

Minutes for the Bond Oversight Committee Meeting North

August 15, 2005

Aptos High School Career Center
100 Mariner Street
Aptos, CA 95003

5:00 PM – 7:00 PM

Attending Members:

Michael Barsi - Nancy Bensen - Tere Carrubba - Fred Fischer - Marc Kirby - Vic Marani
Bruce Mathias - T. James Miller - Barbara Palmer - Christine Quinn - Mary Reed

Absentee Members:

Doug Maher - Michael Theriot

South/Central Bond Committee Liaison:

Bunton Clifford Associates:

Paul C Bunton – Dale Krahn

Hanscomb, Faithful and Gould:

Geoff Canhams

Non-committee members attending:

Terry McHenry - Gary Woods - Rhea DeHart - Sharon Gray - Evelyn Volpa - Diane Burbank
Brian Rasmussen - Meri Pezzoni - Dan Lingenfetter - Ruth Barker - Doug DeMuth - Darlene
Insley

Chair Member Barbara Palmer brought the meeting to order with the standard introductions; then making sure everyone had a copy of the information regarding the meeting, handed the meeting over to **Paul Bunton** of **Bunton Clifford Associates** (BCA)

Review of Bid Results: **Paul** announced to the Committee that he would be going over the bid results from the August 4th. Public Hearing, the history of the estimates, analyses of the bids received and recommended next step. He stated that the bids were not favorable. Only receiving bids from three bidders and *they* came in high. He stated no one knows what happened with the bid market and why the bids came in high. He introduced Dale Krahn Project Manager of (BCA) and Geoff Canhams Estimator from Hanscomb, Faithful and Gould to the committee.

Paul said they were all trying to understand what has happened with the bids as they were 26% over their estimates. He explained Geoff has been their estimator for 15 years and they have never had this happen to them. Geoff has been an estimator for 43 years and this has only happened three times in that time. There are a lot of factors when you are dealing

with bids, but they would try and explain to the committee what might have occurred and outline a course of action to get the project revised and back out to bid.

Paul began speaking on the response from the bidders and the fact that receiving only three bids on the project instead of the five or six they had figured on, was a bit of a shock. He related that there is a direct connection to the number of bidders and the increase of cost. He then went over the original Total Estimate and DMC Constructions' actual low bid, the difference and the percentage difference of each item shows we have (\$3,150,000) deficit or a -15.85% deficit with our base bid. Looking at the Additive Alternates, the estimate total difference would be, (\$530,522.00) deficit making a **Base Bid** with Additive Alternates (\$4,550,000.00) deficit or a -26.45% deficit.

Paul continued on with the History of Estimates from September 27, 2004 through May 16, 2005. Stating that this committee had hired a separate cost estimator, David Cromb that came in and reconciled with Geoff Canhams our estimator and the estimates came within 4% of each other.

Hanscomb Schematic Design Est. 09-27-04	\$13,221,911
Hanscomb Design Development Est. 12-03-04	\$13,061,460
Cromb Design Development Est. 12-03-04	\$13,900,000
Hanscomb Construction Document Est. 04-06-05	\$13,812,021
Hanscomb Construction Document Est. 05-16-05	#13,559,564

Paul explained that since the bid; in attempting to figure out what had happened, each item was separated line by line to find the unusually high items in relation to the estimates that have been prepared. He pointed out that concrete was 98% over estimate. Acknowledging the cost is going up, but not close to 100% in two years. An almost 500% over estimate for acoustical metal deck product and on investigation found the contractor had only one supplier. Paul also pointed out that some items actually came in under the original estimate, but then again going to the site concrete shows 110% over. Again seeing concrete as a problem. Fencing is a small item, but shows 284% over estimate.

The next part of Paul's' presentation were, factors likely to have influenced the bid opening of August 4th. The volume of projects being high, which creates a market imbalance. The report indicates that contractors have a shortage of labor. Paul noted that Cabrillo College with their Arts Education Building of 440,000 sq. ft. theatre bid out on June 1st and came in approximately 30% over estimate. CSU Monterey bid out their 200,000 sq. ft. Library and came in approximately 25% over estimate also. He stated that other facilities seem to be having the same problems.

Questions were asked of Paul as to how did BCA get the bids out? What was the time frame and how many contractors were contacted?

Paul responded by stating that they knew there was market escalation and had anticipated many challenges to follow. He went on to say; they went out to multiple counties and solicited general contractors and subcontractors personally trying to get them to bid on our project.

Brian Rasmussen, from BMR Construction, added that the names listed on the Bid Result sheet were actual people that had received the plans. The question was asked if they were called to find out the reason they did not bid?

Paul said, “Yes the have been, but as yet no one has called back.”

