



GROSSMONT UNION HIGH SCHOOL DISTRICT
PROPOSITION H and PROPOSITION U
THIRD PARTY PERFORMANCE REVIEW
2009

Prepared by:

AE CONSULTANTS

8501 Chevy Chase Drive
La Mesa, CA 91941
619-913-3435
November 16, 2009

GROSSMONT UNION HIGH SCHOOL DISTRICT PROP H & PROP U PROGRAM REVIEW

EXECUTIVE SUMMARY

At the request of the Citizen's Bond Oversight Committee AF Consultants was retained by the Grossmont Union High School District (GUHSD) to review the overall performance of the Proposition H and Proposition U Bond Program during the period from our last review completed in July 2007 until the present.

The purpose of our engagement was to provide an independent third party review of the program progress to date, to update activities during the past two years, and to report on the implementation of policies and procedures that have been instituted since our last report. Our goal was to evaluate several new performance areas, to review specifically selected projects, to evaluate the program management organization (PMO), and to recommend specific measures for continued improvement of the overall program. Our engagement was not intended to be a detailed financial or performance audit.

We began our assessment on July 27, 2009, by meeting with District staff and the Program Manager. At that meeting we selected specific projects for review, determined how data would be collected, reviewed our checklist of data required, and generally reviewed the overall scope of work. We were particularly interested in selecting a project which had been done using a Lease Leaseback contract methodology and a more conventional project done using a Construction Manager with Multiple Prime methodology to be able to contrast issues and results. The majority of our report concentrated on those specific project analyses. By agreement, all of the data reviewed to prepare our report was posted by the District on the Sharepoint 360 website. Additional data was obtained from the District's website and other sources. As the project progressed, several other meetings were held to discuss procedures and gain further insight into specific issues. We completed our assessment on November 1, 2009, and discussed a final draft of our findings with District staff on November 10, 2009.

Overall we reviewed six (6) focus areas. The following summary highlights these six areas and gives corresponding recommendations based on our findings. Included in the report are:

Section 1: Update on Bond Program & Progress to Date

In general, a complete review of bond program activities, progress to date, and implementation of our previous third party recommendations was conducted from July 2007 through September 2009. We found that the program is becoming better managed as it matures. With a new master plan vision and the infusion of Prop U funds there has been a great deal of improvement made to websites, project tracking reports, and other public information. This will likely lead to a more successful and transparent outcome. Given the fiscal situation in the State of California and the lack of state matching fund reimbursements we made one recommendation as follows:

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

- *AFC recommends that the District continue to periodically prepare cash flow scenarios with and without state matching funds and to closely monitor the availability and timing of these sources.*

Section 2: Program and Project Management Costs

We found that Program and Project Management costs are in line with other district's who are engaged in bond programs. While the model employed by this District is unique in that it employs District and outside consulting staff for project management, it is functioning successfully. We made some observations and the following recommendations:

- *AFC recommends that the District consider having Gafcon-Harris prepare invoices that reflect not only the current amounts due, but also show their not-to-exceed budgets, and remaining balances.*
- *AFC once again suggests that the District continue to develop, post, and routinely update a Policy and Procedures Manual which is tailored to the needs of the District, that clearly defines the roles and responsibilities of each person in the organization, and provides a benchmark for accountability.*

Section 3: Selected Project Analyses

Our analyses of two projects, Monte Vista Phase 2B Modernization and Valhalla High School Phase 2B Increment 1, yielded several recommendations specific to the project methodology and execution of these projects as follows:

For both projects in general we recommended:

- *AFC recommends that the District continue with current efforts in making modifications to the current FACS reporting system with a focus of developing a better project tracking, project management, and reporting mechanism.*

For Monte Vista 2B Modernization we recommended:

- *AFC recommends that future Construction Management contracts continue to exclude provisions for reimbursable expenses and, if necessary, change orders to the contract be issued.*
- *On all future projects, AFC recommends that the District establish contingencies, rather than allowances, to address unforeseen conditions. Further, the District should continue to utilize the formal change order process to reconcile all allowances.*

For the Valhalla High School 2B - Increment 1 Lease Leaseback project we recommended:

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

- *AFC recommends that the District consider retaining 60% to 70% of unused contractor contingencies and GMP saving on future Lease Leaseback contracts.*
- *AFC recommends that, when a Lease Leaseback GMP contract is utilized, the District review the contractors job cost report on a monthly basis to insure that they are paying the lesser of cost to date or the Guaranteed Maximum Price.*
- *AFC recommends that, when a Lease Leaseback contract is utilized, the District minimize allowances prior to agreeing to the final GMP. Further, all GMP contracts should be monitored against monthly Contractor cost substantiation in an effort to avoid overpayments on a monthly basis throughout construction. For this particular project, we suggest a complete audit of Driver's records be conducted. This will also provide the District with a record of all equipment, tools, job site furnishings, etc. that were purchased and should be turned over to the District. A final GMP audit report should be presented to the District and the Board.*
- *AFC recommends that all usage of the Contractor's Contingency be reviewed and finalized as part of the close-out process which is currently in process.*
- *AFC recommends that, to limit risk to the schedule, the scope of the project not be modified by District requested changes when there is a critical construction schedule to be met.*
- *AFC recommends more prompt attention to closing project financial activities. The use of a third party construction auditing consultant could assist in this effort on GMP contracts.*

Section 4: Design Team and Other Consultant Costs

We found the new architectural contracts being utilized to be an improvement over the prior contracts both in terms of fee and contract language and made no recommendations for improvement. However, we found some minor inconsistencies that were in need of correction and made the following recommendations:

- *A minor correction to the contract identifying where the contract sums for each school differ should to be made.*
- *Minor downward corrections to the reimbursable sums allowed under the contract will not affect the final outcome, however AFC cautions the District to ensure that accurate financial records are kept consistent with the contract and that invoice postings are kept current.*

And because the District contemplates further utilization of the Lease Leaseback construction methodology we recommended:

GROSSMONT UNION HIGH SCHOOL DISTRICT PROP H & PROP U PROGRAM REVIEW

- *If the District knows that it will be entering a Lease Leaseback delivery method early in the programming and pre-planning process, AFC recommends reviewing the architectural contract for redundant requirements.*

Section 5: Procurement Practices

We found the procurement practice of the District to be well organized and following good business practices and made no recommendations for improvement.

Section 6: Citizen's Bond Oversight Committee Activities

Because the CBOC was interested in knowing what they might do to improve their effectiveness in the process we reviewed their activities and made the following recommendations:

- *AFC recommends that the CBOC be thoroughly briefed on the Lease Leaseback methodology and consider scheduling a visit to one or more of the high schools recently built within San Diego County using this methodology.*
- *The CBOC consultant should consider preparing more frequent reports on specific projects selected by the CBOC. These reports should focus on those that seem problematic, are at least 50% completed, or are at some critical phase of development and of interest to stakeholders and the public at large.*
- *As a good business practice and close out procedure, AFC recommends that the District consider conducting a "post performance" evaluation on each project. This can be done either by the Program Manager or the CBOC independent consultant.*

In summary, we collected significant data regarding the bond program. Process improvements have been made since our last review and the addition of a Program Management firm has significantly improved communication and effectiveness. Financial management tools, websites, and other reports have helped create a more transparent program. We believe that the successful passage of Prop U is the direct result of the improvements made to the management of the overall program.

Our detailed report follows this executive summary and broadens the areas of our investigation.

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

SECTION 1: UPDATE ON BOND PROGRAM & PROGRESS TO DATE

As part of our engagement, AF Consultants (AFC) was asked to update the bond program activities during the period from our last review until the present. We therefore reviewed available Governing Board meetings minutes, CBOC meeting minutes, progress reports, and other information posted on the District web site. This data was used over the last two years to monitor the program milestones and ascertain whether the program was progressing within the stated schedule and budget.

In our last review of Proposition H, completed in July 2007 and presented to the Board in September 2007, AFC made twenty-two (22) recommendations for program improvement. As a follow up, we reviewed our previous recommendations and researched whether those recommendations have been implemented and if they have been effective.

Since Proposition U passed voter approval in November 2008, we were also asked to comment on the progress made with that measure and how it was being integrated with the Proposition H work. Our assessment encompasses review of all project schedules, project expenditures, cash flow projections, state matching fund requests, and budgets. We therefore were required to review both bond programs, with both aggregate and separate analyses.

Finally, AFC reviewed the District's progress toward maximizing state funds for modernization and new facilities. AFC has also commented on the recent financial problems in the State of California with selling bonds for K-12 matching funds.

In addition to the publicly available web site data available on www.build-guhsd.com, the District and Program Manager established a portal on Sharepoint 360 where specifically requested data was posted for AFC's review. This became the source for the majority of our research.

1A. Previous Bond Program Activities

Proposition H, a \$274.0 M Bond Measure, was approved by voters in March 2004 with the intent of repairing aging high schools in the District and to construct a new high school. It also intended to improve student safety, upgrade deteriorated systems and infrastructure, and renovate outdated classrooms, science laboratories, and other school facilities. The original Long Range Facilities Master Plan (LRFMP), authored in 2003, estimated that over \$442.0 M would be needed to renovate all of the schools, however because of the magnitude of the work, the bond measure was downsized and only the necessary "must do" projects were included in the final bond program. Thus, the ultimate bond program was estimated at \$370.8 M with the difference being made up of state matching funds and other local sources. With the passage of the Prop H bond measure, the District procured a Master Plan Architect and Construction Manager to supplement in-house staff. The District sold the first series of bonds in April 2004 in the amount of \$70.0 M and used the proceeds to pay off

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

previous Certificates of Participation and to quick start the program. From March 2004 to June 2005, approximately \$36.6 M was expended. From July 2005 to June 2006, over \$32.0 M, including state matching funds, of design and construction was put in place, mostly for infrastructure projects. Architects and consultants were hired to design specific projects for a new cycle of work to begin construction in the Summer 2006. In June 2006 an additional \$125.0 M in bonds were sold to support the various infrastructure projects under construction. While it was anticipated that over \$52.7 M of work would be put in place during 2006/07, only \$30.3 M was expended. Progress was initially slowed after a 3 month hiatus in program development called by the new administration in late 2006 and a severe escalation in construction cost that caused concern for the overall program budget.

The original program was intended to be completed by the 2011/12 Fiscal Year (FY) but is not anticipated to reach that goal since Prop H and Prop U were integrated, re-programmed, and re-prioritized to meet the new goals of the District master program plan.

1B. 2007/08 Bond Program Activities

AFC completed its initial review of the Prop H program in July 2007. Concurrent with our review, the District made a decision to hire a Program Management firm to coordinate program activities, improve effectiveness and reporting, and manage the overall program. In order to reinforce the interface with the Citizen's Bond Oversight Committee (CBOC), the District also decided to hire a consultant to support the CBOC activities. On September 15, 2007 the Governing Board approved the firms of Gafcon-Harris as Program Manager and Colbi Technologies, Inc. to support the CBOC.

The following phases of Proposition H are within this review:

- Phase 2B - Modernization
- Phase 3A - Science Buildings
- Phase 3BR – Modernization
- Phase 3C/NS – Modernization/New School

By October 2007, the District began modernization of 190 classrooms at seven schools with Phase 2B. Phase 2B was originally scoped to renovate and modernize over 293 classrooms over two years. A complete overhaul of the architectural agreement, a realignment of roles and responsibilities, and validation of current budgets was also conducted by the new Program Manager. Significant savings were realized with an adjustment to the architectural fee scale. Projects in Phase 3A had entered the design phase and pre-planning began on Phase 3B projects. An RFP for Construction Managers, issued in December 2007, led to the selection of four additional construction management firms to assist with project execution, especially the pending Phase 3A science buildings. At this point the District had at least five CM firms available to assist. Several improvements to the reporting mechanism, web site, and other tools were also implemented. Monthly progress reports began to be issued with project status, key milestones and issues, and budget updates.

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

By January 2008, the full scope of the design for the Phase 3A new Science Buildings at eight school sites had been confirmed. Construction continued on Phase 2B modernization projects. The District began conducting site committee meetings at schools that were in the planning phases of Phase 3B to assist in scoping and prioritizing the projects, and increase community involvement. These meetings were well attended. In February 2008, the District instituted the Sharepoint 360 system for document archiving and information sharing to simplify access.

Work on traffic and habitat studies required by the California Environmental Quality Act (CEQA) for the new school site, part of phase 3C, had begun along with the necessary demographic analyses.

On May 8, 2008, the new District Superintendent made a presentation entitled "Prop H and Beyond". This presentation highlighted that the original intent of Prop H was not to modernize all of the schools, that additional funds would be needed, and that the strategic plan of the District should focus on career technical education specialties at each school. It was proposed that a new bond would be focused on finishing Prop H, building and repairing classrooms to support Career Technical Education program for students not planning to go to college, updating technology and computers, and providing new multi-purpose facilities to support the arts in education.

