

Performance Audit Report

King County Library System Construction Management

Report No. 1001408



May 20, 2009

Report Summary



Washington State Auditor Brian Sonntag, CGFM

www.sao.wa.gov

A message to the citizens of Washington



Brian Sonntag, CGFM
State Auditor

The King County Library System is at the beginning of a \$178 million construction project to remodel existing libraries and add new libraries. The 45 projects are funded by a 2004 capital projects bond for \$172 million. The additional \$6 million is funded by property tax revenue.

Because the Capital Improvement Plan is a new construction project, KCLS has a unique opportunity to use what we learned during the audit to get real results and cost savings in the remaining 75 percent of projects.

We found that KCLS is doing a good job overall with its construction projects. We did find opportunities for improvement and to reduce its risk.

We found that KCLS has incomplete policies and procedures for managing construction projects. We found issues with contracting practices and, in particular, change orders, that resulted in paying excessive markups on projects. Its current change order rate is 17 percent. By following the recommendations, they could reduce it to around 10 percent, which is more in line with industry best practices. The construction project method they chose for the five design-build projects was a good approach for KCLS, but was not legal according to state law.

We contracted with KPMG to conduct the audit fieldwork and present the results, with oversight from our staff.

We commend KCLS for its cooperation and professionalism.

A stylized, handwritten signature in black ink that reads "Brian Sonntag".



Mission Statement

The State Auditor's Office independently serves the citizens of Washington by promoting accountability, fiscal integrity and openness in state and local government. Working with these governments and with citizens, we strive to ensure the efficient and effective use of public resources.

What we audited

Objectives

This performance audit was designed to answer the following questions:

1. Over the most recent three-year period ending June 30, 2008, has the King County Library System been effective, efficient and economical at planning, designing and managing its construction projects and construction contracts in order to:
 - Minimize all costs associated with its construction projects (2004-2015 capital projects that were funded with a 2004 voter-approved bond issue), including but not limited to engineering, land acquisition, environmental review, environmental mitigation, permitting and construction?
 - Minimize unnecessary change orders and delays that result in extra costs?
 - Keep projects on schedule?
 - Minimize risk by identifying, eliminating, minimizing or sharing it with the contractor through good contract terms and contractor management?
 - Obtain the best quality, timeliness, workmanship and other value?
 - Minimize building maintenance and utility costs through cost-effective floor and building designs (decreases in future maintenance and utility costs should exceed the additional construction costs necessary to achieve them)?
2. How effective was KCLS at soliciting, procuring and managing its engineering, consulting and construction management contracts related to KCLS construction projects in order to minimize costs and maximize the value and quality of services provided?
3. How effective has KCLS been at complying with State and KCLS bidding and procurement requirements? In answering this objective, proposers should consider RCW 39.04, 39.10 and RCW 39.80 for any architectural or engineering services.
4. In its 2004 request to taxpayers for capital funding, how effective was the KCLS at communicating true and accurate project cost estimates and scope?
5. If KCLS has not been effective in all of the above performance areas, what are the impacts in terms of past project costs, future utility and building maintenance costs, transparency with citizens, quality and value of services and facilities as well as the distribution of those facilities across the KCLS' service area?

The audit also addressed each of the nine elements outlined in Initiative 900, at right.

Scope

We reviewed construction projects funded by the District's 2004 bond, which encompasses 45 projects worth \$178 million. We selected a sample of the projects based on their stage of completion, size, type of construction and construction method. We reviewed the following construction projects, worth \$43 million: Muckleshoot, Snoqualmie, Covington, Burien, Newcastle and Shoreline. We also reviewed the budget process for the Sammamish, Federal Way 320th, White Center, Covington and Burien projects.

We reviewed data from 2005 through July 31, 2008. We conducted fieldwork from August through December 2008. The audit was conducted in accordance with generally accepted government auditing standards prescribed by the U.S. Government Accountability Office.

The cost for the audit contract and the State Auditor's Office costs as of March 30, 2009 are \$449,055.

Initiative 900, approved by citizens in 2005, gives the State Auditor's Office authority to conduct performance audits of state and local governments. Each performance audit must address the following elements:

1. Identification of cost savings.
2. Identification of services that can be reduced or eliminated.
3. Identification of programs or services that can be transferred to the private sector.
4. Analysis of gaps or overlaps in programs or services and recommendations to correct them.
5. Feasibility of pooling auditee's information technology systems.
6. Analysis of the roles and functions of the auditee and recommendations to change or eliminate roles or functions.
7. Recommendations for statutory or regulatory changes that may be necessary for the auditee to properly carry out its functions.
8. Analysis of the auditee's performance data, performance measures and self-assessment systems.
9. Identification of best practices.

The complete initiative is posted at:
www.sao.wa.gov/PerformanceAudit

What we found

Although performing well for a new construction program, King County Library System needs to better monitor its contracts and contractors. The System should also follow state contracting laws. The Library System is in the early stages of its \$178 million capital construction program, so it has an opportunity to improve its efficiency and follow best practices for construction management and contracting.

We identified cost savings between \$715,000 and \$1,334,000. We identified an additional \$1,175,743 that is susceptible to price increases and contract disputes.

What's next?

Initiative 900 requires the legislative bodies for the government agencies in this report hold at least one public hearing to consider the audit findings and to receive comments from the public within 30 days of this report's issue.

The corresponding legislative body must consider this report in connection with its spending practices. A report must be submitted by the legislative body by July 1 each year detailing the status of the legislative implementation of the State Auditor's recommendations. Justification must be provided for recommendations not implemented. Details of other corrective action must be provided as well.

The state Legislature's Joint Legislative Audit and Review Committee will summarize any statewide issues that require action from the Legislature and will notify the appropriate fiscal and policy committees of public hearing agendas. Initiative 900 provides no penalties for audited entities that do not follow recommendations in performance audit reports.

Follow-up performance audits of any state or local government entity or program may be conducted when determined necessary by the State Auditor.

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Audit results

Issue	Recommendation	Effect of recommendations
Policies and Procedures		
1. KCLS lacks formal and consistent policies and procedures for key construction management processes, limiting its ability to effectively and efficiently manage construction projects' cost, schedule and quality.	1-A. KCLS should develop its own policies and procedures tailored to meet its needs and the expectations of the citizens and Board of Trustees.	Developing policies and procedures suitable for KCLS' needs and capital program will require a significant effort, since the number of people dedicated to construction at KCLS is limited due to the size of its capital program. KCLS should consider outsourcing this effort. Developing its own policies and procedures would provide more clear criteria for self-assessment and performance measurement.
	1-B. KCLS should improve and refine the content of its Purchasing Policies Manual to include construction-related procurement processes and requirements.	
	1-C. KCLS should develop a formal signature policy with criteria for signature authorization and approval on each type of document (payment application, change order, etc).	
2. Some architectural amendments are lacking KCLS approval signatures and architect acceptance signatures. Additionally, architectural amendments do not follow a consistent format and do not always accurately track contract value. As a result, disputes and uncertainties surrounding the scope and value of architectural agreements may arise.	2-A. KCLS should establish a formal and uniform format for its architect amendments that track original contract value and subsequent amendments and indicate a total cost to date. All amendments should have a signature from both KCLS and the architect.	KCLS will need minimal resources to change its signature requirements for amendments and other process changes related to amendments. Amendments that lack signatures from both parties constitute a contractual risk. The total value of amendments that currently lack at least one signature is \$381,743, or 77 percent of the \$495,839 value of all of KCLS' amendments for the projects in the scope of the audit.
	2-B. KCLS should track architect contracts and amendments so it has a complete inventory of the contract value, number and nature of amendments. An example of such a form is in Appendix J.	
	2-C. KCLS should evaluate and document architect and consultant amendments and establish a policy for when independent estimates are required.	
3. KCLS purchase requests were at times authorized by the same individual who also approved the invoice or were approved above the signature limit. As a result KCLS appears to have an internal control deficiency.	3-A. KCLS should clarify and enforce its current signature policy that requires separate signatures on purchase requests and invoices that exceed certain dollar limits to strengthen its internal controls and deter the opportunity for fraud.	KCLS will need minimal resources to revise its current signature policy.
	3-B. KCLS should not allow employees to authorize their own signature limits.	

Issue	Recommendation	Effect of recommendations
4. Contractor payment applications were missing approval signatures or signatures indicating recommendation for approval. As a result, it cannot be determined if an appropriate level of review occurred of the payment applications.	4-A. KCLS should require formal sign-off by its outsourced construction manager and the architect who recommend approval of contractor payment applications. In addition, KCLS should obtain a formal signature and date from the contractor(s) on each payment application. KCLS should not accept electronic or other means of submittal in lieu of a formal signature.	KCLS will need minimal resources to revise its signature requirements for payment applications. KCLS should clarify its approval requirements and implement a consistent approach to invoice review to minimize risk of any unreasonable charges being accepted and paid.
	4-B. KCLS should define the significance of each signature and document this in its contract documents for construction manager and architectural services on future projects.	
Change Orders		
5. Change orders are not consistently tracked by type and as a result, historical evaluation may be more difficult without specific classification and may lead to unnecessary payments and schedule impacts.	5-A. KCLS should classify change orders by type according to accepted criteria, including specifying whether a change is due to an error or omission. This should be done as the changes occur, rather than after they occur.	KCLS will need minimal resources to develop a universal tracking mechanism for change orders.
	5-B. KCLS should consistently define and incorporate an acceptable “standard of care” in its design contracts so any change order resulting from an error and omission is captured for potential cost recovery.	
6. KCLS’ change orders do not consistently incorporate independent estimates, supporting documentation, and appropriate review and approval signatures. Additionally, certain change orders contained errors or overcharges and were based on unsubstantiated contract terms. As a result, KCLS appears to be incurring unnecessary expenses.	6-A. KCLS should establish criteria for when independent cost estimates are required for the pricing of change orders. KCLS should also consider having such estimates prepared by a professional cost estimating firm or cost specialist.	

Issue	Recommendation	Effect of recommendations
<p>KCLS' change orders do not consistently incorporate independent estimates, supporting documentation, and appropriate review and approval signatures. Additionally, certain change orders contained errors or overcharges and were based on unsubstantiated contract terms. As a result, KCLS appears to be incurring unnecessary expenses.</p>	<p>6-B. KCLS should review its criteria for change order markup and attempt to establish a uniform approach to markup percentages and markup categories on future contracts with a documented justification for amounts permitted. Different project circumstances may require different approaches, therefore those circumstances should be formally documented and justified. Criteria for when one approach to markup is preferred over another should be established.</p>	<p>KCLS will need minimal resources to implement these recommendations.</p> <p>We identified the following opportunities for cost savings:</p> <ul style="list-style-type: none"> • By calculating B&O taxes correctly on the remaining Burien design-build contract amount and depending on the amount of future change orders, we estimate savings between \$6,000 and \$13,000. • By calculating markup correctly and per the contract documents, we estimate savings between \$34,000 and \$69,000. • By implementing stricter allowable change order markup percentages and better defining markup versus direct costs, KCLS may have been able to save between \$140,000 and \$360,000. The amount saved on future contracts have not been estimated, however. • By using a construction cost specialist to evaluate change order pricing, KCLS may be able to reduce change orders with an amount between \$535,000 and \$892,000, which reflects a 3 percent to 5 percent reduction. This is a conservative estimate.
	<p>6-C. KCLS should consistently obtain signatures from the architect and the outsourced construction management consultant on change orders indicating review of the change orders for reasonableness, appropriateness and completeness in accordance with the provisions of their respective contracts. Although neither architect nor the outsourced construction management consultant have full approval capacity, their signature should formally indicate recommendation of approval based on their professional opinion.</p>	
	<p>6-D. KCLS should review its executed change orders on design-build contracts as well as any other contract that explicitly prohibits B&O tax to be charged in addition to markup in order to adjust any inadvertent overpayments to the contractor.</p>	
	<p>6-E. KCLS should develop a uniform change calculation form to facilitate an easier submittal and review process of change orders, both on behalf of the contractor as well as the outsourced construction management consultant and KCLS.</p>	
	<p>6-F. KCLS should develop formal change order evaluation policies and procedures. (See Issue 1)</p>	
	<p>6-G The outsourced construction management consultant should not be the custodian of change order negotiation documentation. After a change proposal has been negotiated, KCLS should make sure all pertinent negotiation information is transmitted by the outsourced construction management consultant and included in KCLS' change order filing system.</p>	
	<p>6-H. KCLS should consider using a construction cost specialist to evaluate change orders.</p>	

Issue	Recommendation	Effect of recommendations
Estimating		
7. KCLS does not employ a cost estimating specialist for initial budgeting and continued cost forecasting purposes, which leads to a lower degree of certainty in KCLS' projected expenditures.	7-A. KCLS should include a certified construction cost estimating professional, certified cost engineer, quantity surveyor or similar professional individual during its capital cost forecasting process.	KCLS will need minimal resources to include a certified construction cost estimating professional, certified cost engineer, quantity surveyor or similar professional individual during its capital cost forecasting process.
	7-B. KCLS should formalize its budgeting and cost forecasting process and should regularly and formally document its assumptions and sources of data it uses for cost forecasting purposes.	
Procurement		
8. KCLS procured architectural and consultant services outside the requirements of state law and its own purchasing policy.	8-A. KCLS should advertise pursuant to RCW 39.80 announcing generally to the public its projected requirements for architectural services for the purposes of creating an on-call roster.	KCLS will need minimal resources to change its procurement process of contractors, vendors and consultants.
	8-B. KCLS should clearly document how it established an architectural firm to be "the most qualified" as required by RCW 39.80.	
	8-C. KCLS should consistently use and preserve procurement documentation, including individual score sheets for each member of the selection committee, evaluation ratings and proposals for the selection of architects, vendors and consultants.	
9. KCLS procured projects using alternative contracting methods in violation of Washington State Law.	9-A. On future projects, KCLS should follow the requirements in state law and obtain approval from the state Review Board prior to initiating construction projects using alternative contracting methods.	<p>KCLS will not need additional resources to seek input from the state Review Board for future projects delivered using alternative methods.</p> <p>Although KCLS used alternative contracting methods for two projects prior to July 2007 and, contrary to its authorization under state law, KCLS' approach may still have allowed for cost savings and a faster schedule compared to conventional delivery methods. As a result of the July 2007 change to state law, KCLS will be able to continue implementing alternative contracting strategies as long as the state Review Board approves the projects.</p> <p>Except for the excessive markups on subcontractors described in Issue 6 and the failure to use independent cost estimates for change orders, we believe KCLS may have still benefited from using alternative contracting methods due to increased efficiencies compared to a traditional design-bid-build approach.</p>

Issue	Recommendation	Effect of recommendations
Contracting		
10. KCLS does not formally evaluate contractor, vendor and consultant performance, which may result in project delays and additional costs.	10-A. KCLS should develop and follow formal interim and end-of-project performance evaluations of contractors.	KCLS will require minimal resources to developing a formal process for evaluating contractors, vendors and consultants.
	10-B. KCLS should incorporate formal evaluations into contracts. Future work should be contractually contingent on satisfactory performance according to defined review criteria.	
	10-C. KCLS should consider poor performance noted in formal evaluations as a measure toward contractors' future ability to do work with KCLS, as permissible under state law.	
11. KCLS consultants and architects performed work before a contract or contract amendment was in place and without a letter of understanding. The value of the work was approximately \$794,000. As a result, KCLS is at a higher risk for having disagreements with its contractors about the quality, specifications, or pricing of goods or services.	11-A. KCLS should not allow any consultant or architect work to proceed without a fully executed contract, work order or amendment in place.	We do not believe the recommendations will have any measurable effect on future resource needs. However, changing contracting practices lowers the risk of contract disputes. We identified \$794,000 in potential financial effects related to changing contracting practices.
	11-B. KCLS should fully date and sign contracts, amendments and work orders and avoid contract effective dates predating the actual execution date of the contract, amendment or work order.	
	11-C. If work on a project must proceed before a formal contract or amendment has been executed, a signed, approved contract equivalent should be in place and formal approval to proceed should be obtained. KCLS should establish policies and procedures for this situation, which should only be allowed under extraordinary circumstances and when significant risk is associated with not proceeding. KCLS should also consult legal counsel when choosing this course.	
	11-D. KCLS should plan its contract, work order and amendment negotiations and execution process to avoid starting work before a contract is in place. By formalizing a time frame for this process and formally communicating this to the consultant or architect, KCLS is in a better position to avoid future contract performance discrepancies related to timing of the work.	

Issue	Recommendation	Effect of recommendations
12. KCLS' current application to track contract commitments lacks some features that would allow KCLS to better track and more effectively manage its contract commitments, changes to contracts and costs.	12-A. KCLS should establish a query able to generate complete contract reports from DSL, including information on original contract value and value of subsequent contract changes to original contractual agreements.	We do not believe the recommendations will have measurable impacts on KCLS' future resource needs.
	12-B. KCLS should track contracts in DSL by the same line items presented in the contract or change order. Invoiced costs should be tracked in JDE on a similar basis and may require additional accounting codes to be established.	
	12-C. KCLS should track all amendments and change orders in DSL.	

Initiative 900 elements

Each of the elements in Initiative 900 is considered during the audit. This table shows which issues and/or recommendations contains a reference to each element.

Initiative 900 Elements	Issue
Identification of cost savings	1-8, 10-12
Identification of services that can be reduced or eliminated.	There were no recommendations
Identification of programs or services that can be transferred to the private sector.	1, 6, 7
Analysis of gaps or overlaps in programs or services and recommendations to correct gaps or overlaps.	1-8, 11-12
Feasibility of pooling information technology systems	12
Analysis of the roles and functions of KCLS and recommendations to change or eliminate roles or functions.	1, 3, 4, 6-7
Recommendations for statutory or regulatory changes that may be necessary for KCLS to properly carry out its functions.	There were no recommendations
Analysis of KCLS' performance data, performance measures and self-assessment systems.	1, 5
Identification of best practices	All issues

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GOVERNMENT

Performance Audit of King County Rural Library District Construction Management

Final Report

Prepared for: Washington State Auditor
Brian Sonntag

As of Date: April 30, 2009

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April 30, 2009

Mr. Brian Sonntag
Washington State Auditor
Washington State Auditor's Office
3200 Capitol Boulevard SW
Olympia, WA 98504-0031

Dear Mr. Sonntag:

This report presents the results of our work conducted to address the Performance Audit objectives relative to the King County Rural Library District Construction Management. The King County Rural Library District conducts business as the King County Library System ("KCLS"). We performed the work from August 14, 2008 through December 5, 2008. Our results are as of December 5, 2008.

We conducted this Performance Audit in accordance with generally accepted government auditing standards ("GAGAS"). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our issues and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for our issues and conclusions based on the audit objectives.

Washington State Auditor's Office ("SAO") retained KPMG to conduct a performance audit of KCLS' construction management to address the elements in citizen-approved Initiative I-900 as well as audit specific objectives, including KCLS' effectiveness and efficiency in the areas of construction planning, design & management; construction contract procurement; compliance with public bidding requirements; and budgeting, funding & costing of capital projects.

This Performance Audit did not constitute an audit of financial statements in accordance with *Government Auditing Standards*. KPMG was not engaged to and did not render an opinion on the King County Rural Library District's internal controls over financial reporting or over financial management systems (for purposes of OMB's Circular No. A-127, *Financial Management Systems*, July 23, 1993, as revised). KPMG cautions that projecting the results of our evaluation to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

Very truly yours,

KPMG LLP

List of Acronyms

Acronym	Definition
AACE	American Advancement of Cost Engineering
Account 307	KCLS' bond fund account
ACSE	American Society of Civil Engineers
AGC	Association of General Contractors
AIA	American Institute of Architects
ASPE	American Society of Professional Estimators
B&O	Business and Occupational (taxes)
CCD	Construction Change Directive
CIP	Capital Improvement Plan
COSO	Committee of Sponsoring Organizations
CO Change	Order
CP Change	Proposal
CPARB	State of Washington Capital Projects Advisory Review Board
DSL	Dynamics SL (KCLS' enterprise resource planning application software)
FAR Federal	Acquisition Regulations
FMS	KCLS' Facilities Management Services Department
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office
GCCM	General Contractor/Construction Manager
GMP	Guaranteed Maximum Price
HVAC Heating-Ventilation-Air	Conditioning
ICEC	International Cost Engineering Council
IT Infrastructure	Technology
ITS	Information Technology Services
JDE	J.D. Edwards (KCLS' accounting system)
KCLS	King County Library System (aka. King County Rural Library District)
PMI	Project Management Institute
PRC	Project Review Committee
Proposition 1	Voter approved \$172 million KCLS Capital Bond Measure from September 2004
RCW	Revised Code of Washington
RFQ	Request for Qualifications
RFP	Request for Proposal
SAO	Washington State Auditor's Office
WCD	Work Change Directive

An open book with many pages is shown in the background, slightly out of focus. The pages are white and the book is bound in the center. The book is resting on a dark blue surface.

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Appendices

Appendix A. Cross Reference of Report Issues to I-900 Elements

Appendix B. KCLS Board Approved CIP

Appendix C. KCLS CIP Projected Total Cost Estimate

Appendix D. KCLS Organizational Chart

Appendix E. Project Details

- Burien
- Covington
- Federal Way 320th
- Muckleshoot
- Snoqualmie
- Newcastle
- Shoreline
- Sammamish
- White Center

Appendix F. KCLS Key Processes Flow Charts

Appendix G. Check List for Signature Authorization (example)

Appendix H. Outline of Policies and Procedures (example)

Appendix I. Change Order Submittal Form (example)

Appendix J. Tracking Form for Architect Agreement and Amendments (example)

Appendix K. Construction Terms & Definitions

Appendix L. Management Response Cover Letter



Background

King County Rural Library District, doing business as King County Library System (“KCLS”), is one of the busiest library systems in the nation. Its circulation exceeded 20 million in 2008. It has a collection of more than 4 million books, periodicals, newspapers, audio, videotapes, films, CDs and DVDs. It also has extensive online resources, such as informational and educational resources, downloadable audio and e-books and videos, and tools such as electronic accounts, holds and renewals. KCLS operates 44 libraries, a traveling library center, a mobile TechLab, and the ABC Express children’s library vehicles.

KCLS’ mission is to provide free, open and equal access to ideas and information to all members of the community. KCLS’ goals are to:

- Provide collections and services to meet community needs and interests.
- Promote the King County Library System and the awareness and use of library resources, services and programs.
- Develop and maintain working relationships with other libraries and with cultural, educational, social and informational agencies.
- Attract and develop a high-quality staff with special skills, knowledge and abilities to help library users. Create an environment that motivates staff to achieve high levels of performance and productivity.
- Exercise prudence in the utilization of human, financial and physical resources.
- Use appropriate technologies to maintain and improve library operations and services.
- Provide and maintain appropriate facilities.

In 1942, King County voters established the King County Rural Library District to provide library services to residents in rural areas with no easy access to libraries in nearby cities such as Seattle and Renton, which have their own library systems. Property taxes from unincorporated areas fund KCLS. Cities and towns without libraries also contract with KCLS to provide library services. Voters approved funding measures for KCLS in 1977, 1980, 1988, 2002 and 2004.

For fiscal year 2008, KCLS’ budgeted expenditures were \$93.6 million.

2004 KCLS Capital Bond Measure Compared to Today's Anticipated Project Costs

KCLS' use increased 40 percent from 1994 to 2004, while library facilities were aging and maintenance costs were escalating. In 2004, King County voters approved a \$172 million capital bond measure, authorizing KCLS to incur indebtedness to finance capital improvements. The 2004 bond replaced funding previously provided by capital improvement bonds that voters approved 1988.

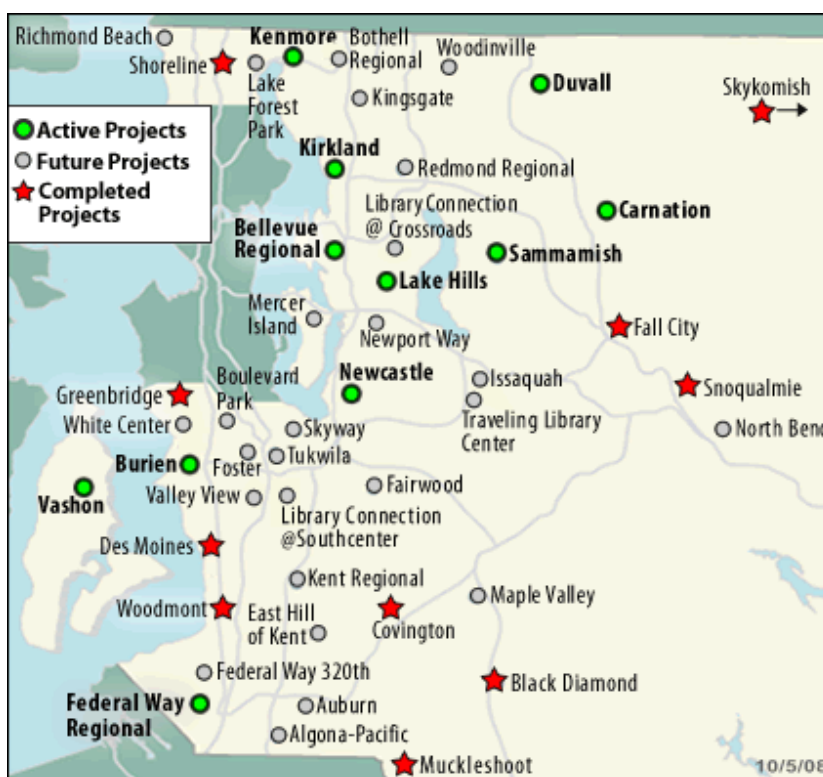
The 2004 bond measure that voters approved pays for KCLS' Capital Improvement Plan (see Appendix B for the full plan). KCLS developed the plan through community outreach, involvement and discussion before the 2004 election. The plan addresses all 43 libraries to meet community needs during the next decade. Under the plan, KCLS will acquire, construct, equip and furnish new library facilities; renovate, expand and upgrade existing library facilities; acquire new books, materials and equipment; and undertake other capital improvements throughout the system.

The KCLS Board of Trustees approved the plan in May 2008 with project costs totaling \$178.5 million. The bond measure allows KCLS to supplement the \$172 million with additional funds. KCLS is using part of its General Fund to pay for ongoing maintenance and renovations. KCLS is using proceeds from property taxes to supplement the \$172 million bond funds.

KCLS will incur much of the project costs over 10 years, through 2015. A standard industry inflation measure indicates construction costs will increase from 5 percent to 11 percent per year (Turner Construction index). KCLS estimates it will cost \$217.4 million to complete all of its projects, including inflation, that figure is an expression in *future dollars*, which is an estimate of the costs at the time they will be paid. **Appendix C** contains KCLS' estimated total cost estimates, expressed in future dollars.

KCLS' Ongoing and Planned Projects

After voters approved the 2004 bond measure, KCLS continued its initial planning efforts by refining design, needs, budgets and initiating construction. By November 2008, KCLS had completed 10 projects, but not all projects were closed. Another 11 projects were active, in various stages of planning and design. **Figure 1** below illustrates these projects.



At the start of the audit in August 2008, KCLS had spent **\$37.7 million** on its active and completed projects, including construction costs, owner's costs, land costs, off-site mitigation, furniture, equipment and library materials. We reviewed a sample of those expenditures for unnecessary costs and potential cost savings.

KCLS' Organizational Structure

A five-member Board of Trustees governs KCLS. Trustees serve five-year terms and cannot serve more than two consecutive terms. The King County Executive nominates candidates and the County Council confirms their appointment. Although they are not required to do so, KCLS and the County seek representatives within the KCLS service area. Interested citizens may submit their names for consideration through KCLS, the County Council member representing their district or the County Executive.

The Trustees set policy, guided by KCLS' mission and vision statements. The Board holds an open public annual planning retreat to discuss long-range budget, facilities, staffing and other issues and also holds quarterly Public Forums to hear and respond to feedback from the public. The Trustees also hire and hold accountable the KCLS Director. The current Director joined KCLS in 1989.

The Director oversees 11 departments, four of which are directly involved in managing the 2004 KCLS bond funds and/or are responsible for delivering capital projects for KCLS. Those departments are:

- The Finance Department includes accounting, budgeting, payroll, purchasing, accounts payable, accounts receivable, financial services and financial analysis. It leads budgeting, cost-tracking and forecasting efforts for the capital program.
- The Community Relations & Marketing Department includes graphics and printing, media relations, public information, marketing, advertising, internal communication, branding, Friends of the Library, local boards and community liaisons. It plays a key role in providing information to the public, including involving citizens in the capital project planning and design process, and providing public records and open meetings related to the capital program.
- The Facilities Management Services Department includes maintenance and repairs, architecture/interiors, fire prevention and detection, custodial, heating-ventilation-air conditioning, furniture and shelving, shipping, warehousing, and construction management. Although the department has many responsibilities outside construction management, the Department Director provides oversight in the construction management process. Additionally, maintenance staff provides input during the design process.
- The Facilities Development Department oversees property acquisition and construction management to facilitate the objectives of the capital plan.

Since the KCLS capital program is relatively modest in size and is projected to last 10 years, KCLS competitively selected a contracted construction management consultant (hereafter referred to as the construction manager) to provide day-to-day project management and construction management. The construction manager's duties encompass program management, project management, design management, bidding assistance, construction management and inspection services. The construction manager has three contracted individuals dedicated to managing the construction of KCLS.

Appendix D includes KCLS' organizational chart.



Objective, Scope, and Methodology

The Washington State Auditor's Office retained KPMG to conduct a performance audit of the KCLS' construction management.

Objectives

In November 2005, Washington voters approved Initiative I-900, giving the State Auditor the authority to conduct independent performance audits of government agencies on behalf of citizens. Each performance audit is required to assess the economy, efficiency and effectiveness of the audited entity or program. The objective of this performance audit encompasses the nine required elements of citizen-approved Initiative I-900:

- Identification of cost savings.
- Identification of services that can be reduced or eliminated.
- Identification of programs or services that can be transferred to the private sector.
- Analysis of gaps or overlaps in programs or services and recommendations to correct them.
- Feasibility of pooling the entity's information technology systems.
- Analysis of the roles and functions of the entity and recommendations to change or eliminate roles or functions.
- Recommendations for statutory or regulatory changes that may be necessary for the entity to properly carry out its functions.
- Analysis of the entity's performance data, performance measures and self-assessment systems.
- Identification of best practices.

Additionally, the State Auditor's Office identified specific objectives of this performance audit to address the following questions:

1. Over the most recent three-year period ending June 30, 2008, has KCLS been effective, efficient and economical at planning, designing and managing its construction projects and construction contracts in order to:
 - Minimize all costs associated with its construction projects (2004-2015 capital projects that were funded with a 2004 voter-approved bond issue), including but not limited to engineering, land acquisition, environmental review, environmental mitigation, permitting and construction?

- Minimize unnecessary change orders and delays that result in extra costs?
 - Keep projects on schedule?
 - Minimize risk by identifying, eliminating, minimizing or sharing it with the contractor through good contract terms and contractor management?
 - Obtain the best quality, timeliness, workmanship and other value?
 - Minimize building maintenance and utility costs through cost-effective floor and building designs (decreases in future maintenance and utility costs should exceed the additional construction costs necessary to achieve them)?
2. How effective was KCLS at soliciting, procuring and managing its engineering, consulting and construction management contracts related to KCLS construction projects in order to minimize costs and maximize the value and quality of services provided?
 3. How effective has KCLS been at complying with State and KCLS bidding and procurement requirements? In answering this objective, proposers should consider RCW 39.04, 39.10 and RCW 39.80 for any architectural or engineering services.
 4. In its 2004 request to taxpayers for capital funding, how effective was the KCLS at communicating true and accurate project cost estimates and scope?
 5. For all Performance Audit objectives:

If KCLS has not been effective in all of the above performance areas, what are the impacts in terms of past project costs, future utility and building maintenance costs, transparency with citizens, quality and value of services and facilities as well as the distribution of those facilities across the KCLS' service area?

Scope and Methodology

This performance audit encompasses the construction management function of KCLS and does not include KCLS' business operations, library administration or management of any projects outside KCLS' capital improvement plan. In addition, KPMG's work under this engagement did not include providing technical opinions related to engineering, design, facility operations and maintenance.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS) from the Government Accountability Office. As such, we followed the requirements of GAGAS and the State Auditor's Office with respect to our methodology, which included the following elements:

- Conducting an **Audit Survey** and identifying areas of risk.
- Designing an **Audit Plan**, based on our issues and risks identified in our audit survey phase.
- Conducting fieldwork with **Detail Testing and Field Work** to further assess the risks and carry out our Audit Plan.
- Preparing a **Report** for the State Auditor's Office on the results of the performance audit.

