

Date: February 23, 2017

For ACTION

For INFORMATION

Board Agenda: Yes   
No

**FROM:** Richard Jackson, Director of Educational Facilities

**THROUGH:** Alvin Crawley, Ed.D., Superintendent of Schools  
Clarence E. Stukes, Chief Operating Officer  
Mary Beth Chambers, Interim Chief Financial Officer  
Sharon Lewis, Director of Procurement

**TO:** The Honorable Ramee A. Gentry, Chair, and Members of the Alexandria City School Board

**TOPIC:** Patrick Henry Pre-K – 8 School Budget Transfer

**SUMMARY:**

The current approved Patrick Henry budget for ACPS is \$42.5 million as detailed in the approved Capital Improvement Plan (CIP). This figure was established in FY2014 and allocated \$3.5 million for soft costs of design fees, project management fees and furniture costs, and \$39 million for hard costs associated with the construction. As the project has evolved in scope and design, there is a need to revise cost estimates. The school division's CIP has also changed since 2014, resulting in additional capacity projects such as a new West End Elementary School, and centralized Pre-K program co-located at John Adams Elementary School that would repurpose 9 Pre-K classrooms at Patrick Henry Elementary to accommodate more K-8 student enrollment.

In response, staff is requesting School Board approval of a budget transfer in the amount of \$5.7 million from the James K. Polk Elementary School capacity project to fund a budget shortfall for the Patrick Henry Pre-K - 8 School project.

**BACKGROUND:**

The recommendation to use the Polk modular project funds as a source of additional funding was made at the beginning of the 2016-2017 school year. There were growing concerns from the Polk school administration and parent community that Polk had already gone through a major modular addition project that significantly impacts accommodating student access and scheduling in core spaces, such as the cafeteria, gym and library. The modular project would have increased enrollment at Polk by an additional 100 students and exacerbated some of the current programmatic challenges.

In September 2016, the decision was made to increase the size of Patrick Henry from 800 Pre-K - 8 students to 900 K - 8 students by relocating the Pre-K classes to accommodate more K - 5 enrollment and adding middle school capacity to address growing middle school enrollment in the school division. The proposed plan at that time was to consolidate Pre-K programs at Patrick Henry, John Adams and Ramsay to a centralized location. The decision to maintain Polk at its current size was supported by the school PTA and principal. An article appeared in the school division's September ACPS Express that explicitly conveyed our intent.

With the increased capacity of the new Patrick Henry School and the new redistricting boundaries, a significant burden will be alleviated with regards to the enrollment demands at Polk Elementary. Additionally, the projected enrollment at the new Patrick Henry School is anticipated to positively impact all grade levels.

### **Cost Drivers**

As part of the design process, ACPS and the Department of Recreation, Parks and Cultural Activities (RPCA) engaged the services of an external project management firm in the fall of 2015. They informed staff that the current CIP Patrick Henry cost estimates did not provide for other soft cost components such as testing and inspections, utility fees, additional furniture and equipment, and an owner contingency to address construction cost market conditions, as well as issues during design and construction as would be required to construct a \$39 million school facility. In summary, the amount originally budgeted for soft costs at 13% is generally insufficient and below what is considered industry standard to date at 20-25%. The exact dollar amount exposure would not be known until we were further into the design process.

Staff informed the School Board of this potential exposure throughout the design process while efforts were made with the architect and construction management firm to keep the hard costs and contingency costs as close as possible to stay within the CIP. This included the selection of the current design over an alternative design in the spring of 2016 which would have had greater building and site costs.

According to the Construction Schedule, staff anticipates the execution of a guaranteed maximum price (GMP) contract with the construction manager in late March/early April to begin construction. The budget transfer is being requested to provide funds for the GMP as well as the soft costs mentioned above in accordance with procurement procedures. These current estimates, inclusive of value engineering efforts to date, indicate a total project cost of \$48.2 million for ACPS' portion of the project. The cost of the recreation center building and share of the sitework have been evaluated separately, in tandem with the school facility, and RPCA is currently evaluating its CIP budget with City Council.

