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BOARD OF TRUSTEES COMMUNITY COLLEGE DISTRICT NO. 508

DECEMBER 7, 2012



Presentation to the Ad hoc Construction Committee of the CCC Board of Trustees

Monday, December 10, 2012

Today's Agenda

- 1 Financial Advisor Draft Final Report - PFM
- 2 Delivery Options: Design/Build vs. Design/Bid/Build
- 3 Review – Planned Development Application Schedule & Status Report
- 4 Construction Advisor Update – Jacobs & Cannon Design
- 5 Olive-Harvey TDL Center Construction Updates
- 6 Closed Session
- 7 Q & A

Next Ad Hoc Construction Committee Meeting Update – December 14, 2012

CCC's Capital Plan is affordable

- In conjunction with CCC's finance team, we developed multiple scenarios based on different revenue and expense assumptions to determine a potential range of impact of financing the Capital Plan
- Scenario I and II below reflect two examples using conservative and historic assumptions
- Scenario I: Conservative assumptions which do not reflect internal expense control initiatives and potential savings from insourcing⁽¹⁾
 - Under conservative assumptions, the Capital Projects Fund Balance remains positive at the end of FY 2020, after fully funding the Capital Plan
 - No dramatic changes to existing CCC policies or Board action required
 - Operations remain status quo
 - Management still has mechanisms at its disposal for strengthening cash flow by reducing expenses or increasing tuition or other revenue generating activities
- Scenario II: 10-year historical revenue and expense data
 - Revenue and expense growth (6.5% and 4.1% annually, respectively)
 - Includes tuition increase from Fall, 2011 and other one-time State funding windfalls
 - Depending on expense and revenue assumptions, the Capital Projects Fund Balance grows in FY 2020 substantially from current levels (i.e. 3% revenue and 4% expense growth yields \$380 million Capital Projects Fund balance)

⁽¹⁾ Many government entities start with the base case scenario without adjustments of expenses or revenue.

Tax-exempt financing options

| Tax-Exempt Financing Options | | | | | | |
|------------------------------|-----------------|--|---|---------------------------------|---------------|-----------------------------------|
| Financing Option | Issuer | Security/Source of Payment ⁽¹⁾ | Legal/Authorization Considerations | Projected Rating ⁽²⁾ | Max Debt Term | True Interest Cost ⁽³⁾ |
| Revenue Bonds | CCC | Tuition and Fees; PPRT | No referendum or voter initiated referendum required | A- | 30 years | 4.41% |
| Alternate Bonds | CCC | Tuition and Fees; Additional backup pledge (i.e. property tax); PPRT | Possible voter-initiated referendum 1.25x (or 1.10x) coverage | AA- | 30 years | 4.05% |
| CCC G.O. Bonds | CCC | All available revenues; Levy a special property tax unlimited as to rate or amount; PPRT | Referendum required | AA- | 20 years | 3.36% |
| City of Chicago G.O. Bonds | City of Chicago | Property tax | No referendum or voter initiated referendum required City Council approval | Aa3/A+/AA- | 30 years | 3.97% |
| PBC Bonds | PBC | Tuition and Fees; Property tax; PPRT | Dependent on the financing structure and security | A- or AA- range | 30 years | 4.05%-4.41% ⁽⁴⁾ |

⁽¹⁾ CCC does not intend to increase tuition or fees to pay for the project.

⁽²⁾ Ratings are solely at the discretion of the rating agencies.

⁽³⁾ Based on current market conditions on October 26, 2012. No capitalized interest period. Malcolm X project fund size of \$251 million. Revenue constraint of \$10.6 million in PPRT revenue from FY 2013-FY 2015 with 1% annual increase thereafter.

⁽⁴⁾ Does not include the 3% debt service fee.

