AGENDA

SPECIAL MEETING - BOARD OF ESTIMATE & TAXATION

May 16, 2022 – 6:30 p.m.

To allow public access, anyone may access a meeting by telephone, Zoom, and/or the City of Norwalk YouTube channel. Specific instructions and links can be found at www.norwalkct.org/meetings

Members of the public can call in and listen to a meeting. They will not be able to speak or see any of the meeting participants. Each meeting will use a unique Meeting/Webinar ID. Please find the information using the link above.

Members of the public who wish to view the meeting, but are not participating, can view a live stream on the City of Norwalk YouTube channel. This stream is delayed by approximately 20 seconds. Please find the information using the link above. The meeting recording and minutes will be posted on the City of Norwalk website within seven (7) days after the meeting.

1. **RESOLUTION:** Requesting an increase in Special Capital Appropriation in the amount of $4.0 million to the Board of Education for the new South Norwalk (SoNo) Elementary School for a total project budget of $76.0 million. Account #0922-5010-5777-C0808.

CITY OF NORWALK
Henry M. Dachowitz
Chief Financial Officer
hdachowitz@norwalkct.org

Mobile: 516-728-4991
Office: 203-854-7870

125 East Avenue, PO BOX 5125
Norwalk, CT 06856-5125

MEMORANDUM

Date: May 10, 2022

To: Harry W. Rilling, Mayor
Members of the Board of Estimate & Taxation
Members of the Planning Commission
Members of the Common Council

From: Henry Dachowitz, Chief Financial Officer

Re: Special Capital Appropriation Request for the new South Norwalk (SoNo) Elementary School

Attached is a request from the Building and Facilities Department requesting an additional special capital appropriation in the amount of $4.0 million for the new South Norwalk (SoNo) Elementary School Project. This amount is an increase to the already approved $72.00 making the total project $76.0 million.

ACTION REQUESTED:

1. REQUESTING, an additional Special Capital Appropriation in the amount of $4.00million for the new South Norwalk (SoNo) Elementary School. Account #0922-5010-5777-C0808.

Finance recommends approval.

CITY OF NORWALK
Alan Lo, Buildings and Facilities Manager
alo@norwalkct.org P: 203-854-7877
Norwalk City Hall
125 East Avenue, PO Box 5125
Norwalk, CT 06856-5125

TO: Mayor Harry W. Rilling
Henry Dachowitz, Chief Financial Officer – City of Norwalk

FROM: Alan Lo, Buildings and Facilities Manager AL

RE: Additional Capital Appropriation Request – New South Norwalk Neighborhood School

DATE: April 26, 2022

As you know, the Board of Education and the City have been involved in a lengthy effort to provide a new school building for the existing Columbus Magnet School (CMS), and to construct a new second school in the South Norwalk community. Earlier iterations to construct a new Columbus School at the Ely Park site were unable to come to fruition for a variety of rather complex reasons. Said plan was abandoned and thereafter, the City and Board of Education began to assess alternate options for the past year and a half. Through an evolution of ideas, a new concept was developed during the past summer which incorporated a significant number of the educational, community and financial objectives.

This plan consists of the following elements:

1. Move the CMS School from its existing location at 46 Concord Street to the newly constructed "lower" school building on the Ponus campus.

2. Request that the City close out two existing capital projects:
   - Project #C0607, New Columbus School at Ely, with an unspent project balance of $41,605,985;
   - Project #C0618, Norwalk Global Academy, with an unspent project balance of $34,392,500.

3. Authorize a Special Capital Appropriation in the amount of $72.0 million to acquire a new parcel of land in South Norwalk and to construct a new 682 student South Norwalk pre-K to 5 neighborhood school on such parcel.

The Board of Education formally approved this plan and authorized this request at their meeting on 11/16/2021. We noted that this plan was initially a savings for the City based on projected acquisition costs and construction market at the time. The two projects that are being closed out total approximately $76.0 million, and the Common Council approved a special capital appropriation on January 25, 2022 in the amount of $72.0 million.

At this time, I would like to request additional Special Capital Appropriation in the amount of $4 million which represents the balance from the closeout of the two Columbus School projects and the establishment of the new SoNo School budget. These additional funds are necessary based on the expected purchase price for the property as well as the instability of the construction industry in the past 6 months (demand side issues and supply chain limitations) and costs increases in the Connecticut construction market. Attached are some construction new articles relating to construct industry cost increases.