As mentioned above, the initial CIP budget did not account for several soft cost components that are typically included for a project of this scale. The project team has successfully worked with the construction manager and architect to manage the design and estimated budget at levels consistent with the most competitive cost per square foot rates in the region.

The soft costs mentioned above (inclusive of owner contingency) are required to ensure the project has adequate funds to absorb any unknown costs or unforeseen conditions that may occur. The project team will continue to work with the architect and construction manager to evaluate the estimated costs against these contingencies. It should be noted that staff is currently working with an industry standard of 22% for soft costs which is within range.

While the estimated hard costs are near the original CIP budget, the square footage of the school is nearly 17,000 square feet greater than the original Program Document goal of 120,000 square feet. The design has responded to a number of site constraints which have made it difficult to achieve the Program Document's level of efficiency. These constraints include those items outlined in the February 8, 2017 memo. They include:

- Desire for reducing the massing off of Latham Street;
- Direct access from the school to athletic fields
- Preventing overlap with the existing building for safety in phased construction
- Avoiding conflicts with adjacent powerlines

### **Value Engineering Efforts to Contain Costs**

Prior to this transfer request, ACPS and RPCA evaluated a number of value engineering options to keep the construction costs within budget while not compromising the integrity of the building program. Options were reviewed for mechanical and electrical systems and interior and exterior materials that occur in large quantities, such as flooring, roofing, and exterior brick. Approximately \$1 million of value engineering has been achieved for ACPS' portion of the facility. To maximize ACPS' investment, options (e.g., changing the building HVAC system), which reduce construction costs but increase maintenance costs over time, have not been accepted.

Despite the increased scope and associated cost, the current design remains the most cost effective approach and also best addresses safety concerns. The unsuccessful design option would have been subject to the same constraints and associated cost increases in addition to the originally estimated \$1.2 million in design inefficiencies. Had the unsuccessful option been pursued, it could have translated into a \$6.9 million budget transfer request. Staff will continue to look for efficiencies and possible cost saving measures that could impact use of the full Polk allocation.

**Staff Recommended Funding Sources:**

ACPS staff has reviewed potential funding sources for the budget deficit of the Patrick Henry project. Funding from the following projects may be used to close this funding gap:

Description	Reasoning	Available CIP Funding	Return to Future CIP
<b>James K. Polk Capacity Addition</b>	This project was approved as part of the FY 2017 CIP which was intended to include an addition of 5 modular classrooms. Due to several capacity building efforts including expansion of the Patrick Henry Pre-K-8 build, redistricting, and a new West End elementary school, a permanent capacity addition is not needed at James K. Polk at this time.	\$4,532,298	No
<b>James K. Polk Design, Project Management &amp; Soft Costs</b>	This project includes \$1,200,000 for design costs related to the above project, which will not be needed if this project is no longer being pursued. In addition, \$21,316 was left over following a previous capacity addition at James K. Polk, which has been completed. The total of these funds make \$1,221,316 available for use.	\$1,221,316	No
<b>Total</b>		<b>\$5,753,614</b>	

Budget Transfer-Patrick Henry New K-8 School						
From Account						
ORG	OBJECT	PROJECT	TITLE	Amount	Transferring	ACPS Account #
41861546	52121	20159	JP-Capacity-Construction of Renovation and Capacity	\$	4,532,298.00	41861546-4-P170118
41861548	52102	20159	JP-Capacity-Capacity Addition Project Management & Soft Costs	\$	1,221,316.37	41861548-4-P150014
To Account						
41861583	52121	20131	PH-Capacity-New K-8 School	\$	5,753,614.37	41861583-4-P140039

**RECOMMENDATION:**

The Superintendent recommends that the School Board approve a transfer of funds from the two James K. Polk capacity projects described above to support fully funding the new Patrick Henry Pre-K-8 school project.

**IMPACT:**

The approval of this budget transfer will allow for the Patrick Henry project to progress on schedule as the GMP is finalized in the spring. In addition, the removal of the James K. Polk addition was incorporated into the redistricting process. Therefore, this transfer will not impact any of the redistricting efforts made to date.

**CONTACT PERSON:** Richard Jackson, Director of Educational Facilities, (703) 619-8038