By June 2008, all plans for the Phase 3A science classrooms had been submitted to DSA for approval. Constructability and cost estimating reviews for each project were being completed by an independent consultant prior to bid. Savings were beginning to appear with recently bid projects at these schools. At the June 12, 2008 Governing Board meeting, discussion was held regarding the allocation of Prop H Segregated Reserves of \$65.0 M to land and infrastructure for the new school (\$20.0 M) and Phase 3BR (\$45.0 M). These funds had been set aside in 2007.

At the close of the 2007/08 FY an additional \$44.4 M had been expended on the program. Again, this was below the targeted goal of the original bond program.

1C. 2008/09 Bond Program Activities

July 2008 saw the completion of additional classroom modernizations. The Governing Board adopted a new Long Range Facilities Master Plan revision on July 31, 2008, which set the parameters for the balance of the program and a proposed Proposition U which would be placed on the ballot in November 2008. By September 2008, close out of Phase 2B at Grossmont, Granite Hills, El Cajon Valley, and Santana had been completed with Monte Vista approaching completion. As of December 2008, five of the major Phase 2B projects had been completed. Bid openings for the Phase 3A science buildings were scheduled from October through December 2008. All these projects achieved bids well within the architect's estimates. The Phase 3A Science Building at Monte Vista was targeted for construction using a Lease Leaseback (LLB) construction methodology and the others completed using a

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

conventional Design-Bid-Build methodology. It was hoped that targeting one school for a LLB construction delivery process might show a contrast in methodology suggesting a more favorable method for the future Prop U projects.

On November 4, 2008, voters approved the \$417.0 M Proposition U Bond Measure. The bond language suggested that this would be combined with \$50.0 M of state matching funds and be used to complete the modernization of all District schools, provide classrooms and equipment for Career Technical Education, and construct the new high school in the Alpine/Blossom Valley area.

In December 2008, all environmental studies, screen check documents, and the draft Environmental Impact Report (EIR) for the new high school had been prepared for release in January 2009. The target for certification and adoption of the EIR was set as June 2009. By February 2009, all public comment had been received. The schedule for the completion of the new school was revised from 2012 to 2013 due to the complexity of the CEQA process, land acquisition, agency approvals, implementation of mitigation measures, the need for public input into the design process and a more realistic bidding schedule.

By March 2009, all Phase 2B schools had been commenced except Mount Miguel and Valhalla. Phase 3A became the focus of the program with seven of the eight schools' Science projects under construction. A solicitation for architects for the new high school was scheduled to coincide with the certification of the EIR in June 2009.

Progress on Phase 3A projects continued through June 2009. A successful Guaranteed Maximum Price (GMP) construction contract was negotiated for the Phase 2B Valhalla High Modernization-Increment 1 project being constructed under the LLB process. Foothills Adult School modernization was bid and geared up for construction. The balance of Phase 2B projects at Mount Miguel, Chaparral, and El Capitan were underway as well. At the close of the fiscal year, eleven campuses had undergone some construction and were on schedule and budget. Delays at Granite Hills due to toxic waste cleanup and delays at the Viking Center due to programmatic reviews were the only concerns with the program schedule at that time. With regard to the New High School, the Governing Board completed the certification of the EIR in June 2009 and selected the Lazy "A" Ranch site for construction of the new school. Site acquisition and appraisal activities were launched. Work began on updating the master program plan blending the remaining Prop H work with that proposed under Prop U.

At the close of the 2009 fiscal year, an additional \$52.0 M of new construction had been put in place.

Based on our previous observations, the program appears to have stabilized itself and is becoming better managed as it matures. Because the program is complicated by multiple phases at each school and by the infusion of Prop U funds at those sites, it will be imperative

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

that the District continue to follow the updated master program plan by campus entitled, "Building a New Grossmont," in order to distinguish Prop H work from Prop U work.

Because of the need to update the master plan it is of interest that actual program expenditures have not kept pace with the original schedule. Likely, Prop H will not be totally completed until late 2013, coinciding with the completion of the new high school utilizing some Prop U funding. Since the schedule will be protracted, we anticipate that Program Management costs may be significantly higher than average in the final analysis, however an excellent bid climate has returned some budgeted funds to the District.

Recommendation 1.1:

None

1D. Implementation of Initial Third Party Review Recommendations – Prop H

AFC submitted the first third party review of the Grossmont Union High School District Prop H program in July 2007. Included in that report were 22 recommendations to be considered by District staff. The District responded to our recommendations on September 19, 2007.

Some of the highlights of these 22 recommendations, District responses, and effectiveness that those tools have had on the program are as follows:

- *Previous Recommendation:* From an overall program perspective, AFC first made five broad brushed recommendations that we suggested the District consider for immediate implementation; 1) engage Program Manager services, 2) revise the scope of work for the master plan architect and construction manager, 3) consider revising and updating the program/project manual, 4) develop standardized reporting formats, and finally, 5) hire a consultant to support the activities of the CBOC.

District Response: The District conducted interviews and ultimately selected Gafcon-Harris as Program Manager. Gafcon-Harris mobilized on August 27, 2007, to act as the District's consultant. Their immediate tasks were to review all contracts, validate program processes, develop 30 and 90 day action plans, recommend "moving forward" steps, and develop a management tool for tracking all projects. Within this same timeframe, through a Request for Proposal process, the District also engaged Colbi Technologies, Inc. to act as the interface and support service consultant for the CBOC.

Update: AFC concurred with the selection of the program management team and have made specific comments in our review of the District's professional services plan in Section 2 of this report. From the review of documents as posted on the District web site, and a review of progress reports, budgets, and projections, we believe that the necessary tools are in place to effectively manage the program successfully with an appropriate degree of transparency. Great strides have been made since our last review to standardize reports, develop monthly progress reports, and to disseminate appropriate

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

program information to the public. With the adoption of the Sharepoint 360 data sharing tool in February 2008, the process has become more streamlined and effective. We believe that these efforts have led to the success in achieving support for the Prop U bond efforts and furthering the program's continuation. We did find, however, that the recommendation to develop a more thorough policy and procedures manual had not yet been fully implemented. Also the project cost reports, while better than in the past, needed some improvement to make them more effective project management tools. The District is currently revising the existing reports.

- *Previous Recommendation:* Concerning the Prop H design team costs, AFC recommended that the District; 1) adopt a clearer contract format for architectural services, 2) revise the fee scale for projects, 3) minimize extra services, and 4) more clearly define reimbursable expenses.

District Response: The District and Program Manager have reviewed and revised the architectural agreement and adopted a more stringent fee scale, ultimately saving District expenditures for these services. The District has revised and clarified additional services requirements and reimbursable expense guidelines more clearly within the contract format.

Update: Although most architectural contracts are subject to modification based on the construction methodology, AFC believes that the contract format, as revised, is more workable. We have reviewed the contract for architectural services under the Lease Leaseback methodology and have commented in Section 4 on that format.

- *Previous Recommendation:* With regard to the Construction Manager (CM) agreement, AFC recommended that the District; 1) close out the existing CM contract, 2) amend the scope of services for the CM, 3) lower the CM General Conditions allowance provision, 4) approve all CM sub-consultants, and 5) require the CM to substantiate all General Conditions costs with monthly reports.

District Response: The District and the Program Manager undertook a complete overhaul of the Construction Management contract to address our previous findings. By adopting a "targeted budget" for calculating both the CM and A/E fees, the District has simplified the invoicing process from these entities. They have also inserted language to require that all sub-consultants be identified/approved and instituted directives for replacing them. They have required back-up information on all CM invoices but retained the General Conditions allowance as a maximum.

Update: AFC reviewed several of the CM contracts currently in force. Our recommended revisions have been adopted by the District. In one case the CM contract with Erickson Hall was retained as originally authored in 2004 since the project had been already awarded.

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

- *Previous Recommendation:* For future projects, AFC recommended that the District; 1) maintain logs of construction change orders by reason code, 2) conduct value engineering sessions at schematic, preliminary, and pre-bid design stages, and 3) document project construction activity more clearly.

District Response: The Program Manager has embarked on a task to enhance the financial system which will allow specific fees for projects to be broken down on a project-by-project basis. The Program Manager has developed procedures, forms, and other tools to track change orders by project. Every project has V/E sessions and every opportunity to identify cost savings has been undertaken.

Update: Based on a review of the data posted on the Sharepoint 360 system, AFC found that the Program Manager is following the District's recommendations. The Program Manager is tracking change orders for errors and omissions, unforeseen site conditions and other events. While we found it difficult to track individual projects and roll up all the costs, the financial budget reporting has improved and appears to meet the needs of the District reporting requirements. We have made specific comments regarding the financial reporting system in Section 3.

Other minor recommendations were made relating to the Labor Compliance program and the cost escalation experienced by the District at the time of our initial report. Each of our suggestions in those areas has been addressed.

Observation

AFC notes that the District has made enormous progress in making the program more efficient and transparent. We observed that many of the previous recommendations have been implemented and believe that the program is more effective and well managed.

1E. State Matching Funds and the State Financial Crisis

The State of California is currently in a fiscal crisis with an estimated 2-year budget deficit of over \$40.0 billion. Simultaneously, worldwide financial markets are also in turmoil. The State Treasurer announced in early February 2009, that the bond market was closed to California and the state could not sell bonds. This situation remains even though the state legislature has finally reached agreement on a 2009/10 budget.

On December 17, 2008, the Pooled Money Investment Board (PMIB) took action to halt the disbursement of cash from the state's Pooled Money Investment Account (PMIA) for capital projects, including public schools, with the intent of preserving cash for state obligations. The Office of Public School Construction (OPSC) typically uses cash from the PMIA to release funds for projects that have been previously approved by the State Allocation Board (SAB). At the March, April, and May SAB meetings an "unfunded" list of projects was approved with no guarantee of future funding, but action gave the indication that these projects had

GROSSMONT UNION HIGH SCHOOL DISTRICT PROP H & PROP U PROGRAM REVIEW

passed the SAB approval hurdle. Approximately 850 projects valued at over \$2.5 billion were on the “unfunded” list.

While these projects are approved, there is no authority to allow the state to sell bonds, therefore, there are few alternatives left to school districts that are relying on state funding matches to continue their capital improvement programs. It is uncertain when the State of California will be solvent enough to issue new bonds.

Grossmont Union High School District State Funding:

The original Prop H bond program, approved in 2004, envisioned a total program of approximately \$394.0 M made up of \$274.0 M in General Obligation Bonds and the balance in state matching funds, developer fees, and redevelopment revenue.

GUHSD has thus far received approximately \$35.7 M for modernization at El Cajon, Granite Hills, Monte Vista, and Santana High Schools. These funds were released prior to 2006 and the State’s fiscal crisis. Currently the District is projecting a total of \$162.1 M in state funding made up of \$95.7 M for modernization projects, \$27.5 M for the Helix High Charter Rehabilitation, and \$38.9 M for the Science building additions and the new high school. Several of those projects have been submitted to OPSC and received SAB approval. These funding numbers have not been adjusted for escalation and likely could be higher. GUHSD may also be eligible for additional state funds and is continuing to seek adjustments. Prop U is currently programmed to achieve \$50.0 M in state matching funds.

Finding

The District has engaged School Facility Consultants to monitor all state funding applications. The Prop H program initially anticipated a total program of \$394.0 M and approximately \$120.0 M in state matching funds and other sources. That has now grown to \$187.6 M. This is approximately 40.6% of the total program. We often find that from 25-30% of program funds come from the State matching funds or other sources. Thus far, GUHSD is doing an excellent job of maximizing its eligibility for state funds.

Although only \$35.7 M has been received by the District thus far, we believe that the State of California fiscal crisis will pass and adequate state funding will be received. However, some are predicting that several years may pass before bonds can be sold. With other programs we have reviewed, we have seen programs stalled for lack of state funding. Many of these programs are at the end of their cycle and property values have fallen within those Districts. Based on our review of recently prepared cash flow projections the District has currently sold all of the Prop H bonds and is anticipating \$17.2 M in state matching funds in 2009/10 and \$76.4 M in 2010/11. Should these funds not materialize then Prop H spending will have exceeded the available cash by 2010/11. Because Prop U has recently passed voter approval, GUHSD was able to sell \$60.0 M in general obligation bonds to continue funding program activities. With this funding the District is able to continue with the planning and

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

design of several important projects. Without this funding, the District may have to curtail development of some of the construction. As of this date, the lack of state funding has not severely harmed the program but we would caution the District to monitor state funding closely.

Recommendation 1.2:

AFC recommends that the District continue to periodically prepare cash flow scenarios with and without state matching funds and to closely monitor the availability and timing of these sources.

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

SECTION 2: PROGRAM AND PROJECT MANAGEMENT COSTS

As part of our engagement, we were asked to review the construction management and program management organization's (PMO) cost to determine if they were reasonable and met industry standards. We also reviewed organization charts and staffing levels and were asked to comment on the adequacy of staff to manage the program and meet the District's overall professional services plan.

