

**CAPITAL CONSTRUCTION GOALS AND ACCOUNTABILITY COMMITTEE**  
**March 16, 2016**  
**SCHOOL BOARD ADMINISTRATION BUILDING**

**Committee Members in Attendance:**

Mr. Steve Elswick	Mr. Allan Carmody
Ms. Leslie Haley	Mr. John Hilliard
Ms. Carrie Coyner	Mr. Randy Holmes
Ms. Dianne Smith (for Mr. Thompson)	Ms. Barbara Mait
Dr. Edgar Wallin	Ms. Nita Mensia-Joseph
	Mr. Andy Scherzer
	Mr. Chris Sorensen

**Others in Attendance:**

Dr. Marcus Newsome  
Mr. James Stegmaier

Ms. Coyner called the meeting to order at 12:34 p.m.

**A. OPENING REMARKS**

Ms. Smith noted she was attending for Mr. Thompson, who is out of town.

**B. APPROVAL OF AGENDA**

On motion of Mr. Carmody, seconded by Ms. Haley, the agenda was approved.

**C. APPROVAL OF COMMITTEE MEETING MINUTES/ACTION ITEMS**

Ms. Joseph stated she thinks a correction needs to be made on page 2 of the minutes because her notes indicated the school projects would be listed on the website in alphabetical order, rather than in the order in which they are scheduled.

Ms. Blakley stated she would listen to the recording and confirm that information.

It was generally agreed that approval of the minutes would be deferred to the April 20 meeting.

**D. BUSINESS ITEMS**

**1. MATOACA ELEMENTARY SCHOOL – REPORT ON PROJECT PROGRAM/STRATEGY GOING FORWARD**

Ms. Joseph stated this topic is included in the CIP discussion.

## **2. PROJECT UPDATES**

### **i. MANCHESTER, BEULAH, ENON, MONACAN**

Ms. Joseph provided a School CIP Update. She stated the Providence Middle School Renovation is out to bid; the bids should close at the end of March; and the selection of the contractor will be brought forward to the committee at its April meeting, provided the School Board votes on it at its first meeting in April.

In response to Mr. Elswick's question, Ms. Joseph stated the school division is very satisfied with Purchasing's efforts towards taking over the procurement for school construction, and the collaboration is going very well. She noted that many more contractors turned out at the pre-bid meeting yesterday than the school division has experienced in the past, so it has been a very positive working relationship.

Ms. Joseph stated there has been no change in the Manchester Middle School renovation schedule, and the committee should know no later than August who the contract was awarded to. She further stated both the Beulah and Enon Elementary site selections will be discussed in closed session. She stated staff reviewed with the School Board the 2015 study related to Matoaca Elementary School, which indicated that a new school is needed and also that the current site was inadequate. She further stated the committee will also be updated in closed session on the site selection activity for a new Matoaca Elementary School.

In response to Mr. Carmody's question related to what makes the current school sites inadequate, Ms. Joseph stated it is the acreage, noting that a minimum of 20 acres is the school division's standard for an elementary school, and the prototype calls for a one-story building. She further stated the current Matoaca site is only 7 acres, and Enon is 11 acres.

Mr. Elswick inquired whether a two-story building would be out of the question since it is the community's desire for Enon Elementary to remain at its current site.

Ms. Joseph stated there is still not enough acreage on the current site for a two-story building.

Mr. Scherzer noted that a lot of elementary schools have far less than 20 acres. He referenced Bon Air Elementary, which is located on a small site, but was added onto several years ago and is still a very successful elementary school. He inquired whether there were abilities to grant exceptions to the minimum standard if the community was willing to accept it.

Ms. Joseph stated that would be a School Board decision, but a major consideration is what to do with the students while constructing a new school on a current site since they would have to be moved and there is no spare school building for the students to be housed while construction is taking place.

Dr. Wallin stated the orientation of building design, bus traffic and parking also impact the amount of acreage needed.

Ms. Joseph stated there is currently no change in the schedule for the new Midlothian Elementary School. She further stated the School Board will receive a recommendation in

closed session next week regarding the site selection, and the committee will be updated at its April meeting. She noted that the Planning Department has exceeded the school division's expectations in suggesting possible sites for this school.

## **ii. REMAINING PROJECT SCHEDULES**

Ms. Joseph stated there are no changes in the remaining CIP project schedules.