Our **Audit Survey** was designed to conduct a preliminary assessment of KCLS performance in the areas identified in the objectives of this audit, including the elements of Initiative I-900. As part of our approach in the Audit Survey phase, we used KPMG's proprietary risk-based methodology to identify areas of weaknesses and potential shortcomings in its internal controls. We reviewed KCLS internal policies and procedures and created flow charts of key processes for which sufficient documentation was not available. We conducted interviews with KCLS personnel, contractors and consultants involved with the KCLS construction management function, capital planning, procurement, design, budgeting, finance and accounting, public relations and community outreach, infrastructure technology ("IT"), among others. We reviewed relevant source documentation to gain an understanding of the key functions of KCLS as they relate to the objectives of this audit and corroborated key interview statements with preliminary test work of the documents. Additionally, KPMG considered fraud as required by GAGAS and, as they relate to the scope of this audit, citizen concerns brought to the State Auditor's Office were addressed. The information gathered during our Audit Survey phase allowed the audit team to focus on areas of the KCLS construction management function where the greatest audit risk for potential inefficient and ineffective performance was identified. As a result, we produced a *Risk Matrix*. Not all audit objectives resulted in a potential risk, based on the results of our Audit Survey.

The results of our Audit Survey served as our platform for designing our detail **Audit Plan** in order to address the risks identified in the *Risk Matrix*. Our Audit Plan contained steps for detailed testing to address the risks identified and to obtain evidence in support of our issues associated with the areas of risks, if any. Evidence was obtained through observation, inquiry and inspection. Certain audit objectives were satisfied during the Audit Survey portion of our work and as a result, no corresponding risks were identified and it was not necessary to conduct further testing during the fieldwork phase.

Based on our Audit Plan, we conducted **Detailed Testing and Field Work**. Any issues resulting from this portion of our work are presented in this Audit Report as **Issues**. Not all risks identified in our Audit Survey for which detailed testing and field work was conducted resulted in an issue. Based on our work we narrowed our focus to the following areas:

- Policies and Procedures (Issue 1,2,3,4)
- Change Orders (Issue 5,6)
- Estimating (Issue 7)
- Procurement (Issue 8,9)
- Contracting (Issue 10,11,12)

During our audit, we became aware of citizen concerns reported to the State Auditor's Office regarding KCLS. One of the concerns pertained directly to the scope and objectives of this audit and was brought forward at the end of our fieldwork. We assessed the concern and incorporated steps to address this concern into our test work.

Projects Reviewed

We did not review 100 percent of KCLS' construction projects. Instead, we tested projects and corresponding project documentation on a sample basis. Based on the KCLS 2004 Bond Issue Capital Plan the Trustees approved in May 2008, there are 45 projects with a value of \$178 million. We sampled projects based on their stage of completion (planning stage, design, in construction or complete), contracting methodology (design-bid-build, design-build, etc.), type of construction (new/replacement, expansion, renovation) and size (dollar value, square footage). We also considered other unique circumstances, such as pending claims, project manager responsibilities and amount of scope changes.

We judgmentally selected projects and included the construction (or improvements made) of the Muckleshoot, Snoqualmie, Covington, Burien, Newcastle and Shoreline facilities with a total dollar value of \$43 million. For the budgeting process, it was important to select projects that had not yet started to gain an understanding of assumptions made by KCLS in regards to future costs, revenue streams and inflationary considerations. The projects sampled for budgeting purposes include the Sammamish, Federal Way 320th, White Center, Covington and Burien facilities.

The details of each sampled project are in **Appendix E**.

Evaluation Criteria

According to Chapter 7.28 of GAGAS:

“Criteria are the standards, measures, expectations of what should exist, best practices, and benchmarks against which performance is compared or evaluated. Criteria provide a context for understanding the results of the audit.”

For the purposes of this audit, we used the following criteria:

- Construction industry standards and practices published by organizations such as: Project Management Institute (“PMI”), American Advancement of Cost Engineering (“AACE”), American Institute of Architects (“AIA”), American Society of Civil Engineers (“ACSE”), the American Society of Professional Estimators (“ASPE”), Association of General Contractors (“AGC”) and International Cost Engineering Council (“ICEC”)
- Governing laws and regulations, including Revised Code of Washington (“RCW”)
- Guidance provided by the Washington Capital Projects Advisory Review Board (“CPARB”)
- Federal Acquisition Regulations (“FAR”)
- Washington State Facility Construction General Conditions
- Existing KCLS policies and procedures
- KCLS Board Resolutions
- KCLS contract requirements
- The construction management consultant processes, policies and procedures adopted on the projects
- Practices promulgated by Committee of Sponsoring Organizations (“COSO”)
- Better construction management practices, based on KPMG’s experience with programs of similar size and complexity as well as published practices of other Washington entities and entities with construction of similar type and complexity such as, Washington Department of Transportation, Sound Transit, University of Washington, and California State University.

Time Frame

The audit scope was the most recent three-year period ending June 30, 2008. However, due to the limited project costs incurred during this timeframe and due to changes in construction accounting practices in July 2008, we reviewed pertinent aspects of KCLS’ construction management practices through July 31, 2008.

We conducted audit fieldwork from August 2008 through December 2008.

Summary of Results

We identified cost savings between \$715,000 and \$1,334,000 related to improving change order review and documentation processes. We identified an additional \$1,175,743 of cost exposure. Cost exposure related to inconsistent architectural amendment processing and commencing project work before a fully executed agreement is in place. We anticipate that our recommendations summarized below will benefit future projects that will be undertaken by KCLS.

Issue	Recommendations
<p>Policies and Procedures</p> <p>1. KCLS lacks formal and consistent policies and procedures for key construction management processes, limiting its ability to effectively and efficiently manage construction projects' cost, schedule and quality.</p>	<p>1-A. KCLS should develop its own policies and procedures tailored to meet its needs and the expectations of the citizens and Board of Trustees.</p> <p>1-B. KCLS should improve and refine the content of its Purchasing Policies Manual to include construction-related procurement processes and requirements.</p> <p>1-C. KCLS should develop a formal signature policy with criteria for signature authorization and approval on each type of document (payment application, change order, etc).</p>
<p>Policies and Procedures</p> <p>2. Some architectural amendments are lacking KCLS approval signatures and architect acceptance signatures. Additionally, architectural amendments do not follow a consistent format and do not always accurately track contract value. As a result, disputes and uncertainties surrounding the scope and value of architectural agreements may arise.</p>	<p>2-A. KCLS should establish a formal and uniform format for its architect amendments that track original contract value and subsequent amendments and indicate a total cost to date. All amendments should have a signature from both KCLS and the architect.</p> <p>2-B. KCLS should track architect contracts and amendments so it has a complete inventory of the contract value, number and nature of amendments. An example of such a form is in Appendix J.</p> <p>2-C. KCLS should evaluate and document architect and consultant amendments and establish a policy for when independent estimates are required.</p> <p>Measurable cost exposure is calculated to \$381,743. If these recommendations are not implemented, future exposure of cost may exist.</p>
<p>Policies and Procedures</p> <p>3. KCLS purchase requests were at times authorized by the same individual who also approved the invoice or were approved above the signature limit. As a result KCLS appears to have an internal control deficiency.</p>	<p>3-A. KCLS should clarify and enforce its current signature policy that requires separate signatures on purchase requests and invoices that exceed certain dollar limits to strengthen its internal controls and deter the opportunity for fraud.</p> <p>3-B. KCLS should not allow employees to authorize their own signature limits.</p>

Issue	Recommendations
<p>Policies and Procedures</p> <p>4. Contractor payment applications were missing approval signatures or signatures indicating recommendation for approval. As a result, it cannot be determined if an appropriate level of review occurred of the payment applications.</p>	<p>4-A. KCLS should require formal sign-off by its outsourced construction manager and the architect who recommend approval of contractor payment applications. In addition, KCLS should obtain a formal signature and date from the contractor(s) on each payment application. KCLS should not accept electronic or other means of submittal in lieu of a formal signature.</p> <p>4-B. KCLS should define the significance of each signature and document this in its contract documents for construction manager and architectural services on future projects.</p>
<p>Change Orders</p> <p>5. Change orders are not consistently tracked by type and as a result, historical evaluation may be more difficult without specific classification and may lead to unnecessary payments and schedule impacts.</p>	<p>5-A. KCLS should classify change orders by type according to accepted criteria, including specifying whether a change is due to an error or omission. This should be done as the changes occur, rather than after they occur.</p> <p>5-B. KCLS should consistently define and incorporate an acceptable "standard of care" in its design contracts so any change order resulting from an error and omission is captured for potential cost recovery.</p>
<p>Change Orders</p> <p>6. KCLS' change orders do not consistently incorporate independent estimates, supporting documentation, and appropriate review and approval signatures. Additionally, certain change orders contained errors or overcharges and were based on unsubstantiated contract terms. As a result, KCLS appears to be incurring unnecessary expenses.</p>	<p>6-A. KCLS should establish criteria for when independent cost estimates are required for the pricing of change orders. KCLS should also consider having such estimates prepared by a professional cost estimating firm or cost specialist.</p> <p>6-B. KCLS should review its criteria for change order markup and attempt to establish a uniform approach to markup percentages and markup categories on future contracts with a documented justification for amounts permitted. Different project circumstances may require different approaches, therefore those circumstances should be formally documented and justified. Criteria for when one approach to markup is preferred over another should be established.</p> <p>6-C. KCLS should consistently obtain signatures from the architect and the outsourced construction management consultant on change orders indicating review of the change orders for reasonableness, appropriateness and completeness in accordance with the provisions of their respective contracts. Although neither architect nor the outsourced construction management consultant have full approval capacity, their signature should formally indicate recommendation of approval based on their professional opinion.</p>

Issue	Recommendations
	<p>6-D. KCLS should review its executed change orders on design-build contracts as well as any other contract that explicitly prohibits B&O tax to be charged in addition to markup in order to adjust any inadvertent overpayments to the contractor.</p> <p>6-E. KCLS should develop a uniform change calculation form to facilitate an easier submittal and review process of change orders, both on behalf of the contractor as well as the outsourced construction management consultant and KCLS.</p> <p>6-F. KCLS should develop formal change order evaluation policies and procedures. (See Issue 1)</p> <p>6-G. The outsourced construction management consultant should not be the custodian of change order negotiation documentation. After a change proposal has been negotiated, KCLS should make sure all pertinent negotiation information is transmitted by the outsourced construction management consultant and included in KCLS' change order filing system.</p> <p>6-H. KCLS should consider using a construction cost specialist to evaluate change orders.</p> <p>Measurable potential cost savings are estimated to between \$715,000 and \$1,334,000.</p>
<p>Estimating</p> <p>7. KCLS does not employ a cost estimating specialist for initial budgeting and continued cost forecasting purposes, which leads to a lower degree of certainty in KCLS' projected expenditures.</p>	<p>7-A. KCLS should include a certified construction cost estimating professional, certified cost engineer, quantity surveyor or similar professional individual during its capital cost forecasting process.</p> <p>7-B. KCLS should formalize its budgeting and cost forecasting process and should regularly and formally document its assumptions and sources of data it uses for cost forecasting purposes.</p>

Issue	Recommendations
<p>Procurement</p> <p>8. KCLS procured architectural and consultant services outside the requirements of state law and its own purchasing policy.</p>	<p>8-A. KCLS should advertise pursuant to RCW 39.80 announcing generally to the public its projected requirements for architectural services for the purposes of creating an on-call roster.</p> <p>8-B. KCLS should clearly document how it established an architectural firm to be “the most qualified” as required by RCW 39.80.</p> <p>8-C. KCLS should consistently use and preserve procurement documentation, including individual score sheets for each member of the selection committee, evaluation ratings and proposals for the selection of architects, vendors and consultants.</p>
<p>Procurement</p> <p>9. KCLS procured projects using alternative contracting methods without authorization under Washington State Law.</p>	<p>9-A. On future projects, KCLS should follow the requirements in state law and obtain approval from the state Review Board prior to initiating construction projects using alternative contracting methods.</p>
<p>Contracting</p> <p>10. KCLS does not formally evaluate contractor, vendor and consultant performance, which may result in project delays and additional costs.</p>	<p>10-A. KCLS should develop and follow formal interim and end-of-project performance evaluations of contractors.</p> <p>10-B. KCLS should incorporate formal evaluations into contracts. Future work should be contractually contingent on satisfactory performance according to defined review criteria.</p> <p>10-C. KCLS should consider poor performance noted in formal evaluations as a measure toward contractors’ future ability to do work with KCLS, as permissible under state law.</p>
<p>Contracting</p> <p>11. KCLS consultants and architects performed work before a contract or contract amendment was in place and without a letter of understanding. The value of the work was approximately \$794,000. As a result, KCLS is at a higher risk for having disagreements with its contractors about the quality, specifications, or pricing of goods or services.</p>	<p>11-A. KCLS should not allow any consultant or architect work to proceed without a fully executed contract, work order or amendment in place.</p> <p>11-B. KCLS should fully date and sign contracts, amendments and work orders and avoid contract effective dates predating the actual execution date of the contract, amendment or work order.</p> <p>11-C. If work on a project must proceed before a formal contract or amendment has been executed, a signed, approved contract equivalent should be in place and formal approval to proceed should be obtained. KCLS should establish policies and procedures for this situation, which should only be allowed under extraordinary circumstances and when significant risk is associated with not proceeding. KCLS should also consult legal counsel when choosing this course.</p>

Issue	Recommendations
	<p>11-D. KCLS should plan its contract, work order and amendment negotiations and execution process to avoid starting work before a contract is in place. By formalizing a time frame for this process and formally communicating this to the consultant or architect, KCLS is in a better position to avoid future contract performance discrepancies related to timing of the work.</p> <p>Measurable cost exposure is calculated to \$794,000. If these recommendations are not implemented, future exposure of cost may exist.</p>
<p>Contracting</p> <p>12. KCLS' current application to track contract commitments lacks some features that would allow KCLS to better track and more effectively manage its contract commitments, changes to contracts and costs.</p>	<p>12-A. KCLS should establish a query able to generate complete contract reports from DSL, including information on original contract value and value of subsequent contract changes to original contractual agreements.</p> <p>12-B. KCLS should track contracts in DSL by the same line items presented in the contract or change order. Invoiced costs should be tracked in JDE on a similar basis and may require additional accounting codes to be established.</p> <p>12-C. KCLS should track all amendments and change orders in DSL.</p>
Total Cost Savings	Range between \$715,000 and \$1,334,000
Total Cost Exposure	\$1,175,743

Appendix A is a cross-reference of the identified issues to the elements we are required to address in accordance with Initiative 900.



Results, Issues and Recommendations

Policies and Procedures

1. KCLS lacks formal and consistent policies and procedures for key construction management processes, limiting its ability to effectively and efficiently manage construction projects' cost, schedule and quality.

Organizations use policies and procedures to describe the process requirements necessary to fulfill the goals of the program. The goals for a capital program may include:

1. Establish leading business practices to effectively and efficiently manage capital projects within the organization.
2. Streamline the capital project management process by delegating authority to the appropriate level and empowering project management personnel.
3. Implement best business practice policies and procedures to which project management personnel are held accountable.
4. Ensure that adequate controls over project cost, schedule, and quality are in place during the management of capital projects.
5. Make certain that adequate process and documentation standards are in place to ensure that public funds are expended prudently and are properly substantiated.

Policies and procedures provide project personnel with the necessary guidelines, rules and controls for planning and executing a capital program and individual construction projects. As staff transition in and out of the organization, policies and procedures are a cornerstone for staff to draw from. If policies and procedures are not documented, adhered to, clearly communicated, and audited or reviewed for compliance, there can be no consistency or little expectation for efficient and effective delivery of construction projects.

In 1992, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) developed a model for evaluating internal controls. This model is the generally accepted framework for internal control and is widely recognized as the definitive standard against which organizations measure the effectiveness of their internal control systems. Financial reporting and compliance are two areas that

COSO addresses. COSO also lists a third area where internal controls play a vital organizational role – effectiveness (reaching objectives) and efficiency (required resources) of operations. Policies and procedures are an integral component recognized by COSO to direct key organizational activities.

We requested any policies and procedures related to KCLS' capital program and specifically related to the following key processes and program areas:

- Capital planning and needs assessment
- Project identification and prioritization
- Project budgeting and cost estimating (all stages, from capital planning through construction)
- Scheduling (all stages, from capital planning through construction)
- Contracting and procurement
- Design and engineering
- Land acquisition
- Environmental Review
- Permitting
- Change order management
- Risk management and mitigation
- Quality assurance and inspection
- Performance management and reporting

KCLS provided the following formal policies and procedures related to construction management:

1. **Purchasing Policy:** KCLS has a formal purchasing policy based on public contract requirements outlined in state law with modifications approved by its Board of Trustees. The KCLS Purchasing Policies Manual was originally approved December 15, 2004 and revised on March 25, 2008. The policy is divided into three sections – overall policies, category-specific policies and the expense-reimbursement policy.
 - Overall policies address informal bidding requirements when the dollar value is less than \$35,000, formal bidding requirements when the dollar value is more than \$35,000 (invitation to bid and request for proposal), exemptions to competitive pricing and formal bid process (justification of waiver form) and contract signature authority.
 - Category-specific policies include public works, maintenance services (routine scheduled maintenance, on-call services), collection development, artwork, travel and surplus property.

- Expense-reimbursement policy's effective date is January 20, 2004. KCLS' Purchasing Policies applies to any construction-related contracting and procurement. We did find limitations in the Purchasing Policy, which are noted below.
- 2. **Site-Selection Policy:** KCLS' Board of Trustees approved a Site-Selection Policy on November 25, 2003 to address the process for selecting a site for a new or expanded library. The policy includes three fundamental factors: (1) recognizing that KCLS is a regional service provider and the location of the KCLS libraries must provide for optimal service to the most number of residents within the entire system service area; (2) the Board of Trustees is committed to providing an equitable level of service throughout the entire District; and (3) the placement of the library in a manner that maximizes its use will be more valuable over the long term than the original investment made in land or building. The policy outlines a screening process for determining "the best" or "most suitable" site for a library. That screening process has three groups of criteria to guide the selection of the library site, ranked on a scale of low (1) to high (3). Phase I includes visibility, site capacity and access. Phase II includes centrality, site infrastructure and cost and availability. Phase III includes community preference, lease versus purchase and partnerships. KCLS' Site Selection Policy appears consistent with policies and procedures of organizations similar in size and complexity to KCLS.
- 3. **Art-Purchasing Policy:** The KCLS Art-Purchasing Policy stipulates that purchased or commissioned artwork must be selected through a formal review process by the Art Oversight Committee. The policy covers artist selection panels, artist and artwork selection, accessioning artwork and removal of artwork, among other things. Based on our review, KCLS' Art Purchasing Policy appears consistent with policies and procedures of organizations similar in size and complexity to KCLS.
- 4. **KCLS Capital Plan Signature Authority:** The document provides a summary of KCLS policies and procedures for signature authority related to capital plan projects. The specific elements of the authority are outlined in the Board approved KCLS Purchasing Policy document and in KCLS Board resolutions. We did note limitations in the Signature Authority, noted below.

We evaluated KCLS' existing policies and procedures against leading practices and established criteria such as policies and procedures typically in place at other government entities, including WSDOT and Sound Transit. We also referred to our experience with programs of similar size and complexity as KCLS. Additionally, we evaluated KCLS' internal compliance with its existing policies and procedures related to the construction management of KCLS' capital program.

In addition to documented KCLS policies and procedures, we interviewed employees of KCLS and KCLS' consultants to determine and create a series of flow charts documenting the actual processes in place over some of the key construction management areas including:

- Monthly Capital Plan Review Process (captures budgets, costs and projections for ongoing projects)
- Payment Application Review and Approval Process
- General Procurement Process
- Change Order Review and Approval Process

Appendix F contains the flow charts we developed in conjunction with KCLS and verified by appropriate KCLS personnel. We used these processes to test actual practices of a sample of projects.

Limitations in Existing Policies and Procedures

We compared KCLS' existing policies and procedures to (a) industry practices and (b) policies and procedures of other organizations with capital programs of similar size and complexity in order to assess the strength of KCLS' existing policies and procedures. Since KCLS provided a limited set of four formal policies and procedures, we evaluated those. Based on our review and comparison of KCLS' four provided existing policies and procedures we noted the following:

1. KCLS' Purchasing Policies Manual contains areas related to construction management that can be improved. We noted:
 - A lack of detailed policies and procedures on the contractor and consultant bid and proposal documentation preparation.
 - A lack of detailed policies and procedures on the contractor and consultant bid and proposal evaluation, interview process and selection.
 - A lack of policies and procedures describing the contracting process for contractors and consultants after they are selected.
 - A lack of requirement for members of a contractor or consultant selection panel to sign a *Conflict of Interest Disclosure Form*.

There are many public agencies with well developed policies and procedures in these and other areas, which we encourage KCLS to study.

2. KCLS' Signature Authority can be clarified and better defined. We noted:
 - The KCLS Signature Authority does not list specific items that must be reviewed for each document by the individual who is signing the document. The policy should distinguish "Approval" versus "Recommendation for Approval." To avoid rubber stamping, there should be clear steps required

for authorization and signature. An example of such a signee checklist is included in **Appendix G**.

Gap Analysis of KCLS' Policies and Procedures

We compared KCLS' policies and procedures to other capital programs of similar size and complexity. We identified areas in which KCLS is lacking formal policies and procedures:

- Capital planning and needs assessment.
- Project budgeting and cost estimating.
- Performance management and reporting.
- Risk management and risk mitigation.
- Quality assurance and inspection.
- Scheduling.
- Change orders and change management.

Although KCLS does not continuously manage a large capital program worth billions of dollars, it should formalize and standardize key processes such as budgeting, cost management, change management, risk management, approval and processing of application for payments, and quality assurance.

Appendix H includes an example outline of a typical capital program's policies and procedures. KCLS should develop its own policies and procedures tailored to meet its needs and the expectations of the Board of Trustees. The policies and procedures should address the entire capital project execution process, from initial planning through project closeout and facility management.

Limitations in Processes for which Formal Policies and Procedures do not Exist

We found limitations in KCLS' policies and procedures and inconsistencies in processes among projects. We found inconsistencies in the review and approval practices of:

- Change orders (further detailed in Issues 2 and 3).
- Architect contracts and amendments (further detailed in Issue 4).
- Purchase Requests (further detailed in Issue 5).
- Contractor payment applications (further detailed in Issue 6).

KCLS stated the format may differ from project to project, but the processes are the same.

1-A. Recommendation: KCLS should develop its own policies and procedures tailored to meet its needs and the expectations of the citizens and Board of Trustees.

1-B. Recommendation: KCLS should improve and refine the content of its Purchasing Policies Manual to include construction-related procurement processes and requirements.

1-C. Recommendation: KCLS should develop a formal signature policy with criteria for signature authorization and approval on each type of document (payment application, change order, etc).

Impact of Recommendations on Future Costs and Resource Needs

Developing policies and procedures suitable for KCLS' needs and capital program will require a significant effort, since the number of people dedicated to construction at KCLS is limited due to the size of its capital program. KCLS should consider outsourcing this effort. Developing its own policies and procedures would provide more clear criteria for self-assessment and performance measurement.

We cannot quantify the amount of savings, cost avoidance, increased efficiency and effectiveness, improved quality and reduced schedule KCLS will realize in the future by developing formal policies and procedures. However, we believe the potential for significant cost savings exists.

Management Response: Issue # 1 – Policies & Procedures

KCLS does not have a formal manual or complete set of policies and procedure for key construction management processes due to the intermittent nature of KCLS construction activities and the potential cost of developing and maintaining such a document. However, we recognize that there is always opportunity for improvement, and we will carefully review all existing policies and procedures for construction management.

Through our experience and research of construction management practices of comparable size libraries, KCLS believes that the construction management processes in place have been appropriate in the past given the intermittent nature, complexity and size of our construction projects. Large scale construction programs are performed at KCLS only on an intermittent basis. Prior to the 2004 bond issue, our previous large scale capital program was initiated in 1988. As a result, to avoid the significant cost of developing and maintaining a formal manual, construction management related policies and procedures have been developed and utilized informally in the past. Indications from professional organizations experienced in developing policies and procedures comparable to those suggested in the audit results suggest that the cost to prepare a full formal policies and procedures manual could be as much as \$300,000 or more. Given the scale, scope and intermittent nature of KCLS' capital bond program, management feels that pursuing such a full scale effort is not fiscally prudent at this time.

However, KCLS is committed to reviewing the existing policies and procedures to identify areas that warrant further development, with a particular focus on the areas identified in this audit. Given that the audit compares and benchmarks KCLS against entities that are significantly larger in scale with their building programs, such as Sound Transit and WSDOT, KCLS will look to leverage existing policies and procedures from other state and local entities wherever possible to address this issue. In doing so, the policies and procedures now in place and reinforced by the modifications listed above, should provide KCLS with the appropriate guidelines and controls for planning and executing future cost-effective capital programs.

2. Some architectural amendments are lacking KCLS approval signatures and architect acceptance signatures. Additionally, architectural amendments do not follow a consistent format and do not always accurately track contract value. As a result, disputes and uncertainties surrounding the scope and value of architectural agreements may arise.

KCLS has a total of 18 design amendments for the projects we audited. We found:

- The architect did not sign 16 of the 18 amendments worth \$381,743. KCLS does not require the architect to sign architectural amendments. It is a best practice for KCLS and the architect to sign amendments to establish concurrence on scope and fee, especially if the amendment differs from the architect's proposal.
- Three of the 18 amendments worth \$53,172 lacked a signature from both KCLS and the architect.
- One amendment for \$44,108 lacked a supporting proposal from the architect.
- The outsourced construction manager signed two of the 18 amendments. KCLS did not require the consultant to sign architect amendments because the consultant is not involved in negotiating and reviewing architect amendments. However, the contract with the consultant states, "*design Management Services including participation in selection and contract negotiations with Architects, Engineers and other professional services.*"
- The amendments did not follow a consistent format. They varied greatly from project to project and at times also varied within the same project.
- The amendments did not show previously executed amendments and a new established contract value to date, making it difficult to determine the total value of the architect's contractual agreement with KCLS.
- KCLS could not provide a list of all architect agreements and executed amendments against each agreement. Its enterprise resource-planning system could not produce the list and KCLS did not establish a manual tracking mechanism.
- When an architect provided a proposal for additional costs to the contract, KCLS appears to have accepted the architect's proposed costs without formal documentation of an independent estimate or review. The amendment was then typically executed for the exact amount proposed by the architect.

KCLS may experience disputes and uncertainties surrounding the scope and value of architect agreements potentially leading to increased costs, inaccurate payments and schedule delays. KCLS may also inadvertently agree to unnecessary costs if it fails to obtain independent estimates or negotiate prices.

2-A. Recommendation: KCLS should establish a formal and uniform format for its architect amendments that track original contract value and subsequent amendments and indicate a total cost to date. All amendments should have a signature from both KCLS and the architect.

2-B. Recommendation: KCLS should track architect contracts and amendments so it has a complete inventory of the contract value, number and nature of amendments. An example of such a form is in **Appendix J**.

2-C. Recommendation: KCLS should evaluate and document architect and consultant amendments and establish a policy for when independent estimates are required.

Impact of Recommendations on Future Costs and Resource Needs

KCLS will need minimal resources to change its signature requirements for amendments and other process changes related to amendments.

Amendments that lack signatures from both parties constitute a contractual risk. The total value of amendments that currently lack at least one signature is \$381,743, or 77% of the \$495,839 value of all of KCLS' amendments for the projects in the scope of the audit.

It is not possible to quantify the full amount of savings and cost avoidance KCLS will be able to realize in the future as a result of improved amendment execution practices. However, we believe the potential for additional improvements and limits to cost exposure exists.

Management Response: Issue # 2 – Architectural Amendments

KCLS will work to review the current process for tracking architectural amendments and associated approvals, and adjust the process where appropriate. It is the intent of the KCLS management to monitor and track all costs associated with the bond issue and we will work to improve the tracking of architects original agreements and amendments. In doing so, KCLS will review its existing architectural amendment forms to ensure that contract value is appropriately tracked on the forms and to identify opportunities to standardize format. While we do have a mechanism for tracking contracts and amendments we will centralize this recordkeeping into one place.

While reviewing the existing architectural amendment process and forms, KCLS will consider establishing a formal policy for review of proposed architectural amendments. Currently KCLS does perform a cost review of proposed architectural amendments, although historically we have not kept formal documentation of this review. In moving forward, we will consider developing a formal policy that requires either a historical cost review process or an independent cost estimate based on specific dollar thresholds for the amendments.

The listed contractual cost exposure of \$381,243 was derived by tallying architectural amendments that were sent to KCLS by an architect on their letterhead but without their signature. The amendments clearly represent the position of the architectural firm. Any contractual cost exposure related to these amendments has now lapsed without incident. However, going forward, we will check and verify that all documents are fully signed and countersigned to avoid any perceived contractual risk.

3. KCLS purchase requests were at times authorized by the same individual who also approved the invoice or were approved above the signature limit. As a result KCLS appears to have an internal control deficiency.

We reviewed KCLS' purchases that were not governed by a formal contract. KCLS treats purchases of the goods and/or services that are not governed by a contract as a purchase requisition. The Facilities Management Services department tracks purchases using an enterprise system. Before KCLS launched the system on July 1, 2008, the department tracked purchases using an Excel spreadsheet.

KCLS has policies that regulate who can sign purchases requests and invoices. It keeps a list of employees and their signature samples and indicates a dollar limit to which each employee is authorized to initiate purchase requests and approve invoices. Approval limits vary from \$75 to unlimited. KCLS policy allows multiple approval signatures if the initial signer cannot provide authorization for the dollar amount. However, KCLS policy does not require multiple signatures.

We reviewed a sample of 14 purchase requests dated July 1, 2005 through June 30, 2008, ranging from \$700 to \$300,000. We found:

- Seven instances in which the individual who approved the purchase requisition also approved the corresponding invoice for payment. KCLS' policy requires separate approvals. The purchases ranged from \$1,468 to \$34,482.
- One instance in which an individual approved an invoice for \$45,099, which exceeded the individual's authorized limit of \$34,900. KCLS' policy required additional approval signatures on the invoice.
- KCLS' Information Technology Services Director gave himself unlimited approval limits.

We also tested transactions posted to KCLS' bond fund account to assess whether the transactions were allowable under the initial 2004 capital bond issuance description of applicable project costs. The account held \$47.8 million. We statistically selected a sample of \$2.6 million, or 6 percent, from all transactions posted to the account. Although we did not find evidence that any of the costs were inappropriately charged based on their descriptions, we did observe the following:

- Two purchases of \$19,923 and \$77,866 each, for which one person initiated the purchases and approved the corresponding invoices. KCLS' policy requires separate approvals for purchase requests and invoices.

Several KCLS employees can initiate purchases and approve corresponding invoices. It is an internal control weakness for an individual to both initiate and approve a transaction, as there is a risk of misuse or loss. It is a good business practice for organizations to have at least two separate individuals involved in initiating and approving the use of funds.

3-A. Recommendation: KCLS should clarify and enforce its current signature policy that requires separate signatures on purchase requests and invoices that exceed certain dollar limits to strengthen its internal controls and deter the opportunity for fraud.

3-B. Recommendation: KCLS should not allow employees to authorize their own signature limits.

Impact of Recommendations on Future Costs and Resource Needs

KCLS will need minimal resources to revise its current signature policy to require multiple signatures on purchase requisitions and invoices that exceed certain dollar limits.

We cannot quantify cost savings related to an improved signature policy or for the prevention of misuse or misappropriation. However, we believe the potential for cost savings exists.

Management Response: Issue # 3 – Purchase Requests

KCLS concurs that these recommendations will strengthen our internal controls, and they are being implemented.

4. Contractor payment applications were missing approval signatures or signatures indicating recommendation for approval. As a result, it cannot be determined if an appropriate level of review occurred of the payment applications.

KCLS has a total of 48 payment applications for all the projects in the audit. We found:

- The contracted design-builder for the Muckleshoot and Snoqualmie projects did not sign three payment applications. KCLS stated the contractor submitted the applications electronically without a signature. All other payment applications for these projects were signed by the contractor in accordance with KCLS' process, detailed in **Appendix F**. Contractor signature is required on payment applications, and inconsistent application of contractor signature requirements is not a better practice. The Design-Build Contract states the payment application will serve as the design-builder's verification that it performed the work as detailed in the contract. While the contract does not specifically state that the design-builder's signature is required, this is a better practice as it provides certification of the costs incurred.
- The outsourced construction manager did not sign the payment applications for three projects: Muckleshoot, Snoqualmie (both under the same design-build contract) and Shoreline. KCLS stated that in-person discussions with the construction manager took the place of a signature. The construction manager stated KCLS did not ask him to sign the payment applications. The construction manager was not engaged on the Shoreline project. KCLS staff managed the Shoreline project, so it is reasonable that the outsourced construction manager does not sign the Shoreline payment applications. The construction manager should sign and approve payment applications for construction projects.
- The outsourced project manager did not date the signature block in four instances.
- The architect did not sign two Shoreline payment applications. KCLS stated the architect's signature was not required since the project was managed by its own staff. However, based on our review of the contract, correspondence and architect invoices, it appears the architect did perform design work and customary contractor work verification on the project. KCLS should require the architect to formally review and sign the contractor invoices.