2A. Contracted Program Management Services

A formal RFQ solicitation was issued by the District on June 5, 2007, for the selection of a Program Manager firm. Interviews were conducted with several firms in July 2007 and the District ultimately selected Gafcon-Harris, a joint proposal, to be the Program Manager. Gafcon would hold the contract and staff from Gafcon and Harris would be engaged in managing the program. Subsequently, on September 12, 2007, the Board of Trustees authorized that the initial contract with Gafcon-Harris be executed for Program Planning and Management Services. A formal contract was executed for the first year for a not-to-exceed sum of \$1,600,000, with an option for four (4) successive yearly amendments. The contract detailed a scope of services to be selected from a menu of services to be performed by Gafcon-Harris as described in Exhibit "A" of the contract and at hourly rates as outlined in Exhibit "B." The menu of services included:

- Development and management of the Program & General Administration
- Preparation of a Project Management Plan
- Development of a Master Schedule & Budget
- Review of Design Documents
- Assistance in the administration of the financial system
- Development of procedures to seek cost cutting efficiencies to eliminate duplication
- Development of a policy and procedures manual
- Assist with change orders, bid openings, and various other construction related services

Some of these services are typically beyond the scope of normal program and project management services but indicate the depth of experience required to manage a bond program of this complexity. Since the bond program was being run for the first several years without a Program Manager, the contract scope was well thought out by the District and followed our prior recommendations. The Program Manager made enormous strides at correcting some of the deficiencies during their first year with the program. Immediately all contracts were reviewed, web site improvements made, reporting standardized, and procedures improved. Any shortfalls are discussed in other sections of this report.

On May 8, 2008, the Board authorized a one year renewal of the annual contract with Gafcon-Harris for \$2,200,611 plus \$66,600 in reimbursable expense. The contract was to be effective from August 16, 2008 to August 15, 2009 and reflected changes in Gafcon-Harris

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

personnel and a slight increase in hourly rates. Scope was added to address an update to the Long Range Facilities Master Plan and costs relating to implementing the Sharepoint 360 system. A complete staffing plan was attached to the contract showing estimated hours for each individual by month. Approximately eight (8) full-time staff from Gafcon-Harris are currently working on the program. On February 12, 2009, the Governing Board adopted a new procedure for approving all consultants by approving not-to-exceed amounts on an annual basis. For the Gafcon-Harris team, the amount approved was \$2,400,000 for the 2008/09 Fiscal Year. On June 25, 2009, the Governing Board approved a similar not-to-exceed contract for the 2009/10 Fiscal Year that was projected not to exceed \$2,700,000. The annual contract for 2009/10 has not yet been executed as of this date.

We found each agreement to specifically describe the services to be performed by Gafcon-Harris in the respective areas of Project and Program Management. We find the rates, and adjustments made to those rates on an annual basis, to be reasonable and fair. Rates for year two (2) of the program were adjusted by approximately 4.0% and some rates remained the same. We believe that the extra tasks performed by Gafcon-Harris to be of great benefit and cost savings to the District. The addition of the Sharepoint 360 system to the Program Management cost is adding approximately \$125,000 in annual costs and is well worth this additional investment.

As a further check, we compared Gafcon-Harris hourly rates with hourly rates being charged at another District Bond Program by a different Program/Project Management firm. While the rates and job duties as described by the other Program/Project Management consultant vary slightly from those as listed by Gafcon-Harris, we find the rates being charged by Gafcon-Harris to be comparable to those being charged at the other district. As a percentage of overall construction to date, Gafcon-Harris has charged less than 3.5%. The ranges we typically see with other programs have been upwards of 7.0% on average. The District has a goal of spending 3.0% for the overall program at completion. This should easily be achieved for Prop H as the program continues on-going construction efforts.

2B. Program Management Services – Staffing

We reviewed the organization chart prepared by District Facilities Management showing the staffing plan for program management. During the first several years of the program the District employed four (4) Facility Planners and one (1) Office Assistant with those salaries charged to the program at 90%. The Executive Director of Facilities Management's salary was charged to the bond program at 50%. Additionally, District Fiscal Services provided one (1) Bond Accountant that was charged to the bond program at 90%.

As the program has amplified, the District has reassigned one Facility Planner to a new position as a Program Planner, effective February 2009, and added two (2) new positions. One of the new positions is in Contract Management and assists with the preparation of bid documents, conducting job walks, and other related duties. The other position works with

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

the Gafcon-Harris staff in document control. Fiscal Services has also added an Accounting Technician and Senior Account Clerk.

The on-site Gafcon-Harris team consists of a Program Director, occasionally assisted by a "launch" manager, three (3) Project Managers, two (2) positions in program controls and financial reporting, one (1) Document Control Specialist, and an Administrative Assistant. Support for estimating, Sharepoint 360, and other Gafcon-Harris activities requiring "as-needed" support is provided by their corporate San Diego office. Financial information is provided by the District staff and exported to the Harris office where reports are generated. At any one time as many as 15 people are charged to the program management costs.

We found that the Gafcon-Harris staff is adequate to manage the GUHSD program. Each project manager is charged with managing several projects in active planning and construction phases. Based on the size of the bond program, we feel that the overall expenditures for program management activities will be in the range of comparable program costs experienced at other districts. The following chart shows staffing costs for Gafcon-Harris and the District in relation to total construction put in place by the District to date:

Fiscal Year >>>>>>>>	2004/05	2005/06	2006/07	2007/08	2008/09	Total to Date
Total Construction	\$15,200,000	\$33,100,000	\$38,700,000	\$44,400,000	\$52,000,000	\$183,400,000
District Staff Costs	\$32,851	\$93,726	\$387,744	\$766,512	\$710,888	\$1,991,721
% of Construction	0.22%	0.28%	1.00%	1.73%	1.37%	1.09%
PMO Staff Costs	\$136,683	\$0	\$0	\$1,664,616	\$2,342,053	\$4,143,352
% of Construction	0.90%	0.00%	0.00%	3.75%	4.50%	2.26%
Total District + PM	\$169,534	\$93,726	\$387,744	\$2,431,128	\$3,052,941	\$6,135,073
% of Construction	1.12%	0.28%	1.00%	5.48%	5.87%	3.35%
Other PMO Costs	\$1,103,817	\$367,920	\$1,978,116	\$663,245	\$691,180	\$4,804,278
% of Construction	7.26%	1.11%	5.11%	1.49%	1.33%	2.61%
Total PMO Costs	\$1,273,351	\$461,646	\$1,590,372	\$3,094,373	\$3,744,121	\$10,163,863
% of Construction	8.37%	1.39%	4.11%	6.97%	7.20%	5.54%

We have also separately included the Program Management Organization (PMO) costs for other consultants, the master plan architect, the bond trailer, labor compliance, legal fees, and miscellaneous other services.

As the chart indicates the initial PMO costs were high in 2004/05 compared to construction costs. This is normal since start-up costs would normally exceed actual construction delivered and put in place. More characteristic of steady rate expenditures on PMO staffing costs are seen in 2007/08 and 2008/09 where Gafcon-Harris costs are approximately in the 4.0% to 4.5% range, while the District staffing costs range between 1.7% to 1.4%. Combined actual staff costs to run the program have been 3.35% of construction to date.

2C. PMO – Invoices

We reviewed Gafcon-Harris invoices from July 31, 2008, through December 31, 2008. We also reviewed a recent invoice for July 31, 2009, that was in accordance with terms of the

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

second year contract. The invoices were accompanied by a breakdown of Program Management personnel hours for Harris and Gafcon separately, Sharepoint costs associated with Gafcon labor and hosting charges, and allowable reimbursable expenses marked up at 1.1 times the cost. Harris invoices are sent to Gafcon, rolled into one billing, and charged at no mark-up to the District. All Harris invoices are backed up with time sheets and Gafcon reimbursable expenses are backed up with receipts. Invoices list all individuals working on projects within the District, their hours, and appropriate rates per the contract. Reimbursable expenses are listed in accordance with the contract terms.

Finding

We found the Gafcon-Harris invoices to be consistent with the contract agreement. We found the separation of Harris and Gafcon personnel hours to be unnecessary as payments are made to one entity by the District, Gafcon. It appeared that both Gafcon and Harris are expending equal amounts of staff time on the projects. Since we understand that program management cost will ultimately be used to report both the individual project expenses and track the invoices in the District's financial system, it was unclear how program management time was being allocated to each project. The Financial Accounting Cost System (FACS) did not indicate PMO costs allocated to specific projects. The District has elected to account for these costs on a global program basis rather than allocating and accounting for these costs as a percentage of construction costs or utilizing some other method of allocation. The invoices did not distinguish any allocation of time by project, even though the program manager and staff would likely be the best judge of their endeavors. On invoices we have reviewed at other Districts the program management time was allocated to projects on each individual invoice and there was an agreed upon procedure in place to account for the time. We also believe it prudent to track the actual program management expenses vs. the contract budget on each invoice such that the District can keep track of its expenses monthly and benchmark them against the total contract sum.

Recommendation 2.1:

AFC recommends that the District consider having Gafcon-Harris prepare invoices that reflect not only the current amounts due, but also show their not-to-exceed budgets, and remaining balances.

2D. Overall PMO Organization

The District currently has assigned three (3) employees as Project Managers with another employee acting as an overall Program Planner. Gafcon-Harris has supplemented District staff with three (3) additional Project Managers. Each Project Manager is assigned to a specific campus and manages all the project phases (i.e., 1/2A, 2B, 3A, and 3B-R) occurring at those campuses. All of the Project Managers have between two and three campuses to manage. All Project Managers, while acting independently, are to carry out tasks as assigned by the Program Director who is a Gafcon employee. That person ultimately is responsible to

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

the District Executive Director of Facilities Management. Other employees of the District and Gafcon-Harris work in document control, administratively, or in financial accounting as assigned and, in many cases, are teamed with Gafcon-Harris employees. The District financial management is largely staffed with District employees.

Finding

We researched the Prop H & Prop U web sites to determine if a Policy and Procedures Manual had been developed which defined the roles as described above. The District website did not include a manual of this nature. We were only able to assume that the roles, as we defined them above, were accurate and as indicated on the organization chart provided by the District. However, on the Sharepoint 360 server, we found a draft of a Policy and Procedures Manual which was unfinished and appeared to be a work in progress. In our prior report we recommended that the Program Manager and the District, as a priority, consider developing a Program/Project Manual. For instance, at one point it was recommended that the Program Manager have a more direct reporting relationship to the Superintendent. This reporting relationship was not apparent in the documents we reviewed.

Some observations we made while reviewing the organization chart, which only can be clarified with a complete discussion in a Policy and Procedures Manual are as follows:

- We found it unusual that the GUHSD staff and Gafcon-Harris staff were separately assigned as Project Managers without policy and procedure guidelines for internal processes by which individual projects should be managed, designed, bid, and constructed. We confirmed with District administration that similar guidelines and operational procedures are being used for both District employees and outside consultants, but these guidelines should be clarified in the Policy and Procedure Manual.
- With other Districts we have reviewed, district employees have generally been assigned roles as project coordinators and/or the interface with campus principals, facilities staff, parent groups, and public at large, while the third party outsourced Program Management firms have held sole responsibility for Project Management, thus eliminating any ambiguities in program management liabilities. Assignments, as they currently are structured at GUHSD, need to be clearly defined in a Policy and Procedures Manual. We found that the District has delineated project expectations for architectural firms in written communication and continue to address responsibilities for other interested parties.
- A Policy and Procedures Manual defines who has the ultimate authority to approve change orders and establishes specific monetary levels of authority from the Project Manager, up to the Director of Facilities Management, and finally to the Governing Board. This clarification shows a specific degree of responsibility, thus building transparent accountability. While our review encompassed a cursory look at "routing

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

slips” that required several signatures before a change order was approved, the authority levels were not clear or documented in a formal guideline.

- From the organization chart provided, it was also unclear if the Gafcon Program Director actually reported to the Director of Facilities Management or to the District Program Planner position. While a discussion with the Program Director suggested that their roles were separately defined, it would be prudent to have them defined in a Policy and Procedures Manual.
- Since much of the liability and accountability for executing the projects lies with the Gafcon-Harris team it would be prudent to define the exact reporting relationship of the team to the District staff, exactly which entity is in charge of financial reporting, the levels of responsibility for change order review and approval, document control, and decision making which affect the projects.

Recommendation 2.2:

AFC once again suggests that the District continue to develop, post, and routinely update a Policy and Procedures Manual which is tailored to the needs of the District, that clearly defines the roles and responsibilities of each person in the organization, and provides a benchmark for accountability.

