

2012 Bond Oversight Committee

Bond Finance Update, ECE Construction in FNE

November 13, 2015



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Meeting Agenda

- Bond Budget Update 20-30 minutes
- MWBE Newsletter Update 20-30 minutes
- FNE ECE Center 20-30 minutes

Bond Finance Update: Status

Planned Budgets and Expenditures	Project to Date Budget	Project to Date Expenditures	Commitments	Budget Remaining
Total	543,806,101	386,968,065	24,069,173	132,768,863

- Three years into bond implementation we have spent or committed over 75% of the total package
- Over 400 projects have been closed out financially, and have under-run approximately \$7.7 million compared to budget. Those funds were returned to appropriate funding accounts.
- We are currently in the midst of a period of higher-than-anticipated construction cost escalation (*slide 10*), experiencing significant inflation since Spring 2014 though the trend may be moderating.
 - Where impacted, reserves have been allocated where appropriate to projects to address cost escalation or we have moved around project timing to try and take advantage of more favorable conditions
- Staff has completed a forecast of outstanding 2015 bond projects (*see slide 8*):
 - Completed projects, not yet closed out financially: forecast should have high accuracy
 - In-process projects: forecast accuracy dependent upon project stage of completion, but expected to be reasonably accurate
 - Projects not yet begun: unless known otherwise, established budget used as many 2016 projects have not yet been bid
- The current forecast projects a cost under-run (savings) of approximately \$500k based upon projects to be completed and closed out through the remainder of the bond.

Bond Finance Update: New Capacity (as of Sept 30, 2015)

To date, we have spent or committed over 85% of the Bond New Capacity dollars

Planned Budgets and Expenditures	Project to Date Budget	Project to Date Expenditures	Commitments	Budget Remaining
New Schools / Capacity				
Ruben Valdez Campus - 2626 W Evans	16,665,526	16,345,721	191,286	128,519
Summit Academy - 5590 W Evans	3,307,845	1,522,071	169,435	1,616,339
Colorado Heights Campus Phase 2	13,431,670	12,833,184	2,760	595,726
East Quad	26,283,880	15,292,132	9,564,021	1,427,727
GALS @ Del Pueblo	4,486,798	2,136,234	2,061,773	288,792
Florence Crittenton	8,545,289	7,907,524	210,480	427,285
Shoemaker at Hampden-Heights	23,291,669	20,506,399	2,214,563	570,708
Montbello	13,549,027	11,691,039	302,345	1,555,643
Northfield 6-12 Campus - Phase 1	44,066,630	35,120,292	2,169,585	6,776,754
Kipp SPA-16 Classrms	4,434,082	-	28,900	4,405,182
Other Projects*	52,839,616	46,644,436	1,663,910	4,531,270
Completed Projects	43,696,919	43,696,919	-	0
School Expansion Fund and Capacity Bucket	6,114,715	83,696	24,700	6,006,320
Total New Schools/Capacity	260,413,669	213,779,646	18,603,757	28,030,266



*Other projects are generally less than \$4M dollars. This bucket also includes Frances Jacobs (\$14.6M) which is substantially complete but not yet financially closed out

Bond Finance Update: Maintenance

To date, we have spent or committed over 70% of the critical maintenance funds

Planned Budgets and Expenditures	Project to Date Budget	Project to Date Expenditures	Commitments	Budget Remaining
Critical Maintenance				
Code / ADA / Safety	13,148,136	5,354,684	117,292	7,676,161
FFE	4,895,510	3,827,180	108,820	959,510
Fire Systems	14,442,520	7,897,509	237,474	6,307,537
HVAC	42,750,112	28,236,208	735,495	13,778,408
Plumbing	19,433,306	13,172,761	700,275	5,560,270
Remodel & Renovation	67,649,261	58,307,026	1,625,262	7,716,974
Site Work	6,585,528	3,444,719	28,882	3,111,927
Total Maintenance	168,904,374	120,240,086	3,553,500	45,110,787

