

# State auditor finds holes in St. Cloud school roof bids



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(Photo: Dave Schwarz, dschwarz@stcloudtimes.com)

For the past several years, St. Cloud school leaders believed they were getting the best deal for roofing maintenance by contracting through a state-approved cooperative purchasing system.

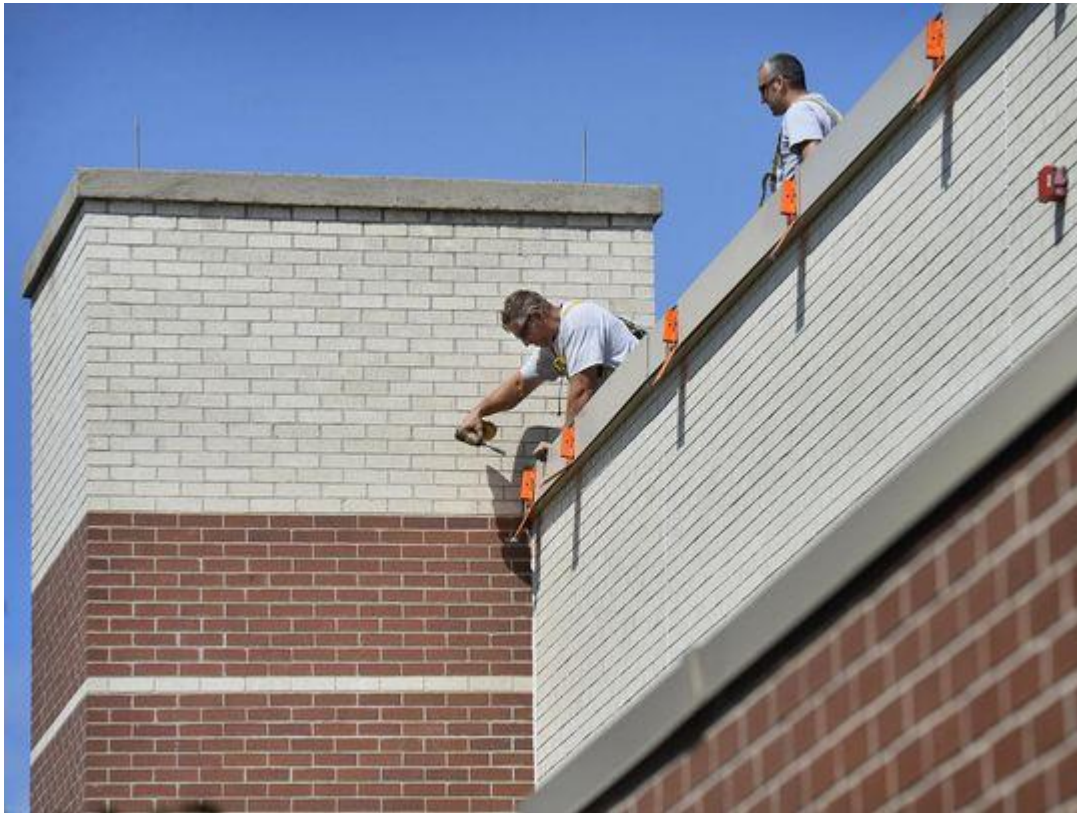
They understood U.S. Communities, which works with more than 90,000 public agencies, could provide the best overall pricing. The Garland Co., an Ohio-based manufacturer that won a bidding process to be U.S. Communities' approved roofing supplier, subsequently worked with its certified installers and the district on almost \$12 million in roofing projects between 2012 and this year.

Last week, a review of school district bidding practices by the state auditor's office found the process may have violated two statutes, including one that calls for competitive bidding. That review came after State Auditor Rebecca Otto received information about the St. Cloud bids from the St. Cloud Times newsroom.

In a letter to Superintendent Willie Jett dated Tuesday, Jeff Reed, an attorney with Otto's office, said specifications the district has been using for its roofing projects were prepared by Design-Build Solutions Inc. — a Garland subsidiary — and are proprietary to Garland products. Reed wrote that Minnesota law forbids the practice, and the specifications the district provided also were not in compliance because they did not have an architect's signature or certification.

Further, a manufacturer's checklist in the specifications had "onerous" requirements if anyone was to try to bid with a substitute material. The letter said the process "may have had an anti-competitive effect as no bidders proposed alternative specifications." As a result, the district purchased Garland product and a Garland-certified installer did the installation.