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

SECTION 3: SELECTED PROJECT ANALYSES

As part of our engagement, we were asked to conduct a review of two (2) completed projects selected at random by the District. The projects selected were: Valhalla High School Phase 2B Modernization – Increment 1 and Monte Vista Phase 2B Modernization. The Valhalla project was executed using a Lease Leaseback construction delivery methodology and the Monte Vista project executed using a CM – Multiple Prime methodology. The project reviews encompassed an examination of budgets, schedules, and other documents in an effort to analyze variances to schedule and other concerns. In addition, we looked at specific reports utilized in the management of the projects’ budgets. We examined change orders, contractor invoices, and other vendor invoices to ensure that the District followed best business practices. Since the Valhalla High School Phase 2B Modernization – Increment 1 project was executed under a Lease Leaseback methodology, we have commented on this method of construction and its value to the District in Section 4 of this report, but have done a comparative analysis of this project benchmarked against other local Districts who have used the Lease Leaseback methodology.

3A. Project Job Cost Reports

Generally, cost reports serve as an invaluable project management tool to monitor costs and one that provides a working tool to keep projects on track and within budget. Further, they provide historical data for owners to track historical project costs and can be used for future budgeting efforts.

Certainly, an area of concern encompassing our review was the reporting format of these two projects as related to budgets, encumbrances, and spending. It was our understanding that Gafcon-Harris, under directions from the District, exported financial data from the District’s “Escape System.” Financial information was then manipulated in an Access database and reported in a Financial Accounting Control System (FACS) report which became the basis for reports, both global and specific to projects categorized by phase. The report content was generally governed by directions given by the District staff to the Gafcon-Harris staff in charge of financial accounting.

Early on in our efforts, we were directed to the District web site where the summary level of the FACS report is posted monthly. Those reports that were posted tended to be very high level reports that included only single line budget information for each project, characterized by phase. This type of report is certainly appropriate for the general public, however these reports in no way serve as appropriate project management tools that can be used for effectively managing project budgets and projections. Upon request, we were eventually provided a more detailed FACS report for Monte Vista Phase 2B Modernization and Valhalla 2B – Increment 1 which had more specific information.

Findings

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

General findings with these existing reports are as follows:

- Only five (5) categories are tracked: construction, design, construction management, testing & inspection, and project contingency.
- None of the sub-categories included in each of the five (5) major categories are subtotaled by budget, encumbrance, or spending. As an example, included in the Design category are the project architect, DSA fees, other engineering, and Dept of Education fees. These sub-categories do not carry their own budgets. Neither encumbrances nor spending are subtotaled, but appear more to be just a list of paid invoices. In essence, the report is a listing of invoices.
- In reviewing the invoices and contracts for each of the projects, we noted that not all contracts are included in the reports. Minor contracts under \$3,000 and other project activities are missing from the individual reports in each case.
- We noted minor errors in reported amounts which did not match with invoices or contracts. These should be corrected or verified.
- A category for Program Management Organization (PMO) is included in the individual project reports but is "zeroed" out. These costs are then "rolled up" in the major FACS summary report for the District as a whole. The District has elected to not allocate Project Management Organization (PMO) costs to the projects. Even though the District does not have to capitalize project costs as is common in the private sector, we would prefer to see project line items for project management, labor compliance, and other costs included with specific project reports so that there are historically accurate records.
- Rather than separate construction into distinct project activities, all construction is listed under the "construction" category regardless of when that activity occurred. In the Monte Vista report, for instance, construction of concrete repairs, walkway renovations, minor electrical repairs, and the major renovation of buildings are all listed under "construction." There is no distinction between project activities even though construction may have occurred several months, or years apart, and with a different set of bid documents. For instance, there are three separate Inspector of Record entries for three separate construction activities. We would prefer to see reports which separate each distinct project construction activity. We understand that the District has recently addressed this reporting issue and is in the process of more clearly defining specific project data rather than grouping it in one report.
- Mixed in with the construction cost category, were Furnishing, Fixture, and Equipment (FFE) purchases. It is our understanding that the District directed that each project carry approximately 3% of the project budget for FFE in the construction line item. Equipment was then charged, as required, for each project. We strongly believe that equipment should be shown as a separate cost category and that equipment is not always a set percentage of construction and would vary with project scopes. Going forward, the District has indicated that it

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

will restructure reporting models to more accurately reflect FFE as a separate budgeted line item.

- Recently the project costs reports have now included activities related to the Plus Program. We believe that this program should be created as a separate project so that prior project activities can be closed.

Given this type of reporting practices, the District can only succeed if the overall program has sufficient contingencies to cover unplanned expenditures. For instance, the Monte Vista 2B Modernization report currently shows a forecasted deficit of \$127,792.96 as of the October 8, 2009, report with one (1) open commitment for testing & inspection of \$9,828 shown. The early phase of the project appears to be closed, however, the report continues to show posted expenditures for the Plus Program which has been added to the 2B Modernization activities. Normally an augmentation to the budget or transfer of funds from other sources would be necessary to offset the project deficit prior to any further expenditure being posted. However, with charges continuing to accumulate because of unknowns, we find it difficult for a project manager to manage the project and for completed construction activities to be closed.

The project cost reporting practices currently do not meet industry standard reporting practices and do not provide clear, concise project management tools. We understand that Gafcon has recently taken over the financial tracking system and the District is making improvements in the reporting system.

Recommendation 3.1:

AFC recommends that the District continue with current efforts in making modifications to the current FACS reporting system with a focus of developing a better project tracking, project management, and reporting mechanism.

Projects Reviewed

Given the complexity of the project tracking system, AFC attempted to re-construct some of the information on the projects selected for tracking by parsing out project activities from the reports into the individual projects we reviewed. In some cases it was difficult to determine what fees the architect charged for the portion of work we tracked since their fees were combined with other design work. Those have been excluded where we could not find sufficient information. Likewise, the construction manager or other vendors may have conducted activities that were not distinctly separated by project activity that we usually see within the industry. Following are the summaries for the individual projects we reviewed:

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

3B. Monte Vista Phase 2B Modernization

The scope of this project was to modernize Buildings 100, 200, 300, & 400, to provide food service improvements consistent with District standards, and to improve performance capabilities within the classroom. The project included new roofing systems, HVAC replacement and upgrades, data & power, underground infrastructure and utilities. Asbestos removal in classrooms and ADA removal of architectural barriers was also included.

Harley Ellis Devereaux (HED) was the Architect of Record. Their contract was initially authored as an agreement on February 14, 2005, as a part of a multi-campus contract for Phase1 & Phase 2 work at Monte Vista, Santana, and El Capitan High Schools. The Notice to Proceed on this project was issued on March 15, 2007, for a fee of \$678,810 plus reimbursable expenses based on a construction budget of \$6,920,100. As the project progressed, the construction cost was revised to \$5,891,595 at bid and the total fee was reduced to \$616,659 plus reimbursable expenses. Final architectural costs, including extra services, were \$688,610 for this phase of the work.

Erickson Hall (EH) was chosen as the Construction Manager for the project. Their fee was 5% for overhead and profit with a maximum of 8% for General Conditions. The fee also included pre-construction services at 35% of the fee, 55% during the course of the work, and 10% retention until completion. The contract with Erickson Hall was authored in 2004 as part of a multi-campus agreement and not updated as suggested in our prior report. Following are the final costs for Erickson Hall relating to the Monte Vista project as reported by the District:

ERICKSON-HALL FINAL CONTRACT				
Category	Contract Max	Payment Log	Final Invoice	GC Savings
5% Fee	\$ 291,742.30	\$ 319,162.33	\$ 291,742.30	\$ -
8% GCs	466,787.68	415,351.84	443,760.46	(23,027.22)
Total Fee/GCs	\$ 758,529.98	\$ 734,514.17	\$ 735,502.76	\$ (23,027.22)
Reimbursables		76,703.42	76,703.42	
Final Subtotal		\$ 811,217.59	\$ 812,206.18	
Adjustment			(988.59)	
Final Total			\$ 811,217.59	

Finding

As the chart indicates there was actually a savings on general conditions costs with the project, however this was offset by reimbursable expenses. The Erickson Hall calculated fee was higher as a result of fee being paid on change orders of \$526,173 added to the project.

The District's payment log actually shows a higher fee, but Erickson Hall adjusted the final invoice to the maximum allowable fee and shifted the fee overrun to General Conditions.

Although the original contract does not contain provisions for reimbursable expenses, Erickson Hall invoices submitted during the project indicated they were allowed a maximum

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

of 13% for reimbursable expenses with a 10% mark-up. We reviewed several Erickson Hall invoices, particularly those containing reimbursable expenses. Erickson Hall was reimbursed for minor construction work executed through them by other subcontractors. Work included miscellaneous electric work, minor construction, and other District directed repair activities even though there were trade contractors available on site to do the work and work could have been accomplished with an authorized change order to the trade contractor.

Recommendation 3.2:

AFC recommends that future Construction Management contracts continue to exclude provisions for reimbursable expenses and, if necessary, change orders to the contract be issued.

As stated previously, the project was bid using a CM-Multiple Prime delivery method. Seven (7) individual trade bids were awarded as follows:

Trade Contractor	Contract Sum
Cement Cutting, Inc.	\$535,728
Countrywide Mechanical Systems	\$629,800
Fordyce Construction	\$1,960,935
Precision Electric Company	\$1,348,000
ProSpectra Contract Flooring	\$248,310
Protech Roofing Service	\$236,900
Ranbar Plumbing	\$349,000
Total	\$5,308,673

The project began construction on November 15, 2007, with the modernization of Building 100 and was substantially complete by late January 2009, and fully completed on April 6, 2009.

Following is a summary of project costs including architectural services, construction management, trade bids, materials testing & inspection, and hazmat work shown as a percentage of construction costs:

MONTE VISTA FEE PERCENTAGES		
CONSTRUCTION:	COST	% of Construction
Trade Contracts	\$5,308,673	
CM Services	811,119	15.28%
Approved Change Orders	526,173	
Sub-Total Construction	\$6,645,965	
DESIGN SERVICES:		
Architect/Engineering	\$621,870	10.36%
Extra Services	66,940	<i>incl. above</i>
DSA Fees	14,683	0.22%
Sub-Total Design Services	\$703,493	10.59%
TESTING & INSPECTION:		
Materials Testing	\$17,563	0.26%
Inspector of Record	161,330	2.43%
Hazmat	62,101	0.93%
Sub-total Testing & Inspection	\$240,994	3.63%
TOTAL	\$7,590,452	

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

All of the vendors above fall within percentage limits normally seen in the construction industry.

3B-1. Monte Vista Allowances

Each trade bid we reviewed was awarded with an allowance amount for unforeseen conditions and in one case, two allowances for equipment to be purchased by the trade contractor. The following table shows the allowances given to each contractor at bid, the number of change orders processed against the allowance, the amount for other change orders, and the number of change orders issued:

CONTRACTOR	ALLOWANCE FOR	ALLOWANCE	AMOUNT USED	ALLOWANCE CHANGE ORDERS	OTHER CHANGE ORDERS	NO. OF CO'S
Cement Cutting , Inc	Unforeseen Conditions	\$ 30,000	\$ 30,000	10	\$ 31,803.00	8
Countrywide Mechanical Systems	Unforeseen Conditions	\$ 20,000	\$ 1,816	3	\$ (18,184.00)	2
Fordyce Construction - Allowance #1	Unforeseen Conditions	\$ 20,000	\$ 20,000	12	\$ 317,906.00	37
Fordyce Constrcution - Allowance #2	Add'l Framing & Structural	\$ 25,000	\$ 25,000	13	included above	
Precision Electric Company- Allowance #1	Unforeseen Conditions	\$ 25,000	\$ 25,000	10	\$ 132,279.00	28
Precision Electric Company- Allowance #2	DVD/VCR Combo Units	\$ 9,000	\$ 9,000	1	included above	
Precision Electric Company- Allowance #3	LCD Projectors	\$ 72,000	\$ 72,000	1	included above	
ProSpectra Contract Flooring	Unforeseen Conditions	\$ 10,000	\$ 10,000	3	\$ 14,932.00	3
Protech Roofing Services	Unforeseen Conditions	\$ 25,000	\$ 25,000	2	\$ 23,217.00	6
Ranbar Plumbing	Unforeseen Conditions	\$ 25,000	\$ 25,000	1	\$ 24,220.00	10
TOTAL		\$ 261,000	\$ 242,816	56	\$ 526,173.00	94

Finding

As the table indicates, of the \$261,000 in allowances, representing 4.9% of the trade bids awarded, the majority were for unforeseen conditions anticipated on the project. In effect, setting up allowances became an additional built-in contingency for the project. If allowances are not indicated as part of the contract, then Owner contingency funds would be required to cover the cost of unforeseen conditions.

Normally we suggest reserving allowances for the purchase of items such as signage, hardware, other tangible project needs (such as was the case for the above displayed equipment purchases), or for significant project unknowns such as government fees or permits. If the allowance is not used in its entirety the remaining balance should be returned to the Owner's contingency fund. All allowances should be processed as change orders to the contract. Often a typical construction contract indicates that any allowance funds will contain no mark-up for bonds, insurance, or overhead and profit and they become a direct "pass through" of cost to the Owner.

In the case of Monte Vista, 56 allowance transactions were processed with the seven trade contractors. Each use of the allowance was assigned an API Number and processed like a change order with the required back up documentation of cost, except these were processed outside of the true change order process.

