

Gresham-Barlow



School District

BOARD OF EDUCATION

Local Contract Review Board
Public Hearing

AGENDA

January 5, 2017

Board of Education —
LOCAL CONTRACT REVIEW BOARD

January 5, 2017
PUBLIC HEARING – 6:45 p.m.

Public Safety and Schools Building
1331 NW Eastman Parkway, Gresham, OR

I. CALL TO ORDER AND PLEDGE OF ALLEGIANCE

II. ROLL CALL

_____	Carla Piluso, Chair	_____	Kathy Ruthruff, Director
_____	Kris Howatt, Vice-Chair	_____	Kent Zook, Director
_____	Sharon Garner, Director		
_____	John Hartsock, Director	_____	Jim Schlachter, Superintendent
_____	Matt O'Connell, Director	_____	Mike Schofield, Chief Financial Officer

III. PUBLIC HEARING

1. Review Findings of Fact for use of Construction Management/General Contractor (CM/GC) Procurement Process as Allowed Under Oregon Statutes
2. Review Findings of Fact for use of Design-Build Procurement Process as Allowed Under Oregon Statutes

IV. ADJOURN LOCAL CONTRACT REVIEW BOARD PUBLIC HEARING

Note: A regularly-scheduled board business meeting will follow at 7 p.m.

**GRESHAM-BARLOW SCHOOL DISTRICT
LOCAL CONTRACT REVIEW BOARD HEARING
January 5, 2017**

**REVIEW FINDINGS OF FACT FOR USE OF A
CONSTRUCTION MANAGEMENT/GENERAL CONTRACTOR (CM/GC)
FOR CONSTRUCTION OF THE ADDITION, RENOVATION/SITWORK OF
GRESHAM HIGH SCHOOL AND SAM BARLOW HIGH SCHOOL; AND
BUILDING REPLACEMENT SCHOOLS, DEMOLITION AND SITE
IMPROVEMENTS AT NORTH GRESHAM ELEMENTARY SCHOOL AND
EAST GRESHAM ELEMENTARY SCHOOL.**

SITUATION

The pre-design work on the projects is proceeding. At this time, the management team working on the projects has evaluated a method to construct the Projects utilizing a Construction Management/General Contractor (CM/GC) process.

Historically, public construction projects are competitively bid and awarded to the responsible low bidder. During recent project coordination meetings, the CM/GC contracting method has been discussed. This process involves the selection of a CM/GC firm during the design phase to acquire a contractor's expertise with the project. The CM/GC method has been successfully implemented by the following public agencies:

- Gresham-Barlow School District
- Salem-Keizer School District
- Philomath School District
- Scappoose School District
- Hillsboro School District
- Forest Grove School District
- Multnomah County
- Oregon Health Sciences University
- Parkrose School District
- Pendleton School District
- Port of Portland
- Portland Development Commission
- The State Department of Administrative Services
- The State Department of Corrections
- Washington County

ORS 279C.335 permits the Local Contract Review Board, which for Gresham-Barlow School District is the Board of Directors, to exempt specific projects from the requirements of ORS 279C. In doing so, the statute specifically says that the Local Contract Review Board shall: "where appropriate, direct the use of alternative contracting and purchasing practices that take account of market realities and modern or innovative contracting and purchasing methods, which are also consistent with the public policy of encouraging competition."

Oregon law and duly adopted resolution of the Gresham-Barlow School District permits the Gresham-Barlow School District Board of Directors, acting as the Local Contract Review Board, to consider and approve specific findings that lead to the exemption of certain contracts from traditional competitive public bidding. Selection of the CM/GC firms for these projects will utilize a Request for Proposal. The Request for Proposal will identify specific criteria to be utilized for the selection. Proposals from the CM/GC firms will include a competitive bid for their fee and the known general conditions, general requirements, bond and insurance costs for the project. The CM/GC will provide the Gresham-Barlow School District with a preliminary Guaranteed Maximum Price (GMP) and a full performance/payment bond for the work following detailed review of the Construction Documents.

ORS 279C.335(4) requires the Gresham-Barlow School District to hold a public hearing of the Local Contract Review Board to allow comments on the Gresham Barlow School District draft findings. Notice of this public hearing must be advertised in at least one trade newspaper of general statewide circulation not less than 14 days prior to the hearing.