MXC alternative project delivery models - illustrative

Higher



Level of control / risk



Lower

Traditional (Design/Bid/Build)

Potential benefits:

- Generally lower cost of capital
- Known procurement process
- Maximizes opportunity for internal stakeholder involvement
- Incentive / penalty related to schedule requirements
- Full control of design process

Considerations:

- Risk of delays and cost overruns
- Statutory restrictions regarding debt
- Ongoing operating and maintenance requirements
- Internal capability to execute project
- Longer project delivery schedule

Design-Build

Potential benefits:

- Generally lower cost of capital
- Partial risk transfer to private party
- Incentive/penalty related to schedule requirements
- Opportunity for cost savings and design innovation
- Guaranteed maximum cost

Considerations:

- Statutory authority to engage in Design-Build
- Retained risks
- Less stakeholder input and involvement
- Ongoing operations and maintenance requirements
- Level of design specification
- Internal capability to execute project

Performance Based Infrastructure

Potential benefits:

- Greater risk transfer to private party
- Greater opportunity for cost savings
- Multiple design approaches and opportunity for innovation
- Opportunity for life cycle savings
- Transfer operations and maintenance costs
- Stronger incentives for performance – no payment of CCC funds until project is delivered

Considerations:

- Statutory authority to engage in PBI
- Generally higher cost of capital
- Newer process/time to reach close
- Limited ability to modify contract terms
- Limited stakeholder involvement
- Internal requirements for oversight

Value for Money analysis for Malcolm X College

- VFM analysis compares the cost of designing, building, financing, operating and maintaining the same facility under different delivery models
- The VFM analysis to evaluate CCC's theoretical choices for development of the new Malcolm X facility included the following variables:
 - Construction costs
 - Financing costs
 - Operating and Maintenance costs
 - Construction delay risk
 - Cost overrun risk
 - Change order and rework risk
- The VFM results reflected various assumptions to develop a VFM range for the PBI model of (\$23) - \$38 million when compared to traditional project delivery
- The results are theoretical in nature. Many of these variables, such as the extent of schedule and cost overrun risk transfer, would be dependent on the legal and technical terms negotiated throughout the procurement process

| Value for Money Sensitivity Analysis | | | |
|--------------------------------------|--|------------------------------|----------------|
| | Assumptions | Value for Money of PBI Model | |
| | | 6% WACC | 7% WACC |
| Scenario 1 | <ul style="list-style-type: none"> ▪ 10% Private O&M Efficiency ▪ 24% chance of schedule delay under traditional ▪ 19% chance of cost overrun under traditional | \$38 Million | (\$9 Million) |
| Scenario 2 | <ul style="list-style-type: none"> ▪ 5% Private O&M Efficiency ▪ All other assumptions equivalent to Scenario 1 | \$24 Million | (\$23 Million) |
| Scenario 3 | <ul style="list-style-type: none"> ▪ 0% chance of schedule delay under traditional ▪ All other assumptions equivalent to Scenario 1 | \$35 Million | (\$11 Million) |
| Scenario 4 | <ul style="list-style-type: none"> ▪ 0% chance of cost overrun under traditional ▪ All other assumptions equivalent to Scenario 1 | \$30 Million | (\$16 Million) |
| Scenario 5 | <ul style="list-style-type: none"> ▪ 0% chance of schedule delay under traditional ▪ 0% chance of cost overrun under traditional ▪ All other assumptions equivalent to Scenario 1 | \$27 Million | (\$18 Million) |

Summary and recommendations

- Capital Funding Strategy
 - Based on the affordability analysis, implementing the \$524 million Capital Plan, including \$251 million for Malcolm X College, would not materially adversely affect CCC's financial position
 - We recommend that CCC utilize tax-exempt financing methods to fund the difference between the current cash balance in the Capital Projects Fund and projected Capital Plan expenditures
 - Given CCC's goal of achieving a strong rating, we believe the Alternate Bond structure provides the most financial flexibility, relatively low cost of capital and ease of implementation
- Malcolm X College
 - In either the PBI or Design-Build scenario, CCC would have to secure new authority to implement the approach.
 - CCC has authority to utilize the traditional Design/Bid/Build model but would bear (and explore opportunities to mitigate) the risk of schedule delays and cost overruns.
 - CCC's construction consultant has recommended such authority be secured by March, 2013 to optimize the opportunity to achieve CCC's timeline goals
 - Since we offer that both the Design/Build and the PBI approaches have benefits to CCC if the authorization issue can be addressed, CCC has identified other considerations important to selecting a preferred procurement mechanism to deliver the Malcolm X project. These include:
 - Leveraging its strong balance sheet and utilizing lower cost tax-exempt financing;
 - Providing an opportunity for innovation in design;
 - Creating a mechanism for cost savings during the design and construction phases; and
 - Providing an opportunity for more detailed design specifications and greater stakeholder input
 - Based on the above considerations and the work that has been done by the team recently, the Traditional and Design-Build approach may offer a more acceptable path to achieving CCC's objectives

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DESIGN/BUILD DELIVERY MODEL

AUTHORITY

- Requires CCC to secure authority

TIMELINE

- Planned completion date of October 2015 assumes design-build authority is secured by March 2013.
- Delays in securing authority could result in commensurate project delays
- Maximum construction time is 27 months

RISK TRANSFER

- Offers best opportunity to transfer risk re: cost overruns and delays
- Cost overruns are mitigated by the potential use of Guaranteed Maximum Price (GMP).
- Construction delays are minimized by consolidated design/construction teams.