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

As allowance funds were committed, we would either anticipate an unused balance would remain in the allowance fund and eventually be deducted as a credit change to the contract amount, or a change order would be executed to cover any shortfalls. The total amount of the allowance for each trade contractor was used in its exact totality except in one case. It is seemingly impossible that all items would calculate to the exact allowance total. We found this to be a rather unusual business practice.

Generally, allowances are established to address work that cannot be estimated based on existing drawings at time of bid. However, as unforeseen conditions are a challenge, a contingency is usually established to address those effects, rather than establish allowances.

Recommendation 3.3:

On all future projects, AFC recommends that the District establish contingencies, rather than allowances, to address unforeseen conditions. Further, the District should continue to utilize the formal change order process to reconcile all allowances.

3B-2. Monte Vista Change Orders

The following chart indicates the final change orders processed by the District for all trade contractors. As indicated in the allowance section, had those allowances not been rendered the change order sums would have been \$261,000 higher than shown for unforeseen conditions.

Monte Vista High School	CONTRACTOR ALLOCATION		
	Amounts	As % of Change Orders	As % of Contract
Description			
Erickson Hall	\$ 811,218		
Cement Cutting	\$ 535,728		
Countrywide Mechanical	\$ 629,800		
Fordyce Construction	\$ 1,960,935		
Precision Electric	\$ 1,348,000		
Pro Spectra Contract Flooring	\$ 248,310		
Protech Roofing	\$ 236,900		
Ranbar Plumbing	\$ 349,000		
Base Contract Amounts	\$ 6,119,891		
Change Orders By Reason:			
Unforeseen Conditions	133,495	23.73%	2.18%
District Requested	156,532	27.82%	2.56%
CM Error	10,013	1.78%	0.16%
Errors	117,900	20.96%	1.93%
Omissions	144,650	25.71%	2.36%
Total Changes	\$ 562,590	100.00%	9.19%

The change orders processed totaled \$562,590 or 9.19% of the contract sum. A total of 94 changes orders were processed and all were classified by reason code. For new construction, change order rates are normally between 3-10% of the initial construction cost,

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

with the average of 5%. For renovation projects, maintaining a rate of no more than 10%, not including Owner directed changes, is industry standard. Renovation change order rates are usually higher because of their complexity, the incompleteness of as-built documents, and unknown conditions which may be present at the site. We believe that an excellent project is one where the change order rates are 3% or less, thus we were interested in observing how the project had performed. In this case the change orders for this project have remained within allowable limits for a renovation project.

We pay particular attention to changes attributable to errors and omissions. The "standard of care" for errors and omissions for the industry is that errors and omissions should be no more than 3% of the construction cost. It is purely a judgment call made by the Owner and liability only attaches when the Architect or Engineer acts or fails to act below a reasonable standard of care. We also recommend that ONLY the Owner, or his representative, codify all reason codes and make those judgment calls, rather than the contractor. In order to determine if the standard of care has been breached, we calculate 100% of the error change orders but only 20% of the omission change orders to correct the work, since the Owner would normally cover a portion of any items omitted from the contract work. In the case of this project, the District has set the standard of care at 2% and calculates 100% of the errors and 26% of omissions, a higher standard than we would normally find.

Following is the errors and omissions summary for the project as re-calculated:

Errors	\$ 117,900	100.00%	\$ 117,900
Omissions @ 26%	144,650	26.00%	<u>37,609</u>
Recalculated E/O Changes			\$ 155,509
Percentage of Base Contract			2.54%

Based on the table presented above, the project is slightly higher than the standard set by the District but within the 3.0% standard of care we find normal for the industry. However, we understand the District is following through on this project because their standard has been breached.

3C. Valhalla High School Phase 2B Modernization- Increment 1

The scope of this project was to construct site infrastructure, install fire alarms, and install heating, ventilating, and air conditioning (HVAC) units in all buildings. The HVAC units were purchased in advance by the District. The project was scheduled to be constructed during June, July, & August of 2009, under a 119-day contract schedule which included time for pre-construction services. Actual time allocated for construction was less than 70 days. The budget for the project was initially set as \$8.6 M. According to the District, this portion of the project needed to be completed prior to the balance of the Phase 2B Modernization which was to be constructed using a conventional CM-Multiple Prime delivery method at a later time.

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

Platt-Whitelaw Architects was the Architect of Record. Plans for the entire Phase 2B Modernization were dated February 18, 2009, and were submitted to DSA for approval prior to this portion of the project's start. Hazardous Material (Hazmat) survey and monitoring work was complete by Winzler + Kelly under a contract dated November 18, 2008 and Geotechnical work was performed by Ninyo & Moore under a contract dated December 17, 2008. We have commented on those service contracts in Section 4 of this report. Following is a breakdown of the consulting fees as we estimated them for this project:

VALHALLA CONSULTING FEE PERCENTAGES

PROJECT COST CATEGORY	COST	% of Construction
CONSTRUCTION:	\$8,551,108	
DESIGN SERVICES:		
Architect/Engineering	UNKNOWN**	
Extra Services	UNKNOWN**	
DSA Fees	43,679	0.51%
Sub-Total Design Services	\$43,679	0.51%
TESTING & INSPECTION:		
Materials Testing	\$46,430	0.54%
Inspector of Record	143,913	1.68%
Hazmat	92,764	1.08%
Sub-total Testing & Inspection	\$283,107	3.31%
TOTAL CONSULTANTS	\$326,786	3.82%

*** The A/E fees for 2B, Increment 1 were not separated in the contract*

The District entered into a Lease Leaseback contract with CW Driver, Inc. (Driver) to execute the construction work. On February 21, 2008, the Governing Board approved a list of Construction Managers. Driver was selected from this list by the District. The Lease Leaseback methodology was selected since the project was complicated by inaccessible mechanical units, numerous unknown conditions (as-built drawings were not accurate), and there was a need to construct these portions of the project on a rapid timeframe. According to the District and Program Manager, conventionally bidding the project would have resulted in numerous change orders and potential delays that would have disrupted the current school year and delayed much of the important Phase 2B project work until the following year.

On May 14, 2009, the Governing Board approved the Guaranteed Maximum Price (GMP) construction agreement, site lease, and sub lease with Driver. The final price was to be negotiated by District staff. Board Resolution #2009-77, approved on March 12, 2009, previously approved the Lease Leaseback method and validated the project.

As an initial step, the District entered into a pre-construction services agreement with Driver on February 2, 2009, in the amount of \$83,286. This agreement included estimating, site logistics planning, constructability review, scheduling, and other standard pre-construction services. After Governing Board approval, the Guaranteed Maximum Price was negotiated at

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

\$8,500,000 with a 4.0% Contractor's fee for overhead and profit. It should be noted that the GMP included \$627,400 of contract allowances and we have addressed the reconciliation of these later in this section. A Contractor's contingency fund was established within the GMP as 3.0% of construction cost. Any unused contingency was to be shared between the Owner and Contractor at the project completion (60% to the go to the Contractor and 40% to the Owner). Bond premiums were agreed to be no more than 1.0% of the contract sum. Completion was set at 119 days from the date of issuance of a Notice to Proceed, with a \$2,000/day liquidated damages assessment should the project extend beyond that time period. Further, should Driver not complete construction on time, the shared savings would be split 50% - 50%.

Finding

In most cases we have observed that the shared savings should largely favor the Owner. While there are several schools of thought that believe increasing the contractors share of saving gives the contractor incentive to find on-the-job value engineering savings, AFC favors 100% of the savings being returned to the Owner.

We rarely find that unused contingencies, as well as GMP savings, are returned in favor of the contractor. Generally, we see that the agreed upon percentage would be reversed. Even 40% being returned to the contractor is generous.

Recommendation 3.4:

AFC recommends that the District consider retaining 60% to 70% of unused contractor contingencies and GMP saving on future Lease Leaseback contracts.

On May 18, 2009, the Site Lease was amended to extend the sublease payments to 43 months and to amend the final GMP to \$8,551,108. A Notice to Proceed was issued on June 5, 2009, with completion date set as August 14, 2009. The project was completed on schedule and Driver's final requests for payments were currently being resolved at the time of this review.

Finding

We believe that the District has chosen the correct construction delivery method for this project. While there are drawbacks with each of the available methodologies, the Lease Leaseback procurement method best fits this project's needs. With the significant time constraints presented, and the complexity of the project, it is reasonable to believe that the best way to secure a firm fixed price would be to negotiate a Guaranteed Maximum Price. We often see this as a way to get a project under contract quickly with a minimum of risk.

We feel the District has achieved a reasonable and fair agreement with CW Driver, with the exception of the contingency savings split and the discussion relating to the General Condition/Requirement provisions. In order to validate our findings, we researched several

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

other local school districts who have utilized the Lease Leaseback delivery methodology either on an entire program or on a single project. The following chart demonstrates our comparable findings:

Comparable Lease-Leaseback Projects

District	Program Cost	Project Cost	CIV Fee	General Conditions	Total Fee + GCs	Shared Savings	GMP Contingency	Lease Cost	LD's **	Pre-Con Costs	Pre-Con Costs %
District 1		71.5M	4.25%	8.00%	12.25%	100%*	2.00%	\$17,415/ Month	\$1,500/Day	300,000	0.42%
District A	128.0 M	.....	Incl	Incl	10.00%	67%/33%	3.50%	\$1,000/Month	\$500/Day	700,000	0.55%
District B	340.0 M	.....	5.00%	8.00%	13.00%	Incl	0%	\$1/Month	\$500/Day	450,000	0.19%
District C	720.0 M	.....	4.50%	8.00%	12.50%	67%/33%	3.00%	\$125,400/Month	N/A	350,000	0.05%
Valhalla	.....	8.5 M	4.00%	8.30%	12.30%	40%/60%	3.00%	\$200,000/Month	\$2,000/day	83,286	0.09%

* 100% of shared saving value means all savings returns to the Owner

** LD= Liquidated damages for late completion

As the above chart indicates, the District is paying comparable fees to that of another local school district (District 1) when doing one distinct project. Although there is a difference in shared savings and this is a smaller project, the fee and General Conditions costs are relatively the same. Later in this report, we comment on the relatively high General Conditions/General Requirements for such a short project duration.

In the case of Districts A, B & C that chose to have one Lease Leaseback builder for their entire program there are slightly differing fees and overall total costs. Notable however, is that in order to guarantee a lower fee under the GMP, contractors typically require a larger contingency be set aside. As the chart indicates, the contingency for Valhalla is reasonable and not out of line with industry practice. We also note that Amendment #1 to the Construction Agreement called for sub-lease payments totaling the contract sum of \$8,552,108 over 43 months (42 payments at \$200,000 and a final payment of \$151,108 as the 43rd payment). Without a full understanding of the external sub-lease terms, we are unable to comment on the validity or reasonableness of this portion of the agreement.

3C-1. Contractors Invoices

AFC reviewed Driver's Application and Certificate for Payments #1, #2, & #3. The final Application and Certificate for Payment, and retention amounts were being reviewed by the District as we completed our report and were not available.

Application #1 for the period ending June 30, 2009 and submitted by the contractor on July 10, 2009, was for \$2,848,527.00 less retention. Application #2 for the period ending July 31, 2009 and submitted on August 12, 2009 was for \$3,506,162.40, later adjusted to \$3,784,683.60. Application #3 for the period ending August 31, 2009 was for \$879,727.00.

These were the only available payment requests received from the District even though the project has been completed for more than one month. The payment application is signed by the Contractor, Inspector of Record, and District Project Manager. The Applications for

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

Payment also indicated that the project was approximately 37.0% complete as of June 30, 2009, 82.7% complete by the end of July 2009, and 92.86% complete on August 31, 2009.