Without consistent and complete sign-offs indicating review and concurrence of contractor payment applications, we cannot determine if an appropriate level of review occurred. Additionally, KCLS is putting itself at risk for disputes over the construction manager's or architect's involvement in the review process and level of professional assurance. Similarly, a lack of contractor signatures may limit KCLS' ability to rely on the payment application. Missing dates makes it difficult to establish when a payment application was accepted and/or reviewed.

4-A. Recommendation: KCLS should require formal sign-off by its outsourced construction manager and the architect who recommend approval of contractor payment applications. In addition, KCLS should obtain a formal signature and date from the contractor(s) on each payment application. KCLS should not accept electronic or other means of submittal in lieu of a formal signature.

4-B. Recommendation: KCLS should define the significance of each signature and document this in its contract documents for construction manager and architectural services on future projects.

Impact of Recommendations on Future Costs and Resource Needs

KCLS will need minimal resources to revise its signature requirements for payment applications.

We are not able to quantify cost savings related to requiring a formal sign-off by both the construction management consultants and the architect for recommendation of approval on payment applications. KCLS should clarify its approval requirements and implement a consistent approach to invoice review to minimize risk of any unreasonable charges being accepted and paid.

Management Response: Issue # 4 – Contractor Payment Applications

KCLS agrees that there were instances identified where signatures appeared to be missing. However, as the audit findings point out, many of the missing signatures were not required by our current policies or contract terms. Nevertheless, we understand that the audit recommendations are primarily intended to foster process improvement by enhancing transparency in the project-related documentation.

To address the signature issues identified, as part of our review of the existing policies and procedures discussed above in response to Issue # 1, we will include a review of current signature requirements on each contract-related document as well as some additional clarification of the purpose of each signature. While we understand the rationale of the recommendation to not accept electronic signatures, KCLS management believes that this is the eventual direction of the industry.

Change Orders

5. Change orders are not consistently tracked by type and as a result, historical evaluation may be more difficult without specific classification and may lead to unnecessary payments and schedule impacts.

A change order is generally a written order directing the contractor to make a change to the work or extend the time from the original contract. Change order procedures and requirements for publicly funded projects are governed by contract terms, contract laws and other laws that vary by jurisdiction.

Industry standards set by associations, other organizations and agencies, and federal and local governments state that change orders should be tracked by type and originating source. The need for a change order usually arises for one of the following reasons:

1. Error in or omission from the contract documents.
2. Unforeseeable or unexpected job site conditions, such as adverse land conditions.
3. Change in the requirements of a regulatory agency, such as revisions in building codes, fire, safety or health regulations.
4. A change originated by the owner.
5. Changes in work due to the unavailability of specific materials.

It is important to establish the type and originating source of change orders to document the record of change on a project. This information can be useful for KCLS in managing and planning future projects. Based on that information, KCLS can put mitigating measures in place in future contracts to prevent costly and avoidable changes from taking place after the construction contract has been executed. The absence of change order source data means that KCLS is not measuring or tracking lessons learned and historical performance measurement data. It is also critical to have the information in the case of a contract dispute, to have a solid record of a unilateral agreement as to the driving force and reason behind each change order. KCLS should also document this information in case personnel changes in its own organization or with contractors.

Change orders usually have multiple line items that are tracked in a change order log with the source of the change. Each of the projects we tested was documented in a change order log, but each log included different information. Currently, KCLS does not consistently track change orders by type or source. The exception is the \$18 million new library in Burien, for which KCLS has instituted this practice.

As a result of not consistently tracking change orders by type, KCLS may lose valuable information necessary for performance monitoring, process improvements and claims avoidance purposes.

Errors and Omissions

Architects and engineers are expected to use “reasonable and ordinary care” in the practice of their profession and minimize their design errors and omissions. Errors and omissions are treated differently by industry standards because they have different financial impact to the owner.

1. Errors: Generally, an error would include the cost for “rework.” This would include work that has already been completed in accordance with plans and specifications, but the design was in error and the work needs to be removed or altered to achieve the required result. In such instances, KCLS has already paid for the design and the work, and the rework provides no added value.
2. Omissions: Generally, an omission is an item of work that the designer should have, but did not, include in the plans and specifications. Thus, this change provides added value. Generally, KCLS can expect to pay a premium items that were not included in the original bid.

Owners can use the terms of the design contract to establish a contractual standard of care. An example is a provision that requires the designer to comply with the owner’s design standards, written instructions and/or marked-up project document review sets. If the designer fails to meet this contractually established expectation, there is little room for the designer to argue that the standard of care was met.

KCLS’ design-driven change orders do not distinguish between an error and an omission. Additionally, although KCLS’ contract does require the architects to carry professional liability and malpractice insurance, the design contracts do not establish a contractual standard of care against which errors and omissions can be measured. By not defining a “standard of care” in the design contract, KCLS is not maximizing its protection from errors and omissions exposures.

In the case of a significant amount of errors and omissions on a project, KCLS would likely seek recourse against the architect to recover costs as a result of the errors and/or omissions. In order to have strong case and meaningful negotiations with the architect, KCLS should identify and document errors and omissions as they occur. Based on current practice, identifying what constitutes an error versus an omission and the resulting cost impact to KCLS is open for interpretation and dispute. KCLS may be unsuccessful in its attempts to recover costs from the architect, if this becomes necessary.

5-A. Recommendation: KCLS should classify change orders by type according to accepted criteria, including specifying whether a change is due to an error or omission. This should be done as the changes occur, rather than after they occur.

5-B. Recommendation: KCLS should consistently define and incorporate an acceptable “standard of care” in its design contracts so any change order resulting from an error and omission is captured for potential cost recovery.

Impact of Recommendations on Future Costs and Resource Needs

KCLS will need minimal resources to develop a universal tracking mechanism for change orders and to alter contract language to incorporate a definition of “standard of care.”

We cannot quantify the amount of savings and cost avoidance KCLS will realize in the future as a result of improved change order tracking and improved contract language. However, we believe the potential for cost savings exists.

Management Response: Issue # 5 – Change Order Tracking

In the past, KCLS has been able to conduct historical evaluation of change orders using our existing tracking procedures, however, we will develop a process for documenting the source and type of change orders going forward in order to even better facilitate this type of review.

KCLS will consult with its legal counsel regarding the implementation of inclusion of “standard of care” language in our design contracts.

6. KCLS' change orders do not consistently incorporate independent estimates, supporting documentation, and appropriate review and approval signatures. Additionally, certain change orders contained errors or overcharges and were based on unsubstantiated contract terms. As a result, KCLS appears to be incurring unnecessary expenses.

KCLS issues original construction contracts through a competitive bid process. Following standard industry practice, KCLS does not solicit competitive bids for contract change, however, this practice increases the risk that a contractor could quote an excessive price for a change order since there is no competition. Due to this risk of excessive pricing, it is important for KCLS to review and control the cost of the change orders. In addition, it is important to have detailed policies and procedures for reviewing change orders and define KCLS' expectations with respect to change orders and what the contractors and consultants responsibilities are during the change order review and approval process. KCLS does not have detailed policies and procedures for change orders or define in contracts its expectations for change orders and what the contractors' and consultants' responsibilities are during the change order review and approval process.

KCLS' undocumented change order process encompasses the following:

Change orders are generally initiated by the contractor. The contractor submits a change proposal to the outsourced construction manager for review on behalf of KCLS. The construction manager has the primary responsibility for reviewing the proposed change orders and establishing the justification of the contractor's proposal in conjunction with the architect, as necessary. The construction manager, however, does not have the authority to approve change orders. The construction manager keeps KCLS informed of change order proposals in a variety of ways, including:

1. Providing a Change Proposal log to KCLS on a monthly basis.
2. Discussing Change Proposals in weekly construction meetings with KCLS.
3. Providing information on change orders and pending change orders, which KCLS includes in a monthly report.
4. Continuous, but undocumented, interaction during the change order process.

The construction manager's compensation is not dependent on controlling the overall construction costs. Therefore, there is no financial incentive for the construction manager to not recommend approval of change orders that would result in additional costs. There appears to be no conflict of interest for the outsourced construction manager in this role.

Lack of Independent Estimates

The construction manager keeps detailed records of negotiations with contractors, including justifications and assumptions leading to a final agreed-upon price. Several of the negotiations exist only as e-mail communications. The construction manager provides comparative cost reviews of all change order pricing during construction and prepares independent owner estimates when wide areas of disagreement occur and/or price negotiations falter with contractors.

The independent cost estimate assists in the determination of the reasonableness of a bid or proposal. Requirements for independent estimates vary between government agencies and organizations. Some require an independent estimate for all procurements, including change orders, regardless of dollar amount. Others set a dollar threshold for which the benefit of an independent estimate is deemed to outweigh the cost of preparing such an estimate.

For example, the Federal Transit Administration requires owners to:

“Perform a cost or price analysis in connection with every procurement action, including contract modifications... the starting point for these cost/price analyses is an independent cost estimate which is made before receiving bids or proposals.”

The University of Washington requires independent cost estimates for changes that exceed \$25,000.

Use of Cost-Estimating Specialist

KCLS currently requires its outsourced construction manager to evaluate change order pricing. KCLS does not use a cost-estimating specialist. KCLS could achieve additional savings by using a cost-estimating specialist to review change order pricing.

Based on KCLS' change order experience to date, we estimate \$17.9 million in change orders (10.7 percent) for the Board-approved capital projects budget of \$178.5 million. As of July 2008, KCLS had executed construction contracts totaling \$33,150,706. The total project budgets for these projects total \$51,857,500. Corresponding executed and pending change orders total \$5,536,918, or 16.7 percent of the original contract amount or 10.7 percent of the total budgets for the projects.

The State Auditor's Office found in a January 2008 performance audit report of the Washington State Department of Transportation's Construction Management that cost estimating specialists can result in increased savings.

Excessive Markups

KCLS' change order rate is higher than better-performing entities. On the \$19,493,230 City of Burien General Contractor/ Construction Manager ("GCCM") contract, which was based on a KCLS legal counsel contract template, markups on change orders for subcontractors appear greater than what is contractually permitted by other entities utilizing the GCCM contracting methodology and also what is allowed by KCLS on other types of construction contracts.

A common percentage for subcontractor markup ranges from 10 percent to 15 percent. KCLS uses this markup range for its design-build and design-bid-build contracts:

- The KCLS Covington design-bid-build contract, based on an AIA standard form of contract, contained a change order provisions in its *Supplementary Conditions, Article 7*, in which 10 percent overhead and 5 percent profit was allowed for subcontractors as markup on change order work. The contract further states in the *Supplementary Conditions* subparagraph 7.3.3.1 that overhead includes small tools and supervision. The contract is silent on safety.
- KCLS design-build contract allows for subcontractors to obtain a 15 percent markup of fixed process costs and 10 percent markup for time-and-material costs. Subcontractor markup includes supervision and safety, but the contract is silent on small tools.
- KCLS Short Form Agreement used for small projects, such as Shoreline, is silent on allowable markup for subcontractors. However, per Section 16 of the contract, the prime contractor may obtain a 10 percent markup for overhead and 5 percent markup for profit on work performed by its own forces. The contract does not define specific costs to be included in markup.

The Burien GCCM contract has an effective markup rate for subcontractors of 34 percent for labor and 23 percent for materials. In addition, there is a 6 percent markup for sub-tier subcontractors and a general contractor's allowable fee of 4.5 percent.

KCLS' representative, the outsourced construction management consultant, pointed out that the "*General Conditions for Washington State Facility Construction*" allows for a similar markup as that included in the GCCM, however it does not state that supervision is allowed for material and it only states that markup for subcontractor overhead related costs should be "reasonable" and not to exceed 12 percent. Neither KCLS nor the outsourced construction management consultant could explain why any of the rates in the GCCM contract were reasonable and on what basis they were deemed appropriate. The outsourced construction management consultant agreed that the GCCM markup in the GCCM contract appeared high compared to other contracts, but that they resulted in total costs that were within industry ranges. The

outsourced construction management consultant was not involved in the markup negotiations for the GCCM contract.

It is important for KCLS to establish reasonableness for any contractual markup amounts. In the contract where supervision, safety and small tools are allowable as markup percentages, it also becomes important to consider the various markup categories during the review and approval process of those change orders so that these amounts do not also get charged as a direct cost and result in double counting compensable costs. For the Burien GCCM contract, only one change order with subcontract labor had been fully executed at the time of our review. We did not find that any subcontractor costs contractually covered by markup was also charged as a direct cost.

As of June 28, 2008, KCLS had incurred finalized and pending change orders in the amount of \$1,111,895 on the Burien contract, which was approximately 24% complete. We cannot predict a final amount of change orders or the amount of subcontractor change order work on the Burien job or what the mix of labor versus materials will be. Since the Burien contract allows for different amounts of markup on materials and labor any estimated savings based on a markup of 10 percent for material costs and 15 percent on labor costs would depend on the actual mix of labor versus materials of change order work performed by subcontractors. However, if subcontractor change order work amounts to \$1 million, KCLS may incur estimated savings in a range between \$140,000 and \$180,000 depending on the amount of labor versus materials involved and depending on the markup amount allowed. If the subcontractor change order work amounts to \$2 million, KCLS may incur estimated savings of \$280,000 and \$360,000, depending on the amount of labor versus materials involved and depending on the markup amount allowed.

As a result of higher-than-customary change order markup for subcontractor change order work on the Burien contract, KCLS may be incurring unnecessary costs.

The markup requirements for the Burien contract appears overly complex compared to GCCM contracts used by other agencies. Section 7.5.6.2 of the Burien contract General Conditions contains five different markup percentages to be applied for various portions of the direct costs to account for supervision costs, small tools and consumables, safety programs and insurance, engineering, administration and Business & Occupational ("B&O") taxes.

Other Discrepancies Noted in the Change Order Review and Approval Process

1. Variations occurred in the change order approval process among projects and the construction contracts did not contain consistent language for the processing of change orders by the contractor. For example: (a) some but not all contracts require the use of a Change Proposal ("CP"), (b) some but not all contracts require the contractor's "written notification", (c) some but not all contracts make use of Construction Change Directives ("CCD"), (d) some but not all contracts make use of Work Change Directives ("WCD").
2. Based on KPMG's sample, the outsourced construction management consultant reportedly exercised "professional judgment" to deem 20 total change order charges in the aggregate amount of \$48,684 (Muckleshoot) and \$16,675 (Snoqualmie) as reasonable for which there was no detail support provided by either the contractor or the outsourced construction management consultant. The 20 individual items that comprise the aggregate amounts were generally less than \$9,000, and deemed to be reasonable by the construction management firm based on prior experience for similar charges. Since the individual amounts were relatively small and appeared reasonable to the construction management, they did not request additional support.
3. KCLS occasionally uses a rubber stamp to approve and execute change orders. While the process is not prohibited; it is not a leading industry practice. It cannot be determined with certainty who the person approving the change order is when an original "wet" signature is not utilized.
4. Signatures on change orders from KCLS, the outsourced construction management consultant and the contractors are not obtained in a consistent order. Based on our sample of change proposals, there were five instances where KCLS signatures were obtained prior to the outsourced construction management consultant signatures. There was one instance where KCLS signed the change order prior to the contractor. According to the change order approval process flow charted and agreed to with KCLS during this audit, the contractor signs the change order first, then the outsourced construction management consultant and lastly KCLS. The value of the inconsistent signed change orders is \$336,329 based on a total change order amount tested of \$3,516,523.
5. Markup on change order work was not always correctly applied, based on the requirements of the contract. Of the \$1,207,539 in change orders tested, a net overbilling due to errors in change order computations of \$8,328 was calculated. The overbilling occurred on Burien, Muckleshoot and the Shoreline projects.

6. B&O taxes were included as a cost component on Muckleshoot and Snoqualmie design-builder change orders in addition to markup. However, the design-builder contract article 6.2 states that all taxes, except for sales tax, should be included in the markup. Therefore, B&O taxes should be covered by the markup and not added separately. Of \$727,393 (Muckleshoot) and \$105,734 (Snoqualmie) design-builder change orders tested, \$5,531 in overcharged B&O taxes were found.
7. The outsourced construction management consultant did not consistently sign change orders. Although the outsourced construction management consultant does not have any approval authority, the construction management consultant performs the review of reasonableness of the change order pricing and assess the support submitted with the change order by the contractor to justify the change. The two Burien change orders were not signed by the outsourced construction management consultant and one of the change orders for Muckleshoot was not signed. KCLS explained that the outsourced construction management consultant is not required to sign change orders for Burien and Muckleshoot projects, as in person sit-down meetings are held between KCLS and the outsourced construction management consultant where the outsourced construction management consultant discusses their assessment of each change and recommends approval accordingly.
8. The architect did not consistently sign change orders. One change order for the Shoreline project, executed in the amount of \$18,746, was not signed by the architect. KCLS explained that on projects managed in-house, such as Shoreline, the architect is not required to sign change orders as there was no need for architect approval due to the nature of the change orders. However, based on our review of the change order, it does appear to have resulted in part from design related changes and as such, should have been reviewed and recommended for approval by the architect.
9. Although KCLS generally was very diligent in obtaining itemized change order quotes from the contractor, including subtier contractors and consultants, KCLS does not make use of a uniform change order calculation form summarizing these charges. An example of such a form utilized by another agency is included in **Appendix I**.
10. Although the correct labor rates were consistently utilized on the change orders tested by KPMG, one instance (Muckleshoot change order no. 4) was discovered where an inappropriate contractor labor rate was utilized resulting in a \$3,450 overcharge. On the same change order the contractor charged \$7,500 for a staffing level and rate not explicitly identified in the contract.

11. The outsourced construction management consultant kept detailed change order documentation on its own computers in the form of email communications which was not consistently included with the finalized change order or transmitted to KCLS.

The underlying causes of KCLS' limitations in its change order documentation and pricing justification process are: (a) KCLS' lack of requirements for independently generated cost estimates for change orders, (b) KCLS' limited contractor requirements for submitting change orders with itemized quotations, and (c) a lack of a formalized KCLS process for evaluating change orders including set criteria for each necessary step in the process.

Without comprehensive change order backup documentation, independent cost estimating practices and well defined change order evaluation criteria, it cannot be reasonably assured that KCLS pays only fair and reasonable prices for change orders or that only reasonable time extensions are granted through the change order process.

6-A. Recommendation: KCLS should establish criteria for when independent cost estimates are required for the pricing of change orders. KCLS should also consider having such estimates prepared by a professional cost estimating firm or cost specialist.

6-B. Recommendation: KCLS should review its criteria for change order markup and attempt to establish a uniform approach to markup percentages and markup categories on future contracts with a documented justification for amounts permitted. Different project circumstances may require different approaches, therefore those circumstances should be formally documented and justified. Criteria for when one approach to markup is preferred over another should be established.

6-C. Recommendation: KCLS should consistently obtain signatures from the architect and the outsourced construction management consultant on change orders indicating review of the change orders for reasonableness, appropriateness and completeness in accordance with the provisions of their respective contracts. Although neither architect nor the outsourced construction management consultant have full approval capacity, their signature should formally indicate recommendation of approval based on their professional opinion.

6-D. Recommendation: KCLS should review its executed change orders on design-build contracts as well as any other contract that explicitly prohibits B&O tax to be charged in addition to markup in order to adjust any inadvertent overpayments to the contractor.

6-E. Recommendation: KCLS should develop a uniform change calculation form to facilitate an easier submittal and review process of change orders, both on behalf of the contractor as well as the outsourced construction management consultant and KCLS.

6-F. Recommendation: KCLS should develop formal change order evaluation policies and procedures. (See Issue 1)

6-G Recommendation: The outsourced construction management consultant should not be the custodian of change order negotiation documentation. After a change proposal has been negotiated, KCLS should make sure all pertinent negotiation information is transmitted by the outsourced construction management consultant and included in KCLS' change order filing system.

6-H Recommendation: KCLS should consider using a construction cost specialist to evaluate change orders.

Impact of Recommendations on Future Costs and Resource Needs

KCLS will need minimal resources to implement these recommendations.

We identified the following opportunities for cost savings:

- By calculating B&O taxes correctly on the remaining of the Burien design-build contract amount and depending on the amount of future change orders, we estimate savings between \$6,000 and \$13,000.
- By calculating markup correctly and per the contract documents, we estimate savings between \$34,000 and \$69,000.
- By implementing stricter allowable change order markup percentages and better defining markup versus direct costs, KCLS may have been able to save between \$140,000 and \$360,000. The amount saved on future contracts have not been estimated, however.

We calculated a 10 percent change order rate based on expenses to date:

To Date	
Total project budgets for the projects reviewed	\$ 51,857,500
Current executed construction contracts (July 2008)	\$ 33,150,706
Change orders to date	\$ 5,536,918
Percentage of change order value	10.7%

We estimated KCLS can save between three and five percent on future change orders by using a construction cost specialist. Based on the 10 percent change order rate to date, KCLS could save \$535,000 to \$892,000.

Projected Costs and Savings	
Board-approved budget for all projects	\$ 178,500,000
10% change order rate to date	\$ 17,850,000
3% savings using a cost specialist	\$ 535,000
5% savings using a cost specialist	\$ 892,000

We cannot quantify the full amount of savings and cost avoidance KCLS will be able to achieve through improved change order management practices. However, we believe the potential for additional cost savings exists.

Management Response: Issue # 6 – Change Order Procedures

As a part of our broader review of KCLS' construction management related policies and procedures discussed previously, and to address the change order issues identified we will review, develop and/or revise our current policies and procedures surrounding change management. More specifically, we will focus our efforts in the following areas:

- Independent estimates – KCLS performs a review of all proposed change orders. For most projects, this review is performed by our construction manager. As part of that normal process, we require an independent estimate to be prepared when wide areas of disagreement occur and/or when price negotiations are initially unsuccessful. In the past, we have obtained independent estimates for change orders on several projects, but the need for such estimates did not occur on any of the projects that were in the sample set selected for this audit. Going forward, the KCLS project team will evaluate the possibility of implementing a requirement for independent estimates based on a specific dollar threshold rather than the more qualitative criteria that we have used in the past.

We believe that the cost of obtaining independent cost estimation services would outweigh the potential savings on many of change orders incurred in our program. The pricing review currently performed by our construction manager incorporates industry standards and comparative data when assessing the reasonableness of each change order. We are highly motivated to make the most of our construction dollars and we will continue to look for ways to help achieve that objective while considering both cost and potential benefit.

- Change Order Mark-up Rates – We will review contractually allowed mark-up rates to ensure they are being applied appropriately. Regarding the Burien GCCM contract, the language regarding markup on this contract is such that while the percentage rates are higher, the pool of costs they are applied to is smaller, thus resulting in a net markup cost that is consistent with other contracts used in the State. However, we do understand the concern that it's important for our team to keep a close eye on mark-up rates and to avoid rate structures that exceed or are perceived to exceed norms.
- Change Order Documentation, Forms and Signatures – In reviewing the change management policies and procedures, our team will evaluate the current processes in place for managing the change order documentation, use of forms and requirements for signatures of the reviewing parties. While we don't have one universal change order template applicable for all projects, it's important to note that we do use a consistent template for each type of contract (e.g., design-build, design-bid-build, etc.).
- B&O Taxes – We have already evaluated and corrected the payments regarding B&O taxes on the design build contract and have clarified this point in our contract templates going forward.

Estimating

7. KCLS does not employ a cost estimating specialist for initial budgeting and continued cost forecasting purposes, which leads to a lower degree of certainty in KCLS' projected expenditures.

KCLS uses a cost estimating firm during the competitive bid process for general contractors. KCLS also used a cost estimator to obtain per-square-foot cost estimates in establishing the initial board approved budget of \$178.5 million. However, KCLS does not consistently refer to a certified construction cost estimating professional, certified cost engineer, quantity surveyor or similar professional for its ongoing capital cost forecasting process. Additionally, KCLS did not document its budgeting process, assumptions and sources of data.

The Association for Advancement of Cost Engineering ("AACE"), the American Society of Professional Estimators ("ASPE") and the International Cost Engineering Council ("ICEC") have issued numerous white papers and standards indicating the benefits of retaining a construction cost specialist in the capital budgeting process and for reviewing construction costs.

The Washington Capital Projects Advisory Review Board ("CPARB") requires organizations to *"have appropriate project planning and budgeting experience."*

It is not uncommon for high-profile public works projects to experience cost overruns. Seattle governments have experienced several, including the Seattle Central Library, the Seattle Light Rail and Seattle Public Schools.

Construction costs are the biggest item in KCLS' capital budget and the construction market has experienced significant cost escalation during recent years. Because of this, it is increasingly important for KCLS to manage risks and use appropriate budget assumptions to minimize avoidable cost overruns. Without the assistance of construction cost professionals for forecasting, KCLS may experience unanticipated cost overruns and budget deficits near the end of its 10-year capital plan.

KCLS does not have a clearly documented budgeting process, does not document assumptions or source data it uses for forecasting. KCLS is highly dependent on the knowledge of the current Director of Finance to explain these steps of the process. KCLS has an impeded ability to provide the public with the assurance that it will not require future bond issues to complete the projects approved by the voters in 2004.

7-A. Recommendation: KCLS should include a certified construction cost estimating professional, certified cost engineer, quantity surveyor or similar professional individual during its capital cost forecasting process.

7-B. Recommendation: KCLS should formalize its budgeting and cost forecasting process and should regularly and formally document its assumptions and sources of data it uses for cost forecasting purposes.

Impact of Recommendations on Future Costs and Resource Needs

KCLS will need minimal resources to include a certified construction cost estimating professional, certified cost engineer, quantity surveyor or similar professional individual during its capital cost forecasting process.

We cannot quantify cost savings related to improved cost forecasting practices. However, we believe the potential for significant cost savings exists.

Management Response: Issue # 7 – Cost Estimating

We agree that greater use of a cost estimating specialist could have provided benefit in the early planning stages of our capital plan, and we do benefit from our consistent use of cost estimators on each project just prior to the construction bid process. We are not certain that there is sufficient potential savings from the use of independent cost estimators at many other points in the process to outweigh the expense, since many of these additional changes are minor plan revisions and/or can be handled by our current construction management consultant. However, we will look to use cost estimators at appropriate points in the process when there is clear value to be gained relative to the cost of the services.

With respect to formalizing our budgeting and cost forecasting processes, it's important to note that our project budgets and forecasts are impacted by many factors in addition to cost, such as community needs and local jurisdiction considerations. However, we will look for ways to better document our plan assumptions and sources of data as we go forward.

Procurement

8. KCLS procured architectural and consultant services outside the requirements of state law and its own purchasing policy.

KCLS policy states that professional services do not require a competitive bid process. However, it specifically states:

“Architectural and engineering services are required by Washington State Law to have an advertising and negotiation process per RCW 39.80.”

State law – RCW 39.80 – specifically addresses procurement of contracts for architectural and engineering services and contains provisions for advertising, submission of a statement of qualifications and performance data and contract negotiations. The law directs governments to use what is known as qualification-based criteria to select and procure architects and engineering services, but does not provide specific guidance on what detailed steps to take in the process.

Following the selection of the best-qualified firm, RCW 39.80 directs the agency to:

“Negotiate a contract with the most qualified firm for architectural and engineering services at a price which the agency determines is fair and reasonable to the agency. In making its determination, the agency shall take into account the estimated value of the services to be rendered as well as the scope, complexity, and professional nature thereof.

RCW 39.80 further states that:

“Each agency shall publish in advance that agency’s requirement for professional services. The announcement shall state concisely the general scope and nature of the project or work for which the services are required and the address of a representative of the agency who can provide further details. An agency may comply with this section by: (1) Publishing an announcement on each occasion when professional services provided by a consultant are required by the agency; or (2) announcing generally to the public its projected requirements for any category or type of professional services.”

For the Shoreline project, KCLS selected an architect from an on-call roster without advertising or seeking additional quotes. KCLS stated the on-call roster was a list of architectural firms that had submitted proposals on previously advertised projects. KCLS did not publish an advertisement specific to the Shoreline project announcing requirements for architectural services.

The amount of this contract was \$11,050 plus amendments, bringing the total contract value to \$125,146. KCLS reported creating the on-call roster of architects based on other requests for quotations. As a result there was not a specific advertisement for the Shoreline project. This did not appear to follow the requirements of RCW 39.80 to *“announce generally to the public its projected requirements for any category or type of professional services.”* As such, it appears the architectural services for the Shoreline project are outside of RCW 39.80. Additionally, KCLS did not document how it determined the architectural firm it selected was the most qualified from the on-call roster.

KCLS policy does not clearly define the public process or the interview and evaluation processes for selecting architects. Although state law broadly requires qualification based selection criteria, other agencies have developed specific criteria.

Although we found an overall score sheet for the selection of architects and the construction management consultant for each project, KCLS could not provide individual evaluation sheets for each person who participated in selecting the construction management consultant. This could be an issue in the event of a bid protest as part of the audit trail is missing.

KCLS provided limited documentation for the procurement of architectural services, the construction manager and the procurement of other items and services.

8-A. Recommendation: KCLS should advertise pursuant to RCW 39.80 announcing generally to the public its projected requirements for architectural services for the purposes of creating an on-call roster.

8-B. Recommendation: KCLS should clearly document how it established an architectural firm to be *“the most qualified”* as required by RCW 39.80.

8-C. Recommendation: KCLS should consistently use and preserve procurement documentation, including individual score sheets for each member of the selection committee, evaluation ratings and proposals for the selection of architects, vendors and consultants.

Impact of Recommendations on Future Costs and Resource Needs

KCLS will need minimal resources to change its procurement process of contractors, vendors and consultants.

We are not able to quantify any cost savings related to the change in the procurement process of contractors, vendors and consultants. However, we believe the potential for cost avoidance exists.

Management Response: Issue # 8 – Architectural and Consultant Procurement

We agree that the state law regarding procurement of architectural and engineering services does not provide specific guidance in several areas. However, we recognize that there is always opportunity for improvement, and these recommendations will be implemented. We will increase the level of detail in our internal policies to include more specific criteria for selection of providers of these services and greater clarification of the processes that should be used. We'll also ensure that we preserve all necessary documentation of the selection process as has been outlined in the recommendations.

9. KCLS procured projects using alternative contracting methods in violation of Washington State Law.

Before 1991, the process for contracting for public works projects in Washington required state and local governments to complete the project design and then issue an Invitation for Bids to construct the project based on the completed design. This is called a design-bid-build process, and agencies are generally required to select the low bidder for construction services. This process applies to library districts, including KCLS, in the opinion of the Washington Attorney General's Office.

Beginning in 1991, the Legislature authorized several alternatives to the design-bid-build construction method. These include the General Contractor/Construction Manager and design-build methods.

Prior to July 2007, state law authorized a handful of large local government types to use alternative contracting methods, including the GCCM contracting method. However, KCLS was not one of the local governments explicitly mentioned in the law. Unless explicitly mentioned in the state law, local governments are precluded from using alternative contracting methods, according to the Washington Attorney General's Office.

Although GCCM can result in savings when contracts are properly termed and negotiated, poorly termed and negotiated GCCM contracts can cost more than the traditional design-bid-build method. Based on conversations with the Washington State Capital Projects Advisory Review Board, prior to July 2007, the authority to use alternative bidding methods was limited to large governments (not small governments) because it was believed large governments had the sufficient construction and contract management experience and involvement necessary to succeed with the GCCM contracting method.

The Washington Joint Legislative Audit and Review Committee (JLARC) issued *An Assessment of General Contractor/Construction Manager Contracting Procedures* in June 2005. In that report, JLARC describes the owner experience and involvement that is necessary to succeed with the GCCM contracting method:

... project management on the part of the owner must be as great or more intensive with the GC/CM methods as it is with the DBB method. A GC/CM project involves negotiating a GCC; working through value engineering and constructability reviews; and constantly overseeing on-site construction work. Meeting these project demands requires experienced project management and involvement on the part of the owner.

... case studies ... found that the owner agency's close attention to project and construction management in general, and their day-to-day involvement on the project in particular, was the most critical success factor; no alternative contracting model can substitute for the owner agency's close attention to the project.

While the GC/CM method offers more positive relationships among the parties to a construction project, it does not provide any significant opportunities for owners to abrogate their project management responsibilities. The lack of experience or project involvement by the owner may have adverse affects on project costs.

