

Francis Howell Prop S Process Review - Response

Ladies and Gentlemen,

I would like to offer my thoughts on the Prop S Process Review presented by Dr. Roumpos last Thursday evening at the Board of Education (BOE) meeting. I'll start by saying that I believe Dr. Roumpos did an exceptional job of summarizing **some** key findings, next steps forward, and most importantly trying to get this issue in the rear-view mirror and begin moving the district forward.

Since I've followed Prop S since inception and we currently have two new BOE members and will soon have at least two more, I'd like to document my knowledge and thoughts on the subject.

Background

The district did an outstanding job of preparing for the successful bond issue. The process began with hiring, through an RFQ process, Hoener & Associates to prepare a Comprehensive Facilities Master Plan (CFMP). Hoener was the architect on the Francis Howell High (FHH) building in 2008, had done other work for the district, and was issued a 'not to exceed' contract for \$87,000 after BOE approval in May 2018. The final CFMP was presented to the BOE in December 2018 at a final cost of \$87,943.78. The largest issue identified was Francis Howell North High School (FHN) and included 3 options for FHN, with the last one being a completely new building. It is worth noting that at this point in time, the 2018-2019 Budget (Exhibit 1) showed the district would soon have ~\$300 million in bonding capacity (additional monies that could be borrowed without raising the debt service tax levy of \$0.67). The CFMP with a new FHN had a total price estimate of \$299,520,100 (Exhibit 2) which included 'Soft Costs' (design fees, furniture, moving costs, etc) of 10% of direct construction costs. This shows that the CFMP wasn't so much a 'comprehensive' list but rather a priority list of what we could afford. This is expected as the district was actively managing the process.

The district then took ownership of the process and formed a committee to study the Hoener CFMP and then formulate recommendations / findings which were presented at the August 2019 BOE work session. The committee was free to change assumptions from the CFMP such as scope, cost estimates, priorities, additions, and subtractions. The estimate for FHN in this package was \$86,350,000. Exhibit 3 shows a simple comparison between the Hoener CFMP and the Francis Howell Prop S back-up where you can easily see that many changes were made. Much of the discussion at the work session revolved around the likelihood of a bond issue passing and how to sell it to the taxpayers. The district conducted a round table meeting with selective community members on 9/12/2019 to gain feedback. The BOE held another work session on 9/19/2019 where the existing Superintendent said that she asked the team to get the costs below \$250 million based on community feedback (53 minute mark on video). From that point forward, only minor changes were made to the cost estimates of the projects to be included in the bond issue.

I disagree with the assertion that part of the problem with the FHN overruns was that we started with bad estimates. The district used the best numbers that were available **at that time**, based partially on the CFMP and then adjusted by an internal committee and Administration and then approved by the BOE as part of the vote to put the bond issue on the April 2020 ballot.

I also disagree with the assertion that no inflation was built into the estimates in 2018. On the videotape of the October 2018 BOE meeting the Hoener representative stated that he built in 'contingency' for near term inflation and other unknowns. During the September 2019 BOE meeting (59 minute mark) the previous COO stated that the internal team added normal inflation for the longer term projects. It is normal practice in my experience for engineers to add 10-15% contingency in cost estimates to make sure they are covered.

The \$244 million 'no tax rate increase' bond issue passed overwhelmingly (79%) in June 2020, delayed two months due to COVID.

Unfortunately, the district failed in the execution and implementation phase as the FHN project alone came in \$79 million over budget.

Problems Identified

1. Financial Reporting

- a. No reporting was in place at the time of the bond issue proposal (June 2020) to provide accurate and timely reporting to the BOE and public as to the financial status of all the various projects.
- b. This type of report is an absolute minimum requirement for an organization to manage any type of project costs.
- c. As of this moment (3/21/23) the taxpayers still do not have an accurate and up-to-date report available. The last update was 7/19/22 and it was neither accurate nor comprehensive.

2. Ethics

- a. The district has no Ethics policy requiring employees to act in the best interest of taxpayers.
- b. There is no confidential 'hotline' for employees to report concerns. "See something / say something".

