program. He noted that Mr. Sanders has extensive experience from his time in the Cy-Fair Independent School District and the construction industry. He also noted that the Bond Team's goal is to have all of the contracts, with the exception of Bellaire, signed by the end of the school year. He said Bellaire has proven to be a very challenging project, but the team is making progress. At this point in the bond program with so many projects underway, the bond team is working diligently to ensure all projects continue to move forward. He also mentioned he is pleased with project pricing because it hasn't continued to increase, and earlier numbers and projections are holding steady. He noted that HISD will continue to make changes in the construction department and organization to improve efficiency, ensure accountability, and to make sure the right people are doing the right job.

Item 4 First Quarter Progress

Mr. Sanders reported there are currently 22 active construction sites, up from 15 from the last quarter. Within this quarter, seven contracts have been executed, including two for district wide projects. He told the committee that Tanglewood Middle School (formerly Grady MS) is complete and students are now in the building. Mr. Sanders reiterated that the expectation is to have all contracts, with the exception of Bellaire, executed by the end of the calendar year.

Item 5 Business Assistance (M/WBE) Report and Community Outreach

Business Assistance General Manager Alexis Licata directed the committee to page 125 of the binder for detailed M/WBE information. Ms. Licata announced that HISD held three workshops during the first quarter as part of ongoing outreach activities, which also included events with local chambers of commerce and M/WBE organizations. Ms. Licata reported that almost 25 percent of the bond dollars awarded or committed were to minority-owned firms, while almost 4 percent were to women-owned firms. The current commitments exceed the overall 20 percent goal, and projections indicate the percentages will continue to increase. Mr. Gary White asked if that included all the money not just spent but committed at this point. Ms. Licata confirmed that was accurate.

Item 4 Bond Financial Report

Interim Chief Financial Officer Sherrie Robinson informed the committee that the financial report update is located on page 137. Ms. Robinson reported that as of March 31, 2016, \$818 million of the total program dollars had been committed, including \$473 million in encumbrances and \$344 million in actual expenditures. She noted that the latest bond sale was on April 12, 2016, for \$560 million, bringing the total bonds sold to almost \$1.5 billion. With more contracts to be executed, she said the next sale will be in the fourth quarter. She referred to more specific financial information on pages 143, 145, 146 and 147 of the binder.

Mr. White asked about the cost-per-square-foot that the district was seeing on current construction projects. Mr. Sanders responded that the team recently received a project in the



\$230- to \$235-per-square-foot range. The team received a bid of \$206-per-square-foot on an elementary school about two months ago.

Mr. Craig Johnson asked whether the supplemental funding is being used. Mr. Sanders noted that in some cases the answer was yes and in other cases it was no. However, there have been no cases in which all the money was spent. Kashmere HS, for example, came in \$1 million under the adjusted budget, which includes the extra supplemental funding. In that case, the \$1 million will not need to be used.

Bond Communications General Manager Sylvia Wood stated that HISD is not actively promoting the supplemental funding until all contracts are executed because the district doesn't want to receive higher pricing from contractors who may think that HISD has extra money to spend.

Mr. Robert Eury clarified that on paper supplemental money is allocated to each project. But from a cash perspective, he said, HISD has to spend the entire original \$1.89 billion in bond funding before beginning to spend the supplementing funding. Accounting Senior Manager Tonya Savoie confirmed that his statement was accurate.

Of the \$212 million in supplemental funding, Ms. Robinson said \$12 million is from the 2007 bond reserves so it would be spent first. The remaining \$200 million available in the form of maintenance tax notes can only be spent on renovations. As a result, the bond team will have to evaluate the projects to determine which would be appropriate for that funding and adjust the timing of the sales.

Mr. Schad mentioned that his team meets monthly to review actual expenditures and projections for specific projects to ensure cash flow is managed properly. Again, Ms. Robinson noted that the supplemental funding will only be used if needed after using all of the original project budgets.