Following is a breakdown of the final contract amount:

ITEM OF WORK	COST	% of COST	ALLOWANCES	AMOUNT
General Construction	\$7,333,109		Path of Travel Survey	\$ 10,000
Allowances	627,400		Concrete Patching	20,000
General Requirements	211,678	2.66%	Below Grade Obstruction	50,000
Subtotal Cost of Work	8,172,187		Attic Handrail Rework	20,000
Contractor Contingency	245,166	3.00%	Acoustical Treatment Patching	35,000
General Conditions	685,672	8.30%	Painting	42,400
Builder's Risk	45,515	0.50%	HVAC Reconfiguration	100,000
Liability Insurance	83,252	0.91%	Temporary Power	250,000
Overhead & Fee	369,272	4.00%	Relocate Electrical for Access	100,000
Payment & Performance Bond	96,011	1.00%	TOTAL ALLOWANCES	\$ 627,400
TOTAL GMP	\$9,697,075			
Prepaid HVA/C	(\$1,145,966)			
TOTAL PROJECT	\$8,551,109			

The above table shows General Conditions (GC's) and General Requirements (GR's) to be close to \$900K, and when combined, are in excess of 10% of the contract sum. For a three month construction term, this initially appeared to be unusually high. In order to validate our assumptions, AFC researched several of our project databases and prepared a comparative chart showing typical GC's & GR's on projects of varying complexity, cost, and schedule as follows:

Contract Category	Computer Center Exp.	Hospital Addition	Hospital Addition/ Renovation	GUHSD Valhalla
Construction Contract Value	\$3,500,000	\$50,000,000	\$20,000,000	\$8,500,000
General Conditions	\$495,593	incl. below	incl. below	\$686,000
General Requirements	<u>\$70,825</u>	<u>incl. below</u>	<u>incl. below</u>	\$212,000
Total GC/GR	\$566,418	\$3,205,096	\$1,200,000	\$898,000
Project Duration Months	9	32	16	3
Avg. Monthly Billings	\$62,935	\$100,159	\$75,000	\$299,333

As the chart indicates the GC's & GR's for this project appear to be excessive. The only way to verify the legitimacy of these charges would be to look at a detailed job cost report prepared by Driver and to validate the costs. Although a complete construction audit of Driver's costs was not part of our review, we requested that the District request a detailed job cost report from the Driver. We were unable to obtain this report and it appeared that monthly job-to-date cost reports had not been submitted with the monthly Applications for Payment. As a general rule of practice, each monthly Application for Payment should be compared to actual job costs to ensure that the contractor does not submit invoices in excess of costs incurred to date. We found that this was not done for this project.

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

In reviewing the Applications for Payment we noted that Driver invoiced General Requirements and General Conditions as follows:

	General Requirements	% Completed	General Conditions	% Completed	Contractor's Fee	% Completed	Total Project	% Completed
Invoice #1	\$88,905	42%	\$205,702	30%	\$136,679	37.00%	\$3,165,030	37.01%
Invoice #2	\$100,000	89%	\$205,702	60%	\$168,234	83.00%	\$7,060,766	82.57%
Invoice #3	\$22,773	100%	\$274,268	100%	\$37,990	93.00%	\$7,940,493	92.86%
Total	\$211,678		\$685,672		\$342,903			

As the chart above indicates, the completion of General Requirements was invoiced ahead of total job completion and General Conditions was invoiced slightly behind job completion, however the Contractors Fee was invoiced monthly exactly matching the percentage of completion at the time.

Finding

We often find that General Contractors will invoice General Conditions cost as a percentage of completion rather than actual costs. It is important that the District, as Owner, insure that payments to the contractor do not exceed the lesser of cost or the GMP.

Recommendation 3.5:

AFC recommends that, when a Lease Leaseback GMP contract is utilized, the District review the contractors job cost report on a monthly basis to insure that they are paying the lesser of cost to date or the Guaranteed Maximum Price.

3C-2. Allowances

As can be seen on the final contract cost breakdown chart shown above, there was \$627,400 of allowances included in the GMP. We normally do not find allowances of this magnitude. In the case of this project with numerous unknowns, it may have been necessary to expedite the contracting process. However it is important that the District reconcile each allowance to actual costs expended for each of these and adjust the variances by contract change order, prior to finalizing the GMP financial records with Driver.

We reviewed a Valhalla 2B "Final Accounting Summary" report from the District. This report contained a listing of all allowances, amounts approved to date for allowance usage by the District, and a summary of outstanding "To Be Determined" claims against the allowances. As indicated on this report dated October 16, 2009, most allowance categories had not been exceeded, with the exception of the electrical allowance, currently showing a "bust" of over \$300,000. This is currently being discussed by the District with Driver as part of the overall final settlement.

It should be noted that with a GMP contract, as is the case with this Lease Leaseback agreement, a Contractor may shift allowances from one category to another with Owner approval. Because the project financial data is incomplete and we were not auditing the

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

contractor's records, we were unable to verify if the overall contract costs exceeded the GMP or if, in fact, there was a GMP savings. At the time of this report, it is our understanding is that the District is actively engaged in closing out this project and is currently showing a GMP savings that will be credited back to the project GMP.

Recommendation 3.6:

AFC recommends that, when a Lease Leaseback contract is utilized, the District minimize allowances prior to agreeing to the final GMP. Further, all GMP contracts should be monitored against monthly Contractor cost substantiation in an effort to avoid overpayments on a monthly basis throughout construction. For this particular project, we suggest a complete audit of Driver's records be conducted. This will also provide the District with a record of all equipment, tools, job site furnishings, etc. that were purchased and should be turned over to the District. A final GMP audit report should be presented to the District and the Board.

3C-3. Contractor's Contingency

A "Contractor's Contingency Usage-Tracking Log" prepared by Driver was also reviewed. It contained a listing of proposed usage of the contractor's contingency, amounts approved by the District, and pending items. At the time of this report, the contingency of \$245,166 has remained relatively intact and remains to be settled. Only \$71,683 has been requested for potential contingency use at the time of this report.

Recommendation 3.7:

AFC recommends that all usage of the Contractor's Contingency be reviewed and finalized as part of the close-out process which is currently in process.

3C-4. Change Orders

We reviewed a "Scope Change Log" prepared by Driver listing \$544,741 of scope changes requested by the District. Many of these change order requests (COR'S) have not been validated by the District and are currently the subject of settlement meetings between Driver and District. There were 128 items listed for resolution and many have been approved. It is our understanding, after discussion with the Program Director, that the District added significant changes to the scope during the three month construction period. These changes will need to be funded by the project contingency or validated as legitimate use of the contractor's contingency. Since the project is not yet completely closed out we cannot comment on the individual change orders or reason codes. Fortunately, there appears to be no claim for a time extension added to the project as a result of these changes. Regardless, we would limit the scope changes under a Lease Leaseback contract where possible. The Program Director suggested to us that the project would not be fully closed out until December 2009. even though the Notice of Completion was filed on September 21, 2009.

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

Recommendation 3.8:

AFC recommends that, to limit risk to the schedule, the scope of the project not be modified by District requested changes when there is a critical construction schedule to be met.

Recommendation 3.9:

AFC recommends more prompt attention to closing project financial activities. The use of a third party construction auditing consultant could assist in this effort on GMP contracts.

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

SECTION 4: DESIGN TEAM COSTS AND OTHER CONSULTANTS

As part of our engagement we were asked to review the current architectural contracts for specifically selected projects and to contrast current fees and contract changes with past practice. We also were asked to review contracts with other consultants to see if they were consistent with industry standards. Since the District has considered new approaches to contract methodology we were asked to comment on the Lease Leaseback delivery process and its advantages for future projects.

4A. Architectural Selection Process

On May 12, 2008 the District issued a Request for Qualifications/Proposals (RFQ/RFP) to identify a pool of architects for future design work. The RFQ/RFP asked for proposers to identify the lead architect for the firm, staffing resources available, references, and prior litigation. Unique to the proposal was the requirement that proposers identify a fee range with and without a CM Multiple Prime methodology, a sub-consultant list, and hourly rates for employees. A published series of 26 questions determined the selection criteria that were to be used in the final selection. Proposals were due on June 12, 2008. After screening the proposals, a panel was assembled, and interviews were held using a 33 question rating system. Firms were ranked by the panel and recommended to the Governing Board. The Governing Board was to ratify the selection process on June 26, 2008 however it was delayed until July 30, 2008. Several firms were placed on the eligible list.

Finding

The process undertaken by the District to identify a pool of architects from which to draw for future projects was well documented. Detailed rating sheets and interview questions were used to rank proposers. While the architects provided a sealed fee proposal, pricing was not a criteria used in selection process. In this case, the fee proposal was a tool used to begin negotiations with the selected consultant. We caution Districts not to use fee as a basis for selection since it is considered a professional service and not a bid proposal.

Recommendation 4.1:

None

4B. Architectural Contracts

In our previous report, AFC made several comments regarding the adequacy of the architectural agreements being used by the District. We suggested that specific modifications be made to the basic agreement, fee schedule, and other items to clarify contract language.

We had the opportunity to review the draft of a proposed new Architectural agreement, dated July 27, 2009. While not yet adopted in full, it addresses many of our prior comments.

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

For instance, there are now provisions within the contract for the adaptive reuse of project documents at school sites, a new basis for the calculation of the architect's fee based on the Construction Managers 100% Construction Documents estimate, liability insurance limit requirements for sub-consultants, and the insertion of an agreed upon master schedule. Changes in the fee breakdown from 2007 to 2009 have also been made as follows:

Design Fee Breakdown		
Design Phase	Prior Contract Fee Breakdown	New Contract Fee Breakdown
Schematic Design (SD)	11%	12%
Design Development (DD)	14%	15%
Construction Documents (CD)	45%	40%
DSA Approval	5%	5%
Bidding	5%	3%
Construction Administration	20%	20%
Close out/As Built	0%	5%
TOTAL	100%	100%

The shift in the breakdown of the fee primarily sets aside a percentage of the fee to cover the preparation of close-out documents and adjusts the effort required in the schematic and design development stages of the project.

A new fee schedule has also been proposed for new and modernization projects as follows:

Construction Type	Prior Fee Schedule	Example - \$15,000,000	Current Fee Schedule	Example - \$15,000,000
<i>Design Fee Schedule - New Construction</i>	9% of first \$1,250,000	\$112,500	9.0% of first \$500,000	\$45,000
	8.5% of next \$1,250,000	\$106,250	8.5% of next \$500,000	\$42,500
	8.0% of next \$2,500,000	\$200,000	8.0% of next \$1,000,000	\$80,000
	7.0% of next \$10,000,000	\$700,000	7.0% of next \$4,000,000	\$280,000
	6.0% of next \$10,000,000	\$0	6.0% of next \$4,000,000	\$240,000
	5.0% of any additional	\$0	5.0% of any additional	\$250,000
Total Sample Fee Calculated		\$1,118,750		\$937,500
<i>Design Fee Schedule - Modernization</i>	12% of first \$1,250,000	\$150,000	12.0% of first \$500,000	\$60,000
	11.5% of next \$1,250,000	\$143,750	11.5% of next \$500,000	\$57,500
	11.0% of next \$2,500,000	\$275,000	11.0% of next \$1,000,000	\$110,000
	10.0% of next \$10,000,000	\$1,000,000	10.0% of next \$4,000,000	\$400,000
	9.0% of next \$10,000,000	\$0	9.0% of next \$4,000,000	\$360,000
	8.0% of any additional	\$0	8.0% of any additional	\$400,000
Total Sample Fee Calculated		\$1,568,750		\$1,387,500

As the example indicates, significant savings will accrue to the District with the new design fee schedule. In our example of a sample \$15.0 M project, approximately 11.55% would have been saved on a modernization project, and 16.20% on a new project. Since the District has now "frozen" the basis on which the fee will be computed as "the estimated cost prepared by the Construction Manager at the completion of 100% Construction Documents",

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

it is now likely that budgeting will be more simplified and the fee more firmly fixed at bid date.

Finding

AFC believes the revisions to the contract have addressed many of our previous concerns. The newly adopted fee schedule more closely aligns with many of the other District bond programs we have reviewed and should result in significant savings.

Recommendation 4.2:

None

4C. Harley Ellis Devereaux Contract – Science Buildings

On January 25, 2008 the District entered into a contract with Harley Ellis Devereaux Architects (HED) to design science buildings at five (5) of the campuses: Grossmont, Helix, El Capitan, Santana, and Monte Vista High Schools. Two of the science buildings were to be two (2) stories and three (3) were to be one (1) story. All were of similar design and to be adapted to the site at each campus.

We were particularly interested in seeing how the District negotiated the fees for architectural service and prepared the contract under this scenario. We normally anticipate a reduction in fees would apply to a project that was adapted to another site since the basic structural, electrical, mechanical system, and finishes, both exterior and interior, are normally the same. Seemingly, the only effort on the architect's part would be to prepare a new site plan, conduct the appropriate code checks, and make changes to minor elements of the project. In the case of these five projects there were additional scope elements such as demolition of existing structures, relocation of existing temporary structures, and other infrastructure needs that were unique to each campus, therefore it was difficult to conduct a true comparison. However, we tried to ascertain effort by the District to negotiate some reasonable fee reduction from the standard fee curve.

The contract included all of the schools under one contract umbrella and contained a provision for the "Adaptive Reuse of Plans", a discounted fee for reuse in the future based on a unit cost per square foot baseline, and a further reduction clause for subsequent reuses of three (3) or more times. The contract also contained specific scopes of work for each campus and recognized that DSA approval might be obtained for multiple projects in one combined review. The contract included a breakdown of budgets and fees for each project on which compensation would be based and the other normal provisions of a standard contract.

