

C.A.S.H. 26th Annual Conference on School Facilities

Beyond the Bond
Keeping the Promise for School Facilities

Room# 311/312
Tuesday, March 1, 2005
4:00 p.m. - 5:00 p.m.
Sacramento Convention Center

WORKSHOP #10

**FACILITIES BUDGET PLANNING IN
VOLATILE ECONOMIC TIMES**

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Facilities Budget Planning in Volatile Economic Times

Ann Sparks, Assistant Superintendent of Business Services, Bonita Unified School District
Doug Marquand, Chief of Business and Operations, North Sacramento School District
David Burke, AICP: Capital Program Management (Moderator)

Facilities Budget Planning in Volatile Economic Times

- Unprecedented construction cost inflation in 2004 led by steel increases and an overabundance of school projects led to serious budget problems for many school construction programs. This workshop will describe budget planning techniques to cope with the uncertainty that such a volatile construction market brings.

“Come on, have prices really gone up that much?”

- Saylor Cost Index from 1993 to 2003...
 - Average annual increase: 3.2%
- Saylor Cost Index from 2003-2004...
 - Annual increase: 7.3%
 - January 2005 SAB “Bump”: 11.26%

“Yes, prices really have gone up that much”

Specific Product Price Increases

<u>Material</u>	<u>2004 Actual</u>	<u>2005 Projected</u>
Asphalt Paving	1.6%	2.0%
Cement	3.0%	5.7%
Rebar	45.8%	-5.5%
Const. Machinery	3.3%	4.3%
Pipe and Fittings	20.4%	5.7%
Structural Metal	10.9%	3.1%
Structural Sheet	16.4%	6.2%
Gypsum Products	14.7%	-0.2%
Lumber, Softwood	25.2%	-3.4%
Plywood	19.3%	-7.0%

So What?

- By the fact that you are sitting in this room, you have a vested interest in ensuring the financial success of your district's, or your client's construction program.
- Planning, developing, explaining, maintaining, calibrating, and administering construction budgets is a required skill.
- This skill is developed through the following:
 - Research
 - Education/Training
 - Experience

Doug Marquand

Chief of Business and Operations
North Sacramento School District

- K-6 school district located just north of Downtown Sacramento.
 - 5,000 enrollment
 - 11 schools
 - District-wide modernization program (\$33 million)
 - State and local GO Bond funded

Budget Planning Components

- Site Costs
- District and Agency Costs
 - DSA, CDE, DTSC, LCP, CEQA, Utility providers
- Consultant Costs
 - A/E
 - Legal
 - Telecom/Data
 - Community Outreach
 - Hazmat
- Bid Costs
 - Printing and Distribution
 - Advertising
- Construction Costs
- Furniture and Equipment
- Miscellaneous Project Costs
 - Interim Housing
 - Moving and storage
 - Training/Commissioning
- Contingencies
 - Construction Contingency
 - Project Contingency
 - Owner Contingency
- Project Budgets
- Inflation
- Cash Flow

Reducing Costs Through Bid Promotion

- The number of bids has an inverse impact on costs.
 - According to Sierra-West, Inc.
 - 1 bid +38%
 - 2-3 Bids +16%
 - 4-5 Bids +4%
 - 6-7 Bids -5%
 - 8+ Bids -10%
- Bid Promotion
 - Attract multiple bidders:
 - Bid timing
 - Market to good contractors
 - Prompt payment
 - District reputation for fairness
 - Open District specifications
 - Good plans and specifications:
 - Competent design team
 - Constructability review
 - District review
 - District standard specifications
 - Process issues:
 - Stay on track
 - Supervise design team
 - Make tough decisions in a timely manner

Budget Tracking and Monitoring “Be Ahead of the Curve”

- Process
 - Qualification Based Selection (GCS 4525) for Professional Services
 - Proposal
 - Define duration and not to exceed amount
 - Contract/Agreement
 - Board approval
 - Purchase Order
 - Construction bidding per Public Contract Code

Ann Sparks

Assistant Superintendent of Business Services
Bonita Unified School District

- K-12 school district located in the foothills of the San Gabriel Mountains.
 - 10,000 enrollment
 - 13 schools
 - District-wide construction program (\$89 million)
 - New construction
 - Modernization
 - Reconfiguration
 - State and local GO Bond funded

The New Reality

- Budgets are below current costs
- Bond funds are insufficient
- Projects must be cut to bridge the funding and scope gap

Good Plans Start With Good Planning

- Realistic, not over-optimistic, budget planning
- Sound base data
- Outline objectives and reaffirm priorities
- Identify “needs” and “wants”
- Review scope and alternatives
- Identify “On-Hold” projects
- Establish new timelines

Next Steps

- Update existing budgets
- Identify funding shortfalls
- Establish alternatives
- Identify and maximize alternative funding sources

Communication is Key

- Bad news is not like fine wine- it does not get better with age.
- Board of Education
- Bond Oversight Committee
- School Sites
- Parents/Community

Questions?