

PIEDMONT UNIFIED SCHOOL DISTRICT

M E M O R A N D U M

TO: Board of Education

FROM: Randall Booker, Superintendent

DATE: October 27, 2021

RE: Measure H1 Bond Program Budget Update - Cover Sheet

The District is accomplishing the key objectives of its Facilities Master Plan and the Measure H1 Bond Program. Nonetheless, added and unforeseen costs contributed roughly \$6.5 million to bond program costs. A significant portion of these costs has been offset through value engineering but there is a shortfall of roughly \$2.9 million. The District is eligible to receive an estimated \$4 to \$6 million in State matching funds for the Measure H1 projects and this will cover the shortfall. The timing of receipt of this money is uncertain because it depends on the approval of a statewide school construction bond measure by State voters. To bridge this gap, the District is considering several financing options and will present these options to the Board at a future meeting.

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I. SUPPORT INFORMATION

Thanks to Piedmont voters' approval of Measure H1 in November 2016, the District has been modernizing and improving school facilities. What follows is a brief history of the Measure H1 program, an overview of the completed projects and the nearly-completed Performing Arts Center, and a program budget update.

In summary, the District is accomplishing its key objectives but added and unforeseen costs contributed roughly \$6.5 million to bond program costs. A significant portion of these costs has been offset through value engineering but there is a remaining shortfall of roughly \$2.9 million. The District is eligible to receive an estimated \$4 to \$6 million in State matching funds for the Measure H1 projects and this will cover the shortfall. The timing of receipt of this money is uncertain because it depends on the approval of a statewide school construction bond measure by State voters. To bridge this gap, the District is considering several financing options and will present these options to the Board at a future meeting.

A. History of the Measure H1 Bond Program

During 2015-16, the District assessed its facilities to determine whether they support changing educational programs and goals, and developed a plan to ensure that facilities enhance educational programs now and in the future. This "Facilities Master Plan" is intended to address current and future educational needs of students and ensure that facilities have the necessary capacity and functionality to support educational excellence. (For more information about the development and findings of the Facilities Master Plan, and the work completed to date, see measureh1.org) At the time the Plan was developed, in 2016, completing *all* work identified in the Plan was estimated to cost roughly \$137 million.

To address the most pressing needs identified in the Plan, the District proposed [Measure H1](#) to the Piedmont voters. On November 8, 2016, 74% of the voters approved the measure, authorizing \$66 million in school construction bonds. The original total bond program budget was \$67.6 million -- \$66 million in bond funds and roughly \$1.6 million in interest earnings.

B. Accomplishing Key Objectives

a. Modernization

Measure H1 funds have made it possible to complete the following:

- Construction of a new high school STEAM building, including:
 - 6 science labs
 - 4 computer science labs
 - 1 engineering lab with patio
 - 7 general classrooms
 - 2 art rooms with patios
 - New PHS main office
- Installation of high-efficiency ventilation and climate control equipment in 26 existing classrooms (in addition to the 20 STEAM classrooms).
- Relocation and upgrade of the District server room including new servers, switches, battery storage to protect against data loss that can occur in a power disruption, and underground utility connections.
- Improvements to the learning environment at the middle school, including the reduction of sound transfer in classrooms and improved climate control, and renovation of special education facilities and restrooms.
- Installation of new safety and security features at the middle and high schools.
- Refurbishment of old science labs and other spaces in the PHS 20s and 30s buildings for use as general classrooms, offices and a new counseling center.
- Conversion of two offices in the PHS 30s building into a computer classroom with 34 workstations.

The District is on track to complete the Performing Arts Center and new Alan Harvey Theater later this Fall, including:

- 487-seat auditorium (459 fixed, 28 movable seats; the original Alan Harvey Theater had 442 seats)
- Green room with dressing rooms
- Acting classroom
- Visual and Performing Arts Department office
- conference room

b. Energy Efficiency and Sustainability Goals

The District is dedicated to reducing energy consumption and promoting sustainability across all school sites. This requires the assessment of energy use, investigation of and investment in new technologies, and re-engineering existing infrastructure. Measure H1 funds have made it possible to significantly advance these initiatives. For example, Measure H1 funds made it possible for the District to retrofit 26 classrooms with state-of-the-art climate control and ventilation systems. In addition to improving the learning environment, these new systems reduce energy consumption and operating costs and eliminate the use of hazardous refrigerant chemicals, and timers and sensors ensure that heating and cooling are activated only when these rooms are in use.

