



MEMORANDUM

To: Tom Flanagan, Superintendent

From: Joe Weith, Senior Project Manager

Date: September 14, 2023

Re: BHS/BTC Updated Project Cost Estimate

OVERVIEW

The project's construction manager, Whiting Turner ("WT"), delivered to the District on 9/13/23 the FINAL Guaranteed Maximum Price (GMP) for the cost to construct the project. The GMP is based on bids submitted by subcontracting companies to work on various aspects of the project (e.g., structural steel, concrete, electrical, plumbing, HVAC system, sheet rock, painting, flooring, AV equipment purchase/installation, etc.). As part of the final GMP review and approval process, the project team has updated the total project cost estimate. In addition to GMP construction cost, the total project cost estimate includes project soft costs and environmental clean-up costs. This memorandum presents an overview of the updated total project cost estimate and provides four options for the Board to consider in moving forward with approving the FINAL GMP.

FINAL GMP

The final GMP submitted on 9/13/23 proposes a total construction cost of \$161.7 M which is about \$5 M less than the DRAFT final GMP of \$166.6 M which was reviewed by the School Board on 9/5/23. The cost reduction is due primarily to the inclusion of a \$4 M "savings allowance" which will cover future value engineering ("VE") changes to reduce cost. The design team and WT are currently working to identify and evaluate VE items to achieve, and hopefully exceed, the \$4 M savings allowance.

TOTAL PROJECT COST

As shown in the attached Total Project Cost Estimate Summary, total project cost is projected to be about \$203.8 M. This represents an increase of about \$13.7 M from the last estimate of \$190.1 M which was prepared and presented to the Board in May 2023. This significant increase in total project cost is being driven by higher-than-expected construction costs which is explained in a memorandum prepared by WT dated 9/1/23. As shown in the Cost Summary, construction cost is projected to increase by about \$13.5 M from the May estimate. Project soft costs are estimated to decrease by about \$1.2 M

which is mostly due to a reduction in owner’s contingency (see Contingency discussion below). Environmental costs are projected to increase slightly by about \$350,000 which is primarily due to recently discovered contamination on the building foundations.

Contingencies: The total project cost estimate, which factors in the latest GMP, still includes about \$9.7 M in owner project contingency (6% of total construction cost) and \$1.3 M in environmental contingency (8% of total environmental cost). Contingencies are used if needed to cover unexpected cost increases due to unforeseen circumstances discovered during demo/abatement (e.g., additional contamination on foundations) or construction (e.g., poor soils and/or additional ledge removal). The 6% owner contingency is a reduction from the 8% contingency used in the May cost estimate (contingency amount in May was \$11.9 M). At this stage of most construction projects, dropping the owner contingency to 5% is considered standard. While reducing the owner contingency to 5% would decrease the estimated project cost by an additional \$1.6 M, due to the size and complexity of this project and remaining unknowns (e.g., ledge profile under the building slabs), we do not recommend doing so as this project has already seen its share of unforeseen costs. As for the environmental contingency, we recommend keeping it at 8% because we believe the environmental risks remain higher at this point, as we still need to test the foundations of C, D, E, and F buildings.

FUNDING

As of September 1st, the District has identified roughly \$207 M to the project as shown below:

FUNDING	Amount
Previously Identified Funding Sources	\$25,000,000
Voter Approved Bond	\$165,000,000
State PCB Clean-up Funding	\$16,000,000
Federal Stormwater Funding (Final Stages of Approval)	\$1,000,000
TOTAL FUNDING	\$207,000,000

Considering a total project cost of \$203.8 M and anticipated funding of \$207 M, as it stands now, the project is experiencing a \$3.2 M funding cushion.

OPTIONS FOR MOVING FORWARD

Working with BSD leadership, the project management team has developed four options worth discussing as we seek to move the project forward. These options contemplate whether or not to include the \$4 M in “savings allowance” in the final GMP. Of the four options, we recommend the Board strongly consider Option 3, which is to move forward with the final GMP bid package as presented (includes the \$4 M savings allowance) and direct WT and the Design Team to identify VE changes which achieve and hopefully exceed the \$4 M savings allowance. WT has already identified about \$1.5 M in savings that are supported by the project’s Design Team.

Option 1

Approve a GMP which removes the \$4 M savings allowance (i.e., adds \$4 M+ to the project cost) and work to bring additional revenue to the project.

Explanation: While the cost of the project has increased, one option is to move forward with the final GMP without a “savings allowance” built in, therefore no need to seek VE changes, and seek to bring additional revenue to the project through grant proposals, lobbying, and the current Monsanto lawsuit. Moving forward does not mean asking voters for more money; BSD has committed to not asking for another bond vote and to working hard not to borrow the full \$165 M bond if at all possible.

Estimated Increase to Final GMP: \$4 M plus

Estimated Project Cost after Increase: \$207.8 M plus

Projected Funding Gap: \$800,000 plus (minus any additional funding we are able to secure)

Risks: We believe this to be the least fiscally responsible option, especially considering that the project team has already identified \$1.5 M in potential future savings that should be realized without any major scope reductions.

Option 2

Approve a GMP which removes the \$4 M savings allowance (i.e., adds \$4 M+ to the project cost) and direct WT to pursue the \$1.5 M in savings already identified and supported by the Design Team.

Explanation: WT and the Design Team have begun looking at “value management” options (design and/or material/equipment changes to reduce costs while keeping essential functions in place). As mentioned above, the project team has identified approximately \$1.5 M in potential savings that could be realized without major impacts to the scope of the project; these savings would be realized after the GMP package is approved.