School board member Al Dahlgren, who has voted against Garland contracts, has raised questions for several years about the process and the chance of reducing costs through competition. He first heard about the issue from Robert Jodsaas, vice president at Waite-Park based Horizon Roofing, who estimates the district may have overspent by more than \$4 million on roofing from 2012-15.



Roofers with McDowall Co., St. Cloud, set up safety equipment for a roofing job Aug. 4 at Oak Hill Community School. (Photo: Kimm Anderson, kanderson@stcloudtimes.com)

On Sept. 9, Jett told the Times the bidding process was likely to be revamped. As part of the consent agenda for Thursday's meeting at city hall, the school board could act on a request for proposals for independent engineering and architectural services to develop specifications for

next year's projects. The district informed the auditor's office of those plans and so Reed's letter specified no penalty. The letter listed four recommendations for future bidding:

ÉDo not permit manufacturers to draft the district's bid specifications.

ÉEstablish a standard by which equivalency can be measured for materials.

ÉForbid any entity that has a financial stake in the outcome of the process from reviewing the bids with or on behalf of the district.

ÉAnd, permit the use of any material or product that is certified by an engineer to be equivalent to that identified in the specifications.

After receiving the letter, Jett said the investigation only reinforces a course he wants the district to take.

õPeople were asking questions and it's our job to listen,ö Jett said. õThat's what we're doing here. Once we got all the facts and figured everything out, we decided this (change) would be in the best interests of District 742. It just shows you, though, that sometimes you can go by what's recommended and that doesn't turn out to be the best practice.ö

The state recommends that local governments purchase a variety of supplies and services through U.S. Communities. Dahlgren points out that roofing is the only construction process available through U.S. Communities.



Roofers with McDowall Co., St. Cloud, set up safety equipment for a roofing job Aug. 4 at Oak Hill Community School. (Photo: Kimm Anderson, kanderson@stcloudtimes.com)

õA roofing manufacturer got a connection there and ô at a high level ô I think there's something funny about the way it works,ö Dahlgren said. õI've been outspoken against this process. I don't believe in it. I think we're paying premium price for a similar product. I think we can do better and that's our job.ö

The letter from Otto's office is similar to one issued to the Stillwater area school district in 2009. She said she was aware of intervening media reports elsewhere across the country questioning public roof bidding processes involving Garland, but often has to rely on whistleblowers to uncover questionable practices.

"We don't have thousands of staff members to go out and search everything. We rely on a system where local officials who may know if something isn't quite right will let us know," Otto said. "In this situation, the company working with the school district made it easy — like they'll do it all for you."

"Details always matter and the letter lays out what the issues were," Otto added. "Sometimes these processes are not in compliance with the law. Sometimes people are disappointed if we just issue a letter. ... Our office will follow through and let an institution know and give them recommendations, point them to educational materials so they can make their practices right. When it comes to contracting and bidding, we have a fair process that is laid out in state law. Sometimes we have to remind people of that."

The turning point after years of questions about roofing expenses comes as voters prepare to decide Nov. 3 whether to spend \$167 million to build a new Technical High School and refurbish Apollo High School.

### **Issue bubbles up**

The issue has bubbled under the surface since 2012. Jodsaas and Kurt Scepaniak, president of Horizon, a second-generation company that dates to 1976, say their company doesn't do the type of roofing called for by the district and their motivation in raising the concern was out of fiscal responsibility as taxpayers.

Jodsaas compared prices on more than \$8 million the district spent to replace roofs from 2013-15. He said costs on a square-foot basis for similar projects in the Twin Cities, near Horizon's satellite office in Minneapolis, often ran 40 percent cheaper.

Dahlgren ultimately succeeded in getting Jett and board chair Dennis Whipple to meet with Scepaniak, Jodsaas and other roofing experts last March, and Jett said he conducted his own inquiries after that.

Bryan Brown, supervisor of buildings and grounds for the district, prefers Garland roofing products and says dealing with the company and its certified installers is seamless and provides the best value over time. Kevin Januszewski, executive director of business services for the district, also said he would recommend remaining with Garland.

And Whipple isn't convinced an independent consultant will change the outcome.

