

Overview of Construction Contracts

Middle School Renovations

RLPS Architects Feasibility Study Cost Estimate of project with 20,000 SF Addition (October 2015):

Without Soft Costs	22,522,000
With Soft Costs	27,026,400

Finalized Contracts -19,400 SF Addition (12 classrooms and expanded cafeteria)

Without Soft Costs	16,432,856
With Soft Costs -Estimated	18,177,860

Reynolds Estimated Savings from use of Hybrid Construction Methodology (use of GESA, Guaranteed Energy Savings Agreement in conjunction with Traditional Design/Bid/Build) 10/5/17

6,371,651

Other Proposed Project Estimates

Forge Road Elementary Renovations (GESA)	6,611,000
Forge Road Site Work – Design of new Traffic Pattern	1,429,912 (Map)
PennDOT Grant Application Pending (\$750,000)	TBD January
Northside – minor renovations/secure entryway	400,000

Funding of Projects

- \$25.5 million general obligation bonds (comprised of 2 bond issues)
- Use of \$2 million in Capital Project Funds to phase in impact to real estate taxes
- Debt service projections of increase of \$178,200 per year for 5 years, equates to approximately .6% (6/10 of one percent) tax increase annually for 5 years to support

Traditional bid projects have been subject to the Plancon process in order to secure state subsidy. There is presently a moratorium on approval of any new Plancon projects so no state funding was budgeted. Using the historical reimbursement rate for past projects and applying it to the debt service for this project, state funding lost is \$4,680,000 over the 15-year life of the bonds.

What is a GESA?

Act 77 Guaranteed Energy Savings Program governs the process to implement infrastructure improvement projects. It requires competitive selection (not lowest bidder) of an ESCo – an Energy Service Company, a business that develops and installs energy efficiency measures to reduce operating and maintenance costs for a facility over a period of time. The Act provides for a single point of accountability as opposed to multiple primes. Initially, Guaranteed Energy Savings Agreements (GESAs) were used for self-funding projects, projects where energy savings paid for the entire projects.* Later, procurement law was expanded to allow for projects to be less limited in scope, allowing energy savings to pay down the project but not fully fund it, and to allow for some of the work to be non-energy related. This was done to allow for major infrastructure upgrades to be performed under a GESA. The advantages of lower cost, greater project control, improved scheduling and an energy savings guarantee make the GESA method very attractive.

*Some GESA projects have received criticism due to vendors of controls systems using them to get proprietary systems in schools.

How did the Hybrid Approach control construction costs for PASD?

1. Expedited time frame – shorter, more efficient design schedule (Design-Build)
2. More control with one point of responsibility (Reynolds Construction Management)
3. Reduced risk of change orders and legal liability – one prime contractor, no change orders on GESA contracts which comprise 75% of MS contract costs
4. Design-Build process promotes detailed review of existing equipment and furnishings, identification of what has been well-maintained with significant useful remaining life. Specific MS examples are:
 - a. Classroom unit ventilators (HVAC equipment) retained
 - b. Ceramic tile in bathrooms
 - c. Building electrical system
 - d. Lockers
 - e. Casework
 - f. Windows
 - g. Gym partition refurbished
5. Control of scope – the hybrid approach promotes a design result within a District’s budget. Traditional Plancon projects were limited to funding once every 20 years, so project designs tended to be a wholesale replacement of all systems and furnishings. Without state funding, the new fiscal reality is that projects may be more reliant on longer useful lives or needs may be addressed periodically throughout a 20 year period as funding allows.
6. Energy savings are not necessarily a driver of the overall project cost savings, but they are documented, guaranteed, and can be used as a means to fund portions of a project.
7. Favorable bid conditions and timing for the “traditional bid” portion of the project (classroom addition) resulting in savings of \$600,000 on final contract compared to estimates.