KCLS procured six projects prior to July 2007 using alternative contracting methods:

- KCLS bundled five projects of a similar nature into one design-build contract. Those projects are Black Diamond, Muckleshoot, Fall City, Carnation, and Snoqualmie. KCLS procured the design-build contract in December 2005 with a value is \$11,826,120. The KCLS Board of Trustees approved the design-build method in August 2005 after a public hearing.
- KCLS procured the new Burien library construction using a GCCM contract for \$19,493,230 in December 2005. The KCLS Board of Trustees approved the GCCM method in August 2005 after a public hearing.

Based on the interpretation of RCW 39.10 by the Attorney General's Office, KCLS did not comply with state law when it used alternative contracting methods prior to July 2007. However, KCLS did conduct extensive research and investigations into the different contracting methods in an effort to provide an appropriate contracting method for the projects described above, including obtaining a legal opinion regarding its ability to use design-build.

KCLS based its choice of contracting method on the following justification:

The five bundled projects were similar in style and size. KCLS chose the design-build method to speed the libraries' openings and to save money. KCLS hoped to gain efficiencies by procuring one designer and builder rather than bidding each project separately with potentially five different designers and five different contractors involved in the process. The new Burien library had complex and aggressive scheduling requirements and restrictive project budgets. A GCCM approach is suitable for a rapid design and construction schedule. GCCM brings the contractor into the process during the design phase, which allows for improved cost control and fast-track scheduling.

Beginning in July 2007, state law allows local governments to use alternative procurement methods. RCW Chapter 39.10 RCW specifies a process that governments must follow to use the GCCM and design-build methods. In general, the law requires a public body to be approved by the Project Review Committee of the state Capital Projects Advisory Review Board for permission to use the design-build or GCCM methods. The purpose of these approvals is, in part, to make sure the local governments have sufficient construction contracting and management experience to successfully negotiate and use the design-build or GCCM contracting methods. The Attorney General's Office interpreted the law as allowing library districts, including KCLS, to use alternative contracting methods as long as they receive approval from the Project Review Committee.

9-A. Recommendation: On future projects, KCLS should follow the requirements in state law and obtain approval from the state Review Board prior to initiating construction projects using alternative contracting methods.

Impact of Recommendations on Future Costs and Resource Needs

KCLS will not need additional resources to seek input from the state Review Board for future projects delivered using alternative methods.

Although KCLS used alternative contracting methods for two projects prior to July 2007 and, contrary to its authorization under state law, KCLS' approach may still have allowed for cost savings and a faster schedule compared to conventional contracting methods. As a result of the July 2007 change to state law, KCLS will be able to continue implementing alternative contracting strategies as long as the state Review Board approves the projects.

We cannot quantify cost savings to date or provide an estimate of future cost savings resulting from KCLS using alternative contracting methods. There are too many unknowns about if a traditional design-bid-build approach had been used, including cost of separately bidding each project, additional management time required by KCLS, reduced flexibility in scheduling and decreased ability to leverage project knowledge. However, except for the excessive markups on subcontractors described in Issue 6 and the failure to use independent cost estimates for change orders, we believe KCLS may have still benefited from using alternative contracting methods due to increased efficiencies compared to a traditional design-bid-build approach.

Management Response: Issue # 9 – Alternative Contracting Methods

In setting out on these projects KCLS undertook numerous internal reviews and discussion of project scope, individual community library requirements, and initial cost estimates to assess the feasibility and appropriateness of alternative delivery methods for these projects. During internal deliberations, KCLS obtained legal advice on use of alternative contracting methods, and received a favorable opinion after a great deal of investigation.

KCLS held numerous public meetings in each affected community regarding the projects, and explored various options for meeting community expectations within the time and funding parameters available. In each case, KCLS proceeded on the five-library design-build project and the Burien GCCM project with full involvement and approval of the communities involved, and successfully completed these projects at a substantial savings to taxpayers.

KCLS believes that it acted appropriately and with due diligence, meeting the commitment to complete satisfactory capital improvements within the specified time period while confronting unprecedented global cost increases for construction and materials.

We appreciate the acknowledgement in Issue # 9 that our use of alternative contracting methods likely resulted in increased efficiencies and cost savings. It is certainly our belief that it did. While we disagree about the legal authority to use these methods we can agree about the result.

KCLS welcomes the 2007 state legislation that now provides more clear authorization for local governments to use alternative procurement methods, and will seek approval by the Project Review Committee of the state Capital Projects Advisory Review Board for permission to use the design-build or GCCM methods in any future capital projects.

Contracting

10. KCLS does not formally evaluate contractor, vendor and consultant performance, which may result in project delays and additional costs.

If contracted parties perform poorly, it has the potential to lead to project delays and additional costs if work must be repeated, equipment malfunctions, and/or projects take more time than expected.

Formally evaluating the performance of contractors over the life of the project can help them improve service delivery and workmanship and result in a better working relationship among the parties and increased quality. Tracking and documenting contracted parties' performance issues also allows entities to avoid contracting in the future with poorly performing contractors.

Federal Acquisition Regulations 42.1501 – 42.1502 is one of many laws that recognizes the importance of contractor evaluations:

“Past performance information is relevant information, for future source selection purposes, regarding a contractor’s actions under previously awarded contracts. It includes, for example, the contractor’s record of conforming to contract requirements and to standards of good workmanship; the contractor’s record of forecasting and controlling costs; the contractor’s adherence to contract schedules, including the administrative aspects of performance; the contractor’s history of reasonable and cooperative behavior and commitment to customer satisfaction; and generally, the contractor’s business-like concern for the interest of the customer.

‘...agencies shall prepare an evaluation of contractor performance for each contract that exceeds the simplified acquisition threshold at the time the work under the contract is completed. In addition, interim evaluations should be prepared as specified by the agencies to provide current information for source selection purposes, for contracts with a period of performance, including options, exceeding one year. This evaluation is generally for the entity, division, or unit that performed the contract. The content and format of performance evaluations shall be established in accordance with agency procedures and should be tailored to the size, content, and complexity of the contractual requirements...

While the manual does not apply to KCLS, it provides an example of how to approach contractor evaluations.

KCLS policy does not require a formal evaluation before extending contracts. During the audit, KCLS reported one instance in which it had to enforce liquidated damages against a contractor because the contractor did not meet contractual deadlines and did not meet performance expectations.

Although KCLS provides contractors and consultants daily informal feedback throughout projects in a number of ways, formal evaluations are an important “score card” to separate poor performers from those meeting or exceeding expectations and to highlight areas in need of improvement.

10-A. Recommendation: KCLS should develop and follow formal interim and end-of-project performance evaluations of contractors.

10-B. Recommendation: KCLS should incorporate formal evaluations into contracts. Future work should be contractually contingent on satisfactory performance according to defined review criteria.

10-C. Recommendation: KCLS should consider poor performance noted in formal evaluations as a measure toward contractors’ future ability to do work with KCLS, as permissible under state law.

Effect of Recommendations on Future Costs and Resource Needs

KCLS will require minimal resources to developing a formal process for evaluating contractors, vendors and consultants.

We cannot quantify cost savings related to these recommendations. However, we believe the potential for cost savings exists.

Management Response: Issue # 10 – Formal Contractor Evaluation Program

We agree that a formal contractor, vendor, or consultant evaluation program would be useful in helping us to avoid contracting in the future with entities that have records of poor performance. At the time of the audit we were already in the process of researching evaluation programs that are being used by other government entities and researching the state law to understand how these types of programs can be permissibly used. Using this research we intend to develop and implement a formal evaluation program for future use.

11. KCLS consultants and architects performed work before a contract or contract amendment was in place and without a letter of understanding. The value of the work was approximately \$794,000. As a result, KCLS is at a higher risk for having disagreements with its contractors about the quality, specifications, or pricing of goods or services.

Contracts and contract amendments are essential when defining the scope, price, schedule and milestones, and terms and conditions of work performed by consultants and architects. We reviewed how KCLS verifies compliance with contract requirements for consultants and architects.

Most recognized industry contracting practices and standards state no work should be performed prior to the execution of a contract and that a contract is not considered executed until signed by all parties.

We noted several instances in which contractors performed work before a contract, statement of work or amendment was in place:

Construction Management Consulting Services for the 2004 Bond Projects

KCLS has an agreement in place for a construction manager consultant. The consultant issues work orders for services. The agreement was executed on October 12, 2006. We estimate \$420,800 of work was performed by the construction management consultant prior to the execution of the contract or work order.

- The KCLS Director of Facilities Development signed five work orders on October 6, 2006. However, the consultant signed the agreement on October 12, 2006, making the work orders not yet in effect until October 12. Another work order was signed by the KCLS Director of Facilities Management Services on October 16, 2006. KCLS paid the consultant \$57,500 for services performed in 2006 without a valid contract or work order in place.
- The KCLS Director of Facilities Development signed three work orders on March 27, 2007 and four work orders on April 2, 2007 with an effective date of January 1, 2007. Work was performed between January 1, 2007 and the effective dates of the agreements, and we calculate KCLS paid \$112,700 for services in 2007 without a valid work order.
- The KCLS Director of Facilities Development signed two work orders on April 28, 2008 and five work orders on May 8, 2008 with an effective date of January 1, 2008. Work was performed between January 1, 2008 and the effective dates of the work orders, and we calculate KCLS paid \$250,600 for services in 2008 without a valid work order in place.

- The work orders noted above stated an effective date of January 1, despite the fact that they were executed later in the year. This practice leads to “back dating” and retroactively covers a period of performance by the later executed work orders and exposes KCLS to operating without a valid contract or work order in place covering a period of performance.

Architectural Services

KCLS has several agreements in place with architects, against which some separate work orders are issued. We estimate KCLS paid architects \$372,700 for work that was performed before a contract or work order was executed.

For the Burien project, previously mentioned in issue numbers 6 and 9 above, KCLS paid eight invoices totaling \$231,700 for professional services performed before an executed contract or work order was in place. KCLS could not produce fully executed work orders for these expenditures.

- KCLS signed the Independent Consultant On-Call Professional Services Agreement on February 14, 2006. KCLS said the agreement had an error and it should have been dated 2005.
- Invoice No. 1 for schematic design was issued before a contract was in place. A letter from the architect attached to the invoice acknowledges the invoice is for work that occurred before the contract was in place and that without a contract or KCLS work order, the architect assumed the letter would serve as the agreement on the hourly rate until the contract was finalized.
- KCLS never signed one work order. Seven invoices were submitted against this work order totaling \$226,400.

For the Covington project, KCLS paid one invoice of \$57,200 for professional services performed prior to an executed contract being in place.

- An architect agreement between KCLS and the architect was dated February 7, 2005 but KCLS did not sign it until July 1, 2005.
- The architect submitted one invoice for professional services performed through June 30, 2005, prior to an executed contract being in place.

For the Shoreline project, KCLS paid four invoices totaling \$69,200 for professional services performed prior to an executed contract or amendment being in place.

- An agreement with the architect was executed July 14, 2006 and established an \$11,050 maximum payment. Contract Modification “A” dated July 31, 2006 and executed by KCLS on January 16, 2007 increased the limit to \$18,750. Contract Modification “B” executed by KCLS on March 28, 2007 increased the limit to \$125,146.
- KCLS paid four invoices for professional services performed prior to an executed contract or contract modification totaling \$69,200.

For the Newcastle project, KCLS paid four invoices totaling \$14,600 for professional services performed prior to an executed contract being in place.

- KCLS signed but did not date the agreement with the architect. The effective date of the agreement is January 17, 2007. KCLS did the same with one work order with an effective date of January 17, 2007.
- KCLS paid four invoices for professional services performed before a contract or change orders were in place totaling \$14,600.

If work is started without a contract, the consultant or architect are at risk for pre-contract services until a contract is executed and neither KCLS nor the consultant/architect has final documentation of the intended scope, schedule, or compensation. The lack of this information can lead to disputes, time delays and additional costs. Should issues arise, the absence of a contract means neither party would have the benefit of its provisions to resolve them.

In some circumstances, KCLS could enter into a letter of agreement or a memorandum of understanding that allows work to proceed and all costs to be recovered while a contract is being negotiated in good faith, until a formal contract is in place.

11-A. Recommendation: KCLS should not allow any consultant or architect work to proceed without a fully executed contract, work order or amendment in place.

11-B. Recommendation: KCLS should fully date and sign contracts, amendments and work orders and avoid contract effective dates predating the actual execution date of the contract, amendment or work order.

11-C. Recommendation: If work on a project must proceed before a formal contract or amendment has been executed, a signed, approved contract equivalent should be in place and formal approval to proceed should be obtained. KCLS should establish policies and procedures for this situation, which should only be allowed under extraordinary circumstances and when significant risk is associated with not proceeding. KCLS should also consult legal counsel when choosing this course.

11-D. Recommendation: KCLS should plan its contract, work order and amendment negotiations and execution process to avoid starting work before a contract is in place. By formalizing a time frame for this process and formally communicating this to the consultant or architect, KCLS is in a better position to avoid future contract performance discrepancies related to timing of the work.

Effect of Recommendations on Future Costs and Resource Needs

We do not believe the recommendations above will have any measurable effect on future resource needs. However, changing contracting practices lowers the risk of contract disputes.

We cannot quantify future cost savings related to changing the procurement process of contractors. However, we believe costs-savings are possible.

Management Response: Issue # 11 – Pre-Contract Services

KCLS management understands that work should not start prior to having some agreement in place to govern the terms and conditions of the work. In the past, instances occurred where work had to proceed before a formal agreement was finalized. To date, KCLS has not had any contractual disputes prior to signing of agreements.

As mentioned in Issue # 11, the service providers are at greater risk during pre-contract services than the organization procuring the services. However, KCLS will work internally to better define timetables for contract execution processes, to ensure that all documents are fully dated, signed and countersigned; and that whenever possible, work does not begin prior to contract execution. While this may be our objective, pre-contract work is not uncommon in the construction industry and may not be completely avoidable when project scheduling pressures are present. In those situations, we will develop a letter of understanding template that we will use to ensure that basic terms and conditions are in place while a full contract is being negotiated in good faith.

For the \$794,000 amount of cost exposure cited, executed contracts are now in place for all of that work, and thus any potential exposure has now effectively lapsed without incident.

12. KCLS' current application to track contract commitments lacks some features that would allow KCLS to better track and more effectively manage its contract commitments, changes to contracts and costs.

KCLS uses an enterprise resource planning system called Dynamics SL (DSL) for logging and tracking its contracts with contractors, architects and consultants. The system automatically exports information from KCLS' main accounting system, JD Edwards (JDE), on a nightly basis or through a manual transmission of information. KCLS started using DSL in July 2008. During this time, all existing contract information was transferred to JDE, except for contracts that were substantially complete. Prior to DSL, contracts related to construction were tracked on a limited and manual basis in an Excel spreadsheet. During our review of the manual Excel spreadsheet system, we discovered that only a spreadsheet of construction contracts was available, while design and consultant contracts were not tracked at all.

Prior to DSL, there were no checks in JDE prior to processing payments against a contract. The internal control for making sure there was an appropriate contract in place for the amount invoiced resided with the project manager or individual who approved the invoice before it was forwarded to accounts payable for payment. After KCLS launched DSL, accounts payable verifies the vendor information in JDE in addition to reviewing invoices for appropriate approvals prior to processing payments. In addition, the generated check register is approved in person by the KCLS Director.

Although DSL is a great improvement over the previous manual method for tracking contract commitments, DSL contains limitations:

- There are tax reconciliation issues between DSL and JDE. KCLS is required to pay taxes on certain services and the two systems calculate tax differently. KCLS is aware of this issue and is working around it because the cost to fix it is greater than the benefit.
- Architect and consultant contracts often contain several line items of services, including design development, bid assistance, construction administration, etc. However, DSL only tracks contract commitments and costs in three categories: (1) Basic Services, (2) Additional Services and (3) Reimbursables. KCLS stated that DSL is limited to the cost categories provided in JDE.
- DSL is not able to generate a list of contracts or change orders or amendments issued to each contract. As a result, we could not easily determine a total contract value for each contract commitment to an architect and consultant. Since the old spreadsheet only listed construction contracts, we were unable to obtain a complete list from either system.
- Due to software limitations, amendments and change orders with no associated costs are posted in a contract notes field within DSL limiting the ability to generate an automated detail listing of all amendments and change orders.

12-A. Recommendation: KCLS should establish a query able to generate complete contract reports from DSL, including information on original contract value and value of subsequent contract changes to original contractual agreements.

12-B. Recommendation: KCLS should track contracts in DSL by the same line items presented in the contract or change order. Invoiced costs should be tracked in JDE on a similar basis and may require additional accounting codes to be established.

12-C. Recommendation: KCLS should track all amendments and change orders in DSL.

Impact of Recommendations on Future Costs and Resource Needs

We do not believe the recommendations above will have any measurable impacts on KCLS' future resource needs.

We are not able to establish any future costs savings as a result of improvements to DSL. However, we believe an opportunity for cost savings exists.

Management Response: Issue # 12 – Contract Tracking System

KCLS concurs that our tracking system for construction projects, DSL, is a significant improvement over the previous manual tracking method. Upon the passage of the capital bond program, we initiated an effort to identify and implement an improved cost tracking system for construction projects. The DSL system was implemented in June of 2008. The initial launch effort was focused on getting the system up and running and integrated with our main accounting system. Now that the launch is complete our efforts have turned toward identifying useful system enhancements, with an initial focus on improved reporting. Based on our initial system enhancement queries, our ability to implement some enhancements may be affected by the capabilities of the DSL software. For each potential enhancement we'll consider the benefit gained versus the cost to implement.



Appendices

- Appendix A. Cross Reference of Report Issues to I-900 Elements
- Appendix B. KCLS Board Approved CIP
- Appendix C. KCLS CIP Projected Total Cost Estimate
- Appendix D. KCLS Organizational Chart
- Appendix E. Project Details
 - Burien
 - Covington
 - Federal Way 320th
 - Muckleshoot
 - Snoqualmie
 - Newcastle
 - Shoreline
 - Sammamish
 - White Center
- Appendix F. KCLS Key Processes Flow Charts
- Appendix G. Check List for Signature Authorization (example)
- Appendix H. Outline of Policies and Procedures (example)
- Appendix I. Change Order Submittal Form (example)
- Appendix J. Tracking Form for Architect Agreement and Amendments (example)
- Appendix K. Construction Terms & Definitions
- Appendix L. Management Response Cover Letter

Appendix A

Comparison of I-900 Elements and Audit Findings

I-900 Element	Audit Findings											
	1	2	3	4	5	6	7	8	9	10	11	12
A. Identification of cost savings	*	\$	*	*	*	\$	*	*		*	\$	*
B. Identification of services that can be reduced or eliminated	Opportunities for reduction or elimination of services were assessed as part of this Audit as it pertains to KCLS' construction management function. Our Audit did not reveal areas of services where additional reduction or elimination would be recommended.											
C. Identification of programs or services that can be transferred to the private sector	✓					✓	✓					
D. Analysis of gaps or overlaps in programs or services and recommendations to correct them	✓	✓	✓	✓	✓	✓	✓	✓			✓	✓
E. Feasibility of pooling the entity's information technology systems												✓
F. Analysis of the roles and functions of the entity and recommendations to change or eliminate roles or functions	✓		✓	✓		✓	✓					
G. Recommendations for statutory or regulatory changes that may be necessary for the entity to properly carry out its functions												
H. Analysis of the entity's performance data, performance measures and self-assessment systems	✓				✓							
I. Identification of best practices	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Legend:

- * Cost savings are likely associated with this finding, but accurate estimation is difficult.
- \$ Cost savings, cost impact or cost exposure were estimated for this finding.
- ✓ This finding was relevant to the I-900 Element.

Appendix B

FACILITIES	Additional Square Feet Construction	Ending Square Feet	Expected Start Date	(1) 01000 Site Development Land Acq.	(2) 02000 Owner's Construction Costs	(3) 03000 Building Construction Costs	(4) 04000 Furnishing / Shelving Equipment / Supplies	(6) 06000 Off-Site Mitigation	(7) 07000 Library Materials	Total Project Cost
Woodmont	4,600	9,850	2005	0	360,225	2,957,775	104,000	78,000	0	3,500,000
Greenbridge	2,500	2,500	2005	0	100,000	344,000	306,000	0	250,000	1,000,000
Covington	8,000	23,000	2005	0	757,000	4,892,600	370,000	363,400	67,000	6,450,000
Burien	32,000	32,000	2005	1,863,433	2,475,570	11,835,997	1,450,000	375,000	0	18,000,000
Newcastle	10,000	10,000	2005	1,505,100	563,500	2,356,400	475,000	100,000	800,000	5,800,000
Snoqualmie	6,000	6,000	2005	1,350,000	25,000	2,000,000	300,000	50,000	240,000	3,965,000
Muckleshoot	6,000	6,000	2006	155,000	25,000	3,180,000	300,000	150,000	240,000	4,050,000
Fall City	5,000	5,000	2006	146,500	25,000	2,100,000	250,000	150,000	100,000	2,771,500
Carnation	5,000	5,000	2006	360,000	25,000	2,100,000	250,000	150,000	100,000	2,985,000
Skykomish	200	1,042	2006	0	0	75,000	0	0	0	75,000
Shoreline	-	20,000	2006	1,000,000	480,000	2,770,000	0	0	0	4,250,000
Lake Hills	10,000	10,000	2006	15,000	518,400	2,722,600	545,000	100,000	99,000	4,000,000
Sammamish	20,000	20,000	2006	84,500	1,793,600	13,182,900	1,039,000	300,000	500,000	16,900,000
Kenmore	10,000	10,000	2006	1,618,056	1,293,744	6,588,200	500,000	90,000	400,000	10,490,000
Vashon	10,000	10,000	2006	1,000,000	300,000	2,348,000	252,000	0	100,000	4,000,000
Duvall	8,000	8,000	2007	940,000	300,000	2,620,000	290,000	0	240,000	4,390,000
Des Moines	-	10,230	2007	0	50,000	408,000	58,000	0	0	516,000
Kirkland	5,000	20,000	2007	0	502,300	2,702,700	90,000	0	0	3,295,000
Federal Way Regional	10,000	35,000	2007	35,000	1,350,000	5,760,000	680,000	175,000	100,000	8,100,000
Foster	8,000	8,000	2008	0	250,000	2,012,800	137,200	0	240,000	2,640,000
Lake Forest Park	1,400	5,000	2008	0	40,000	408,000	52,000	0	0	500,000
Newport Way	2,225	10,250	2008	0	195,000	1,105,000	0	0	0	1,300,000
Redmond Regional	-	30,000	2008	0	0	4,500,000	0	0	0	4,500,000
Bellevue Regional	5,000	85,000	2008	0	1,140,000	9,692,000	468,000	0	0	11,300,000
East Hill of Kent	6,000	6,000	2009	0	289,120	2,065,880	145,000	0	400,000	2,900,000
Kent Regional	-	22,500	2010	0	125,000	924,800	75,200	0	0	1,125,000
Library Connection @ Crossroads	-	3,000	2011	0	30,000	244,000	26,000	0	0	300,000
Valley View	-	6,558	2011	0	100,000	380,800	19,200	0	0	500,000
Skyway	8,000	8,000	2011	0	0	3,900,000	0	0	0	3,900,000
White Center	10,000	10,000	2011	25,000	315,000	3,436,000	124,000	0	100,000	4,000,000
Algona Pacific	1,000	6,250	2012	0	90,000	794,240	28,260	0	0	912,500
North Bend	-	9,600	2012	0	0	480,000	0	0	0	480,000
Kingsgate	12,000	12,000	2012	70,400	675,000	3,647,200	507,400	100,000	100,000	5,100,000
Woodinville	-	15,000	2012	0	100,000	544,000	106,000	0	0	750,000
Bothell Regional	-	22,500	2012	0	125,000	924,800	75,200	0	0	1,125,000
Auburn	5,000	20,000	2012	0	275,000	2,176,000	299,000	0	0	2,750,000
Boulevard Park	-	6,420	2013	0	50,000	326,400	23,600	0	0	400,000
Federal Way 320th	4,200	15,000	2013	0	400,000	4,252,000	1,348,000	0	0	6,000,000
Library Connection @ Southcenter	-	3,195	2013	0	30,500	272,000	17,000	0	0	319,500
Issaquah	-	15,000	2013	0	75,000	544,000	131,000	0	0	750,000
Fairwood	5,000	20,000	2013	0	200,000	2,348,000	202,000	0	200,000	2,950,000
Maple Valley	-	10,000	2014	0	50,000	380,800	69,200	0	0	500,000
Mercer Island	-	14,600	2014	0	0	730,000	0	0	0	730,000
Richmond Beach	-	5,250	2014	0	0	350,000	0	0	0	350,000
Black Diamond	-	5,000	2015	0	0	260,000	0	0	0	260,000
Traveling Library Center			2005-2015				1,200,000			1,200,000
Administrative / Staff Cost			2005-2015		2,800,000					2,800,000
Outsourced Project Management			2005-2009				2,000,000			2,000,000
Material Handling / Anti-Theft System			2005-2009				10,000,000			10,000,000
Artwork Acquisition / Management			2005-2015		1,600,000					1,600,000

CATEGORY TOTALS

10,167,989

19,898,959

117,642,892

24,312,260

2,181,400

4,276,000

178,479,500

Grand Total

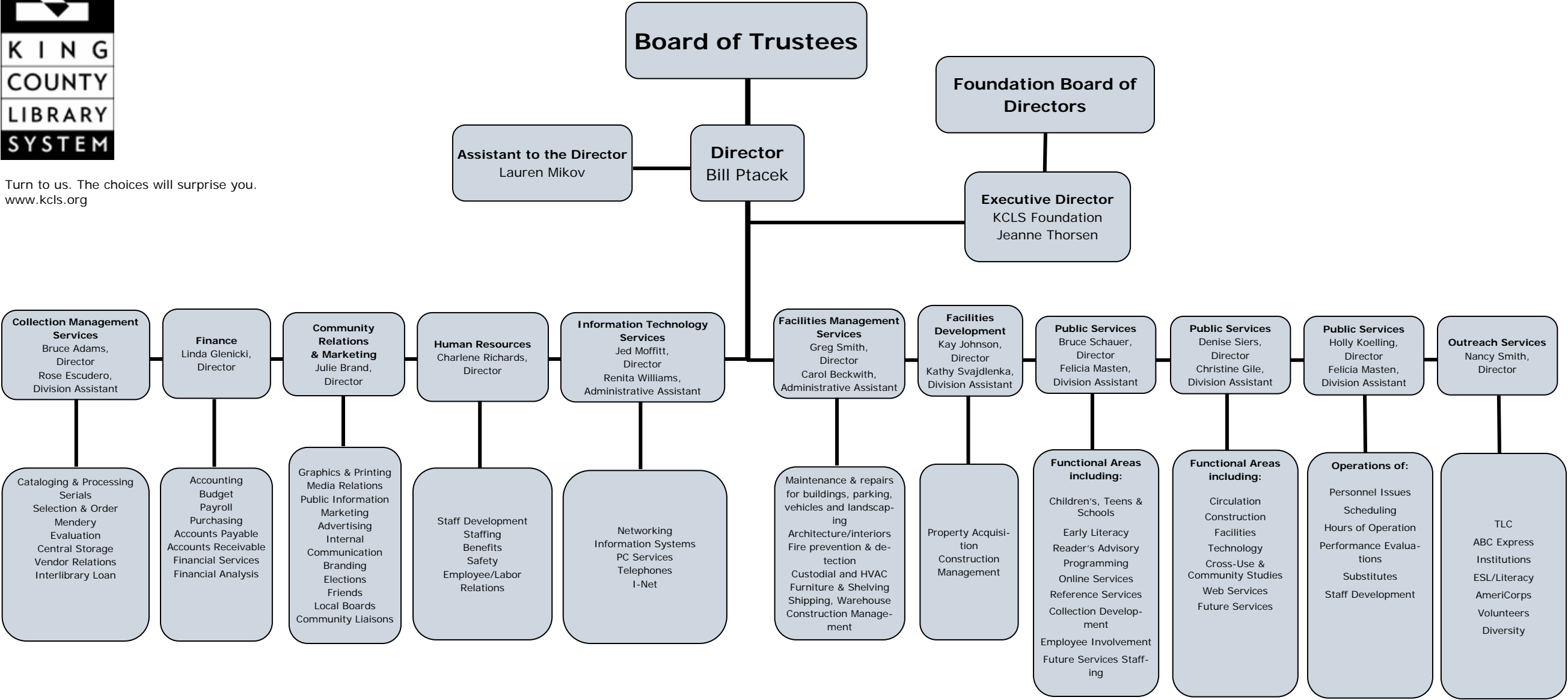
Appendix C

<u>Location/Category</u>		<u>Current Budget</u>	<u>Completed Cost</u>	<u>Forecasted Cost w/ Infl.</u>	<u>Variance</u>	<u>Project Cost</u>	<u>General Fund Coverage</u>	<u>Property Sales</u>	<u>Interest/Bond Premium</u>	<u>Potential Annexation</u>	<u>Net Total</u>
Closed Projects	Skykomish	75,000	143,070	68,070		143,070	(68,070)				75,000
	Snoqualmie	3,965,000	3,939,156	(25,844)		3,939,156		(152,044)			3,787,112
	Shoreline	<u>4,250,000</u>	<u>2,329,687</u>	<u>(1,920,313)</u>		<u>2,329,687</u>					<u>2,329,687</u>
		<u>8,290,000</u>	<u>6,411,913</u>	<u>(1,878,087)</u>		<u>6,411,913</u>	<u>(68,070)</u>	<u>(152,044)</u>			<u>6,191,799</u>
Active Projects	Covington	6,450,000		6,960,254	510,254	6,960,254	(510,254)				6,450,000
	Fall City	2,771,500		2,756,577	(14,923)	2,756,577					2,756,577
	Woodmont	3,500,000		3,870,145	370,145	3,870,145	(370,145)				3,500,000
	Muckleshoot	4,050,000		4,228,961	178,961	4,228,961	(178,961)				4,050,000
	Des Moines	516,000		1,573,078	1,057,078	1,573,078	(1,057,078)				516,000
	Carnation	2,985,000		3,367,491	382,491	3,367,491	(382,491)				2,985,000
	Burien	18,000,000		18,000,000	0	18,000,000		(4,102,372)			13,897,628
	Kirkland	3,295,000		3,295,000	0	3,295,000					3,295,000
	Federal Way Regional	8,100,000		8,100,000	0	8,100,000					8,100,000
	Redmond Regional	4,500,000		1,400,000	(3,100,000)	1,400,000	(1,400,000)				0
	Sammamish	16,900,000		16,900,000	0	16,900,000		(5,000,000)			11,900,000
	Kenmore	10,490,000		10,490,000	0	10,490,000		(500,000)			9,990,000
	Greenbridge	<u>1,000,000</u>		<u>495,991</u>	<u>(504,009)</u>	<u>500,000</u>				*****	<u>495,991</u>
		<u>82,557,500</u>		<u>81,437,497</u>	<u>(1,120,003)</u>	<u>81,441,506</u>	<u>(3,898,929)</u>	<u>(9,602,372)</u>			<u>67,936,196</u>
Future Projects											
New Libraries	Newcastle	5,800,000		8,400,000	2,600,000	8,400,000					8,400,000
	Vashon	4,000,000		6,240,000	2,240,000	6,240,000					6,240,000
	Duvall	4,390,000		6,400,000	2,010,000	6,400,000		(1,000,000)			5,400,000
	Lake Hills	4,000,000		6,116,835	2,116,835	6,116,835		(1,500,000)			4,616,835
	Foster	2,640,000		5,200,000	2,560,000	5,200,000					5,200,000
	East Hill of Kent	2,900,000		5,000,000	2,100,000	5,000,000					5,000,000
	Skyway	3,900,000		6,200,000	2,300,000	6,200,000				*****	6,200,000
	White Center	4,000,000		8,000,000	4,000,000	8,000,000				*****	8,000,000
	Federal Way 320th	<u>6,000,000</u>		<u>15,400,000</u>	<u>9,400,000</u>	<u>15,400,000</u>					<u>15,400,000</u>
		<u>37,630,000</u>		<u>66,956,835</u>	<u>29,326,835</u>	<u>66,956,835</u>		<u>(2,500,000)</u>			<u>64,456,835</u>
Expansions											
	Lake Forest Park	500,000		1,200,000	700,000	1,200,000					1,200,000
	Bellevue Regional	11,300,000		11,300,000	0	11,300,000					11,300,000
	Auburn	2,750,000		6,850,000	4,100,000	6,850,000					6,850,000
	Fairwood	<u>2,950,000</u>		<u>7,600,000</u>	<u>4,650,000</u>	<u>7,600,000</u>				*****	<u>7,600,000</u>
Remodels		<u>17,500,000</u>		<u>26,950,000</u>	<u>9,450,000</u>	<u>26,950,000</u>					<u>26,950,000</u>
	Newport Way	1,300,000		1,500,000	200,000	1,500,000					1,500,000
	Kent Regional	1,125,000		1,400,000	275,000	1,400,000	(1,400,000)				0
	Library Connection @ Crossroads	300,000		400,000	100,000	400,000	(400,000)				0
	Valley View	500,000		650,000	150,000	650,000	(650,000)				0
	Algona Pacific	912,500		650,000	(262,500)	650,000	(650,000)				0
	North Bend	480,000		650,000	170,000	650,000	(650,000)				0
	Kingsgate	5,100,000		1,300,000	(3,800,000)	1,300,000					1,300,000
	Woodinville	750,000		1,000,000	250,000	1,000,000	(1,000,000)				0
	Bothell Regional	1,125,000		1,500,000	375,000	1,500,000	(1,500,000)				0
	Boulevard Park	400,000		570,000	170,000	570,000	(570,000)			*****	0
	Library Connection @ Southcenter	319,500		450,000	130,500	450,000	(450,000)				0
	Issaquah	750,000		1,100,000	350,000	1,100,000	(1,100,000)				0
	Maple Valley	500,000		750,000	250,000	750,000	(750,000)				0
	Mercer Island	730,000		1,100,000	370,000	1,100,000	(1,100,000)				0
	Richmond Beach	350,000		500,000	150,000	500,000	(500,000)				0
	Black Diamond	<u>260,000</u>		<u>400,000</u>	<u>140,000</u>	<u>400,000</u>	<u>(400,000)</u>				<u>0</u>
		<u>14,902,000</u>		<u>13,920,000</u>	<u>(982,000)</u>	<u>13,920,000</u>	<u>(11,120,000)</u>				<u>2,800,000</u>
Centralized											
	Traveling Library Center	1,200,000		2,000,000	800,000	2,000,000					2,000,000
	Administrative / Staff Cost	2,800,000		2,800,000	0	2,800,000					2,800,000
	Outsourced Project Management	2,000,000		3,300,000	1,300,000	3,300,000					3,300,000
	Material Handling / Anti-Theft System	10,000,000		12,000,000	2,000,000	12,000,000					12,000,000
	Artwork Acquisition / Management	<u>1,600,000</u>		<u>1,600,000</u>	<u>0</u>	<u>1,600,000</u>					<u>1,600,000</u>
Interest		<u>17,600,000</u>		<u>21,700,000</u>	<u>4,100,000</u>	<u>21,700,000</u>					<u>21,700,000</u>
	Interest on Proceeds/Bond Premium								(11,890,428)		(11,890,428)
TOTALS		<u>178,479,500</u>	<u>6,411,913</u>	<u>210,964,332</u>		<u>217,376,245</u>	<u>(15,086,999)</u>	<u>(12,254,416)</u>	<u>(11,890,428)</u>	<u>0</u>	<u>178,144,402</u>



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Appendix D



Burien Project



The Details

Construction of the new 32,000 square foot Burien Library is underway. The \$18 million library is planned in conjunction with the construction of a new Burien City Hall, at Burien Town Center. The joint development allows the entities to share costs of construction, taxes and consultant fees.