Notice of public hearing was advertised in the Daily Journal of Commerce on December 21, 2016.

FINDINGS OF FACT

1. Project Description

The Gresham-Barlow School District is currently in the pre-design phase for the construction of the Projects. The Projects will require tight schedule adherence to resolve issues that could impact timely completion. The time required to complete the design, obtain bids from qualified subcontractors and order the equipment and materials required will compress the time available for construction. The management team, which will include district staff, architect and project management, believe the bidding and construction should be the responsibility of the CM/GC firm or firms.

- **Sam Barlow High School** – Major renovation of the existing school, including additions, renovations, safety and security upgrades, HVAC upgrades, roof repair, structural repair, energy efficiency upgrades, site improvements, athletic facilities, required off-site improvements and improving the overall learning environments.
- **Gresham High School** – Major renovation of the existing school, including additions, renovations, safety and security upgrades, HVAC upgrades, roof repair, structural repair, energy efficiency upgrades, site improvements, athletic facilities, required off-site improvements and improving the overall learning environments.
- **North Gresham Elementary School** – Replacement and demolition of the existing elementary, on-site public improvements and required off-site improvements.
- **East Gresham Elementary School** – Replacement and demolition of the existing elementary school, on-site public improvements and required off-site improvements.

2. Responsibilities of the CM/GC Firm or Firms

a) Design Phase

The CM/GC firm or firms will provide assistance for construction scheduling, competitive bid packaging, cost estimating, and the review of design documents from the standpoint of value, long lead procurements, design feasibility, constructability and establishing a negotiated preliminary Guaranteed Maximum Price for the work prior to completion of the construction documents.

b) Bid Process

The CM/GC firm or firms will coordinate the competitive bid process and material procurement process for all work with full oversight and participation by Gresham-Barlow School District. The CM/GC firm or firms will provide a written recommendation to Gresham Barlow School District for each subcontract. Upon approval from Gresham-Barlow School District the CM/GC firms will execute a contract with each approved subcontractor and/or supplier.

c) Construction Phase

The CM/GC firm or firms will be responsible for the construction of the Project, including scheduling of materials procurement, delivery and all work completed by subcontractors. The CM/GC firms are responsible to complete the project on schedule, within budget and at, or above, the quality defined in the specifications prepared by the architect.

3. Rationale to Utilize CM/GC Method

a) Competition

It is unlikely that such exemption will encourage favoritism in the awarding of public contracts or substantially diminish competition for public contracts as the CM/GC firms will be selected through an open, competitive process among qualified contractors. Gresham-Barlow School District will receive written proposals from contractors with the experience and staff required to complete the project. The process will utilize a Request for Proposal that will be publicly advertised and Gresham-Barlow School District may interview the firms before recommending a firm to the Board.

b) Multiple Construction Packages

The construction will be completed in phases and may require early bid or procurement packages. Completing the project in phases should result in cost savings.

c) Procurement of Long Lead Items

The CM/GC method will allow the early procurement of long lead material/equipment. Examples include mechanical equipment, electrical equipment, windows and doors. Early procurement should result in cost savings.

d) Schedule Complexity

The Projects will face tight construction schedules to achieve timely occupancy. By phasing the completion of construction documents, bidding, award and construction, the schedule efficiency required can be achieved. The CM/GC process allows the phasing that will be required.

e) Change Order Cost Control

Change orders cost should be controlled in two ways:

1. By utilizing a contractor to provide cost analysis, construction feasibility reviews and long lead procurement, the final number of change orders should be reduced. Reduction of change orders should result in cost savings.
2. By proposing a fixed fee for overhead and profit, the CM/GC firm's fixed fee is added to the actual cost of the change. It is expected this will be less than the standard fee added to change orders on projects awarded to a bondable, low bidder. Reduction of overhead and profit on changes should result in cost savings.

f) Acceleration

Utilizing the CM/GC approach will reduce the risk of acceleration expense to complete the Projects on time. Reduction or elimination of the cost to accelerate construction to complete the Projects on time should result in cost savings.