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

Finding

AFC found the contract to contain the necessary provisions to cover the reuse of plans at several sites. The District clearly spelled out the scope of work for each site and negotiated a lump sum fee of \$2,360,909 or 6.2% fee for the entire \$38.1 M project cost at the five schools. If each project had a separate contract, fees were negotiated separately, and there were no similarities in building design, then fees would have been substantially higher. The following chart shows our calculation of those fees:

SCHOOL SITE	BUDGET	2007 FEE	ACTUAL FEE	DIFFERENCE	% SAVINGS
Grossmont High School (2 story)	\$11,524,322	\$875,452	\$714,508	\$160,944	18.38%
Helix High School (2 story)	\$8,010,319	\$629,472	\$496,640	\$132,832	21.10%
El Capitan High School (1 story)	\$6,242,462	\$505,722	\$387,033	\$118,689	23.47%
Santana High School (1 story)	\$6,132,100	\$497,997	\$380,190	\$117,807	23.66%
Monte Vista High School (1 story)	\$6,170,931	\$500,715	\$382,598	\$118,117	23.59%
TOTAL	\$38,080,134	\$3,009,358	*\$2,360,969	\$648,389	21.55%
% FEE FOR 5 SCHOOLS		7.90%	6.20%		

*Note: The final contract sum was reduced to \$2,360,909 with no indication which school was reduced

As the chart indicates, 21.55 % was saved by negotiating a reduced fee under an adaptive reuse scenario and by combining the projects under one contract. While the scope of work for other elements of each project may have skewed the fee higher in the aggregate, this fee reduction seems reasonable. We have seen variations at other Districts from 10% – 30% for the adaptive reuse of plans. There appears to be no standard which can be applied “across the board” since each project has specific scope elements which must be considered. However, we believe the District has made every effort to consider adaptive reuse when negotiating this fee.

Subsequently, on April 15, 2008 the District added a sixth Science Building (2 story) at Valhalla High School under similar site adaptation conditions as an amendment to the contract. The budget for the Valhalla Science Building was \$10,960,000 and amended to the contract for a fee of \$756,240 or 6.9%. This fee was slightly higher than the previous negotiations but not out of line with the prior contract. Since the master schedule produced with the original contract was still intact and the architect had completed schematic design for the other five schools, this project was given a Notice to Proceed to the Design Development phase. That notice was issued by email on April 16, 2008 however we noted that the formal contract amendment was not issued until July 25, 2008, some three months later.

Recommendation 4.3:

A minor correction to the contract identifying where the contract sums for each school differ should to be made.

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

4D. Architect's Invoices

We reviewed Harley Ellis Devereaux (HED) invoices associated with the Grossmont Phase 3A Science Building, one of the five schools. The total fee for this portion of the project was \$714,508 as listed in the contract, however, the invoice summary lists the contract sum as \$713,084, an error of \$424. This error was adjusted and credited at the schematic stage of the contract. There were four (4) amendments to the basic agreement as follows:

Amendment #1	Fire Flow Tests	\$2,022.00
Amendment #2	Additional Staffing	\$8,396.58
Amendment #3	Site Grading/Storm Drain	\$3,273.00
Amendment #4	T & M Conversion	\$16,250.00
TOTAL		\$29,941.58

Reimbursable expenses were listed in the contract as \$15,000 per campus, however, the invoice summary lists reimbursable expenses as \$10,000.

Invoices reviewed covered the period from February 29, 2008 until May 3, 2009. Invoices received follow the approved billing percentages listed in the contract for each phase of the project. As of May 3, 2009, \$618,998.06 had been encumbered, leaving a balance of \$134,027.52. No activity has been reported and posted since the June 12, 2009 approval of the last invoice, however, it is clear that this project is under construction and in the construction administration stages.

Recommendation 4.4:

Minor downward corrections to the reimbursable sums allowed under the contract will not affect the final outcome, however AFC cautions the District to ensure that accurate financial records are kept consistent with the contract and that invoice postings are kept current.

4E. Inspection, Materials Testing, and other Consulting Contracts

As part of our contract review we had the opportunity to review contracts and invoices from several service providers for the Monte Vista 2B Modernization and Valhalla 2B – Increment 1 projects which have been reviewed in Section 3.

Most contracts with service providers are done as task order assignments based on previously approved contracts. These vendors were previously solicited by the District for numerous projects. Once the project reaches the construction stage, task orders are issued and the base contract becomes the boiler plate. All task orders contain a scope of work and a lump sum fee for services.

Examples of the contracts and/or task orders issued on these projects are as follows:

- We reviewed a contract and invoices for an Inspector of Record on the Monte Vista 2B modernization project with State Consulting & Inspection. The contract was for

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

\$91,007 and issued for the period from June 25, 2007 through June 30, 2008. The agreed upon rate was \$73/hour which meets the prevailing wage rates for inspection services. All invoices were submitted in order and no overtime or extra services were requested.

- We reviewed a contract and invoices for Hazardous Material Abatement with Winzler + Kelly for the Valhalla 2B Modernization– Increment 1 project. Three (3) task orders were issued for an initial report, Project Management, Air Quality Monitoring and Sampling, TEM Clearance, and Closeout documentation. Two task orders were issued on May 12, 2008 and the final one on June 8, 2009. The total contract sum for the three task orders was for \$61,100. All invoices were submitted in order against each task order and there was no request for extra services.
- We reviewed a contract with Construction Testing & Engineering, Inc. for materials testing on the Monte Vista 2B Modernization. The contract was to start on January 8, 2008 and conclude by January 27, 2009. The initial sum of the contract was \$17,921 and there was one amendment for \$1,500 made to the contract. All invoices were submitted in order against the contract sum.
- We reviewed a contract with Snipes- Dye Engineering for the design of the drainage system near Building 100 at Monte Vista. Their contract was for \$5,840 and covered the period from November 12, 2008 to April 30, 2009. All invoices were submitted in order against the contract sum.
- We reviewed a contract with James Maletic for Inspector of Record services related to the Valhalla 2B- Drainage for \$5,840. This was a short one month agreement to monitor a drainage project that was being put in place under a separate agreement with CW Driver. This project was invoiced correctly.
- We reviewed a contract with Ninyo & Moore for geotechnical investigation at the Valhalla 2B Modernization – Increment 1 project. The contract was initially for \$15,000 and was later amended under another task order for \$35,000 to assist in monitoring and testing the drainage portion of the project. There was overtime associated with the work.

4F. Lease Leaseback Construction Delivery Method

There are numerous construction delivery methodologies utilized by K-12 school districts and community colleges throughout the State of California. All delivery methods are rooted in enacted legislation and governed by the California Education Code. The Education Code Section 17406 permits the Governing Board, without advertising, to lease its property to a builder entity to construct improvements under a Lease Leaseback methodology. A description of the Lease Leaseback methodology is as follows:

Lease Leaseback: This method requires the Owner to lease their property to a leasing entity, the Contractor, for as little as one dollar per year or for an agreed upon sum. The Contractor in turn constructs the program/project and then leases the completed project back to the Owner. At the end of the lease term, the property reverts to the Owner with the

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

improvements in place. The Owner maintains ownership of the property throughout the lease term. This methodology allows the Owner to rely on the Contractor to deliver the program at a Guaranteed Maximum Price (GMP) for a fee, and for the Contractor to by-pass the complexities of the public bid process and manage the entire program including providing pre-construction services. Minimal administrative support is required from the Owner other than to ensure that the lease terms are fulfilled and the program stays on budget by working in partnership with the Contractor. We recommend this process for projects likely to be complicated by time constraints or where staff expertise and administrative time is limited. There is limited risk to the Owner under this methodology once the GMP is established.

In the case of Grossmont Unified School District, several projects have been selected for demonstrations of this method of procurement. One of the Phase 3A Science Buildings at Mount Miguel was selected by the District to determine if the Lease Leaseback method produced savings. We did not review that project but have analyzed the Valhalla 2B Modernization – Increment 1 project in detail in Section 3 and have commented on application of that process.

Several other important elements of the Lease Leaseback methodology are worth noting:

- The District may, at its discretion, award the contract to a design-builder. Rather than selecting an independent architect to design the project, the District may execute a contract whereby the contractor hires the architect directly, bypassing the need for a separate agreement with the design professionals. Although the review process with DSA is still mandated this may have the advantage of putting the responsibility under one contracting entity.
- Architectural agreements under a Lease Leaseback arrangement can also be tailored, eliminating some redundant tasks. For instance, the contractor/builder is charged with providing pre-construction services which include estimating, constructability reviews, and value engineering sessions. Typical architectural agreements require the architect to produce an estimate at each phase, provide constructability and coordination reviews, and to attend value engineering sessions. A District can, therefore, decide if it wants to have both entities provide duplicate services in these areas or modify the Architectural agreement to eliminate those requirements from their contract.
- Distinctly, the advantage of the Lease Leaseback contract is that it collapses the time it takes to award a project, simplifies the bid process itself, and creates a partnership between the District and the Contractor/Builder. A third party Construction Manager is also eliminated from the process since the Contractor/Builder fulfills this role.

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

Recommendation 4.5:

If the District knows that it will be entering a Lease Leaseback delivery method early in the programming and pre-planning process, AFC recommends reviewing the architectural contract for redundant requirements.

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

SECTION 5: PROCUREMENT PRACTICES

AFC was asked to review procurement practices implemented by the District and to track “time to payment” issues with contractors and other vendors. We also reviewed several bids processes to see if there were sufficient bidders, if they were locally based, and if the District had implemented a successful outreach program.

AFC reviewed the following documents:

- District Contractor Outreach Procedures
- Pre-bid Sign-in Sheets for Phase 3A Grossmont High School Science Building
- Pre-bid Sign-in Sheets for Phase 2B Modernization Mt. Miguel High School
- Eligible Bidders list for Phase 3A Grossmont High School Science Building
- Bid Results for Phase 3A Grossmont High School Science Building
- Bid Results for Phase 2B Modernization Mt. Miguel High School
- Time to Payment Logs for October & November 2007, July & December 2008, and February 2009
- Program Management Organization invoices
- Prop H Financial Summary, Budget vs. Actual, dated July 31, 2009

5A. Construction Contractor Outreach

Request for Proposals, Requests for Qualifications, and contractor bids are handled and managed by the District Purchasing office. Preparation of bid documents is handled by Gafcon-Harris, with appropriate consultants if necessary, and delivered ready for bid solicitations to the District Purchasing office.

The Purchasing office maintains a list of registered contractors per the California Uniform Public Construction Cost Accounting Act (CUPCAA). All contractors are notified of bid opportunities related to their trade within 10 days for informal bids and within 30 days of formal bid openings. The District complies with the School Facilities Act for advertisement requirements for Disabled and Veteran Business Enterprise (DVBE) participants. All bids are advertised in the San Diego Daily Transcript, a local trade publication. All potential bids are listed on the District website at <http://portal.guhsd.net/GUHSD/depts/busserv/purchasing> . When projects are bid it is customary for the District to hold a pre-bid meeting with potential proposers. As an outreach effort, District staff will occasionally attend local trade organization meetings (AGC, SMPS, CMMA) to discuss upcoming bid opportunities with the local construction industry. The District has made an effort to solicit local East County vendors and trade contractors where possible.

5B. Bid Process Review

AFC reviewed an eligible bidders list for the Phase 3A Science Building at the Grossmont High School and found that seven (7) bidders were pre-qualified for this project on November 19, 2008. The project value was \$11.6 M and was to be a lump sum bid. Mandatory pre-bid

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

meetings were held on November 12 & 18, 2008, with the eligible contractors and ten (10) subcontractors in attendance. A review of the bid results (not dated) indicated bids were received from four (4) of the eligible bidders with a range of \$9.27 M to \$9.77 M. The low bidder was \$2.33 M under the published estimate. Given the reasonable price spread between high and low bidders the bids were acceptable and an award was made at the Governing Board meeting on December 10, 2008.