ACTION REQUESTED:

Request an increase in Special Capital Appropriation in the amount of $4.0 million for the new South Norwalk (SoNo) Elementary School for a total project budget of $76.0 million. Account # 092250105777 C0808

Cc: Colin Hosten, Chairman, Board of Education
Sandra Faioes, Assistant Superintendent of Business and Operations
Lunda Asmani, Chief Financial Officer – Board of Education
Tom Livingston, Chair, Land Use and Building Management Committee

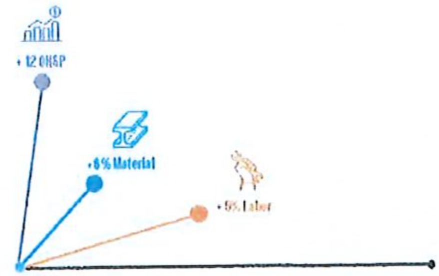
SECTION I.
LOCAL ESCALATION

Turner

LOCAL ESCALATION

TODAY'S CONSTRUCTION MARKET IS SEEING AN EXTRAORDINARY RISE IN MATERIAL COSTS DUE TO SUPPLY CHAIN CHALLENGES. WITH THE STEADY RISE IN THE COST OF LABOR AND TRADE CONTRACTORS SECURING NEW WORK, EXPECT OVERHEAD AND PROFIT TO LEVEL OUT.

Each dollar spent on construction is made up of three components: Labor, Material and Overhead & Profit. How each category is impacted dictates how pricing increases or decreases. Example: If Labor (roughly 35% of each dollar spent) increased 3% and Material and O&H stayed flat, the construction market experiences a 1% increase in price.

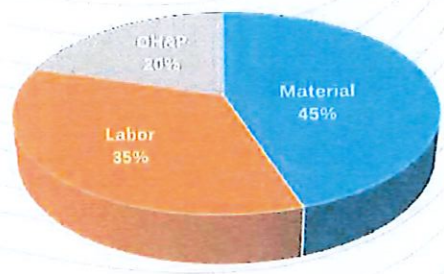


The Current Market. Labor Costs (Roughly 35% of construction pricing) continue to increase annually. This combined with a shortage of skilled workers is creating a higher than normal labor cost.

Material (roughly 45% of construction pricing)is very volatile right now due to various supply chain challenges in the current market. We are still experiencing increases in commodities such as Copper, Aluminum, Gasoline and Steel which have had significant impacts on construction material pricing. We are projecting this trend will continue and material pricing will have a 6% increase on construction pricing.

Overhead and Profit (roughly 20% of construction pricing) With Subcontractor backlog now returning to pre-pandemic they are no longer willing to absorb the increases in labor and material. Expect to see sub contractors overhead and profit return close to pre-pandemic levels.

PROJECTED FUTURE ESCALATION 5.50 - 7.0%



Future State of the Market. Supply chain disruptions continue to impact lead times for key construction materials. At the same time, many vendors and subcontractors are reporting that their backlog is returning to pre-pandemic levels. Overall the results continue to indicate increased costs of 5.50-7.0% as well as reduce the vendor/subcontractor market's ability to provide longer pricing commitments for current projects.

ECONOMIC OUTLOOK

As the economy reopened in 2021, pent-up demand generated strong global growth. As a result, developed markets are now growing much faster than before the pandemic. Many expect continued above-trend global growth in 2022, as momentum carries economies through the first months of the year before slowing in the second half and into 2023.

The world's central bankers seem to have concluded that the coronavirus pandemic is more likely to drive inflation higher than to push economic growth lower. In response to stubbornly elevated inflation, central banks around the world are pivoting toward tighter policy including the US Federal Reserve signaling rate hikes as soon as March.

