

Bond Program Budget Management Work Process

Background

This work process addresses the major elements for conducting effective budget management of Beaverton School District's 2014 Bond projects. BSD will use two cost systems to record and manage information about project costs, IFAS and e-Builder. IFAS provides the official accounting records for all BSD expenditures, while e-Builder provides real-time cost and budget management information for Project Managers and other District staff. The coordination of data between these two cost systems will be led by the BSD Facilities Budget Specialist with support from bond accounting staff, however, Project Managers are responsible for budget planning, cost data entry, invoice approval, and cost management through e-Builder.

Budget Management Guiding Principles

- A. Project quality, maintainability, and life cycle cost considerations are more important than the first cost to construct.
- B. The project management team will deliver the intended scope as described in the original bond program documents. Project budget surpluses will be placed in the Program Contingency rather than be used to expand the scope of the project.
- C. If a planned project is no longer valid, the funding for that project will be placed in the Program Contingency, except for the Major Repairs component of the Bond, which is addressed in paragraph 4 below.
- D. Value Engineering may be used to help control project costs, but will be applied in a manner that does not significantly impact the project scope or quality.
- E. Project-level budget adjustments will be made subject to the Construction Bond Program Budget Management Controls matrix at Exhibit A.

1) Establishment of Project Budgets

- a) **Original Budget.** The total amount of the Original Budget in e-Builder must match the amount in the Bond program for the project as of May 2014. Project budget breakdowns are established by the Project Manager (PM), approved by the Administrator for Facilities Development (AFD), and then entered into e-Builder by the PM during project setup (also see Project Setup Work Process). The standard budget breakdown template located in e-Builder will be used, however PMs may select the line-items to apply based upon relevance to the specific project. At the summary level, the standard budget elements will include:

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- i) Professional Services
(i.e., A/E design services, specialty consultants, and pre-construction services from CM/GC contractors.)

 - ii) Construction
(i.e., all construction work, which might include multiple contracts.)

 - iii) Owner Costs
(i.e., permitting, special inspections, in-house work, monitors, and FF&E.)

 - iv) Project Contingency
The target project contingency is 10% of total project budget for most projects. Exceptions must be approved by the Administrator for Facilities Development. Project contingencies are carried internal to the project budget and are not the same as the Program Contingency (see paragraph 2c below).
- b) **Original Budget Record.** The Original Budget record, including all line-item budget components used, will be retained unchanged in e-Builder as a reference point through the life of the Bond program.

2) Changes to Original Project Budgets

- a) **Increases.** The total amount of a project budget may be increased only in accordance with the Guiding Principles and the Construction Bond Program Budget Management Controls matrix at Exhibit A.

- b) **Project Contingency.** PMs will manage allocation of the project contingency budgets. Targets for standard projects are established in the table below. Before allocating contingency resources that will reduce the remaining percentage below the target, the PM will consult with the AFD. Targets for non-standard projects will be approved by AFD.

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Standard Project Contingency Targets	
Original Budget	≥ 10%
Foundations and Underground Work Completed	≥ 7%
50% Work-in-Place	≥ 5%
100% Work-in-Place	≥ 2%
Substantial Completion with no Significant Claims Pending	≥ 0%

- c) **Program Contingency.** The Bond Program Contingency was established to address unforeseen costs when the project budgets were estimated and reflects the common uncertainties which are unavoidable when budgets are established prior to development of detailed architectural and engineering designs. Allocation of this funding will be in accordance with the Construction Bond Program Budget Management Controls matrix.
- d) **Program Inflation Reserve.** Most project cost estimates were developed in 2013 based upon costs at that time and will need to be adjusted to reflect costs at the time projects are executed. Construction inflationary cost increases may be supported from the Program Inflation Reserve in accordance with the Construction Bond Program Budget Management Controls matrix.
- e) **Reductions.** Project budgets will be reduced by the AFD or Executive Administrator for Facilities (EAF) based upon forecasted cost savings when deemed appropriate considering factors including the PM's estimated cost at completion and the remaining cost-related risk to the project. Savings taken from a project will be posted as additional resources in the Program Contingency in the monthly Bond Financial Summary Report.
- 3) **New Projects.** Projects not specifically included in the original Bond program may be added with the approval of the BSD Senior Leadership Team and/or the Superintendent in accordance with the Construction Bond Program Budget Management Controls matrix. Funding for this work will be supported from the budgeted Program Contingency and/or future project cost savings.
- 4) **Major Repairs.** The Bond program includes a budget of \$98 million for District-wide major repair and improvement work as documented in Maintenance Department records. The total budget estimate for this work is supported by rough cost estimates of hundreds of individual line-items reflecting both the backlog of needed repairs in 2013 plus a forecast of probable requirements over the course of the 8-year Bond program. Consequently, actual costs of individual items are expected to vary considerably and the line-item content of the repair program will evolve depending upon

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actual needs. This subcomponent of the overall Bond program will be managed within the original \$98 million budget unless additional funding becomes available from the Program Contingency or Inflation Reserve.