OTHER FACTORS

- Cannon would be recommended to complete foundation design & permitting to allow July 2013 start date. If this delivery model is accepted, CCC will seek separate Board approval for this step.

DESIGN/BID/BUILD DELIVERY MODEL

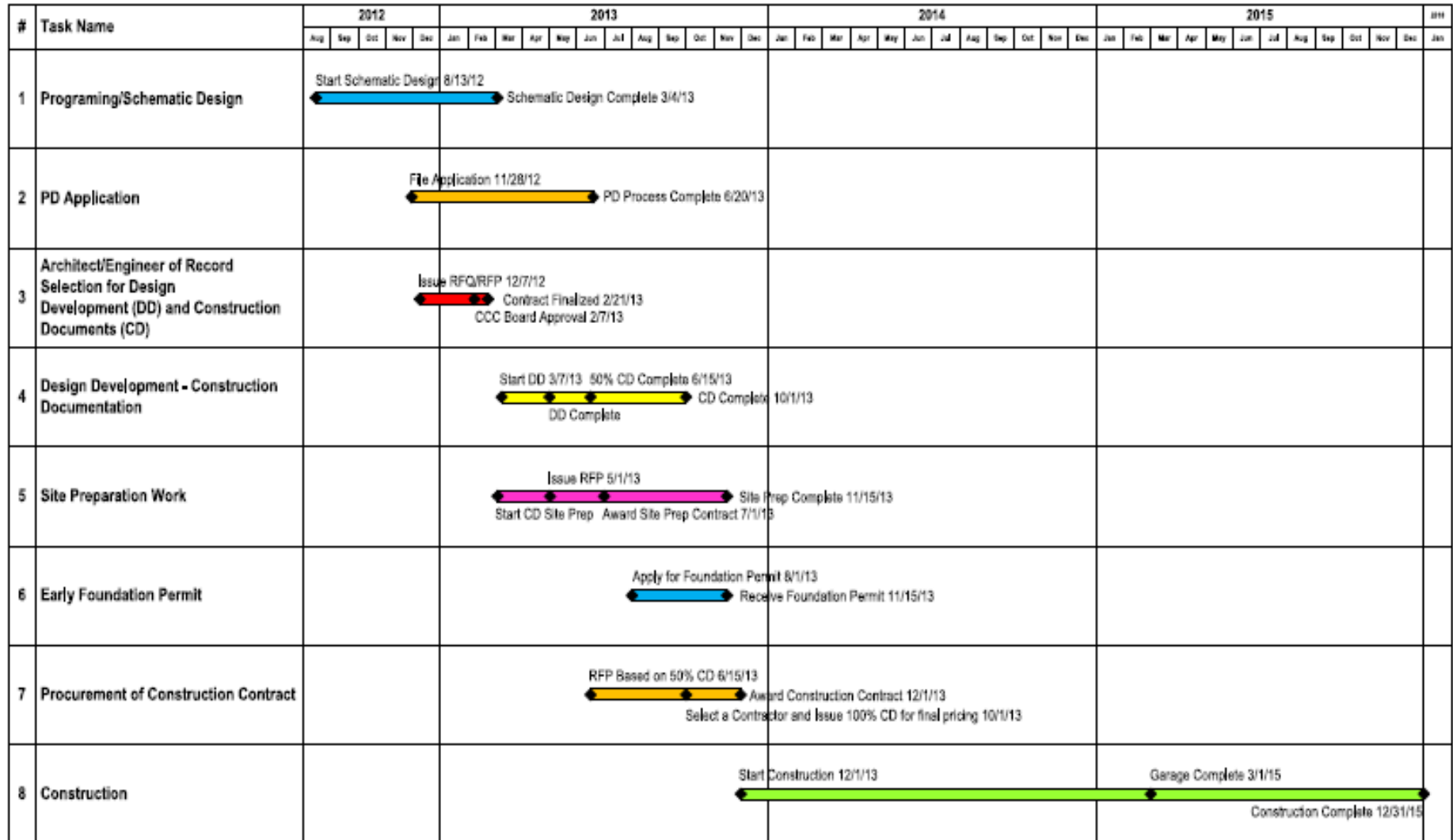
- CCC has authority for Design/Bid/Build option.
- Minimum 24 months construction time and longer design phase mean possible completion in December 2015.
- Timeline assumes Architect/Engineer (AE) firm in place by March 2013.
- This approach leaves little room for delays in the physical construction timeline but a diligent CF/owner mgmt. team can address this issue
- Many design-bid-build models bring in CF only after design is fully complete, requiring more time, complicating CF's task and possibly driving up costs as CF has no input on design. CM will verify.
- This can be mitigated by having possible CFs bid at 50% design stage and working alongside design team for final weeks of design stage, after which CM confirms quoted cost
- This sets up a "truer" initial cost estimate and minimizes risk of cost revisions and delays; because CF has some say in design, it also paves the way for possibly building cost guarantees into contract, although this is not standard
- AE or CM would be asked to do site prep separately prior to CF to streamline timeline
- AE firm would design the foundation and seek permitting so it is in hand when CF start to adhere to December 2015 completion date.

