

Concord School District Board of Education
Special Board meeting
September 19, 2016

Board members present: Rusty Cofrin, Clint Cogswell, *President*, Tom Croteau, Nathan Fennessy, Barb Higgins, Alana Kimball, Jennifer Patterson, Maureen Redmond-Scura, Jim Richards

Administration: *Superintendent* Terri L. Forsten, *Business Administrator* Jack Dunn, *Director of Facilities and Planning* Matt Cashman

Board President Clint Cogswell called the meeting to order at 5:33 p.m., noting that the Special meeting was convened to discuss the required, emergency conversion to natural gas for four District schools based on Concord Steam’s announced plans to cease production in May 2017. Abbot-Downing School, Christa McAuliffe School, Rundlett Middle School, and Concord High School are impacted by this transition, with CHS being the largest facility by far. Mr. Cogswell noted that this was a complex issue and that the Board welcomed public input.

Superintendent Forsten made an abbreviated presentation of the history of the issue and the plan in anticipation of a Board vote on the Superintendent’s recommendation. She noted that the Public Utilities Commission (PUC) has expressed a level of urgency to Concord Steam customers to plan and prepare for the 2017 heating season, and has qualified this event as an emergency. She noted that the PUC said it has never experienced a utility of this size going out of business without a competitor coming in to run it. She noted that, while the heating season will be over, hot water will be needed in the schools after May 31, 2017, when Concord Steam will have shut down.

Rist Frost Shumway Engineering has prepared a conversion study, received in late August, which includes descriptions of the project(s) for each school (ADS, CMS, RMS, CHS), economic analyses with anticipated savings, and a project schedule. The study’s conclusion stressed that “in order to meet the fast-approaching discontinuation of steam service to Concord Schools, it is critical that Concord School District move quickly to begin design and ultimately construction for this critical infrastructure project.” The economic analysis included a projected savings of over \$660,000 annually in costs with a conversion to natural gas. The estimated cost of the conversion project ranges from \$8.3 to \$21.7 million – dependent on which of three alternate options are determined for the high school. The study included an aggressive project schedule, from September 2016 through October 2017. To maintain this schedule, a final decision on the design for CHS is needed by November 7, 2016. The Superintendent reviewed several critical aspects of the impending work:

Project schedule, September 2016 – January 2017

- Authorize design start (ADS, CMS, RMS, CHS) 09/19/16
- Authorize design alternates (if any) (CHS) 11/07/16

- Existing conditions/survey/ geotechnical/ pre-construction analysis 10/03 –10/28/16
- 100% schematic design 11/11/16
- SD cost estimate by Construction Manager 12/02/16
- 50% construction documents 12/09/16
- 50% CD cost estimate and establish GMP (CM) 01/06/17
- Order long-lead-time equipment 01/23/17

Project Schedule, February – October 2017

- | | |
|---|--------------------|
| • Schedule from study | Date completed |
| • 100% final bid documents | 02/13/17 |
| • CM sub-bid and award/submittals/mobilization | 02/13/17 -03/13/17 |
| • Early construction start | 03/13/17 |
| • Full construction start | 06/19/17 |
| • Commissioning/start up (elementary schools) | 08/21/14 |
| • Construction complete (elementary schools) | 09/02/17 |
| • Commissioning/start up (high school/Rundlett) | 09/18/17 |
| • Construction complete (high school/Rundlett) | 10/13/17 |

Superintendent Forsten then discussed the pre-construction work required this fall:

- Design start
- Design alternates for Concord High School
- Existing conditions survey – geo technical preconstruction analysis
- Liberty Utilities – installation of the gas lines
- Subcontractor bids – lock in contractor schedules
- Schematic design
- Construction documents
- Order long-lead-time equipment (boilers, etc.)

She noted that 75% of the project will be put out to the bid process. She also noted that getting an early start would result in potential cost containment:

- Avoid temporary hot water source (\$600,000+)
- Relocation of underground utilities (\$150,000)
- Standardization of design and construction (equipment, installation)
- Reduce impact of escalation and inflation costs with fall 2016 bidding
- Value engineering opportunities
- Constructability reviews
- Developing and executing procurement strategies
- Careful management of contingency funds
- Standard contracts – optimize risk allocation to reduce cost
- Lean approach to on-site management
- Standardize project management processes and procedures

In response to a question from Mr. Croteau about the meaning of the terms “value engineering opportunities” and “constructability reviews,” Mr. Cashman replied that the project manager actually goes out into the field to see if something can actually be constructed, or constructed more easily.

