



Capital Planning Committee

Capital Plan for FY2022 (July 1, 2021 – June 30, 2022)
5-Year Plan for FY2022 – FY2026

Date: Thursday, April 29, 2021
Time: 5:00pm-7:00pm
Location: Zoom Meeting

Minutes

Attendance: Joseph Barr,
Ida Cody
Kate Leary,
Kate Loosian,
Phyllis Marshall,
Michael Mason (left early)
Chris Moore,
Angela Olszewski,
Sandy Pooler,
Jon Wallach,
Julie Wayman, Management Analyst,
Timur Kaya Yontar,
Michael Rademacher, Department of Public Works,
Allen Reedy, Permanent Town Building Committee,
John Maher, Permanent Town Building Committee,
Joshua Sydney, Owner's Project Manager,
Jeff Alberti, Weston and Sampson,
David Steeves, Weston and Sampson.

Not in attendance: None.

Meeting Opened: Mr. Yontar called the meeting to order at 5:03pm.

Approval of Minutes: The minutes of the meeting of March 10, 2021 were reviewed and approved by the following vote:

Joseph Barr: Yes,
Ida Cody: Yes,

Kate Leary (made motion for approval): Yes,
Kate Loosian: Yes,
Phyllis Marshall: Yes,
Michael Mason: Yes,
Chris Moore (seconded motion for approval): Yes
Angela Olszewski: Yes,
Sandy Pooler: Yes,
Jon Wallach: Yes,
Timur Kaya Yontar: Yes.

Presentation and Q&A by DPW Project Team: The main topic of the meeting was an update from the DPW Project Team regarding cost changes to the facility. Mr. Yontar started the discussion by providing a brief summary of the recent history of the Committee's review of this project, including the cost increase that occurred in late 2020. Mr. Reedy from the Permanent Town Building Committee (PTBC) then provided an overview of the project from the PTBC perspective and noted that they had been expecting the bids to be lower because of COVID-19 related slowdowns in construction. However, two main factors have actually led to significant increases in construction costs, which are being experienced throughout the industry:

- Reduction in the supply of raw materials for construction, including wood and steel.
- Construction contractors have become busier as construction projects have accelerated in the Boston area.

Mr. Reedy said that PTBC did discuss the option of deferring the project and not making any improvements at this point due to the increase in costs, but there are clear downsides to this approach:

- Risks associated with continuing to use this contaminated site in its current form.
- Ongoing costs associated with keeping the project design and construction team together and engaged on the project.

The Committee next heard a presentation from Mr. Alberti from Weston and Sampson, including the following information:

- Review of the past and current budget, which has gone from \$38,930,000 to \$43,918,826 based on the bids received.
- The cost increases can roughly be divided into the following categories:
 - Material cost increases: \$2,500,000.
 - Evolution in the building program and design drawings: \$1,000,000.
 - Added regulatory scope: \$130,000.
 - Variance in estimated costs vs. bid costs: \$600,000.
 - Indirect costs (fees and insurance): \$400,000.
 - Withdrawal of low bids due to clerical errors by subcontractors: \$370,000.
- Steel prices in particular have skyrocketed over the last few months (30%-35% increase since November), and other construction materials have also significantly increased in cost.
- Weston and Sampson has also reviewed a significant amount of information to back up the fact that construction material costs have increased. As an example, a review of recent bids for DPW projects shows that in August 2020, the average cost

was \$376 per sq ft (below historical averages), while in February 2021, the average cost was \$609 per sq ft (significantly above historical averages).

- Mr. Alberti said that they did look at options for cost reductions, recognizing that there is no opportunity to impact materials costs, the added regulatory scope, or the low bid withdrawals from contractors. Based on this review, they did identify \$1,800,000 in “no impact” cost reductions, based on value engineering, eliminating scope creep, and using different/less expensive construction materials and systems.
- They also identified an additional \$3,163,716 in “impact” cost reductions that will reduce the functionality of the facility and/or require additional investments in the future, that would allow the costs to fit within the original budgeted amount.
- At the same time, Weston and Sampson is suggesting that the contingency for the project be increased by an additional \$2,250,000 to cover potential unforeseen conditions, including subsurface and contamination issues.