Explored Delivery Option #1

| # | Task Name | 2012 | | | | | 2013 | | | | | 2014 | | | | | 2015 | | | | | Jan | | | | | | | |
|---|-----------------------------|------|-----|-----|-----|-----|------|-----|-----|-----|-----|------|-----|-----|-----|-----|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov |
| 1 | Programing/Schematic Design | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | PD Application | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 | RFQ | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4 | RFP | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 | Early Foundation Permit | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6 | Construction | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

DESIGN BUILD PROJECT SCHEDULE

Explored Delivery Option #2



DESIGN BID BUILD PROJECT SCHEDULE

Today's Agenda

- 1 Financial Advisor Draft Final Report - PFM
- 2 Recommendations for Board Approval – Cannon Foundation/Permitting Proposal
- 3 Review – Planned Development Application Schedule & Status Report
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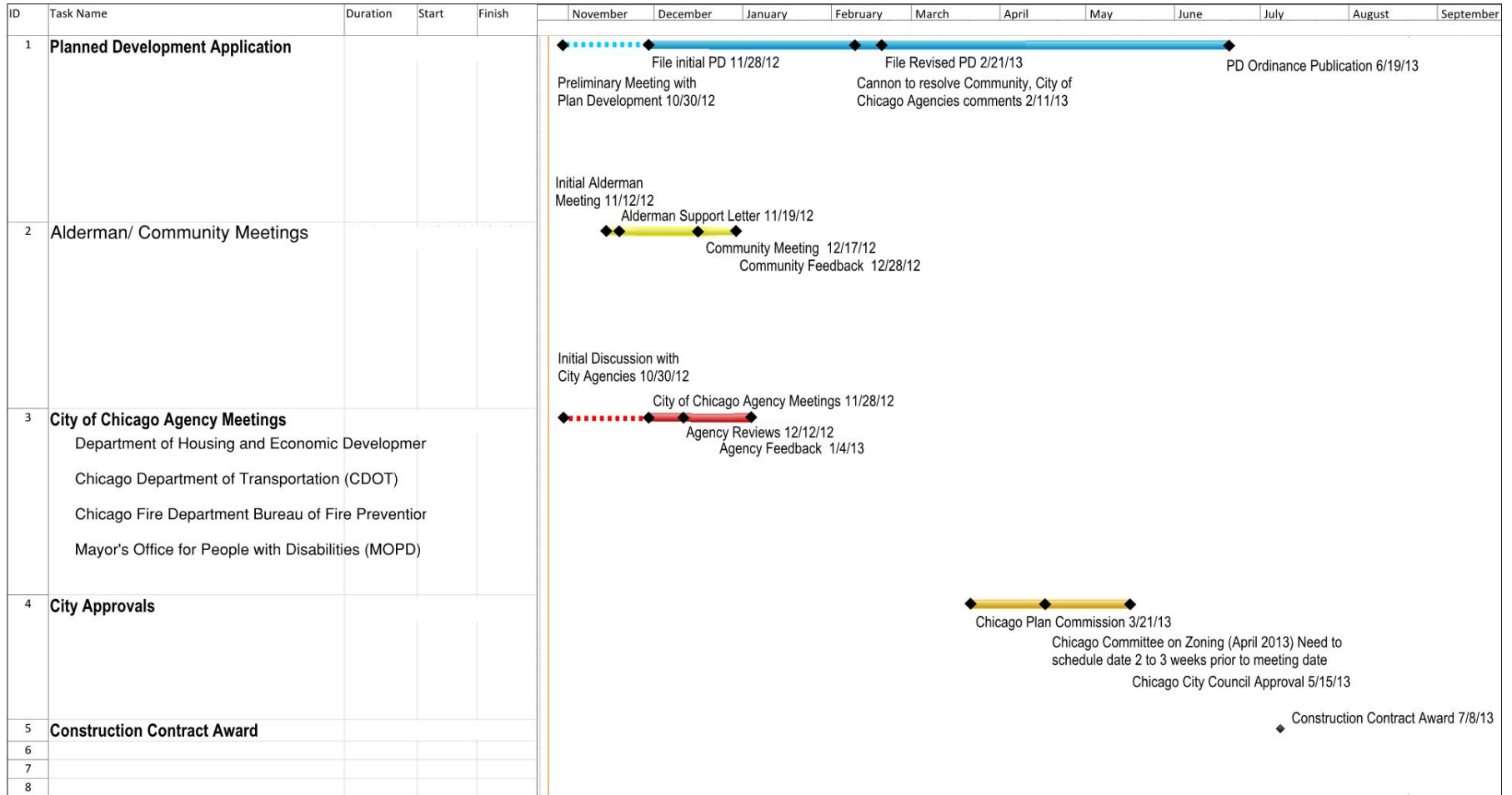
CCC and Jacobs/Cannon have taken affirmative steps to address critical actions needed to begin construction.