"I am 100 percent confident in our staff, and I also appreciate that we are having this discussion and looking into how we spend the resources that we have," Whipple said. "But just because it's cheaper does not make it better. I'm cautious there because a larger investment can pay off in

other ways. I may agree with an opinion that says we'll spend a little more on the front end because it pays off in the long run.ö



A McDowall Co. crane and other equipment were parked in front of Oak Hill Community School as a roofing project started Aug. 4 at the school. (Photo: Kimm Anderson, kanderson@stcloudtimes.com)

The Garland Co. representatives who worked with the St. Cloud school district did not respond to multiple requests for comment for this story. Neither did HavTek, the Eden Prairie-based independent engineering firm that was identified on copies of the specifications hand-delivered to Times Media. Garland Co. has a page on its website explaining its response to "alleged Garland roofing scams" and "competitive bidding in public projects.ö

Jay Mumm, general manager of the roofing division for Waite Park-based McDowall Co. ö which has installed Garland roofs for the district ö said they are of a quality not common in many school projects. He also jokingly said installing Garland Co. products in one way isn't in his company's best interest because he says that reduces future opportunities for maintenance work.

öWe're finding schools going to roofs like this because they don't want to go to the taxpayers every 15 years for more money,ö Mumm said. öOther companies have warranties that are as long, but sometimes that's only as good as the paper it's written on. We believe when we put this roof on it's going to last for decades.ö

## Hurdles for competitors

Brown and Januszewski said the specifications allow for a "like or substitute material. If one was proposed, St. Cloud-based GLT Architects, which works with the district on many projects, would evaluate it. Steve Paasch, a principal and project architect with the company, confirmed GLT has not been approached once in the past three years about evaluating a substitute roofing material.

John Jensen, Midwest regional sales director for GAF — one of the largest manufacturers of commercial and residential roofing materials in North America — identified multiple hurdles in the bidding process that he says essentially make it pointless for another competitor to try and win the job.

"We know the wording that tells you it's a Garland roof," Jensen said, pointing to dozens of examples in a 52-page 2015 specification. He said it includes the description of materials identical to what Garland produces.



Bryan Brown, supervisor of buildings and grounds, talks Sept. 15 about the new roof section that was completed during the summer at Apollo High School. Because it uses a heavy-duty product, the roof will last at least 30 years, according to its manufacturer, The Garland Co. Brown says the district has had success with the Garland roofs in recent years and believes the company is the best option, although the state auditor's office has determined recent bidding processes may have unfairly favored the manufacturer. (Photo: Kimm Anderson, kanderson@stcloudtimes.com)

Bidders would see this when attending a mandatory pre-bid meeting, which for the 2015 projects was on March 10. The bid due date was March 16. But any request for substitution had to be delivered four days early, meaning a competing installer or manufacturer had about 48 hours to produce the following:

• A report signed and sealed by a professional engineer licensed in the state that must include certification that the material meets or exceeds that called for in the specification. The party substituting material also must submit detailed drawings, stamped and signed by a professional engineer who will assume liability for the work.

• A report signed and notarized from the manufacturer's president, illustrating a list of services to be provided during the project. These include a minimum of two representatives who will monitor the project, an electronic reporting format that would make progress reports obtainable via the Internet, daily job-site inspections and written quality control reports.

• A 12-by-12-inch sample of all sheet materials and a certificate from an accredited testing laboratory comparing the substituted material to that called for in the specification, including via an ultra-violet microscopy analysis photograph. And a sample 18-by-18-inch mock-up of the proposed substitute system.

Even if the manufacturer should meet those stipulations, the roofing manufacturer checklist can eliminate competitors. Jensen said it asks how long your company has been manufacturing the exact roofing system specified. Obviously, he says, no other manufacturer produces Garland materials. And, if a substitute is suggested, competitors must submit the percentage of rubber and percentage of polymer in your modified cap sheet or top layer of material. Jensen says these are equivalent to industry secrets.

Failure to comply with any particulars in the bidding checklist are cause for rejection.

• We got two days to turn in a report about this material from an accredited testing laboratory and I don't even know if my chemist at the plant would have that information readily available, Jensen said. • It would probably take two or three weeks to get a report from an engineer along with stamped drawings. And the idea that I'm going to get the president of our company, one of the biggest in the world that does \$3 billion in annual sales, to drop everything and sign off on a little job in St. Cloud, Minnesota, isn't realistic.

• Even if I was willing to jump through all those hoops, it could take us months, Jensen said. • And you'd want your roof on by then.

Garland is not required to provide similar facts about its own materials, according to Brown and Januszewski, because their product is identified in the specification. Brown also says the 48-hour time frame isn't a valid excuse for not bidding because the specs have remained almost identical for several years.