The new library will include more materials, computers, space for children and teens and community meeting space, some of which will be shared with the city.

Project Status: In progress

Expected Opening Date: May/June 2009

New Library Address: The corner of Fourth Avenue Southwest and 152nd Street

Contractor: BNBuilders, Inc.

Architect: Ruffcorn Mott Hinthorne Stine

Service: The current library will remain open until construction of the new library is complete.

Burien, Monthly Update Archives

October 2008

Construction work on the new library and city hall continues and the project is on schedule. Substantial completion is scheduled for April 2009.

September 2008

Construction work continues and the project is on schedule. A temporary roof was recently installed and construction of the curtain wall will soon be under way. Substantial completion is scheduled for April 2009.

August 2008

Construction continues on the new library. The project is on schedule and substantial completion is scheduled for April 2009.

July 2008

Construction of the new library and city hall building continues. The project is on schedule and substantial completion is scheduled for April 2009.

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June 2008

Construction work is progressing on the new library and the floor slab was poured. The foundation work is anticipated to be completed in June and work on the steel frame will begin in late summer.

May 2008

Construction is under way on the new City Hall and Library building. Footings have been poured and preparations are being made for the floor slab to be poured.

April 2008

Construction of the new city hall and library is officially under way. The current schedule includes clearing and grading the site, setting up the onsite services necessary for supporting the construction work and finalizing the work plans. It is anticipated that the first floor slab will be poured in May.

March 2008

Construction work can officially begin on the site of the new library and city hall after KCLS, the city of Burien and the General Contractor, BNBuilders, finished finalizing the construction contracts. The start of construction is a milestone for the project, culminating more than two years' worth of planning and design work for both KCLS and the City of Burien. Other construction projects in the city, located near the site of the new library and city hall, also are being planned by other entities. New streets, sidewalks and landscaping will tie all of the projects together.

February 2008

Bids from major subcontractors for mechanical, electrical, structural and site work were received. KCLS and the City of Burien are working together and expect to have the total construction pricing and contracts in place for the new city hall and library early in March. The City of Burien has issued the clearing and grading permit and the building permit process continues to progress.

The three-floor building will be a total of 49,000 square feet, with the library occupying the first two floors and City Hall on the third floor.

January 2008

Project architects and contractors anticipate that a building permit will be issued from the city sometime in February. BNBuilders has been reviewing the plans to ensure compliance with the project budget before any construction work begins.

December 2007

Project architects and engineers continue to work on construction documents and specifications for the new library. KCLS and city of Burien staff are developing the final interior plans and are selecting appropriate furnishings for the joint development. Final plans for public artwork also are under consideration.

November 2007

Project architects and engineers continue to develop construction documents and specifications. KCLS and City of Burien staff are developing the final interior plans, which entails selecting appropriate furnishings. Final plans for public artwork are also under consideration.

October 2007

The City of Burien's Community Development Department issued a Development Permit for the Project. Project architects and engineers continue to develop construction documents and specifications and the plans will soon be submitted to the City for the building permit application. During a design review session for the new library, several teens offered input. They were most

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interested in the types of furniture and computers that would be available at the new library. The teen area in the new library will be in a prominent location on the second floor.

September 2007

Project architects and engineers are preparing construction documents and the plans will be submitted to the city for a building permit application. The city's Planning Department is finalizing the Development Application and Design Review comments. It is anticipated that the first stages of construction will begin this year.

August 2007

After some discussion about the large meeting room and City Council Chambers in the new Burien Library and City Hall, the City of Burien has reviewed and agreed to proceed on the general design of the facility. The site of the new library and City Hall has also been cleared of its former building. The project architects and engineers are authorized to begin the preparation of construction documents and specifications. These plans will be submitted to the City of Burien for the building permit application. It is still anticipated that the first stages of construction will begin this fall.

July 2007

KCLS and City staff is meeting with the architects and contractor team to finalize the probable costs for the project. Cost estimates have indicated that the project is close to the budgets set by each jurisdiction. The State of Washington Capital Funds approved by the 2007 Legislature will ensure that the parking capacity will be adequate for visitors to the new library and City Hall. Final agreements with the general contractor are expected this fall. The architects and engineers will begin the construction documents and final specifications for the project. The plans will be submitted to the City for a building permit, with permit packages in at least two stages: an initial package for the preliminary site work and foundations for the new building and parking facility and a second package for the construction of the building and the final

June 2007

The architects and engineers are preparing permit application drawings for the design review process with the City of Burien. The City's Community Planning department will coordinate this process. The current schedule indicates that the design and site plan package will be provided to the City by mid-June. The next steps include finalizing the agreements with the contractor and working through any design changes that might develop during the City Planning reviews. Once all of the agreements are completed the architects and engineers will begin the construction documents. These plans will be submitted to the City in order to receive a building permit.

May 2007

The architects and engineers are preparing permit application drawings for the design review process with the City of Burien. The City's Community Planning Department will coordinate this process. The current schedule indicates that the design and site plan package will be provided to the City by mid-June. Since the project has received notice of the Washington Capital Funding grant for expanded parking, the project engineers have designed a two-deck parking facility that will provide at least 120 parking stalls.

The State Legislature funded the parking structure for the joint Burien Library/City Hall. This will allow us to stretch our budget to achieve a 32,000-square-foot library and a 17,000-square-foot City Hall. Both the Library and City Hall had to scale back expectations when the cost estimate for the design presented last year was considerably over budget. This new funding will ensure the project has adequate funding. Staff met with the Burien Library Guild to explain the history the project and to discuss the need to relocate the famous fountain enclosed at the current library to a more public and visible space at the new library. The Guild is generally enthusiastic about the new library and our desire to start construction this year.

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April 2007

The architects and engineers are preparing permit application drawings to begin the design review process with the City of Burien. The City's Community Planning Department will coordinate the process.

January 2007

The Project Oversight Team has renegotiated the architect's fee and scope for the redesign development phase. Ross Pouley, URS Corporation will be the project lead for the library.

December 2006

The project has been stalled while the scope and costs of the redesigned building are completed. The schedule will be revised to show an expedited design development phase in January and February 2007.

November 2006

The project is in the final stages of redesign to align the expected costs with the funds available for the project. The design that was last presented to the KCLS Board and the City of Burien was about \$6 million over budget. The architects and project staff will recommend major alterations to the parking facility and the building. The revised building plans will be approximately 46,400-square-feet in size with parking on one level instead of a structured parking deck. KCLS and the City are working to confirm that the program reductions for the facility can be accommodated in more cost effective ways. While this has been a difficult process, both teams have worked together to mitigate increased construction costs in a manner that maintains the project's overall integrity.

October 2006

The contractor and architects have worked to provide recommendations for consideration to bring the project costs in line with the budgets set for the new Library/City Hall. Recommendations about the reductions must be reviewed and approved by the Project Oversight Committee (POC), which includes representatives from the City of Burien and KCLS. The POC is a special committee created when KCLS and the City agreed to the joint development. The schedule for the project has been delayed during the value engineering and program revisions. KCLS is working to complete the preparation of the old Puget Sound Educational Services District (PSESD) building for hazardous materials abatement before the end of the year. BNBuilders will complete the demolition of the building early in 2007.

September 2006

Construction costs from the architects' and general contractor's estimators are the subject of continuing negotiations. Both cost estimates are significantly more than the available funds of the KCLS and City. The work of value engineering the project and considering what reductions should be adopted will be the focus for this project's work over the next two weeks. Recommendations about reductions must be reviewed and approved by the Project Oversight Committee (POC), which includes representatives from the City of Burien and KCLS and was created when KCLS and the City agreed to develop the joint library/city hall.

August 2006

Design work has progressed to the design development phase. The consultants will attend the KCLS Board meeting this month to share the current status of the project plans. Cost estimates are also expected from both the contractors and the architect's cost estimator to gauge how much work will be required to achieve a reconciled contract amount.

July 2006

An advertised public hearing was held at the Burien Library on July 19 to allow the public to comment on the proposed sale for the Burien Library to the City of Burien. No public was present

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and no written comments were received. KCLS and the City administration agreed to a cost sharing formula of one third for the City and two-thirds for KCLS. The shared costs include the cost of construction, taxes, consultant fees and other commingled costs.

June 2006

Work is progressing with the design development phase in full swing. Close examination of the exterior and interior plans are occurring. It is hoped that the KCLS Board will see the updated design in July. Costs for the general contractor should be finalized in August following reconciliation of the cost estimates for design development. KCLS and the City of Burien agreed to a cost sharing formula of one-third for the City and two-thirds for KCLS. The shared costs include construction, taxes, consultant fees and other commingled costs.

May 2006

The consultant team continues to refine the design and space plan for this facility. Both the City of Burien and KCLS staff have held meetings to finalize the space plans and provide reactions to the building plans. KCLS and the City administration have agreed to a shared cost formula of one third for city hall and two-thirds for the library. The shared costs include the cost of construction, taxes, consultant fees and other co-mingled costs. Work for the sole benefit or option of one party are not shared. For example, the City intends to televise City Council and other public meetings, so they will acquire and operate the equipment. As the project has developed, it became clear that the holistic building approach benefits both parties.

April 2006

- Major adjustments to the building mass for the multi-purpose room and lobby have been proposed.
- The Burien City Hall will be built on the third floor of the new library however, the City of Burien is considering the expansion of the current space plan. If the space is expanded, the atrium on the south side of the building will be reduced from three to two stories in height.

March 2006

Last month, the Schematic Design for the new library/city hall development was accepted by KCLS. The project costs are within the budget allocated in October 2005.

February 2006

KCLS is waiting for the cost estimate to be prepared and reviewed for the newly redesigned library/city hall project. The architects will show the schematic design drawings for the project at the Board Meeting. Additional consultant costs were approved due to the scope of the changes to the design and the Project Oversight Committee review and comments of the first set of drawings. BNBuilders has attended coordinating and planning meetings for the project. During the design development phase, the contractor's team will review the architects' work and assist in creating a cost-efficient, buildable project. At the end of design development, the architect's cost estimate and the contractor's cost estimate must be reconciled prior to issuing the notice to proceed for contract document preparation. At that time, the General Contractor/Construction Management (GC/CM) agreement will be finalized and put into place with a Guaranteed Maximum Price. The project is currently operating under a Pre-Construction Agreement.

January 2006

Appraisals have been ordered to assist in valuing the existing Burien Library and property. KCLS has mutually agreed to a process with the City that will guide the final purchase and sale agreement.

Design work has been slowly progressing as the many shared spaces and common use areas are being negotiated and settled. The project management agreement with Keller CMS was not renewed since KCLS is the Lead Agency for the project

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The General Contractor/Construction Manager (GC/CM) selection process was finalized. BNBuilders was selected to provide pre-construction and GC/CM services for the project. Initially they'll be working with the project team to develop a schedule for completing the project. During the design development phase, the contractor's team will be reviewing the architect's work and assisting in creating a cost efficient and buildable project. At the end of design development, both the architect's and the contractor's cost estimates must be reconciled before issuing the notice to proceed for contract document preparation. At that time the GC/CM agreement will be finalized and put into place with a Guaranteed Maximum Price.

November 2005

The project has moved into the schematic design phase. City of Burien and KCLS staff has engaged with consultants in several workshops to create a wonderful place. Along with the design and building planning work, the Burien Art committee sifted through an impressive range of 110 art submittals. The committee has agreed on a roster of 9 artists that may be contacted to assist in creating the new facility.

At their November 29 meeting, the KCLS Board of Trustees approved a resolution declaring the current Burien Library as surplus to the current and anticipated needs of the District and authorizing the sale of the property in accordance with the District's Purchasing Policies. As part of Burien Town Square development, the City wishes to purchase the existing Burien Library in order to construct a senior center.

October 2005

The real estate transaction to acquire the Puget Sound Educational Services District (PSESD) property is progressing through due diligence. Representatives from KCLS and the City of Burien signed the Notice to Proceed on the acquisition of the property. Closing should occur as planned in early November 2005.

Design work has edged along to the point that a combined Library/City Hall program is beginning to take shape. More intensive meetings will follow the tentative approval of the square-footage allocations, shared spaces and the general space plan for the building.

September 2005

The real estate transaction to acquire the Puget Sound Educational Services District (PSESD) property is progressing through due diligence. We expect to close the transaction in November 2005, following the relocation of the PSESD offices. The acquisition of the current library improvements and land has not been completed. The Lead Agency Agreement is currently being circulated at KCLS for review and comments. The Burien City Council has reviewed and authorized the City Manager to proceed on this agreement. Design work was begun in earnest this month. Meetings have been held to set the space plans and ultimately the building envelop. Negotiations continue with regards to the project budget, allocation of space and assignment of "ownership," as well as with the architects about their contract for services.

August 2005

The Geotechnical Reports for the Puget Sound Educational Service District (PSESD) building have been positive. The site and building have minimal and relatively minor amounts of hazardous materials; however, the site has a great deal of unsuitable fill material that will have to be removed. The Lead Agency Agreement has not been completed. The City of Burien is developing their list of requirements and issues to be reviewed with KCLS.

The project has accomplished a couple of key tasks. The conceptual design has been approved by the Project Oversight Committee. The architects have received their Notice to Proceed on the development of schematic design. KCLS will be forwarding modified contract forms to the

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American Institute of Architects (AIA). The maximum allowable construction cost has not been finalized, but KCLS will use an interim value until the next cost estimate is prepared.

July 2005

Site acquisition for the Puget Sound Educational Services District (PSESD) site has moved into its due diligence phases. AMEC has been contracted to provide geotechnical reports for the property and will drill for core samples (from July 18-22) to ensure a “clean” site to begin developing the structural engineering.

KCLS and the City of Burien continue to develop the background agreements to move forward with the project smoothly and quickly. A Lead Agency Agreement, to clarify relationships and procedures for working together, is in review stages. Ruffcorn, Mott, Hinthorne, Stine is working with staff from both agencies to develop conceptual space plans. Work is also in progress to determine optimum stacking and massing for the project. Preliminary cost estimates are being developed based on two proposed conceptual site plans.

June 2005

The City and the Library District have reached agreement with the Puget Sound Educational Services District (PSESD) for acquisition of the land for the new city hall/library project. The transaction should close November, 2005. Due diligence work is proceeding with Keller CMS providing project management and AMEC providing consulting expertise. Both parties are discussing the concept of electing a Lead Agency for the project. This would provide a focal point for communications and coordination between the owners and the consultants. As of now, KCLS may serve as the lead agency. An agreement between KCLS and the City will be drafted to ensure there is a clear understanding of the roles and responsibilities between the two agencies.

May 2005

Work continues to complete the preliminary planning for the combined city hall and library. Site acquisition for the Puget Sound Education Services District (PSESD) land and building has been discussed and counteroffers delivered. KCLS and the City of Burien are going to work with Keller-CMS (an Urban Partners subsidiary). The City of Burien also contracted with Keller-CMS to manage the public street and utilities work for Town Square.

April 2005

Property acquisition discussions continue with the Puget Sound Education Services District (PSESD) staff. The City and KCLS have extended invitations to discuss the proposal sent to PSESD early in April. Extensive negotiations and discussions are also underway to determine the budgets and schedules for the joint development project. Urban Partners is reviewing the service agreements and budget targets each jurisdiction established for the work. Preliminary schedules are being prepared setting site preparation work to begin mid-2006.

March 2005

The Burien City Council reviewed and approved the Interlocal Agreement on March 7, 2005. The joint venture for the combined city hall and library has been approved by both parties. Property acquisition discussions are underway with the Puget Sound Educational Services District (PSESD) staff. The purchase price has not been finalized. Four different appraisers have evaluated the property and all four reached different conclusions about the valuation of the existing property and improvements.

February 2005

The City of Burien and KCLS have been working to finalize an Interlocal Agreement (ILA) for the joint venture of developing and operating a new facility. The Board will be asked to review the proposed agreement at the February meeting. The City of Burien intends to review the same document with the City Council.

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On January 31, KCLS and City representatives interviewed four architectural and engineering consultants. There were 16 submittals of qualifications delivered to KCLS as a result of a public announcement of the project. Ruffcorn Mott Hinthorne Stine was selected to provide the professional consulting services necessary to plan and design the new facility.

Property acquisition discussions are underway with the Puget Sound Education Services District staff. The purchase price has not been finalized. Four different MAI appraisers have evaluated the property. All have made different conclusions about the value of the existing property and improvements. The Interlocal Agreement between the City and KCLS will include information about the method of sharing costs. It will also include provisions for the City to purchase the existing library for which each party has had an appraisal performed. KCLS' Purchasing Policies requires a third appraisal, which has been ordered and will be completed in March.

January 2005

The City of Burien and KCLS have begun drafting an Interlocal Agreement for the joint development and operation of a facility housing a library and city hall. KCLS is managing the selection process for architectural and engineering consultants to plan and design the new facility. A Request for Qualifications was issued for first publication in December. There were 16 submittals by the December 29, 2004 deadline. During a meeting with Burien Staff, the following four finalist were selected to be interviewed on January 31, 2005: SRG Partnership, Bohlin Cywinski Jackson, Ruffcorn Mott Hinthorne Stine and Miller-Hull Partnership. Property acquisition discussions are also underway with the Puget Sound Education Services District (ESD).

Covington Project



The Details

The expansion and renovation of the Covington Library was completed in March 2008. The \$6.45 million project increased the size of the existing library by 7,700 square feet to a total of 23,000 square feet. The library includes a spacious “great room” area with seating, a fireplace, study tables and a Food for Thought Café. The facility also has a new Children’s Area with a multi-use storytelling room and a Kid’s Cyber (computer) Bar; an expanded Teen Zone with lounge seating, study tables and a laptop Cyber Bar with wireless coverage throughout the library. There are also two community meeting rooms and one for quiet study as well as additional catalog stations to search for or place holds on materials.

Project Status: Completed in March 2008

Address of New Library: Existing site, 27100 164th Avenue SE.

Contractor: Graham Construction

Architect: Integrus Architects

Covington, Monthly Update Archives

February 2008

Construction work to expand and renovate the Covington Library is quickly nearing completion and the library will open to the public with a ribbon cutting and open house on Saturday, March 8, 2008. A variety of musical performances and children’s activities will follow the ribbon-cutting ceremony, including entertainment by Radio Disney as well as face painting, stilt-walkers and costumed characters inside the library.

January 2008

The project will be substantially completed by the end of January, with the final touches finished in February. Shelving and fixtures are being installed and the LED sculpture that was designed for the library is being installed in the new community room. The library will reopen with a celebration on Saturday, March 8, 10am. Enjoy festivities, programs and a dedication ceremony as the doors open.

December 2007

All furnishings, shelving and lighting has been ordered for the library and some furniture and light fixtures have already arrived. The opening celebration date has been set for March 8, 2008.

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October 2007

Work on the expansion continues. Furnishings are being ordered for the library interior, to meet library storage requirements while also enhancing the display of materials. Some of the furnishings, such as the lighting, were selected for their energy efficiency.

September 2007

Construction continues while the library is closed. The project is anticipated to be finished by the end of the year, in time for the library to reopen in January-February 2008. The public has been notified about the temporary library closing and patrons are encouraged to use other nearby libraries while the final phase of work is being completed.

August 2007

Construction is under way for the expansion of the library, which will be closed to the public on September 10 and will reopen in early 2008.

July 2007

Construction is under way for the expansion and remodel of the library. The project is on schedule with no anticipated delays. There will be a three month closure of the library from September through Thanksgiving of this year.

June 2007

Construction began for the expansion and remodel of the existing library. The current schedule anticipates that the work will be completed in December 2007. There will be a three month closure from September through Thanksgiving of 2007.

April 2007

Construction began for the expansion and remodel of the existing library. The current schedule projects that the work will be completed in December 2007. There will be a three month closure from September through Thanksgiving of 2007.

March 2007

KCLS has a permit and construction will start on March 26. Extended library closures will occur in September 2007 through the Thanksgiving holiday.

February 2007

Graham Construction, the successful bidder of this \$4.1 million project, is working on the schedule. Construction is scheduled to start in early March provided comments are received back from the Health Department and permits are received. Staff has been working to complete the furniture specifications, which will be sent to the architect for assembly into a bid document.

January 2007

FMS staff has been working with Integrus Architects to resolve addenda items in the documents. Bids will be received this month for the Covington Library expansion.

December 2006

Final additions have been made to the construction documents that are scheduled to go to bid the week of December 18. Bids are due January 25, 2007.

November 2006

The health department has rejected the design of the new septic system for the expanded library. The engineer is revising the design.

October 2006

Test pits have been dug and reviewed by the King County Health Department. The permit for the new septic system should be issued by December.

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September 2006

Obtaining a building permit in Covington has been a challenge. The design of that expansion project has been complete for a number of months. Early in the year, KCLS staff met with the City Manager and several building officials to map out a strategy to get the project reviewed and permitted in a timely manner. Unfortunately, the officials we met with, including the City Manager, no longer work at Covington. Therefore, it has taken much longer to start the permitting process than anticipated. The interim City Manager is helping move the process along and the City has hired additional staff to process permits. Hopefully, the project will still begin before the end of the year. The septic system for the expanded library is currently being designed.

July 2006

Engineering drawings are under review by the City. An agreement with the Covington Fire Marshall has been reached and additional text will be added to the parking lot entrance sign. Construction is anticipated this fall.

June 2006

Drawings are still under review by the City. Bidding is anticipated in late July with construction starting in August.

May 2006

The 95% Owner/Architectural Review is complete and final drawings will go in for permit mid-June. This project will be bid in late July or early August. Construction would start in September. This will be a phased project. The architect is working with the City of possible sewer hookup.

April 2006

- The Owner/Architectural Review is completed and final drawings are going in for permitting in mid-May.
- KCLS anticipates bidding this project in late July or early August, with construction starting in early September.

February 2006

The project documents were delivered to the City to begin the permit process. A recent cost estimate indicates that the plans are within the approved cost amount.

January 2006

Integrus Architects prepared plans and specification to the 95% level contract documents. The project will now be submitted for Site Plan Approval from the City of Covington. Preliminary discussions have taken place with City department representatives that indicate there will need to be a good deal of discussion to successfully navigate the permitting process and requirements.

November 2005

The Covington Library project has moved into the final phases of design work. Details are being created for the interiors, exteriors and building system extensions. Furniture and artwork will be the final elements to be included. Pre-application meetings with the City's building departments have occurred to allow staff representing the City to discuss the project with the architects and the engineers regarding the City's design codes and standards. Public Works, Fire, Building Codes and other departments may be involved. There are several items on our site that do not currently conform to City's standards.

October 2005

Work continues in developing the plans for the building and to prepare the various applications for permits required by the City of Covington.

September 2005

The Integrus Architects have completed plans and specification to the 95% level design

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development. KCLS staff is reviewing and commenting on them. “Notice to Proceed” on contract documents will be issued following the plan revisions and receipt of an updated cost estimate.

August 2005

The project design development phase has been initiated. Following review of the new maximum allowable construction cost (MACC) by the Board, the project budget, architects and other consultant fees will be revised.

July 2005

The expanded library is taking shape in plans. The schematic design phase will begin shortly and should move quickly as many of the key decisions have been made about the space plan and the general direction for the design intentions. Plans currently include a presentation and discussion with the Board in August.

June 2005

Schematic design plans for the expanded and renovated library are taking shape following a series of meetings and extensive discussions with KCLS staff.

May 2005

Preliminary space planning has begun for the expansion of the Covington Library with a series of meetings to conceptualize the new plan. KCLS will aim to use 10,000-square-feet of new space to increase the amount of seating and programming areas.

April 2005

Public participation regarding the expanded and updated Covington Library has proven interesting and informative. Pomegranate Center representatives will attend the Board Meeting to discuss their impressions of the process and show the preferred layout of space from the three public meetings.

March 2005

Integrus Architects, the Pomegranate Center (a non-profit facilitator of community interaction) and KCLS staff are working together to hold a series of community meetings to create more community ownership of the expanded library facility. There will be three public meetings and an equal number of coordinating meetings with the architects and key staff members.

February 2005

Integrus Architects, Pomegranate Center and KCLS staff are working to develop concepts for community gathering places and integration of these concepts into the library’s plans. A series of community meetings have been planned to develop the key concepts to inform the types of changes that are needed at Covington Library and incorporate the latest ideas about creating people friendly spaces. The first meeting is scheduled for March 16, 2005 at the Covington Library.

January 2005

Plans are taking shape for the expansion and renovation of the Covington Library. Integrus Architects will continue to develop the plans for this project and will be teamed with Pomegranate Center to develop concepts for community gathering places and integration of these concepts into the building plans. Community meetings are tentatively planned for mid-February.

Federal Way 320th Project

The Details

Estimated Start of Project: 2011

The Plan Includes:

- A new 15,000 square foot replacement library at the current site with more materials, computers, wireless access and space for children and teens.
- Upkeep and maintenance of the library during the next decade.

Federal Way 320th, Monthly Update Archives

May 2006

The City of Federal Way expressed further interest in developing a library presence in the downtown area to supplement the library service being delivered by Federal Way Regional and the Federal Way 320th libraries. They are trying to find partners, such as KCLS and Highline Community College, to consider a joint development downtown (in addition to the current libraries). KCLS agreed to explore this possibility and find out what a partnership with Highline Community College might look like. Highline has a Library Technician training program and there may be some interest in having a library outlet as part of the program.

April 2006

KCLS staff attended a Federal Way City Council meeting about the possible relocation of the Federal Way 320th Library to the transit center site. Several people that attended the board meeting expressed their opposition to relocating the library. Staff members explained KCLS' position on the issue and reminded everyone of the scheduled public meeting on this topic the following week.

The Federal Way City Council voted unanimously at their April 18 meeting that KCLS should not pursue the site next to the Transit Center downtown. They acknowledged initiating the discussion with KCLS and Sound Transit, and asked that KCLS and the City continue to look at the configuration of library services in their area so that all Federal Way residents have access to library services.

At their April 25, 2006 meeting, the King County Library System Board of Trustees unanimously voted not to pursue the relocation of the Federal Way 320th Library to the Sound Transit site. This action was based on an evaluation of the existing location and Sound Transit site utilizing the Board-approved Site Selection Policy and the information gathered during a public meeting on Wednesday, April 12.

March 2006

In follow-up to discussion at the past Board meeting related to the potential relocation of the Federal Way 320th Library, another public meeting has been scheduled to gather input about the this option. The meeting is scheduled for Wednesday, April 12, 6:30pm at the City of Federal Way's Council Chambers. Postcards are being sent to all Federal Way residents, flyers and posters will be posted in all nearby libraries and local community groups will be notified. The City Council has also requested that KCLS attend a work session regarding this issue on April 4, 2006.

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February 2006

The option for a future relocation of the Federal Way 320th Library to the Sound Transit Bus Terminal and Transit Garage area continues to be assessed. Sound Transit staff is preparing appraisals and crafting a purchase offer for KCLS to consider in the near future. An additional public meeting to gather public input was deemed appropriate to better inform the KCLS Board of Trustees prior to any decision being made about the future location of the Federal Way 320th Library.

January 2006

Discussions with Sound Transit continue to ensue. The Sound Transit Board has reviewed the proposed sale of approximately 30,000 square feet of land on the east side of the new parking garage that was built.

November 2005

KCLS and Sound Transit continue to discuss relocating the Federal Way 320th Library to the new transit center site. The Transit Oriented Development Garage includes 1,200 parking stalls and a dedicated bus/carpool exit to and from I -5. The vicinity address is 23rd Ave South and South 316th. Negotiations will need to be expedited to meet Sound Transit's development calendar.

October 2005

A public meeting was held on October 13 to discuss the idea of relocating the Federal Way 320th Library. Representatives from Sound Transit, city of Federal Way and KCLS discussed the concept and led discussion on the proposal.

September 2005

The City of Federal Way and Sound Transit continue to encourage KCLS to consider relocating the Federal Way 320th Library to the new transit center, which includes a 1,200 stall parking garage and a dedicated bus and carpool exit to and from I -5. The vicinity address is 23rd Ave South and South 316th. A public meeting is scheduled for October 13 to discuss the idea. Representatives from Sound Transit, City of Federal Way and KCLS will present the concept and lead a discussion on this proposal.

Muckleshoot Project



The Details

The new 6,000 square foot Muckleshoot Library was completed in June 2008. The new \$4 million library was constructed together with four other libraries using the design-build construction process.

The new library will include books, materials, computers, space for children and teens and a community meeting room.

Project Status: Completed in June 2008

New Library Address: 39917 Auburn Enumclaw Road SE, Auburn

Contractor: BNBuilders, Inc.

Architect: Miller-Hull Partnership

Muckleshoot, Monthly Update Archives

June 2008

Construction of the new library is completed and the library opened to the public on Wednesday, June 25, 11am, with a ribbon cutting, open house, refreshments, giveaways and music performances

May 2008

Construction of the new library is nearing completion. An opening celebration is set for Wednesday, June 25, 11am.

April 2008

The new library construction project continues to be on schedule. The library is anticipated to be completed and open to the public on June 25, 2008.

March 2008

Construction of the new library continues and the Library is scheduled to be completed by the summer of 2008.

February 2008

Construction of the new 6,000 square foot library is still underway. The library is anticipated to be completed by June 2008.

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January 2008

The Tribe and WSDOT are working on the south entrance to the new library site, near the White River Amphitheater. The Library is anticipated to be completed by late spring 2008.

December 2007

Construction work continues and the library is anticipated to be completed in mid-2008. The Muckleshoot Tribe and Washington State Department of Transportation have started to work on coordinating the access road to the south, near the White River Amphitheater.

November 2007

Work on the new library has begun and it is estimated to be completed by summer 2008.

October 2007

The Muckleshoot Planning Commission issued the building permit and site work has begun. The driveway to the new library has already been paved.

September 2007

Revised plans for the site layout and access were developed during recent meetings with the Muckleshoot Tribe's Community Development staff. The original site plans were in conflict with the archeological avoidance areas. Access from State Route 163 will be the subject of future development plans. The location of the new library will depend on access from the driveway serving the Tribal College near SE 400th Street. Construction is anticipated to start in September 2007.

