

# SHS Construction & Funding Update

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*School Committee*

Mayor Joseph A. Curtatone

Richard E. Raiche, Director of Infrastructure & Asset Management

6 December 2021



# Presentation Outline

- SHS project financing background
- Construction & change management
- Construction status
- Revised finance plan

# Financial background

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Background on the SHS construction project financing

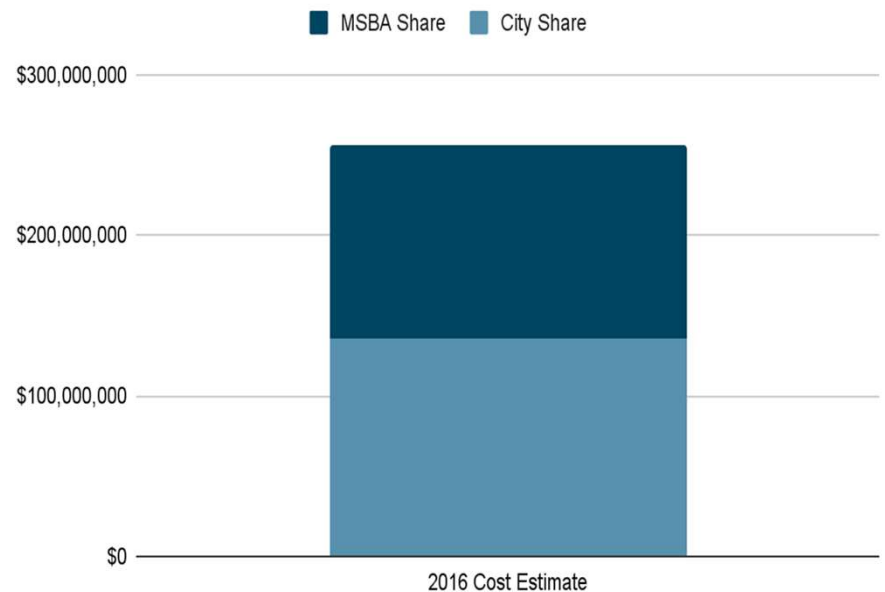
# 2016 Debt Exclusion

On November 8, 2016, Somerville voters approved an exemption from Proposition 2 ½ for the amount of debt issued to design, engineer, construct, and equip the new Somerville High School Project.

At this time, the estimated project cost was \$256M.

- **City share: \$136M**
  - \$130.3M Debt + 5.7M Reserves
- **MSBA Share: \$120M**

Original estimates projected a 53.13% City cost share



# 2017 Project Appropriation

On March 23, 2017, the Somerville Board of Aldermen unanimously authorized an appropriation of up to \$255,982,704 to fund the SHS reconstruction project.

Final cash flow developed by PMA on 3/15/17:

- City Share: \$134,147,557
- MSBA Share: \$121,835,148

Planned City resources of \$137,474,379 included \$130.3M Debt and \$7.2M Reserves

# Summary

- The overall appropriation of \$255,982,704 passed in 2017 needs to be increased
- Project cost will exceed appropriation

YTD Actual Expenditures	\$234,498,818.50
PLUS Encumbered Amounts	20,986,886.00
<b>Available Budget</b>	<b>496,998.00</b>

- Cannot spend above appropriation
- Risk failing to pay contractors timely-further project delay

# Construction management

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Time is money! Advancing work while resolving  
disputed costs for changes

# Starting project budget, March 2017

Category	Value
Construction	\$199,747,908
Soft costs	\$36,702,127
Furnishings & equipment	\$5,096,000
Contingency	\$14,436,669
<b>Total</b>	<b>\$255,982,704</b>
<i>Building Phase 1 occupancy</i>	<i>January 2020</i>
<i>Building Phase 2 occupancy</i>	<i>August 2020</i>
<i>Field completion</i>	<i>Summer 2021</i>