## **E. SCHOOL BUILDING PROTOTYPE STRATEGY**

Ms. Joseph stated three options were presented to the School Board for use in identifying a school building prototype strategy: 1) traditional A&E RFP for original prototype design; 2) traditional A&E RFP with 2 tracks, including the original prototype design, and the architect provides design from the A&E's previous construction portfolio for customization and site adapt in Chesterfield; and 3) PPEA – Public Private Education Facilities and Infrastructure Act. She provided a history of the School Board's involvement with PPEA. She stated in 2003, Dr. Cannaday recommended that the School Board adopt a procedure for PPEA; however, staff was unable to find any action taken by the School Board that adopted a public-private partnership procedure for the schools. She further stated in May 2003, the Schools received an unsolicited proposal to renovate Clover Hill High School and to construct two new high schools, and in June 2003, the Board of Supervisors adopted a resolution accepting for consideration an unsolicited proposal by the School Board and recommended that the School Board accept the proposal. She stated apparently that proposal was accepted and in November 2004, an action of the School Board requested an audit of the PPEA project and also directed the Superintendent to reject any future proposals for public-private partnerships until the School Board took such action to change that. She further stated there has been no other activity on PPEA with the School Board since that action in 2004.

Mr. Scherzer stated he was involved in one of the alternate proposals back in 2003 or 2004 and kept a file on it. He further stated according to his file, the School Board adopted a PPEA proposal on April 22, 2003, and all bids were appropriately done through the School Board. He stated he does not think staff should dismiss the opportunity for the competition that the PPEA would bring.

Ms. Joseph stated the school division's legal department was never able to find the PPEA adoption. She requested a copy of Mr. Scherzer's information. She distributed an analysis of what would be required for Schools to evaluate PPEA proposals for both the conceptual phase and the detailed phase. She stated there are pros and cons for and against PPEA, and noted that Norfolk is not satisfied with the three or four schools that they are building through the PPEA because of the quality of the work. She further stated the research she has seen indicates that if your contracts are not ironclad and you know what you are getting and have addressed certain issues at the very beginning, which is a critical part of the detailed phase, you will not have a very healthy or positive PPEA relationship. She discussed the pros and cons for each of the three options that were identified based on input from staff and research. She stated the School Board brought up two key points when determining which option to move forward with: 1) with the PPEA proposal, quite a few very good companies would be knocked out and we would not get the competition needed, and as a result because of fewer companies being able to manage that debt capacity, we may not get the better pricing; and 2) there is a higher risk when going with the PPEA proposal for all four schools that in the event the relationship does not work out, all four

schools would be impacted as opposed to just one school being impacted. She further stated the School Board decided on Option #2, to take both tracks, and hopes to be able to identify plans from an A&E firm's construction portfolio and get those ready to go to bid within three to four months for each school, have the citizen engagement, as well as the competition within the community with multiple contractors, not just a limited few mega contractors, and get the better pricing. She stated staff understands that the PPEA is a good process, provided you do the work in the detail phase, but with four schools, it is very important to mitigate the risk of having any problems that would impact all four schools as opposed to just one school with one contractor.

Mr. Scherzer inquired why all four schools would have to be done using the same option, as opposed to two using one option and two using another option. He stated it is not just about the schools, but every future county project. He further stated the PPEA is used across the Commonwealth, and 200 projects have been done, noting that Fredericksburg has done about eight projects through PPEA and loved the process. In terms of competition, he stated if you break the projects up, bonding would not be an issue. He further stated the PPEA worked with the Cosby High School project, which was delivered on time. He stated it is his understanding that there were some other issues in terms of procedures, and that was the reason for the discussion of changing the procedures from the initial development of Cosby. He further stated he thinks there are some good opportunities to do the public good by having increased competition and not doing it the same way we have always done. In regards to citizen participation, he stated the benefit of using the PPEA is that there is a whole team that is advocating for their package and would be able to put forth the effort to have as much, if not more, citizen participation in the process. He further stated he is certain that a firm could be hired to manage the PPEA process, as well as the traditional RFP process. He stated he does not think the options were 100 percent discussed out, noting that he believes the PPEA process is viable. He noted that the existing consultant that is working on our projects is one that won the PPEA project for Cosby. He stated he hates to throw out the PPEA option because, in his opinion, it does have merit.

Ms. Mait inquired whether we had staffing in-house to update the procedures in a timely fashion if we were to select the PPEA option. She expressed concerns that updating policies and procedures could create delays.

Ms. Joseph stated if we had to implement a PPEA program, it would take about a year to update the policies and procedures, and then look at the RFP and draft the scope of work. She further stated, with PPEA proposals, architects come in and show you the "lipstick," but not the "meat and bones" of the proposal. She stated, with the A&E RFP, staff would have to go through any plan with an A&E firm with all of the design specifications in the detail phase, and that would be a part of the contract, not just the "lipstick" and how it is going to look. She noted that is what is difference between the traditional A&E RFP and the PPEA. She stated, in addition, the PPEA proposal would not include land because the company presenting it may have ulterior motives in terms of land, which could involve hidden costs associated with the project that no one knows about. She further stated the PPEA would take a lot longer than the two-track method, indicating that with the two-track method, we should have proposals out on the street at the end of April and designs ready to go out for bid by February.

