

CLEVELAND PUBLIC LIBRARY
Finance Committee Meeting
January 16, 2018
Trustees Room Louis Stokes Wing
12:00 Noon

Present: Ms. Butts, Mr. Seifullah, Ms. Rodriguez, Mr. Hairston, Mr. Parker

Absent: Mr. Corrigan, Ms. Washington

Mr. Seifullah called the Finance Committee Meeting to order at 12:00 p.m.

FINANCE COMMITTEE MEETING (Mr. Seifullah, Chair)

Present: Alan Seifullah, Mr. Hairston, Mr. Parker

Absent: Thomas Corrigan

Resolution Regarding December 31, 2017 General Fund Balance

Carrie Krenicky, Chief Financial Officer, stated that as we closed 2017, the General Fund's Unencumbered Balance was \$18,948,254.07. After the MyCom Special Revenue Fund repays the \$75,000.00 that was advanced by the General Fund last year, there will be an unencumbered balance of \$19,023,254.07. This amount is available for us to carry forward to use in 2018's Appropriation. We are asking at this time to transfer \$2,000,000.00 to the Building and Repair fund. That will allow for repairs and maintenance to our Library facilities.

Ms. Krenicky stated that currently, in our Building and Repair fund there is \$5.5 million unencumbered balance. If we transfer \$2,000,000.00 and also use \$1,000,000.00 for the South branch as we increase that budget, and use all of this transfer, next year we will have just over \$400,000.00 in the Building and Repair fund. This includes using all of the funds that the Board has approved budgets for, including Safe, Warm and Dry at \$5,000,000.00; South at \$4.5 million; finishing the Lake Shore roof at \$1,000,000.00 and the Glenville Parking Lot at \$121,875.

Ms. Krenicky stated that the General Fund's unencumbered balance can handle this \$2,000,000.00 transfer at this time. The current General Fund appropriation is about \$5.7 million over our projected revenue so this amount also might dip into the unencumbered balance of the General Fund. This will leave us with a little over \$11 million in the General Fund and we should be about a \$13 million in the General Fund.

Ms. Krenicky stated that as in past, we have not always spent up our appropriation and we have sometimes received in more revenue than our projections. Last year, we only received \$57,000.00 more in our revenues than what was projected. We dipped into our unencumbered

balance as we closed 2017. However, we feel that the General Fund can handle this \$2 million transfer. The General Fund's budget could not handle all of the repairs and maintenance for Property Management this year and per the Ohio Revised Code, we can only make this transfer at year end.

Mr. Seifullah asked if we expect more revenue coming in.

Ms. Krenicky stated that she would expect that where we are currently certified to be pretty accurate to where we are projecting our revenues to be.

Director Thomas stated that we budget what we are certified.

Ms. Krenicky stated that we have collected \$57,000 in actual revenue more than we have projected. However, our expenditures are exceeding our revenues.

In response to Mr. Hairston's inquiry, Ms. Krenicky confirmed that Safe, Warm and Dry is covered with \$5 million budget.

Director Thomas stated that this \$2 million will cover the Property Management projects that exist beyond Safe, Warm and Dry. As we go into 2019, we want to make sure that we have the cleanest buildings. Also, the fronts of Main and Louis Stokes Wing need to be cleaned.

Mr. Seifullah motioned that this item would go to the full Board for approval. Mr. Hairston seconded the motion, which passed unanimously by roll call vote.

First Amendment to the Year 2018 Appropriation

Carrie Krenicky, Chief Financial Officer, stated that our First Amendment reflects a decrease in Other Sources-Special Revenue by \$82,500 relating to revenue received in 2017 that was expected in 2018 and an increase in Other Sources-Capital Projects of \$2,000,000, which reflects the resolution going before the Board for approval on January 18, 2018 for the transfer of funds into the Building & Repair fund from the General fund.

Mr. Seifullah motioned that this item would go to the full Board for approval. Mr. Parker seconded the motion, which passed unanimously by roll call vote.

Resolution to Ratify Agreement for Purchase of Electricity

Carrie Krenicky, Chief Financial Officer, stated that the Library currently has a contract with Dynegy Energy Services, LLC for the supply of electricity through August 2018 at the rate of \$5.540 per kWh. The Library entered into an agreement with Dynegy Energy Services, LLC at the rate of \$4.400 per kWh from August 2018 through August 2020. This will save the Library over \$90,000 per year.