g) Improved Cost Management

The financial track record of CM/GC projects with a "Guaranteed Maximum Price" is impressive. The Hillsboro School District, Salem-Keizer School District, McMinnville School District and Forest Grove School District have used the CM/GC method to complete many construction projects with significant success considering timeliness of project completion, cost savings and adherence to budget limitations. Recent examples are Lincoln Elementary School, Witch Hazel Elementary School, Free Orchards Elementary School, Evergreen Middle School, Joseph Gale Elementary School, Scappoose High School, Forest Grove High School, McMinnville High School, Walker Middle School, Richmond Elementary School and Whiteaker Middle School. These projects were all completed on time and under budget. The project team working on the projects successfully balanced the construction budget during the design and construction phases utilizing the same CM/GC process proposed for these projects.

h) Subcontractor Bidding and Selection

The CM/GC firm or firms will have adequate time to prepare bid packages as well as review and analyze bids received from subcontractors. The work subcontracted will be awarded to the lowest responsive bidder. This bid process will not result in favoritism. Utilizing qualified subcontractors should result in better quality and cost savings.

i) Market Conditions

Many general contractors and subcontractors are being impacted the quantity of work to be bid in the next three years. Currently the cost of materials and labor is adjusting to the market. Ordering materials and equipment may take longer now as manufacturers and distributors are not keeping large amounts of inventory in stock. The CM/GC firm or firms will order materials and equipment in a timely manner from manufactures and distributors that can deliver the material and equipment on-time to avoid delays caused by late shipments.

j) Awareness and involvement by local contractors and suppliers

The CM/GC firms selected will be required to identify local contractors and suppliers prior to starting the Bid Process. The project management team and CM/GC firms will schedule meetings with local contractors and suppliers to review the scope of work and bid dates. This process allows for local contractor and supplier participation in the projects.

k) Qualified Management

The project management team working on these projects is well equipped to manage the complexities of a CM/GC construction process, with experienced and qualified district staff and external project managers with successful CM/GC experience.

4. Operational, Budget and Financial Data:

The projects will result in efficient mechanical and electrical systems thus minimizing operational costs. Generally the method of construction will have little effect on the operational budget. However, the CM/GC process may further reduce life cycle cost through the use of life cycle analysis to assist in the selection of systems, finishes and equipment.

5. Public Benefits:

The primary public benefit is more expeditious completion of the project. The CM/GC process provides for better collaboration to ensure the Projects will be completed on time, on budget and at, or above, the quality described in the construction documents. It provides better opportunities for reducing construction time by fast tracking construction where beneficial.

6. Value Engineering:

Because the contractor is working with the design team during the design phase, the contractor will assist the project team to identify and implement possible cost savings. The value engineering process allows the project team to evaluate quality materials and life cycle costs, thereby helping to reduce operating costs.

7. Specialized Expertise Required:

Completing a complicated project on time, on budget and at, or above, the quality expected requires the CM/GC firms to dedicate a qualified team with the experience and expertise to work with Gresham-Barlow School District, the architect and the project manager. With such experience, mistakes are likely fewer and disruptions are likely to be minimized. The request for proposals process used to select the CM/GC will enable Gresham-Barlow School District to select the best contractors for the Projects.

8. Public Safety:

The CM/GC firms will prepare a construction safety plan for the project. The construction safety plan will help ensure the projects are built safely and will help minimize risk to the neighborhoods and the projects.

9. Technical Complexity:

Completing a fast track construction project on an occupied site is complex. The CM/GC process will address technical complexity and should save time and reduce the final cost.

10. Funding Sources:

The projects will be paid for as part of 2016 Capital Improvement Bond and other funds. The bond measure will also fund other construction projects. Establishment of a preliminary and final Guaranteed Maximum Price will better enable Gresham-Barlow School District manage resources available to complete all the projects.

The CM/GC process will provide Gresham Barlow School District with the following advantages:

- Cost savings, as described above.
- Reduction of schedule risk typically associated with complex construction projects.
- Opportunity to select a qualified CM/GC firm or firms versus award project to any bondable low bidder.
- Accurate cost data for project decisions.
- Greatest assurance of project timely completion.
- Higher confidence in obtaining quality construction.

