



Minutes 2012 Bond Project Advisory Team (PAT) Meeting Eastwood Academy

MEETING #: 13

LOCATION: Eastwood Academy Library

DATE / TIME: February 5, 2015 4:00pm

ATTENDEES: (those marked with a check were present)

<input checked="" type="checkbox"/>	Fendley, Paula	Principal	<input type="checkbox"/>	Bankhead, Dan	HISD
<input type="checkbox"/>	Bell-de la Garza, Ruth	Faculty	<input checked="" type="checkbox"/>	Cobb, Kristin	HISD
<input type="checkbox"/>	Conflitti, Celeste	Faculty	<input type="checkbox"/>	Clayton, Clay	HISD
<input type="checkbox"/>	Lewis, Le Var	Faculty	<input type="checkbox"/>	Funk, Dave	HISD
<input checked="" type="checkbox"/>	Lira, Brandi	Faculty	<input checked="" type="checkbox"/>	Hollingsworth, Matisia	HISD
<input checked="" type="checkbox"/>	Morales, Brenda	Faculty	<input checked="" type="checkbox"/>	Robert, Myers	HISD
<input type="checkbox"/>	Soloman, William	Faculty	<input type="checkbox"/>	Peeples, Andreas	HISD
<input type="checkbox"/>	Cardnopel, Maibel	Faculty	<input type="checkbox"/>	Robertson, Sue	HISD
<input type="checkbox"/>	Nugent, Christie	Parent	<input checked="" type="checkbox"/>	Woods, Mike	HISD
<input type="checkbox"/>	Benandes, Leilie	Student	<input type="checkbox"/>	Wright, Kedrick	HISD
<input type="checkbox"/>	Ortiz, Rodrigo	Student	<input type="checkbox"/>	Alan, Sadeghapour	Prozign
<input checked="" type="checkbox"/>	Lugo, Rosemary	Student	<input checked="" type="checkbox"/>	Wheeler, Geoffry	Prozign
<input type="checkbox"/>	Solis, Benigno	Student	<input type="checkbox"/>	Walker, David	Comex Const.

PURPOSE: This meeting was held to advise the PAT of the bond program status.

AGENDA:

- Introductions
- View the PAT Update video was shown.
- Comments and questions



DISCUSSION:

1. Matisha Hollingsworth, Senior Project Manager for HISD Construction and Facilities and Kristin Cobb HISD Communications were introduced.
2. Mr. Woods noted that the HISD Board of Trustees received a construction update during the last Board Workshop. This presentation was shared with the PAT and is highlighted below. The presentation itself can be found at:
https://www.dropbox.com/s/nx9tp334gdhcx7g/PAT_Budget%20Update%202015.mp4?dl=0
 - a. Current Economic Climate:
 - i. Houston and the surrounding areas are experiencing the strongest and highest level of economic activity since the boom of the 1980s.
 - ii. HISD and other school districts across Texas are experiencing soaring costs for construction; thus creating challenges to budgets set 2 years ago.
 - iii. Eight articles about varying districts across Texas and the U.S. were distributed to the audience showing that all school districts are experiencing soaring construction costs.
 - b. Rising Demand
 - i. Labor and materials are in rising demand due to the recent oil boom in Texas.
 - ii. In addition to labor shortages, labor rates have increased roughly 45%.
 - iii. Due to material shortages, material rates have increased roughly 40%.
 - c. 2012 Bond Construction Costs versus Today for K-12:
 - i. It costs, on average, 44% more to build schools today than it did only 2 years ago.
 - ii. In 2011, K-12 schools' average cost was \$149 a square foot. The cost dipped in 2012 to \$146 and rose in 2013 to \$153 a square foot. The trend continued throughout 2014 and now the cost averages \$210 a square foot.
 - iii. Some of our neighboring districts are receiving bids in the \$220 - \$250 per square foot range.
 - iv. Inflation was built into the budgets for all HISD bond schools; however, no one anticipated 44% inflation in only 2 years.
 - v. HISD budgeted an average of \$160 a square foot for the 2012 Bond projects, more than \$14 per square foot more than the average cost at the time. Inflation was accounted for in a separate line item of the project budget.
 - d. Scope to Budget Process:
 - i. Checkpoints are scheduled on all projects at schematic design, design development, and construction document submittals to compare the estimated cost with the budget.
 - ii. The schematic design review for Eastwood Academy revealed the estimated cost of the project was higher than the budget would allow. Construction costs increased significantly during the six months prior to this checkpoint.
 - iii. Throughout the process, the District, the Architect and the Construction Manager at Risk worked to close the gap between the estimate and the budget. This process will be ongoing until the new school is complete.



3. Addressing the Gap:
 - a. Mr. Woods reiterated that the team is working to reconcile the scope to the project budget.
 - i. For each of the 2012 Bond projects, HISD contracted with Construction Managers at Risk (CMAR) who not only will build the school but during the design phases review the documents and provide input to maximize what will be constructed.
 - ii. The final contract for the GMP (Guaranteed Maximum Price) with the CMAR is still being negotiated.
 - a. Bids that are being received are not as low as originally anticipated due to the increased construction activity in the oil and gas industry.
 - b. HISD reallocated funds within the project budgets to increase the construction budget line item.
 - i. HISD included line items in the program budget for inflation and for reserves. The reserves are intended to cover any unforeseen conditions that might occur on the project.
 - a. HISD increased construction budgets by reallocating the entire inflation budget into the construction budget, raising the average per square foot to \$175.
 - b. Fifty percent (50%) of reserves were added to the aforementioned cost per square foot, increasing the final cost per square foot to \$182. (Original construction budget + 100% inflation + 50% of reserves).
 - c. The reallocation results in a revised construction budget for Eastwood Academy of \$6,944,100 an increase of \$2,004,100.
 - ii. 50% of the reserves remain in the overall project budget for unknowns.
 - c. The 2012 Bond budgets, on average, still have a \$28 per square foot gap that HISD is working to close. Addressing that gap may require other strategies, but no recommendations or decisions have been made. District staff are working with the Board of Trustees on the best path forward. In the future, the PAT and community can expect:
 - i. Continued negotiations with contractor
 - ii. Ongoing school communications with the updates
 - iii. Evaluations of market trends to determine the strategic timing for a construction start
 - iv. Continued evaluation of contractor prices to get the best prices in today's market
 - d. Mr. Woods asked that everyone be patient as the construction cost challenges are addressed.

QUESTIONS/ANSWERS

1. Principal Fendley commented that, should a reduction in scope be required, she requested that the food service be reduced.

ACTION ITEMS:

- 13-1 Mike Woods will notify the PAT as soon as the budget status is resolved.

WHAT TO EXPECT AT THE NEXT PAT MEETING:

1. It is anticipated that the next meeting will review the budget status and impact, if any to the project.

NEXT PAT MEETING: Thursday, March 5, 2015 at 4:00 pm, Eastwood Academy Library



Please review the meeting minutes and submit any changes or corrections to the author.
After five (5) days, the minutes will be assumed to be accurate.

Sincerely,

Mike Woods

Program Manager

HISD – Construction & Facility Services

3200 Center Street, Houston, TX 77007

Phone: (713) 556-9253

Email: mwoods2@houstonisd.org