3. Architects

- a. Architectural services for FH North were not competitively bid. The district chose the same firm that had prepared the CFMP (Hoener). Note that the previous Chief Operating Officer (COO) fully explained to the BOE that Board policy did not require professional services to be competitively bid and that given the long standing relationship with Hoener & Associates, he planned to utilize them for FHN.
- b. The district did not negotiate a reduced fee since we were essentially copying the plans from FHH.
- c. The district did not negotiate incentives for the architects to reduce the districts construction costs. Quite the contrary, the agreement provided for fees of 5% of direct construction costs to be paid to the architects.
- d. The architects will receive ~\$4 million more in fees simply because the bids came in significantly higher than expected (Exhibit 4)

4. CMAR (Construction Manager At Risk)

- a. The district entered into a contract which they didn't understand. We did not competitively bid the entire FH North project.
- b. The district had never used the CMAR process before and prior to 2016 was prevented by law to do so.
- c. Construction began 6 months before a final price was presented to the BOE and after \$38 million was already committed.
- d. Because we limited ourselves to one general contractor, we also may have reduced competition amongst the sub-contractors and thus further inflated costs.
- e. Because FH is a public entity, the contractors knew we had \$244 million to spend.

5. Previous Administration (Superintendent, Chief Operating Officer, and Director Facilities)

- a. The previous Admin told the BOE in December 2020 that the BOE would approve a final GMP (Guaranteed Maximum Price) before construction began on FH North. That did not happen.
- b. The previous Admin failed to alert the full BOE of significant FHN cost overruns prior to groundbreaking on May 20, 2021.
- c. The previous Admin increased the size of the new high school by 32% without seeking BOE approval.
- d. The previous Admin failed to alert the BOE to significant cost overruns on the playground and asphalt work done early in the process.

6. Board of Education (BOE)

- a. The previous BOE (those in place prior to the election in April 2022) completely failed in their fiduciary responsibility to be good stewards of taxpayer money. More specifically:
 - i. The BOE approved contracts for district wide security vestibules without knowing the Prop S budget. The actual costs were \$2,060k vs. budget of \$785k, an unfavorable variance of \$1,275k or 162% over.
 - ii. The BOE approved purchases in May 2021 for 3 new playgrounds without competitive bids and without knowing the Prop S budget. The actual costs were \$705k vs. budget of \$405k, an unfavorable variance of \$300k or 74% over.

- iii. The BOE also approved purchases in May 2021 for asphalt paving at Bryan Middle and Saeger/FHC without knowing how the competitive bids compared to the Prop S budget. The actual costs were \$2,192k vs budget of \$1,100k, an unfavorable variance of \$1,092 or 99% over.
 - iv. These three early expenditures should have been early warning signs of trouble to come and the BOE should have stopped at that point to investigate these issues before moving forward with any of those purchases, let alone a new high school.
 - v. The BOE approved bid packages #1-4 for Francis Howell North for a total of \$38 million without knowing what the total cost of the building was going to cost or even how the bid packages compared to the Prop S budget.
 - vi. The BOE didn't even know that the FHN building increased from 350,000 sq ft in the Prop S assumptions to 410,000 in final design, an increase of 17%, until after the final GMP was unveiled in November 2022. The BOE never asked the Administration how big the school was going to be and what features it would have. To put things even more into perspective, the existing FHN building is 309,875 sq ft so the district increased it by ~100,000 sq ft or 32%. And enrollment is declining.
- b. Once the \$79 million cost overruns on FHN were finally publicized in November 2022, the BOE then failed to immediately engage outside experts (construction, purchasing, legal, audit) to get a completely unbiased report of what went wrong and then of course what needs to be corrected before moving forward. Had this been completed immediately, maybe we would now be in a position to take corrective action and move the remaining projects forward. Instead, they saddled the new Superintendent with this responsibility. Since he reports to the BOE he couldn't report their failures and he also doesn't have auditing, construction, or legal experience.
 - c. The BOE turned a blind eye to the previous COO intentionally increasing the interest rate well above market on the bonds being sold so as to increase the current cash proceeds, at the expense of higher interest payments for the next 20 years. The \$244 million bond issue that the voters approved has now become a \$280 million bond issue in a pure money grab.

Next Steps

1. The BOE and Administration jointly request an audit from the Missouri Auditor's Office. While Dr. Roumpos and I have identified many things, neither of us are experts in forensic accounting, construction practices, or the law.
2. Produce accurate and up-to-date financial reports of all Prop S projects.
3. Implement an Ethics Policy.
4. Board Policies
 - a. Architectural Services
 - i. Require competitive bidding for services greater than \$100,000.
 - ii. Set 'not to exceed' caps on professional services.
 - iii. Build cost reduction incentives into contracts.
 - b. Eliminate the use of CMAR on all future construction.
 - c. Require BOE approval of all major construction plans including size and purposes.
 - d. Require BOE approval for any change of purpose, regardless of costs.
 - e. Require BOE approval of any cost overruns in excess of 15% before the project can continue.
5. Strengthen BOE candidates by publicizing desirable member attributes and skills.
6. Enhance BOE training regarding financial oversight, knowledge, and intervention.