August 2007

Revised plans for the site layout and access were developed during recent meetings with the Muckleshoot Indian Tribe's Community Development staff. The original site plans were in conflict with the archeological avoidance areas. Access from State Route 163 will be subject to future development plans. The location of the new library will depend on access from the driveway serving the Tribal College near SE 400th Street. Plans will be presented on July 25 to the Tribe's Planning Committee.

A ground blessing also occurred on August 14 at the site of the new Muckleshoot Library. About 40 people attended the ritual, which kicks off the construction process. Tribal Councilmember Dennis Anderson explained that there will be another ceremony when the 6,000-square-foot building is opened. The Muckleshoot Indian Tribe has been very helpful getting the project under way so that the earthwork and foundation can be finished before the fall rains begin.

July 2007

In recent meetings with the Muckleshoot Indian Tribe Community Development staff, revised plans for the site layout and access were developed. The original site plans were in conflict with the archeological avoidance areas. Access from State Route 163 will be subject to future development plans. KCLS' location will depend on access from the driveway serving the Tribal College near SE 400th. Plans will be presented to the Muckleshoot Planning Committee on July 25 to determine if we can get a permit and start building this year.

June 2007

Revised plans for the site layout and access for the new library are being developed with the Muckleshoot Tribe's Community Development staff. The original site plans were in conflict with the archeological avoidance areas. Access from State Route 163 will be subject to future development plans. The library will depend on access from the driveway serving the Muckleshoot Tribal College.

April 2007

Fact Sheet: Making Progress on the New Muckleshoot Library

Appendix E

January 2007

The Muckleshoot Indian Tribe has approved the scope of work proposed by NW Archeology. A notice to proceed will be issued to begin their mapping work as soon as weather permits.

December 2006

NW Archeological Associates was hired by KCLS to map the new library site, which is critical to making the determination about where the building will be located and what steps will be required during the course of construction to either preserve certain areas or to provide observers and conservators during the earthwork portion of the project. The Tribe has been asked to confirm that the scope of work and method of work meet their requirements. The State of Washington also has a role in determining that this is correct.

November 2006

The archeological discovery process has progressed. Northwest Archeological Associates has been identified as the team that will provide the key mapping for the site, which is critical to making the determination about where the building will be located and what steps or mitigations will be required during the course of construction.

October 2006

Following the discovery of Native American artifacts on the site, efforts turned to the protocols required to determine the importance of these items. The Tribe's archeologist has requested that the KCLS project team hire the Northwest Archeology team to provide a more thorough map of the site and assist in establishing portions of the site that must be reserved for further research.

August 2006

The site for the new library at the intersection of SE 400th and State Route 164 is now a State-recognized archeological site. Initial exploration by the Muckleshoot Indian Tribe staff archeologist turned up stone flakes and other small but significant indications of Native American activity on this site. It is required that the site be registered with the State of Washington and with the Bureau for Indian Affairs. Additional exploration must be made to map the areas that may require additional study and research. To accomplish this, a group of energetic volunteers from the Muckleshoot Indian Tribe "After School Program" have agreed to attempt to clear enough under story plant material to allow the work. They believe that the significant finds will be in the top 6" to 8" of forest duff and reachable by a shovel inspection. Further studies may be conducted using larger equipment and several research assistants to exhaust the research findings for the site. The work is expected to take two to three months.

June 2006

With help from their Planning Director, KCLS sought further input from the Muckleshoot Tribe about the initial design of their new/expanded library. The contractor/architect team and KCLS staff met with the Muckleshoot Planning Commission who provided excellent input and recommended community members who could help make connections to the Tribe's art and culture. Much like the facilities they've built in the past few years, they have suggested that the new Muckleshoot Library have a theme. Some of their buildings relate to rivers and salmon, so it was suggested that the library relate to the forest and the importance of trees and plants to the history and culture of the tribe (especially cedar). The architects and landscape designers will follow-up on that suggestion.

May 2006

Although a contractor and architect team was selected for the Muckleshoot Library, KCLS didn't have a lease with the Tribe for the library site until recently because some members of the Tribal Council had concerns about the staffing of the new library. KCLS staff met with the Executive Committee of the Tribal Council to talk about the new library. While KCLS could not make special accommodations for particular staff members, we committed to conducting employment

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outreach efforts with tribal members. We also talked with them about the page fellowship and assistance programs (supported employment for developmentally disabled persons). They were very positive about these possibilities. They also expressed great interest in the programs and services, such as adult education, Early Literacy, art and programs relating to the Muckleshoot culture.

Once the Muckleshoot Indian Tribe ground lease was finalized, BNBuilders initiated a topographic survey and has arranged to obtain the geotechnical reports. The Tribe will bless the site prior to construction.

Only a few community members attended the public meeting on May 22 for the Muckleshoot Library, so staff will continue the outreach effort by meeting with the Tribal Elders at their weekly lunch meeting in June. Information about the new library was covered on the front page of the Tribal Newspaper.

April 2006

Members from the Muckleshoot Tribe indicated they want to have input on choosing the personnel for the Muckleshoot library. However, due to legal ramifications, KCLS may not be able to allow input on hiring processes from another organization. A meeting is scheduled in early May with the Tribal Council and/or the Executive Committee of the Tribal Council to discuss the issue. Meanwhile, the contractor/architect team is gearing up to begin work on the five libraries in the Design Build package, which includes the Muckleshoot Library.

March 2006

On March 23, a kick-off meeting was held with BNBuilders and Miller-Hull Architects. Contract issues, schedules and project budgets were discussed. The Muckleshoot Library will require finalization of purchase or lease agreements prior to commencement of construction work. Snoqualmie and Fall City sites are owned by KCLS.

February 2006

On March 6, a team of 10 jurors will hear presentations by the best and final contractor teams. Following the interviews, the consultants will be present with conceptual designs for an open house at the Service Center. The best and final proposals will be evaluated for cost, quality of design and distinctive community elements.

September 2005

Donald King Architects (DKA) has been selected to prepare the Request for Proposal (RFP) for the five libraries in the design-build group: Black Diamond, Muckleshoot, Carnation, Fall City and Snoqualmie libraries. DKA has assembled the documents necessary to issue a package for contractors to understand the scope and locations for the projects. The current plans call for completion of the Request For Qualifications (RFQ) by the end of October. The overall goal is to have the contractor team selected and under contract by March 2006.

June 2005

A letter was drafted and sent to the Tribe to reaffirm KCLS' plans for developing a library in the area. The Tribe has offered a site at State Highway 164 and SE 400th Street near the new Tribal College.

May 2005

The Muckleshoot Tribe has said they plan to offer land for the new library in exchange for a larger building. KCLS proposed a 5,000-square-foot building, but the Tribe would like a 10,000-square-foot building. The Tribe will offer a site located just north of the White Horse River Amphitheater at Highway 164 and SE 400th Street.

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April 2005

KCLS is expecting a proposal letter from the Muckleshoot Tribe about their intent to work with KCLS to develop a public library on their land at SE 400th and the Enumclaw-Auburn Road.

March 2005

The Muckleshoot Tribe has said they plan offer land for the library to use in exchange for a larger library building. KCLS had proposed a 5,000-square-foot building and the Tribe would like a building closer to 10,000-square-feet. The site that the Tribe has offered is located to the north of the White River Amphitheater at Highway 164 and SE 400th Street.

Snoqualmie Project



The Details

The 6,000 square foot Snoqualmie Library was the first new library to be built as part of the \$172 million library capital bond. Construction of the almost \$4 million library began in 2005 and the project was completed in August 2007. The new library was constructed together with four other libraries using the design-build construction process.

The new library includes more books, materials, computers, space for children and teens and a community meeting room.

Project Status: Completed in August 2007

New Library Address: Corner of Center Boulevard and Snoqualmie Parkway

Contractor: BNBuilders, Inc.

Architect: Miller-Hull Partnership

Snoqualmie, Monthly Update Archives

August 2007

More than 350 people attended the ribbon cutting and celebration for the new Snoqualmie Library. Mayor Matt Larson recounted the history of the library in Snoqualmie and recognized many individuals who had a hand in locating the new library in the middle of the Snoqualmie Ridge development. More than 2,000 items were checked out on the first day, which is half of what the old library checked out in a month. One popular feature of the new building is the meeting room with a dividing retractable wall that opens the space up to the rest of the library when the room is not in use. The location of the library, near restaurants and other retail establishments, also is beneficial.

July 2007

The new 6,000-square-foot Snoqualmie Library officially opened for business on Wednesday, August 1. The KCLS Foundation hosted a preview event on Friday, July 27. The building, which is located amidst many thriving businesses and restaurants, has gotten rave reviews. The construction crew was sorry to see the job end as they enjoyed their stint at that location. We anticipate that the location in this growing community will greatly increase use of the library.

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June 2007

Construction of the new 6,000-square-foot library is underway and on schedule. The new library is located at the intersection of Center Boulevard and Snoqualmie Parkway. Opening date is August 1.

May 2007

Construction of the new 6,000-square-foot library at the intersection of Center Boulevard and Snoqualmie Parkway is well underway. Substantial completion is scheduled for mid-June with opening of the library on August 1, 2007.

April 2007

Construction of the new 6,000 square foot library is well under way. As of April 10, the steel structure and the cmu sheer walls have been erected. The new library is located at the intersection of Center Boulevard and Snoqualmie Parkway. BNBuilders has indicated that the new library should be open by August 1, 2007.

March 2007

Updated rendering of library design

January 2007

Staff met this month with the Mayor and City Administrator of the City of Snoqualmie. During the meeting, both parties agreed upon a buyout price for KCLS' portion of the current Snoqualmie Library. Agreement was also reached that this buyout would not occur until KCLS is ready to move into the new library, for which KCLS received the building permit for last month. Despite the bad weather, the concrete for the foundation has been poured.

December 2006

It was "all hands on" during the well attended Snoqualmie Library Groundbreaking event on December 8! On a dry, but blustery Friday, more than 140 enthusiastic Snoqualmie Library fans gathered to join in the groundbreaking for their new building. Snoqualmie will be the first KCLS replacement library built with funds from the \$172 million capital bond measure approved by voters in 2004. The site reverberated with music by the Mt. Si High School Jazz Combo Band as library staff, Advisory Board members, elected officials, architects, builders and library fans gathered to celebrate the beginning of site preparation for the new library. The Friends of the Snoqualmie Library provided hot cocoa, cider and goodies for the event and children got into the "dig" with their own hard hats and pail-sized shovels!

CLS will hold a public hearing this month regarding the sale of our interest in the current library building to the City of Snoqualmie.

Dig in! As part of the 2004 \$172 million library replacement bond measure, KCLS will break ground on a new 6,000 square foot library in Snoqualmie, located at the northwest corner of Center Boulevard and Snoqualmie Parkway.

Community residents are invited to celebrate this "next chapter" for the library on **Friday, December 8 at 1pm**. Fun activities and refreshments will be provided.

November 2006

The groundbreaking celebration for the new Snoqualmie Library is scheduled for Friday, December 8 at 1pm. KCLS and the Friends of the Snoqualmie Library are organizing an exciting program to mark the beginning of the construction. Plans include hanging a large banner and mailings postcards to all households and businesses in the area. The new site is at the northwest corner of Center Boulevard and Snoqualmie Parkway. Staff at the City of Snoqualmie is working to complete the review of the documents in anticipation of the building permit issuance.

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October 2006

Miller-Hull Architects will submit a permit set of drawings for the City to review at the end of the month. In anticipation of building construction, KCLS began planning the groundbreaking ceremony, tentatively* scheduled for December 8, 1pm, 2006. KCLS has a tentative agreement to sell the current Snoqualmie Library property to the City of Snoqualmie. The plan calls for the City to take over the site following the library relocation to the new facility.

Once confirmed, all residents and businesses in Snoqualmie will be informed via a direct mail postcard.

September 2006

KCLS has received initial comments regarding the design review of the new Snoqualmie Library from the City of Snoqualmie planning staff. The architects will respond to these comments in order to keep the permitting process moving forward. Agreement regarding the design must also be reached between Quadrant and the City staff. Quadrant is the developer for the Ridge and has veto authority on design submittals in this area.

August 2006

Miller-Hull Architects has assembled the permit application set of drawings for the new/expanded library project. Approvals for the design must be obtained from the Snoqualmie Ridge Owners Association and from the City of Snoqualmie prior to applying for the building permit. A second public meeting was held on Tuesday, August 22.

June 2006

KCLS held three community meetings this month about the design of new Snoqualmie, Fall City and Carnation libraries (three of five libraries in the **Design/Build project**). The meeting was well attended.

February 2006

On March 6, a team of 10 jurors will hear presentations by the best and final contractor teams. Following the interviews, the consultants will be present with conceptual designs for an open house at the Service Center. The best and final proposals will be evaluated for cost, quality of design and distinctive community elements.

January 2006

Following selection of the Design Build team (scheduled for Monday, March 6, 2006), KCLS expects to be able to prepare preliminary designs for public meetings early in 2006. The shopping center construction has been interrupted by excessively wet weather.

September 2005

KCLS now owns the site on the Snoqualmie Ridge Parkway. The sub-surface work, grading and compaction have been completed and by mid-October the parking lots and the driveways will be paved. The transaction should close on September 22 assuming the documentation has been satisfactorily completed and recorded. Preston, Gates and Ellis attorney Chris Napier steered the process to completion.

Donald King Architects (DKA) has been selected to prepare the Request for Proposal (RFP) for the five libraries in the design-build group: Black Diamond, Muckleshoot, Carnation, Fall City and Snoqualmie libraries. DKA has assembled the documents necessary to issue a package for contractors to understand the scope and locations for the projects. The current plans call for completion of the Request For Qualifications (RFQ) by the end of October. The overall goal is to have the contractor team selected and under contract by March 2006.

August 2005

Construction of the site improvements, including access roads, parking areas and storm water

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handling has begun. KCLS is waiting for clarifications from the seller's representatives about the exhibits prior to the closing of the Purchase and Sale contract. The Seller believes closing will occur in September 2005. The seller has submitted building plans to the City for review for a small retail building that would be located next to the library parcel. The City's consulting architect (the Callison Partnership) is reviewing it. Our concern is that the building be coordinated with our plans for the new library.

July 2005

The Purchase & Sale agreement with amendments and Binding Site Improvement Plans have been finalized. The due diligence requirements were met and the transaction is scheduled to close in November 2005, following the completion of the site work in the plans approved by City of Snoqualmie.

June 2005

The agreements necessary for the acquisition of the parcel on Snoqualmie Ridge include:

- Binding Site Improvement Plan
- Declaration of Covenants, Conditions, Restrictions and Easements
- Joint maintenance agreement
- Architectural control committee
- City of Snoqualmie's Design Guidelines
- Purchase and Sale Agreement (and the amendment to this agreement)

The developer has met due diligence requirements and expects KCLS to acknowledge this and waive contingencies this month. Assuming construction work progresses as he has predicted, site work for our parcel may be completed in October 2005.

May 2005

KCLS has worked to receive and review due diligence documents including the Binding Site Improvement Plans from the developer. In addition, the Purchase and Sale Agreement is being negotiated. It has one open issue: How much site development work may need to be done by Northwest Capital Corp. and when would KCLS close the transaction?

April 2005

Negotiations have continued throughout April with the Northwest Capital Corporation (NWCC) attorney and principal. In addition, the civil engineers for the project have attempted to develop an acceptable binding site improvement plan. Due to the topography, including a grade change from the main entry to the grocery store of more than 8 feet, there are extensive site development costs. Part of the agreement includes some cost sharing between KCLS and NWCC for this work.

March 2005

A public meeting, attended by more than 25 citizens and City staff, was held on March 8, 2005 at the Snoqualmie Library to discuss site selection. Alternative sites were presented including:

- The site known as the OPUS NW site, east of the Snoqualmie Parkway at Center Boulevard
- The community center site, west of the Snoqualmie Parkway near the new elementary school
- The site known as the grocery store site west of the Snoqualmie Parkway on Center Boulevard

A thorough review of the Site Selection Policy was provided for each. Discussion followed and it was concluded that the best site for KCLS to work towards is the grocery store location.

Subsequent to the public meeting discussions were held that lead to a compromise solution that provides for the library to be located on Center Boulevard and for the grocery store to be located in an acceptable location on the same site, serving each party's interests.

Revised site plans should be available at the Board meeting for inclusion in the discussions about the site acquisition. Details of the transaction will be reviewed by the Finance Committee.

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February 2005

At a Library Advisory Board meeting on February 16, KCLS staff will present two possible sites for the location of the new library. The Snoqualmie Library Advisory Board has already engaged in discussion about possible locations and will be familiar with both sites.

Newcastle Project



The Details

The design process for a new 10,000 square foot Newcastle Library is underway. The \$5.8 million library will include books, materials, computers, space for children and teens and a community meeting room.

Project Status: In progress

Expected Start of Construction: 2009

Address of New Library: 129th Avenue SE and Newcastle Way

Architect: Mithun Architects

Newcastle, Monthly Update Archives

October 2008

Work continues on finalizing documents between Lorig Associates and KCLS regarding the mixed-use development. The commercial site development application is also under review by the City of Newcastle. KCLS' project consultants are responding to comments received from City staff.

September 2008

Documents continue to be finalized between Lorig Associates and KCLS regarding a mixed-use development comprised of a 10,000 square foot library and parking, 1,400 square feet of commercial space and 78 apartments with separate parking. A commercial site development application is under review by the City of Newcastle and KCLS consultants are responding to comments received from city staff.

August 2008

Planning and design work are in progress for the mixed-used development that will consist of a 10,000 square foot library and parking, 1,400 square feet of commercial space and 78 apartments with separate parking. Details of the development agreement, purchase and sale agreement and condominium declaration will soon be finalized.

July 2008

KCLS and Lorig Associates continue to work through the development agreement for the construction of a 10,000-square-foot Library and parking, 1,400-square-foot commercial space and 78 apartments with separate parking. The project team previously submitted the site development application to the City of Newcastle and the first round of comments were responded to by Mithun Architects.

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June 2008

KCLS and Lorig Associates are working through the development agreements for the construction of a 10,000-square-foot Library and parking, 1,500-square-foot commercial space and 78 apartments with separate parking for residents. The project team submitted the site development application to the City of Newcastle and public notice was posted on the site. KCLS continues to work through the legal issues associated with the project.

May 2008

KCLS and Lorig Associates are working through the development agreements for the construction of a 10,000-square-foot Library and parking, 1,500-square-foot commercial space and 78 apartments with separate parking for the residents. The project team submitted the site development application to the City of Newcastle and public notice was posted on the site. The project team received City staff's initial comments on the site plan proposal. In addition, work is under way to coordinate with the Sound Transit Bus Service plans that the City of Newcastle developed.

April 2008

KCLS and Lorig Associates are working through the development agreements necessary for the design, permitting and construction of a 10,000 square foot Library and parking, 1,500 square foot commercial space and 78-80 apartments with separate parking. The architects submitted the site development application to the City of Newcastle in February and public notice was posted on the site. The project team received the City staff's comments on the site plan proposal. In addition, work is underway to coordinate with the Sound Transit Bus Service plans that the City of Newcastle has developed.

March 2008

KCLS has been working with Lorig Associates to craft development agreements for the construction of a 10,000-square-foot Library and parking plus 78 apartments with separate parking. A public meeting to discuss the Newcastle Library project was held on March 19. KCLS and Lorig Associates have come to agreement on most points and lawyers are developing documents for a formal agreement.

February 2008

KCLS is still working with Lorig & Associates on a pre-development agreement for a mixed-use co-development project, which would include a 10,000-square-foot Library, parking lot and 78 apartments with resident parking. The schematic design work has progressed and a public meeting is set for March 19 to discuss the project design with residents.

January 2008

KCLS and Lorig & Associates staff are working together with Mithun Architects to complete schematic designs for the new library and mixed-use co-development project. Immediate next steps include finalizing negotiation of the development agreement between KCLS and Lorig & Associates, submitting plans for a site development permit to the City of Newcastle and requesting that the three contractor teams, who were selected as finalists, develop plans and cost estimates for the project.

November 2007

The City of Newcastle City Council recently held a public hearing about providing a tax incentive program for economic development. The Council authorized the City Manager to prepare an ordinance and code amendment to allow an eight-year property tax relief program to encourage more intensive development, including housing in the town center area. The KCLS Board of Trustees discussed the project at the Board Meeting on November 27, 2007 and approved moving forward with the mixed-use co-development project with Lorig & Associates.

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October 2007

As directed by the KCLS Board of Trustees at the September 29 meeting, KCLS staff continues to explore the co-development proposal with Lorig Associates. A project plan is currently being developed to accommodate both a new library as well as 82 apartments. At the November Board meeting, the KCLS Board will be considering and reviewing further information on the mixed-use development. No motion has yet been passed on whether to proceed with the stand-alone or mixed-use library.

September 2007

KCLS now has two development applications pending with the City of Newcastle. One is for a stand-alone library and parking, the second is a pre-submittal of the proposed mixed use development. The mixed use development would be a private/public partnership with Lorig Associates, who plan to build and operate an apartment complex. In addition to some potentially significant financial benefit to KCLS, the City Administration strongly favors this alternative as it would be seen as a positive development toward their vision for the City Center.

After hearing all information at the September 29 Board meeting, the motion was passed for KCLS staff to continue the exploration of the co-development option and particularly, to address and offer further information to the Board of Trustees on the following topics:

- expansion
- parking
- traffic circulation
- dedicated disability units in the apartment complex
- a market comparison with other developers
- a guarantee of review of any legally binding document before finalization of that document

This information will be presented to the Board of Trustees at either the October or November Board Meeting, and further discussion will ensue.

August 2007

KCLS received notice from the City of Newcastle's Planning Department that the development application has been accepted for the site plan with a standalone library. Meanwhile, KCLS staff and attorneys have held discussions with Lorig Associates to determine what contracting agreements should be for a mixed-use development, including a library, on that site.

July 2007

The KCLS development application for a standalone library, site development and parking were submitted to the City and the project was vested under the existing development requirements. The land use sign is posted on the site through July to provide notice to the community. In addition, active discussions are occurring between KCLS and Lorig Associates to create a mixed-use development including the new library on the site, located at SE 129th Place and Newcastle Way SE. The current conceptual plans call for approximately 70 apartments, a 10,000-square-foot library, a small retail shop and required parking. We are in the early stages of planning and design.

June 2007

A set of development plans for a standalone library was submitted to the City of Newcastle on June 4. In addition, KCLS is initiating development plans with Lorig Associates, LLC. At a recent public meeting held in Newcastle the public discussed the potential co-development option.

May 2007

Interviews with potential developers for the Duvall and Newcastle libraries have been completed. We are particularly interested in a proposal from the Lorig Company for a 70-unit residential

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complex with three decks of structured parking connected to our 10,000-square-foot library in Newcastle. During the next few months further investigation will be done to determine if this arrangement can be mutually beneficial. Lorig Company was recommended to us by the City of Newcastle. In addition to discussing a standalone library, staff talked in general about the co-development proposal at the public meeting in Newcastle held May 17. KCLS is pursuing both tracks in order to preserve the right to develop a standalone facility under the current zoning ordinance. The community was generally supportive of both possibilities. The overwhelming interest is to see the library built as soon as possible.

April 2007

Citizens continue to comment that the City of Newcastle's revision of its downtown plan and subsequent zoning could jeopardize the new library. KCLS staff member Dri Ralph attended numerous Planning Commission and City Council meetings to represent KCLS' interests. The Council is in the process of adopting new guidelines, but exempted KCLS from the measures. In the meantime, a developer has expressed interest in partnering with KCLS on the site of the new Newcastle Library. Because they approached KCLS after the initial cutoff for submittals, the deadline was extended to April 20, 2007. The goal is to attract a development partner to create a mixed use plan including the library and parking. The sharing of development costs with a larger development should provide a financial advantage to KCLS. Mithun Architects was selected earlier this year as KCLS' architectural firm for the project. Since there is some ambiguity about the new zoning requirements, KCLS will proceed with the design process and submit the preliminary plans for a stand-alone library in order to vest under the old guidelines. Plans can be revised if the co-development process yields a suitable partner.

March 2007

KCLS staff has been in close contact with the City of Newcastle. The City's moratorium on new projects in the downtown area ends in June. City staff is proposing changes to the zoning guidelines to require intense development in the central district. Unless KCLS can find a developer to partner with on the site, we will not be able to meet the City's proposed guidelines. It may be necessary to accelerate the design process in order to submit a proposal to the City before the moratorium ends.

The Request for Real Estate Developers to co-develop the sites yielded no letters of interest. Instead, KCLS will work towards developing plans on the sites in these communities that leaves room on the site for another use. The architectural consultants were selected previously and will be asked to prepare schedules for each project.

February 2007

The Request for Qualifications was issued to attract a real estate developer to work with KCLS on this project. Letters of interest from developers are due March 15, 2007.

January 2007

KCLS staff has been working to prepare a Request for Qualifications (RFQ) for developers for these projects. The goal is to work with a developer to gain maximum value for the community and for the library district.

November 2006

Representatives of the Newcastle area assisted KCLS staff select Mithun Architects to design the new Newcastle Library. Mithun Architects has already begun to gather the information needed to initiate a Request for Qualifications for developers to team with KCLS and provide the maximum development the area can sustain at this time.

October 2006

Architectural interviews were held on Friday, October 20, 2006. Two community representatives

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joined the KCLS staff, administration and a KCLS Trustees in determining the preferred consultant for the design work. Mithun Architects was selected as the preferred consulting team for the work. A contract will now be developed with the consultants outlining a schedule of public meetings and finalizing the preliminary project budget. A quote from the firm's submittal describes the presentation quality that highlighted the work of the firm. "Mithun Architects is a 55+ year evolution of ideas, values, visions and people with one guiding inspiration: design excellence." Mithun will be a valuable contributor in assisting KCLS in the development of the best possible project in Newcastle.

September 2006

KCLS advertised for qualification statements for consultant teams for the Newcastle Library project. KCLS received 15 qualified submittals. The process for Newcastle will be similar to Duvall with a short list of firms identified and interviewed by a panel of staff with community and KCLS Board representatives.

August 2006

The City of Newcastle has placed a moratorium on new projects in their downtown area until their zoning codes can be brought in line with their planning guidelines. The library was to be excluded from the moratorium; however, there was some uncertainty as to whether the new library could be developed as a mixed use project or if a second floor would be mandated since the library may or may not constitute an allowable substitute for retail activity. At the request of the Newcastle City Manager to update the Newcastle City Council on progress toward a new library and to raise questions about the moratorium requirements, KCLS staff testified at a public meeting about the moratorium. The Newcastle City Council was pleased to hear that KCLS is initiating the process to hire an architect, which will be chosen in September. Newcastle Mayor Jean Garber indicated that none of the issues KCLS raised were insurmountable.

July 2006

The City of Newcastle passed a moratorium on new developments in their central downtown area, in order to align their zoning and design guidelines with their planning goals. The new library, as a cultural institution, will be exempt from the moratorium. The architect selection process should begin in September with the help of community members and a representative from the City. The City has asked KCLS to provide an update on the development of their new library. When staff presents to the City Council, we will also update Newcastle officials regarding the cross-use study with the City of Renton since Newcastle is very close to Renton and many Renton residents shop in their central business district.

April 2006

Following last month's Board Meeting, KCLS sent a letter to the City of Newcastle informing them of the Board's site selection decision. KCLS offered to explore the possibility of co-locating with City Hall on the vacant library site. Mayor Jean Garber responded that the City Council voted not to pursue that course of action and will instead continue to work on their civic center project at the site of the present city hall. KCLS finalized the purchase of the property on 129th Avenue SE and anticipates the architect selection process will begin in September.

March 2006

The site selection process for the new Newcastle Library has received a great deal of attention since the last Board meeting. The Newcastle City Manager sent out an e-mail to newspapers and elected officials that generated at least one story in the King County Journal. The City of Newcastle Planning Commission on Wednesday, March 15 and heard considerable discussion about the proposed sites. The City Council also held a special meeting on Monday, March 20 to discuss the sites. KCLS staff met with the City Manager, Mayor, a Council member and other City staff to review our "staff analysis" based on the KCLS' Site Selection Criteria. Parts of the

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analysis were revised based on their input.

This staff analysis was presented at KCLS' public meeting on Tuesday, March 21 at the Golf Club at Newcastle which was attended by more than 148 people. Several members of the community, as well as City officials, expressed varying degrees of support for both sites. Their comments are included in the Board packet. In addition, KCLS has received numerous letters from elected officials on the issue.

January 2006

KCLS is working with the City and LMN Architects to develop alternative views of a library on the site for which we have a purchase and sale agreement pending. The anticipated closing date is February 15, 2006. A survey and level one environmental review have been ordered for the vacant property.

November 2005

KCLS has a contract for vacant land in Newcastle! We have been working to complete this agreement during the past couple months and now have 90 days to complete due diligence.

September 2005

Over the course of this year numerous contacts have been made in the general vicinity of the intersection of Coal Creek Parkway and Newcastle Way. KCLS has been waiting for the City of Newcastle to make a determination on location of a new City Hall, but KCLS does not currently have alternative sites secured.

April 2005

KCLS has received the first appraisal reports for properties in Newcastle and have been discussing potential City participation in a joint development. The Mayor's Blue Ribbon committee included a cross section of interested parties who will be called on to assist in developing the City's plans for the commercial area.

Shoreline Project



The Details

A 14,000 square foot expansion of the Shoreline Library parking lot was completed in October 2007, as part of the \$172 million library capital bond. The project expanded the surface parking to the west of the existing library, after three residential properties were acquired and demolished. With 36 new parking spaces, there are now a total of 118 parking stalls in both the new and existing parking lots. Other site enhancements include improved pedestrian circulation, landscaping and decorative art panels installed on the retaining wall that borders 175th Street.

Project Status: Completed in October 2007

New Library Address: Existing site

Architect: Hutteball and Oremus

Shoreline, Monthly Update Archives

October 2007

The expansion of the parking lot was completed and the grand opening celebration was held on October 6, 2007. Due to inclement weather, the overlay of the existing lot and striping will take place in spring of 2008.

August 2007

Work to expand the parking lot at the library is under way. The work includes completing clearing and grading, installing a temporary ramp, excavation for the storm water vault and the initial set up of concrete forms. The new parking lot should be completed by September 21.

July 2007

Work started to expand the parking lot, including clearing and grading, installation of a temporary ramp and excavation for the storm water vault and the initial set-up of concrete forms (expected completion is Sept. 21).

June 2007

The expanded parking lot work was bid this month. The bids came in at \$925,000. Construction should start July 2007 and be complete prior to December. Huttebull and Oremus were selected as the architect firm for the project.

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May 2007

The permit is ready for the expansion of the parking lot. The Bid package will go out the week of May 20. Construction should begin in late June or early July 2007.

April 2007

This parking expansion project is in for permitting. Construction is estimated to start in June 2007 and be complete in December 2007. Huttebull and Oremus were selected as the architectural firm for this project.

February 2007

A community meeting was held on February 1 as part of the permit process with the City for the parking expansion. Construction drawings are underway. If the city review process goes as scheduled, construction would occur in early summer.

December 2006

The final schematics for the parking lot expansion were well received at a public meeting held November 9. A pre-application meeting with the City of Shoreline is scheduled for Friday, December 15. Bid documents will be created in first quarter of 2007 with construction starting summer 2007.

November 2006

KCLS hosted a public meeting at the **Shoreline Library** regarding the parking lot expansion. At this meeting the consultants recommended a surface lot solution which included the expansion of many of the existing parking spaces. The Shoreline Library Advisory Board received the report favorably. The consultants will also rework the area near the entrance to the library to ensure people can cross the driveway safely.

September 2006

Another public meeting is being scheduled in Shoreline regarding options for expanded parking.

July 2006

Four design options for parking were given to the Library Advisory Board and public on July 12. Concerns were raised about the safety and security of a parking structure. The strongest support shown was for a surface lot with some modifications of the current lot. The Advisory Board felt that wider spots would be helpful especially since the parking expansion would increase the overall number of parking spots. In consultation with staff, the architects will revise the alternatives based on the input from the meeting. After the Shoreline Library Advisory Board has weighed in on the revised plans, the project will come to the Board of Trustees for final approval later this year.

May 2006

The parking lot survey has been forwarded to the architect. A meeting to discuss the new parking lot concept and design was held with the Advisory Board on May 11 and with the Friends of the Library on May 17. Both parties were interested in the project and anxious to see the drawings. There will be a public meeting on July 12, 7pm to review conceptual designs.

April 2006

The properties adjacent to the Shoreline Library have been demolished. A topography survey took place early April. The parking expansion design should be complete by June with construction to take place in the fall.

March 2006

The properties next door to the Shoreline Library have had the asbestos abatement completed and the first of the three homes was demolished on March 16. The entire removal/clean-up process is scheduled to be completed by March 24. A vendor from the Urban Leagues' CDCC is performing

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this work. The topography survey will take place first week in April. We anticipate having design work completed by May with construction of the additional parking to take place in fall of 2006.