Barb Higgins asked for a very simple description of the need and the project.

Mr. Cashman replied that the simple question is, what needs to be done to make our schools warm and have hot water? Currently, steam provided by Concord Steam goes to the schools via underground piping. Equipment in the schools' mechanical rooms called heat exchangers converts the steam into hot water, puts it into air handlers and runs it across hot tubes. Most of the current equipment takes hot water from the steam. Going forward, the district must change fuel sources: instead of receiving that source of heat, the schools will need to make heat, and as natural gas is plentiful and less expensive than oil, the district will go in that direction. Each of the buildings needs to be "sized capacity." A "N+1 redundancy" requires two boilers in each of the elementary schools, and it is possible to fit them into the existing mechanical rooms at those schools.

The high school requires 7 natural gas-fired boilers. The gas will heat up water; coils that come back into the boiler by the exhaust gases (BTUs) heat additional heating water.

The current heating system was set up for steam, and now as this is being discontinued, the district must now install the equipment for natural gas heating.

Maureen Redmond-Scura noted that the biggest problem is that CHS physically does not have enough space to fit the 7 new boilers.

Mr. Cashman noted that a 1440 sq. ft. two-story addition will be needed at CHS to house the 7 boilers providing hot water and heat. This will likely be placed on the Westbourne Road corner, although the construction manager and engineers will visit the site and check that this is the best location and other options may be considered.

Jim Richards noted that the Board needs to decide whether to move forward right now with the firm that can get the job done by October 2017. He remarked that as of today it will take \$1.2 million to get the job done by next October. If Board did not vote at the meeting to move forward with the construction firm with which it has worked before, the project would go through the full bid process, necessitating at the least an alternate source of hot water at an estimated cost of \$600,000. Even if Board put the work out to competitive bid, he believes a savings of \$600,000 could not be gained through the competitive process. Mr. Richards noted that he is satisfied with the plan, especially as 75% of the project will go out to competitive bid.

Nathan Fennessy asked whether, if Board moves forward with this engineering firm and does not put the project out to bid, there would be a "liquidated damages" provision in the contract if the firm does not meet the deadline. He said he is concerned that this project departs from normal bidding procedures, and asked what will guarantee that the deadline will be met.

Mr. Cashman noted that if the Board does approve the current working plan, that these provisions would be written in to the contract. He noted that he served as project manager for the three new elementary schools consolidation/construction, working with same two partners that are currently proposed, and has utmost confidence in them.

Jennifer Patterson noted there are two Board policies related to this situation, one on bidding and one on purchasing. She perceived that it is the Board's duty to determine tonight if the Superintendent's recommendation is in the best interest of the district.

Mr. Cogswell noted that when Mr. Cashman oversaw the construction of three schools, he reported to Board every month with regular updates.

Mr. Fennessy noted that, while Mr. Cashman will undoubtedly do a fine job, he believes the construction industry is totally different from what it was then and especially as the City and many downtown businesses will all be doing this conversion at the same time, he is uncomfortable without assurances that the project will then actually get done. He said he is concerned about the process by which the conversion is done, as the Board does not have any conditions to actually require the firms to complete the project on time. He noted that, while he does not know that bidding would change the overall cost, but it would provide a better sense of what the cost would actually be.

Mr. Cashman recommended that a "notice to proceed" (or a Memo of Understanding) be drafted to include the liquidated damages and other conditions the company must meet.

Mr. Croteau commented that there is not sufficient time to conduct a full bidding process, but that provisions can be put in the contract so the construction manager understands the urgency.

Mr. Fennessy noted that the State may go out to bid, and the district's contractor could well renege in favor of that much larger contract.

Mr. Richards noted that if the Board does not go out to bid, a contingency for hot water would be required. The State may need to rent hot water heating equipment for its affected 23 buildings, and the district's ability to rent the necessary equipment may be compromised.

Business Administrator Jack Dunn provided a bond payment range that was based on an issuance of either \$10 and \$20 million dollars, with a 20-year term and an interest rate of 3.25%. These general obligation bonds assumed equal principal and would be issued in January 2017. The estimated first year payment in FY18 would be between \$825,000 to \$1.65 million, depending on whether it is a \$10 or \$20 million bond. The administration is working to refine the numbers and fold them into the FY18 budget to determine the overall impact of the conversion project. In FY18, debt service will continue to decline and the District will also make its last payment on the NORESKO lease.