Brian stated that it was known that five contractors were bidding a week before the bid opening, but a couple of them were from Marin County and chose not to bid because of the distance. Brian reiterated that all of the eight contractors listed on the results, actually picked up plans, had them in-house, but did not show up on bid day.

The question was asked whether any one contacted the non-bidders to find out why they chose to step out of the project.

Brian reported that he communicated with only one group; Farotte, because they are on the cafeteria project at P.V. High School. Brian went on to say that Farotte pulled out the Friday before the bid, for internal reasons. Schedule was an issue for them, plus staff would not be available until a later period of time, so they chose not to bid the project.

The remark was made for verification, that the *problem* was **not** the marketing plan that was done to attract bidders to the project.

Brian stated he didn't feel that it was and after working with this district for six years, he typically does not receive more than two or three bids for any job that goes out for bid. He went on to say that our *local* contractors generally cannot handle anything over the \$5,000,000 range and usually, anything beyond that amount; they go looking over the hill for contractors.

Paul related he and his staff *along* with Brian were on the phones contacting contractors personally and worked very aggressively regarding marketing the plans.

Brian added that the plans were also distributed throughout all the local Building Exchanges, along with most of the Bay Area, Fresno, Modesto and Sacramento Building Exchanges.

Barbara made a statement regarding *her* contact with one large local contractor, on the thoughts they might have been interested to bid on the project. The contractor chose not to bid for two reasons. One; it was a public school facility and at this price, the bureaucracy you go through is extremely time consuming, difficult and more costly for your company to do the work. Two; it has to go to the lowest bidder because it is a public school facility and some facilities under estimate, due to lack of experience, and end up with change orders and frustrated people further on the project. She added that even if the work wasn't there in the privet sector, the contractors choose to walk away from education in a public arena.

Paul stated that they knew there were issues with contractors not wanting to bid public work projects and that everyone on the project thought all the issues were covered. He explained that Hanscomb F & G along with his staff anticipated many of the bidding challenges that took place and strived to make the project more attractive. He then went over the “Preliminary Analysis of the Bids Received” section from the information guide that was handed to the committee, to give an insight to what was carried out.

Paul explained that Geoff Canhams evaluated the bids and related that after the bids came in he called Geoff to ask him what happened? Geoff went over the bids again and felt confident no major components of the estimate had been neglected. Paul then asked Geoff to briefly explain what he had surmised.

Geoff Canhams Hanscomb, Faithful and Gould stated the situation cannot be definitive. He mentioned that a number of studies had been carried out showing this situation is not unique. A study involving 2000 projects, over a seven-year period with charts comparing the number of bids having a potential over an expected bid level. Issues that were thought to have affected the bids were, the general **Hot Market**, also additional cost of bringing in extra staff, working on a public school project, on a campus and material cost.

Paul continued stating that after gathering data from the close of the bid they have their conclusions. He then directed the committee to the section of the information guide with the sub-title; BCA'S PRELIMINARY CONCLUSIONS BASED ON THE DATA GATHERED TO DATE: and went over its entirety. Bringing up issues such as BCA being responsible for recommending packaging the pool with the building, whether or not it had played a part of the attractiveness of the project was unable to quantify. He then told the committee that they would be meeting with Ralph Larsen and SJ Amoroso, the second and third lowest bidders, to try to figure out what it was that spiked this project over the estimate. BCA knows they need to reduce, change and modify to meet the language of the bond and still get the project built within the budget. Then get the right contractor to bid the project. He then reiterated on all of the recommendations to aid in the process of this project and to re-bid the project as soon as possible in the non-peak season of fall/winter.

From there, Paul went over the Timeline of Recommended Next Steps: relating each action to be taken throughout the next few months beginning with this week and the meeting with the bidders as discussed earlier, including the modifications, prepare an updated estimate and getting the plan changes to Division State Architect (DSA) for approval, so as to re-bid the project between October and November 2005 for and early December bid opening.

Paul brought the committee to the last page of the information sheets stating this page will answer the question that was asked earlier, "What does reduced scope of work mean?" These were some of the ideas that they had been looking at. Nothing definitive there, just a list or example of ideas that are being looked at. The bids came in extremely high on concrete, which are items that can change in the plans. Items such as exchanging portions of the concrete paving to asphalt paving eliminate some of the step walls and planter walls; eliminate some of the concrete work north of the Gymnasium. Simplify, change or eliminate to reduce cost and make it more attractive to contractors.

There was discussion among the committee regarding eliminations, having a meeting to discuss any eliminations and who should be in these meetings. The committee complimented Paul on his presentation and suggested contacting the non-bidders to find out why they didn't bid and maybe even show his presentation to the non-bidders. Paul stated they *had* planned on contacting them.

Brian stated that you wouldn't get cost data out of those contractors that did not bid.

There was mention of public trust and to honor the language of the bond. The history that went into the passage of this bond needs to be honored or the public trust of this district will be gone and we will never again have another bond passed.