Mr. Sonny Flores asked if HISD would still deliver on the original commitments promised to these schools. Mr. Schad responded, "Absolutely." He noted that the "Blue Sheet" approved by voters is non-negotiable.

Item 5 Bond Communications

Ms. Wood reported that the big focus for the last quarter had been to visually show all the progress for the projects under construction. Specifically, the team has been providing frequent construction updates, which are posted to the district and school websites so that school stakeholders can read about their specific project. While the first quarter was busy with community meetings and a few groundbreakings, Ms. Wood said the team is gearing up for an even busier summer as campuses begin to move into their new buildings. She noted that her team is working with Construction Services to develop a checklist and guide to assist principals and staff with these moves. Ms. Wood reminded the committee that during the last quarterly meeting they discussed adjusting the Project Advisory Team meeting schedule so the groups met less often as projects moved into construction. She said school communities seemed to be responding well to that change, and there was no apparent difference in community engagement.



Ms. Jessica Diaz asked about the possibility of doing a bond survey to help measure that engagement. Ms. Wood said a survey would be a great idea and that she would investigate further.

Item 6 Looking Ahead

Mr. Sanders said that a number of schools are nearing completion, and the goal is to have them ready to welcome students by the start of the 2016 school year. Those schools are North Houston Early College HS, South Early College HS, Worthing HS (Phase 1), Mark White ES, Condit ES, Mandarin Immersion Magnet School, and Delmar Fieldhouse. Mr. Sanders also stated the goal is to have eight more contracts executed and five more projects in active construction by the end of the next quarter. He mentioned that the upcoming quarter will be the most important quarter for the entire program as the team will be completing some schools, beginning construction on many others and executing new construction contracts for even more schools — all at the same time. When the team later reflects back, it will be clear that the second quarter of 2016 was the most pivotal of the entire program. He added that he is looking forward to the next meeting in July to discuss all the progress.

Ms. Diaz suggested having a construction tour with the committee and trustees so they know what the bond program is doing and also can see the progress being made. Ms. Diaz noted that during the Sterling tour, she could clearly see the campus looks like a 21st century school.

Mr. White asked if the use of maintenance tax notes for the supplemental funding would impact the funds available for the district maintenance department. Ms. Robinson said the selling of the maintenance tax notes is not taking away from the current method of maintaining the facilities.

Mr. Schad added that one of the things his team is doing is implementing a preventative maintenance program similar to what refineries use. He noted that district hasn't previously had a preventative maintenance program. HISD is implementing a new ERP system, a financial system that tracks maintenance. HISD surveyed every facility in the district so the maintenance team would know what work needs to be done. He also mentioned that his team is having conversations with the finance team about having yearly maintenance evaluations to better project budget needs.

Mr. Sanders mentioned that the officer of Facility Services, who is responsible for building maintenance, has been an active participant in the designs of the new buildings. That is beneficial because he and his team will be familiar with the design and operations when the buildings are turned over to them. He also noted the facilities officer is working to identify and develop the budget needed to maintain the new schools.

Mr. Johnson asked what HISD was doing to ensure campus-based Plant Operators (POs) were trained, prepared and understood the new building and technology with which they would be working. Construction General Manager Andreas Peebles said the bond team sets up training through the construction manager or the contractor. Training on equipment is provided for POs and the maintenance staff.



Mr. Bankhead noted that supplemental material, including DVDs and manuals, also are provided, in addition to hands-on training. He noted this service is part of the contract with the contractor. Mr. Sanders also noted that maintenance training is part of the contract.

Mr. Johnson asked if HISD has enough staff to take care of these new schools. Mr. Schad said that the district is facing significant budget cuts, and every department is being asked to evaluate their budget and staff. He explained that when the district is facing a \$160 million shortfall and 80 percent of the budget is staff, then staff reductions have to be made. He said he is working with the maintenance team to determine which positions are needed to keep the department running. He noted that for the first time in a very long time maintenance and facilities have a voice at the table. He agreed that it is important to ensure new buildings have proper maintenance after spending millions of dollars to build them.

