

EXECUTIVE SUMMARY

Background

On August 18, 2015, the District entered into a contract with Heery International, Inc. (“Heery”) to provide Program Manager - Owner’s Representative Services (“OR”). The term of the Agreement was for three (3) years from August 19, 2015 to August 18, 2018, with an option to be extended for two (2) additional, one (1) year periods, and if needed, 180 days beyond the expiration date of the renewal period.

At the time the original Agreement was negotiated, the District had contemplated the engagement of two firms to provide OR services to oversee the SMART Program, and one separate Cost and Program Controls Manager to manage control systems for the SMART Program. However, negotiations with the second OR firm were unsuccessful. Instead, the District asked Heery to manage the scope of both OR firms in order to continue to move the SMART Program forward.

On May 2, 2017, the Board approved the First Amendment to the Heery Agreement to include the additional scope and services required to move the entire SMART Program forward. The First Amendment also increased the original not-to-exceed base fee of \$16,200,000 (to managing a volume of work representing approximately half of the SMART Program) to \$27,498,000 (to oversee the entire SMART Program with a volume of work that is approximately \$900 million) for the first 3 years.

On April 24, 2018, the Board approved a Second Amendment to the Heery Agreement to formally recognize the name-change of the company from Heery International, Inc. to CBRE | Heery, Inc.

On August 7, 2018, the Board approved the Third Amendment for a 60-day extension from August 19, 2018 through and including October 18, 2018. This period constitutes the first of two periods of the first one (1) year renewal of the Agreement.

As stated in the Third Amendment, the purpose of the 60-day extension was to allow staff to assess the organizational structure of CBRE | Heery to make sure the proposed staffing recommendations for the renewal year appropriately address the progress of the SMART Program and any challenges that have surfaced thus far. Additionally, the District desired to formally incorporate an evaluation requirement into the OR Agreement to assess CBRE | Heery’s performance.

Staff is requesting approval of this Fourth Amendment which addresses the second extension period from October 19, 2018 through and including August 20, 2019, proposed staffing recommendations, evaluation tool, description of added services, and proposed fee to cover the full one (1) year renewal term.

When the original Agreement was approved by the Board on August 18, 2015, staff anticipated that the combined costs of the Heery contract (for the first three years), the Atkins contract (for the first three years) and a second OR contract (for the first three years) would total approximately \$39 million. However, the combined cost of the amended OR Agreement (\$27,498,000) and the Atkins contract (\$6,456,073) is \$33,954,073, or \$5,045,927 below the originally-estimated costs for these contracts. This amount also includes costs for additional services in the amount of \$4,980,354 which were not

identified when the OR Agreement was first negotiated. Collectively, the use of CBRE | Heery has resulted in a total savings/added value of \$10,026,281.

CBRE | Heery's proposal for this Fourth Amendment, the balance of the first of two potential, one-year extension periods is a not-to-exceed amount of \$17,490,000. This amount consists of \$17,320,000 for labor, and \$170,000 for reimbursable expenses. This 10-month extension will result in a total proposed, not-to-exceed amount of \$44,988,000 for Years 1 through Year 4 of the Agreement.

At the outset of the SMART Program, an allocation was set aside as a percentage of the entire SMART Program to cover costs for the Owner's Representative, Cost and Program Controls Manager, Builder's Risk Insurance and Third-Party code reviews based on the program value. The overall proposed fees for CBRE | Heery are budgeted within this allocation.

CBRE | Heery's Services and Key Activities During Years 1-3

Since coming on board in late August 2015, the CBRE | Heery team has performed services in accordance with its Agreement. The following are key activities that have been accomplished:

- School Renovation Projects, including Primary Renovation Projects, Single Point of Entry Projects (SPE) and School Choice Enhancement Projects (SCEP), have made notable strides since the CBRE | Heery program management team was hired in the fall of 2015. Projects have been following a well-defined sequential process consisting of six phases.
 - Five years of budgeted projects were initiated in just over a two-year period
 - Year 1 and Year 2 projects started simultaneously
 - Year 3 and Year 4 projects started on schedule
 - Year 5 projects started ahead of schedule
 - The team has:
 - Developed work plans and schedules for all projects
 - Developed Standard Operating Procedures (SOPs) with work flows and continuing to refine existing SOPs, as well as adding sub-set SOPs
 - Assisted the District in the development of an updated set of standard contracts
 - Reviewed existing District Design and Material Standards
- The School Choice Enhancement Program (SCEP) has delivered over 745 enhancements/items to schools as Year 1-4 projects have been initiated. Year 5 projects are scheduled to begin Q4 2018.
- All Safety & Single Point of Entry (SPE) projects have been initiated.
 - In 2016, BCPS prioritized the SPE Program by accelerating Year 4 and Year 5 Projects to begin in Year 3.
 - In 2017, additional SPE projects were identified and funded by the District

Additionally, the SMART Program has made meaningful contributions to other District initiatives such as the Supplier Diversity Outreach Program. To date, the SMART Program has achieved over 90% of committed contracts to small, minority and women owned firms.