Mr. Seifullah motioned that this item would go to the full Board for approval. Mr. Hairston seconded the motion, which passed unanimously by roll call vote.

Resolution to Accept Gift from the Jean Z. Piety Trust

Carrie Krenicky, Chief Financial Officer, stated that last month, the Library received notice from Schneider Smeltz Spieth Bell LLP law firm including a check in the amount of \$100,000 from the Jean Z. Piety Trust, representing a significant partial distribution of assets to the Cleveland Public Library. There is no restriction on the use of this distribution.

Ms. Krenicky stated that on March 13, 2012, the Board adopted a Resolution that directs the Fiscal Officer to present unrestricted donations of more than \$25,000 or more to the Board of Trustees for further direction in depositing the funds. The Library Administration requests that the gift be expended for purposes of developing and expanding a MakerSpace on the first floor of LSW, which is in line with Ms. Piety dedicating her career to Science and Technology. The Fiscal Officer, therefore, recommends that this distribution be placed into the Founders Fund.

Director Thomas stated that Ms. Piety lead the Library's Science and Technology Department for 50 years. As we were looking at different projects that we are working on, we are planning to expand Tech Center to where our indoor reading garden is currently located to create a larger space. Those funds will help in this effort. In addition, the Library will recognize Ms. Piety and her contributions with a plaque dedicated in her honor.

Mr. Seifullah motioned that this item would go to the full Board for approval. Mr. Parker seconded the motion, which passed unanimously by roll call vote.

Resolution to Engage Synchronicity Consulting, LLC for Strategic Planning Services

Timothy Diamond, Chief Knowledge Officer, stated that this is an opportunity for the Library to work with Sonya Pryor Jones, Synchronicity Consulting, LLC on strategic planning. At the regular meeting on December 15, 2016, the Board approved the extension of the Strategic Plan through 2019 to coincide with CPL150, the Library's sesquicentennial celebration.

Mr. Diamond stated that this will allow us to have a new plan in place when the current plan expires.

Director Thomas stated that during this planning process, we will be going out to stakeholders and the Board with focus groups and discussions on how to move forward. The Library had created a strategic road map with the current plan but we need specific goals and objectives to make sure our strategic priorities are being reached.

Mr. Seifullah motioned that this item would go to the full Board for approval. Mr. Hairston seconded the motion, which passed unanimously by roll call vote.

Resolution Declaring Official Intent Under U.S. Treasury Regulations With Respect to Reimbursements from Note and Bond Proceeds of Temporary Advances Made for Original Expenditures Prior to Issuance

Joyce Dodrill, Chief Legal Officer, stated that as the Library is preparing to embark on several construction projects and beginning to make payments and expenditures, this resolution is put before the Board so that we can reimburse ourselves in the future from bonds that are issued this year or next year. The Treasury regulations require that the Board express its intent to issue bonds and the amount of the bonds in order to reimburse ourselves in the future.

Ms. Dodrill stated that the projects that will be covered will be Safe, Warm and Dry, South Branch, Martin Luther King, Jr. Branch, Lake Shore Roof, Union Roof and Glenville Parking Lot in the estimated amount of \$27 million. If the Board decides to issue these bonds, the Board is not limited to this amount. This is just an estimated amount for these projects.

Ms. Dodrill stated that this is not a resolution declaring that you will go out for bonds. It is, however, a resolution if the Library should go out for bonds then these projects can be reimbursed.

Mr. Seifullah motioned that this item would go to the full Board for approval. Mr. Parker seconded the motion, which passed unanimously by roll call vote.

Resolution Approving Increased Construction Budget and Guaranteed Maximum Price Amendment to Agreement with Albert M. Higley Co. for South Branch Renovation Project

Joyce Dodrill, Chief Legal Officer, stated that this resolution is being brought back to the Finance Committee. This resolution is requesting that the Board approve an increase in the budget to \$4.5 million. At the last Board Meeting, Higley representatives Josh Herman and Dave Meehan provided some explanation as to why there was a budget increase.

Ms. Dodrill stated that the Board requested that we hold the resolution to allow time to review and investigate the process that was followed regarding the estimates and bidding. Therefore, we hired consultant Peter MacEwan who is the former Vice President of Facilities and Operations at Tri-C. Mr. MacEwan's job there was construction management and he was there for 10 years. We thought that he would be a good person to look at this project from the owner's perspective. MacEwan oversaw over 160 major projects and over \$200 billion dollars' worth of projects, not all at Tri-C, but some of that was in the private sector. He has been in the construction business for over 45 years and has worked on 3 library projects in Cuyahoga and Medina counties.