Bond Finance Update: Tech

To date, we have spent or committed over 50% of the technology funds. The majority of tech projects are at a greater percent spend except for IT Infrastructure which consists of wireless and enterprise equipment – we are deferring these investments as long as possible to get the maximum useful life out of our existing equipment

Planned Budgets and Expenditures	Project to Date Budget	Project to Date Expenditures	Commitments	Budget Remaining
Technology				
ED Tech	21,005,985	13,554,569	435,872	7,015,544
HRIS	981,388	769,552	-	211,836
IT Infrastructure	13,935,762	2,449,622	526,396	10,959,745
IT Operational Improvements	4,780,002	2,623,324	52,374	2,104,305
Tech Safety/Security	5,899,000	4,543,077	469,595	886,328
Total Technology	46,602,137	23,940,144	1,484,236	21,177,757

As of Sept 30, 2015

Bond Finance Update: Program Administration

Of note within Program Administration is that we have had to significantly spend down our Inflation Reserves to deliver on committed project scope and that our overall reserves have decreased due to the January 2015 Reserve release

Planned Budgets and Expenditures	Project to Date Budget	Project to Date Expenditures	Commitments	Budget Remaining
Program Administration				
Asbestos	10,863,552	9,027,148	226,949	1,609,456
HAZMAT	349,420	176,821	15,390	157,208
Program Mgmt (Sal & Benefits)	29,294,876	19,056,615	15,691	10,222,570
Program Mgmt - 2014A Issuance	1,342,696	-	-	1,342,696
Reserves / Additional Proceeds (<i>originally \$46M</i>)	10,637,945	-	-	10,637,945
Contingency FFE	922,526	-	-	922,526
Contingency Inflation Reserves (<i>originally \$22.6M</i>)	782,536	-	-	782,536
Working Reserves	5,789,065	-	-	5,789,065
Other	1,488,589	663,908	144,950	679,732
Total Program Administration	61,471,206	28,924,493	402,980	32,143,733

As of Sept 30, 2015

Construction Project: Forecasting

- In order to improve visibility into changes in ongoing project costs, we have set up systems to track and aggregate project forecasts
- While these systems are still new and need to be embedded into our practices, they give us visibility into these changes on a monthly basis
 - Project managers fill out a monthly change form
 - We review changes with PM's, particularly cost additions, to determine if there are opportunities to avoid or minimize cost increases
- Once forecasts gain certainty, we reflect them into project budgets
- We have a relatively high degree of certainty on forecasts for completed and in-process projects. For these projects we are currently forecasting a net under-run (savings)
- However, given the evolving nature of bids for 2016 projects, we need to be cautious. There were a number of projects scheduled for 2015 which we delayed due to unfavorable bids and we do not yet know where these new bids will come in

Construction Project: Anticipated Costs

There are a number of pending costs on the horizon that have encouraged caution as we consider the budget outlook and as such we are not proposing a further premium release at this time

Potential Additional Costs in 2016

- **Cost increases for 2016 projects:** there are several sites where we are encountering likely cost increases. While we are still trying to manage them, they were not incorporated into forecasts but we want to retain a comfortable inflation reserve
- **Newly defined projects:** Our balance figures have also not accounted for the FNE ECE center which we will discuss shortly
- **Completion of 2015 projects:** we have outstanding work at 2015 projects such as Shoemaker Elementary and Ruben Valdez Campus that will run into 2016 and will likely incur further costs
- **Design Pre-Funding:** There are several new capacity solutions that we will need for the fall of 2017. We are looking into pre-funding some of the design work on these projects

Current Status of Construction Costs

■ Construction Costs are up...

