



Facilities Committee Agenda Item #:	III.C.
Board Agenda Item #:	TBD
Date:	December 05, 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:	Description of PrimeSource Project Management LLC (Construction Manager) Services for MSA – 1 and Recommendation for Continued Services

I. Proposed Committee Recommendation(s)

This revision reflects changes to the previously recommended motion for this matter.

Staff moves that the Facilities Committee approve and recommend that the full Board of Directors of MPS (the “MPS Board”) agree to amend the existing PrimeSource Project Management LLC (“PrimeSource”) contract so that PrimeSource continues providing construction management services for both MSA-1’s new construction project at 18220 Sherman Way and its rehab investigation project and rehab project for the existing building at 18238 Sherman Way (collectively, the “Project”) to and through completion for a fee consisting of (i) a fixed sum component and an (ii) incentive component, as described below.

The fixed sum component would be \$90,000 split evenly over the remaining term of the Project (assumed to be 8 months) with such amount adjusted as the Project schedule changes. For example, if the Project is expected to be 8 months the monthly fixed sum component would be \$11,250. However, if after two months the Project is expected to be extended an additional two months (i.e., total duration is 10 months), the monthly payment would be readjusted to be \$8,437.50 (calculated as follows – $[\$90,000 - (\$11,250 \times 2)] \div 8 = \$8,437.50$). Similarly, if the Project timeline is expected to be decreased by 2 months (i.e., total duration is 6 months), the monthly payment would be readjusted to be \$16,875.00 (calculated as follows – $[\$90,000 - (\$11,250 \times 2)] \div 4 = \$16,875.00$).

The incentive component would be calculated as a “shared savings” if the actual hard costs and soft costs for the New Construction Project come in less what is currently budgeted for both. MPS Staff proposes 10%. Current hard and soft costs are budgeted at \$9,477,235.50. For example,



if the actual costs are \$100,000 less than the shared savings to PrimeSource would be \$10,000 (calculated as follows $\$100,000 \times 10\% = \$10,000$).

Therefore, total fee to PrimeSource would be \$100,000 [$\$90,000 + \$10,000$] if the Project realizes savings of \$100,000. The total fee to PrimeSource would be \$110,000 if the Project realizes savings of \$200,000 [$\$90,000 + \$20,000$].

II. Background

A. Project Descriptions

There are two projects currently underway at MSA-1: (i) a new construction project at 18220 Sherman Way that will eventually house MSA-1's high school population (the "**New Construction Project**") and (ii) a rehabilitation investigation project of the existing building at 18220 Sherman Way that will eventually house MSA-1's middle school population (the "**Rehab Investigation Project**"). The contract for the New Construction Project was awarded to Oltmans Construction Co. The New Construction Project is approximately 30% complete. The Rehab Investigation Project entails various investigations into the state of the structural integrity of the existing building, seismic renovation design, and HVAC renovation design, the purpose of which is to clearly define a scope of work that can be bid out in an RFP process. Upon completion of the Rehab Investigation Project, MPS Staff will report back to the Facilities Committee with its findings and a proposed course of action to rehab the existing building.

B. PrimeSource Agreement and Services Provided to Date

1. PrimeSource Agreement

MPS entered into a Construction Management Consulting Agreement with PrimeSource as of August 21, 2017 (the "**Agreement**"). A copy is attached as Exhibit A. For the sake of clarity, a description of the typical duties of a construction manager (as compared to a general contractor) is attached as Exhibit B.

PrimeSource's scope of services is provided in two places in the Agreement—Section 2.2 and Exhibit A. Section 2.2 provides that "Client desires to engage Consultant to render its services in connection with Client's Facilities Program at Magnolia Science Academy/Santa Ana and Magnolia Science Academy/ Reseda ("Project")." While Section 2.2 references MSA-Santa Ana, Exhibit A does not make any reference to that project. Exhibit A describes the scope in relevant part as follows: "Provide construction management services at the following school: "Magnolia Science Academy 1 – Reseda". It further describes the scope of work under the Agreement as follows (emphasis added):

- *Alterations to existing main classroom building including elevator installation - design complete and in DSA submission - building is occupied, modifications must work around school operations, improvements to be completed in SY17-18.*



