

OHLONE COMMUNITY COLLEGE DISTRICT

MEMORANDUM

TO: Board of Trustees

FROM: Douglas Treadway

DATE: March 29, 2006

SUBJECT: Authorization for a Budget Increase to the Ohlone College Newark Center for Health Sciences and Technology Bond Project

The Board of Trustees will be asked to award fourteen bids related to the construction of the Newark Center later this evening. Based on recent bidding results and other known cost exposures, the Board of Trustees must consider authorizing an increase to the project budget. Staff has placed this budget increase request on the Board agenda so that it precedes bid awards. Without this increase, staff cannot certify to the Board of Trustees, as it typically does when recommending bid awards, that there are sufficient funds available to cover all contract awards.

On November 28, 2005 the Board of Trustees authorized an increase to the project budget of \$2,239,687 bringing the overall project budget to \$99,239,687. That increase was prompted by the bid results from the first phase of bidding. At that time the bids came in at approximately 10% above cost estimates.

The construction bidding climate still continues to be difficult due to a combination of high levels of construction activity in the local area as well as cost escalation of basic building materials. Even though our construction management staff has made numerous phone calls to prospective contractors during the bidding process, the District did not receive as many bids as was desired in some of the trades. The Board is being asked to reject several bids this evening. The primary reason for rejecting these bids is that they are well over the current budget. Where possible, there will be value engineering conducted to reduce the costs related to work that must be re-bid. For example, Turner Construction believes there may be some value engineering opportunities for modifying the specifications for landscaping work, ceramic tile and site concrete and reinforcement. Nonetheless, even with value engineering the construction project budget must be increased.

Staff is recommending that the project budget be increased by \$5.2 million to \$104,439,687. The sources of funds for this budget augmentation are \$200,000 from the EPA Brownfields Grant and \$5 million from interest earnings on bond proceeds. Considering interest earnings to date and expected earnings from the Guaranteed Interest Contract, staff conservatively estimates the interest revenue budget to be \$8 million.

Attached is a spreadsheet that delineates the proposed budget adjustments. There is an adjustment of \$200,000 in the Plans Budget Category/Hazardous Materials to reflect the \$200,000 EPA Grant. You will note that the \$5 million adjustment is proposed to be added to the Construction Budget Category. \$4 million is proposed to be added to the Building Construction Budget. Given recent bidding history and the knowledge that change orders occur during construction, the staff is recommending that \$1 million of the \$5 million augmentation be allocated to the construction contingency budget. It is currently not at a prudent level. With this increase, the project contingency will be approximately 7% of overall estimated construction costs.

RECOMMENDATION:

The President/Superintendent recommends that the Board of Trustees authorize an augmentation of \$5.2 million to the Ohlone College Newark Center Project Budget increasing the project budget to \$104,439,687. The sources of this augmentation are \$200,000 from the EPA Brownfields Grant and \$5 million from interest earnings.