Brian stated we have had anywhere from two to five bidders on PVUSD's past projects. Different contractors are attracted for each bid you put out and we don't know which bidder will come. Most likely we will attract a whole different mix of contractors to come out to bid, which just may change the bid. There are many variables when it comes to contractors

bidding. Certain contractors won't bid because it's steel frame. Availability of their workload at the time is a factor.

More discussion went on and a statement was made regarding making things real clear to the committee as to what is being eliminated and what is not.

Terry McHenry stating the first thing we need to do is go to the Board and reject all bids received for this project. He brought up the fact, that looking at the lowest bid, it comes out to \$408.00 sq. ft. for the buildings, which includes the gymnasium and that a gymnasium should *not* cost \$408.00 sq. ft. Second, figure out why the bid came in that high. Having the emphasis in a way, to attract bidders, with bids that are more realistic and closer to our estimate.

Terry's summarization:

Why did it happen and what caused it to do that?

What was out of line?

Find out why the bids came in so high? Try different packaging, different time of year, re-aligning it and make more alluring and lower costs.

Need ways to reduce cost of project (i.e.) Roof Structure and items that are *not* on Bond list.

The key is to make sure that the project comes out with everything that *is* on the Bond list.

The question was asked; if this would mean that the Black Box would be taken off?

Paul answered, "No, the intent was to give you an example of what you would be looking at." That in the base bid there is a Theatre and Equipment and a Gymnasium.

Brian pointed out that when it says reduce equipment, there is \$900,000 worth of Theatrical Equipment in the bid. Paul shows eliminating \$100,000 of it, but it still has not been qualified as yet. He continued by explaining that this is to show it is feasible to do it without cutting square footage. It does not have to be accomplished this way; it was just a way of showing that it was feasible to get the \$3.5 million out, without making the building smaller. It can be done different ways and the meeting he will be having in the next two weeks is a brainstorming session from a construction perspective. Ways to change items in the building, or change materials to save money. Other items considered to be scope items, would have to be reviewed by Diane to be determined whether they can be eliminated or not.

Some discussion with the committee occurred.

Paul stated that they are going to meet with the contractors to find out as much as they can. They want to get a bid out on the streets as soon as possible. He also told the committee that he would very much like to have Doug Maher attend this meeting.

More discussion regarding material costs going up and how it will affect the next bid. A remark about the bidders and how it costs a lot of money to bid a contract, who's' going to want to bid it again?

Terry responded by noting we have rejected bids before. Ann Soldo Elementary School was bid three times before accepting one and we came out with a pretty nice school. He continued stating we have discussed rejecting the bid, now we are talking about the process of going back and re-packaging it in a manor where we can get bids that are lower.

Looking at the cost, you can't throw out the plans and re-design them again. You run into a DSA problem. The State Architects will take months if you come back with a new project. That means you can make subtle changes and tweak some things that are not on the Bond list to get the cost down so the bids can come in lower. This all has to be done soon and every day that goes by, there is a possibility that the costs will go up and we cannot afford that.

The question was asked how often the bids have been rejected and what were the results? Do we publish what we have to spend on each project?

Brian stated that PV High's cafeteria was bid twice and the High School itself and both came down about 10%. Some scope changes were made. The tennis courts were bid three times. We do publish the amount each job is so it's public knowledge. Contractors have to put up a bond and all have different bonding capacities, this way it lets them know whether they can afford to bid on the project.

More discussion regarding bids and re-bids took place. The question was asked, if it were bid in December, when would construction actually start? Answer: Probably the first of the year.

Terry stated that time is a problem, we can't waste it. People have to work together; things have to be done quickly making sure everything that is on the Bond list is in the project.

Diane Burbank stated that she has to stand by her decision she originally made. The Black Box is gone even with a \$3 million deficit.

Paul told the committee that they have their commitment to make this work as best as they possibly could. That this was not the position they ever perceived to be in, ever.

Questions asked: Is it appropriate for this committee to meet at some point in time before it goes any further? And, can our Bond Oversight Committee send people to these workshops to just listen to the process?

Terry responded to the meeting stating, "In terms of timing, some sort of conclusion has to wasn't sure whether they needed any help with materials and technical problems, but felt working with the school site would be more beneficial.

Vic Marani made a motion that we ask the Board of Trustees to reject the low bid as presented with the understanding that we go to a re-bid process as soon as possible, not to exceed December of this year and move forward as quickly as we can.

Bruce Mathias seconded the motion with all in favor.

Doug Maher and Fred Fischer were selected to go the workshop meeting.

There was a discussion on the date of the next meeting.

Next meeting will be September 12, 2005.

The time will be from 5:00 pm to 7:00 pm in the Aptos Career Center

The meeting was adjourned seconded and approved at 6:45 pm