



MAGNOLIA PUBLIC SCHOOLS

Board Of Directors

Board Agenda Item # 9	DRAFT for UMIT Because you have to catch a plane
Date:	07.28.2015
To:	Magnolia Board of Directors
From:	Caprice Young, Ed.D. CEO & Superintendent
Staff Lead:	Frank Gonzalez
RE:	MSA Santa Ana Facility Construction AWARD OF LOW BID

Proposed Board Recommendation

The Magnolia Educational and Research Foundation opened a new set of bids for the Magnolia Science Academy Santa Ana on July 21, 2015 at 2:00pm. The following bids were received from prequalified bidders on the project:

R C Construction Services	\$12,526,000
AMG & Associates, Inc.	\$12,849,000
Morillo Construction, Inc.	\$13,084,000
Paul C. Miller Construction	\$13,340,000

NEFF Construction, Inc., serving as the official construction management firm for the project, has reviewed the low bidders bid for responsiveness and on that basis has forwarded the attached recommendation to award the project to R C Construction Services. Staff concurs with this recommendation and asks the Board to award a contract to R C Construction Services in the amount shown above.

[As of July 23, NEFF Construction is reviewing these bids. The recommendation above anticipates a favorable review; however, staff will confirm this prior to the board meeting and leaders from NEFF Construction and Berliner and Associates will be available on the call to answer questions.]

Staff recommends that contracts be awarded in the amount of \$52,597.00 to River City Testing for DSA testing services, and to Inland Inspections in the amount of \$131,750 for DSA Inspection services. Multiple bids were sought for these services and the project team recommends that these experienced companies be hired to perform this mandated work.

Project Information

Project Lead:	Magnolia Educational and Research Foundation
Project:	Magnolia Science Academy Santa Ana
Location:	2840 W First Street, Santa Ana, CA

Construction Manager: NEFF Construction Inc.
Architect: Berliner and Associates

Project Financials (CSFP)

Total OPSC Project Cost:	\$17,413,956
State Apportionment (50%):	\$8,706,978
Lump Sum Contribution:	\$0
Total CSFP Financed Amount:	\$8,706,978
Length of CSFP Funding:	30 Years
Assumed Interest Rate:	3.0%
Estimated Annual CSFP Payment:	\$521,674

Repayment of the CSFP financed amount begins one year after occupancy.

Project Description

New Construction of a two-story facility totaling 48,353 square feet with 29-33 classrooms on a lot of 2.68 Acres at 2840 W 1st Street in the City of Santa Ana in Orange County. The project has been re-scoped several times over the last three years. The currently adopted version does not include a gymnasium until a future funded phase 2. In June 2011, the state advanced \$4,081,395 for site acquisition with payments scheduled to commence one year after move in. The balance of the \$17.4 million in bonds will be provided to MPS after the state sells the bonds, anticipated in the spring 2016. The school will have a capacity of 1020 students for students in grades K-12. Construction will begin August 5, 2015, financed by a bridge loan with the principal being repaid by state bonds and the interest being repaid by the school operations over time. It is anticipated that the project will be completed for the 2016-2017 school year.

Background

Since 2010, MPS has been working to development a Prop 1D funding strategy to acquire a long-term signature school facility for the Santa Ana school. Although the project was stalled last fall just as the project approached critical deadlines, the staff successfully navigated the state funding process this spring, receiving approval for full funding of the project through state supported bonds totaling \$17.4 million.