Ms. Robinson informed the committee that late last fall, the board authorized an assessment to identify and inventory equipment throughout the district in order to develop a plan for maintenance. All that information, along with the new building information, will be in the plant maintenance modules of the SAP system so the finance team can determine how much money is needed for maintenance, start assessing, and then budget the funds necessary to maintain the facilities.

Mr. Johnson asked how HISD is determining what items to purchase and use in the schools. He mentioned that some schools with televisions that were so big, the schools could not find a mount strong enough to hold them. As a result, the TVs sat in a store room. He asked what HISD is doing to ensure money is spent wisely and the schools have what they need to do the best job.

Mr. Schad responded the technology department has established standards for the district that determine what pieces of technology can and should be purchased. He noted that the technology department is helping to ensure that any items purchased fit and can be supported by district infrastructure and serve a useful purpose. He explained that this year was the first year that the technology department had implemented a life-cycle replacement strategy for the district, and noted that there are campuses that have decade-old computers. Now, every campus has a list of computers that need to be replaced, and the goal is to get to a five-year replacement cycle. He said that the strategy has been well-received. Principals love it because it's helping them be more efficient with their dollars, and they will have computers that actually work.

Mr. Bankhead added that because of these standards, the bond team knows what to put on the walls and ceilings to make sure technology works with the building. Mr. Schad noted he has a technology employee working with the bond team as they plan where outlets and network drops need to be located.

Mr. White asked about the status of traffic light report. Mr. Sanders reported that at Sharpstown High School the construction team found unanticipated site conditions related to the foundation and piers for the school, which delayed the schedule. Initially, the school was scheduled to be finished in the first quarter of 2017, but that target date has shifted to the second quarter.



He noted that Dowling MS was marked as yellow in the traffic light report because the team had been discussing pricing issues with the construction manager-at-risk. However, an agreement has since been reached, and they should have the contract to move forward this week. Mr. White asked if the delay would impact the schedule. Mr. Sanders responded, explaining that it didn't affect the completion date, but did shift the start time.

Mr. Sanders noted that Bellaire High School is still marked as red, but the team believes progress is being made. At a recent Project Advisory Team (PAT) meeting, the bond team provided the PAT with a number of options for moving forward, all of which were rejected. However, the PAT came back with two alternate options, which currently are being vetted by the bond team. The team will put together cost estimates for these options, and they are hopeful the PAT will be supportive of one of them.

Ms. Diaz asked what the options are. Mr. Bankhead explained that the first option is to do a simple renovation that includes life safety and maintenance renovations. The second option involves a major renovation. He said the PAT has a strong preference for keeping students on campus during construction. Mr. Schad noted the bond team is going to listen to the PAT's opinions, comments and concerns, but that the final decision will be made by administration.

Ms. Diaz asked if the Bellaire PAT's proposed options match the scope listed on the Blue Sheet. Mr. Sanders responded that the renovation proposal is actually substantially less than what is detailed on the Blue Sheet. He explained that in order to move in this direction, the bond team will have to get board approval. He noted that such a measure brings up new questions, including what happens to the rest of the money associated with that project if not all of it is spent.

Mr. Johnson asked about the status of High School for Law and Justice. Mr. Peeples said CenterPoint is currently in the process of relocating an underground gas line that had been previously unidentified. They also started relocating the main gas line. He stated that the guaranteed maximum price proposal is currently under review, and the contract is being finalized.

There being no further questions or discussion, the committee determined there was no need to meet in executive session, and the meeting was adjourned.

The information outlined above reflects the author's understanding of the key discussions and decisions reached during this meeting. Should you have any additions and/or clarifications to these meeting notes, please notify the author in writing promptly. These notes will be relied upon as the approved record of the meeting, unless a written notice to the contrary is sent to the author within seven (7) days of the submission of these meeting notes.

Prepared by Construction Services.