



April 1, 2011

Mr. Brian Salzer
 Acting Superintendent of Schools
 Marblehead Public Schools
 9 Widger Road
 Marblehead, MA, 01945

Re: MSBA Letter dated 3/7/2011 concerning change order reimbursement at the Village School Project

Dear Mr. Salzer,

We are receipt of the letter referenced above from the MSBA relative to the reimbursement audit of the change orders on the Village School Project.

At the time the letter was forwarded to us, (the MSBA acknowledges not copying us directly was in error), we began conversations with Amy Drinker, Eurim Chun and yourself. It was through those conversations that we contacted the MSBA to request a meeting to review the methodology and results of their reimbursement analysis. The next day we did have occasion to speak with Mary Pichetti who asked us to defer any request for a meeting until after the March 30th MSBA Board meeting and contact her again after that meeting.

Since we were in attendance at the Board meeting on March 30th, for the approval of the Glover project, Ms. Pichetti and I again discussed the possibility of meeting and she offered a number of available days. We have forwarded those dates to you and the District has selected April 12th with a time to be confirmed by the MSBA.

The purpose of this meeting is to discuss with the Authority consideration in continuing to review change orders *above* the \$1.175 million contingency reimbursement limit. This figure is the amount of the maximum allowable contingency figure that is included in the revised Project Funding Agreement and that is eligible for the 40% reimbursement. Our position is that the entire change order amount is the appropriate amount that should be evaluated, and that any change order that meets the reimbursement criteria should be accounted for in discussions regarding the contingency figure in the PFA. As this was a phased project, a number of change orders occurred in Phase 2 that should be considered as eligible for reimbursement upon consideration.

Sincerely

Patrick Saitta
 President
 Municipal Building Consultants, Inc.

Cc: Ms. Amy Drinker, Chair, Village Building Oversight Committee
 Ms. Eurim Chun, Chair, Marblehead School Committee
 Chuck Adam, Municipal Building Consultants, Inc.

Massachusetts School Building Authority

Steven Grossman
Chairman, State Treasurer

Katherine P. Craven
Executive Director

March 7, 2011

Dr. G. Paul Dulac
Superintendent of Schools
Marblehead Public Schools
9 Widger Road
Marblehead, MA 01460

RE: Marblehead Village School

Dear Superintendent Dulac:

The Massachusetts School Building Authority ("MSBA") has reviewed the construction change orders numbered 1-31 for the Marblehead Village School project (see attached). The MSBA review determines which changes, if any, are eligible for MSBA funding. In general, changes to the scope beyond the Project Scope specified in the Project Funding Agreement ("PFA"), changes mandated by third parties and changes for items that are excluded from MSBA funding are not eligible for MSBA reimbursement. The MSBA findings are summarized below:

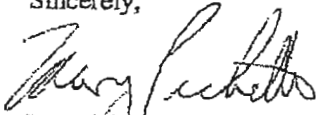
Original Construction Contract	\$ 11,016,493
Total Change Orders	\$ 5,418,280
Final Construction Contract	\$ 16,434,773
Change Orders as % of Original Construction Contract	49.18%
Change Orders Eligible for Reimbursement	\$ 262,035
% Total Change Orders Eligible for Reimbursement	4.84%
Change Orders Eligible for Reimbursement as % of Original Construction Contract	2.38%
PFA Total Project Contingency	\$ 1,589,082
PFA Ineligible Project Contingency	\$ (487,433)
PFA Eligible Project Contingency	\$ 1,101,649
Eligible Change Orders as % of Eligible Project Contingency	23.79%
Total of Eligible Change Orders, Subject to Reimbursement Rate and Audit	\$ 262,035

Please note that the District executed change orders far in excess of its available construction contingency, and the MSBA can only assume that the District consulted with its counsel prior to pursuing these change orders and had the authority and the appropriations to support these changes. The total change orders represent a significant increase, 49.18%, to the base contract construction cost. Such

substantial changes to a project's scope and budget are concerning and may warrant a new bid for the revised project or a separate procurement for the new scope of work in order to ensure that competitive pricing is obtained. For any future school projects undertaken by the Marblehead School District in collaboration with the MSBA, the district must seek to avoid excessive changes to base contract work and must not exceed the Total Project Budget outlined in the Project Funding Agreement.

If you have any questions regarding this matter, please do not hesitate to contact me or Bill Cross at 617-720-4466.

Sincerely,



Mary Pichetti
Director of Capital Planning

Attachment

cc: Senator Thomas M. McGee (without attachment)
Representative Lori Ehrlich (without attachment)
James E. Nye, Chair, Board of Selectmen
EuRim Chun, Chair, School Committee
File 10.2 Letters