- *Abatement and demolition of existing commercial building - Magnolia soliciting bids at this time, abatement and demolition to take place as soon as possible*
- ***Construction of new classroom building - design complete, now in DSA - construction to begin as soon as possible, completion for start of SY18-19, by August 2018.***
- *Interim modifications to existing parking lot to accommodate school athletics and outdoor activities - interim until construction of new cafegymatorium planned for construction starting in 2018 - design not done - improvements to be made during SY17-18.*

The Agreement is a time and materials contract. Section 3.5.1 of the 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 Agreement does not include a not to exceed provision, although in Exhibit B, it does state that “[t]otal estimated fees are \$308,000 based on attached spreadsheet of presumed project schedule and level of resources required.” The referenced spreadsheet is not in fact attached to the Agreement.

In sum, it is clear based on the language of the Agreement that MPS contemplated that PrimeSource’s scope of work was sufficiently expansive to include project and construction management services for both the New Construction Project and the Rehab Investigation Project. However, for the avoidance of doubt, MPS Staff recommends that if PrimeSource is further engaged to continue working on the Projects that the amendment clearly articulate the scope of work and PrimeSource’s duties. A sample description is included as Exhibit B.

2. Services Under the Existing Agreement

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 work—both are for the benefit of MSA-1. Moreover, 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.

PrimeSource was hired to construction manage a “ready to go” new construction project. “Ready to go” in this context means that all plans are final and reviewed by the Los Angeles Department of Building and Safety and permits are ready to issue. However, the New Construction Project was not “ready to go” and, as a consequence, PrimeSource’s services expanded to include extensive pre-development services to get the New Construction Project “ready to go”. Plan check took many more months than expected. The design team required assistance in finalizing the plans. Notwithstanding the delay in permit issuance, PrimeSource was able to save time on the schedule by demolishing the then existing building at 18220 Sherman Way which served as a gymnasium for MSA-1. Upon the selection of a general contractor and the beginning of construction, PrimeSource actively managed the day to day operations. PrimeSource’s expertise was particularly helpful not only in addressing questions and issues as they arose but also anticipating issues that might arise. For example, PrimeSource was a principal driver in having the construction



and design teams re-visit the surface play area on the roof to make sure it was designed to last without leaking, a common problem with play areas placed on the roof. In addition, PrimeSource's services encompassed typical construction management duties, for example, reviewing RFIs, submittals, etc.

PrimeSource also commenced reviewing the existing building and identified and hired engineers to study various components of the building and to recommend improvements. It was this investigation that uncovered the structural deficiencies in the existing building. PrimeSource then tasked the same engineers with designing appropriate fixes.

C. Contract Extension and Amendment

MPS staff expects that if the Facilities Committee and MPS Board approve an extension of the Agreement, that PrimeSource's scope of work, unless modified, will include substantially the same scope of work as described herein. MPS Staff believes it would be prudent to continue to use PrimeSource both on the New Construction Project and on the Rehab Investigation Project as well as the resulting rehab project once the scope for the existing building has been fully developed. MPS's scope of work could include the following:

Continue to manage the New Construction Project (including site work but not zoning work and not FF&E procurement or move-in) to keep it on schedule and on or under budget; such services include but are not limited to

- Reviewing payment applications
- Troubleshoot and propose solutions in real time
- Review RFIs and submittals and insure that the design team responds in a timely manner
- Manage the engineers, architects, and inspectors; liaise with City utility companies as needed

Continue to manage the Rehab Investigation Project in order to develop a scope of work that can then be bid out, including but not limited to

- Manage the engineers and architect preparing plans for submission to the City of Los Angeles Department of Building and Safety
- Manage roof replacement and seismic retrofit
- Collaborate with First Note Finance to oversee the replacement of the HVAC units using Prop 39 Energy Efficiency Funds
- Manage the bid process for the Rehab Project

MPS Staff can work with PrimeSource to better define a scope based on fee considerations.

D. PrimeSource Fee Discussion

MPS Staff believes that the fee structure proposed herein is fair and reasonable.

As a percentage of the total budget for the New Construction Project, the total PrimeSource fee, inclusive of the additional fee described herein, will be 3% of the total New Construction Project budget previously approved by the MPS Board (\$375,000 ÷ \$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.

