



**MAGNOLIA**  
PUBLIC SCHOOLS  
**REVISED 10/10/18**

Facilities Committee Agenda Item #:	II D – Action Item (10/10/18)
Board Agenda Item #:	II E – Consent Item (10/10/18)
Date:	October 10, 2018
To:	Magnolia Educational & Research Foundation dba Magnolia Public Schools (“ <b>MPS</b> ”) Board of Directors Facilities Committee (the “ <b>Facilities Committee</b> ”)
From:	Alfredo Rubalcava, CEO & Superintendent
Staff Lead:	Patrick Ontiveros, General Counsel & Director of Facilities
RE:	Project Change Order Request from PrimeSource Project Management LLC (Construction Manager) for MSA – 1

## I. Proposed Committee Recommendation(s)

Staff recommends that the Facilities Committee approve and recommend that the full Board of Directors of MPS (the “**MPS Board**”) approve the change order request from PrimeSource Project Management LLC (“**PrimeSource**”) for \$150,000 to continue providing construction management services for both MSA-1’s new construction project at 18220 Sherman Way and its tenant improvement project for the existing building at 18238 Sherman Way (collectively, the “**Project**”).

## II. Background

### A. Project Background

There are two projects currently underway at MSA-1: (i) a new construction project that will eventually house MSA-1’s high school population (the “**New Construction Project**”) and (ii) a tenant improvement project of the existing building that will eventually house MSA-1’s middle school population (the “**TI Project**”). The contract for the New Construction Project was awarded to Oltmans Construction Co. The New Construction Project is approximately 30% complete. The TI Project entails various investigations into the state of the structural integrity of the existing building, seismic renovation design, and HVAC renovation design.

PrimeSource has been acting as a project manager and construction manager for both the New Construction Project and the TI Project. While they are separate projects—one is ground up construction and the other is renovation, tenant improvement—both are for the benefit of



MSA-1. In that vein, PrimeSource has been involved in managing the rezoning of the MSA-1 parking lot parcels and exploring a collaborative partnership with the City of LA to create a skating rink that would benefit MSA-1.

## **B. Policy**

MPS Board policy requires that all project change orders be brought to the Board for review and approval.

PrimeSource Project Management, construction manager for MPS's MSA-1 project – new construction and tenant improvement of (the “**Project**”), has submitted a change order request for additional fees in the amount of \$150,000. See attached Exhibit A.

## **C. The PrimeSource Agreement**

MPS entered into a Construction Management Consulting Agreement with PrimeSource as of August 21, 2017 (the “**PrimeSource Agreement**”). The PrimeSource Agreement provides that “[PrimeSource] shall receive compensation, including reimbursements, for all Services rendered under this Agreement at the rates set forth in Exhibit ‘B’ attached hereto...”. The PrimeSource Agreement is a time and materials contract.

## **D. PrimeSource Fee Discussion**

MPS Staff believes that the change order request is fair and reasonable in light of the increased scope of work undertaken by PrimeSource and the extension of the project schedule from 12 months to 20 months.

Note that the total estimated fees under PrimeSource's contract was at \$308,000. In the budget approved by the Board, MPS Staff allocated \$250,000 to the New Construction Project and the balance of \$58,000 to the TI Project. MPS Staff intends to allocate \$100,000 of the change order cost to the New Construction Project resulting in a balance of \$350,000 to the New Construction Project and allocate \$50,000 to the TI Project resulting in a balance of \$100,000 to the TI Project.

As a percentage of the total budget for the New Construction Project, the total PrimeSource fee, inclusive of the change order request, will be 3% of the total New Construction Project budget previously approved by the MPS Board ( $\$350,000 \div \$11,355,997$ ). This percentage compares favorably to the construction management fee paid to Gafcon which equaled 4.25% of the total project cost for that project ( $\$191,439 \div \$4,501,128$ ). Typically CM fees range from 5% to 10% of overall project costs. PrimeSource's scope of work is much more expansive than Gafcon's, including both the New Construction Project and the TI Project, and including pre-development as well as construction management scopes.



Moreover, as indicated MPS Staff intends to allocate a portion of the total PrimeSource fee to the Tenant Improvement Project budget sources (2014 bond proceeds and Charter School Facility Incentive Grant for renovations). As a result, as a percent of overall project costs for the New Construction Project, it should be less than 4%.

### III. Budget Impacts

The MSA-1 New Construction Project budget has sufficient contingency to absorb the added change order cost. The previously approved New Construction Project budget remains unchanged. The current Project budget, as of October 3, 2018, is as follows:

Budget Summary	Approved Budget	September 2018 Budget	Current Tracking Budget	Invoice Summary	
				Invoices Received to Date	Left-to-Pay
				30.0%	70.0%
Acquisition Cost Subtotal	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$0
Hard Costs Subtotal	\$8,448,979	\$8,527,158	\$8,527,158	\$1,583,246	\$6,943,912
Soft Costs Subtotal	\$958,490	\$950,078	\$950,078	\$571,593	\$378,485
Financing Costs Subtotal	\$55,000	\$55,000	\$55,000	\$20,000	\$35,000
Management Costs Subtotal	\$250,000	\$250,000	\$350,000	\$243,012	\$156,988
Subtotal Project Costs	<b>\$10,722,469</b>	\$10,782,236	\$10,882,236	\$3,417,851	\$7,514,385
Budget Contingencies	\$633,528	\$719,823 <sup>[1]</sup>	\$473,761 <sup>[2][3]</sup>	\$0	\$473,761
Total Project Budget	<b>\$11,355,997</b>	<b>\$11,355,997</b>	<b>\$11,355,997</b>	\$3,417,851	\$7,938,146

Notes:

[1] reflected savings from P+P bond but did not reflect Oltmans change order #1

[2][3] reflects impact of PrimeSource change order and previously approved Oltmans Change Order #1. Note that under its contract, Oltmans carries a contingency of \$215,315 of which none has been spent to date. At the end of the project, any remaining contingency is split 25% to Oltmans and 75% to MPS.

#### Exhibits (attachments):

- A. Change Order Request
- B. Professional Services Agreement is entered into on August 21, 2017 by and between Magnolia Educational & Research Foundation and PrimeSource Project Management LLC