C. Budget Update

The original bond program budget of \$67.6 million included *hard construction costs* for the STEAM and PAC projects as well as *soft costs* (including architectural and engineering fees, State fees, consultant fees, work “self-performed” by the District, and staff costs), money spent for other projects (see the “Accomplishing Key Objectives” list above), program costs, and contingency funds for unforeseen expenses.

a. Budget Development

The following table summarizes the original budget development for the STEAM and PAC projects, starting with the figures provided by the District’s cost estimator, Cumming, and the District’s first general contractor, XL Construction. Discouraged by XL’s high price and lack of engagement in value engineering to reduce costs, the District entered into a contract with Overaa instead.

	Cumming	XL Construction	Overaa	Projected Actual
STEAM	\$31.6 million	\$33.4 million	\$29,544,344	\$30,917,641
PAC	\$24.7 million	\$25.8 million	\$20,429,135	\$21,933,119

Throughout the subcontractor bidding process and continuing throughout planning and construction, the District and Overaa worked with subcontractors to consider alternative “means and methods” of construction to reduce costs without compromising educational programs or the student experience. Although the actual hard construction costs exceed the amount originally negotiated with Overaa, these costs remain far below both the cost estimates prepared by Cumming and the detailed pricing developed by XL Construction.

It is important to note that, as part of the effort to reduce overall cost, the District carved out as much work as possible to be performed by District maintenance staff or District-direct subcontractors. This “District-direct” has had the twin benefits of saving money and keeping the projects on the very aggressive time schedule necessary to complete buildings in time for the start of the target school year -- both the STEAM and PAC projects were completed on the original time schedule, despite the global pandemic.

For example, in the Summer of 2019, the District discovered that underground utilities (gas, domestic water, storm drain piping, sanitary sewer, fire alarm, fire/sprinkler, tel/data/communications/fiber, and electrical systems) for all high school buildings were deteriorating and needed replacement. This was a substantial expense that was not included in the bond program budget. Taking this on as District-direct work, the District (rather than Overaa) replaced these utilities. This work also involved: excavation of trenches all across the Magnolia Campus; backfill and compaction of the filled trenches to avoid settling; work with PG&E to install a new transformer; and work with the East Bay Municipal Utilities District to upsize the fire sprinkler system for the entire Magnolia Campus. This unforeseen work added both time and expense to the projects, but the District was able to contain the added costs and avoid delays by doing this work directly.

b. Added and Unforeseen Costs

The added and unforeseen costs that pushed the projected program budget from \$67.6 million to \$70.3 million include:

- Changes mandated by California's Division of State Architect (DSA) that added significant quantities of structural steel and concrete, and required overtime labor to ensure STEAM completion for the start of the 2020-21 school year.
- Discovery and replacement of deteriorating underground utilities for all existing high school buildings (as discussed above), and discovery and repair of a dangerous underground void beneath the PHS breezeway.
- Pandemic-related costs including a full-time health and safety officer at the STEAM and PAC construction sites, and additional shifts. The additional shifts made it possible to reduce the number of workers per shift and increase physical distance workers .
- Relocation and upgrade of the District server room including new servers, switches, battery storage to protect against data loss that can occur in a power disruption, and underground utility connections.
- Necessary shoring for the PAC foundation and a new concrete driveway not shown on the original plans.
- Costs to respecify and procure theatrical lighting fixtures and controls because equipment specified on the original plans were discontinued due to COVID-19.

These added and unforeseen costs contributed roughly \$6.5 million to bond program costs.

The District worked with Overaa and its subcontractors to offset more than half of these costs without compromising the life cycle of the buildings or educational programs. Also, in consultation with the Facilities Steering Committee, the District deferred certain features including: solar panels; furnishings, fixtures, and equipment for the black box theater; and other items that can be added later when additional funding becomes available. Through these measures, the District offset a significant portion of these added costs, but there is still a shortfall of up to \$2.9 million.

D. State Matching Funds & Temporary Financing

The District is eligible to receive an estimated \$4 to \$6 million in State matching funds for the Measure H1 projects. This funding will cover the shortfall, but the timing of receipt is uncertain because it depends on the approval of a statewide school construction bond measure. To bridge this gap, the District is considering several financing options and will present these options to the Board at a future meeting. The options include a no-interest loan of up to \$1.8 million from the Piedmont Education Foundation, and financing from Overaa for the full amount of anticipated State funds for a term of up to three years. The District will present the financing options to the Board at a future meeting.

II. RECOMMENDATION: Review

Review the budget update.