The state's Charter School Facilities Program Proposition 1D program is a government program whereby the State of California sells bonds that are used to fund school construction for charter schools. Half of the money comes to us as an outright grant and half of the money we have to pay back over 30 years at an extremely low interest rate of 3 percent. This means that we will get access to a facility that will eventually serve 1,020 students for a base annual cost of less than \$600 per pupil per year, considerably lower than our average facilities expenses system-wide. Along with these generous public resources come very strict accountability requirements. For more information on the program, please refer to the following links:

Proposition 1D General Information:

Information on the State of California's Charter School Facilities Program, Office of Public School Construction:

<http://www.dgs.ca.gov/opsc/Programs/charterschoolfacilitiesprogram.aspx>

Information on the State of California's Charter School Facilities Program, California School Finance Authority:

<http://www.treasurer.ca.gov/csfa/charter.asp>

Project Milestones:

Notice to proceed on design work	August 2012
Submittal to DSA	April 2013
DSA Approval	February 2014

By August 2014, the project was moving forward towards the beginning of construction in Fall 2014, with an estimated completion date of Fall/Winter 2015. Approvals had been received from CDE, DTSC and DSA. The final two state agency approvals that were needed in order to begin construction were from CSFA and OPSC/SAB. A decision was made to bid the project pending financial soundness determination from CSFA and a final apportionment vote by OPSC/SAB.

Prequalification of Contractors	June – July 2014
Project is Bid Out	August 2014
Bids Received	September 18, 2014
Project put out on hold	September 30, 2014

The bids received on September 18, 2014 were never brought to the board because of departure of the CEO and CFO, and because the low likelihood of MPS passing the CSFA financial soundness tests during the state audit and LAUSD litigation made the financing unlikely. Nevertheless, the bids received were opened and included the following:

AMG & Associates, Inc.	11,922,000
W.D. Gott Construction Co.	12,147,000
T.B. Penick & Sons, Inc.	12,198,600
Parkwest Construction Company	12,397,000
Intertex General Contractors, Inc.	12,833,000
Morillo Construction, Inc.	15,777,000

The State Allocation Board voted in Winter 2014 to grant final apportionment approval, conditioned upon an affirmative vote on financial soundness by the board of CSFA. The vote from CSFA did not take place in Winter 2014 due to a variety of issues that caused the CSFA underwriting team to have significant concerns about the viability of the organization, confidence in management's ability to successfully operate the organization and the lack of board oversight. At that time, Magnolia Public Schools team was not prepared to submit the necessary information requested by CSFA to go through the underwriting process.

On January 22, 2015, the new Magnolia management team met with Katrina Johantgen, CSFA Executive Director, to (a) ascertain what additional information was needed to determine financial soundness, and to clarify additional financial questions; (b) provide additional information on the lawsuit, renewal of MSA 6,7 and 8, refute the findings of the VLS audit report commissioned by LAUSD and address concerns as raised in the lawsuit with LAUSD. This meeting opened the door to a renewed relationship; however, the CSFA staff still was not in a position to recommend an affirmative vote finding financial soundness to their board until the LAUSD had renewed MSA's schools, the lawsuit was settled, our consolidated audit showed financial solvency, and the State Audit removed uncertainty over Magnolia's financial processes. The same month, staff met with OPSC who informed Magnolia that the conditional SAB approval was no longer valid and a new approval had to be sought *after* an affirmative vote from CSFA. This meant that all of the CSFA's conditions would have to be met by the end of May 2015 for the project to have a possibility of completion prior to the 2015-16 school year.

By then, the winning bidder had waited four months since the bid opening date and could only hold their price for an additional 30 days. The winning bidder's bid bonding capacity was being tied up by the project, exposing Magnolia to a claim of lost business. The uncertainty of financing for the project, given the issues with state approvals from CSFA and SAB; ongoing financial, operational and legal issues; and, the uncertain future of Magnolia as a viable entity due to the potential closure of three schools authorized by LAUSD led the project team, including the construction manager and architect, to make a decision to not move forward with the award of the general contract, as bid in September 2014. The winning bidder was notified and their bid bond returned to them. The team decided to bid the project after CSFA and SAB approval (the point at which funding would be most secure), and to identify bridge financing at that point to open the school as early as possible.