Ms. Dodrill gave a review of where the Library is with its contract with Higley and the budget. The original project budget was \$3.3 million. This number came out of a decision the Library administration made in 2016. \$2.2 million of the project budget would go to construction and \$1.1 million of which would go towards soft costs such as architects, construction manager fee, furniture, equipment and technology contingencies. This was not based on any estimates but based on what we thought the Library could afford at the time. We had theoretically set aside

\$10 million and divided it into 3 projects: Martin Luther King, Jr. Branch, Safe, Warm and Dry and South Branch.

Ms. Dodrill stated that in May 2016 after our selection process, the Library entered into a contract with HBM Architects based on the \$3.3 million budget. HBM's scope of work included the preparation of an initial estimate. An initial estimate of \$3.3 million was provided by HBM at this schematic design phase in September 2016. Schematic design drawings are the very first set of drawings that the architect provides. We entered into our Construction Manager at Risk contract with Higley in November 2016 based upon the project budget of \$3.3 million from HBM's initial estimate.

Ms. Dodrill stated that the contract with Higley is divided into two phases; (1) Pre-Construction Phase; and (2) Construction Phase. We are presently still in the Pre-Construction Phase. The scope of work includes estimating, scheduling, working with the architect to finalize drawings and bidding the project. Higley's fee for the Pre-Construction Phase is \$32,400 which is a flat fee. The Construction Phase is when Higley takes on the role of General Contractor and enters into contracts with sub-contractors supervising the construction. Their fee is based on a percentage of construction costs; 3% is the fee. The construction costs do not include the soft costs.

Ms. Dodrill stated that the Pre-Construction estimate by Higley was performed on December 20, 2016. The estimate amount was \$3,459,963 approximately \$200,000 higher than the HBM estimate. The construction budget was increased to \$2.7 million and then Higley, the Library and HBM proceeded to review the drawings to consider scope cuts. After a decision to recommend an increase to the budget, we brought a resolution to the Board in February 2017 and the Board approved the \$3.5 million budget based on Higley's estimate.

Ms. Dodrill stated that HBM finished construction documents and bid specifications in June 2017 and noted that this was after the Board had approved the resolution to place the levy on the ballot. The first bid was June 19, 2017. In July, the bids were received. These bids exceeded the estimates and budget by \$1.4 million.

Ms. Dodrill stated that was a big surprise to us and wrote a briefing memo to the Board in July explaining that the bids came in much higher than the estimates and that we were considering our options including the possibly of rebidding. The decision was made to bid again. The construction start date was moved to Spring 2018 with the hope that we would receive more competitive and lower bids because of the later construction start. Higley had previously explained that there were market factors and considerations that we would be better placed to get lower bids. Because of market saturation, we would wait until the spring. In September, the bids received exceeded the estimate by about \$750,000. The delta did come down considerably.

Ms. Dodrill stated that from September through December, Higley and the Library met to review scope and design in search of cuts to reduce the budget. Approximately \$350,000 in project costs were removed. Some of the items included removing the walkway parallel to the ramp in back; removing the exterior steps in the back; reducing tuckpointing to 40% of the original plan;

not restoring the circulation desk; removing window treatments; and using less expensive materials for finishes, carpeting and flooring.

Eric Herman, Capital Projects Manager, clarified that tuckpointing is now at 60% and will be reduced by 40%.

Ms. Dodrill stated that the resolution that the Board is considering today is to approve the Guaranteed Maximum Price. This is a part of the second phase of the contract with Higley. After all of the possible scope cuts were made without eliminating the addition, Higley presented its Guaranteed Maximum Price to the Finance Committee on December 19, 2017 requesting a \$1 million increase in the budget, \$3.7 million of which would be for construction. Overall, the project budget would be \$4.5 million. That resolution was held at the December 21st Board meeting.

Ms. Dodrill stated that the GMP, if approved, would move the Library into the Construction Phase under their contract and Higley would become the General Contractor. Higley would then be obligated to guarantee construction of the project at the price in the Guaranteed Maximum Price amendment. The Library is not legally obligated to approve the Guaranteed Maximum Price amendment. This is not a change order. The Library can terminate its contract with Higley or convert Higley to a construction manager agent. If converted to a construction manager agent, Higley would be an owner's representative or agent to us. The Library would have to bid out the trades again ourselves.

