

RBOC RENOVATION AD HOC SUBCOMMITTEE REPORT

TO: Victor Gordo, RBOC Board President
FROM: Paul Arevalo, RBOC Renovation Ad Hoc Subcommittee Chair
DATE: January 3, 2013
SUBJECT: Independent Consultant Review of Rose Bowl Renovation Project

In September 2012, in response to concerns regarding unanticipated increased costs of the Rose Bowl Renovation Project ("Project"), RBOC President, Victor Gordo, appointed an ad hoc subcommittee of the RBOC Board to undertake a project review to assess: reasons for unanticipated costs impacts; how to mitigate future increased cost impacts; and lessons to be learned from the Project. Outside counsel and the Pasadena City Attorney's Office were made available to advise the subcommittee.

The subcommittee quickly determined that its assignment required the expertise of an independent third party consultant with experience in sports stadium renovations. Because issues to be considered by the consultant related to then pending construction disputes and the potential for future litigation relating to the Project, legal counsel advised and the subcommittee agreed that the City Attorney's Office would retain the independent consultant (whose work product would be subject to the direction of counsel and would be covered by attorney-client privilege and attorney work product protections).

As a result, in October 2012, after soliciting proposals and conducting interviews Heery International, Inc., ("Heery") was engaged to undertake the Project review.

Heery was asked to conduct an initial overview of the Project within a limited 4-week period. Specifically, Heery was tasked to review, assess, report findings and provide recommendations to address the following issues:

- Existing Project budget
- Processes and procedures in place for the Project program
- Processes and procedures in place for the Pavilion construction by Clark, and the assessment by others of the causation for the changes to the Clark contract
- The current structure and composition of the Project Team (RBOC Project Director, Owner's Representative, Project Manager and Architect); and
- The Phase 3A bids, bid documents, cost estimates and budget.

RBOC RENOVATION AD HOC SUBCOMMITTEE REPORT

Victor Gordo, RBOC Board President

January 3, 2013

Page 2

Heery's Project Director orally presented preliminary findings to the RBOC Board in closed session on December 6, 2012 and to the Pasadena City Council in closed session on December 10, 2012.

On the advice of counsel and without waiving any attorney-client privilege or attorney work product protection, the subcommittee presents this report to the RBOC Board President summarizing Heery's preliminary findings regarding its assessment of the Project, including unanticipated cost impacts and recommendations for the Project going forward as follows.

A. Project Assessment

1. There are sufficient project controls and procedures in place for construction in-progress to give confidence that the completed Project will be of sound quality and will meet the goals of the Project stated in the master plan.
2. The RBOC is paying fair market value for the planned scope of work. Heery is confident that the majority of the current \$50 million Project budget gap is not the result of "cost overruns".
3. Deficiencies in the original Project budget (such as insufficient contingencies to address: the lack of complete construction documents when the budget was prepared; renovations to a 90-year old historic facility; phased construction of an occupied facility; maintaining January 1, 2014 as an inflexible Project end date even though start dates for portions of the Project were delayed; market conditions and cost escalation; multiple prime contractors' general conditions costs, overhead and profit; and construction of a series of piecemeal projects rather than one large overall remodel) caused what should have been recognized as an approximately \$200 million project from the outset to be undervalued as an approximately \$150 million project.
4. Some strategic decisions increased risks to RBOC. For example, the RBOC separately contracted with the architect, structural engineer and mechanical engineer and used multiple prime contractors. While cost savings were anticipated from this strategy, the RBOC retained risk that may have otherwise been mitigated if the RBOC had contracted with a single architect with overall design responsibility and a single contractor. Additionally, some standard design practices were not followed and risk mitigation opportunities were not fully implemented. Process decisions during the design phase (e.g. re-packaging of bid documents and forgoing design milestone document reviews and cost estimates) are other examples of lost opportunities to mitigate risk to the RBOC.
5. The current members of the Project Team are professional and committed and they operate like a team. The owner's representative role should be enhanced to the level of a "trusted advisor" to the RBOC.

RBOC RENOVATION AD HOC SUBCOMMITTEE REPORT

Victor Gordo, RBOC Board President
January 3, 2013
Page 3

B. Recommendations to Stadium General Manager

1. Implement Heery's constructability review of current Phase 3A and deferred work. For remaining work, perform more rigorous constructability reviews including more emphasis on marrying existing conditions to new construction.
2. The design development phase of the remainder of the Project must follow a more orderly and rigorous process. Develop a preconstruction process and procedures manual and enforce it.
3. Obtain two cost estimates for all design evaluations well in advance of bidding.
4. Adjust the budget for deferred work to include contingencies to reflect both the level of completeness of design documents and the complexity of the work.
5. Clarify and refocus roles of Project Team members to eliminate confusion and overlap. Hold team members responsible for their roles. Identify and retain an individual who can function as a "trusted advisor" to the RBOC.
6. Perform a more detailed review of Clark change order causation.
7. Perform a more in-depth review to provide a more detailed analysis and explanation of the development of the Project.

C. Conclusion


The Stadium General Manager should implement the recommendations in the most logical and efficient manner and to the extent practicable and should involve the Board as necessary and prudent. At this time, the Ad Hoc Subcommittee's task as charged by the President is complete.

Respectfully submitted,



Paul Arevalo, Chair,
RBOC Renovation Ad Hoc Subcommittee

Concur:


Daniel Adams, Project Director,
Heery International, Inc.