Signed:
 Carl Suhre
 3/21/2023

Exhibit 1. 2018-2019 Budget, FH website

Fiscal Year	Total Assessed Value	Bonding Capacity	Total End-of-Year Debt	Available Capacity	Debt to Assessed Value
2009	\$ 2,421,940,581	\$ 363,291,087	\$ 155,773,987	\$ 207,517,100	6.43%
2010	\$ 2,295,565,661	\$ 344,334,849	\$ 154,348,987	\$ 189,985,862	6.72%
2011	\$ 2,299,963,024	\$ 344,994,454	\$ 183,798,987	\$ 161,195,467	7.99%
2012	\$ 2,250,872,122	\$ 337,630,818	\$ 164,808,751	\$ 172,822,067	7.32%
2013	\$ 2,296,436,489	\$ 344,465,473	\$ 158,485,422	\$ 185,980,051	6.90%
2014	\$ 2,203,977,739	\$ 330,596,661	\$ 152,222,861	\$ 178,373,800	6.91%
2015	\$ 2,218,932,450	\$ 332,839,868	\$ 145,971,536	\$ 186,868,332	6.58%
2016	\$ 2,342,454,525	\$ 351,368,179	\$ 143,268,000	\$ 208,100,179	6.12%
2017	\$ 2,371,839,820	\$ 355,775,973	\$ 131,603,000	\$ 224,172,973	5.55%
2018	\$ 2,560,119,212	\$ 384,017,882	\$ 117,223,000	\$ 266,794,882	4.58%
Est 2019	\$ 2,582,093,568	\$ 387,314,035	\$ 105,030,000	\$ 282,284,035	4.07%
Est 2020	\$ 2,605,492,968	\$ 390,823,945	\$ 91,900,000	\$ 298,923,945	3.53%
Est 2021	\$ 2,629,709,451	\$ 394,456,418	\$ 79,700,000	\$ 314,756,418	3.03%
Est 2022	\$ 2,654,184,908	\$ 398,127,736	\$ 67,995,000	\$ 330,132,736	2.56%

Exhibit 2. December 2018 BoardDocs

PROCESS (Step 3)

Comprehensive Facilities Master Plan Cost Estimating SUMMARY (OPTION 2)

Summary of Cost Estimates				
Proposed Scope of Work	Priority 1	Priority 2	Priority 3	Priority 4
	1-2 Years	5-10 Years	10-20 Years	Long Range
Estimated Construction Costs:	\$54,169,000	\$148,044,000	\$28,500,000	\$41,578,000
Estimated Soft Costs:	\$5,416,900	\$14,804,400	\$2,850,000	\$4,157,800
Estimated Bond Issue Expenditures (OPTION 2):	\$59,585,900	\$162,848,400	\$31,350,000	\$45,735,800
Cummulative Totals:		\$222,434,300	\$253,784,300	\$299,520,100

Exhibit 3.