Ms. Dodrill stated that because of the concerns that the Board had raised at the December board meeting, Peter MacEwan was hired to review HBM's and Higley's contracts, estimates and bid procedures to determine if the appropriate processes were followed and answer why there is such a big difference in the estimate and the actual bids received and whether the budget of the project is reasonable and comparable to similar projects.

Ms. Dodrill stated that after Mr. MacEwan's presentation, she would review the resolution and explain what Higley has offered to do in respect to its fee for the construction phase.

After Ms. Dodrill's introduction, Mr. MacEwan stated that he has reviewed 50 different documents regarding contracts, design, construction, resolutions, budgets, estimates, did a site visit with Mr. Herman, met several times with Mr. Herman and Ms. Dodrill as well as the architects and construction manager.

Mr. MacEwan stated that in his 35 years of experience in working with all types of projects with budgets ranging from \$100,000 to \$150 million, he has never seen a bid this far over. The first bid was about 64% over the estimated numbers. There were two packages that were not even bid on.

Three items caused this: (1) the design development estimates; (2) complexity in the HV/AC System because it runs in a very tight space under the floor; and (3) a poor budget.

Mr. MacEwan stated that there was a competitive market issue on the first bid. He spoke with several construction managers who had confirmed that there is something going on in the

industry with difficulty finding someone to bid and getting a fair price. Even after a lot of effort by Higley in the second bid there still was not a lot of bid activity. Mr. MacEwan stated that he did not think that there was a lot of extra construction going on in Cleveland to affect that. He recommended that we should probably figure out what is going on for future projects.

Mr. MacEwan stated that he looked at several items including the CM and AE contracts, construction bidding strategy, value engineering effort incorporated, the schedule, allowances and contingencies and did not find anything out of the ordinary. Contingencies have been cut to make this budget work and may be on the low side. The allowances that Higley is carrying are adequate for some of the things that would be expected which is a part of the cost increase.

Mr. MacEwan stated that regarding the project scope, he has done several libraries and this seems to be a pretty straight forward project and does not appear to be exorbitant or out of the ordinary especially with efforts to save the beautiful building and renovate it.

Mr. MacEwan stated that he looked at the bid analysis and the number of bidders and was surprised that in the first bid, there were only 38 bids on 20 packages. 9 only had 1 bidder and 2 were not priced at all. Higley showed that they made effort to generate interest to market this project. In the second bid, they received 58 bids and had bids in every package. They still had 2 that were single bids.

Mr. MacEwan provided an explanation for the additional \$1,000,000 and stated that it was comprised of about \$750,000 of construction trades, and about \$350,000 of additional items including abatement, additional general requirements and allowances. However, if those are never used, the Library gets that money back.

To prove that this was a \$4.5 million project, Mr. MacEwan stated that he used a method whereby he researched another historical project and the bidding results and factored that to determine what the budget would be today. He contacted another construction manager who had done a library addition in 2013 and separated the cost of total new construction versus the items that would be related to renovation and got a square foot cost for new construction of about \$336 per square foot and about \$174 for renovation. Mr. MacEwan applied that to the Library's square footage and multiplied it; included items such as demolition, site work; applied construction manager and architect fees, furniture and equipment and got \$4.3 million. The information convinced Mr. MacEwan that the \$4.5 million for the South Branch Project is probably within reason.

Mr. MacEwan stated that it is unfortunate that it went through the process it did, with the Library thinking that it was \$3.5 million, and then to go through a bidding process that probably was not the best and having to correct it.

Mr. MacEwan explained that the Library had options. In the Library's contract with Higley, there is a clause that allows the Library to change the relationship with Higley to an agent status where the Library would hold the contracts. Should the Library choose that option, the fee would drop from 3% to 2.75%. Although this will not get the Library a cheaper project, and it would probably present delays while figuring out new contracting arrangements. There is

probably no advantage for doing that at this point. Looking at costs and prices, even if the Library tried to go back out for design and bids the Library would not save \$1,000,000 even if the addition were eliminated. If the addition were eliminated, more cost would need to be added in the building to install ADA restrooms.

Mr. MacEwan stated that the Library could convert this into a CM multiple prime contract which would be of no benefit regarding time as the Library would have to go back out and rebid it. The Library would hold the contacts not the CM.

