

NRSD Building Project Committee Meeting - December 11, 2019

Orleans Finance Committee Chairman Lynn Bruneau and Committee member and Fin Comm liaison for the Nauset Regional School District Bob Renn attended the NRSD Building Project Committee meeting on December 11, 2019 at the High School. These notes were prepared by Bob Renn.

The meeting was (I.) called to order at 5:30 PM by Committee Chairman Greg Levasseur with fifteen committee members in attendance as well as the Project Architect from Flansburgh, and the Project Mgr. from Daedalus. (II.) there was no public comment so the Chairman moved into (III.) Priority Business.

A. Cost Estimate on Design Bid Build (DBB) and

B. Cost Estimate on Construction Management at Risk (CMR)

The meeting was turned over to the Project Manager from Daedalus who proceeded to explain the contents of two two-page spreadsheet analyses that had been prepared by his firm to explain the cost differences between project management using DBB vs. CMR. He began by describing the line-by-line basis for the DBB estimate which is summarized in the table below.

Cost Element:	DBB	CMR
Feasibility Study Agmt.	\$1,300,000	\$1,300,000
Administration	3,692,000	3,887,000
Architectural/Engineering	10,700,000	11,310,000
Construction	104,708,165	110,317,860
Misc. Project Costs	3,315,000	3,315,000
Furn. Fixt. & Equip.	2,805,500	2,805,500
Subtotal: Project Budget	126,520,665	133,235,360
Construction Contingency	5,200,000	5,200,000
Owner's Contingency	450,000	450,000
Total Project Budget	\$132,170,665	\$138,885,360

As he proceeded thru the DBB spreadsheet he made the following comments:

- The “Feasibility Study Agreement” cost has already been spent;
- The goal for project “Administration” is 3.5% of “Construction Cost” - in this case, it actually amounts to 3.53%.
- The MSBA has limitations on the amount of square footage that are allowable for gyms, performing arts centers (e.g. 2/3 of student population), studios, etc.
- He then went on to describe the MSBA Reimbursement Rate which is composed of two parts: 37.95% Reimbursement Before Incentive Points (this factor is based on the composition of the community - eg, the Cape is “penalized” for its large number of expensive summer homes) + 6.07% Incentive Points (for items such as Maintenance of current buildings (1.49 pts. out of 2.00 max.), Major Reconstruction or Renovation/Reuse (2.58 pts. out of 5.00 max.), and Energy Efficiency/”Green Schools” (2.00 pts. out of 2.00 max.).
- Next, he described the application of this reimbursement rate to the Project Cost
 - First, the Project Cost, before Contingencies, is reduced for “Scope Items Excluded or Otherwise Ineligible” amounting to \$41,817,365 and then further reduced for “Cost Recovery” amounting to \$1,000,000 related to roof and window repairs that was funded by MSBA eight years ago but will be lost in the demolition/renovation process. This yields a “Maximum Facilities Grant” of \$36,386,393.
 - Second, the Contingencies are reduced to “Eligible Contingency” cost amounting to \$2,544,163. This yields a “Contingency Grant” of \$1,119,941.
- The bottom line split between MSBA Grant funding and funding from the four Towns in the NRSB is as follows:

Funding From:	DBB	CMR
MSBA Grant	\$37,406,334	\$37,955,152
Funding from Four Towns	\$94,764,331	\$100,930,208

- The Daedalus Project Manager didn’t go thru a line-by-line review of the CMR spreadsheet, however, the CMR cost elements are shown in the tables above.
- The difference in the Total Project Cost of DBB vs. CMR is \$6,714,695. The difference for the four Towns in the District is \$6,165,877. This “premium” (their word, not ours) is due to the added project management cost associated with CMR vs. DBB.

At this point the Chairman called for a motion and Ron Collins (Orleans Building & Facilities Manager) moved that the Committee approve the DBB approach. The motion was seconded and an open discussion by Committee members then took place. Key points are summarized below:

- In response to a question about any schedule differences in the two approaches, the Project Manager said that there are no differences:
 - Bidding won’t occur until late 2020 or early 2021;
 - Construction will start in June 2021 and complete in June 2024;
 - Project phasing will be the same in either case.