In response to Ms. Mait's question, Ms. Joseph stated the projects would be bid two at a time and may be staggered up to six months, based on the capacity of the design firm. She further stated the other thing being looked at is outsourcing the construction management of the four schools

so that once they are completed, that manpower will go away and our current manpower will actually manage all of the renovations. She stated the draft RFP is ready to go and the RFP committee is meeting next week to identify the criteria for selecting the construction management team. She further stated, with the PPEA option, we would be on a different time schedule.

Mr. Elswick inquired if we went with Option 2 for the four schools, how would that impact the timeline for the next phase of projects and would there be time to evaluate PPEA to see if it would work on future projects.

Mr. Joseph stated, if we stay on schedule with the bond referendum requirements for the four schools, there would be time to look at the PPEA, update the procedures and put something in place, so that we could begin to accept unsolicited or solicited proposals after completion of the four schools.

In response to Dr. Wallin's question related to savings or overrun with the PPEA versus the traditional A&E RFP, Ms. Joseph stated in the detailed phase, you need to identify contractually who is going to handle the change orders, who is paying for them, what constitutes a change order that the contractor will pay for versus the owner, and that is the reason in the detailed phase you should have your construction document as a part of the contract from the foundation all the way up so that any changes and the responsibility for them are clearly identified. She further stated people who had cost overruns did not take the time in the detailed phase to do the necessary contractual work.

Dr. Wallin inquired about possible savings associated with the PPEA option.

Mr. Holmes noted that he did the Fredericksburg Courthouse under the PPEA. He stated the PPEA process may not result in a dramatic savings compared to a design-bid-build process, but it does result in less change orders and better control of cost, so you know going in how much you are going to spend. He further stated he does not think PPEA was necessarily created to try to reduce costs, but to get private development to partner with the public in certain project types and provide a better control of costs. He noted that the Fredericksburg Courthouse project resulted in a minor savings.

Dr. Wallin expressed concerns that change orders can be a major issue and will continue to be if we do not do exactly what Ms. Joseph has indicated about deciding up front and sticking with the plan. He stated he cannot overemphasize that this needs to be communicated to both the community and School Administration.

Mr. Holmes stated the PPEA process is designed to reduce that kind of change order effect. He further stated it is becoming more of a procurement method and a popular way for public money to get the process done, and we need to get the process in place for dealing with PPEA proposals.

Mr. Carmody stated the business of construction is complicated no matter what method is used. He further stated he would like to understand three things: 1) quality of the product; 2) cost of the project; and 3) the time schedule it will be delivered on. He stated when he hears conversations about change orders and change order rates with PPEA, that may be low because the pricing up front already allowed enough contingencies in the overhead and risk built in to the original number with a guaranteed maximum price structure that you don't see any change

orders, but you pay for them on the front end. He further stated he does think the PPEA is something we should look at, but he would not put all four of the new schools into it all at once. He stated he thinks there are some other benefits in large school procurements, noting that the demand for labor pool amongst the trades is going to be there and will affect pricing, and we might be able to come out ahead with a single contractor leveraging all of the purchases for brick, steel, etc. He further stated if you look at cost, quality and time and determine which one of the three options provides the most advantageous delivery method, that is how we should be making our decision, and he is not sure he heard enough discussion yet to say that option 2 is the best solution. He stated he does not think the change order rate for school construction projects has been that high, noting that most of them were owner initiated and not related to errors or omissions in documents.

Mr. Holmes stated he likes option 2, but other methods are worthy of being looked at. He further stated construction management does help to bring certain pre-construction services into the process. He stated he thinks there will come a time when staff will need to look at how to procure construction services, including PPEA, and to determine what is more important, being on schedule or maintaining a level of quality, noting that we need to maintain a balance, but something has to take precedent.

After further discussion related to the PPEA option, Ms. Joseph stated with Option 2, staff can identify the design prototype, go through that process, and then come back to the committee with construction options going forward.

Mr. Elswick inquired whether there is a consensus among the committee to move forward with the four new schools under Option 2, and look at incorporating PPEA in the future.

Mr. Carmody inquired whether that means all of the four projects would follow the traditional design-bid-build method.

