



# Los Angeles Unified School District

## Facilities Services Division Bond Program Update 2011 Funding Strategy

*January 4, 2011*

*Special Meeting of the Board of Education*

# Agenda

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- Process Clarifications
  - Change Orders
  - Contract Withhold Policies
  - Project Development and Timing
  - Procurement Policies and Procedures
- Staffing Update
- Status of Current Bond Program
- Funding Strategy for 2011



# **Change Orders and Contract Withhold Policies**

# Overview of Change Orders

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- California Public Contract Code Governs Amounts and Approvals
- Rates 8% to 30%
- Change Order Causes
  - Owner Initiated – Approximately 50%
  - Changes in Code – Approximately 15%
  - Errors in Design – Approximately 14%
  - Unforeseen Conditions – Approximately 21%
- More Than 40,000 Change Orders Over 12 Years
- Increased Number at End of Projects

# Recent Inquires

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- Inspection Sign-Off on Change Orders
  - Board Rule 1765
    - Not Practiced Since 2003
  - Form 6 Approval by Inspection Required
- Contractors Allowed to Leave Projects Incomplete
  - 150% of the Value of the Uncompleted Work Withheld From Original Contract to Complete Punch List
  - Follow on Contractors or M&O Forces Used to Complete Punch List



# **Project Development and Timing**

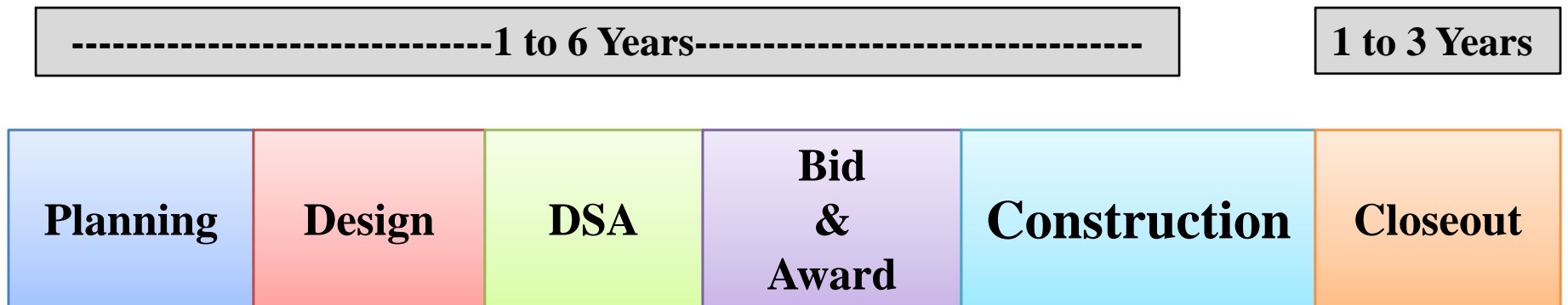
# Identifying a Project

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- Board-Approved Priorities Exist for Each Local Bond Measure
  - Identification of New Construction Projects
    - Required for Two-Semester Neighborhood School Operation
    - Consistent With Other Board Goals
      - Full-Day Kindergarten
      - New Adult Education Facilities
      - New Early Childhood Education Facilities
  - Identification of Modernization and Repair Projects
    - Needs Exceed Available Funds
    - Facilities, Local District and School-Based Staff Identify Highest Needs Based on Condition of Facilities

# Project Development

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# Project Development

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## Board Approval Throughout Process

- Project Definition -- Budget, Scope and Schedule
- Bench Contract for Architect of Record
- Project Approval/CEQA
- Acquisition Cap
- Resolution of Necessity
- Construction Contract Award
- Construction Contract Completion
- Annual Strategic Execution Plan Updates



# **Procurement Policies and Procedures**

# Types of Contracts

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## Professional Services

- Direct Contracts
- Bench Contracts/  
“Capacity” Contracts
  - *Task Orders*
  - *Agency CM*
  - *Architecture and Engineering*
  - *Inspection/Testing*
  - *Legal*
  - *Real Estate Related*
  - *Technical Services*

