

Craig,

I had a chance to speak with Bryan Jarvis, the OPM on the Pembroke Senior Center project. He is with Compass Project Management. As you know we have a very good working relationship with Compass. They worked on the Fire/Police stations and the Clyde Brown school. In addition, their president, Tim Bonfatti was the consultant the school committee went to for advice regarding the adequacy of their \$1.3M design study warrant article.

Bryan and I were able to discuss the details in their numbers and reconcile them with the estimates we provided for the \$16M Cassidy Farm option. There are 4 major areas of difference:

The Pembroke project includes 13,000 sq ft for a gym, which lowers their cost for the remainder of their facility significantly. Deleting that square footage and reducing the cost by \$492/ft, which our consultant estimated for the gym results in a deletion of \$6,396,000 from their \$18M total estimate. That leaves a 14,800 sq ft project at a cost of \$11,640,000 (\$786/ft) vs our projected cost for 15,000 sq ft of \$11,717,442 (\$781/ft).

The Pembroke project cost is in today's dollars. Our estimate includes a 7.4% mark-up for price escalation for construction to begin in the fall of 2023. Making this adjustment of \$608,325 for comparison purposes reduces our sq ft cost even further, to \$740/ft. Bryan Jarvis said that cost estimators are projecting 8% now, with the hope that will come down. We believe the escalation cost in our estimate is reasonable.

We are high on our Architect and Engineering fee. The Pembroke cost, including what they describe as Administration expense is roughly 10% of construction cost. Bryan advises that as the cost of construction goes up (labor and materials) to simply apply traditional mark-ups or A/E would inflate that cost.

We knew we were high (and wanted to be, rather than being too low and having to ask for additional funds after the fact). Pembroke is a perfect example of why we should avoid that situation. First, their contract required the general and all sub-contractors to hold their prices for 60 days. That required them to include additional margin in their prices in the event their costs went up during that period. Second, going back to ask for additional funding at town meeting is always difficult as voters unfamiliar with the details expect us to anticipate these issues and plan for them. Failure to do so is always viewed from 20-20 hindsight and erodes confidence in those tasked with managing the construction. Having said all that, I would be willing to reduce our estimate for A/E cost to 10%, a \$585,872 reduction.

The same issue referenced above also applies to Owner's Project Manager (OPM) expense. The Pembroke project includes that cost at 4.5%. Again, we knew our estimate was high and would be willing to reduce our cost projection to 5% of the construction cost for a savings of \$585,872.

The bottom line is that our numbers are not out of line. One cannot simply look at the square footage and the total cost of the project. A much more detailed analysis is required. We have done a similar exercise with the Sturbridge project that Peter referenced and again, we are in line with those costs. The questions Peter has raised are legitimate, however, the fact that they were raised on the verge of a vote and used to conclude that we had not done our homework is

more than unfortunate. Had the finance committee wished to work cooperatively with the COA and the PBC, we could have addressed these issues timely and to everyone's satisfaction.

A final note. The PBC has an excellent record of keeping costs within or below budget. Just because we are authorized for a higher amount has never meant that we would spend the money. Perfect examples of that are the Clyde Brown project and the DPW project. Although we would work hard to bring this project in below the \$16M warrant article, I would not be in favor of reducing the ask. We are tasked to anticipate the future, which is especially difficult in this economy. There are many contracts to negotiate that make up both the design and the actual construction costs. A change in any of them could have an effect on the entire project. We are asking for the authority to effectively deal with those eventualities.

Regards,

Wayne

From: Craig Schultze <cschultze@millisma.gov>

Sent: Tuesday, October 25, 2022 3:15 PM

To: Wayne Klocko <wklocko@millisma.gov>

Subject: RE: Question about Sr. Center Price

I just got an e-mail from Peter Berube (fincom). He shared the Pembroke project that just passed TM. It was \$23m total project cost for 33,000 square feet. I doubted the numbers, then I saw that Compass prepared them... so I trusted them more. My thought is the large gym may have driven the Square Foot price down some.

If we had the gym, the total square footage would be 22,400 and the total cost would be \$21m (\$937/sq foot), still not the Pembroke \$696/sq foot, but better than \$1,066 per square foot.

I wonder if Compass can give some guidance as to why theirs was so much cheaper (did they have the plans already)?