# Change management

1,700 PCOs, CCDs & risk items over project lifetime

# Corrections & clarifications to contract

- guideline

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**Suffolk**

**PRIME PCO**

**AIA® Document G714™ – 2017**  
**Construction Change Directive**

**TITLE:** CCD-112 Added shut off valves, spill dike and condensate pumps

**CHANGE EVENT:** 1261

**TO:**  
City of Somerville (SOMERVILLE)  
Department of Public Works, Electric L & Lines, 1 Franey Road  
Somerville, Massachusetts 02145

**DESCRIPTION OF CHANGE**

Rev 2 dated 10/13/21 - 1) WJGEI & PJK Costs removed  
2) Select Demo revised to 4 H

Rev 1 dated 10/06/21 - 1) Removed the add alterate costs  
2) Included ELAD breakdown and

This proposed change order represents the costs associated with SMMA CCD-112R dated 7/30/21.

**NOTES:** 1) Any finish touch-up is excluded and will be submitted as a separate add alterate  
2) The valve cabinet is included as a separate add alterate

**PROJECT:** (name and address)  
Somerville High School  
Somerville, Massachusetts

**OWNER:** (name and address)  
City of Somerville  
1 Franey Road  
Somerville, Massachusetts 02145

**CONTRACT INFORMATION:**  
Contract For: Construction Manager Services  
Date: November 21, 2016

**ARCHITECT:** (name and address)  
Symmes Maini & McKee Associates, Inc.  
1000 Massachusetts Avenue  
Cambridge, Massachusetts 02138

**CCD INFORMATION:**  
Directive Number: 034  
Date: 7/27/2020

**CONTRACTOR:** (name and address)  
Suffolk Construction  
65 Allerton Street  
Boston, Massachusetts 02119

The Contractor is hereby directed to make the following change(s) in this Contract:  
(Insert a detailed description of the change and, if applicable, attach or reference specific exhibits.)

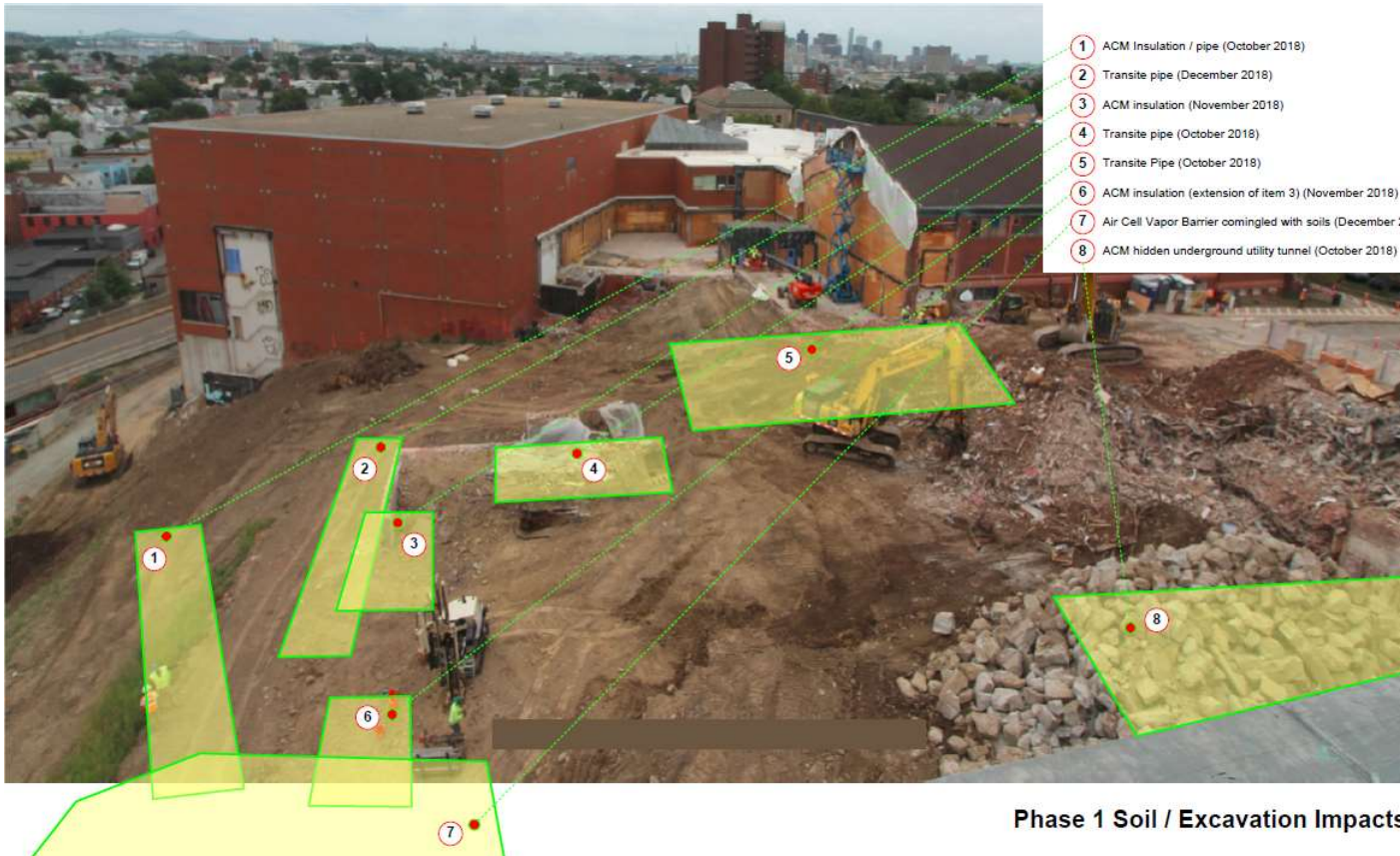
Work as described in RFI-1170 Missing floor drain for dry alarm check valve in Autoshop Storage A090.5.