## Construction

- 17406 (*Lease-Lease Back*)
- Low Bid
- A/B letters
- Job Order Contracts
- 17250 (*Design-Build*)

# Use of District Resources

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- M&O Force Account Labor
  - Execute Projects of 750 Hours or Less
- Approximately 900 Bond-Funded District Employees
  - A&E Tech Unit
    - In-House Architectural and Engineering Services

# Procurement Process

## *Professional Services*

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SILENCE**



- Average 4-Month Process
- Process Helps Ensure Qualified Firms/Candidates Are Selected
- Process Goes Above and Beyond Legal Requirements
- Board Approves Direct and Bench Contracts



# Staffing Update

# Staffing Review

## *Timeline*

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- December 2
  - Facilities Contacted Teamsters and Presented a Plan and Process for Resolution
- December 2, 7, and 9
  - Facilities and Teamsters Met to Negotiate Plan and Process
  - Teamsters Rejected Plan (December 7 and 9)
- December 6
  - Teamsters Sent Letter Rejecting Proposed Plan
- December 2, 6 and 10
  - Facilities Requested Teamsters Provide Qualifications of District Employees Laid-Off From District and Identify Contract Professionals Alleged to be Doing Their Work
- December 15
  - Staff Directed to Move Forward and Collect Necessary Information to Implement Process
- Teamsters Invited to Participate in Review Sessions and Provided With all Collected Information

# Staffing Update

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- 16 of 35 Teamsters Represented
- 142 Remaining
- Additional Projects Required to Maintain Staffing Levels



# **Bond Program Update**

# Bond Program Update

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- Two-Semester Neighborhood School Goal
  - 101 of 131 New K-12 Schools Completed
  - Multi-Track Calendars Reduced
    - 227 Multi-Track Schools in 2002 vs. 33 in 2010
      - 188 Concept 6 Schools in 2002 vs. 8 in 2010
  - Elimination of Involuntary Busing
    - 2002: 111 Schools and 16,000 students
    - 2010: 4 Schools and 845 students
- Modernization Projects
  - 20,195 Projects Completed



# **2011 Funding Strategy**

# Funding Strategy 2011

## *Overview*

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- Complete Current Program
  - Two-Semester Neighborhood School Program
  - Approximately 2,000 Modernization Projects
  - Capital Improvement Program Reserve Projects
  - Settle Legal Claims
  - Close-Out and Certify Projects
- Opportunities
  - Positive Bidding Environment
  - Acknowledge Decreased Program Risk
  - Retain Key Staff
  - Increase Investments at Schools

# Funding Strategy for 2011

## *Decreased Risk*

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- December 2010 State Apportioned \$459.9 Million
  - \$124 Million Not Included in Budget Assumptions
- Cost to Complete Projects Can be More Accurately Estimated
- 30 of 31 New K-12 School Projects Awarded
- Positive Bidding Environment

# Funding Strategy 2011

## *Opportunities*

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<b>Program Budgets</b>	<b>Approximate Budget Remaining</b>	<b>Possible Range of Funds Available for Reallocation</b>
Implementation of Full Day Kindergarten	\$60 Million	\$20 to \$50 Million
Rent	\$29 Million	\$21 Million
Staffing	\$195 Million	\$0 to \$90 Million
New Construction Program Reserves	\$248 Million	\$0 to \$104 Million
Claims and Legal	\$110 Million	\$0 to \$50 Million
Repair and Modernization Unallocated Program Budgets	\$110 Million	\$54 Million to \$80 Million
Release of Funds Associated With Existing Facilities State Match	\$124 Million	\$105 Million