| Date | Planned Development & Public Right of Way (PROW) Vacation |
|---------------------|--|
| Oct. 30 thru Nov. 7 | CCC/Jacobs Cannon team had 2 meetings with Department of Housing and Economic Development (DHED) commissioner and his staff. DHED staff provided some recommendations and a favorable response to the proposed PD schedule detailed in Exhibits 1 and 3. |
| November 8, 2012 | Jacobs/Cannon incorporated DHED comments in PD schedule. |
| Nov. 16 thru Jan 1 | Additional meetings are scheduled with CDOT, City Fire Prevention Bureau, and MOPD to get their buy in and approval. |

The following Milestones are critical to achieving the Planned Development process by June 19, 2013.

| | |
|-------------------|---|
| November 27, 2012 | <i>Obtain “Designated Control of Properties” Letter</i> |
| November 28, 2012 | File Initial Planned Development Application |
| January 30, 2013 | Complete Property Acquisitions |
| February 8, 2013 | File CDOT Vacation Application |
| February 21, 2013 | Filed Revised Planned Development Application |

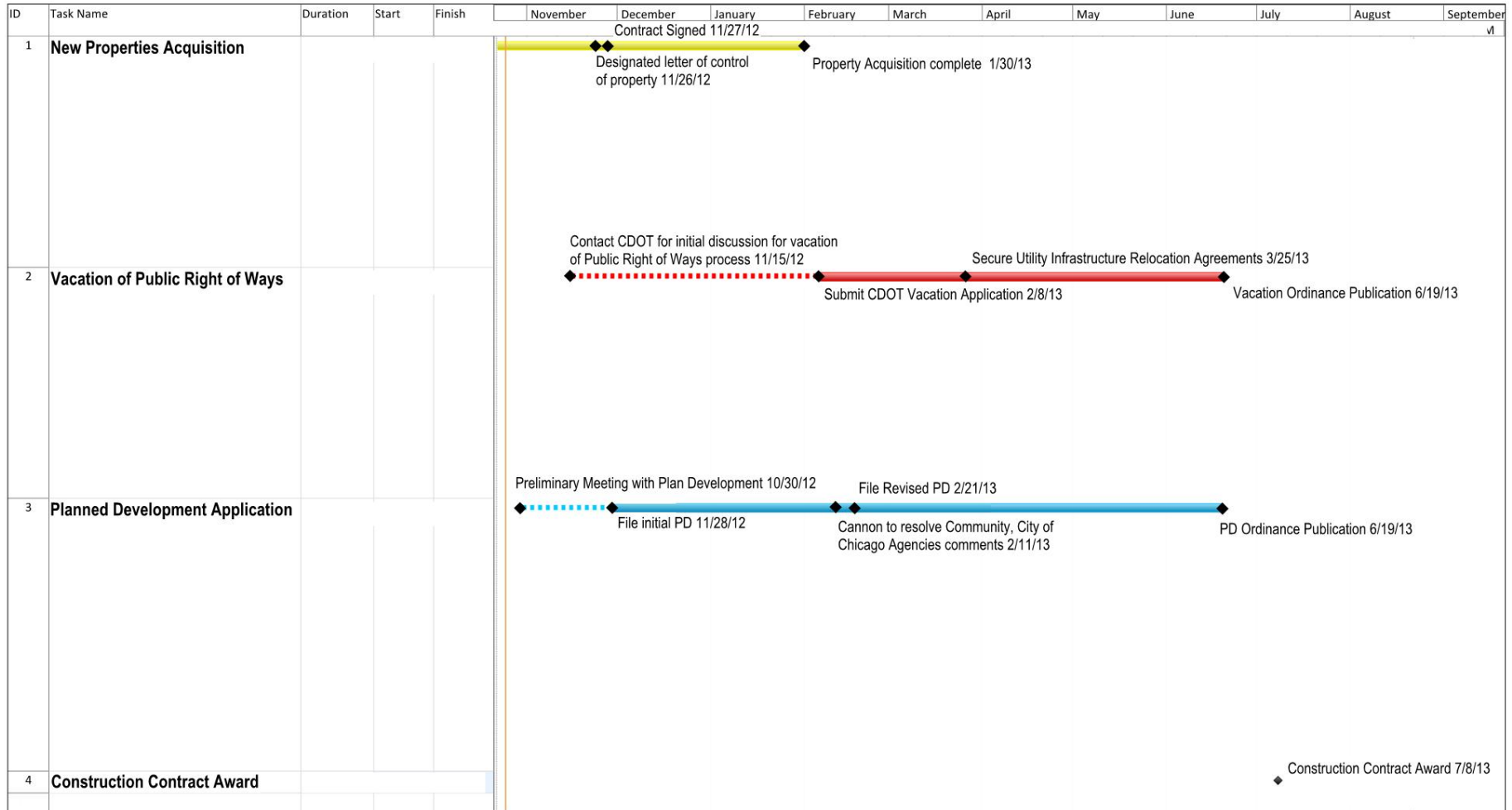
The Planned Development Application and PROW Application will be filed in two stages: **Initial Application on 11/28/2012**



PLANNED DEVELOPMENT PROCESS FOR MALCOLM X COLLEGE FOR USING THE PROPERTY OWNED BY CITY COLLEGES OF CHICAGO

EXHIBIT 1

The Planned Development Application and PROW Application will be filed in two stages: ***Revised Application on 2/21/2013***



PLANNED DEVELOPMENT PROCESS FOR MALCOLM X COLLEGE FOR CURRENT PROPERTY PLUS NEWLY ACQUIRED PROPERTY.

EXHIBIT 3

Progress Update on Jones Lang LaSalle

- Initial contract for \$25K executed with Jones Lang LaSalle to provide real estate brokerage, consulting, and appraisal services for property acquisition related to the Malcolm X College construction project
- Broader contract for similar services to be presented for Board approval at December Board meeting
- Jones Lang LaSalle’s Work plan is directly aligned to our November PD submission requirements and other critical project deadlines