Estimated Increase to Final GMP before Target Reduction: \$4 M plus

Target Reduction to Final GMP: \$1.5 M

Estimated Project Cost after Savings: \$206.3 M plus

Projected Funding Gap: None

Risks: The risk of this option is that while the funding gap is either eliminated or significantly reduced, there is still potential for a funding gap. To mitigate this risk, BSD could continue to pursue additional revenue through grant proposals, lobbying, private fundraising, and/or the current Monsanto lawsuit. BSD could also work to identify additional District-wide cost savings over the next three years to support this funding difference. Regardless, moving forward with this funding gap does not mean asking voters for more money; BSD has committed to not asking for another bond vote and to working hard not to borrow the full \$165 M bond if at all possible. From a design perspective, this option poses little risk as the \$1.5 M in identified potential savings will not have a significant impact on the project scope. In our opinion, this option is the second best option on the table; the District could feel confident pursuing this recommendation.

Option 3 - Recommended Option

Approve the GMP as is (i.e., with \$4 M savings allowance included) and direct WT and the Design Team to identify VE changes that achieve the \$4 M savings.

Explanation: In addition to the \$1.5 M in savings already reviewed and approved by the Development Team, WT and the Design Team have compiled an additional list of items identified through the value management process that could be considered. Therefore, we believe at least \$4 M in savings is achievable and therefore should remain in the GMP as a “savings allowance”. This list includes smaller items that could be realized without much impact to the scope, and larger items that may have substantial impacts on the project. These items would need to be reviewed and approved or rejected by District leadership over the next few weeks, with the goal of finding and accepting at least \$4 M worth of additional possible changes.

Target Reduction included in final GMP: \$4 M

Estimated Project Cost including the Savings Allowance: \$203.8 M

Projected Funding Gap: None

Risks and Recommendation: Financially, this option poses the least amount of risk, as it has the potential to fully close any funding gap and possibly support a small funding gap cushion. The risk from a design perspective is that changes to reduce cost may potentially impact the quality of materials and finishes used in the project. We recommend this to be the best option moving forward but would encourage BSD to be judicious while looking for savings, realizing that cheaper building materials today often mean a more expensive building to maintain in the future.

Option 4

Reject the final GMP and delay the project three months to find additional savings through design changes.

Explanation: If the GMP is considered too high, we could place the project on hold for three months and direct the Design Team to begin making changes to the project's design to significantly reduce cost. Once the Design Team makes the changes, they would update their construction documents (CDs) and WT would issue the amended CDs for revised bids.

Target Reduction of final GMP: \$10 M

Estimated Project Cost after Savings: \$197.8 M plus

Projected Funding Gap: None

Risks: There are significant risks involved in this option. From a design perspective, it likely means a substantial change to a design that has already received support and buy-in. Financially, while there is potential for cost savings, it is impossible to know now exactly how much we could save. Also, it is important to remember that every day added to the project schedule costs money. Therefore, \$10 M in cost savings resulting from major design and/or program changes will likely be significantly offset by added costs from extending the project schedule by three months. With that in mind, we recommend against this option.

CONCLUSION

We recommend that the district not let this increase in project cost detour BSD staff and the project team from moving forward with this project. We recommend that the Board approve the final GMP as presented, direct WT and the Design Team to identify VE changes that will achieve the \$4 M savings allowance built into the GMP and present these cost savings to BSD leadership for approval.

BHS / BTC 2025

Total Project Cost Estimate

09/14/23

	May 2023 Estimate	August 2023 Estimate	
CONSTRUCTION COSTS			
	Estimated Cost	Estimated Cost	Notes
Building and Site Construction	\$132,394,028	\$145,720,494	
Estimating Contingency	\$1,709,063	\$0	
Construction/CM Contingency	\$1,743,340	\$1,894,366	
Escalation Contingency	\$1,324,430	\$738,074	
Sub Default Insurance	\$1,783,221	\$1,928,588	
General Conditions	\$4,732,100	\$6,636,760	
Liability Insurance	\$1,400,081	\$1,490,724	
CM Bond	\$818,273	\$871,250	
CM Fee	\$2,243,928	\$2,389,204	1.50%
TOTAL ALL CONSTRUCTION	\$148,148,464	\$161,669,460	
PROJECT SOFT COSTS			
	Estimated Cost	Estimated Cost	Notes
Design Fees & Reimbursable Expenses	\$8,440,200	\$8,997,203	
Permit Costs	\$269,940	\$260,892	
Misc. Owner Soft Costs (project management, owner consultants, cost estimator, legal & accounting, utilities, etc.)	\$2,603,067	\$2,859,085	
Commissioning	\$200,025	\$200,025	
Fixtures, Furnishings, Equipment	\$2,967,975	\$3,092,975	
Signage	\$0	\$0	Carried in construction budget
Project Closeout Costs (artwork/marketing displays, LEED certification, etc.)	\$15,000	\$15,000	
Owner Project Contingency - Design & Construction	\$11,851,877	\$9,700,168	8% for May 2023 estimate; 6% for August 2023 estimate
TOTAL PROJECT SOFT COSTS	\$26,348,084	\$25,125,348	
ENVIRONMENTAL COSTS			
	Estimated Cost	Estimated Cost	Notes
Building Abatement & Demo with Change Orders	\$12,121,031	\$13,461,031	
Soil Handling/Disposal	\$2,146,826	\$830,571	
Consulting and Monitoring	\$1,148,600	\$1,448,600	
Contingency	\$1,233,317	\$1,259,216	8% for May 2023 and August 2023 estimates
TOTAL ENVIRONMENTAL COSTS	\$16,649,774	\$16,999,418	
Savings from Design Changes to be made to final CDs to Improve Project Performance and Reduce Cost	-\$1,012,586	\$0	
TOTAL PROJECT COST	\$190,133,736	\$203,794,226	