



Minutes
2012 Bond Project Advisory Team (PAT) Meeting
Mandarin Chinese Language Immersion Magnet School

MEETING #: 23

LOCATION: Mandarin Chinese Language Immersion Magnet School

DATE / TIME: January 27, 2015, 3:30 – 5:00 PM

ATTENDEES: (those marked with a check were present)

| | | | | | |
|---|-----------------|-----------------------------------|---|------------------|--|
| ✓ | Chaolin Chang | Principal | ✓ | Dane Roberts | Asst. Principal |
| ✓ | Patricia Butler | Teacher | ✓ | Alice Liu | Teacher |
| ✓ | Leslie Culhane | P.T.O. | ✓ | Paul Alleyne | Parent |
| ✓ | Bill Hutz | TIRZ No. One | ✓ | Angie Chen | Parent |
| ✓ | David Wheat | St. George ES Principal | ✓ | Sam Savage | PBK |
| ✓ | Eric Ford | HISD Design | ✓ | David Waggoner | Heery Intl. |
| ✓ | David Funk | HISD Planning | | Ken Smith | CMAR- S&P |
| ✓ | Albert Wong | HISD PM | | Bert Libourel | CMAR- S&P |
| ✓ | John Ernst | Parent- St. George Place ES | ✓ | Jennifer Gribble | President- St. George Place ES PTO |
| ✓ | Shelia Wilson | S.I.R. | ✓ | Michael Liu | Teacher |

PURPOSE: The discussion focused on an update of the 2012 Bond Program.

AGENDA:

- 2012 Bond Construction Bond Update
- Review the construction update presented at Board Workshop
- Review the Board's response

DISCUSSION:

1. The meeting began with an introduction of David Waggoner, Heery Vice President, who reviewed with the PAT, a presentation recently shared with the Board of Trustees related to escalating construction costs in the Greater Houston area.



2. Two handouts were given to all the attendees, prior to the presentation. One was a copy of an article currently shown on the HISD 2012 Bond Program website entitled “Spiking construction costs create challenges for the bond program”. The other handout included recent articles from various school districts in Texas and the Houston Business Journal dealing with school construction costs much higher than expected.
3. Original Commitments for the Project were briefly reviewed.
 - a. Mandarin Chinese Language Immersion Magnet School is a “new facility accommodating 863 students”.
 - i. This has not changed.
 - b. The difference between the school’s program budget and project budget were explained.
 - i. The program budget is what the voters approved: \$32,161,000.
 - ii. Within the program budget is the construction budget. The construction budget encompasses site work, play fields, and the physical construction of the facility itself.
 - iii. The original construction budget was set at \$19,138,988.
4. Current Economic Climate
 - a. The economy in Houston and the surrounding areas are experiencing the strongest and highest level of economic climate since the boom of the 1980s.
 - b. HISD and other school districts across Texas are experiencing soaring costs of construction, thus creating challenges to budgets set 2 years ago.
 - c. Eight articles of varying districts across Texas and the U.S. were distributed to the audience.
 - i. HISD is one of many districts experiencing soaring construction costs.
5. Rising Demand
 - a. With the recent oil boom in Texas, there is a rising demand for labor and materials.
 - i. In addition to labor shortages, labor rates have increased roughly 45%.
 - ii. In addition to material shortages, material rates have increased roughly 40%.
 - b. Because of the aforementioned challenges, the construction budget for Mandarin Chinese Language Immersion Magnet School School was increased to \$22,224,154. This was made possible by adding 100% of the Inflation Budget and 50% of the Contingency Budget.
6. 2012 Construction Costs versus Today for K-12
 - a. It is costing, on average, 44% more to build schools today than it did only 2 years ago.
 - b. In 2011 --- K-12 schools were \$149 a sq. ft. They dipped in 2012 to \$146 a sq. ft. and in 2013 -- to \$153 a sq ft. In 2014, and what today’s number is, is \$210 a sq. ft.
 - c. Some of our neighboring districts are seeing \$220 - \$250 / sq. ft.
 - d. The biggest challenge we’re faced with is the largest increase happening over the last 6 months, after the school’s design was 60% complete.
 - e. Although a hefty amount of inflation was built into the budgets for all HISD bond schools, no one could have predicted 44% inflation in only 2 years.
 - f. HISD budgeted an average of \$160 a sq. ft. on schools, more than \$14 a sq. ft. than it was experiencing in 2012.
 - g. Fortunately, the \$160 a sq. ft. did not include inflation – inflation dollars were above and beyond the \$160 a sq. ft. budget and placed in a separate line item.
7. HISD’s Scope To Budget Process
 - a. The team did budget checkpoints throughout the project at schematic design, design development, construction documents.
 - a. At 60% Construction Documents, there was a checkpoint to look at drawings and make sure that we were consistently in the ballpark of where we want to be
 - b. Throughout the process, we worked to close gap between estimate and what the budget is