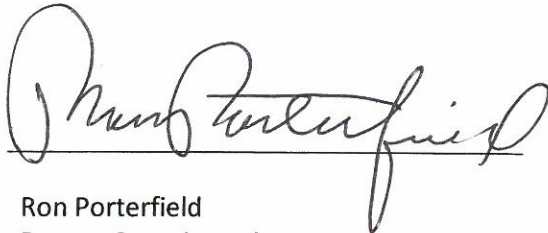
- 5) **Security Projects.** Security projects identified by applying the District Security Standards to existing buildings will be approved by the District Safety Committee within the Bond program original budget for security upgrades.
- 6) **Other Improvement Projects.** Project groupings including Kitchen Improvements, ADA Compliance, Fire Protection, Green Energy Technology, and Seismic Upgrades will be managed in the same manner as Major Repairs.
- 7) **Equipment and Learning Technology.** The Critical Equipment Purchases and Learning Technology budget components of the Bond program are separate from this document and are managed by the Deputy Superintendent for Teaching and Learning, Chief Information Officer, and Chief Financial Officer.
- 8) **Monitoring & Reporting**
 - a) **Current Budget.** The Current Budget column in e-Builder will be used by the PM to reflect approved changes to the original project budgets. PMs may move funding between budget line-items, including allocation of the project contingency when needed, provided that these adjustments are in accordance with the Guiding Principles. Increases in total project budgets are subject to review and approval specified in the Construction Bond Program Budget Management Controls matrix, Exhibit A.
 - b) **Estimate at Completion.** PMs will update the Estimate at Completion column in e-Builder when significant changes occur, but not less often than at the end of each calendar month. The Estimate at Completion is defined to represent the PM's best forecast of the total final project cost projected forward to the completion of the project. It is expected that this number will change, up and down, during the execution of a project and should not be artificially constrained by the approved project budget amount. Comparing this forecast with the project budget will be a key management tool for identifying budget problems early when the most flexibility exists to address them.
 - c) **Financial Reports.** Bond program financial reporting will be provided to the District Business Office by the AFD and EAF. A monthly overall Bond Financial Summary Report will reflect the

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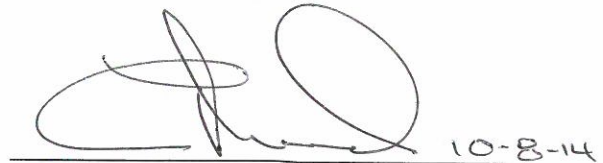
budget status of each major project in the program reconciled to the total funding in the program including the Program Contingency and Program Inflation Reserve. This report will also be provided to the Bond Oversight Committee at its regular meetings.

- d) **Balanced Scorecard Report.** A monthly Bond Program Balanced Scorecard Report will include budget status information for construction projects and be provided to the School Board at its regular business meetings and to the Bond Oversight Committee.
- 9) **Work Process Changes.** Minor changes to this Work Process may be approved by the EAF or the AFD and must be documented in published revisions to this document. Significant changes are subject to Deputy Superintendent approval.

Bond Program Budget Management Work Process
Reviewed and Approved by:



Ron Porterfield
Deputy Superintendent
Operations and Support Services



Carl Mead, Ed.D.
Deputy Superintendent
Teaching and Learning

Construction Bond Program Budget Management Controls

10/2/2014

Rev 0

Budget Change Category	Responsibilities								Reporting																											
	PM	AFD	AMS	EAF	CFO	Deputy Sup	Sr LT	Sup																												
Added Projects		R		R	R	R	A	A	Monthly Bond Financial Summary Report																											
In-Scope Budget Additions - for Approved Projects																																				
Using Project Contingency	A								Cost Module in eBuilder																											
Using Program Contingency, < \$1M		R		A					Monthly Bond Financial Summary Report																											
Using Program Contingency, > \$1M		R		R		A			Monthly Bond Financial Summary Report																											
Added Scope - for Approved Projects																																				
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Allocation of Program Inflation Reserve																																				
Consistent with Formula *		R		A					Monthly Bond Financial Summary Report																											
Exceeding Formula *		R		R	R	A			Monthly Bond Financial Summary Report																											
Major Repair Subprogram																																				
Budget and Line-Item Changes	R	R	R	A					Monthly Bond Financial Summary Report																											
Funding Additions to Repair Subprogram			R	R		A			Monthly Bond Financial Summary Report																											
Project Scope or Quality Reductions																																				
Significant EdSpec Deviations		R		R		A			Program Balanced Scorecard																											
Significant Technical Standard Deviations		R	R	A					Program Balanced Scorecard																											
* The inflation formula was defined and applied to projects approved in the Bond program when the overall program budget was established.	Definitions <table style="width: 100%; border: none;"> <tr> <td style="width: 30%;">Roles</td> <td style="width: 40%;"></td> <td style="width: 30%;">Responsibility</td> </tr> <tr> <td>PM</td> <td>Construction Project Manager</td> <td>A Approval</td> </tr> <tr> <td>AFD</td> <td>Administrator for Facilities Development</td> <td>R Review and Forwarding with a Recommendation</td> </tr> <tr> <td>AMS</td> <td>Administrator for Maintenance Services</td> <td></td> </tr> <tr> <td>EAF</td> <td>Executive Administrator for Facilities</td> <td></td> </tr> <tr> <td>CFO</td> <td>Chief Financial Officer</td> <td></td> </tr> <tr> <td>Dep Sup</td> <td>Deputy Superintendent for Operations and Support Services</td> <td></td> </tr> <tr> <td>Sr LT</td> <td>District Senior Leadership Team</td> <td></td> </tr> <tr> <td>Sup</td> <td>Superintendent</td> <td></td> </tr> </table>									Roles		Responsibility	PM	Construction Project Manager	A Approval	AFD	Administrator for Facilities Development	R Review and Forwarding with a Recommendation	AMS	Administrator for Maintenance Services		EAF	Executive Administrator for Facilities		CFO	Chief Financial Officer		Dep Sup	Deputy Superintendent for Operations and Support Services		Sr LT	District Senior Leadership Team		Sup	Superintendent	
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