RECOMMENDATION

The Superintendent recommends the Board of Directors, acting in the capacity of the Local Contract Review Board, review and approve the Findings of Fact supporting a specific exemption from competitive bidding requirements for use of the Construction Management/General Contractor process for the projects at Sam Barlow High School, Gresham High School, North Gresham Elementary School, and East Gresham Elementary School.

Board action will occur during the regular board business meeting.

Gresham-Barlow School District - 01.05.17

**GRESHAM-BARLOW SCHOOL DISTRICT
LOCAL CONTRACT REVIEW BOARD HEARING**

January 5, 2017

**REVIEW FINDINGS OF FACT FOR USE OF DESIGN-BUILD FOR
CONSTRUCTION, REPAIR AND RENOVATION PROJECTS INCLUDING
STRUCTURAL UPGRADES, HVAC UPGRADES, SAFETY AND SECURITY
UPGRADES, BUILDING SYSTEM IMPROVEMENTS AND OTHER
RENOVATIONS AT ALL GRESHAM-BARLOW SCHOOL DISTRICT
BUILDINGS AND SITES.**

SITUATION

The pre-design work on the projects is proceeding. At this time, the management team working on the projects has evaluated a method to construct the Projects utilizing the Design-Build process.

Historically, public construction projects are competitively bid and awarded to the responsible low bidder. During recent project coordination meetings, the Design-Build contracting method has been discussed. This process involves the selection of a Design-Build firm or firms during the pre-design phase to involve a contractor's expertise to purchase/coordinate the design phase and hire contractors required to complete the construction phase of the projects. The Design-Build method has been successfully implemented by the following public agencies:

- Beaverton School District
- Salem-Keizer School District
- Hillsboro School District
- Marcola School District
- Multnomah County
- Oregon Health Sciences University
- Port of Portland
- Portland Development Commission
- The Oregon State Department of Administrative Services

ORS 279C.335 permits the Local Contract Review Board, which for Gresham-Barlow School District is the Board of Directors, to exempt specific projects from the requirements of ORS 279C. In doing so, the statute specifically says that the Local Contract Review Board shall: "where appropriate, direct the use of alternative contracting and purchasing practices that take account of market realities and modern or innovative contracting and purchasing methods, which are also consistent with the public policy of encouraging competition."

Oregon law and duly adopted resolution of the Gresham-Barlow School District permits the Gresham-Barlow School District Board of Directors, acting as the Local Contract Review Board, to consider and approve specific findings that lead to the exemption of certain contracts/projects from traditional competitive public bidding. Selection of the

Design-Build firms for these projects will utilize a Request for Proposal. The Request for Proposal will identify specific criteria to be utilized for the selection. ORS 279C.335(4) requires Gresham-Barlow School District to hold a public hearing of the Local Contract Review Board to allow comments on the Gresham-Barlow School District draft findings. Notice of this public hearing must be advertised in at least one trade newspaper of general statewide circulation not less than 14 days prior to the hearing.

Notice of public hearing was advertised in the Daily Journal of Commerce on December 21, 2016.

FINDINGS OF FACT

1. Project Description

The Gresham-Barlow School District is currently in the pre-design phase for the construction of the Projects. The Projects will require tight schedule adherence to resolve issues that could impact timely completion. The time required to complete the design, obtain bids from qualified subcontractors, and order the equipment/materials required will compress the time available for construction. The management team, which includes district staff and project management, believe the design / bidding and construction should be the responsibility of the Design-Build firm or firms.

Scope of work considerations for use of Design-Build may include additions, renovations, safety and security upgrades, electrical systems, HVAC upgrades, roof repair, structural repair, energy efficiency upgrades, site improvements, athletic facilities, required off-site improvements and improvements of the overall learning environments for the following Gresham Barlow School Sites and other buildings / sites owned by Gresham-Barlow School District:

- Deep Creek Campus
- DCD K-8 School Campus
- East Gresham Elementary School
- East Orient Elementary School
- Hall Elementary School
- Highland Elementary School
- Hogan Cedars Elementary School
- Hollydale Elementary School
- Kelly Creek Elementary School
- North Gresham Elementary School
- Powell Valley Elementary School
- West Gresham Elementary School
- Clear Creek Middle School
- Dexter McCarty Middle School
- Gordon Russell Middle School
- West Orient Middle School
- Springwater Trail School
- Gresham High School
- Sam Barlow High School
- GBSD Facilities Building

