



Minutes
2012 Bond Project Advisory Team (PAT) Meeting
Lee High School

MEETING #: 23
LOCATION: Lee High School
DATE / TIME: January 29, 2015, 4:30 PM
ATTENDEES: **Joseph Mata**, Lee HS AP; **Melanie Hauser**, Alumni – Community Member; **Gregg Kalba**, WHR Architects; **Tony Martin**, WHR Architects; **Brent Oldbury**, WHR Architects; **Andrea Salazar**, WHR Architects; **Tammie Newman**, CMAR; **Charles Reagan**, CMAR; **Mel Butler**, HISD – Program Executive (URS); **Steven Redmond**, HISD – Program Manager (URS)

PURPOSE: To present the Bond Program Update.

AGENDA:

- Project status and updates
- View the Bond Program Update
- What to expect at the next PAT Meeting

DISCUSSION:

1. Steve Redmond, Project Manager updated the PAT on the status of the Action Items.
 - a. The District has instructed the design team to move the Construction Technology program from across the street into the main campus structure. That design work is in progress and will postpone the completion of the construction documents until the end of February. The relocation will replace the pool and its support spaces. The direction was provided on the basis that the change will not impact the construction cost estimate. It was noted that the Facilities Design department will support the increase to the programmed square footage area. (Action Item 17.02)
 - b. Based on the above update, there is no need to provide security fencing for a pool. (15.03)
 - c. The closure of Unity Drive is still being pursued by City Council and Trustees. It was noted that it would be appropriate for supporters of the closure to contact their City Council and Board representatives to voice their support.
2. Mr. Mel Butler, Program Manager (URS) reviewed the commitment of the 2012 Bond for Lee High School.
 - a. Lee High School will be a “new 21st Century School for 1,782 students”.
 - b. The program budget which the voters approved was \$73,801,000.00.
 - i. The construction budget, which is only a part of the program budget, encompasses abatement, demolition, site work, play fields, and the physical construction of the facility itself.



ii. The original construction budget was \$43,626,429.00.

3. Mr. Butler 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 60% Construction Document review for Lee High School 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.

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- 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.

4. Addressing the Gap

- a. Mr. Butler 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.
 - (1) 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.
 - (1) HISD increased construction budgets by reallocating the entire inflation budget into the construction budget, raising the average per square foot to \$175.
 - (2) 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).
 - (3) The reallocation results in a revised construction budget for Lee HS of \$51,729,855, an increase of \$8,193,426.
 - 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 is 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 latest 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. Butler asked that everyone be patient as the construction cost challenges are addressed.

ACTION ITEMS:

15-03 Architect will review safety fencing at the pool perimeter. (WHR) **RESOLVED**



17-02 Program Manager will report back to the PAT on the progress of the Construction Technology move.
(URS) **RESOLVED**

WHAT TO EXPECT AT THE NEXT PAT MEETING:

1. Project status and updates on construction progress as well as responses to the Action Items above.

NEXT PAT MEETING:

PAT Meetings will continue on the 4th Thursday of the month. The Program Manager will be sending out meeting notices in the coming week.

The next meeting will be on February 26, 2015 @ 4:30 PM.

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

Sincerely,

Steven Redmond, R.A., Program Manager (URS)
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