

**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 District's SMART Program, and one separate Cost and Program Controls Manager to manage control systems for the 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 SMART Program forward. The First Amendment also increased the original 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.

On October 16, 2018, the Board approved the Fourth Amendment to approve the balance of the first option year of the contract from October 18, 2018 through and including August 20, 2019, and also to encompass staffing recommendations, evaluation tools, description of added services, and proposed fee to cover the full one (1) year renewal term. The Fourth Amendment increased the fee by \$17,490,000 for a total not-to-exceed amount of \$44,988,000 for Years 1 through Year 4 of the Agreement.

On November 7, 2018, the Board approved the Fifth Amendment to add/modify contract language including adding FEMA requirements and modifying Article 2.06 M/WBE Participation.

CBRE | Heery's proposed Sixth Amendment for this, the second one-year extension period, is \$20,770,000. This amount consists of \$20,450,000 for labor, and \$320,000 for reimbursable expenses. This 12-month extension will result in a total proposed, not-to-exceed amount of \$65,758,000 for Years 1 through Year 5 of the Agreement.

### **CBRE | Heery's Services and Key Activities During Years 1-4**

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 effected:

- Notable modifications have been made to School Renovation Projects, including Primary Renovation Projects, Single Point of Entry Projects (SPE) and School Choice Enhancement Projects (SCEP), since CBRE | Heery's contract renewal in October 2018. Projects continue to follow a well-defined sequential process consisting of six phases: Planning, Hire Design Team, Design, Hire Contractor, Construction, Closeout/Complete.
- All primary renovation projects are now underway, and are as follows:
  - 108 projects are currently in Design
  - 67 projects are currently in Hire Contractor
  - 57 projects are currently in Construction - \$284,766,356
  - 2 projects are currently in Closeout/Complete - \$4,731,620
  - The team has:
    - Developed work plans and schedules for all projects in the program
    - Developed a full set of Standard Operating Procedures with workflows, some of which have been implemented in e-Builder.
    - Assisted the District in the development of an updated set of standard contracts
- The School Choice Enhancement Program (SCEP) has delivered and completed 1,066 enhancements/items to schools for Year 1-5 projects. Year 5 projects were started in Q4 2018.
  - 48 projects are currently in Design
  - 108 projects are currently in Construction
  - 73 projects are currently in Closeout/Complete
- All 238 Safety & Single Point of Entry (SPE) projects have been initiated.
  - 17 projects are currently under construction and scheduled to be completed by school start
  - 79 projects are complete
  - 142 schools have met District Standards

### **Challenges and Improvements**

CBRE | Heery recognizes that there have been challenges during the initial stage of the program as well as during the design phase. The team has implemented 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:

- Designers are now being held accountable for delays in the design process and for multiple Building Department reviews
- Rebaseling of schedules to reflect more accurate timelines for each milestone phase
- Engagement of a Roofing Consultant to perform "reality checks" on existing roofs in an effort to mitigate/reduce roofing scope and associated costs
- Reorganization of staffing model to achieve more efficiencies and implementation of process improvements
- Weekly meetings with the Building Department to prioritize reviews, collectively address issues, and resolve matters more expeditiously

- Improvement on reporting tools used to monitor and track projects that attain the review stage of design
- Review of design documents prior to submission to the Building Department to capture and address any issues
- Mentoring of new design consultants and contractors to educate them on the requirements of the District's review process and expectations
- Proactive communication on "Lessons Learned" to design consultants to avoid reoccurrences of design and quality insufficiencies noted on earlier submittals
- Improvement in the QSEC selection factors and implementation of a two-step selection process to better vet potential design firms

### **Key Activities for Year 5**

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

- Continue progressing projects through the 6 project phases
- Continue commitment to obtaining 8 Letters of Recommendation (LOR) per month
- Continue to progress the 91 LORs that have been received since September 1, 2018
- 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 delivery method on construction to match marketplace capabilities

### **Evaluation**

In FY19 Q1, the Office of Facilities & Construction (OFC) developed an evaluation rubric with the Office of Strategic Initiative Management that would tie performance domains to more explicit descriptors and objective evidence. OFC staff is currently finalizing an evaluation of CBRE | Heery for FY19 Q4. Additionally, OFC staff conducts weekly meetings with CBRE | Heery to review program objectives and project progress. Furthermore, communication with OFC staff and CBRE | Heery are ongoing daily occurrences.

In FY19 Q3, RSM US LLP conducted an internal audit and review of CBRE | Heery's Program Management function as it relates to processes, Bond Oversight Committee reporting and compliance with deliverables. RSM and CBRE | Heery reviewed the audit findings and a report was sent to the Office of the Chief Auditor and the Audit Committee on June 20, 2019.

### **Basic Services and Supplemental Services Increases for Year 5**

CBRE | Heery has submitted this request for additional fees to formally fund management of Contract Year 5. Staffing levels for the CBRE | Heery team will remain at the same level as Year 4. This proposal is based on the following elements that have/will be added to CBRE | Heery's original scope of work:

#### **Increase to Basic Services:**

- Addition of Option Year 2 (Contract Year 5):  
This amendment includes fees for continued management of the program through Contract Year 5, which is Option Year 2 of the base Agreement

#### **Additional Supplemental Services (As Needed):**

- One administrative support position for SBBC Construction team
- One civil engineering support position for design support/building department plan reviews

#### **S/M/WBE**

CBRE | Heery committed to 32% S/M/WBE participation in its original proposal and has committed to continuing this level of 32% S/M/WBE participation for the work covered under the Amendment. As of the end of May 2019, the CBRE | Heery team has reported achieving overall S/M/WBE participation of 37.8%.

Additionally, the SMART program has made meaningful contributions to other District initiatives such as the recently revamped Supplier Diversity Outreach Program. To date, the SMART program has allocated approximately 69% of Design contracts to minority and women-owned firms. Currently, 36% of the funds designated for CMAR and hard bid projects have been committed to minority and women-owned firms.

#### **Conclusion**

CBRE | Heery anticipates that Year 5 will be the peak program year as the majority of the projects are moving from the design phase into the construction phase per the recently approved rebaselined schedules. CBRE | Heery has been very efficient in the use of staff to date, in an effort to maintain the cost of services appropriate to the level of services that are required.

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 5 of the Agreement. This will continue to maintain clear accountability in execution and delivery of the program. CBRE | Heery is submitting this proposal of a not-to-exceed amount of \$20,770,000 for extension of the initial term of the Agreement, the First Renewal, and the Second Renewal Period, commencing August 21, 2019 through August 20, 2020.