Challenges and Opportunities

CBRE | Heery recognizes that there have been challenges during the initial stage of the SMART Program as well as during the design phase. The team is actively implementing steps to relieve the

congestion in design, move the projects forward and avoid a recurrence of delays in future projects. Key process changes implemented include:

- Assigning a senior staff person within the team to focus exclusively on moving projects through the permit review process
- Meeting with the Building Department on a weekly basis to prioritize reviews, collectively address issues, and reach decisions faster
- Improving the reporting tools used to monitor and track projects that have reached the design review stage
- Reviewing design documents prior to their submission to the Building Department to identify and address any issues
- Mentoring new design consultants and contractors to educate them on BCPS processes and procedures as well as outlining expectations
- Communicating lessons learned to design consultants to proactively avoid repeating mistakes observed on earlier submittals
- Collecting feedback from design consultants to further improve the process
- Improving the QSEC selection factors and implementing a two-step selection process to better vet potential design firms

Key Activities for Year 4

For the coming year, the team plans to focus on the following:

- Continue progressing projects through the 6 project phases
- Address design delay issues with focused efforts and staff assignments
- Prepare for increase in the number of projects in construction with updated staffing plans/levels
- Enhance scheduling efforts to allow for quicker identification of potential project delays
- Increase level of reporting at all levels
- Continue to develop/implement process improvement recommendations
- Continue outreach to construction marketplace to attract qualified firms
- Continue evaluation of construction delivery methods to align with marketplace capabilities

Basic Services and Supplemental Services Increases for Year 4

This Fourth Amendment addresses additional funding for Contract Year 4 and includes staffing additions discussed below and shown in Table 1. This Amendment also includes the following elements that have or will be added to CBRE | Heery's original scope of work:

Increase to Basic Services:

- Addition of Option Year 1 (Contract Year 4):
This amendment includes fees for continued management of the SMART Program through Contract Year 4, which is Option Year 1 of the base Agreement.

Additional Supplemental Services:

- Single Point of Entry:
The CBRE | Heery team was asked to conduct site surveys at all schools to assess the status and need for Single Point of Entry modifications. The current fee proposal includes the additional

support required to expedite the new projects that were identified as a result of this study and which were not included in the original DEFP funding for Single Point of Entry.

- **Additional and Security Related Projects:**
The CBRE | Heery team has been tasked with managing the replacement building at Stoneman Douglas HS. In addition, the CBRE | Heery team has identified positions that may be needed by the District to support any future security-related facility projects. Staffing for these potential security projects is included in this Amendment but will only be implemented if warranted to execute the work, and as directed by the District.
- **School Choice Enhancement Projects :**
The CBRE | Heery team was assigned management of the School Choice Enhancement (SCEP) projects. Staffing for this work is included in this Amendment. In addition, this team is being leveraged to assist with other school-based projects that arise from time to time.
- **Procurement Support:**
The SMART Program has created a significant workload for the Procurement team. CBRE | Heery has been asked to provide staffing to assist the Procurement and Warehousing Services department to assist with the added workload. CBRE | Heery's proposal includes a continuation of staffing that was added to support the Procurement team with the SMART Program, both in the design and construction efforts.
- **Communications Support:**
When the CBRE | Heery scope of work was first negotiated, external communications efforts were not part of its scope. With the extensive volume of information being generated on the SMART Program and the increased demand for reporting and communications out to the District and others through multiple methods, the need for additional staffing specifically focused on SMART Program information was identified. The fee proposal includes staffing to continue this support.
- **SMWBE Outreach Support:**
When CBRE | Heery's scope of work was first negotiated, only tracking of SMWBE was included in its scope of services. CBRE | Heery has since been asked to provide additional staffing to assist the SMWBE Outreach and Inclusion Office. The current fee proposal includes a continuation of this additional support. In addition, CBRE | Heery has committed to 32% SMWBE participation in its original proposal and has committed to continuing this commitment of 32% SMWBE participation for the work covered under the Amendment. As of the end of August 2018, the CBRE | Heery team has reported achieving overall SMWBE participation of 37%.

Proposed Staff Augmentation

In order to support the additional supplemental services and to continue its basic services to effectively manage the SMART Program, augmentation of key staff is being requested.

This proposed staffing plan includes resources focused on expediting projects through the design phase as well as resources to provide increased on-site presence as the SMART Program moves steadily from

the design phase into the construction phase.