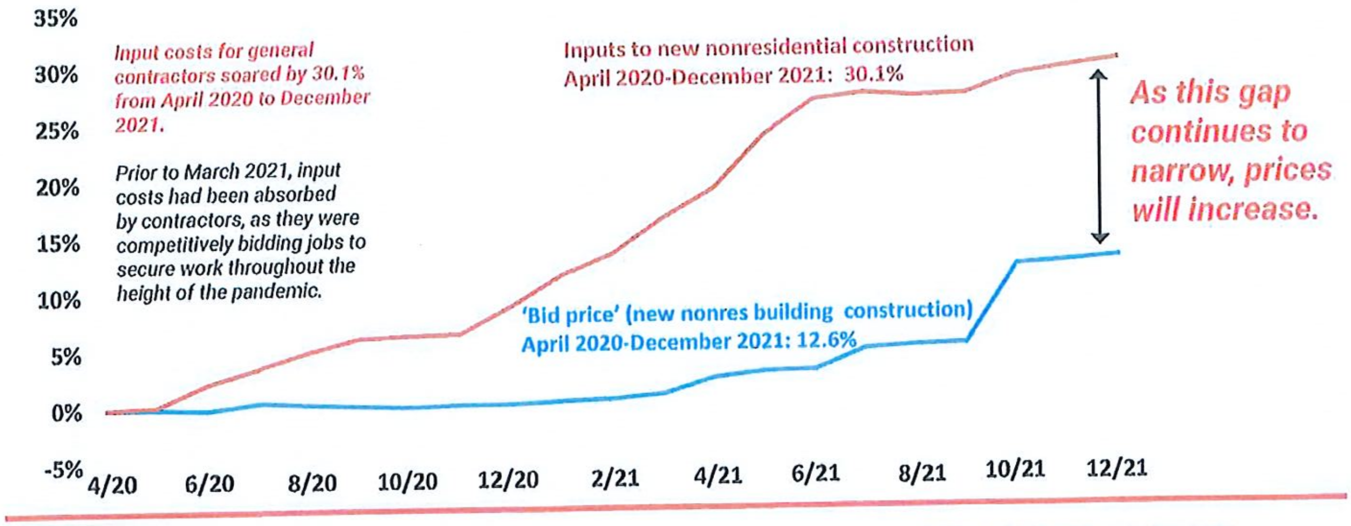
As the year progresses, tighter policy is likely to slow global growth. These conditions—climbing short-term rates and slowing-but-still strong growth—are a recipe for flattening yield curves and flatter yield curves signal caution when it comes to taking risk.

LOCAL ESCALATION

Inputs and 'bid price' producer price indexes (PPIs)

cumulative change in PPIs, April 2020 -December 2021 (not seasonally adjusted)