8. Addressing the Gap
 - a. The original construction budgets were set roughly \$160 per sq. ft. for new square footage.
 - b. HISD increased construction budgets by adding all of the anticipated inflation money into the project budget, bringing the average cost per sq. ft. to \$175.
 - c. By adding 50% of reserves to the aforementioned cost per square foot, the final cost per square foot is \$182. (Original construction budget + 100% inflation + 50% of reserves).
 - d. There is still 50% of the reserves left in the project for unknowns.
 - e. On average, there is a \$28 scope to budget gap HISD is working to close but, in the case of Mandarin Chinese LIMS, the gap appears to be much higher.
9. What are we Doing About This?
 - a. Currently, the team is working to reconcile scope to budget.
 - b. Reallocating funds within project budgets into the approved construction budget.
 - c. Negotiate construction contract.
 - i. HISD has hired a Construction Manager at Risk. What does that mean? They are with us from the beginning and provide construction costs input throughout the design and documentation phases.
 - ii. Bids aren't competitive because oil and gas contractors are paying more.
 - d. We are NOT cutting construction budgets.
 - e. We are increasing construction budgets by moving inflation and reserve dollars within the project to the construction portion of your budget.
 - f. We are still facing a challenging market.
 - g. At this point, we are not eliminating any of your program
 - i. As a last resort, we may have to consider cutting program.
 - ii. To cut program, though, it is understood that board approval may be required.
10. Moving forward
 - a. We are continuing scope to budget alignment and negotiations with contractor.
 - b. There is ongoing school communications with latest updates.
 - c. There is an evaluation of market trends (price of oil?) and strategic timing of your project.
 - d. We continue to work with contractors to be certain we have the best prices in today's market.
 - e. We ask that everyone be patient as we work through these challenges.

QUESTIONS/ANSWERS:

1. Ms. Leslie Culhane, MCLIMS PTO member, asked what were some of the specific items under consideration for cost reductions to the Project? Eric Ford, HISD Facilities Design responded that some of the cost reduction considerations will be presented at future PAT meetings.
2. Several attendees asked if the construction of the Project will be delayed to realize the potential for lower construction labor and material costs? Albert Wong, HISD Project Manager, explained that construction had already started at the jobsite. It would be very difficult to stop construction after this portion of the work was completed and leave the construction site dormant for 8 months to one year, with no activity, while waiting for a more favorable bidding environment. Additionally, he noted that there are no guarantees that the market conditions would improve significantly enough to bring the Project within budget. The building portion of the Project is currently being rebid in selected trades to attempt to reduce the construction costs.
3. It was asked if modular construction was a possibility? Sam Savage, with PBK Architects, responded that this type of construction process has been used on other project types but wasn't really applicable for this Project and there probably wouldn't be any real cost savings to justify going in this direction.



ACTION ITEMS:

1. Prepare for next MCLIMS PAT Meeting in two weeks.

WHAT TO EXPECT AT THE NEXT PAT MEETING:

1. Provide information on some of the considerations that HISD is currently reviewing for Project cost reductions.

NEXT PAT MEETING: Tuesday, February 10, 2015 (confirm) @ 3:30 pm, Mandarin Chinese LIMS

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,

Albert Wong, AIA

Project Manager

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