- DBB is generally used for smaller, new construction projects; CMR is used for larger, renovation/new construction [projects. Because the successful bidder must bond his bid, DBB is expected to attract three bidders, whereas CMR will attract seven or eight bidders (because the project will be broken down into smaller sections by the OPM).
- MSBA requires a vote on the entire project, it can't be broken down into 1) Design & Engineering, and 2) Construction. **Note: this MSBA requirement also applies when this issue comes before the four Town Meetings and at the ballot box - the entire project cost (not just the net cost to the Towns) must be reflected in the warrants/on the ballots.**
- A Committee member commented that CMR allegedly provides smoother project management and fewer change orders. The Project Manager responded by saying that there is no appreciable difference in change orders under DBB vs. CMR.
- Another member alleged that the CMR premium would benefit the students; this comment was refuted by several other Committee members - the students will be at a construction site for three years either way.
- Another member wondered whether the District would lose "Choice" students during the three-year construction period - there were mixed feelings about this question. Dr. Ellsasser, HS principal, commented that students come to NRHS "for our programs, not for buildings".
- Ron Collins commented that the \$6+ million difference in the two approaches will be questioned by the taxpayers and there's no concise way to convince them of the benefits of CMR vs. DBB. These sentiments were echoed by Chairman Levasseur who commented that after a meeting in Brewster he received numerous phone calls regarding the excessive cost of the entire project.
- Chris Easley, NRSD Board Chairman, viewed the \$6+ million as "an insurance policy" - this assertion was questioned by several other Committee members.
- The Project Manager interjected that under DBB the contractor has an incentive to expedite the schedule because of the insurance cost of bonding the project. He went on to say that he was now wavering (last month he had supported CMR) because the cost difference has increased from approximately \$3 million to over \$6 million. When pressed on this change of mind, he said the following:
 - Schedule difference - none
 - Change orders - none
 - Student impact -none
 - Risk reduction - unknown
- A comment was made that MSBA Exec. Dir. Jack McCarthy presumed we'd go CMR when he was here last month. In this regard, Chris Easley then commented that many towns in MA are choosing CMR.
- Chairman Levasseur then commented that the decision boils down to affordability - can we convince the taxpayers of the value of \$6+ million premium re: CMR? He went on to say that he didn't want to "gamble" on the project's outcome because of this cost differential. This feeling was echoed by several other Committee members.
- Chris Easley then proposed that the motion be amended to add \$1.2 million to DBB for two additional project engineers; the committee objected to this change and suggested that the Committee should be able to manage the project and could make adjustments if/as needed.

- There being no further comments, the Chairman then called for a vote to accept DBB vs. CMR. The vote was as follows:
 - In favor of DBB: 13
 - Opposed to DBB: 1
 - Abstentions: 1
 - Absentees: 2
- In order to assure fairness, the Chairman then called for a vote to accept CMR. The vote was as follows:
 - In favor of CMR: 1
 - Opposed to CMR: 12
 - Abstentions: 2
 - Absentees: 2

C. Discussion of Project Cost Estimates and Vote on Option for Submission to MSBA

The Project Manager then reported that:

- Both Flansburgh (A&E contractor) and Daedalus (OPM) pledged that their estimates included in the project costs above would “not exceed” the amounts contained therein.
- The estimates will continue to be tweaked until 2/13/20 (the date of the final vote on this project by MSBA)

He then asked for a motion to authorize Daedalus to submit the project to MSBA on 1/2/20. A motion was made, seconded and approved unanimously.

The Chairman then moved on to (IV.) Approval of Minutes from the 12/4/19 meeting. A motion was made, seconded and approved unanimously.

The meeting was then adjourned.

After the meeting Bob Renn asked Chairman Levasseur what he would report at the December 12, 2019 NRSD Board Meeting. He told Bob that he intended to report on the following items:

- Last week the Committee had agreed to reduce the number of classrooms from 35 to 33 (vs. the 31 proposed by MSBA). He is hopeful that this reduction will be acceptable to the MSBA.
- This reduction as well as other changes have reduced the projected square footage from 220,000 to 214,000 square feet.
- The latest cost estimates for DBB vs. CMR and the Committee’s decision to conduct the project via DBB.

Respectfully submitted

Bob Renn / 12/12/19