Superintendent's Recommendation

The Superintendent's recommendation is to authorize the purchase of services outside of the standard bidding procedure, as this is an emergency that requires swift response to support the timeline.

She further recommends that the Board authorizes the administration to continue working with the District's own Project Manager Matt Cashman, the construction team of Harvey Construction and Design team of Rist Frost Shumway Engineering, in order

to begin all preconstruction activities, cost-saving measures and processes involved in developing construction documents in order to maintain the district's schedule of four operating heat plants on or before October 2017.

Ms. Patterson made the following motion (seconded by Mr. Croteau):

That the Concord School Board adopt the Superintendent's recommendation to proceed with work to install new heating and hot water sources for Abbot-Downing School, Christa McAuliffe School, Rundlett Middle School, and Concord High School, based on the following findings:

Concord Steam is the current provider of steam for heating and hot water at the four schools listed above.

In anticipation of the possibility that the District might choose to switch to a different energy provider, in May of 2016 the District commissioned a study by Rist-Frost Shumway Engineering (RFS) into what the process of converting these four schools to another energy source would entail.

Based on its attendance at hearings and meetings before the New Hampshire Public Utilities Commission (PUC) in August and September of 2016, the Administration has informed the Board that Concord Steam will cease operations as of May 2017.

At the hearings, the PUC conveyed a clear sense of urgency to Concord Steam customers to immediately take steps to convert to a different energy source, as there is no expectation that the facility will be operated after May of 2017.

In order for school operations to proceed during the 2017-18 school year, a new energy source must be installed and ready to provide heat and hot water by October 2017.

The RFS study, which was completed on an expedited basis in late August, concludes that conversion to natural gas is the only practicable alternative, and outlines the work the conversion would entail for each school including three alternate plans for Concord High School, where extensive construction will be necessary.

The projected schedule calls for design, survey and analytical work to begin immediately and for the work to proceed using a construction management approach in which there can be flexibility and responsiveness to changing conditions, particularly with respect to choosing a preferred approach for Concord High School.

Conducting a bidding procedure for the work, estimated to take 8-12 weeks, would make it very difficult to ensure timely completion of the project, and would not be the preferred approach given the emergency nature of the work.

The Administration's recommendation is that the Architectural/Engineering/Construction Management component of the work (approximately 15% of the total cost) proceed on a no-bid basis, with the

subcontracted work (75% of total cost) being competitively bid, and an additional 10% being reserved for contingency.

The Administration believes that the team assembled to undertake the Architectural/ Engineering/Construction Management component of the work is highly competent, familiar with the District's buildings, and will perform the work in a timely and fiscally responsible manner.

In the Administration's view, there will likely be significant cost savings to the District from beginning the conversion work immediately.

The Board's policies with respect to Purchasing (#320) and Bidding (#322) require a majority vote of the Board for a project of this magnitude. While a bidding process would ordinarily be included as well, both policies contemplate the waiver of such formalities under emergency circumstances or when it is otherwise in the best interest of the District.

In light of all the circumstances, it is in the best interest of the District to proceed as the Administration has recommended to address the emergency situation resulting from the closure of the Concord Steam facility.

School District Treasurer and Concord resident Kass Ardinger noted that, from listening to the Board's discussion and as a member of the community familiar with the situation regarding Concord Steam, this is a true emergency that will require "boots on the ground – yesterday." She said she understands the hesitation for moving ahead without a bidding process but that should be allayed by the fact that the Board's policies do contemplate emergency situations such as these. The purpose of a bidding process is to ensure that the best company for the best price is selected. She urged Board members to vote to move ahead with the process with the cited construction company and engineering firm, noting that, given her sense of the community, they would want to see this fiscal responsibility going forward demonstrated. She stated that she believes the Board would not be leaving itself open to criticism by doing this.

It was noted that Concord Steam, with Liberty Utilities (the natural gas provider), plans to host an event in Concord at Red River Theater on September 21 at 5:30 p.m. to discuss the plant closing and its ramifications.

Mr. Dunn also commented that the administration will continue to be present at meetings concerning Concord Steam and continue to create a public awareness of this situation. He noted that, talking with a *Concord Monitor* reporter, they did not realize that the district would not have heat or hot water after May 31, 2017.

The Board voted 8-1 (Nathan Fennessy voted nay) to approve the above-delineated motion (motioned by Ms. Patterson, seconded by Mr. Croteau):

The meeting adjourned at 6:45 p.m.

Respectfully submitted,

Tom Croteau, *Secretary*