


City of Alexandria, Virginia

MEMORANDUM

DATE: OCTOBER 8, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER 

SUBJECT: RECEIPT OF THE SCHOOL BOARD REVISED CAPITAL IMPROVEMENT PROGRAM FOR FY 2005 TO FY 2010

ISSUE: Revised School Capital Improvement Program (CIP) arising from changes to funding for the following school projects: T.C. Williams High School, Maury Elementary School, and the Minnie Howard Ninth Grade Center.

RECOMMENDATION: That City Council receive the revised CIP report from the School Board (Attachment I), and instruct City staff to reflect the Board's program revisions to the City's CIP for FY 2005 through FY 2008.

BACKGROUND: As part of its authorization of recommended capital project allocations and planned expenditures approved in June 2004, Council approved the first step in a revised funding plan for the T. C. Williams High School replacement project (Attachment II). This first step increased by \$10.0 million the funds available for the T.C. Williams project (this was done by using the \$2.5 million education contingent which Council had set aside in the FY 2005 budget and then "repeating" this \$2.5 million for three more years). This increased the planned funding for the new high school from \$80.5 million to \$90.5 million. At this same time, the School Board committed to closing the remaining funding gap, which was then unknown, as contract negotiations were ongoing, through a revision of the Schools' CIP.

The School Board in late September took the second step and revised its CIP in order to close the remaining T.C. Williams project funding gap.

The new projection of costs of the T. C. project (the construction contract has been finalized), including hard and soft costs, contingency, as well as furniture, fixtures and equipment, is \$98.9 million. With \$90.5 million in funding set, the funding gap which the School Board needed to close was \$8.4 million. The Board elected to close this gap by moving \$8.4 million from the Minnie Howard Ninth Grade Center project to the T. C. project. With Minnie Howard's bids coming in significantly over its \$13.8 million budget, that project (now estimated at \$20.3 million) has been rescheduled by the Board to FY 2009 and FY 2010. Also, with Maury's building project costs now projected at \$3.2 million versus the \$2.0 million budgeted, another \$1.2 million from Minnie Howard was reprogrammed by the Board to Maury.

As a result of the School Board's postponement of the Minnie Howard renovation project, we will delete Minnie Howard from our list of major projects for 2004 to 2005 in the Council's 2004-2015 Strategic Plan document.

FISCAL IMPACT: The funding plan developed by the School Board to pay for the T. C. Williams project utilizes the \$10.0 million in additional funds previously approved by Council (\$2.5 million per year for 4 years), and then reallocates Minnie Howard funds to the T. C. Williams (and Maury) projects so that they are fully funded. The result is that there is no net impact on the City's current CIP for FY 2005 through FY 2008. However, the Board's addition to its CIP of \$20.2 million for Minnie Howard in FY 2009 and FY 2010 would obviously, if approved by Council, have a significant impact on the City's six-year CIP. Council will consider this proposal for an added \$20.2 million when it considers the City's Proposed FY 2006 to FY 2011 CIP next spring.

It should be noted that the statement in the attached September 21 School memorandum indicating that "the city's bonding capacity is at its maximum level until FY 2008" could be misinterpreted. The reality is that, with the issuance of bonds to fund much of the \$98.9 million T. C. Williams project, the City has decided to limit additional bond issuance in order to maintain compliance with our self-imposed debt policy guidelines, which is a key reason why the City retains our AAA/Aaa bond ratings.

ATTACHMENTS:

Attachment I. Schools' CIP memorandum of September 21, 2004

Attachment II. T.C. Williams Project Funding Plan memorandum of June 17, 2004

STAFF:

Mark Jinks, Assistant City Manager

Bruce Johnson, Director, OMB

Kendel Taylor, Budget Analyst

September 21, 2004

Rd Perry
FROM: Rebecca L. Perry
Superintendent

THROUGH: John D. Johnson, III *JDJ*
Assistant Superintendent
Financial and Administrative Services

TO: The Honorable Chairman and Members
Alexandria School Board

Attachment(s): Draft, Table 3: CIP Budget Summary by Project for FY 2005-10.

ISSUE: Recommendation for the funding required to complete the T. C. Williams project, Maury Media Center/Classroom project and the Minnie Howard project as outlined below.

BACKGROUND:

The Minnie Howard Project – In January 2003, the School Board approved a \$15 million renovation and expansion of Minnie Howard School, which serves approximately 700 ninth graders. After the design was finalized and approved, ACPS received construction bids in April 2004. The lowest bid was \$6 million more than the budgeted amount of \$15 million.