III. Budget Impacts

The MSA-1 New Construction Project budget, as adopted by the MPS including the anticipated intercompany loan, 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 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	\$375,000 ^[1]	\$308,450	\$66,550 ^[2]
Subtotal Project Costs	\$10,722,469	\$10,907,236	\$3,538,722	\$7,368,514
Budget Contingencies	\$633,528	\$448,761 ^[3]	\$0	\$448,761
Total Project Budget	\$11,355,997	\$11,355,997	\$3,538,722	\$7,817,275

Notes:

[1] The original approved budget was set at \$250,000 because MPS Staff intended to allocate said amount to the New Construction Project and \$58,000 to the Rehab Project from the \$308,450 PrimeSource fee. However, since all fees to date have been paid from the 2017 Bond, the CM Fee has been re-adjusted. The above budget includes an allowance of \$66,550 to pay PrimeSource’s outstanding invoice of \$24,862 and to pay for remaining services on the New Construction Project. Any amounts over the \$375,000 will be paid from the 2014 Bond.

[2] “Left to Pay” amount reflects outstanding amount of \$24,862 for current invoice and \$41,688 for future invoices

[3] Reflects impact of PrimeSource change order. Also, reflects previously approved Oltmans Change Order #1.

Exhibits (attachments):

- A. *Professional Services Agreement is entered into on August 21, 2017 by and between Magnolia Educational & Research Foundation and PrimeSource Project Management LLC*
- B. *Construction Manager General Description*



C. Sample Scope of Service



Exhibit A

PrimeSource Project Management LLC and Magnolia Public Schools
Consulting Agreement



Exhibit B

General Construction Manager Description

Construction managers are responsible for setting and keeping schedules, monitoring finances, and making certain that everybody is doing what they should every day. They help ensure that the workplace is free of safety hazards and deal with the various working relationships that exist on a job site.

To put a finer point on it, construction managers oversee and lead a range of building projects from beginning to end. Construction runs the gambit between smaller renovation and remodeling jobs to larger commercial projects, like office buildings, hospitals, and schools.

Construction Manager vs. General Contractor

While the terms “construction manager” and “general contractor” are often used interchangeably, there are actually distinct differences between them. Typically, construction managers are involved in a given project from start to finish. They help clients with initial planning, along with the selection of the project's general contractor and architect..

Responsibilities of a Construction Manager

There are certain tasks that are performed by construction managers. These include:

Quality management. Construction projects quite often involve a number of contractors and subcontractors. One of the most important jobs of the construction manager is making certain everyone is doing quality work and not cutting any corners along the way.

Cost management. A good construction manager is constantly on top of costs and makes the necessary adjustments when unexpected complications or issues arise.

Safety management. Construction managers need to be able to identify and eliminate possible safety hazards for the good of everyone on the job site.

Contract administration. It is the job of the construction manager to ensure that every provision of the contract is being met and that all parties involved are happy.

Beyond everything else, construction managers need to keep all parties involved well informed throughout the whole project. It includes the client, the architect, and any contractor or subcontractor involved. If issues arrive, the manager must be in the position to deal with them immediately.



Exhibit C

Sample Scope of Services

The Scope of Work shall include the following and any ancillary services reasonably related to the

- Coordinate permits & entitlement processing, as needed
- Coordinate strategy with the appropriate municipal and government departments and other public officials in order to gain approvals, as needed
- Develop, maintain and update master Project schedule; review and report on schedule changes and update Client accordingly
- Develop, maintain and update master Project budget, including estimating, tracking expenditures, approving invoices for payment, and providing cost-to-completion estimates
- If requested by Client, design and publish RFP for construction services in connection with the rehabilitation of the existing school building Project
- Oversee and manage design team and general contractor and their respective performance both on the new construction project and the existing school building
- Project administration, including Client/architect/contractor meetings, shop drawing processing, requests for information, submittals and design team coordination
- Oversee implementation of cost-saving proposals, testing & inspection processes, and/or Client-directed and Client-approved changes to the design
- Provide reports reasonably required by Client, architect, state and public agencies and such other parties as may require them in order to successfully complete and fund the Project
- Initial coordination for start-up activities and site preparation, including utility will-serve letters, as needed
- Manage construction close-out, including punch list, and systems training
- Manage project close-out
- Coordinate move-in, if and as requested by Client

The Scope of Services does not include any service not clearly articulated above and the following:

- FF&E procurement
- Any zoning change work