Bryan Brown, supervisor of buildings and grounds, shows how old sections of rubber roofing on Apollo High School have started to shrink and pull away from the edges of the building, raising the potential for leaks. Half of the school has been recovered with a higher-quality product that Brown and others believe is best for the district. However, school leaders are reviewing roof project bidding practices after the state auditor raised concerns that specifications favored a specific manufacturer. (Photo: Kimm Anderson, kanderson@stcloudtimes.com)

### **Difference in cost**

A tabulation from the district shows 14 projects from 2013-15 that involved only the replacement of an existing roof. All of them were re-roofed with Garland materials, totaling 448,700 square feet, at a total cost of \$8.37 million or about \$18.65 per square foot.

By comparison, four similar re-roofing projects in 2015 at public schools in the Twin Cities showed more competition and lower prices. The bid tabulations were conducted by InSpec, an independent architectural and engineering firm with offices in Minneapolis, Milwaukee and Chicago. InSpec is working on the new Vikings stadium, the renovation of the state Capitol complex and also works with the Minnesota State Colleges and Universities system. The bid tabulations for re-roofing projects at Edina, Fridley, Minnetonka and Wayzata schools ranged from a low of \$9.25 per square foot to a high, non-winning bid of \$17.81 per square foot. None of the projects had fewer than eight bidders.





Bryan Brown, supervisor of buildings and grounds, points out a portion of old roofing material that has a hole in it. The district wants to roof schools with a product that lasts 30 years or more without holes or leaks. (Photo: Kimm Anderson, kanderson@stcloudtimes.com)

Scepaniak and Jodsaas said, in their experience, re-roofing is more expensive than installing a new roof. Yet, on four new roof additions in 2015 at Madison, North, Clearview and Kennedy, the average cost per square foot for Garland materials and installation was more than \$25.

According to a "previous consultant" list from Garland, the company has worked with 22 school districts around the state — excluding St. Cloud. Rocori is the only one on the list from the St. Cloud metro area, and Superintendent Scott Staska said the relationship has been a positive one.

"We've had a lot of good experience with Garland roofs," Staska said. "We like the form they produce better than others. They've got a good warranty and they've worked with the district to fulfill our replacement needs. We like their approach."

Brown says it comes down to a question of quality. He says the district should spend wisely, and that means going with Garland. And Januszewski said the Garland prices also include architectural fees and other costs that wouldn't be reflected in some other bids.

"Basically, what (some contractors) are asking us is to lower our standards to put a cheaper roof on," Brown said. "We don't want to do that. We want a 30-year, guaranteed roof."

Brown showed portions of the roof at Apollo that were done more than a decade ago, at less quality than Garland offers, and have leaked. The new areas of the roof, which has been about 50 percent replaced by McDowall, use Garland's five-ply modified built-up roofing system. Mumm, the McDowall executive, said the cap sheet alone is as much as three-quarters of an inch thick, compared to the previous materials that have the thickness of a dime.

“What we’ve got on there now, I guarantee we’re not going to touch for 40 or 50 years,” Brown said. “Garland roofs are that high of a quality.”

Januszewski said his recommendation to the board will be to go with the best roof.

“If you want to be cheap and you don’t care if you have problems in 10 years, that’s your deal,” Januszewski said. “I’m going to tell the people who don’t believe us that they better be here in 10 years with a mop so they can clean up the water.”



After being re-roofed, a section of Apollo High School has watertight, maintenance-free steel cladding panels on upright walls. (Photo: Kimm Anderson, kanderson@stcloudtimes.com)

Garland officials also have been involved in evaluating the condition of roofs within the district to determine when repairs are needed. Dahlgren questions whether that’s appropriate.

“There’s a difference between a proprietary spec and a 15-, 25- or 30-year roof,” Dahlgren said. “There are other companies out there who can provide 30-year roofs. We can have a company like InSpec or RoofSpec and tell them we want a 30-year roof and they can open it for bids.”

### **Independent consultants interested**

Fred King is director of business development for InSpec, with which he has worked for more than 25 years. King also was at the March meeting with Jett and Whipple and, while he wouldn’t talk about Garland for this story, said InSpec is interested in becoming the school’s independent consultant.

King said he believes it’s “difficult, if not impossible” for others to compete under the current St. Cloud specifications and an independent consultant should lead to more competition.

Terry Thone of RoofSpec, a St. Paul-based engineering firm, also indicated his firm would be interested in competing for the consultant’s role and that an independent evaluator is necessary to ensure the interests of the school district are paramount. He also would not go on the record about Garland.