As a result, the expansion portion of the Minnie Howard project will be delayed because the present cost of construction exceeds the amount of available funds. The expansion portion of the project is now slated to begin in the spring and summer of 2008.

The City of Alexandria has issued bonds to fund both the city's and schools' capital projects. The city's bonding capacity is at its maximum level until FY2008. Thus, the Minnie Howard project will be rebudgeted with the necessary funding in FY2009 and FY2010 in order to complete the full scope of the project. In addition, \$2.5 million will be added from the educational contingent reserve each year in FY2009 and FY2010.

This past summer, ACPS undertook a large portion of the renovation work contained in the project to ensure the building's integrity and improve the educational environment until the full project is reprogrammed. This work included:

- Replacing the roof
- Repainting the building, including stairwells, bathrooms, all doors, most halls, and stair landings
- Replacing floor tiles in the building
- Replacing carpet in the classrooms
- Upgrading the front entrance
- Repainting the hallway lockers
- Repainting and refurbishing of the locker rooms
- Repainting and refurbishing of the toilet rooms

The T. C. Williams High School Project – In January 2003, the School Board also approved a budget of \$80.5 million for the rebuilding of T. C. Williams High School. Like Minnie Howard, the cost of construction for this project is exceeding the amount of

available funds. It is estimated the T. C. Williams project will require approximately \$18.4 million in additional funds to complete the entire project. (The actual amount is not fully known at this time as the staff is currently engaged in the value management exercise with the goal of reducing the guaranteed maximum cost for construction to a target of \$87 million.)

To make up the \$18.4 million difference, it is recommended that \$10 million come from the educational contingent reserve fund of \$2.5 million per year for four years, FY2005 through FY2008. The remaining \$8.4 million needed would be transferred from the Minnie Howard project.

The Maury Elementary Media Center/Classroom Project – The Maury Elementary Media Center/Classroom project is currently under way. Phase I was completed this summer and covered renovation and modernization of the western classroom wing.

The lowest bid for the completed construction project (a total of three phases) was approximately \$1,050,000 over the budgeted amount of \$2,560,000. Thus, the available funds only covered the cost of phases I and II. Phase II covers renovation and modernization of the central portion of the building.

At this time, a balance of approximately \$400,000 remains in the project budget. Additional funding will be required to undertake all or portions of the work in phase III.

Phase III includes renovation of five primary classrooms and the administration area plus construction of three new classrooms, two new extended learning areas, two new resource rooms, and expansion of the teacher's lounge.

It is recommended the full scope of phase III work be approved and that \$1,167,000 be transferred from the FY2004 budget year of the Minnie Howard project.

POLICY: DB, Annual Budget

DISCUSSION: The funding plans for these three projects are the subject of a School Board public hearing on September 23, 2004.

The City Council has requested that the School Board provide an approved funding plan for T. C. Williams, after public input, at its first legislative session which is October 12, 2004.

Attached are draft tables of the CIP budget which reflect changes to the approved CIP based on the above funding plans for the three projects.

ADDITIONAL INFORMATION: John D. Johnson, III, Assistant Superintendent, Financial and Administrative Services or Mark Burke, Director, Planning and Construction.

ACTION: Approval of the above recommended funding plans for the T. C. Williams Project, Maury Media Center/Classroom Project and the Minnie Howard Project at the October 7, 2004 School Board meeting.

JDJ:bc
Attachment

TABLE 3: CIP BUDGET SUMMARY BY PROJECT FOR FY 2005-2010

DRAFT

	APPROVED FY 2004	APPROVED FY 2005	PROPOSED FY 2006	PROPOSED FY 2007	PROPOSED FY 2008	PROPOSED FY 2009	PROPOSED FY 2010	TOTAL
EDUCATIONAL SUPPORT								
MAINT & TRANSPORTATION FACILITY	0	55,000	550,000	670,000	0	0	45,000	1,320,000
FURNITURE, FIXTURES & EQUIPMENT	500,000	500,000	500,000	500,000	500,000	500,000	500,000	3,000,000
SCHOOL BUS 2-WAY RADIO SYSTEM	0	0	0	0	0	0	360,000	360,000
BUS REPLACEMENT	466,000	471,000	476,000	481,000	486,000	491,000	496,000	2,901,000
VEHICLE REPLACEMENT	150,000	150,000	100,000	100,000	100,000	100,000	100,000	650,000
EDUCATIONAL SUPPORT TOTAL	1,116,000	1,176,000	1,626,000	1,751,000	1,086,000	1,091,000	1,501,000	8,231,000

