

Bond Program Financial Update

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Bond Program Financial Update



After a very busy summer, we have made enough progress in the 2022 bond to have a clearer picture of where things stand financially. Most projects are in great shape, and a few will require budget adjustments that will be detailed.

In this update, we will look at:

- Overview & current status of contingency
- List of projects reviewed
- Outstanding risks
- Recommended adjustments & look ahead

What is a contingency budget?

- Additional budget allocated to deal with unforeseen costs.

What are the types of contingency?

- Project contingency: This is within the project budget, and is meant to deal with most project issues that fall outside of the scope of the contract. Could also be added scope. We target 10% for this typically.
- Contractor contingency: This is available within CM/GC contracts for the contractor to address scope gaps and coordination issues. Can also be used to address unforeseen conditions if agreeable to all.
- Design/estimating contingency: Typically added to project cost estimates to deal with design development.
- Program contingency: This is the subject of today's presentation. This is meant to deal with issues above and beyond the project level contingency. For the whole bond program, this number started at \$43M, it is now \$74M.

Overview of Program Contingency

The 2022 bond program was approved for total funding at \$723M. This funding was approved for the projects listed in the ballot measure and shown in the monthly financial report.

The original budget included \$43M in Program Contingency. This contingency is in addition to any project level contingencies. It is meant to cover high level challenges that exceed the project budgets.

| | <u>Original Budget</u> |
|---------------------------------------|------------------------|
| Total Funding | \$723,000,000 |
| Uncommitted \$\$\$ (less contingency) | \$680,000,000 |
| Program Contingency | \$43,000,000 |
| Contingency % of Uncommitted | 6.32% |

Originally, the Program Contingency was 6.32% of the uncommitted bond funding (not including the contingency itself). Uncommitted means not yet contracted or spent.

Current Status of Program Contingency

Now that we are well into the work of the 2022 bond, there have been a few major changes to the overall financial picture.

First, the total funding for the bond program has increased significantly. This has largely come from a sizable bond premium and interest earnings on the revenue.

The first half of bonds (\$320M) were sold after the election in May 2022. This resulted in a premium of \$16.6M. This additional funding went into the program contingency. There will likely be another bond premium when the next sale occurs in early 2025.

Proceeds from the bond sale are placed in state approved short-term investments. These have yielded interest earnings of \$18.4M with an average return of 6.38%. This has also gone into program contingency. This will continue over the course of the bond, although the rate may change depending on market conditions.

Current Status of Program Contingency

Secondly, we have made significant progress towards designing and contracting the projects promised to voters in the bond.

This means that the risk associated with uncommitted projects has decreased at the same time as the program contingency has increased.

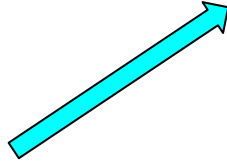
The largest projects of the bond, including Beaverton HS and Raleigh Hills, are under contract and on budget without utilizing Program Contingency.

The original % of contingency in the bond program was 6.32%, it has now risen to 29.33%. The current contingency exceeds the original contingency by almost \$31M.

| | Original Budget | Current Budget |
|---------------------------------------|-----------------|----------------|
| Total Funding | \$723,000,000 | \$778,254,796 |
| Uncommitted \$\$\$ (less contingency) | \$680,000,000 | \$251,841,952 |
| Program Contingency | \$43,000,000 | \$73,875,803 |
| Contingency % of Uncommitted | 6.32% | 29.33% |

With a primary goal of completing all voter commitments, we have been looking ahead at the budgets for the projects included in the bond.

During initial planning for the bond, the main focus was on the largest projects because they carry the greatest risk. Now that those projects are underway, a detailed design and cost analysis of other listed projects has been completed.



Budget Adjustments

- Allen Transportation¹
- Aloha HS Athletics¹
- Westview HS Athletics¹
- Outdoor Learning²
- Security Upgrades²
- Nutrition Services Upgrades²

There are two primary reasons why there is a need for budget adjustments:

1. Jurisdictional Requirements
2. Project Needs Assessment

Jurisdictional Requirements

For each of these projects, there were added jurisdictional requirements that were not present at the time of budgeting. The below projects are required to store and treat additional stormwater onsite than what was previously required. This requirement has added significant work and cost.

Allen Transportation

Our cost estimate was to replace the building. As a result of the replacement, we are triggering various other upgrades to the site.

Aloha HS Athletics

A significant cost increase due to storm water management requirements.

Westview HS Athletics

A significant cost increase due to storm water management requirements.

Project Needs Assessment

A more detailed design and cost analysis of these projects has been completed as we begin work to fulfill the bond commitment.

Outdoor Learning

This group of projects in the bond is meant to add outdoor learning and recreation areas. The Capital Center, which houses BASE, FLEX, CTP and ACE, is the only school building in the district that does not have an outdoor area for students to exercise.

Security Upgrades

The initial budget of \$10M will not adequately fund needed school safety improvements. These include access control, intrusion system upgrades, distributed antenna systems, server replacements, radio replacements and additional cameras.

Nutrition Services Upgrades

The NS project list included a renovation of the kitchen at Beaver Acres. After further review, this is not feasible to address needs, and a more comprehensive solution is needed to support the school.

Recommended Budget Adjustments

- Allen Transportation \$2.9M
- Aloha HS Athletics \$7.0M
- Westview HS Athletics \$2.0M
- Outdoor Learning \$2.0M
- Security Upgrades \$11M
- Nutrition Services Upgrades \$10M
- Total \$34.9M

After the recommended adjustments, the program contingency balance will be very close to where it started, but the uncommitted risk is much less.

| | <u>Original Budget</u> | <u>Current Budget</u> | <u>After Adjustment</u> |
|---------------------------------------|------------------------|-----------------------|-------------------------|
| Total Funding | \$723,000,000 | \$778,254,796 | \$778,254,796 |
| Uncommitted \$\$\$ (less contingency) | \$680,000,000 | \$251,841,952 | \$286,741,952 |
| Program Contingency | \$43,000,000 | \$73,875,803 | \$38,975,803 |
| Contingency % of Uncommitted | 6.32% | 29.33% | 13.59% |