| | | 5-Nov | 12-Nov | 19-Nov | 26-Nov | 3-Dec | 10-Dec | 17-Dec | 24-Dec | 31-Dec | 7-Jan | 14-Jan | 21-Jan | 28-Jan | 4-Feb |
|---|---------|-------|--------|--------|--------|-------|--------|--------|--------|--------|-------|--------|--------|--------|-------|
| Activity | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| Project kick off | Phase 1 | | | | | | | | | | | | | | |
| Conduct market research | | | | | | | | | | | | | | | |
| Engage appraiser to prepare 2nd set of appraisals | | | | | | | | | | | | | | | |
| Prepare template LOI | | | | | | | | | | | | | | | |
| Preliminary contact with property owners | Phase 2 | | | | | | | | | | | | | | |
| Prepare and present LOI to property owners | | | | | | | | | | | | | | | |
| Negotiate and execute LOI | | | | | | | | | | | | | | | |
| Submit PD application to the City | Phase 3 | | | | | | | | | | | | | | |
| Approval from Illinois Community College Board | | | | | | | | | | | | | | | |
| Negotiate and execute PSA with property owners | | | | | | | | | | | | | | | |
| Due Diligence | | | | | | | | | | | | | | | |
| Closing | | | | | | | | | | | | | | | |

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MALCOLM X

CITY COLLEGE OF CHICAGO

Trustee Meeting - 11/19/12

New Malcolm X Campus Project Jobs Program/ Student Internship

| Date | Jobs Program/Student Internship Activities |
|--------------------|---|
| November 8 thru 12 | Met with Dawson Technical Institute staff to explore the opportunity of offering a project management/construction management internship. Interviewed 3 candidates, plan to offer one student to start his internship December 1, 2012. |
| Mid November | Cannon is interviewing three candidates selected by Harold Washington for Architecture internship that can be up to 20 hours a week. |
| March 2013 | Dawson Institute to make a presentation to shortlisted contractors of the type and level of construction related course offered by DTI. RFP will require successful contractor to offer apprenticeship/ internship opportunities to CCC students. |

This is one facet of our Jobs Program which will incorporate the use of CCC students as well as firms and worker from Chicago communities adjacent to and outside the boundaries of Malcolm X College.

Design

Development of Space Allocation

- 2nd Draft Space Allocation and Assumptions issued on – 11/2
- Health Sciences Department questionnaires are in process.
- CFP/Cannon Design/Jacobs analyze program data to identify potential efficiencies –11/8
- CCC/MXC delivered the Health Science Program enrollment projections – 11/9
- CCC/MXC/Cannon Design/Jacobs reviewed the Space Program priorities and requirements. Total revised area is under target of 500,000 gsf – 11/9
- CCC/MXC/Cannon Design/Jacobs continue refining the Space Program and requirements. Total revised area is under target of 500,000 gsf – 11/15

Design

Information Gathering and Concept Development

- College of Dupage Nursing Simulation Lab visited – 11/2
- Simulation Workshop Conducted – 11/2
Feedback collected – 11/9
- Traffic Consultant Engaged: Scheduled completion – 12/21
- Geotechnical Analysis: Pending Foundation Permit Schedule decision to confirm testing scope required
- Preliminary Topographic and Boundary Survey received – 10/31
- Begin Developing Site Usage and Building Concepts – 11/17

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Progress Update on the Olive-Harvey TDL Building

Completed Major Activities

- Oct 30, 2012**
 - City Colleges met with City of Chicago's Department of Housing & Economic Development, Zoning Division to clarify the zoning and PD designation for TDL Center
 - Zoning reviewed; clarified that zoning from main building applies to entire site
 - Errors reflected in the published maps will be corrected and will not hinder the issuance of permits and licenses during the construction phase
- Nov 2, 2012**
 - FGM awarded a professional services contract not to exceed \$25,000 by City Colleges to initiate the planning process
- Nov 9, 2012**
 - FGM and City Colleges' Colleges to Careers, Olive-Harvey faculty, staff and students, as well as Administrative Services held the first Inter-Active Planning Session at O-H
 - Reviewed academic curriculum, student services, and learning environments to support the TDL Center
 - FGM now ready to engage in strategic planning for enrollment projections and programmatic space allocation that transition into the Schematic Design phase
- Nov 14, 2012**
 - City Colleges joined the CDB Contractor Review Committee to short-list candidates for Construction Manager on the TDL project
 - Eight responses were received and reviewed
 - Four highly-qualified short-listed candidates selected for oral presentations

Progress Update on the Olive-Harvey TDL Building

Upcoming Major Milestones

- Nov 20, 2012** • Oral presentations with the four short-listed Construction Manager candidates to the Evaluation Committee in Springfield
- Dec 11, 2012** • Final recommendation on Construction Manager to be submitted to the Capital Development Board
- Dec 15, 2012** • Anticipated signature on Illinois Capital Development Board award for Architect of Record contract

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