	APPROVED FY 2004	APPROVED FY 2005	PROPOSED FY 2006	PROPOSED FY 2007	PROPOSED FY 2008	PROPOSED FY 2009	PROPOSED FY 2010	TOTAL
NEW CONSTRUCTION PROJECTS								
MAURY MEDIA CENTER/CLASSROOMS	3,167,000 -2,000,000	475,000	0	0	0	0	0	475,000
JAMES POLK GYM ADDITION	0	0	0	75,000	750,000	0	0	825,000
WILLIAM RAMSAY MULTIPURPOSE ROOM	900,000							0
GEORGE WASHINGTON EXPANSION	3,234,800							0
MINNIE HOWARD ADDITION *	3,845,222 -5,012,222	346,361 -5,124,443	0 -3,642,520	19,771,790 -17,274,790	5,800,000 -3,300,000	10,139,926 -0	10,139,926 -0	20,626,213 -8,766,963
T. C. WILLIAMS PROJECT **	17,532,945	29,552,377 -22,274,295	25,784,095 -19,644,575	19,846,790	6,550,000	0	0	80,908,262 -62,487,660
NEW CONSTRUCTION PROJECTS TOTAL	28,679,967	30,373,738	25,784,095	19,846,790	6,550,000	10,139,926	10,139,926	102,834,475

	APPROVED FY 2004	APPROVED FY 2005	PROPOSED FY 2006	PROPOSED FY 2007	PROPOSED FY 2008	PROPOSED FY 2009	PROPOSED FY 2010	TOTAL
MISCELLANEOUS								
ROWING FACILITY	0	150,000	100,000	253,000	55,000	60,000	45,000	663,000
CITY MANDATES	100,000	100,000	100,000	100,000	100,000	100,000	100,000	600,000
CITY PREREQUISITES	86,000	65,000	65,000	65,000	0	0	0	195,000
MISCELLANEOUS TOTAL	186,000	315,000	265,000	418,000	155,000	160,000	145,000	1,458,000
GRAND TOTAL	38,716,352 -38,716,352	41,880,738 -39,380,738	30,535,095 -28,035,095	23,910,640 -21,410,640	12,749,275 -10,249,275	13,490,926 -3,351,000	13,480,926 -3,341,000	136,047,600 -105,767,748

Note: Approved FY 2004 funding is not included in the Grand Total column.

* The new figures for FY 2009 and FY 2010 include \$2,500,000 in Educational Contingent Reserve each year.

** The new figures for FY 2005 through FY 2008 include \$2,500,000 in Educational Contingent Reserve each year.

TABLE 3: CIP BUDGET SUMMARY BY PROJECT FOR FY 2005-2010

DRAFT

SCHOOL PROJECTS	APPROVED FY 2004	APPROVED FY 2005	PROPOSED FY 2006	PROPOSED FY 2007	PROPOSED FY 2008	PROPOSED FY 2009	PROPOSED FY 2010	TOTAL
JOHN ADAMS	2,283,750	794,500	0	0	1,450,000	0	0	2,244,500
CHARLES BARRETT	2,321,709	0	0	0	0	190,000	0	190,000
LYLES-CROUCH	135,000	1,490,000	0	0	0	0	0	1,490,000
PATRICK HENRY	0	0	0	50,000	0	280,000	0	330,000
JEFFERSON-HOUSTON	825,000	0	275,000	0	0	0	215,000	490,000
CORA KELLY	0	0	0	808,000	0	0	0	808,000
DOUGLAS MACARTHUR	0	72,000	990,000	17,500	175,000	330,000	0	1,584,500
GEORGE MASON	719,526	0	0	41,000	410,000	0	130,000	581,000
MAURY	0	85,000	15,000	0	0	0	0	100,000
JAMES POLK	0	50,000	0	178,350	2,123,275	0	0	2,351,625
WILLIAM RAMSAY	20,000	2,280,500	200,000	0	0	0	0	2,480,500
MOUNT VERNON	760,000	0	120,000	0	0	300,000	0	420,000
SAMUEL TUCKER	0	0	0	0	0	0	0	0
F. C. HAMMOND	419,400	4,194,000	0	0	0	0	550,000	4,744,000
GEORGE WASHINGTON	0	0	460,000	0	0	200,000	0	660,000
MINNIE HOWARD	0	0	0	0	0	0	0	0
T. C. WILLIAMS/STEP	0	50,000	0	0	0	0	0	50,000
FISCAL YEAR TOTAL	7,484,385	9,016,000	2,060,000	1,094,850	4,158,275	1,300,000	895,000	18,524,125

GENERAL MAINTENANCE	APPROVED FY 2004	APPROVED FY 2005	PROPOSED FY 2006	PROPOSED FY 2007	PROPOSED FY 2008	PROPOSED FY 2009	PROPOSED FY 2010	TOTAL
RENOVATIONS	500,000	450,000	450,000	450,000	450,000	450,000	450,000	2,700,000
LANDSCAPING RENEWAL	0	50,000	50,000	50,000	50,000	50,000	50,000	300,000
BUILDING SYSTEMS	750,000	500,000	300,000	300,000	300,000	300,000	300,000	2,000,000
GENERAL MAINTENANCE TOTAL	1,250,000	1,000,000	800,000	800,000	800,000	800,000	800,000	5,000,000

Note: Approved FY 2004 funding is not included in the Grand Total column.

