



Facilities Committee Agenda Item #:	III.B.- Action Item
Board Agenda Item #:	TBD
Date:	December 5, 2018
To:	Magnolia Educational & Research Foundation dba Magnolia Public Schools (“MPS”) Board of Directors Facilities Committee (the “Facilities Committee”)
From:	Alfredo Rubalcava, CEO & Superintendent
Staff Lead:	Patrick Ontiveros, General Counsel & Director of Facilities
RE:	Approval to Pay Outstanding PrimeSource Project Invoices for Work Completed on the Two (2) MSA-1 Projects

I. Proposed Committee Recommendation(s)

Staff moves that the Facilities Committee approve and recommend that the full Board of Directors of MPS (the “**MPS Board**”) approve the payment to PrimeSource Project Management LLC (“**PrimeSource**”) of \$24,862.40 for work performed to date on both MSA-1’s new construction project at 18220 Sherman Way and its rehabilitation investigation project for the existing building at 18238 Sherman Way (together, the “**Project**”). The amount of this payment is above the estimated contract amount reflected in the PrimeSource and MPS contract for professional construction management services.

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 structural and MEP investigation of the existing building and structural redesign and HVAC and MEP redesign that will eventually house MSA-1’s middle school population (the “**Rehab Investigation Project**”).

PrimeSource has been acting as a project manager and construction manager for both the New Construction Project and the Rehab Investigation Project. While they are separate projects—one is ground up construction and the other is investigatory for an eventual rehabilitation—both are for the benefit of MSA-1. In addition, as part of the New Construction Project 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. When PrimeSource informed MPS that it was nearing the estimate set forth in the Agreement, MPS Staff instructed PrimeSource to keep working on the Project in order to meet critical deadlines for the completion of the Project, and in particular the New Construction Project.



B. Policy

MPS Board policy requires that all project change orders be brought to the Board for review and approval. The PrimeSource outstanding balance is like a change order to the Agreement.

C. The PrimeSource Agreement

MPS entered into a Construction Management Consulting Agreement with PrimeSource as of August 21, 2017 (the “**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. In Exhibit B, the Agreement states that “[t]otal estimated fees are \$308,000 based on ... presumed project schedule and level of resources required.” While the Agreement is not a lump sum or fixed fee contract whose cap has been exceeded, MPS Staff nevertheless deems it prudent to bring the matter of the outstanding invoices that exceed the original estimate to the Facilities Committee and MPS Board for approval of payment.

III. Budget Impacts

With the anticipated inter-company loan, the MSA-1 New Construction Project budget has sufficient contingency to absorb the added cost CM cost. The previously approved New Construction Project budget remains unchanged. The current Project budget, as of November 27, 2018 is as follows:

Budget Summary	Approved Budget	Current Tracking Budget	Invoice Summary	
			Invoices Received to Date	Left-to-Pay
			31.0%	69.0%
Acquisition Cost Subtotal	\$1,000,000	\$1,000,000	\$1,000,000	\$0
Hard Costs Subtotal	\$8,448,979	\$8,527,158	\$1,583,246	\$6,943,912
Soft Costs Subtotal	\$968,490	\$950,078	\$622,026	\$328,052
Financing Costs Subtotal	\$55,000	\$55,000	\$25,000	\$30,000
Management Costs Subtotal	\$250,000	\$333,312 ^[1]	\$308,450	\$24,862
Subtotal Project Costs	\$10,722,469	\$10,865,548	\$3,538,722	\$7,326,964
Budget Contingencies	\$633,528	\$490,449 ^[2]	\$0	\$490,449
Total Project Budget	\$11,355,997	\$11,355,997	\$3,538,722	\$7,817,275

Notes:

[1] Approved budget showed \$250,000 with the balance expected to be paid from the 2014 bond; current budget is higher because all PrimeSource invoices have been paid from 2017 bond proceeds

[2] Reflects impact of Oltmans’s change order #1 and impact of PrimeSource invoice