From February through May, the Magnolia staff developed the necessary documents and compiled the necessary information requested by CSFA including five year budgets, audited financial statements, year to date financials for each school, five year enrollment projections, a description of the new management structure, a description of newly acquirement management capacity and various new policies and procedures. The team also held several meetings with staff at the Office of Public School Construction to provide

an organizational update and address their questions and concerns, in preparation for an affirmative vote.

After many months of working with CSFA and OPSC, the needed votes were secured from both agencies. On May 27, 2015 at 2pm the Board of CSFA voted positively to determine that Magnolia is financially sound for the purposes of CSFP Final Apportionment. At 4pm, on the same day, May 27, 2015, the State Allocation Board voted affirmatively on the Final Apportionment.

At the CSFA meeting on May 27, 2015, Katrina Johantgen informed us that CDE had withdrawn the Certificate of Good Standing due to issues that were raised during the annual site visit to MSA Santa Ana. The main reason was due to issues that CDE found with the operation of the school, notably the lack of documentation, testing and parental notification in the English Language Learner program. A meeting was held with CDE to ascertain how to address the issues to the department's satisfaction. A plan was to address these concerns was drafted and executed successfully, garnering a Certificate of Good Standing letter from CDE on June 9, 2015. OPSC placed the project on the Priority Funding List on June 11, 2015, the last step necessary to receive state bond funds for the project.

CSFA Financial Soundness Determination	May 27, 2015
State Allocation Board Approval	May 27, 2015
DGS Unfunded Approval Project Award Letter	June 2, 2015
CDE Letter of Good Standing	June 9, 2015
OPSC Priority Funding List	June 11, 2015

Magnolia formally requested the final apportionment in the amount of \$13,332,561 on behalf of Magnolia Science Academy Santa Ana and the Office of Public School Construction placed the project on the Priority Funding Request Acceptance List. The state historically has sold bonds in the Fall and Spring of every year; therefore, we anticipate that the bonds for this project will be included in the Spring 2016 bond sale.

With the funding finally secured, the project team determined that in order to meet the delivery date of August 2016 and follow the requirements of the CA Public Contract Code, Section 20110, the public bidding process would have to begin immediately.

The public bid period for the Magnolia Science Academy Santa Ana project began on July 3, 2015 and ended on July 21, 2015 at 2:00 PM. NEFF Construction, Inc. notified additional potential qualified general contractors regarding this project and re-opened the prequalification process with submissions due no later than July 11, 2015 and all prospective bidders notified no later than July 15, 2015. In accordance with Public Contract Code section 20112, advertisements were placed in the Orange County Register on June 29, 2016 and July 6, 2015. The invitation to submit prequalification documents was also posted on the Magnolia website. The project plans and specifications were made available to prospective bidders on July 3, 2015 through the use of the A&I Reprographics FTP site,

and potential bidders were made aware of this circumstance in the Notice Inviting Bids which was included in both the advertisements and the project documents. Printed copies of the plans and specification were also made available to bidders in the NEFF Construction, Inc. plan room at their home office in Ontario, CA. The following bids were received and publicly opened at the Magnolia Educational and Research Foundation offices in Westminster, CA:

R C Construction Services	\$12,526,000
AMG & Associates, Inc.	\$12,849,000
Morillo Construction, Inc.	\$13,084,000
Paul C. Miller Construction	\$13,340,000

Subsequent to the bid opening, the lowest two bids have been reviewed by NEFF Construction, Inc. for responsiveness and no material regularities have been discovered. It should be noted that a challenge to the winning bid has been filed by AMG Construction, claiming that the winning bid by RC Construction Services is non-responsive. These challenges are standard on projects that go out for public bid. Our legal team is reviewing the claim and will forward a recommendation before the board meeting.

Profiles of the two lowest bidders (in their own words):

RC

R.C. Constuction Services has been helping public and private sector clients build and renovate schools, libraries, police and fire stations, civic centers, offices and industrial facilities throughout Southern California since 1994. R. C. can effectively handle projects from less than \$5M to \$50M+, using both traditional and Design/Build delivery options. We self-perform concrete, and also provide subcontracting services to our industry partners.

