

At the last oversight committee meeting we were discussing with PCM3 the increase in the cost of the bids for new construction from May to Nov 05. PCM3 provided data that showed the increase in average cost of school construction per square foot as an explanation of the 1.6 M in cost growth. When it was pointed out that the average cost per square foot rose from \$421 to \$450 was a small amount compared to large growth in the quotes, PCM3 pointed out that after May 05, the DSA required the school to substantially increase the reinforcement of the retaining walls and that this was a large part of the increase. They were not able to say how much of the increase was due to this change of scope. They were not able to provide a breakdown of the cost increases at the meeting. They said they could do it but that it would be a lot of work and time, many weeks if not a couple of months. They were not directed by staff to do this.

From: "jim caldwell" <jimrcaldwell@hotmail.com>

To: jhausle@juno.com, KKinnon@Cornerstoneadvisers.com, shabrams@hotmail.com, esmets@msn.com, Gary@wvcpas.com, skel@linkline.com, smccclain@hbcisd.org, ajones@hbcisd.org

Date: Mon, 11 Sep 2006 09:17:00 -0700

Subject: Re: 1st Draft - COC 3rd Annual Report

The easiest way to determine if a large part of the \$1.7M was excavation and reinforcement change orders/requirements would be to look at the total spent in excavation and reinforcement in actual (Now complete) dollars. For a large part of the increase to land on DSA as opposed to us Hermosans being idiots, the increase in reinforcement and excavation would be 15% of the total project with very little of the rest of the project undergoing cost increases when we know the quoted rate of increase was 20%+ per annum. The above reasoning leads me to support the original language. If we want to get a better answer, we can ask look at the excavation and foundation contracts to see if they were the bulk of the increase.

Best Regards,

Jim

>From: james hausle <jhausle@juno.com>

>To: KKinnon@Cornerstoneadvisers.com

>CC:

>shabrams@hotmail.com, jimrcaldwell@hotmail.com, esmets@msn.com, Gary@wvcpas.cc

>Subject: Re: 1st Draft - COC 3rd Annual Report

>Date: Sun, 10 Sep 2006 13:19:52 -0700

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>Relative to the new requirement, PCM3 said that this was as a result of
>the DSA a review of the project and the requirement would have been in
>place regardless of the delay. PCM3 said that in order to determine the
>amounts of each part of the increase that they would need several months
>to come up work it out. Therefore the increase of 1.7M was not all due to
>the decision by the board to delay the award. All PCM3 did say was "that
>a large cause of the increase was a new DSA requirement". We decided not
>to ask PCM3 to develop the breakdown of the increase.

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>Jim

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>On Sun, 10 Sep 2006 15:32:44 -0400 "Kinnon, Kelly"

><KKinnon@Cornerstoneadvisers.com> writes:

>If it was a "new requirement" that would not have been in effect at the
>time of the original bid, and the lawsuit caused a delay such that the
>requirements changed in the interim, then I think it is still correct to
>say that the lawsuit caused the increase. Even if this were not the case,
>how much of the \$1.7M increase was attributable to the new DSA
>requirements?

From: "Sam Abrams" <shabrams@hotmail.com>
To: jhausle@juno.com
Date: Sat, 09 Sep 2006 17:58:49 +0000
Subject: Re: 1st Draft - COC 3rd Annual Report

Hi Jim-

Thanks for the input, I'll check it out.

When all comments are in, I'll send out a revised edition for a second review.

Sam

>From: james hausle <jhausle@juno.com>
>To: shabrams@hotmail.com
>CC:
>jimrcaldwell@hotmail.com,esmetts@msn.com,Gary@wvcpas.com,kkinnon@cornerstone
>Subject: Re: 1st Draft - COC 3rd Annual Report
>Date: Sat, 9 Sep 2006 05:51:20 -0700
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>The litigation brought by the Committee for Responsible School Expansion
>(CRSE), that stalled the new construction bid process, was settled in
>November, 2005, by a Superior Court ruling denying all claims and denying
>a stop-work order. An appeal is scheduled to be heard on August 18,
>2006, and a decision from the Appellate Court is not expected until
>winter, 2006. The litigation-caused delay forced the District to re-bid
>all of the new construction contracts resulting in an estimated increase
>of \$1.7 million for the work.

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>Sam, After reviewing my notes from the last meeting of the discussion on
>the increase in bid costs, I suggest we change the paragraph above to
>this one below:

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>The litigation brought by the Committee for Responsible School Expansion
>(CRSE) was settled in November, 2005 by a Superior Court ruling denying
>all claims and denying a stop-work order. An appeal is scheduled to be
>heard on August 18, 2006, and a decision from the Appellate Court is not
>expected until winter, 2006. In May 2005, the School Board decided to
>not make a construction award. When the District re-bid all of the new
>construction contracts in Nov 2005 the result was an estimated increase
>of \$1.7 million for the work. PCM3 stated that a large cause of the
>increase was a new DSA requirement to substantially increase the amount
>of excavation required and to provide additional reinforcement of the
>retaining walls.

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