City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 17, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: REVISED T.C. WILLIAMS PROJECT FUNDING PLAN

PROJECT COSTS: As indicated in the Capital Projects Allocation report docketed for the June 22 City Council meeting, it is expected that the current capital project budget for the T.C. Williams High School project of \$80.5 million will not be sufficient to fund the project. The costs have increased in part due to changes in market conditions, including the increased prices in building materials. (See attached Washington Post article of January 14 (Attachment A).) In particular, steel prices have skyrocketed largely due to market demand overseas. Also, it appears that the cost estimates prepared earlier by the Schools' architects did not sufficiently take into account the complexity and significant site constraints of the T.C. project. Most other new high schools in the region and state which have been constructed in recent years are more "greenfield" projects where the site development and construction issues are far less complex and, therefore, less costly. Also, the LEEDS costs appear to have been substantially underestimated.

The Schools staff are still negotiating the details of the construction contract, including price issues. The Schools may need to remove some project elements, and make them options which can later be added back and funded out of the project's contingency, if the contingency funds are not needed for change orders for the base building.

At this time, a finalized T.C. Williams project budget is not known. However, it is clear that at least \$10.0 million more than the \$80.5 million, or more than \$90.5 million, will be needed.

PROJECT FINANCING: To cover the first \$10.0 million of additional project costs, it is proposed that the City transfer the \$2.5 million K-12 contingent from the General Fund (which is not needed due to the higher of state aid received) to the City's Capital Projects Fund as a cash capital transfer. Since the higher state aid the Schools will receive in FY 2005 will continue in FY 2006 and beyond, the City will be able, in FY 2006, 2007 and 2008, to make a similar transfer of \$2.5 million to the City's Capital Projects Fund. The T.C. Williams Project is scheduled to be completed in FY 2008. These four years of additional \$2.5 million in transfers total \$10.0 million towards the additional project costs. This narrows the gap to be closed, but does not, in all probability, close it.

The Schools have committed to closing the remaining to-be-determined gap. To do so, the School Board will review all Schools capital projects now scheduled for FY 2005, 2006 or 2007,

and select one or more such projects to reduce in scope or postpone until after FY 2008, thereby freeing up sufficient funds in the FY 2005 - FY 2007 period which could be reallocated to cover the finally determined T.C. Williams funding gap.

With the annual \$2.5 million cash capital transfer capable of continuing beyond FY 2008, \$5.0 million in additional cash capital funding can be provided to offset some part of the costs of reallocated projects in FY 2009 and FY 2010.

The School Board has not yet made specific decisions on which Schools projects (or portions thereof) will be rescope or rescheduled. The Board plans to review the various planned Schools capital projects, receive public input, and then adopt a plan for funding the final T.C. Williams funding gap by rescoping and/or rescheduling specifically identified capital projects. This plan will be adopted in time for presentation at City Council's first legislative meeting in October.

Attachments:

- A. Washington Post Article on Construction Costs (June 14, 2004)
- B. Revised T.C. Williams Project Funding Plan

cc: Mark Jinks, Assistant City Manager
Bruce Johnson, Director, Office of Management and Budget
Al Coleman, Budget Analyst, Office of Management and Budget
Rebecca Perry, Superintendent, Alexandria City Public Schools
Jay Johnson, Assistant Superintendent, Alexandria City Public Schools

From the Ground Up

Materials Driving Up Cost of Construction

By DANA HEDGPETH
Washington Post Staff Writer

John P. O'Keefe, a senior vice president of the Clark Construction Group Inc. of Bethesda, the largest construction company in the Washington region, said he first saw price spikes in construction materials last fall, and they haven't let up much since.

"The first item that went up was raw steel, then structural steel and the reinforced steel we use for concrete," said O'Keefe, whose company is building some of the largest projects in the District, including the new, sprawling headquarters for the Transportation Department in Southeast. "Since then, the cost of steel has nearly doubled."

Forrester Construction Co. of Rockville said it lost about half a million dollars on a project at Andrews Air Force Base because the price for some materials went up after it signed the agreement. "We're left holding the bag," said Scott Forrester, a principal of the company.

