

BOARD UPDATE – January 20, 2016

Bond Program Contingency

Due to questions from the Board at recent meetings, staff has prepared the following summary to help explain the composition of the Bond project budgets and the contingency included. This information is provided for the Board's reference and will be reviewed in further detail at the January 30th Board Workshop.

The attached spreadsheet shows the Program Overview as of December 2015. Staff has presented this format to the Board in prior reports. It shows how the overall budget, by series is tracking, how the budgets have been revised, and how contingency funds have been allocated.

There are several categories of CONTINGENCY:

- PROJECT CONSTRUCTION CONTINGENCY
- PROGRAM CONTINGENCY (Allocated or Unallocated)
- ESCALATION Cost

Each project has some PROJECT CONSTRUCTION CONTINGENCY built into the Total Project Cost. For example in the LRFP for

Forest Park, recommended projects were included with an estimated construction cost of \$2,681,000. To obtain the Total Project Cost a factor of approximately 33% is added to cover soft costs. This includes design, approval, inspection and ancillary costs and a 10% project construction contingency. In the Forest Park example, once the factor is added, the Total Project Cost is determined to be \$3,565,000. This \$3.5 Million is the budget for Forest Park that is shown in the \$408 Million list of Recommended Projects.

At the time of the election, the budget (see column a) was:

\$ 408,000,000	Total Project Cost of All Recommended Projects
\$ 42,000,000	PROGRAM CONTINGENCY
\$ 200,000,000	ESCALATION
\$ 650,000,000	Total Bond Program

Since the Implementation Plan has been developed and presented, the ESCALATION has been distributed to all of the projects. The allocation is based on the Bond Series which the project is scheduled for. This is reflected in column b on the spreadsheet. Only \$121 Million is anticipated to be needed for escalation, based on the current schedule. Therefore \$79 Million is available as additional program contingency.

\$ 200,000,000	ESCALATION Budgeted (see column a)
(\$ 121,000,000)	ESCALATION Estimated (see column b)
\$ 79,000,000	Unallocated PROGRAM CONTINGENCY (see column b)

Adding this amount to the existing funds resulted in a total contingency of \$121,000,000:

\$	42,000,000	Original PROGRAM CONTINGENCY	
\$	79,000,000	Unallocated PROGRAM CONTINGENCY (see column b)	\$
	121,000,000	TOTAL PROGRAM CONTINGENCY	

In the section of the spreadsheet titled "Uses of Contingency Fund" the spreadsheet shows additional projects and supplemental funds to be added to existing projects. The total amount of adjustments and additions proposed to date is \$94 Million. Those projects to be funded from Series A and B have been approved by the Board, except as noted (see column d). Those to be funded from future Bond Series will be approved at the time that the Implementation Plan for those Series are approved by the Board (see column e). The spreadsheet is color coded to help indicate how these funds are accounted for in the overall Measure E Program plan.

Deducting from the Total Contingency those amounts that have been proposed to be used for new projects (such as new classroom buildings), or projects with revised scope (such as added asbestos abatement) results in an UNALLOCATED CONTINGENCY of \$27 Million.

\$	121,000,000	TOTAL PROGRAM CONTINGENCY (see column c)	
(\$	94,000,000)	Contingency committed to new/revised projects	
\$	27,000,000	UNALLOCATED CONTINGENCY (see column f)	