2. Responsibilities of the Design-Build Firm or Firms

a) Design Phase

The Design-Build firm or firms will provide the design and construction documents required to obtain permits and competitive bids, development of construction schedules, bid packaging, cost estimating, and the review of design documents from the standpoint of value, long lead procurements, design feasibility, constructability and establishing a negotiated cost or bid for the work prior to the start of the construction phase.

b) Bid Process

The Design-Build firm or firms will coordinate the competitive bid process and material procurement process for all work with full oversight and participation by Gresham-Barlow School District. The Design-Build firms will provide a written recommendation to Gresham-Barlow School District for each subcontract. Upon approval from Gresham-Barlow School District the Design-Build firms will execute a contract with the approved subcontractor or subcontractors.

c) Construction Phase

The Design-Build firm or firms will be responsible for the construction of the Project, including scheduling of materials procurement, delivery and all the work completed by their employees and by subcontractors. The Design-Build firms are responsible to complete the project on schedule, within budget and at, or above, the quality defined in the specifications prepared by the District.

3. Potential Benefits of Design-Build Process

a) Reduced Design Effort and Cost for Owner

Instead of retaining an architect or engineer to prepare 100% complete plans and specifications, the District prepares performance-type specifications establishing the scope of the project including information that adequately describes the District's needs.

b) Innovative Solutions to Construction Challenges

Construction documents suitable for competitive bidding under Design-Bid-Build need to address all construction issues in detail. This method and results may not always be the most advantageous to the District. Using the Design-Build process, in the course of completing the construction documents, the Design-Build firm may arrive at a better solution. This flexibility also means the District must define its expectations clearly and monitor the design development closely to ensure that it meets the project requirements.

c) Improve Project Delivery Schedule

The initial design phase may be reduced because the District does not prepare construction documents required for Design-Bid-Build projects. Using the Design-Build process, the Design-Build firm may be able to complete the design more quickly. Subject to permitting procedures, a Design-Build firm may be able to begin construction before final plans for entire project are complete. For example grading, site work, foundations and work that does not require a permit can be underway before design for interior finishes, mechanical systems, and special systems is finalized.

d) Define Cost Early in the Process

The price of a fully designed project is not known until the owner opens bids. At that time, the District may discover that it cannot afford to build the project as designed. The rapid cost escalation of some construction materials has made cost forecasting even more difficult. Cost-reduction changes delay construction and increase design costs. Price escalation during the delay makes the budget a moving target. With Design-Build, the District knows what the building will cost when it awards the contract provided there are no material changes to the project or unforeseen conditions.

e) Allows the District to consider factors other than price in selecting the Design-Build Firm.

The ORS allows districts to award projects based upon "best value and other criteria" such as technical design, construction expertise and life cycle costs.

4. Rationale to Utilize Design-Build Method

a) Competition

It is unlikely that such exemption will encourage favoritism in the awarding of public contracts or substantially diminish competition for public contracts as the Design-Build firms will be selected through an open, competitive process among qualified contractors. Gresham-Barlow School District will receive written proposals from Design-Build firms with the experience and staff required to complete the project. The process will include Request for Proposals that will be publicly advertised and Gresham-Barlow School District may interview the firms before recommending a firm to the Board.

b) Multiple Construction Packages

The construction may be completed in phases and may require early bid or procurement packages. Completing the project in phases should result in cost savings.

c) Procurement of Long Lead Items

The Design-Build method will allow the early procurement of long lead material/equipment. Examples include mechanical equipment, electrical equipment, windows and doors. Early procurement should result in cost savings.

d) Schedule Complexity

The Projects will face tight construction schedules to achieve timely occupancy. By phasing the completion of construction documents, bid, award and construction, the schedule efficiency required can be achieved. The Design-Build process allows the phasing that will be required.

e) Change Order Cost Control

Change orders cost should be controlled in two ways:

i) By utilizing a Design-Build firm to provide cost analysis, construction feasibility reviews and long lead procurement, the final number of change orders should be reduced. Reduction of change orders should result in cost savings.