December 2005

KCLS is working to obtain the permit to tear down, level and fence the three residential parcels. The properties will be monitored to prevent unauthorized/unlawful access.

September 2005

KCLS now owns three residential parcels west of the existing driveway to the Shoreline Library. One of the houses is vacant and two of them are occupied until the former owners can relocate to their new residences (no later than December 2005).

April 2005

KCLS is now the owner of the residence located at 329 175th Avenue NW in Shoreline. The seller is in the process of removing personal possessions and some recently planted shrubs. KCLS expects to have possession by mid-May.

March 2005

Negotiations continue with the adjoining property owners in Shoreline. The City Planning Department was contacted and has forwarded information about their comprehensive plan and zoning designations. Additional parking will likely be a conditional use that will require City approval in order to proceed.

February 2005

An abbreviated feasibility study will be completed in March to examine parking alternatives for the library. Determinations about the amount of land to be purchased depend on this information. The consultants were asked to look at a structured parking solution and the addition surface parking.

Sammamish Project



The Details

The design process for the new 19,500 square foot Sammamish Library is underway. The \$16.9 million library will be located in a new development adjacent to Sammamish City Hall, called Sammamish Commons. The new library will include more books, materials, computers, space for children and teens and a community meeting room.

Project Status: In progress

Proposed Start of Construction: December 2008

Estimated Date of Completion: 2010

New Library Address: 228th Avenue and Southeast Eighth Street

Architect: Perkins + Will

Contractor: Sierra Construction

Sammamish, Monthly Update Archives

October 2008

The Library project documents are available for general contractors' bid preparation and are due by October 30. A groundbreaking celebration will be held on Thursday, December 4, 3pm.

September 2008

The building permit documents continue to be reviewed by City staff and the project team anticipates issuing bid documents in September. Construction may start as soon as November 2008.

August 2008

The Library plans are being reviewed by City of Sammamish staff. Bid documents are anticipated to be issued in September and construction may start as soon as October 2008.

July 2008

KCLS and the City of Sammamish completed the sale of the property on Sammamish Commons on July 17, 2008. Meanwhile, the Library's site use permit and building permit applications are being reviewed by City staff. KCLS hopes to receive any final City staff comments by the end of August. KCLS Staff and consultants are preparing documents for public bidding in September 2008. If everything continues on schedule, construction could start in October 2008.

June 2008

The design team recently submitted a permit review plan set to the City of Sammamish. A site development application for the project was previously submitted and is still pending. The two permits are anticipated to be received at approximately the same time.

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May 2008

Design work is progressing on the Library and parking project at Sammamish Commons. The consultant team is preparing the construction documents in anticipation of issuing a permit set for the City to review. A site development permit is currently being reviewed by the City. KCLS' current schedule includes issuing a bid set for contractors in June 2008.

April 2008

Design work is progressing on the library and parking project at Sammamish Commons. The consultant team is preparing the construction documents needed for the building permit application and a site development permit is currently being reviewed by the City. The current timeline includes issuing a bid for contractors in July 2008. It is hoped that the permit review comments and the final steps in the city review process will be completed by July 2008.

March 2008

KCLS has finalized the purchase agreement with the City of Sammamish for the new Sammamish Library property. At a recent Kiwanis meeting, during which the design of the new Library was presented, Sammamish Mayor Lee Felling agreed that the Library development will be a great addition to the City Hall and Park complex. The consultant team continues to work through the construction documents and specifications with the intent to submit for a building permit in May 2008. If all goes as planned, the site development and the building permits could be obtained as soon as July 2008. KCLS anticipates beginning construction in fall 2008.

February 2008

The design development plans for the new Library and parking on Sammamish Commons have been completed by the architectural team led by Perkins + Will, Inc. The building design includes 19,500 square feet of space for the Library and parking for 68 vehicles. A site development permit application from the City of Sammamish was submitted and the design team continues to work on refining and further developing the documents in anticipation of applying for a building permit in May 2008. KCLS and City of Sammamish staff is working to complete the purchase and sale agreement for the parcel on the Sammamish Commons.

January 2008

The schematic design plans for the new Sammamish Library are progressing and are expected to be complete by mid-December. The building is approximately 19,500 square feet and above-ground and below-ground parking will accommodate 68 vehicles. Next steps include applying for a site development permit from the City of Sammamish, finalizing the design development plans and completing a purchase and sale agreement with the City for the parcel.

December 2007

The schematic design plans for the new Library and parking at Sammamish Commons are progressing and are expected to be completed in December.

November 2007

The preliminary design plans for the new library and parking on Sammamish Commons are progressing and are expected to be completed by mid-December. The building is approximately 19,500 square feet and includes parking for 68 vehicles. A public meeting about the general location and design of the Sammamish Library drew more than 50 residents on November 7, 2007. The community was generally pleased with the location of the new library at a new development adjacent to Sammamish City Hall. With three high schools in the immediate vicinity there was much discussion about the need for enough room and resources for students at the new library. Residents were urged to encourage the City to keep up momentum on this project so that a building permit can be issued and construction can start next summer.

Appendix E

October 2007

KCLS and city of Sammamish staff are finalizing a purchase agreement for land to build a new library, after the Sammamish City Council voted to officially offer the City Hall site property to KCLS for the development of a new library. The offer is significant because it allows KCLS to officially begin planning and designing the building. The architect was given a notice to proceed to design a 19,000 square foot library with parking both under the building and adjacent to the library building. A community meeting on November 7 will allow citizens to see preliminary site designs and offer comments and suggestions. The Council attached a number of conditions to their vote, which will be negotiated in the process of working out the formal legal agreement. However, the spirit of the vote was such that both the Library and the City are convinced that an appropriately sized library can be developed on the site within the resources available to KCLS.

September 2007

KCLS is working with the city to build a new 19,000 to 20,000 square foot library adjacent to the Sammamish City Hall. The Capital Plan Strategy accounts for the current cost of constructing this library with underground parking. Preliminary designs and budgets are being reviewed for feasibility because although the site offers a considerable amount of existing infrastructure, site costs will run almost \$2 million. Given the history of the site and environmental issues that have been raised by members of the community, some underground parking will be necessary to avoid legal challenges. The site does, however, give better access than the current library as Sammamish continues to be one of KCLS' busiest libraries and the current building is often overwhelmed by the number of patrons. The City Hall site is close to three high schools and offers the possibility of creating a great public space combined with the existing City Hall, a large public plaza and a very large public park.

August 2007

The City's Master Site Plan process will be finalized this month. The position of the library should remain along the southern flank of the public plaza on the Sammamish Commons site. KCLS will proceed to plan and design for a 20,000-square-foot library with required parking and landscaping with the architectural firm Perkins + Will.

July 2007

At the end of the three-month effort to plan for the development of a 20,000-square-foot Sammamish Library and YMCA facility with City Hall and a major park, the City of Sammamish reviewed the Master Site Plan and guidelines with the City Council. Following a major fireworks program at the park on July 4, they determined that the library should not be built in such a way that it reduces the size of the plaza. Because this was contrary to the master plan and would reposition the library to its original location in the Commons, Sammamish asked KCLS to wait until they rezone the site so retail or other uses could be co-located with the library. With costs increasing at \$70,000 per month, KCLS told the City that we will proceed with the design we can afford based on current cost estimates. The City Manager will consult with the Council at their September meeting to determine whether the City will still offer to sell us the property. Our only alternative would be to expand the library at its current site.

June 2007

The City of Sammamish reviewed the Master Site Plan and guidelines for the new library and YMCA on the Sammamish Commons site on June 18. The Council was generally supportive of the plan favored by KCLS, which allows for the library to be developed independent of the YMCA. We will now proceed with the building design and address any site issues. We will also negotiate with the City for a purchase of the property. Architects Perkins + Will did a good job describing the plans and the alternatives. The City is equally committed to the YMCA, but their process may take longer before they are able to begin.

Appendix E

March 2007

The new Sammamish Library may end up being a partnership of a different nature with the City of Sammamish. With our newly hired architects, Perkins + Will, KCLS will embark on a master planning process for the Sammamish Commons site. There will be no formal agreement with the City regarding acquisition of our portion of the property until the study is completed (estimated to occur in June). Ultimately, it will give us an opportunity to share the costs of some infrastructure with the other partners.

February 2007

On February 23, KCLS selected an architect for the Sammamish Library project. We were pleased to find out that City Councilmember Don Gerend will participate in the selection process. The Sammamish City Council is preparing to finalize an agreement for the property intended for the new library. This project has potential for partnering with other service agencies and the City. For that reason, KCLS will be participate in developing a master site plan, which would look at parking, access and traffic circulation, surface water management and design considerations. The process should be complete by mid-June and will coordinate well with the architect selection and design processes.

January 2007

Architect submittals have been received for these new projects. Interviews are anticipated in February.

December 2006

KCLS staff has been negotiating with the City on the purchase terms and conditions of the property adjacent to the new City Hall. While the City's current zoning does not allow for co-development of the site with commercial or retail partners, there are thoughts that another community-based activity might be co-located near the library. In any case, we assured the City that it was our intention to keep the project moving forward and for the time being, will assume no other partners on the site.

KCLS will select the architects for the Kenmore and Sammamish libraries at the same time, as we did with the Newcastle and Duvall libraries. A call for proposals was made and submittals are due in January. Since there has been great interest in both of these projects, KCLS plans to work with the local Friends of the Library to advertise for residents to serve on the architect selection teams. Each City will have a team that includes a representative of the City, a representative from the Friends, another community member, a KCLS staff member and a KCLS Trustee.

November 2006

KCLS and City staff is working finalizing a purchase agreement for the Sammamish Commons site.

October 2006

Sammamish City Hall and an entrance to a large new City park are significant features of the Sammamish Commons development at 228th Avenue and SE 8th Street. After extensive investigation of other sites in the area for the new Sammamish Library, as well as a full analysis of the pros and cons of building at the Sammamish Commons versus expanding the current library, KCLS staff will recommend that the new Sammamish Library be sited at the Sammamish Commons. All other properties in Sammamish were too expensive and/or required significant time to work through environmental issues. Two issues prohibit KCLS from expanding the current library: the construction budget does not allow KCLS to produce a well-designed and cohesive building and the site has severe access limitations as cars going northbound on 228th cannot turn left into the library lot. According to Sammamish City staff, the Sammamish Commons site is also preferred by the City Council. The City has been very helpful during KCLS' deliberations. The preliminary indication is that the site will be affordable. Also, building

Appendix E

the library on a new site will allow KCLS to sell the current library to buffer rising construction costs. If the KCLS Board and City Council approve this transaction, KCLS can begin the architect selection process immediately.

September 2006

The Sammamish Commons site for the new Sammamish Library continues to be an elusive goal. Based on the dramatic rise in construction costs and the spatial constraints of that site, KCLS has concerns about the ability to develop a 20,000-square-foot library at that location. Underground parking would be necessary, which makes that option more expensive; however, there are few alternative sites that meet KCLS' requirements. Those that do are extremely expensive. We have committed to giving City officials, who have been very cooperative, an indication about the site in the near future. An analysis has been conducted of a 20,000 and 22,500-square-foot Sammamish Library. In looking at the City population, service area population and registered borrowers, a 20,000-square-foot library would put Sammamish near the top of list for square foot per capita of all KCLS Libraries. Only Redmond has a higher ratio on the combined ranking. Again, KCLS will be challenged to accomplish the 20,000-square-foot building in the current construction environment.

July 2006

Consultants have completed the pre-design study for the Sammamish Commons site adjacent to the new city hall facility. This location will meet our minimum site requirements, but is costly due to extensive site work and under building parking construction that would be necessary, which adds significantly to the cost. At the City's suggestion, other sites are being explored to see if an equitable site could be developed less expensively. The process of evaluating the value of the current library is also underway. Interest in acquiring the land and the building has been expressed from parties other than the City of Sammamish.

June 2006

Staff is involved in productive meetings with the City of Sammamish about the new library. KCLS agreed to continue its due diligence on the Sammamish Commons site. So far, however, it appears there are a number of steps the City will have to take to make this site viable. We do not know the cost and it appears that underground parking may be the only way to build a library of 20,000-square-feet or more on the site. A study about the appropriate size of the library for the community is also being conducted. The City would like to assure the community that whatever size library is built, it will be large enough for the current and future City of Sammamish. With advice from the City, KCLS is also keeping an eye out for other possible sites that would aid in building as large a library as possible.

The site is constrained and will either require beneath building parking or arrangements with a neighboring property owner for overflow for library Use. Discussion continues with the City to develop the site to its maximum potential. The location is near the new City Hall and park near the intersection of 228th Avenue SE and SE 4th Street.

May 2006

KCLS staff has taken steps toward investigating the development of a new Sammamish Library on the property next to the new Sammamish City Hall known as the Sammamish Commons. The City of Sammamish has not yet completed an assessment of the property so it is unknown how much it will cost. Also, the initial investigation of the Sammamish Commons site revealed the requirement that any development on the property may only cover 30% of the land. Since the City is keen on KCLS developing a library larger than the planned 20,000-square-foot building slated in the Board-approved Capital Plan, that stipulation is troubling. The City of Sammamish initially responded that KCLS could buy open space in the adjacent park to satisfy the requirement.

Appendix E

Bohlin Cywinski Jackson was selected to provide pre-design architectural services. The scope of work includes an assessment of the maximum build-out for the parcel the City of Sammamish offered to KCLS. It is assumed that parking will be below the building and extend to the edge of the available property. The estimated number of parking stalls is 104. Cost estimates are being developed for 20,000 and 30,000-square-foot buildings. Preliminary architectural work shows 30,000-square-foot building could fit on the site if all of the parking were located under the building, which does not allow for any open space and certainly not nearly enough to make up 70%. KCLS staff will meet next week with City officials to get clarification of this situation and hear how they propose KCLS fund a project that is twice that put forth in the bond plan. Because the City of Sammamish may want to buy the current library, an appraisal was also completed.

April 2006

KCLS has begun the investigation and due diligence phase for locating the new/expanded Sammamish Library in the Sammamish Commons, home to the soon-to-be completed Sammamish City Hall. In agreement with the City Manager, the current Sammamish Library will be appraised by each agency. Once the appraisals are complete, each party will select an appraiser to review the work of the respective appraisals. The City of Sammamish continues to express that they want a library larger than the planned 20,000-square-foot building. They may offer KCLS an incentive to do so in the process of acquiring the library site and through the sale of the current library to the City. KCLS hired an architect to do initial space planning on the site.

Based on the Board's preference for the Sammamish Commons site, Bohlin Cywinski Jackson was selected to provide pre-design architectural services. The scope of work will include an assessment of the maximum build-out for the parcel offered to KCLS by the City of Sammamish. A professional real estate appraisal of the value of the existing library property and improvements should be available by May 1.

March 2006

More than 40 people attended the public meeting regarding site selection for the new/expanded Sammamish Library. There was no clear consensus on any of the three sites in question. The site near the new Sammamish City Hall in the Sammamish Commons development received the most positive comments. Much of the discussion, however, focused on the community's desire to have a larger library. They are concerned that the 20,000-square-foot library included in the bond issue may be undersized for their rapidly growing community which is, in many ways, landlocked by its heavy traffic.

KCLS staff indicated that any decision about the ultimate size of the library would depend on what arrangements could be made for the purchase of the site and the disposition of the current library. We also indicated that the new library could not be larger than KCLS can afford to operate and that it would have to be in scale with the rest of the System in recognition of the Board's policy of equity across the service area. Only with those caveats, did we expressed that there might be room to consider a change in plans if the aforementioned concerns were addressed. Following the Board meeting on March 28, follow-up discussions will be initiated with the owner of the preferred site.

February 2006

KCLS is pursuing several site options in Sammamish on or near 228th Avenue in the City's new Urban Center.

January 2006

KCLS is pursuing several alternative sites in Sammamish with a goal to locate the new library on or near 228th and within the City's new Urban Center (centered by a new City Hall and a park).

Appendix E

October 2005

Lake Washington School District representatives have been working through various processes to determine if a vacant school site on 228th Avenue SE in Sammamish can or should be surplus. In the past few days, we were informed that the City of Sammamish has an option on land in another area and will not be a partner in this location.

September 2005

Lake Washington School District representatives have been working through processes to determine if a vacant school site on 228th Avenue SE in Sammamish can or should be declared surplus. When a determination is made, the City of Sammamish and KCLS will study the site for a proposed Library/Public Works Facility.

April 2005

Site selection has begun. Many community representatives have come forward with parcels for review. At this time, only sites on or near 228th are being given serious consideration. There is a great deal of interest in this process from both the City and citizens in the area. Meetings this month included discussions with the City's Parks Director to discuss the City's goals for the library location, as well as with two representatives of owners with parcels near 228th.

March 2005

Site selection has begun on the plateau. Many community representatives have come forward with parcels for review. At these times, only sites on or near 228th are being given serious consideration. There is a great deal of interest in this process from both the City and citizens in the area.

White Center Project

The Details

Estimated Start of Project: 2009, pending potential annexation to the City of Seattle

The Plan Includes:

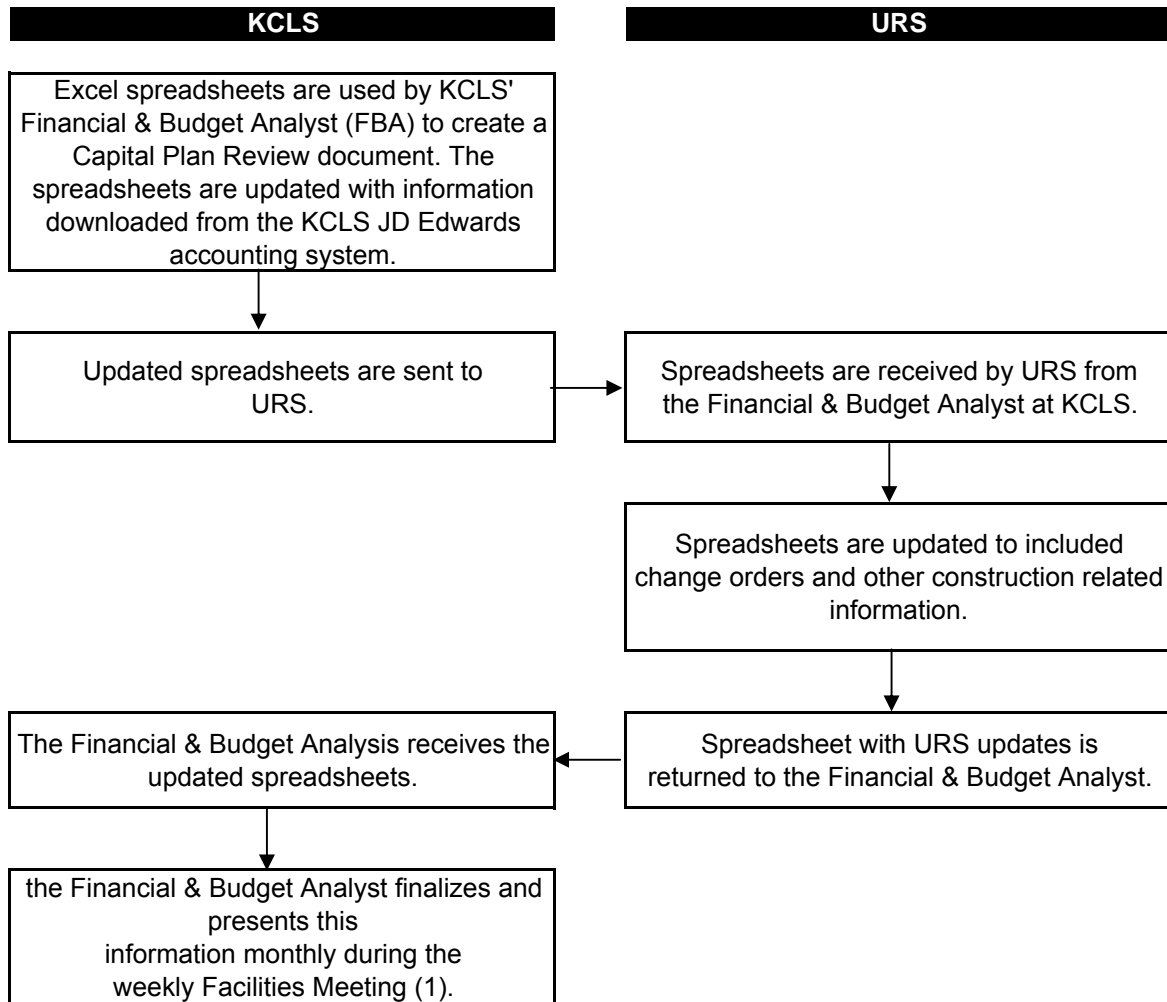
- A new 10,000 square foot library at the current site with more materials, computers, wireless access and space for children and teens.
- Upkeep and maintenance of the library during the next decade.

White Center, Monthly Update Archives

There are no Monthly Update Archives to report.

Appendix F.1

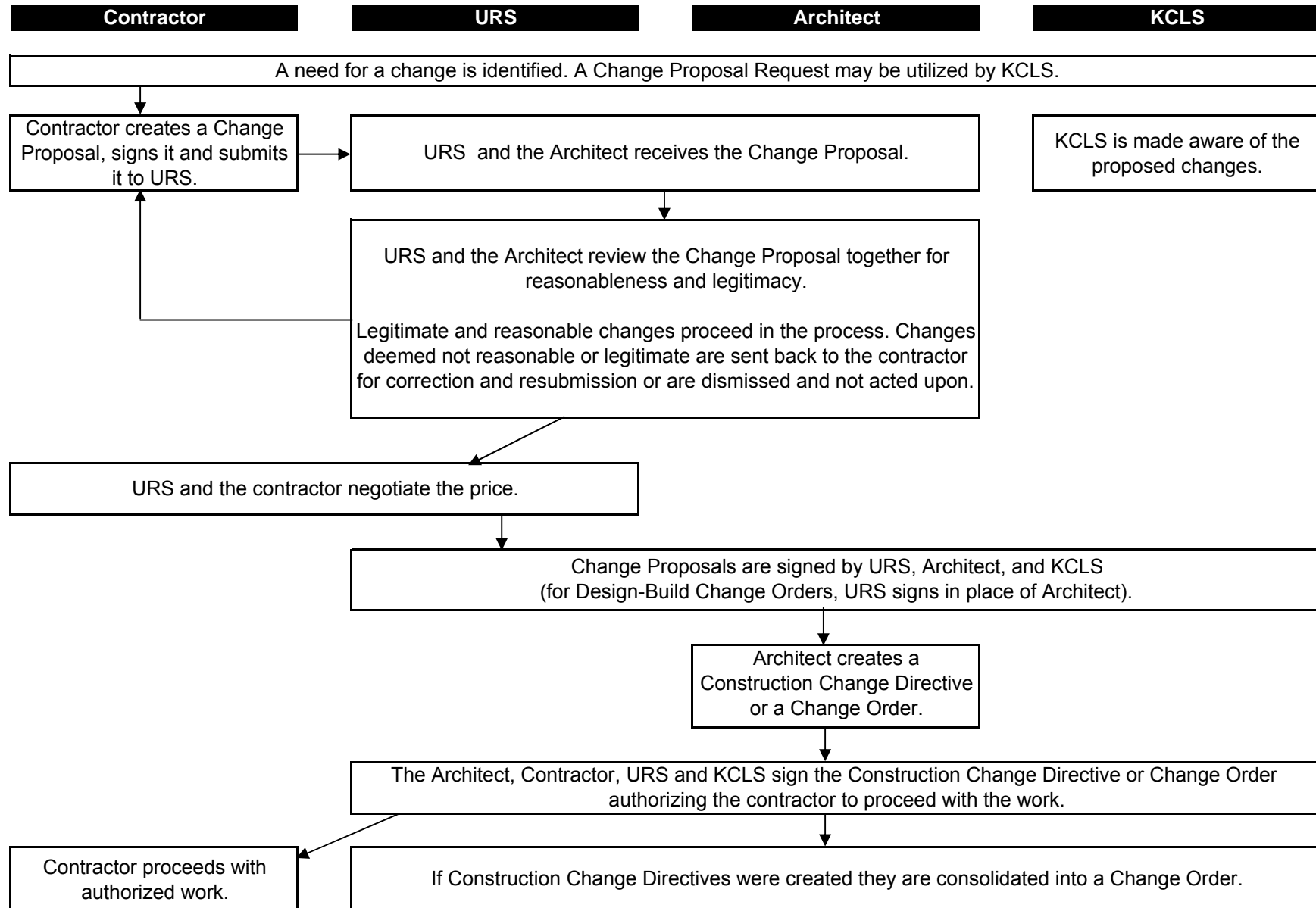
The purpose of this flow chart is to document the monthly **Capital Plan Review** process
The Capital Plan Review Process captures and summarizes budget, cost and cost projections.



(1) The weekly Facilities Meeting is an internal KCLS meeting for senior management to discuss ongoing construction projects.

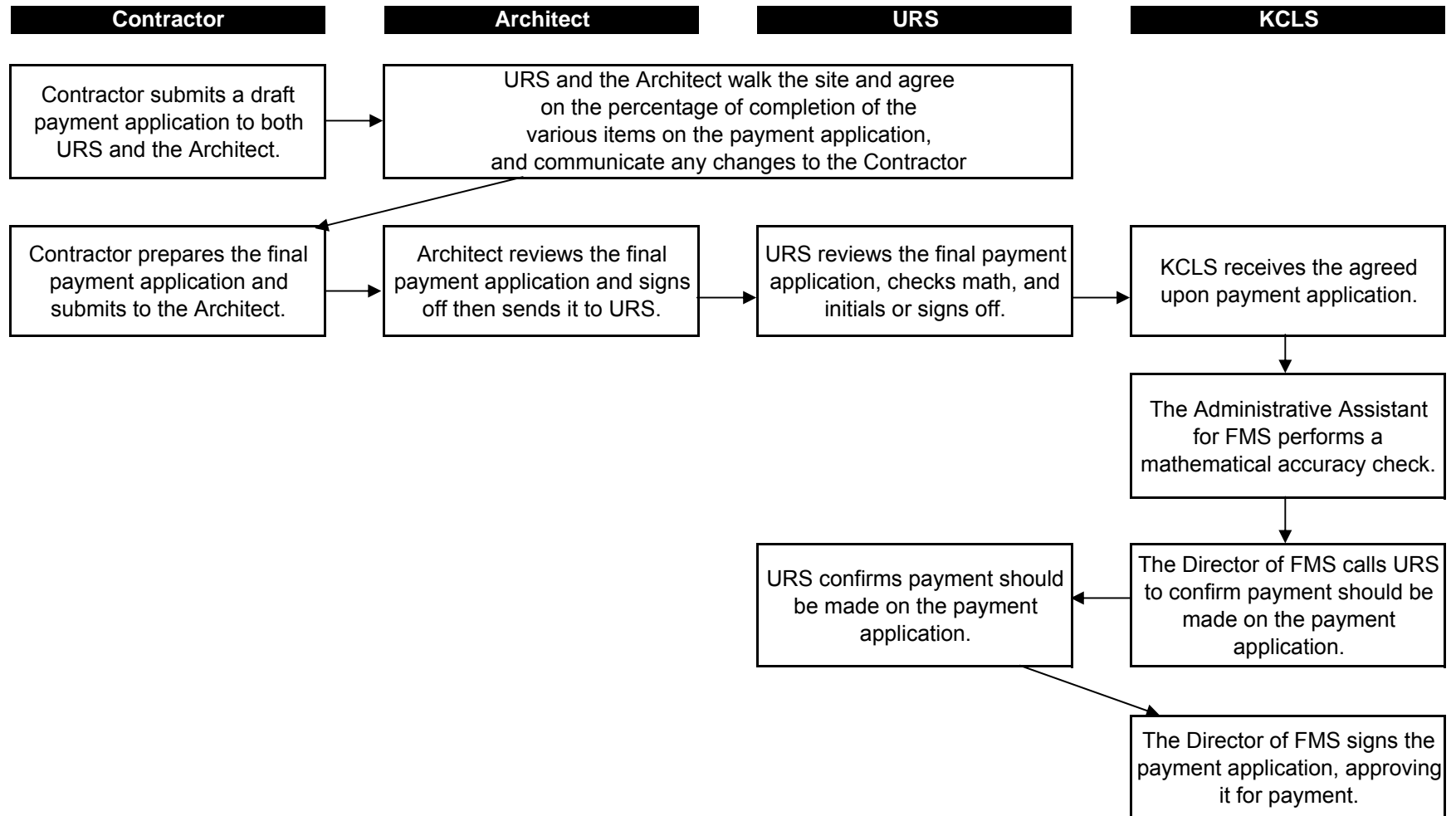
Appendix F.2

The purpose of this flow chart is to document the general **Change Order** process used by URS.



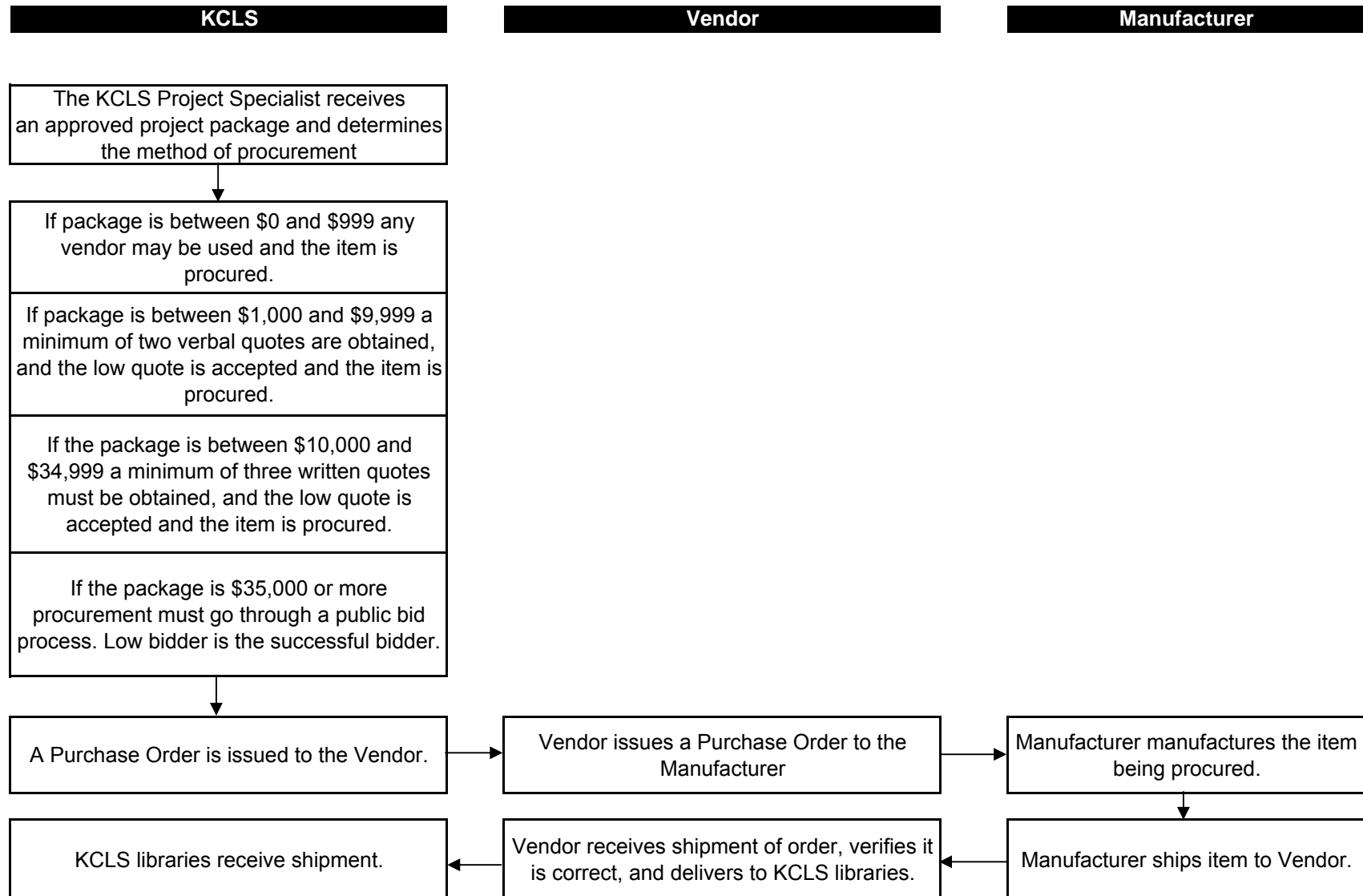
Appendix F.3

The purpose of this flow chart is to document the Contractor **Payment Application** Process.



