

INTER-OFFICE CORRESPONDENCE

Los Angeles Unified School District

TO: Members, Bond Oversight Committee **DATE:** August 20, 2003
FROM: Joseph Mehula
Deputy Chief Executive Officer, New Construction
SUBJECT: Responses to July 29th (rev.) BOC Report
Reporting

In the July 29th, 2003 report entitled "Healthy Schools, Healthy Parks, Healthy Communities", the Bond Oversight Committee requested additional information concerning reporting. The following is provided in response to that request.

1. What are the validation points and processes to make sure the data reported is both timely and accurate?

There are a number of checks and balances in the current reporting system.

At Project Adoption, the Board approves a project budget. The budget is based on estimates of cost for construction validated by both an independent cost estimate and An internal review of current bid trends for projects of similar type. Estimates of costs for real estate costs are supported by a current appraisal. The project data is entered and maintained in Expedition, an industry standard construction budgeting software program and Primavera, a scheduling system.

Information from these two primary reporting sources is updated by the project teams as changes occur and is required to be valid at a minimum of every two weeks. These updates are exported weekly into a data base, which is the source of our external and internal reporting. The project support group, in new construction, determines the data reporting standards and insures that data collected from the various regional management teams, and other source, is consistent with the protocols.

On a monthly basis, actual costs for the month are reviewed by the project manager for adherence to the budget. Trends indicating cost escalation are noted by senior staff, who take corrective action if and when possible. Some cost escalation, such as the 22% increase in Los Angeles County real estate value during Phase I, is unanticipated, and requires supplemental funding.

During preparation of the New Construction Monthly report, any significant project issues or upward cost trends are reported. The information is derived from reviews of weekly status updates provided by senior managers.

Prior to bidding projects, independent estimates are prepared to validate the project cost against the construction budget.

Another checkpoint occurs during the preparation of the SEP update. A meeting is held with department heads and senior management to check and validate the costs of each project. Each project is reviewed for any deviations form the prior SEP.

The Bond Oversight Committee and Facilities Committee monthly report, as well as other standard reports, are subject to a very stringent review process prior to publication. For example, successive generations of the draft Bond Oversight Committee report are distributed to the project team members, which consist of new construction staff as well as staff members from Real Estate, the Office of Environmental Health and Safety and Community Outreach. During this step in the process any significant project issues, deviations, changes or achieved milestones are identified for management review. The third generation draft of the report, following staff validation, is reviewed during a meeting with department head and senior management staff where the content of the Executive Notes section is determined. The final draft receives one more review by all team members prior to publication and distribution.

A similar validation process by the project team, and senior staff, is utilized for all facilities reports.

a) Why did it take so long for the (450 North Grand) cost overrun to surface? What safety nets are in place for this type of issue?

The estimated project cost increase was discovered during the routine review of and project development phase of the project. It is not uncommon for construction cost estimates to increase during this phase of the work. In most instances, work scope adjustments, reconciliations of project parameters and other cost savings techniques are used to maintain the project within the budget. Despite best efforts, the increased building size was constrained by a fixed design requirement.

We believe that 450 North Grand is an example of where the process has worked well. We identified a perspective change over a year in advance of when we would have bid the project.

b) The additions projects are significantly over budget, and as much as 12 to 18 months delayed or more. What actions can we take to mitigate this type of situation rather than just reporting on it for a year?

Beginning in November 2002, New Construction reported the trend of bid receipts for additions that were 30% over the budget. While the trend decreased monthly to a low of 13% in January 2003, new construction had already launched an aggressive effort to mitigate the cost increase. In February 2003, New Construction advised the Board of their interest in converting 23 of the additions projects to modular construction in order to significantly reduce costs at the expense of a slip to the original project schedules.

The Board raised the cap on the Beadsley contract in April 2003, which permitted the new construction department to execute the conversion of 23 projects to modular construction. The net result is that the new project approach is estimated to save approximately \$11 million. There is a schedule impact to this approach.

Can we get a special report on the failure to deliver on time, the difficulties of poor planning/design and the opportunities for correction?

We continue to report on these projects as part of the monthly updates provided to the Facilities Committee and BOC, and would be happy to provide a more comprehensive report on the additions projects if requested.

Can the projects be bundled into 3 to 5 geographic regions and outsourced to at-risk construction management/general contractor teams to deliver in an expedited manner?

Our solution to the cost increases on the additions projects was to turn to a bundled, modular construction contractor in order to preserve program funding. The cost increases we saw prior to taking this approach were believed attributable to market place influences, such as operating in confined and occupied sites, previous bid result comparisons and market saturation of contractors bonded for this value of work.

We agree that one mitigation technique to the higher cost of additions and the smaller contracts may be to bundle projects in order to seek a different group of contractors capable of bonding in the higher cost ranges. We have one contract in final stages of award that includes 7 primary centers, all in a similar geographic region. The contract is authorized under 17406 procurement authority which includes contractor/developer financing of the work. We will advise the BOC of the result of this current effort in a subsequent monthly report.

2) There is a significant amount of information on the facilities website, laschools.org. What are the next steps in maintaining or improving this site?

The Facility's website was recently redesigned, to improve content, layout and user access. The Division will continue to solicit feedback and input from users for future enhancements.

a) What is the role of the Facilities Information Management Group within the greater LAUSD technology information infrastructure?

The role is 1.) to provide systems applications support unique to the needs of the Facilities Division and 2.) to serve as a liaison for the Facilities Division to the LAUSD ITD to ensure proper coordination and integration with district-wide IT effort.

b) Will the quality of the website data continue to be maintained?

Yes, the Facilities Division has qualified staff to maintain the website.

c) Why is the Facilities site different from the LAUSD site and why are there no apparent links to either the LAUSD site or the Oversight Committee site?

The FSD website is different because it contains a massive amount of facility interrelated, unique information. In addition, the website serves as a portal for access to this information. There are links to both the LAUSD site and the Oversight Committee site. The links will be reevaluated to determine the ease for accessing these links.

d) Why is the Oversight Committee website virtually impossible to find?

We believe that we have improved access to the BOC website as a result of our redesign.

e) Why are there no search engines on the Facilities sites?

There are no search engines on the Facilities sites due to workload prioritization. Facilities will explore the different options available and take action to implement a solution accordingly.