Following the presentation, the Committee asked the DPW team a number of questions:

- Mr. Yontar clarified that the Committee needs to approve a version of the project that includes cost reductions to get back within the current budgeted amount (so that bids can be signed within the deadline under the current authority), as well as a version that reflects the increased costs (assuming the Committee is comfortable with the increased costs).
- Mr. Yontar asked about the impact of removing the “impact” items from the scope. Mr. Rademacher said that these are items that will need to get done at some point, so it is just a question of when these deferred items are addressed.
- Mr. Yontar also asked about whether breaking out those items into a separate/future project is likely to make them more expensive due to economies of scale/scope. Mr. Sydney responded that there will definitely be increased costs associated with addressing these items separately.
- Mr. Yontar asked whether the increased contingency is an appropriate amount and Mr. Sydney responded that it is, based on the potential unknown conditions. Mr. Reedy also reminded everyone that if the contingency is ultimately not spent, then it will be returned to the capital budget.
- Mr. Barr asked about whether there is any value in waiting a little while and rebidding the project to see if there will be reduced costs as the supply of construction materials balances out. Mr. Alberti said that it’s unlikely that the prices will come down that much, given the amount of money that is being injected into the economy from the various federal stimulus packages. He also noted that if there is a federal infrastructure bill that leads to more construction, that could further extend the increases in construction costs.
- Mr. Wallach asked whether we have bids for both the full project and the reduced cost version of the project. Mr. Alberti responded that the bid is for the full project, and as items are removed, they are keeping back some contingency to reflect some uncertainty about the actual costs for a reduced project. However, it is important to note that some of the reduced cost numbers that were presented are not 100% firm because of the way the bids work as you start to remove items.

- Mr. Moore asked for clarification of what types of cost increases we are protected against under the Guaranteed Maximum Price. The project team explained that the contractor is responsible for completing the original scope intent for the project and is responsible for any subsequent increases in materials costs. The Town is not protected from cost increases due to unknown subsurface issues or changes in scope.
- Ms. Loosian asked if there are any items that can be deferred from the procurement at this point, and then added back later if the contingency is not being fully used and additional funds are available. Mr. Alberti said that this could be difficult and risky, particularly given the ongoing escalation in costs.
- Mr. Pooler noted that the increased costs will be split between the Water and Sewer fund and the general fund.

Following the Q&A, the DPW project team left the meeting, and the Committee engaged in additional discussions:

- Mr. Yontar started by summarizing the impact of the additional costs on the capital plan and the approach to balancing the plan going forward, as well as the new borrowing authorization that needs to go in the Committee vote. This approach is summarized in a handout that was provided to the Committee.
- Ms. Cody indicated that she feels that the plan that was presented seems reasonable, particularly since there is a good likelihood that the Town could use COVID-19 relief funds to pay for some of the future work required in the schools.
- Ms. Loosian expressed frustration about feeling backed into the corner by this project for a second time, and indicated a desire to go on record regarding her frustration, particularly at the need to move money away from critical school repair work that will definitely be required in the future. Other Committee members indicated similar frustrations at the situation.
- Mr. Moore noted that if a significant school-related issue comes up in the near future, we will need to cut other items to fund that need.
- Ms. Wayman noted that one piece of good news is that the state match for Community Preservation Act projects will be much higher next year, which will provide additional funding for other capital projects.
- Mr. Wallach provided a comment on behalf of the Finance Committee, noting that the discussion about the previous cost increase was quite difficult, to the point where a comment was put in their report to Special Town Meeting in November, so their level of frustration will also be quite high. He also reminded the Committee that financial assumptions for the “out” years of the plan are based on a large future override, which may or may not pass.
- Mr. Wallach asked about reducing the contingency, but Mr. Reedy said that this was discussed extensively by PTBC and they decided that the 10% contingency is a necessary number at this point in the project.

Following the discussion, the Committee approved a motion to allow for the increased cost project to move forward, by approving an increase in the amount of borrowing allowed in the plan, from an original amount of \$790,000 to a new amount of \$6,206,470, with

\$4,933,600 to be repaid from the general fund and \$1,272,870 to be repaid from the Water and Sewer fund, based on the following vote:

Joseph Barr: Yes,
Ida Cody: Yes,
Kate Leary: Yes,
Kate Loosian (made motion to approve): Yes,
Phyllis Marshall: Yes,
Michael Mason: Absent,
Chris Moore: Yes,
Angela Olszewski (seconded motion to approve): Yes,
Sandy Pooler: Yes,
Jon Wallach: Yes,
Timur Kaya Yontar: Yes.

New Business: There were no new business items.

Meeting Adjournment: The meeting adjourned at 6:48pm, based on the following vote:

Joseph Barr: Yes,
Ida Cody: Yes,
Kate Leary: Yes,
Kate Loosian (made motion to approve): Yes,
Phyllis Marshall: Yes,
Michael Mason: Absent,
Chris Moore: Yes,
Angela Olszewski: Yes,
Sandy Pooler: Yes,
Jon Wallach (seconded motion to approve): Yes,
Timur Kaya Yontar: Yes.