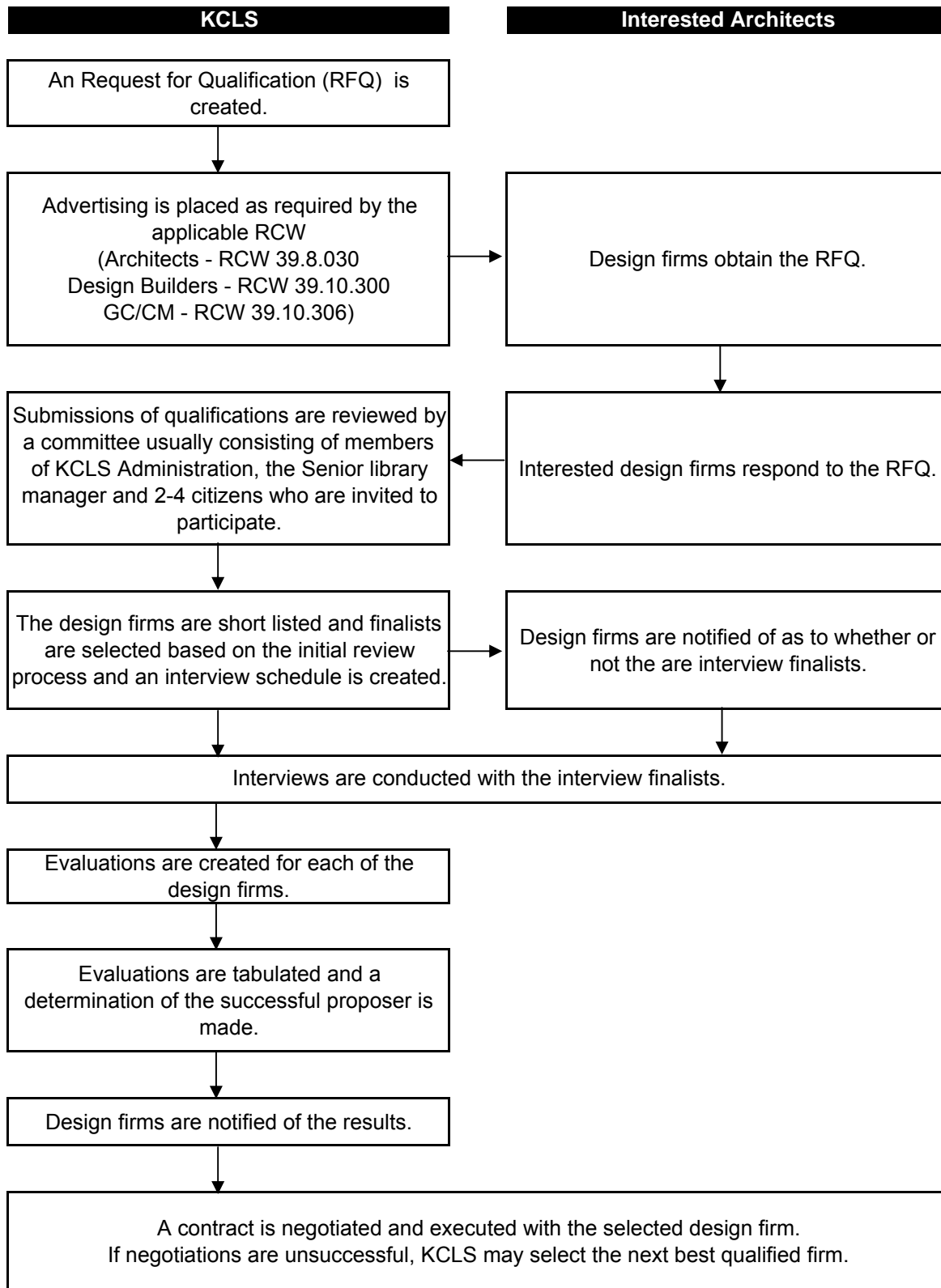
Appendix F.4

The purpose of this flow chart is to document the general **Procurement** process.



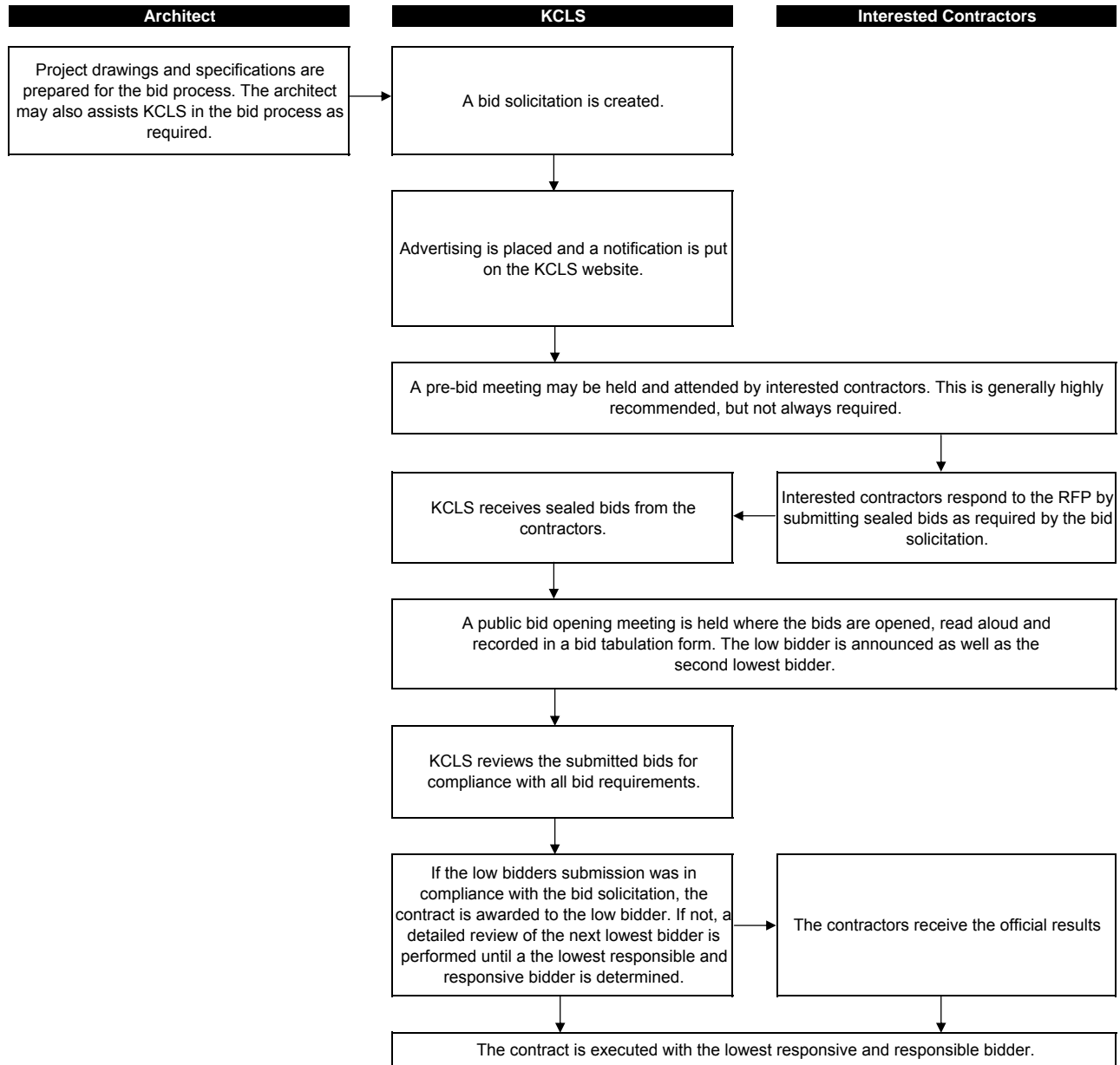
Appendix F.5

The purpose of this flowchart is to document the **Procurement Process for Architectural Services**.



Appendix F.6

The purpose of this flowchart is to document the **Procurement Process for Contractors** using the low bid methodology.



Appendix G - Check List for Signature (example)

Construction Draw Review SPECIALIST

Draw should include:

N/A

<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

- Cover sheet, signed by local manager
- Wiring instructions, if applicable
- Itemization of expenses by CFR category
- Construction Funding Report (CFR)
- Pay applications from general contractor(s)
- Lien waiver tracking report for each contract
- Lien waivers (both conditional and unconditional) for each contract
- Copies of invoices/checks for soft costs, organized by CFR category
- Three Month Construction Draw Projections to the General Account, if applicable (sending copy to analyst)

Comments:

Contractor's Pay Application Procedures:

N/A

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

Signature

Check to see that contractor and architect have signed the pay application on the right hand side of the [REDACTED] page.

Comments:

N/A

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

Verification of Payment Request

1. Original Contract Sum - Confirm contract amount with contract on file. If no contract has been executed, one will need to be before the pay application can be approved.

In the case of TI's, confirm that the contract sum is very close to the number estimated in the lease for tenant improvements.

For capital items (road improvements, etc.), check the current year's budget to verify the amount. If it is not in the budget, check with your asset manager.

2. Net Change by Change Orders - Compare the change order amount on the pay application with what is in files.

If OK, then proceed to number 3 below

If not, then obtain the needed change orders from the property/construction manager and get them approved and signed before the pay application is approved (we should be obtaining originals for our files).

Appendix G - Check List for Signature (example)

3. Contract Sum To Date - The sum of # 1 and # 2 together should equal this number.
4. Total Completed & Stored to Date - This amount is derived from the second page of the application, which is the schedule of values or the [REDACTED] form. Look for the column that says the same.
5. Retainage - Should be the percent retainage stated in the contract, times Total Completed & Stored to Date.
6. Total Earned Less Retainage - This amount is #4 minus #5
7. Less Previous Certificates for Payment - Total sum of payments made previously
8. Current Payment Due - Should match to the [REDACTED] page, Work Completed This Period Column, less retainage.
9. Balance to Finish, Including Retainage - #3 minus #6

Note: If Balance to Finish is zero, then the contractor is asking for final retainage. Before payment is made, all relevant final unconditional lien waivers from the subcontractors need to be obtained and also the close out documents need to be received by the property manager.

Comments:

N/A

☐ ☐

G703 Page - This is often called the schedule of values. It lists the work to be completed by trade, such as finish carpentry, painting, etc.

☐ ☐

Look at the grand total for the column named something similar to "Work Completed This Period". Take the grand total and subtract off the amount of retainage as stated in the contract. The resulting number should equal line #8 on the first page of the application, which is "Current Payment Due".

☐ ☐

Lien Waivers -

-If contract <\$100,000 , we will only require lien waivers from general contractor

-If contract >=\$100,000, then we will require lien waivers from the general contract as well as lien waivers from any subcontractor with a contract amount >=\$25,000. Typically each line or trade on the [REDACTED] schedule of values is for a subcontractor.

☐ ☐

Conditional lien waiver - this would be submitted with the pay application for which the contractor (subcontractor) is currently requesting money .

☐ ☐

Unconditional lien waiver - Need to obtain this from contractor for the previous month's payment. This essentially says that the contractor (subcontractor) has been paid that that it won't file a lien.

Note: Lien waivers should be included with each pay application. If there are none, the property manager/construction manager needs to be contacted for the relevant lien waivers.

Appendix G - Check List for Signature (example)

Comments:

Construction Funding Report

N/A

☐ ☐

Verify in the draw section that all components tie out to the itemization of expenses that is included in the draw.

☐ ☐

Check the Summary Section and verify that the loan has not been fully funded.

☐ ☐

Combined Summary – Make sure that the total contract amount on the CFR matches with the pay application and if not, are change orders missing from one? Verify that the amount funded in the shell line item of the CFR ties out to the general contractor's pay application.

☐ ☐

Check to see that the Total Funded To-Date is less than Anticipated Cost At Completion and if not, then the contracted amount may need to be adjusted.

☐ ☐

For TI's, if the tenant owes money because the contract was over the TI allowance, then this reimbursement needs to be reflected in the CFR.

☐ ☐

Provide Engineer Copy of Draw for His Review

Note any questions or items for which you are following up with the Developer, so that the Engineer is aware of them. Once the Engineer has signed off, then they will pass the draw back to the Specialist for processing.

☐ ☐

Send [REDACTED] the Required Documentation

Internal Loan – Entire draw package

Third Party Loan – Summary page of the CFR or draw coversheet (evidence of funding amount).

They will return the documentation and notify specialist via email of any issues.

☐ ☐

Send Notification that the Draw has been Approved by Ownership/Lender

Notify both the Developer and the accounting people at [REDACTED] that the draw has been approved. The Developer can then start the process of cutting the checks and will then send in ones larger than \$200,000 for [REDACTED] co-signature. In addition, most often the draw amount needs to be wired, so accounting needs to know the dollar amount plus wiring instructions

Comments:

Appendix H (example)

Client:
Title
Prepared by: KPMG LLP
Workpaper REF:
Souce Documents/ Documents Reviewed

Guideline Corporate Construction Policies and Procedures Outline	Exists	Sufficient Detail?	Notes
1. Project Management a. Scope Development i. Definition Guidelines ii. User Criteria Definition b. Planning c. Scheduling i. Schedule Development ii. Schedule Reporting iii. Schedule Change Approval/Process d. Safety e. Project Reporting i. Project Management Reporting ii. Portfolio Level Reporting iii. Metrics and KPI's f. Roles and Responsibilities			
2. Specifications/Standards a. General Specifications/Overview b. Guideliness for using/changing specifications c. Listing of Specifications			
3. Finance a. Budgeting i. Prebudget approvals ii. Initial ROM Budgeting iii. PAF Approval Documents iv. PAF Approval process v. Budget Revisions b. Payment Processing i. Invoice Review Overview ii. Invoice Rejection Process iii. Invoice Processing iv. Invoice Filing v. Processing timeline vi. Signatory limits c. Forecasting i. Monthly Project Forecasting Format ii. Monthly Cash Flow projections			

Appendix H (example)

Client:
Title
Prepared by:
Workpaper REF:
Souce Documents/ Documents Reviewed

4. Procurement a. Contracting Strategy i. Format ii. Guidelines iii. Approvals b. Contractor Prequalifications c. RFP Process i. Supplier Selection/Bid List ii. RFP Templates/Requirements iii. Bid Evaluation Forms d. Bid Analysis and Negotiation i. Bid Analysis ii. Unsucessful Bidder iii. Single Source Justification iv. Sole Source Justification v. Negotiation Planning e. Contract Award Standard Contract Overview Description of Standard Contracts Guidelines for Standard Contracts Contract Approval Contract Amendments Contract Retention f. Contract Management i. RFI Process ii. External Change Order Process iii. Internal Change Order Process iv. Cancellation/Delay Guidelines g. Corporate Contracts/Pricing Agreements h. Supplier Management i. Supplier Review Process/Scorecard ii. Corrective Action Plans			
5. Signature Authority a. Contract Signature Authority Limits b. Commitment Limits c. Invoice Approval Limits			
7. Document Control a. Ducment Retention Guidelines b. Document Distribution Guidelines c. Filing Policies/Guidelines			
8. Legal a. Claims and Disputes b. Cardinal Changes c. Legal Contact Information			
9. Project Closeout a. Closeout checklist b. PM Responsibilities c. Finance Responsibilities d. Audit requirements e. Procurement Responsibilities f. Cancellation procedures			

Appendix I.1 (example)

CONTRACTOR CHANGE ORDER REQUEST SUMMARY

PROJECT NAME: _____	C.O.R. NO.: _____
PROJECT NO: _____	CRB/FI REF.: _____
GENERAL CONTRACTOR: _____	DATE: _____
DESCRIPTION OF CHANGE: _____	

General Contractor Direct Costs

Additive Costs

A Labor		
B Material		
C Equipment		
D Subtotal of Additive Cost		\$0.00

Deductive Costs (use minus sign to denote negative figures)

E Labor		
F Material		
G Equipment		
H Subtotal of Deductive Cost		\$0.00

I Contractor's Total Direct Cost (D+H)		\$0.00
J General Contractor's Mark-up		\$0.00

Line "J" mark-up is calculated in accordance with Article 6.01-b of the Contract General Conditions. Mark-up percentages applied to the line "I" subtotal are as follows: 15% on first \$50,000, 10% on balance beyond \$50,000, 6% for credits.

K Total General Contractor Direct Costs + Mark-up (Line I + J)		\$0.00
---	--	---------------

L Total Subcontractor Direct Costs		
------------------------------------	--	--

(Note: If there are two or more subcontractors for this change item, then use a separate form for each subcontractor.)
Sum of Lines "I" and "L" from Subcontractor Change Order Request Summary Forms (703.34S)

M Subcontractor Mark-up		
-------------------------	--	--

Sum of Lines "J", "M", "N" and "O" from Subcontractor Change Order Request Summary Forms (703.34S)

N General Contractor's Mark-up on Subcontractor Direct Costs		\$0.00
--	--	--------

Line "N" mark-up is calculated in accordance with Article 6.01c of the Contract General Conditions. Mark-up percentages applied to the line "L" subtotal are as follows: 10% on first \$50,000, 7% on balance beyond \$50,000, 6% for credits.

O Total General Contractor Change Request (Line K + L + M + N)		\$0.00
---	--	---------------

Note: Include detailed breakdown of material, labor and equipment cost for each trade. Refer to Contract General Conditions Article 6.00.

<i>To the best of my knowledge and belief, I certify that all costs listed above are correct.</i>	
Contractor Signature	Date

Appendix I.2 (example)

SUBCONTRACTOR CHANGE ORDER REQUEST SUMMARY

PROJECT NAME:	_____	C.O.R. NO.:	_____
PROJECT NO:	_____	CRB/FI REF.:	_____
GENERAL CONTRACTOR:	_____	DATE:	_____
SUBCONTRACTOR:	_____		
DESCRIPTION OF CHANGE:	_____		

Subcontractor Direct Costs

Additive Costs

A	Labor		
B	Material		
C	Equipment		
D	Subtotal of Additive Cost		\$0.00

Deductive Costs (use minus sign to denote negative figures)

E	Labor		
F	Material		
G	Equipment		
H	Subtotal of Deductive Cost		\$0.00

I	Subcontractor's Total Direct Cost (Line D + H)		\$0.00
---	--	--	--------

J	Subcontractor's Mark-up		\$0.00
---	-------------------------	--	--------

Line "J" mark-up is calculated in accordance with Article 6.01-b of the Contract General Conditions. Mark-up percentages applied to the line "I" subtotal are as follows: 15% on first \$50,000, 10% on balance beyond \$50,000, 6% for credits.

K	Total Subcontractor Direct Costs + Mark-up (Line I + J)		\$0.00
---	--	--	---------------

L	Total of all Sub-tier Subcontractor Direct Costs		
---	--	--	--

M	Sub-tier Subcontractor Mark-up on first \$50,000		
	Individual sub-tier subcontractor mark-ups shall conform to max. & min. mark-ups listed for line "J" above.		

N	Sub-tier Subcontractor Mark-up on balance beyond \$50,000		
	Individual sub-tier subcontractor mark-ups shall conform to max. & min. mark-ups listed for line "J" above.		

O	Subcontractor's Mark-up on Sub-tier Subcontract Work (7% of Line "L" Total)	7.0%	\$0.00
---	---	------	--------

P	Total Subcontractor Change Request (Line K + L + M + N + O)		\$0.00
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Note: Detailed breakdown of material, labor and equipment cost is to be included for each trade. Refer to Contract General Conditions- Article 6.00.

Appendix J.1 (example)

SUMMARY as of 3/31/0X

CONTRACTOR NAME: XXXXX

CONTRACT NO. XXXX

		CONTRACT TOTAL	Invoice 1	Invoice 2	Invoice 3	Invoice 4	Invoice 5	Invoice 6	Invoice 7	Invoice 8	Invoice 9	Invoice 10	Invoice 11	Invoice 12	Invoice 13	Invoice 15	Invoice 16
TOTAL CONTRACT VALUE																	
Schematic Design		\$ 167,122	\$ 100,273	\$ 58,493	\$ 8,356												
Site Survey		\$ 20,600	\$ 20,600														
ADA Proj Consultation		\$ 2,000										\$ 2,000					
Preliminary Design		\$ 123,142			\$ 12,314	\$ 49,257	\$ 43,100	\$ 12,314	\$ 6,157								
Construction Docs		\$ 335,915							\$ 33,592	\$ 83,979	\$ 50,387	\$ 57,106	\$ 60,465	\$ 33,592	\$ 16,796		
Bidding & Negotiation		\$ 35,359														\$ 17,680	\$ 8,840
Construction Admin		\$ 188,977															
SUBTOTAL BASE CONTRACT		\$ 873,115	\$ 120,873	\$ 58,493	\$ 20,670	\$ 49,257	\$ 43,100	\$ 12,314	\$ 39,749	\$ 83,979	\$ 50,387	\$ 59,106	\$ 60,465	\$ 33,592	\$ 16,796	\$ 17,680	\$ 8,840
Amendment	No. 1	\$ 9,250						\$ 9,250									
Amendment	No. 2	\$ 6,915						\$ 6,915									
Amendment	No. 3	\$ 35,000						\$ 10,500	\$ 5,950	\$ 5,600	\$ 5,600	\$ 3,755	\$ 1,845	\$ 1,750			
Amendment	No. 4	\$ 13,425							\$ 13,425								
Amendment	No. 5	\$ 3,580								\$ 3,580							
Amendment	No. 6	\$ 90,089								\$ 13,513	\$ 22,522	\$ 24,324	\$ 16,216	\$ 9,009	\$ 4,504		
Amendment	No. 7	\$ 28,920								\$ 10,122	\$ 4,338	\$ 4,916	\$ 5,206	\$ 2,892	\$ 1,446		
Amendment	No. 8	\$ 500															
Amendment	No. 9	\$ 16,200															
Amendment	No. 10	\$ 1,450															
Amendment	No. 11	\$ 1,650															
Amendment	No. 12 T&M	\$ 5,018															
Amendment	No. 13 T&M	\$ 4,010															
Amendment	No. 14	\$ 6,900															
Amendment	No. 15	\$ 10,335															
Amendment	No. 16	\$ 1,300															
Amendment	No. 17	\$ 16,305															
SUBTOTAL AMENDMENTS		\$ 250,847	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,665	\$ 19,375	\$ 32,815	\$ 32,460	\$ 32,995	\$ 23,267	\$ 13,651	\$ 5,950	\$ -	\$ -
Reimbursables		\$ 3,184															
TOTAL AMOUNT		\$ 1,127,146	\$ 120,873	\$ 58,493	\$ 20,670	\$ 49,257	\$ 43,100	\$ 38,979	\$ 59,124	\$ 116,794	\$ 82,848	\$ 92,101	\$ 83,731	\$ 47,242	\$ 22,746	\$ 17,680	\$ 8,840

Appendix J.1 (example)

SUMMARY as of 3/31/0X

CONTRACTOR NAME: XXXXX

CONTRACT NO. XXXX

		CONTRACT TOTAL	Invoice 17	Invoice 18	Invoice 19	Invoice 20	Invoice 21	Invoice 22	Invoice 23	Invoice 24	Invoice 25	Invoice 26	Invoice 27	Total Payments	Rem to Bill
TOTAL CONTRACT VALUE															
Schematic Design		\$ 167,122												\$ 167,122	\$ -
Site Survey		\$ 20,600												\$ 20,600	\$ -
ADA Proj Consultation		\$ 2,000												\$ 2,000	\$ -
Preliminary Design		\$ 123,142												\$ 123,142	\$ -
Construction Docs		\$ 335,915												\$ 335,915	\$ -
Bidding & Negotiation		\$ 35,359	\$ 8,840											\$ 35,359	\$ -
Construction Admin		\$ 188,977		\$ 5,785						\$ 13,228	\$ 15,118	\$ 15,118	\$ 13,228	\$ 62,479	\$ 126,498
SUBTOTAL BASE CONTRACT		\$ 873,115	\$ 8,840	\$ 5,785	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,228	\$ 15,118	\$ 15,118	\$ 13,228	\$ 746,617	\$ 126,498
Amendment	No. 1	\$ 9,250												\$ 9,250	\$ -
Amendment	No. 2	\$ 6,915												\$ 6,915	\$ -
Amendment	No. 3	\$ 35,000												\$ 35,000	\$ -
Amendment	No. 4	\$ 13,425												\$ 13,425	\$ -
Amendment	No. 5	\$ 3,580												\$ 3,580	\$ -
Amendment	No. 6	\$ 90,089												\$ 90,089	\$ -
Amendment	No. 7	\$ 28,920												\$ 28,920	\$ -
Amendment	No. 8	\$ 500				\$ 500								\$ 500	\$ -
Amendment	No. 9	\$ 16,200				\$ 16,200								\$ 16,200	\$ -
Amendment	No. 10	\$ 1,450												\$ -	\$ 1,450
Amendment	No. 11	\$ 1,650												\$ -	\$ 1,650
Amendment	No. 12 T&M	\$ 5,018							\$ 5,018					\$ 5,018	\$ -
Amendment	No. 13 T&M	\$ 4,010												\$ -	\$ 4,010
Amendment	No. 14	\$ 6,900												\$ -	\$ 6,900
Amendment	No. 15	\$ 10,335												\$ -	\$ 10,335
Amendment	No. 16	\$ 1,300												\$ -	\$ 1,300
Amendment	No. 17	\$ 16,305						\$ 8,592						\$ 8,592	\$ 7,713
SUBTOTAL AMENDMENTS		\$ 250,847	\$ -	\$ -	\$ -	\$ 16,700	\$ -	\$ 8,592	\$ 5,018	\$ -	\$ -	\$ -	\$ -	\$ 217,489	\$ 33,358
Reimbursables		\$ 3,184				\$ 2,456	\$ 729							\$ 3,184.32	\$ -
TOTAL AMOUNT		\$ 1,127,146	\$ 8,840	\$ 5,785	\$ -	\$ 19,156	\$ 729	\$ 8,592	\$ 5,018	\$ 13,228	\$ 15,118	\$ 15,118	\$ 13,228	\$ 967,290	\$ 159,856

Appendix J.2 (example)

SUMMARY as of 2/16/0X

CONTRACTOR NAME: XXXX

CONTRACT NO. XXXX

<u>TOTAL CONTRACT VALUE</u>		<u>CONTRACT TOTAL</u> A	<u>TOTAL PYMTS</u> B	<u>PER ARCHITECT TOTAL PYMTS</u>	<u>CALCULATED BALANCE</u> C=A-B	<u>ENCUMBRANCE</u> D	<u>ENCUMBRANCE DIFF</u> E=C-D	<u>PER ARCHITECT</u> F	<u>DIFF</u> G=B-F
Original Amount:									
Schematic Design		\$ 167,122	\$ 167,122	\$ 167,122	\$ -		\$ -	\$ 167,122	\$ -
Site Survey		\$ 20,600	\$ 20,600	\$ 20,600	\$ -		\$ -	\$ 20,600	\$ -
ADA Proj Consultation		\$ 2,000	\$ 2,000	\$ 2,000	\$ -		\$ -	\$ 2,000	\$ -
Preliminary Design		\$ 123,142	\$ 123,142	\$ 123,142	\$ -		\$ -	\$ 123,142	\$ -
Construction Docs		\$ 335,915	\$ 335,915	\$ 335,915	\$ -		\$ -	\$ 335,915	\$ -
Bidding & Negotiation		\$ 35,359	\$ 35,359	\$ 35,359	\$ -		\$ -	\$ 35,359	\$ -
Construction Admin		\$ 188,977	\$ 5,785	\$ -	\$ 183,192	\$ 188,977	\$ (5,785)	\$ 188,977	\$ (183,192)
SUBTOTAL ORIGINAL		\$ 873,115	\$ 689,923	\$ 684,138	\$ 183,192	\$ 188,977	\$ (5,785)	\$ 873,115	\$ (183,192)
							\$ -		
Amendment No. 1		\$ 9,250	\$ 9,250	\$ 9,250	\$ -		\$ -	\$ 9,250	\$ -
Amendment No. 2		\$ 6,915	\$ 6,915	\$ 6,915	\$ -		\$ -	\$ 6,915	\$ -
Amendment No. 3		\$ 35,000	\$ 35,000	\$ 35,000	\$ -		\$ -	\$ 35,000	\$ -
Amendment No. 4		\$ 13,425	\$ 13,425	\$ 13,425	\$ -		\$ -	\$ 13,425	\$ -
Amendment No. 5		\$ 3,580	\$ 3,580	\$ 3,580	\$ -		\$ -	\$ 3,850	\$ (270)
Amendment No. 6		\$ 90,089	\$ 90,089	\$ 90,089	\$ -		\$ -	\$ 90,089	\$ -
Amendment No. 7		\$ 28,920	\$ 28,920	\$ 28,920	\$ -		\$ -	\$ 28,920	\$ -
Amendment No. 8		\$ 500	\$ 500	\$ 500	\$ -		\$ -	\$ 500	\$ -
Amendment No. 9		\$ 16,200	\$ 16,200	\$ 16,200	\$ -		\$ -	\$ 16,200	\$ -
Amendment No. 10		\$ 1,450	\$ 124	\$ -	\$ 1,326	\$ 1,326	\$ -	\$ 1,450	\$ (1,326)
Amendment No. 11		\$ 1,650	\$ -	\$ -	\$ 1,650	\$ 1,650	\$ -	\$ 1,650	\$ (1,650)
SUBTOTAL AMEND		\$ 206,979	\$ 204,003	\$ 203,879	\$ 2,976	\$ 2,976	\$ -	\$ 207,249	\$ (3,246)
Reimbursables				\$ 8,970					
Telecom Revision T&M				\$ 8,592					
Amendment No. 12				\$ 5,018					
							\$ -		
CONTRACT TOTAL		\$ 1,080,094	\$ 893,927	\$ 910,597	\$ 186,167	\$ 191,953	\$ (5,785)	\$ 1,080,364	\$ (186,437)

Appendix K

Construction Terms & Definitions

Term	Definition
Cost Engineer	A Cost Engineer is focused on the area of engineering practice where engineering judgment and experience are used in the application of scientific principles and techniques to problems of cost estimating, cost control, business planning and management science, profitability analysis, project management, and planning and scheduling.
Cost Estimating Specialist	A Cost Estimating Specialist projects the cost of upcoming projects. Cost estimators develop the cost information needed in order to determine if a proposed product will be profitable, or to make bid for a contract. They are responsible to analyze and compile data on each factor that may have an influence on costs. Such factors include labor, materials, special machinery requirements, and location
Design-Bid-Build (D-B-B)	Design-bid-build is a project delivery method in which the agency or owner contracts with separate entities for each the design and construction of a project. Design-bid-build is the traditional method for project delivery and differs in several substantial aspects from design-build. There are three main sequential phases to the design-bid-build delivery method: the design phase; the bidding phase; the construction phase
Design-Build (D-B)	Design-build is a construction project delivery method where the design and construction aspects are contracted for with a single entity to provide design and construction services. The design-builder is usually the general contractor, but in many cases it is also the design professional (architect or engineer). This method is used to minimize the project risk for an owner and to reduce the delivery schedule by overlapping the design phase and construction phase of a project.
General Contractor/Construction Manager (GC/CM)	GC/CM is a project delivery method in which a general contractor provides construction management services during pre-construction, is responsible for performance of the work, and guarantees the construction cost and schedule. GC/CM works well for large-scale, complicated projects.
Public-Private Partnership (PPP)	A public-private partnership describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. These schemes are sometimes referred to as PPP or P3.
Surveyor	Construction surveyors make measurements and recommendations to engineers, architects, other professionals, and contractors at all stages of construction projects.



April 17, 2009
The Honorable Brian Sonntag
State Auditor
P.O. Box 40021
Olympia, Wa 98504-0021

Dear Mr. Sonntag:

Thank you for the opportunity to provide the attached responses to the performance audit of the King County Library District's construction management program. In the spirit of Initiative 900, the Library System recognizes a special responsibility to use all public resources wisely and efficiently. We are particularly conscious of the importance to serve as responsible stewards of the resources from the 2004 bond issue, and to use prudent management practices to ensure that the citizens' investment of more than \$172 million result in the capital improvements our communities expect to receive.

Toward that end we appreciated the opportunity to work with knowledgeable and skilled independent auditors who looked at all aspects of our program. The report has pointed to several areas of our capital programs management that we can improve, and we will use the recommendations to guide our enhancements. Our primary business is to provide excellent library service. Construction is a secondary function to this and capital projects and passage of bond issues are historically intermittent for us. Therefore, we will need to carefully identify the most prudent level of investment in this area.

Overall, the King County Library System is proud of the success of our capital building program. We believe this report confirms our responsible stewardship of the public's trust and funds. We again want to thank you and your office for the guidance to help us become even better in that regard. And finally we would like to commend the work of KPMG. Their staff members on this project were diligent, always professional and effective communicators.

Sincerely,

A handwritten signature in black ink that reads 'Bill Ptacek'.

Bill Ptacek
Director