Meanwhile, in the six months since Rand Construction Corp. bid on turning a massive warehouse in Prince George's County into offices, construction material prices have skyrocketed. Wire mesh, used to reinforce walls and for security, was \$30 for a 4-foot-by-8-foot sheet. Now it is \$46.

Metal studs, used to frame a wall, were a little over a dollar a foot and now cost \$2.50. Dry-wall was \$12 a sheet and now is \$15.

The cost for redoing the interior of the Prince George's building was supposed to be \$12 million, but it has gone up by \$400,000, said Matt Merz, a senior project manager at the Arlington-based Rand.

The main reason: American builders are competing for steel, cement and lumber not only among themselves but also with builders in China, where the economy is growing about 10 percent a year. This massive demand comes as housing markets in areas like D.C. are booming, said Kenneth D. Simonson, chief economist at the Associated General Contractors of America.

If interest rates continue rising, construction activity is expected to cool. That could cause prices to drop, and maybe even result in a surplus of some construction items, according to experts. But for now, construction companies are struggling with rising prices.

Take cement. A ton of cement is, on average, almost \$84, up 1 percent. The rising price is due to both a surge in construction and a drop in cement imports.

The U.S. produced 85 million tons of cement last year with kiln plants running 24 hours a day, seven days a week, at maximum capacity. Builders in the United States used 107.5 million tons, with imports making up the difference.

In recent times, however, China, with its surge in construction, has been tying up ships that would have been used to deliver cement from Asia, Europe and Latin America to the United States. "China is also importing grain, cotton, scrap metal and other goods, and you need dry-bulk ships, which is the same ship you need to carry cement," said Edward J. Sullivan, chief economist at the Portland Cement Association, a Chicago-based trade group of cement producers.

Sullivan said if shippers have the choice, they prefer to carry the other products over cement. "You can load and unload those kinds of goods quickly, but it's more difficult to do that with cement. It can take several days because it's heavy."

Other construction materials have gone up, too.

The cost of 100 pounds of steel is \$31.27, up 21 percent from a year ago, according to Engineering News-Record, which tracks pricing in 20 major cities.

A thousand feet of lumber sells for more than \$530, up 20 percent from last year, according to Engineering News-Record.

Plywood prices also are up. Last summer a sheet cost \$6; now it is \$16, said Michael Carliner, an economist with the National Association of Home Builders, a D.C.-based trade group.

Rising gasoline prices have hit contractors who use fuel-guzzling heavy equipment. Alberto Gomez, owner of Prince Construction Co. in the District, said he had to spend an additional \$2,000 to run his fleet of six trucks and other equipment to repave parking lots at Howard University.

Rand Construction's contract enables it to split the increased costs of materials for the Prince George's County warehouse with its subcontractors and the building's owners, said Linda D. Rabbitt, president of Rand, an \$85 million a year general contractor she founded in 1989.

Other contractors said the increased prices are causing them to adjust bids on projects. In some cases, property owners are shelving projects.

Boston Properties Inc. plans to add seven stories to a four-story building it owns in Southwest, but the higher steel costs are going to make it harder to make money on the deal. "We've seen steel prices go up, and that's meant you pay more for the sheet metal that goes in duct work, the rebar that goes in reinforcing concrete and the conduit for electrical wiring," said E. Mitchell Norville, a senior vice president and regional manager.

"Hopefully we're going to make it up somewhere," Norville said. "If interest rates stay low, we'll be okay. But if we get rising prices [on materials], and rising interest rates and rents start to fall off, then we're in trouble."

"It's sticker shock," said Gerard Heiber, a vice president at Sigal Construction Corp. of the District. "We've seen it in the private sector and in the public sector."

Dana Hedgpeth writes about commercial real estate and economic development. She can be reached at hedgpethd@washpost.com.

T.C. WILLIAMS HIGH SCHOOL PROJECT - PROPOSED FUNDING PLAN
(\$ in millions)

SOURCES											
City CIP Funds Previously Approved for T.C. Williams	\$18.0	\$22.3	\$19.6	\$17.3	\$3.3	----	----				\$80.5
K-12 Contingent Conversion to Cash Capital Transfer	----	2.5	2.5	2.5	2.5	----	----				10.0
SUBTOTAL	\$18.0	\$24.8	\$22.1	\$19.8	\$5.8	----	----				\$90.5
Previously Planned for Other School Capital Projects	TBD	TBD	TBD	TBD	TBD	----	----				TBD
TOTAL	TBD	TBD	TBD	TBD	TBD	----	----				TBD