



## **BEX /BTA Oversight Committee**

July 8, 2022, 8:30 – 10:30 AM

Zoom Meeting

### **Minutes**

#### **1. Call to Order**

- a. Janet Donelson called the meeting to order at 8:35 a.m.
- b. Roll call
  - i. Committee members present: Janet Donelson, Sherry Edquid, Warren Johnson, Michelle Moore, Rob Stephenson, Monty Anderson
  - ii. Committee members absent: Duncan Griffin, Daniel Williams, Jennifer DuHamel, Steve Tatge,
  - iii. Board Directors present: Vivian Song Maritz, Lisa Rivera Smith,
  - iv. Capital Projects Staff present: Richard Best, Vince Gonzales, Tom Gut, Becky Asencio, Melissa Coan,
- c. The meeting agenda: Due to the lack of a quorum at the start of the meeting, the agenda was not moved for approval.
- d. The minutes from June 10, 2022: Due to the lack of a quorum at the start of the meeting, the June minutes were not moved for approval.

#### **2. Introduction Senior Project Manager – Tom Gut**

Richard Best reminded the committee of Jeanette Imanishi's recent retirement. He introduced Tom Gut as the new Senior Project Manager for the Small Projects team. Mr. Gut conveyed his educational background and professional history with the committee.

#### **3. Budget Update**

Melissa Coan reported on the BEX IV Program through May 31, 2022. She reminded the committee that it was the most mature program in the Capital Projects' portfolio and was 96% spent. She highlighted the notes section of the report that indicated which projects were completely billed out versus the active projects, which could still accrue underspend. She conveyed that all anticipated revenue was received, except for one Distressed School Grant, and any additional funds received would go into the Program Reserve.

Ms. Coan reported on the BTA IV Program through May 31, 2022. She highlighted that the Major Projects contributed to the Underspend Fund and that pattern was expected to continue. She noted that the Program Reserve was 100% spent and the Underspend Fund was being accessed. She conveyed that the final levy collection for this program would occur in October 2023.

Ms. Coan reported on the BEX V Program through May 31, 2022. She highlighted the significant activity in this program. She described an accounting process that would move funds from the BTA V program into the BEX V program to cover an overage in the Rainier Beach High School project. She clarified that the Contingency Fund was expected to increase later in the BEX V Program as projects were completed and came in under budget.

#### **4. Project Status Reports RLB and Sr PMs**

Mr. Best reported on the BEX IV projects. He highlighted the seismic projects and indicated which projects were scheduled for Summer 2022 and Summer 2023 to complete this commitment to the voters. He clarified that budgets were on track for smaller projects but presented challenges on the Major Projects.

Mr. Best reported on the BTA IV projects. He highlighted that all the Distressed School Grants projects were in closeout. He delivered an overview of the categories of work in the BTA IV Program and the status of projects in each category.

Mr. Best reported on the BEX V projects. He reminded the committee of the cost estimates discussion planned for the latter part of the meeting. He reviewed Major Projects that were under construction. He emphasized the significant number of projects in progress now and scheduled for this summer.

Mr. Best delivered a PowerPoint presentation of photos and project highlights for the active Major Projects. He indicated that two projects, Viewlands Elementary School and West Seattle Elementary School, were impacted by the concrete strike.

#### **5. Market Conditions/Project Escalation (Bryan Gormley – Cornerstone General Contractors; Alan Dunbar - Skanska)**

Mr. Best referred to the unusual nature of the current market and point in time as the context for the panel discussion, which was the panel on this topic within the year. He introduced the participants (noted above). He shared the list of questions, prepared in advance for the discussion. (full questions attached)

##### **Question 1: Where is the construction market headed in the next 12 months?**

The panelists anticipated that it would be the second quarter of 2023 before project costs started to level off. They listed challenges facing owners, including the narrow windows on price guarantees, supply chain issues, labor costs increasing, and the lag between the downward trend on commodities compared to the quotes submitted to owners. They suggested examining each piece of a project differently and investigating the market for that element.

Committee members and panelists considered how the school district can position itself to keep projects within scope and on budget. They discussed the benefits of a recession for the construction market.

##### **Question 2: Are there any encouraging signs? How long should owners anticipate the current market volatility?**

The panelists suggested employing alternates to identify and capture cost shifts when they start to decrease. The indicated hope that bids coming in next spring would better align with project budgets.

They advised owners to discuss risk management with the entire project team so that it is addressed fairly and appropriately across all parties. They emphasized the importance of trust and open communication.

The committee and panelists discussed federal interest rates and potential effects in the Pacific Northwest and the construction market. The panelists concurred that the change in rates would not affect large projects for large companies or projects under construction. They reiterated the significance of understanding where the risks are and who is carrying them. They indicated that risk relates to more than indices; it also comes from individual pieces of a project such as a price increase in one element, like glazing, for a project that includes windows.

Mr. Best highlighted to the School Board Directors in the meeting the critical importance of nimbleness in this market because prices increase quickly. They acknowledged that current School Board processes for contracts are not time sensitive.

**Question 3: What guidance can the panelists offer for managing relationships with GC/GC, MC/CM, and EC/CM partners for fair pricing and favorable bids?**

The panelists emphasized the importance of transparency in relationships with all partners working on a project. They recommended a significant level of detail for these conversations to include: composing a parallel estimate for comparison purposes, identifying contingencies, establishing clear expectations early in the relationships, defining how escalation and other risk will be carried, when to purchase particular pieces, and how to mitigate for long-lead items.

Mr. Best inquired about the district's potential purchasing power given that it has 500,000 square feet of work to do. The panelists advised that, in general, this was not large enough to compete with owners like Amazon and other large companies with active construction projects in the current market.

Mr. Bets probed on phased bidding for a major project like Rainier Beach High School. The panelists reiterated using alternates to gain more information and make an educated decision, at that time, for the phases.

**6. Meeting Re-cap**

Ms. Donelson reminded the committee that there will not be a meeting in August and that in-person meetings resume in September.

Ms. Donelson adjourned the meeting at 10:31 a.m.