Mr. MacEwan stated that another options would be for the Library to do this as a single GC, in which we would not have the benefit of a Construction Manager.

In response to Mr. Seifullah's inquiry, Mr. MacEwan stated that he would have expected that there would have been more HVAC bids. He stated that he usually sees at least 2-3 bids. In this case, in the first round of 20 packages, there were only a total of about 38 bids. 9 of those bids were single bids and in 2 there were no bid packages. It probably could have been marketed better, but that was corrected in the second round. That's part of the savings. They did a much better job. I am sure they called contractors and encouraged them to bid. In that case, there were 58 bids.

Mr. Hairston asked Mr. MacEwan, in his expertise what is going on with mechanical.

Mr. MacEwan stated that it would normally be because there is so much work. However, he is unclear. In speculation, there may be larger projects that contractors are waiting on such as the Quicken Loans Arena.

Mr. Hairston asked if Tri-C's new construction has an effect.

Mr. MacEwan stated that they are mostly hiring designers and are not bidding right now. However, there is one large project has already been bid.

Ms. Rodriguez stated that the School Board has a lot of projects right now.

Ms. Butts stated that it appears that construction projects seem more than normal.

Director Thomas stated that the HVAC complications at South may present concerns to contractors causing them to avoid bidding on the project.

Mr. Parker asked Mr. MacEwan for his recommendation.

In response, Mr. MacEwan stated that he would recommend approving the GMP.

Ms. Rodriguez stated that since we have invested time and finances with Higley, we would be best to continue the course.

Ms. Rodriguez stated that it is important that the Library do its due diligence and thanked Mr. MacEwan for his presentation and work on this issue.

Mr. Hairston stated that although this project was started before the levy was put on the ballot, his concern was the \$2 million increase the passage of the levy and how best to explain this to those who have supported the levy.

Ms. Dodrill stated that Mr. MacEwan will summarize his findings in a report and will be presented to the Board when the report becomes available.

Dave Meehan stated that over 300 bidders were contacted and invited to bid on the project. The second time there were about 58 bids. In his experience, contractors look for jobs that can be estimated easily. When looking at this HVAC system, it is very difficult. There were 5 bids to base our proposal. In electrical we received 4 bids. Unfortunately, the estimate was missed when this was bid. This is a very unique building and Higley was hoping to be closer on the numbers and make better decisions based upon those numbers.

Josh Herman stated that he went to the same bidders that he did for Main Phase 2 and had excellent coverage 3 years ago. Additional bidders were included and were followed up with phone calls and followed the normal process to attract bidders. The second time, daily phone calls were made and the result was a better response.

Mr. Seifullah stated that the Board was responsible for making sure we did our due diligence and had the ability to understand and explain the cost increase.

Ms. Dodrill explained the following change in the resolution that was not in the resolution presented in December. Higley has agreed to change its approach to its fee for the construction period. Originally, as reflected in the GMP, the 3% CM fee of \$111,439.85 was to be included in the GMP. In this revised GMP amendment, the fee has been recalculated to \$108,096.64 reduced from \$111,439.85 because of a mistake that was found. They also propose to include only \$86,112.64 in the GMP. The remaining \$21,984 would be paid to them only if there is any money remaining in the construction budget after the completion of the project.

Ms. Rodriguez stated that in the December board meeting, it was stated that there would not be future change orders; only if the Library chose to make a change or if there were an unexpected issue.

Josh Herman stated that there will only be change orders if the Library should decide to change scope or design or if we come across something unexpectedly.

Mr. Seifullah motioned that this item would go to the full Board for approval. Mr. Hairston seconded the motion, which passed unanimously by roll call vote.

Resolution to Enter Into an Agreement with Business Smarts for Hardware Maintenance

Larry Finnegan, Director of IT, stated that the effective date of termination of the current hardware maintenance agreement with Business Smarts for the Library's Hewlett Packard ("HP") printers, desktop stations and servers is January 31, 2018.

Mr. Finnegan stated that the price increased this year partly because the separation of the equipment moved to Columbus for CLEVNET makes the remaining equipment for CPL only and not shared with CLEVNET.

Mr. Seifullah motioned that this item would go to the full Board for approval. Mr. Parker seconded the motion, which passed unanimously by roll call vote.

Director Thomas acknowledged Mr. Hairston's birthday and presented him with cupcakes.

Mr. Seifullah adjourned the meeting of the Finance Committee at 12:55 p.m.