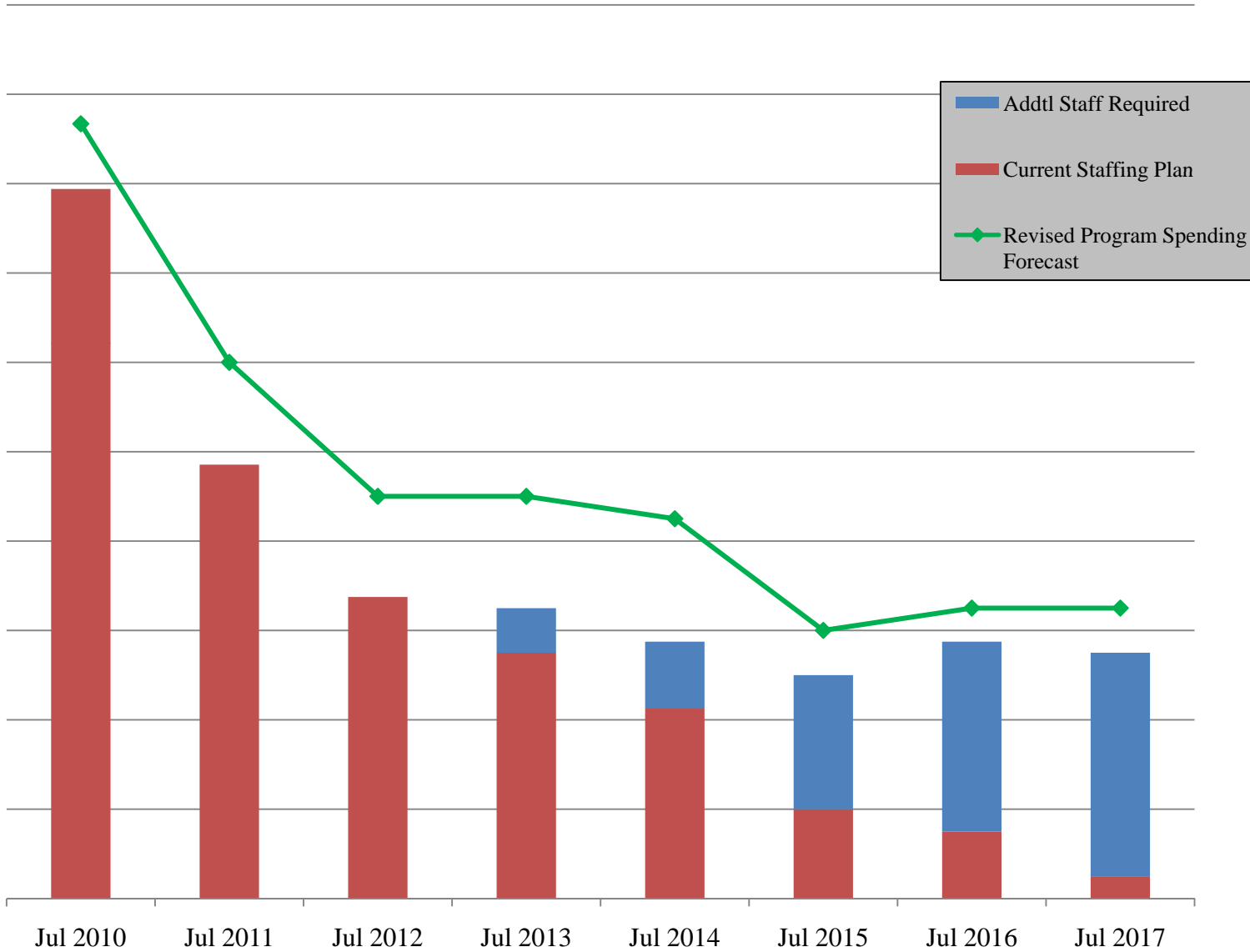
# Funding Strategy 2011

## *Potential Projects*

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- Avoid Issuance of Certificates of Participation (COPs) for Capital Projects
- Unfunded Board Approved Projects
- DSA Approved Projects That Do Not Currently Have Approved Funding for Construction
- Facelift Projects
- Permanent Solutions for Board Approved Prop-39 Co-Locations

# Staffing



# Summary

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- Current Bond Program Will Achieve Two-Semester Neighborhood School Program
- Opportunity for Incorporation of Lessons Learned
- Opportunity to Restore Project Funding
- Opportunity to Ensure Level Workload
- 2011 Funding Strategy Does NOT Include Measure Q Funds

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Questions??