Ms. Joseph stated once we have a prototype, it is just a matter of how to get it into construction. She further stated staff will come back to the School Board and the committee to discuss all of the construction options. She further stated based on the School Board's discussions, they want to minimize our risk by not having one contractor for all four schools. She further stated staff will discuss with the School Board on approaching how to bid the four schools. Ms. Joseph stated Option 2 was the School Board's consensus, and staff will move forward with Option 2 and will also discuss with the School Board whether they want staff to go forward with a PPEA program to put those procedures in place, based on the committee's recommendation, and from there, she will talk with the School Board to determine how they wish her to proceed with the construction model - evaluate different construction options, or go with the traditional bid option for each school.

## **F. SUMMARY REPORT ON SCHOOL CASH PROFFER REVENUES**

Ms. Megan Coates reviewed a handout of data related to School cash proffers – sources and planned uses for FY17-FY21. She stated the chart shows cash proffer uses for only referendum projects. She further stated it is too early to know the impact of the recent General Assembly legislation as far as cash proffer collections for the county. She stated the highlighted portions of the chart include projections that have been throttled back to err on the side of caution for now. She further stated of the projects planned now, Schools has \$4 million in cash proffers

programmed for projects for FY17, and of that total there is \$3.2 million on hand to go towards those specific projects. She stated \$790,000 of what is being planned for use in FY17 is a forecast of revenue projected for Enon Elementary. She further stated \$6 million in cash proffers is programmed for projects in FY18, and of that total there is \$3.8 million on hand for specific projects. She stated \$2.1 million is projected for use in FY18, with \$1 million for Enon and \$1.1 million for Midlothian. She further stated of the \$15 million cash proffers total in referendum, we have all of that on hand already except for \$3 million, and when we collect on average \$3 million annually, it is not unlikely that we will have all of this on hand by the end of FY17 or early FY18. She stated the impact of the General Assembly legislation should not affect this plan in any way. She further stated staff looks at these numbers daily and is pretty confident that this is a feasible funding plan related to cash proffers.

In response to Mr. Elswick's question, Ms. Coates stated if the Board of Supervisors were to decide to completely eliminate cash proffers, there would still be a number of cases currently zoned and it is unlikely that the decision would impact this particular plan.

Mr. Carmody stated without knowing what changes the Board of Supervisors might make in its cash proffer process, staff cannot account for that.

In response to Mr. Holmes' question relative to the degree of assurance that \$2.1 million will be collected in FY18, Mr. Carmody stated he is extremely confident in the ability to do that, noting that during the lowest cash proffer revenue stream in the depths of the recession, the county was still collecting \$7 million annually, with half of that for schools, with 600 building permits issued.

In response to Mr. Elswick's question related to the budgets for these projects if the Board decides to change its cash proffer policy, Mr. Carmody stated, worst case scenario, if there were no cash proffer revenues and the Board of Supervisors did a blanket rezoning and said there would be no cash proffer payments for cases approved in the past, staff would be looking for \$2.9 million for FY17 and FY18 to fill the gap.

#### **G. NEXT MEETING AGENDA TOPICS**

The committee members were provided a draft agenda for the April 20 meeting, and Mr. Elswick inquired whether there were any additional topics committee members wanted to discuss.

In response to Mr. Holmes' question, Ms. Joseph stated staff would probably be ready to discuss the construction procurement process in August or September, while the A&E is working on the prototype.

#### **H. CLOSED SESSION**

Ms. Coyner stated the committee will now be moving into closed session.

On motion of Mr. Hilliard, seconded by Dr. Wallin, the committee unanimously voted to go into closed session in accordance with Section 2.2-3711(A) of the Code of Virginia, the Virginia Freedom of Information Act, and specifically under subsection 3, for discussion or consideration of acquisition of real property for a public purpose where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the public body.

Reconvening:

On motion of Ms. Smith, seconded by Ms. Mait, the committee reconvened into open session.

On motion of Ms, Smith, seconded by Mr. Hilliard, the following resolution was adopted by the committee:

Now, therefore, be it resolved that the Capital Construction Goals and Accountability Committee hereby certifies that, to the best of each member's knowledge (i) only public business matters lawfully exempted from opening meeting requirements by Virginia law were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed, or considered by the committee.

Mr. Elswick:	Yes.
Ms. Haley:	Yes.
Ms. Coyner:	Yes.
Mr. Thompson:	Yes.
Dr. Wallin:	Yes.
Mr. Carmody:	Yes.
Mr. Hilliard:	Yes.
Mr, Holmes:	Yes.
Ms. Mait:	Yes.
Mr. Scherzer:	Yes.
Mr. Sorensen:	Yes.
Ms. Joseph:	Yes.

## **I. ADJOURNMENT**

It was generally agreed that the committee adjourn at 2:02 p.m. until April 20, 2016, at 12:30 p.m.