We are family owned, highly responsive, and focused on the complete satisfaction of our clients, at a reasonable prices, using the latest in construction technology, including green building practices. We appreciate your interest in our company, and invite you to visit all areas of our website. Get to know R.C. Construction Services better, and we are confident that you will become a satisfied, repeat customer or teaming partner.

AMG

AMG is a California-based SCorp with headquarters in Santa Clarita, California. AMG is a fully licensed, bonded and insured general contractor with expertise in all aspects of construction from conceptual design all the way through to occupancy. AMG recently earned designation as a LEED Accredited Contractor which is managed by the Green Building Certification Institute (GBCI).

The three principals of AMG (Albert M Giacomazzi, President: Gregory B. Barrow, Vice President: Anthony R. Traverso, Vice President) have worked together for over 15 years. The mission for AMG is to provide the highest quality pre-construction, construction management, general contracting and general engineering services available for private and public works projects. They will deliver this quality using their combined 75 years of construction experience and a commitment to maintain a “hands-on” approach to each and every project.

Although a bid withdrawal is not anticipated at this time, in accordance with Public Contract Code section 5103, R C Construction services has until 2:00 PM on July 28, 2015 to provide written notice of both their intention to withdraw their bid and the basis for this request. It is anticipated that the project will be awarded to the low responsive and responsible bidder on July 28, 2015 sometime after 2:00 PM.

This is the item before you now as a board. By voting to award this contract to the lowest bidder as determined by this public bidding process, held in compliance with the California Public Contract Code by NEFF Construction, you will allow the Magnolia Science Academy Santa Ana project to commence construction with adequate time for completion before the start of the 2016-17 school year.

Budget Implications

Attached are relevant project budget documents prepared by NEFF Construction and reviewed by Magnolia staff showing total project costs of \$15,573,128, which include earlier incurred architectural and other preparation expenses enumerated and a 5% project contingency, but does not include the acquisition of the site. Also attached is a monthly cash flow chart of the project construction expenses and construction management fees anticipated to be paid for using bridge financing until the state lets the bond in the spring. Magnolia will use the bond proceeds to repay the bridge financing principal and school operating dollars over time to repay the bridge loan interest. Bridge loan options will be brought to a later board meeting. All of these project documents exclude non-Prop 1D capital related expenses for the project. The Magnolia accounting team is currently reviewing records back to the beginning of the project to appropriately identify related expenses to accurately reflect the full cost of the project.

Attachments and links:

May 27, 2015 CSFA Agenda:

<http://www.treasurer.ca.gov/csfa/agenda/2015/20150527.pdf>

May 27, 2015 SAB Agenda:

http://www.documents.dgs.ca.gov/opsc/SAB_Agenda_Items/2015-05/May_27_2015_Agenda.pdf

Department Of General Services, Unfunded Approval Project Award Letter, Issued June 2, 2015; Attached (54-66670-00-003 Magnolia Santa Ana Unfunded Approval.pdf)

Office of Public School Construction, Priority Funding Request Acceptance List, Issued June 11, 2015; Attached (PIF_List_6_11_15.pdf)

CSFA MERF Staff Report, Financial Soundness Determination, Issued May 2015; Attached MERF - CSFA Staff Report, May 2015.pdf)

2014 Bid Opening Results (Bids Opened Results_18Sep14.pdf)

Current Project Cost Summary (460-Magnolia project cost summary. Bid.7.21.15.pdf)

Current Construction Cash Flow Schedule (460 Bid Const Schedule 15-07-23.pdf)

PDF of School Drawings (2013 8 2 PacificTechnologySchool_SantaAna.pdf) The school's original name was Pacific Technology School because all of the Magnolia schools authorized under the statewide charter were PT schools; however, when the state stopped authorizing statewide charters, they became Magnolia schools.