“I’ve been trying for three years to get this changed,” Dahlgren said. “I think we’ve got high quality roofs. I don’t question at all the quality of (The Garland Co.) roofs. It’s top quality. As good as it gets. But I think a roof company like InSpec or RoofSpec might come in and say that’s not what you need on a roof like this. You might be able to go with another quality and it’s going to be 40 percent cheaper and last 25 years.”

Dahlgren finds it ironic the district could benefit by not using the state recommended cooperative purchasing agreement with U.S. Communities.

“That’s why this needs to be evaluated or changed at a higher level, perhaps legislatively,” Dahlgren said. “I don’t want people pointing the finger at (Januszewski or Brown) saying they’re doing something wrong — they’re not — or they don’t care — they do. But I’m 99.9 percent sure that by not going by the state guidelines, we’re going to save a lot of money. So, by doing the wrong thing, we’re doing the right thing.”

Whipple said he recognizes the importance of evaluating the process.

“We’re definitely ready to see what else is out there because we are in the middle of a request we’re making for the voters (the referendum) on a significant project and we want to review every dollar we can before we take on something of that magnitude,” Whipple said.

Scepaniak believes the number of bidders will jump if — or when — the bid process changes.

“There will be other manufacturers and installers coming in with sharp pencils,” Scepaniak said.

*Follow Kevin Allenspach on Twitter @KevinAllenspach. Call him at 255-8745.*

**Roofing expenses since the St. Cloud school district began working with The Garland Company in 2012**

| <b>Building</b> | <b>Year</b> | <b>Square feet</b> | <b>Cost</b>  | <b>Cost/sq. ft.</b> |
|-----------------|-------------|--------------------|--------------|---------------------|
| Madison         | 2012        | 12,000             | \$206,908    | \$17.24             |
| Madison         | 2013        | 76,200             | \$1,049,719  | \$13.78             |
| South           | 2013        | 10,400             | \$182,179    | \$17.52             |
| Westwood        | 2013        | 53,000             | \$783,285    | \$14.78             |
| North           | 2013        | 22,000             | \$266,953    | \$12.13             |
| Tech            | 2013        | 22,500             | \$431,413    | \$19.17             |
| Apollo          | 2013        | 41,800             | \$764,160    | \$18.28             |
| South           | 2014        | 49,400             | \$998,000    | \$20.20             |
| McKinley        | 2014        | 41,900             | \$632,000    | \$15.08             |
| Clearview       | 2014        | 17,200             | \$355,000    | \$20.64             |
| Apollo          | 2014        | 52,000             | \$948,378    | \$18.24             |
| Dist. Sv. Bldg. | 2014        | 14,000             | \$286,958    | \$20.50             |
| Dist. Sv. Bldg. | 2015        | 20,800             | \$456,000    | \$21.92             |
| Discovery       | 2015        | 19,400             | \$385,000    | \$19.85             |
| Talahi          | 2015        | 28,500             | \$596,000    | \$20.91             |
| Oak Hill        | 2015        | 28,500             | \$596,000    | \$20.91             |
| Apollo          | 2015        | 37,700             | \$871,403    | \$23.11             |
| Roosevelt       | 2015        | 22,300             | \$570,398    | \$25.58             |
| Madison         | 2015        | 4,000              | \$141,146    | \$35.29             |
| North           | 2015        | 24,000             | \$498,227    | \$20.76             |
| Clearview       | 2015        | 15,500             | \$479,420    | \$30.93             |
| Kennedy         | 2015        | 12,000             | \$305,566    | \$25.46             |
| Totals:         | 22 jobs     | 625,100            | \$11,804,113 | \$18.88             |

Notes: Does not include 2015 projects at Clearview, North and Westwood to accommodate fixes with HVAC upgrades; all work has 30-year warranty.

*Source: St. Cloud school district*

## **Garland addresses allegations online**

Representatives of the Garland Co. did not respond to requests for comment for this story. The company addresses "alleged Garland roofing scams" at [www.garlandco.com](http://www.garlandco.com). The company maintains its materials cost more than the average roofing solution "because of our commitment to offering clients the best product possible." Its clients often are public schools and hospitals.

Garland dismisses complaints about performance specifications and spec writing because "we promote performance-based specifications because they ensure a level playing field for competitive bidding. The company also disputes complaints about the cooperative purchasing arrangement, such as the one between St. Cloud and U.S. Communities, saying "public procurement administrators use cooperative purchasing vehicles to expedite project delivery, simplify contract administration and reduce associated costs."

To see more, visit [www.garlandco.com](http://www.garlandco.com), click on "our story," then "quality & performance" then find the link "alleged Garland roofing scams."