

New HS Budget Frequently Asked Questions

Background

The new high school Bond project budget has been revised to \$146.3 million. The initial Bond budget of \$109 million was adjusted to \$129.8 million due to:

- a) allocation of anticipated share of construction inflationary costs* (\$8.4M),
- b) allocation of this project's share of the Bond program contingency budget* (\$10.4M), and
- c) the State-required solar photovoltaic system being funded from another line-item in the Bond (\$2.0M).

** [Originally, inflation reserves and contingency reserves were budgeted at overall program level. The adjusted budget includes this project's calculated share of these reserves.]*

Beyond these anticipated budget adjustments, the additional \$16.5 million (13%) is largely due to three factors:

- (1) new regulatory requirements (\$4.5M),
- (2) more expensive site development costs (\$6.6M),
- (3) addition of essential academic program space (\$7.3M).

The financial plan originally created with the development of the Bond program has supported funding these additional costs without impacting other Bond project budgets or requiring any funding from the District's general fund budget or increasing the tax rate.

WHAT ARE THE INCREASED COST FACTORS?

1. What are the new regulatory requirements and how much do they cost?

The project is required to fund a Washington County Transportation Development Tax, a new South Cooper Mountain area Transportation System Development Charge, and wetlands mitigation features and fees. Together, these have added \$4.5 million to the project costs.

2. Why are the site development costs higher than expected, and how much cost do they add?

The original cost estimate in 2011 was based upon a feasibility study of the site to demonstrate that the site could support all the program features required for a high school, including PE and athletic fields. That study intentionally did not include the rigorous, and expensive, site exploration work such as a detailed subsurface geotechnical investigation and computer modeling of the earthmoving work, that are performed during the detailed project engineering design work.

The project design effort has shown that the topography of the site and the wetlands at the north section of the property coupled with the fixed geometric requirements for physical education and athletic fields impacted the amount of earthmoving needed and retaining walls required to terrace the property. The site design was also challenged by the need to dedicate 3.5 acres of the property for wetlands restoration and protection, a requirement to donate 1.2 acres of property along the site boundaries for improvements to Scholls Ferry Road, SW 175 Ave, and to construct a new collector street on the west side of the property. All of these factors further constrained the site planning and impacted site costs. In total, the additional site development costs are estimated to be \$6.6 million.

3. What other factors affected the project budget?

The size of the school building was increased by 20,000 square feet (+6.5%), including 12 more classrooms, to comprise all the academic features currently considered essential to a comprehensive high school program which were not included in the 2011 study. In addition, seismic design requirements have been increased to ensure the building will be functional after a Cascadia Subduction Zone mega-earthquake that has a significant probability of striking Oregon during the lifetime of this building. These increased the cost estimate by \$9.3 million.

4. How confident is the District about the accuracy of the new cost estimates?

Quite confident. These estimates were based upon the project's completed schematic design and were developed for the District from three sources: (1) the project architectural and engineering design team, (2) the general contractor who will build the project, and (3) an independent cost estimating firm. These three organizations worked independently, then collaborated to reconcile their estimates and develop final estimates that were closely matched.

5. Cost changes could still occur during construction. Does the new project estimate include a funding contingency?

Yes. The \$146 million estimate includes \$10 million in contingency funding. The District expects this amount to be sufficient to address future issues that normally arise during construction.

WHAT ARE THE FUNDING SOURCES?

6. Were there planned budget adjustments?

Yes. The overall Bond program budget included allocations for inflation specific to each project, a contingency for the entire Bond, and a budget for meeting the State requirements for green energy technology (solar photovoltaic systems in our case). These planned budget adjustments added \$20.8 million to the project's funding.

7. How much of the high school budget increase was unplanned?

Approximately \$16.5 million, which is 13% above the planned adjustments.

8. How is that being funded?

This increase is being funded from portions of the interest earned from investing bond sale proceeds before the funds are paid-out for project work and a bond premium paid by investors who purchased the bonds. In addition, the remaining savings from the District's 2006 Bond are being applied, and two projects in the 2014 Bond program are under budget and do not need their share of the program inflation and contingency budgets. No funding is being taken from other project budgets or the District's general fund.

9. What is a "bond premium"?

A bond will sell at a premium when the stated interest rate is higher than the market interest rate. When Investors want a higher return, they will pay more for bonds at the time they are sold. For example, if a bond has a 4% coupon rate when the market interest rate is 2%, investors will bid higher for the bond. The bond premium is received by the District in cash on the day the bonds close. Bond premiums are market driven at the time of sale, and are not determined by the District. The District sold the first set of bonds at a \$63 million premium. We will have two future sales over the next seven years, and are assuming little or no premium from those sales. We also anticipate we will raise the par amount remaining without discounts.

10. Will the additional funding for the high school project impact property tax rates?

No, there is no impact to tax rates due to these budget adjustments. The District remains committed to this pledge made to voters in the Bond Measure they approved.

11. Will these budget changes impact any other Bond program projects?

No. None of these funding adjustments compromise other projects. The District remains committed to delivering the full Bond program approved by the voters.

IS THE PRICE REASONABLE?

12. Has the District examined the schematic design for cost saving design changes?

Yes. Together with our design team and contractor, we have evaluated over 50 different value engineering design changes and adopted \$5 million in cost-saving changes which are reflected in the new cost estimate.

13. Has the District evaluated whether the high school building is overdesigned and too expensive?

This is an important consideration and we have done that analysis. The District wants to ensure it is constructing a quality school that respects the investment made by the community and also that it is not over priced for what a new high school should cost. We have compared the updated cost estimate for this school to other projects. The best apples-to-apples metric is to compare the cost for the building itself, apart from site improvements etc., which are very project and site specific. In that regard, there are two important indices: cost per square foot of building space, and cost per student enrollment.

For this project, the building cost estimate is: \$90,420,000; the building size is 330,000 square feet; the enrollment capacity is 2,200 students.

The high school project metrics are:

\$274 per square foot

\$41,100 per student

The table below compares our new high school cost metrics with others. This comparison demonstrates that Beaverton's new high school building costs are both reasonable and consistent with other school projects.

<i>Ridgeview HS Redmond, OR (opened 2012)</i>	<i>Skyview HS Vancouver, WA (opened 1997)</i>	<i>Beaverton's So. Cooper Mtn. HS (opening 2017)</i>	<i>Sandy HS Sandy, OR (opened 2012)</i>
<i>1,400 Students</i>	<i>1,965 Students</i>	<i>2,200 Students</i>	<i>1,800 Students</i>
<i>280,000 Sq Ft</i>	<i>292,000 Sq Ft</i>	<i>330,000 Sq Ft</i>	<i>310,000 Sq Ft</i>
<i>\$262 / Sq Ft</i>	<i>\$267 / Sq Ft</i>	<i>\$274 / Sq Ft</i>	<i>\$299 / Sq Ft</i>
<i>\$52,400 / Student</i>	<i>\$39,700 / Student</i>	<i>\$41,100 / Student</i>	<i>\$51,500 / Student</i>

Note: These costs have been adjusted for inflation in order to be comparable