To specifically address the delays to design phase that the SMART Program has experienced, a structural change to the team has been made with the formation of 3 teams that will be geographically based to align with existing zones currently used by the District. Each team will be led by a Senior Project Manager as Team Leader. The initial focus of these Team Leaders will be to move projects through the design and permitting process. They will also oversee all staff working on projects in their geographic area as they progress into construction. This will improve overall span of control and accountability for the work.

An additional scheduler has also been proposed in the staffing plan. This position will focus on monitoring design and construction schedules and identifying potential delays early so they can be addressed in a timely manner to mitigate impacts from delays.

CBRE | Heery' s proposed staffing plan includes the following additions for the upcoming contract year:

TABLE 1

Role	Current Staffing	Proposed Staffing	Justification
Project Managers – Single Point of Entry	2	3	Additional staff to handle 123 added Single Point of Entry projects;
Sr. Project Manager (Zone Leaders)	0	3	Sr. PMs to create more senior oversight of projects and to align the CBRE Heery team into 3 geographically based teams which will align with District facilities staff. These team leaders will manage team of PMs and Construction Coordinators for all schools in their geographic area. Their initial focus will be on expediting projects in the design phase to get them through the permitting process.
Sr. Project Manager (Design and Construction Leads)	0	2	Sr. PMs to create more senior oversight of projects and to provide consistency and direction across all projects.
School Choice and School Based Projects	1 Sr. PM 1 PM 2 APMs	1 Sr. PM 2 PM 3 APMs 1 Admin	Additional staff to support continued efforts in support of the school choice work and other smaller capital projects that arise from time to time.
Project Managers – General	16	18	Additional PMs to manage increased number of projects that are active. As projects continue to progress through design and the SMART Program reflects more projects in construction than design, this team will transition into a construction-focused role, working in alignment with the Construction Coordinators. This group also includes a PM for the Stoneman Douglas new addition project.
Construction Coordinators	6	18	Additional staff to assist PMs with field monitoring of construction projects in anticipation of the upcoming shift of projects from design phase into construction

			phase. Some of these positions will be filled by PM staff as they are de-staffed.
Scheduler	1	2	Additional workload created to evaluate and monitor contractor schedules during construction phase and the increased scheduling requirements. This person will also focus on design schedules to help with quicker identification of projects with schedule slippage.
Safety	1	2	Additional safety coordinator to be added in 2019 to assist in monitoring project safety as construction volume increases.
Project Controls	0	2	New positions to assist in the coordination of project controls and tracking of project schedules and budgets in e-Builder with Atkins.
Communications	4.5	6.5	New positions to assist in the increased activity and informational documents being produced.
Admin/Document Control	9	13	Additional staff to manage high volume of documents anticipated during construction phase. Also adding document control specialist to focus on project closeouts.
SMWBE Support	2 Proc.	1 Proc. 1 PM staff	Staffing levels currently supporting SMWBE will remain constant, however, one staff member will be assigned to the Project Management team to work more closely with the Project Managers.
Security Based Work and Misc. Projects	0	2 PMs 1 APM 1 Admin	Staffing that may potentially be required to support future facility safety and security-related projects. This staffing will only be added if necessary to support facilities-related security work referenced above. Staff from Single Point of Entry projects may transfer into these positions depending on project timing.

Evaluation

In addition to the proposed staffing changes described above, staff is requesting to incorporate language in the Agreement referencing an evaluation of CBRE | Heery’s performance. While an evaluation tool has been used in the past to evaluate CBRE | Heery’s performance, the Office of Facilities and Construction is currently working with the Office of Strategic Initiative Management to develop a rubric that will tie performance domains to more explicit descriptors and objective evidence. Performance domains will cover key deliverables (e.g., schedule controls, budget/cost controls, change management, etc.) as well as essential attributes (e.g., effective communications, leadership, and customer responsiveness). Once completed, the tool will be used in the next evaluation of CBRE | Heery.

Additionally, staff has engaged RSM US LLP to conduct quarterly reviews of CBRE | Heery with a focus on identifying improvements in processes, including Bond Oversight Committee reporting, as well as compliance with deliverables. RSM and staff conduct regular meetings with CBRE | Heery to review these reports and action plans to address any findings.

Conclusion

CBRE | Heery anticipates that during Years 4 and 5, the SMART Program will be peak as the majority of the projects are moved from the design phase and into construction phase. Although CBRE | Heery has been very efficient in the use of staff to date in an effort to keep the cost of services appropriate to the level of services that are required, it is anticipated that staffing counts will have to increase to align with the higher number of projects in construction.

At this stage in the SMART Program and based on current performance, it is recommended that CBRE | Heery continue to provide OR services for Year 4 of the Agreement. This will continue to maintain clear accountability in execution and delivery of the SMART Program. CBRE | Heery is submitting this proposal of a not-to-exceed amount of \$17,490,000 for the second extension period from October 19, 2018 through and including August 20, 2019, and to formally incorporate the additional supplemental services and staffing plan as outlined above.