Contract Sum or Guaranteed Maximum Price is:

# Owner-directed discretionary



# Unforeseen site conditions





# Unforeseen building conditions



**War Memorial Building** (*January 2020*)  
Post-demolition discovery of structural issues,  
requiring full facade demolition and structural  
repairs.



# New restrictions and conditions

## Tradespersons Monthly Average



# Extraordinary unanticipated costs

High-level overview of significant costs

# Standard change & approved costs

Category	Amount
Declined value management	\$2,640,153
Design changes & clarifications	≈ \$2,400,000
Discretionary design changes	\$377,934



# Unforeseen direct costs

Category	Amount
Phase 1 Asbestos containing material (ACM) disposal	\$1,859,528
Phase 2A Auditorium structural revisions	\$754,630
Covid-19 mitigation expenses (including Mods rental)	\$1,482,332
Additional police & fire details	\$712,820
Phase 3 ACM disposal to date	\$3,942,526
Projected phase 3 ACM disposal (NTWP 8)	\$2,099,343

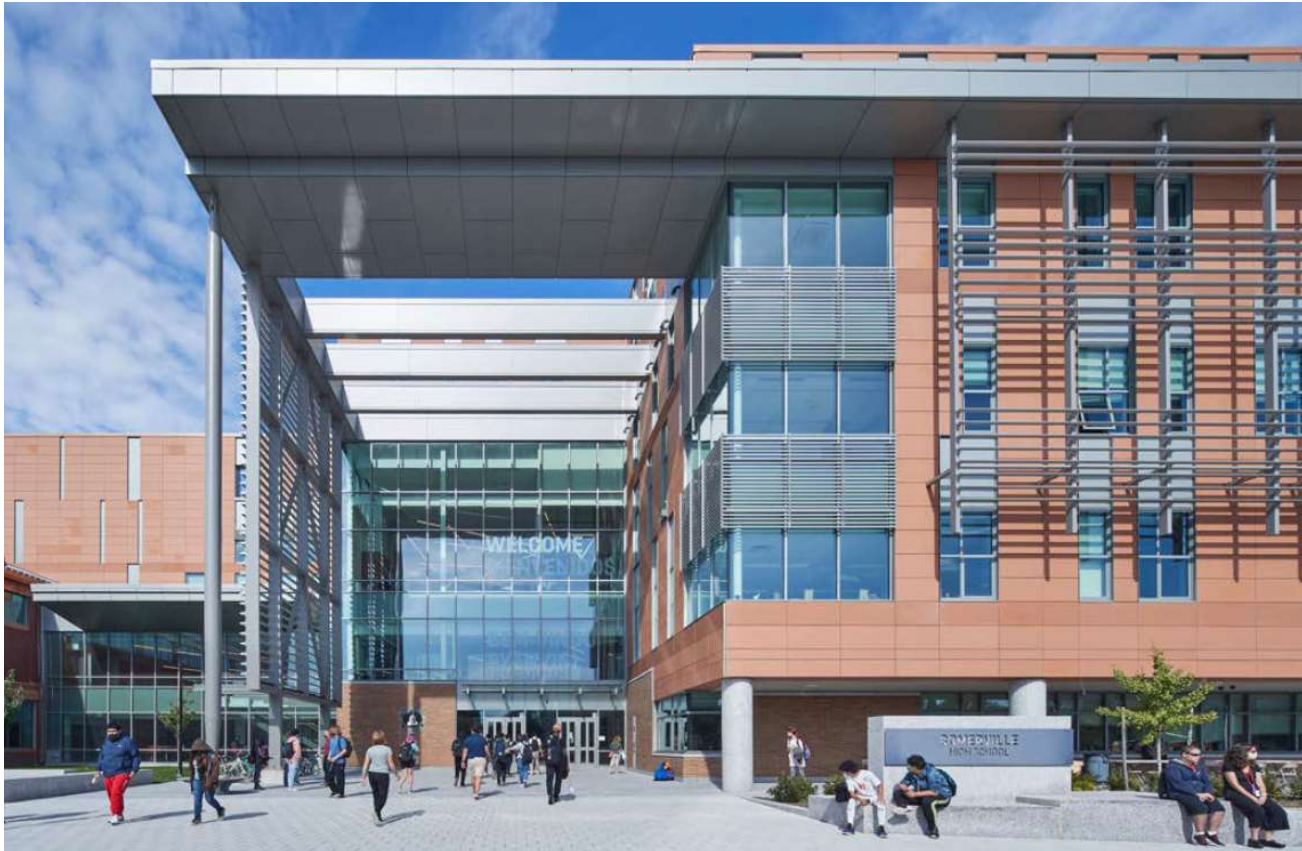
# Schedule impact costs

Category	Amount
Phase 1 ACM delays	\$2,640,153
Covid-19 & additional Phase 1A, 1B, 2, 2A delays	\$6,962,440
Phase 3 ACM delays through August 2023 (NTWP 8)	\$7,620,617

# Project Status

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# Building complete & fully occupied