Hoener & Associates, Inc. (HAI)										
Comprehensive Facilities Master Plan (CFMP) 12/20/2018 BOE						Prop S				
	Priority 1	Priority 2	Priority 3	Priority 4	Total	Phase I	Phase II	Total	Variance	% Variance
<i>High Schools</i>										
Francis Howell Central	992	11,900	500	4,968	18,360	9,294	8,500	17,794	566	3%
Francis Howell High	-	12,858	500	4,400	17,758	11,800	3,000	14,800	2,958	17%
Francis Howell North (new)	3,500	90,000	4,000	-	97,500	86,350	500	86,850	10,650	11%
Francis Howell Union	6,600	-	-	-	6,600	6,500	-	6,500	100	2%
Heritage / Westwood	20	430	80	800	1,330	-	1,100	1,100	230	17%
Sub-totals	11,112	115,188	5,080	10,168	141,548	113,944	13,100	127,044	14,504	10%
<i>Middle Schools</i>										
Barnwell	5,330	4,960	2,400	960	13,650	6,160	5,850	12,010	1,640	12%
Bryan	-	3,025	242	2,300	5,567	445	5,400	5,845	(278)	-5%
Francis Howell	-	3,050	1,226	3,100	7,376	160	5,250	5,410	1,966	27%
Hollenbeck	3,600	840	30	2,500	6,970	5,175	500	5,675	1,295	19%
Saeger	-	3,960	1,440	2,240	7,640	3,645	3,400	7,045	595	8%
Sub-totals	8,930	15,835	5,338	11,100	41,203	15,585	20,400	35,985	5,218	13%
<i>Elementary Schools</i>										
Becky-David	7,360	10	2,000	1,760	11,130	9,115	2,200	11,315	(185)	-2%
Castlio	1,856	572	2,357	-	4,785	745	2,325	3,070	1,715	36%
Central	1,648	1,450	232	-	3,330	550	2,950	3,500	(170)	-5%
Daniel Boone	1,306	2,416	496	2,300	6,518	1,235	2,050	3,285	3,233	50%
Fairmount	1,680	1,875	1,502	-	5,057	9,015	1,650	10,665	(5,608)	-111%
Harvest Ridge	668	2,360	2,928	1,800	7,756	265	3,800	4,065	3,691	48%
Henderson	9,385	970	1,500	1,500	13,355	8,270	2,850	11,120	2,235	17%
Independence	-	2,850	2,156	2,700	7,706	3,508	3,400	6,908	798	10%
John Weldon	2,150	600	160	3,100	6,010	265	3,900	4,165	1,845	31%
Warren	-	175	2,746	2,800	5,721	3,620	1,125	4,745	976	17%
Sub-totals	26,053	13,278	16,077	15,960	71,368	36,588	26,250	62,838	8,530	12%
<i>Early Childhood Centers</i>										
Central School	774	468	-	-	1,242	-	610	610	632	51%
Hackmann Road	260	300	285	400	1,245	-	530	530	715	57%
Meadows Parkway	46	680	184	400	1,310	-	775	775	535	41%
EC Updates Playground / Security	-	-	-	-	-	330	-	330	(330)	-
Sub-totals	1,080	1,448	469	800	3,797	330	1,915	2,245	1,552	41%
<i>Support Facilities / Other</i>										
Administration	54	540	216	2,400	3,210	-	1,300	1,300	1,910	60%
Facilities Bldg	24	300	288	-	612	-	300	300	312	51%
Transportation (new)	4,650	-	-	-	4,650	4,000	-	4,000	650	14%
Burbes	26	455	32	-	513	-	475	475	38	7%
District Learning Center	-	-	-	-	-	2,500	-	2,500	(2,500)	-
District-wide Security	1,240	-	-	-	1,240	-	1,500	1,500	(260)	-21%
District-wide Paving	1,000	1,000	1,000	-	3,000	-	-	-	3,000	100%
Other	-	-	-	1,150	1,150	2,150	3,400	5,550	(4,400)	-383%
Sub-totals	6,994	2,295	1,536	3,550	14,375	8,650	6,975	15,625	(1,250)	-9%
Sub-total Direct Construction C	54,169	148,044	28,500	41,578	272,291	175,097	68,640	243,737	28,554	10%
Soft Costs (10% of Direct Con	5,417	14,804	2,850	4,158	27,229	-	-	-	27,229	-
Grand Totals	59,586	162,848	31,350	45,736	299,520	175,097	68,640	243,737	55,783	19%

Exhibit 4

FW: Design Fees ▶ Inbox x



→ **SUPPLE, KEVIN** <Kevin.Supple@fhsdschools.org>
to me ▾

Jan 18, 2022, 8:31 PM



Carl,

Let me respond to your more recent question first. I calculate that \$8.25 million of the amount set aside for design fees is attributable to the FHN project.

When I responded to your initial question about design fees, I was referring to the initial budget for Prop S. I agree with you that the statement on the Prop S web site is contradictory to this. I did not write or approve of the language on the web site. I will work to see if we can clarify this statement. Sorry for the confusion.

The \$165 million GMP is construction (bricks and mortar) costs only. So, the total cost of the building, including design fees, is going to be more than \$165 million. As shared with the Board, we are actively working to reduce this final cost. The \$165 million is the maximum, and we have an opportunity to realize some savings as we continue with the project.

The other item that is not included in the \$165 million is any furniture, fixtures and equipment (e.g., desks, AV equipment, etc.) that may be needed for the new high school. We certainly intend to reuse most of the furniture that is currently in the old building, but there will be some items that are no longer serviceable and will need to be replaced.

Kevin F. Supple

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