ii) By proposing a fixed fee for overhead and profit, the Design-Build firm's fixed fee is added to the actual cost of the change. It is expected this will be less than the standard fee added to change orders on projects awarded to a bondable, low bidder. Reduction of overhead and profit on change order should result in cost savings.

f) Acceleration

Utilizing the Design-Build approach will reduce the risk of acceleration expense to complete the Projects on time. Reduction or elimination of the cost to accelerate construction to complete the Projects on time should result in cost savings.

g) Improved Cost Management

The financial track record of Design-Build projects is impressive. The Hillsboro School District and Beaverton School District have used the Design-Build method to complete many construction projects with significant success considering timeliness of the project completions, cost savings and adherence to budget limitations.

h) Subcontractor Bidding and Selection

The Design-Build firms will have adequate time to prepare bid packages and review/analyze bids received from subcontractors. The work subcontracted will be awarded to the lowest responsive bidder. This bid process will not result in favoritism. Utilizing qualified subcontractors should result in better quality and cost savings.

i) Market Conditions

Many general contractors and subcontractors are being impacted by the quantity of bids for funded projects in the next four years. Currently the cost of materials and labor is adjusting to the market conditions. Ordering materials and equipment may take longer now as the manufacturers and distributors are not keeping large amounts of inventory in stock. The Design-Build firms will order the materials and equipment in a timely manner from manufactures and distributors that can deliver the material and equipment on-time and avoid delays caused by late shipments.

j) Awareness and involvement by local Contractors and Suppliers

The Design-Build firms selected will be required to identify local contractors and suppliers prior to starting the Bid Process. The project management team and the Design-Build firms will schedule meetings with local contractors and suppliers to review the scopes of work and bid dates. This process allows for local contractor and supplier participation in the projects.

k) Qualified Management

The project management team working on this project is well equipped to manage the complexities of a Design-Build construction process, with experienced and qualified district staff and external project managers with successful Design-Build experience.

5. Operational, Budget and Financial Data:

The projects will result in efficient mechanical and electrical systems thus minimizing operational costs. Generally the method of construction will have little effect on the operational budget. However, the Design-Build process may further reduce operational cost through the use of life cycle analysis to assist in the selection of systems, finishes and equipment.

6. Public Benefits:

The primary public benefit is more expeditious and cost effective completion of the Projects. The Design-Build process provides for better collaboration to ensure the Projects will be completed on time, on budget and at, or above, the quality described in the construction documents. It provides better opportunities for reducing construction time by fast tracking construction where beneficial.

7. Value Engineering:

Because the Design-Build firm is responsible for the design, the Design-Build firm will identify and implement design solutions and possible cost savings. This process allows the project team to evaluate quality materials, equipment and life cycle costs, thereby helping to reduce operating costs.

8. Specialized Expertise Required:

Completing a complicated project on time, on budget and at or above the quality expected requires the Design-Build firms to dedicate a qualified team with the experience and expertise to work with Gresham-Barlow School District and the project manager. With such experience, mistakes are likely fewer and disruptions are likely to be minimized. The request for proposals process used to select the Design-Build firm will enable Gresham-Barlow School District to select the best contractor for the Projects.

9. Public Safety:

The Design-Build firms will prepare a construction safety plan for the project. The construction safety plan will help ensure projects are built safely and will minimize risks to neighborhoods and projects.

10. Technical Complexity:

Completing a fast track construction project on an occupied site is complex. The process Gresham-Barlow School District has elected to use will address the technical complexity and should save time and reduce the final cost.

11. Funding Sources:

These projects will be paid for as part of 2016 Capital Improvement Bond and other funds. The Design-Build process will better enable Gresham-Barlow School District to manage resources available to complete projects.

The Design-Build process will provide Gresham-Barlow School District the following advantages:

- Cost savings, as described above.
- Reduction of schedule risk typically associated with complex construction Project.
- Opportunity to select qualified Design-Build firms versus award project to any bondable low bidder.
- Accurate cost data for project decisions.
- Greatest assurance of project completions.
- Higher confidence in completing quality construction.

RECOMMENDATION

The Superintendent recommends the Board of Directors, acting in the capacity of the Local Contract Review Board, review and approve the Findings of Fact supporting the use of the Design-Build process when the project management team believes it is in the best interest of Gresham-Barlow School District.

Board action will occur during the regular board business meeting.