

Approved April 3, 2023

**Advisory Committee Meeting
Zoom Video Conference
Thursday, March 30, 2023, 6:30 p.m.**

Those present from Advisory Committee included Shawn Baker, Doug Smith, Madison Riley, Rani Elwy, Gail Sullivan, David Prock, Bill Schauffler, Pete Pedersen, Al Ferrer, Jenn Fallon, Wendy Paul, Susan Clapham, and Andrea Ward.

Chair Shawn Baker called the meeting to order at 6:30 pm and Vice Chair Doug Smith took roll call of Advisory members in attendance.

Citizen Speak

There was no one present for Citizen Speak.

Article 19: Hardy School Project

Steve Gagosian, PBC; Dick Elliott, FMD; Matt King, PBC; Catherine Mirick, School Committee (SC); Tom Ulfelder, Select Board (SB); Meghan Jop, Executive Director, were present, and Ms. Mirick provided an overview of the request under Article 19. Following the receipt of construction bids for the final design of the new Hardy School building, it became clear that since the original project was proposed, building costs have increased and resulted in a decrease in the funds set aside for contingencies. Article 19 seeks to transfer additional funds into the contingency fund for the Hardy School project. The Town currently holds unused funds for three (3) completed school building projects; transferring these funds to the Hardy project will fully replenish the contingency fund without any tax impacts, since these funds have already been authorized and borrowed. Mr. King reviewed the PowerPoint presentation.

Questions

- Is 5% enough of a contingency budget, given where the market is and where the project is?
 - Yes, we feel we have our numbers under contract for construction and the contingency is for unexpected items.
- Support was expressed. A question was asked if excess funds from projects could be consolidated and put into a single fund for more transparency and visibility as it seems funds slide from project to project.
 - PBC is not allowed to move funds between projects. Funds are appropriated for a specific purpose and can only be transferred to like projects and approved by Town Meeting. The use of the funds needs to be within the scope of the original borrowing. These funds were borrowed for school building projects and thus can be transferred to this project.
- Is there a gap in the contingency? Did contingency start at 3%? Support for Article 19 was also expressed.
 - In the initial project the contingency was figured on a dollar amount based on a projected construction cost and the percentage of the construction value was carried as a separate line item. The construction cost increased over time, so in order to proceed on the project, money from the original 5% contingency was applied to the increased construction figure and that has depleted the contingency. Now the contingency needs to be replenished.
- Are you comfortable with 5% contingency on the net amount and is the total project still in the \$70 million range?
 - The request for 5% is based on hard construction costs and that includes the MSBA portion. We don't discount MSBA reimbursement in the project. There are additional

soft costs associated with the design that are not hard construction costs. At the budget level, 5% is calculated across all costs. As we get further along, we start to delineate the contingencies.

- \$70 million included some items that have already been completed, such as permitting and design fees. The new contingency amount is based on the remaining construction costs.
- What percentage are the amounts of funds from completed projects of the original projects? Is there any consistency to this, and does this provide information about the contingency for the Hardy project?
 - These were not new construction projects, so they have a different percentage contingency. Information on this can be provided. The amounts returned to the town are project centric.
- Support was expressed and appreciation expressed for the work done by PBC in cost estimation. Once these balances are transferred, will those projects be closed out?
 - Yes.
- Is there a look-back period on these projects, and can it be assumed we are all clear on the middle school systems, i.e., we don't think anything will come up?
 - Yes. Once PBC staff and the FMD team give the green light that they feel the building is in good working order and are satisfied with the built condition, they make a recommendation that the funds can be released. PBC generally supports their recommendations.
- Can examples of value engineering be provided and where savings were found?
 - Examples include reworking some design detailing such as wood-look panels that are very expensive. Looked at reducing windows without impacting day lighting. Site work and landscaping are other examples.
- Support was expressed; it was felt that it is prudent to bring the contingency back up to 5%. Is there a limit for how long contingencies can be held?
 - There is a 10-month warranty, and a walkthrough post-construction is built into the documents, at which point a list is generated for the contractor to fix. Often other items are identified that weren't in the documents and need attention. It's about 16 to 18 months following construction when funds are released. PBC is proactive in releasing tranches of money if the budget is more than is needed. There is no statutory requirement.
- Support was expressed and a suggestion made to identify the MSBA money and where it is.
- A question was asked if the money that is being transferred is already borrowed at a more favorable rate.
 - Yes, these funds were borrowed before an escalation in interest rates; there is a range in rates because they were borrowed at different times.
- What happens to money that has been borrowed but is no longer needed?
 - There are two (2) different mechanisms to fund projects. The Finance Director works closely with PBC to look at cash flow and when to borrow and the funds potentially on hand. For PBC funds that have already been borrowed, if those were released by PBC, the Town would transfer those and use the funds similarly to what is being proposed before borrowing additional funds. Projects are broken up for borrowing purposes and if there are available funds, some aspects of projects do not need borrowing. As the Town receives reimbursements from MSBA, the need for continued borrowing is evaluated. Although \$70 million of borrowing has been authorized, the Town hopes to borrow \$55 million or less, depending on what is available to be transferred. It is a coordinated effort with PBC and looking at cash flow analysis and when borrowing would occur. We borrow smaller bits of multiple projects.

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- Where are we on MSBA reimbursement?
 - MSBA does not sign on for any escalation. Regardless of what towns experience relative to market escalation, the MSBA uses the same level of reimbursement and evaluation of items eligible for reimbursement.
 - The Town doesn't receive money from the MSBA until items are submitted for reimbursement. The MSBA must conduct a complete eligible cost analysis. MSBA will reimburse 34.9% of eligible costs, but they have very specific pieces of the project that they will reimburse for.
 - Assuming everything stays as first submitted to the MSBA, the Town will receive about \$13.5 million from MSBA. We expect that we will be very close to the original amount of reimbursement specified.
- What are the financial implications of money staying on the books and paying interest?
 - Different projects have different borrowings, given the lifespan of the project. Some funds may be completely paid off where some are not, depending on what is most financially advantageous to the Town. It varies based on each project and it's specifically tailored to those projects. There is a list of the projects and the borrowing associated with them.

Susan made, and Wendy Paul seconded a motion for favorable action on Article 19, Motion 1, as proposed by the PBC and School Committee, that the Town transfer the sum of \$1,071,555.48 to be used for construction and other associated costs related to the Hardy School project to be transferred as set forth in the article and the motion

Roll call vote was taken.

Advisory recommends favorable action on Article 19, 12 to 0.

Minutes Approval

Madison Riley made, and Rani Elwy seconded a motion to approve the March 27, 2023, minutes.

Roll call vote was taken and the March 27, 2023, minutes were approved, 11 to 0 with 1 abstention.

Administrative

- An update on the fire truck and the Eco battery system was provided; the Fire Department is opting not to purchase a truck with the Eco battery system due to a variety of factors, including cost.
- A question was asked if there are any updates on the school negotiations.
 - Next mediation session is April 6.

Adjourn

Al Ferrer made, and Gail Sullivan seconded a motion to adjourn.

Roll call vote was taken and the meeting was unanimously adjourned at 7:37 p.m.

Meeting Documents Reviewed

<https://www.wellesleyma.gov/DocumentCenter/Index/2040>

- Hardy Budget ATM PowerPoint