AFC reviewed another bid for the Phase 2B modernization at Mt Miguel High School. This project was to be bid as a Multiple Prime trade bid contract with a Construction Manager. The pre-bid meetings conducted on January 6 & 8, 2009, were attended by 171 trade contractor representatives. This indicated significant interest in the project and a broad outreach. The total estimated price was not published on the documents we reviewed nor was it clear that attendance at the pre-bid meeting was mandatory. There was adequate bid representation for this project. In the combined bid results we reviewed, there were 15 separate trade bid packages received. Each bid package had at least four (4) bidders with a high of ten (10) bidders for the demolition and abatement portions of the work. Some bidders were declared non-responsive by the District and there was one (1) bid protest which was eventually resolved. The smallest bid package had a value of \$87,180; the highest, \$2,174,000. Several trades were strategically combined into one bid package in an effort to save money. The bid process was well managed and proposals, when combined, yielded the lowest alternative. The following chart shows the bid results and ranges:

MT. MIGUEL PHASE 2B MODERNIZATION TRADE BIDS					
TRADE BID	No. of BIDDERS	LOW BIDDER	HIGHEST BID	BID SPREAD	MEDIAN BID
Demolition & Abatement	10	\$720,000	\$1,095,360	\$375,360	\$907,680
Drywall, Doors, & Paint	10	\$1,288,145	\$1,825,000	\$536,855	\$1,556,573
Acoustical Ceilings	4	\$186,300	\$240,647	\$54,347	\$213,474
Ceramic Tile	6	\$101,300	\$190,272	\$88,972	\$145,786
Concrete & Sitework	7	\$147,227	\$410,500	\$263,273	\$278,864
Electrical Work	5	\$2,174,000	\$2,477,000	\$303,000	\$2,325,500
Finish Carpentry	4	\$257,400	\$428,553	\$171,153	\$342,977
Specialties	4	\$397,629	\$470,977	\$73,348	\$434,303
Plumbing & Underground	8	\$420,368	\$836,413	\$416,045	\$628,391
Roofing & Sheet Metal	9	\$626,340	\$890,000	\$263,660	\$758,170
Glass & Glazing	6	\$227,955	\$277,550	\$49,595	\$252,753
HVAC	6	\$1,020,000	\$1,317,000	\$297,000	\$1,168,500
Lab Casework	5	\$100,415	\$172,000	\$71,585	\$136,208
Rough Carpentry	11	\$517,000	\$685,000	\$168,000	\$601,000
Shade Structures	2	<u>\$87,180</u>	<u>\$94,680</u>	<u>\$7,500</u>	<u>\$90,930</u>
TOTAL BIDS		\$8,271,259	\$11,410,952	\$3,139,693	\$9,841,106

As the chart shows, bidding to individual trades generally yields the lowest overall cost. Rather than following a lump sum bid process, a Construction Manager with Multiple Prime process allows the District to know each trade bid price without a General Contractors mark-up, overhead, and profit. These elements are then controlled by selecting a Construction Manager and negotiating general conditions, overhead, and profit with that entity. This process produces significant savings to the District.

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

5C. Invoices and Time to Payment

Under normal Public Works contracts and according to the California Public Contracts Code, Section 20104.50, the District shall make payment to contractors and vendors within 30 days of invoice receipt or pay an interest penalty. Receipt of a payment request is normally defined by the agency as the date the payment request is received/approved by the accounting office NOT the date the vendor makes application for payment. It is therefore prudent for the District to monitor the time between receipt of the payment requests and final payments to ensure they meet the appropriate window and avoid interest payments. This time frame does not apply to payment of the final retention, defined as 30 days beyond the filing, and recordation of the Notice of Completion. Notice of Completion is not filed until all work is totally completed and work has ceased on the job site.

AFC reviewed several monthly "time to payment" logs kept by the Program Manager. The logs list the school site, vendors name, the date invoices were submitted by the contractor, the date the invoice was approved by the Construction Manager, the date it was transmitted to the District, and the date the District issued a payment to the vendor. The total elapsed time for each vendor was then tracked. With the five (5) monthly periods we sampled the average time to payment was between 17 and 29 days. Several examples are worth noting:

- During July 2008, trade contractors were submitting payment requests before contractual requirements. Normally contract terms specify that Applications for Payment shall be submitted no more than five (5) days prior to the end of the month. Since the Construction Manager had to verify that work to be billed on the Application for Payment was in place, there was a delay in approving the invoice and transmitting it to the District. The time to payment during that month averaged 29 days.
- During the December 2008 payment period, the Program Manager noted that several payment requests submitted were incorrect and were returned to the vendor with a Notice of Correction letter. This resulted in a short payment to the vendor until corrected. The average time to payment during this period was 22 days.
- During the February 2009 payment period, the Program Manager noted that there appeared to be an unexplained lapse of time between when the contractor submitted an invoice and when the Construction Manager signed the invoice. This occurred during an extended Christmas break when the District offices were closed and was caused by minimal on-site personnel available to process and review the payment requests. In that case there was still an average time to payment of 22 days.

In each example above, AFC notes that the Program Manager is doing an excellent job of tracking "time to payment" issues. In addition, proper procedures are being followed when there are questionable invoices and invoices are rejected. In other Districts, vendor payments are often withheld either due to errors in invoices or insufficient documentation.

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

Rather than ignore the payment request or question the payment request, the proper procedure is to issue a formal Notice of Correction letter. This process is being followed by the District.

Recommendation 5.1:

None

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

SECTION 6: CITIZEN'S BOND OVERSIGHT COMMITTEE ACTIVITIES

AFC was asked to update the activities of the Citizen's Bond Oversight Committee (CBOC) since our last report. We also reviewed the 2008 CBOC annual report to the public published on March 19, 2009. Additionally, we reviewed the minutes of all sub-committee and CBOC regular meetings to ensure that there was consistency and timeliness with the information received by the CBOC from the District and Program Manager and to discover how the CBOC disseminated that information to the public.

Finally we were asked to review and comment on the Advisor's report prepared by Colbi Technologies, Inc. for the El Capitan High School project. Were the areas covered by that report adequate or should additional information be provided? What should the CBOC consultant be doing to further inform the CBOC?

6A. CBOC Activities

As required by the Bond Measure language of Prop H, the District put in place a Citizen's Bond Oversight Committee (CBOC). The first meeting was held in September 2004, and the CBOC met quarterly during the first year. Because the program was in the early stages of development, there was little information for the committee to review. The first annual report was published in June 2005, but contained no information about project development. During the 2005/06 FY, the CBOC became more active in project review, asking questions, and reviewing budgets. By May 2006, a website had been developed and several presentations were made to the CBOC by District staff, architects, and the Master Architect/Project Manager MA/PM. Several membership changes to the CBOC were also made during this period. The CBOC committee was expanded from seven (7) to eleven (11) members, the CBOC began meeting monthly, and administrative changes were made within District staffing. The CBOC also established sub-committees to further discuss Audit & Finance, Construction Oversight, Steering & Planning, and Communication. The CBOC continues to meet monthly in this capacity. The CBOC published its second annual report in February 2007. This report contained additional information and new project specific items but little information was getting to the CBOC in an effective manner from the District staff or MA/PM. At the same time, cost escalation and project delays were clearly causing concern within the CBOC and with stakeholders. In February 2007, the Governing Board approved the establishment of a Bond Advisory Commission to review the bond program and make recommendations. They met and issued a report to the Board in June 2007 with several recommendations such as hiring an expert Program Manager, staffing the CBOC with an outside consultant, providing rigorous and independent fiscal oversight, and defining a 12th high school. AFC, in our report published in July 2007, recommended that the District strengthen the communication with the CBOC with similar measures.

Concurrent with the completion of our prior report, the District issued an RFP in June 2007 to engage a consultant to assist the CBOC. On September 15, 2007, the Governing Board hired Colbi Technologies, Inc. to act as consultant to the CBOC. The consultant's fee was a not-to-

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

exceed sum of \$69,000 per year. Their scope of work included attendance at CBOC meetings and sub-committee meetings, CBOC website maintenance, assistance in the preparation of the annual report, and preparation of special performance audits. On July 10, 2008, the Governing Board approved an extension of the annual contract with Colbi Technologies, Inc. for \$68,000 with revisions to the reimbursable travel rates and mark-ups on reimbursable expenses.

The 2008 annual report completed on March 19, 2009, is a comprehensive overview of progress to date, actions of the Governing Board with regard to an update of the Long Range Facilities Master Plan, the establishment of site committees on each campus, and other information valuable to the public and stakeholders. With the passage of Prop U, the CBOC has broadened its scope to encompass the oversight of Prop U activities and continues to act in that capacity.

Finding

Based on a review of the CBOC meeting minutes and sub-committee meeting minutes, we found that the review process, activities, and recommendations have become more transparent indicating a deeper involvement of the CBOC. The District provides status and progress reports to the CBOC in a timely manner and seeks the advice of the CBOC committees prior to any action by the Board. With the launching of the Sharepoint 360 system, the establishment of website improvements, and the improved reporting mechanisms established by the Program Manager, the CBOC is well informed of both Prop H & U progress. We believe that with the emergence of Prop U funding and the state budget crisis, it will be important for the CBOC to continue to be updated on state matching fund availability, cash flow projections, and the difference in Prop H & Prop U projects and funding. AFC believes the organization is actively engaged in program review and has improved communication during the past two years. We observed that the CBOC construction committee has made some site visits, but because the District schools are widespread, they have not visited each campus.

Since the new school in the Alpine Blossom Valley area is an emerging project of great interest to the District and stakeholders we believe it prudent for the CBOC to discuss and be thoroughly briefed on proposed methodologies for design and construction, especially if a Lease Leaseback methodology is selected. There are several new high schools in the immediate San Diego County area that have been recently built using this methodology and valuable lessons to be learned. We therefore suggest the following:

Recommendation 6.1:

AFC recommends that the CBOC be thoroughly briefed on the Lease Leaseback methodology and consider scheduling a visit to one or more of the high schools recently built within San Diego County using this methodology.

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

6B. Advisory Report - El Capitan High School

At the request of the CBOC Construction Oversight sub-committee, Colbi Technologies was asked to do a separate report on the El Capitan High School project. This was the result of discussions at CBOC meetings that the annual performance audit did not address the planning, review of scheduling, and other aspects of the various projects in Prop H. The committee felt it was necessary to periodically review specific projects in detail to get a better picture of overall project progress.

The El Capitan report was completed on September 22, 2008 and reported the following:

- Completed Activities to Date
- Internal Control Procedures & Organization
- Programmed Work & Other Funding
- Project Budget Status
- On- Site Review
- Attendance at a construction meeting

Several meetings and interviews were held with the District employees/consultants and an extensive document review was conducted to determine if best business practices were being followed. Finally, an on-site walk through was conducted to observe construction in place and to attend a construction meeting. The report found no serious deficiencies and the project seemed to be following best business practices.

Finding

We were asked to review this advisory report and comment on the areas that Colbi addressed.

We found the report to be an accurate snapshot of this project at the time of its writing. Because the work at the El Capitan campus is a mixture of infrastructure, modernization, new science buildings, and other work that was not bid and awarded as one project, it was difficult for Colbi to capture a picture of an entirely completed campus or to define it on a project by project basis. Approximately 60% of the total project work on this campus was completed at the time of the report and the report often refers to generalities applicable to all GUHSD projects in the program. We believe frequent reviews of specific projects are valuable to the CBOC. We note that the original scope of work for the consultant was to prepare at least three (3) performance audits annually. We understand that only one report was completed.

Recommendation 6.2:

The CBOC consultant should consider preparing more frequent reports on specific projects selected by the CBOC. These reports should focus on those that seem problematic, are at

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

least 50% completed, or are at some critical phase of development and of interest to stakeholders and the public at large.

It is our opinion that "project review" reports are generally beneficial and we believe that the Colbi report was useful to the CBOC. In fact, many agencies conduct "post-performance" project reviews of specific projects in an effort to capture best business practices, lessons learned, and to demonstrate administrative accountability to the public. We therefore offer the following outline of topics which may be covered in such a report:

Executive Summary:

- Prepare a detailed project scope description, budget, and schedule for the project
- Summarize all facets of the project including initial and final funding (Some agencies prepare standardized data sheets for future use in budgeting)
- Review State matching funding

Administrative:

- Did the project follow the approved administrative/operational procedures (This is usually in compliance with an approved Policy and Procedures manual)
- Did the project follow the required regulatory compliance procedures (These would include DSA review, final close out , and acceptance as well as Hazmat, or other special reviews)

Planning:

- Did the project follow the Long Range Facilities Master Plan(LRFMP)
- Did the project abide by all mitigation measures required by CEQA (This to be coordinated with overall CEQA compliance documents for the LRFMP)
- Did the project follow the approved campus design/material standards
- Were approvals received at each phase of project development

Design:

- Did the project follow the originally approved review timelines through each phase of project development
- Review of A/E Contracts, including approved fee, Extra Service authorizations and reimbursable expenses
- Review A/E performance measures: Errors and Omissions, A/E caused delays
- Were as-built drawings completed and delivered on time
- Were constructability reviews and value engineering sessions conducted at each phase

**GROSSMONT UNION HIGH SCHOOL DISTRICT
PROP H & PROP U PROGRAM REVIEW**

- Review of Bid documents, alternates, and general and supplemental general conditions
- Were building official requirements followed: DSA, Inspection, Certificates of Occupancy, and close out requirements
- Prepare an A/E evaluation form for lessons learned

Construction:

- Was a pre-bid review done; were bid alternates used
- Review timetable for advertisement, bid, award, and notice to proceed
- Were there pre-qualification requirements for contractors, outreach , DVBE requirements
- Review service agreements for testing, geotechnical, and other costs and services
- Review any escrow agreements, stop notices and handling of same
- Review payment processing procedures, application, time to approval
- Were there labor claims, labor compliance requirements
- Review contractor claims, merit, disposition, and budget
- Review Notice of Completion, lien releases, warranty requirements
- Prepare a Contractor Evaluation form for lessons learned

While these are some of the highlights we normally see in a “post performance” review there may be others that are of particular interest to the District. These can be added as needed to meet District requirements. Reports may be done either by individual project or on a campus by campus basis.

Recommendation 6.3:

As a good business practice and close out procedure, AFC recommends that the District consider conducting a “post performance” evaluation on each project. This can be done either by the Program Manager or the CBOC independent consultant.