- Punch list
- Watch items

# Phase 3 field – extensive asbestos

- Receiving facilities closed in September
- Work restarts in January

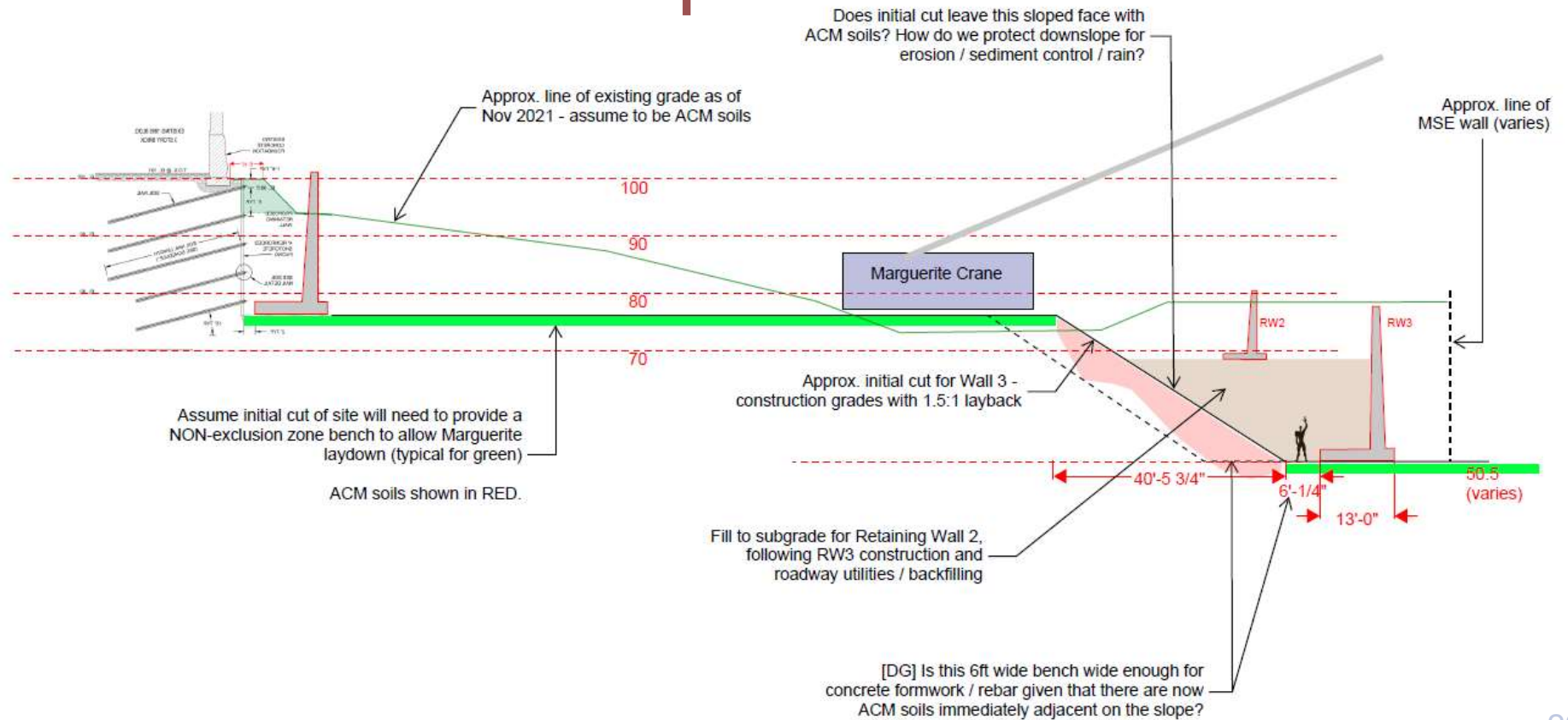


Soils in this area are not able to be removed. The soil receiver facility reached its permitted limit on 9/14, and will restart accepting soils as of 1/3/2022.

Remove 5ft of current soils as ACM, then retest surface soils. Soils removed, sampling results ~75% HOT as of 9/16.

Remove 1ft of current soils as ACM. Soils removed, sampling results ~75% HOT as of 9/16

# Phase 3 – work plan



# Settlement agreement & budget adjustment

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## Adjust GMP & schedule for all completed & known required work

- 198 open PCO's & potential claims for completed work
- Phase 3 work & delays known as of October 22nd
- Shift final cost negotiation & litigation risk to Suffolk
- Exceptions for items outside of Suffolk's control