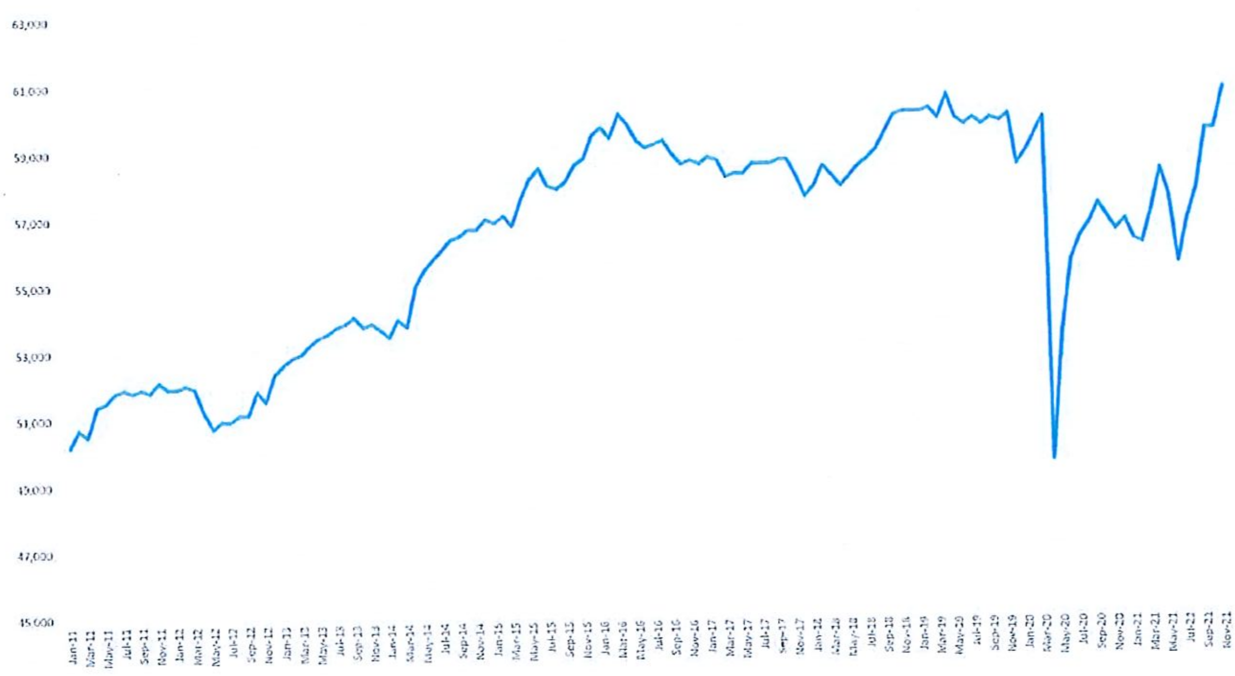
AGC THE CONSTRUCTION ASSOCIATION



1 | Source: Bureau of Labor Statistics, producer price indexes, www.bls.gov/ppi

Connecticut Construction Employment

Input costs for general contractors soared by 30.1% from April 2020 to December 2021. Prior to March 2021, input costs had been absorbed by contractors, as they were competitively bidding jobs to secure work throughout the height of the pandemic. With the influx of construction input and uncertainty of material pricing, current contractors bids reflect more conservative pricing.



PACS llc

Pan American Consulting Services

Compilation of current price increases – Tidbits from recent outreach 2-02-2022

Statements from Construction Analytics article – 2021 Construction inflation 11-10-21

- As of Sept 2021, PPI for materials inputs to construction is up ytd 15% to 18%. For the 18 months since March 2020, the onset of Pandemic, the PPI for materials inputs to construction is up ytd 23%, but the PPI Buildings Cost Index for final cost to owner is up only 5% to 6%
- Steel Prices at mill in the U.S. are up 60% to 100% in the last 6 months. All prices are 50% to 75% higher than Feb 2020. This is mill price of steel which is about 25% of the price of steel installed.

Tilcon materials pricing Jan 21 to Jan 22 Pricing increases

- Bituminous – Class 1, 1A & 4 – 8% increase
- Stone products average – 7% increase

Lumber pricing has increased 30% from this time last year, after unprecedented increases the previous year (up to 300% increases on some products the previous year) according to Shane @ Colt Builders referencing publication **Random Lengths** (North American Forestry Products Markets)

Drywall / Cold Form & Light ga framing (pricing updates R&L Acoustics March 2021 to Feb 2022)

- P2A - 6" 20Ga with (2) 58X each side with sound batt, caulk & fiber – 20% increase
- P1 Rated Exterior Shaftwall CH stud, Liner panel, 2x58X 23' 6" - 11% Increase
- P3 1 hour Gyp - 6"20Ga - 1x58X each side - 6"Sound Batt 22' 6" – 21% Increase
- P4 Non-rated - 6"20Ga - 1x58X each side - 6"Sound Batt 22' 6" - - 21% increase
- ACT 2x2 Ultima Tegular in 15/16 grid – 25% increase

Recent Statement from a CT Major Mechanical contractor

Most of our quotes from suppliers still expire after 7 days or less.

Couple of data points depending on when the budget was established:

- Carbon steel pipe year-over-year prices up 63.5%
- Copper tube & Fittings y-o-y prices up 75% - 10 year high $/lb in May of last year.
- Plastic Pipe & Fittings y-o-y prices up 62%
- Cold rolled steel (Sheet Metal) y-o-y prices up 60%

Not to mention supply chain issues; cost of trucking is 4 fold and labor shortages on the manufacturing side so we are getting hit from everywhere.

We are not experiencing a labor shortage from an installation perspective just need the product to install

PACS, llc

Statement from Lorne Knowles (MEP Cost Consultant)

Here's what's happened to material costs:

- *Copper (piping & elec wire) up 112% since June of last year*
- *Steel (pipe, duct, elec conduit) up 35% since June of last year*
- *Equipment costs up 15% since June of last year (the equip has copper and steel in it, so they have been increasing their equip costs too)*

Here's what's happened to labor costs:

- *Labor up an average of 7.5% since June of last year (prevailing wage increase from 2020 to 2021: plumber 5%, sheet metal worker 7%, insulator 10%)*

*If you had a $ 100,000 project you estimated a year ago, and 40% of it is MEP, the MEP cost escalation would be $ 8,960 (100,000 * 40% * 22.4%).*

That's 8.96% escalation on the total project (in a year), and you haven't even included any escalation for your arch/struct/civil items

Feedback from Michael Ouillette- (Electrical Cost Consultant)

Electrical cost increases, year over year, CT Schools Commercial prevailing wage – Estimates are up 35% from where we were just prior to the Pandemic

Electrical Cost estimates, year over year, for Commercial residential development is up 50% since just prior to the Pandemic.