# Revised project budget, Dec 2021

Category	March 2017 Value	Dec 2021 Value
Construction	\$199,747,908	\$237,066,092
Soft costs	\$36,702,127	\$34,423,765
Furnishings & equipment	\$5,096,000	\$5,784,414
Contingency	\$14,436,669	\$6,584,962
<b>Total</b>	<b>\$255,982,704</b>	<b>\$283,859,233</b>
<i>Building occupancy</i>	<i>Phase 1: Jan 2020</i>	<i>Ph 1&amp;2: Mar 2021</i>
<i>Building occupancy</i>	<i>Phase 2: Aug 2020</i>	<i>Ph 2A: Dec 2021</i>
<i>Field completion</i>	<i>Summer 2021</i>	<i>Summer 2023</i>

# Financial plan

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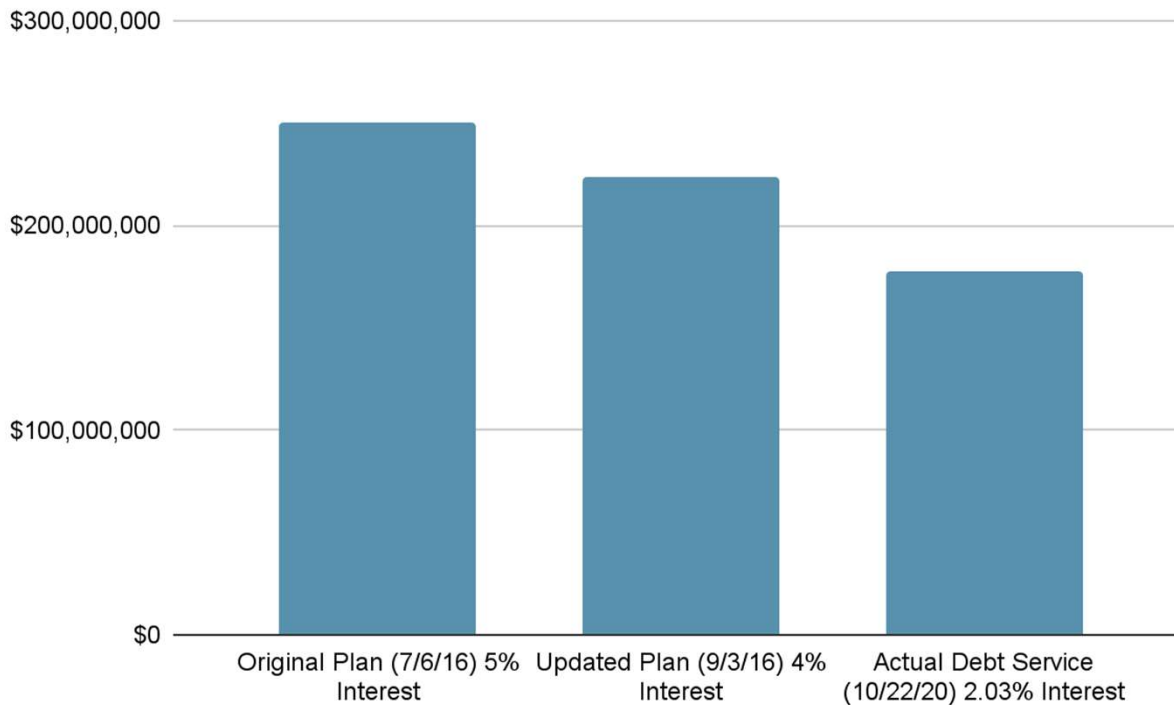
## Summary of Changes in Project Cost

	Date	District Share	MSBA Share	Total Project Cost
Original Cash Flow Projection	3/15/17	\$134,147,557	\$121,835,148	\$255,982,704
Updated Cash Flow Projection	11/18/21	167,333,739	116,525,494	283,859,233
<b>Planned City Resources</b>		<b>137,474,379</b>		
Resource Gap		<b>\$29,859,360</b>		

# Proposed Plan to Close Financing Gap

<b>Funding Source</b>	<b>Amount</b>
Premium Revolving Account (SHS/Armory/GF Bonds)	\$4,392,071.70
Receipt Reserve / Premium (Other Premium)	1,051,868.60
Funds from USQ D2 Disposition	7,108,111.91
Facility Stabilization Fund	1,847,290.88
Unallocated COVID-19 Stabilization Fund	5,327,288.00
Free Cash Appropriation	6,000,000.00
<b>Total</b>	<b>25,726,631.09</b>
Remainder to be borrowed	4,132,728.91
<b>District resource gap (total closed)</b>	<b>\$29,859,360</b>

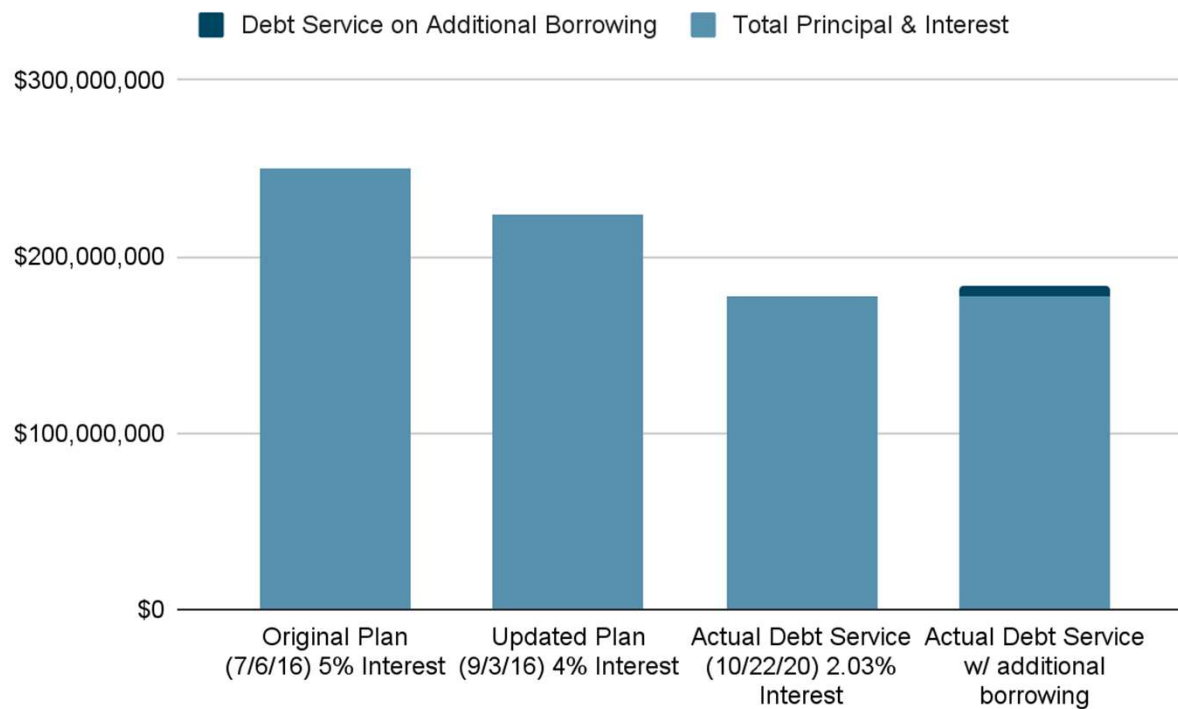
# Future Debt Service reduced by \$73M due to favorable bond rates



Reduction in interest payments are expected to save Somerville taxpayers \$2,713,044 per year in debt service compared to July 2016 estimates.

This amounts to a total savings of nearly \$73 million.

# Additional debt service costs are minimal



Borrowing to close the funding gap will add an increase of \$6,215,590 in debt service costs to the project.

Total cost remains \$67M below initial estimates.

# Appropriation Request Details

## **Item 27621**

Requesting an amendment to the Somerville High School Construction appropriation to a new amount of \$283,859,233 and increasing the amount of bonds, fund transfers, and other available funds of the city authorized to meet said appropriation

# SHS Construction & Funding Update

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