- Rider Levett Bucknall (RLB)
- Associated General Contractors of America (AGC)
- Turner Construction Company (TCC)

■ Construction Cost Outlook (AGC)

- Construction employment increased in Denver, Aurora and Lakewood by 11% from August 2014 to August 2015 driving increases in skilled and unskilled labor costs
- Anecdotally, the pace of construction work is increasing much faster than construction labor supply (AGC luncheon)

2016 DPS Construction Outlook

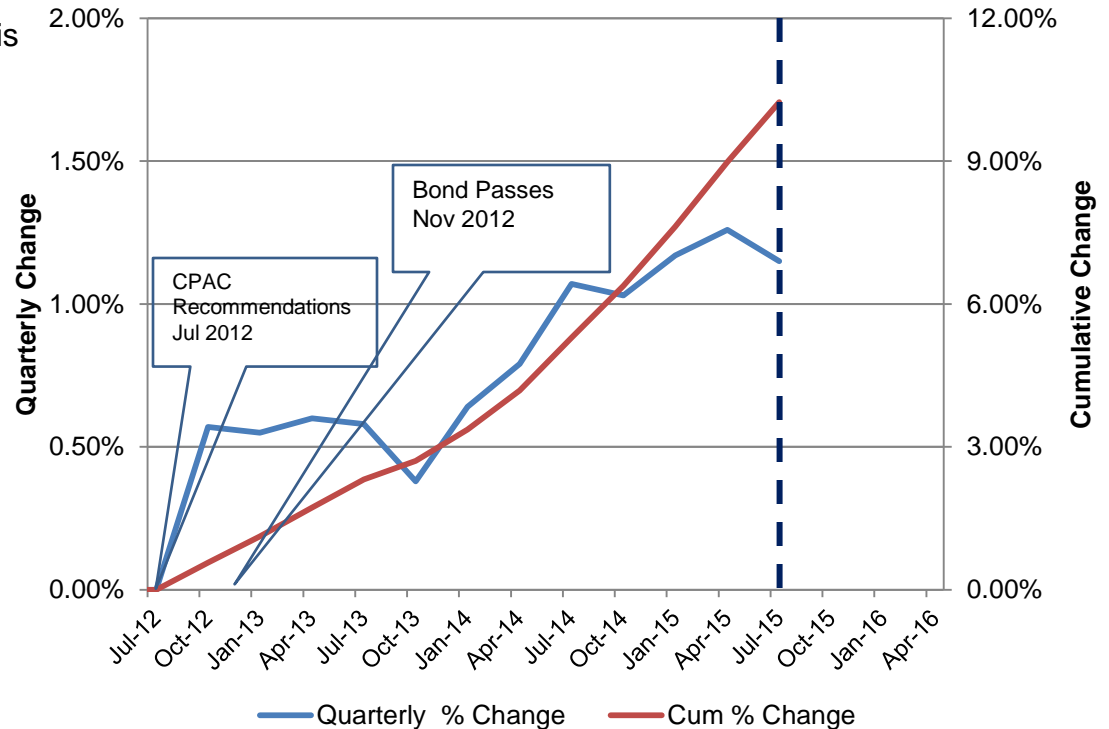
The cost acceleration has impacted us in this window, but we are comfortable we are still tracking overall. Important to note that due to the strict requirements of school construction (e.g., tight schedule), our experienced inflation is often higher than overall averaged higher inflation

■ Changes Over last 12 Months

- Nationally up 4.5% (TCC) – 5.2% (RLB CCI)
- Locally up 4.7% July 2014 – July 2015 (RLB)

■ Costs up 10.2% since Jul 2012 – Jul 2015

Denver Construction Cost Index (RLB)



FNE ECE Center

Reason for Project - Summary

Key Problem to Address

- How to deploy remaining \$5.5M of new capacity funding from the 2012 bond to support ECE offerings across the district?

Approach

- Planning worked with Early Ed department to look at DPS options, private options available to FRL students, and neighborhood growth
- Facility Planning researched DPS campuses to identify opportunities to create additional ECE capacity

Recommendation

- Open an 8-classroom ECE center in the Far Northeast in August 2016
- Locate the center on the Omar D Blair campus, which is centrally located in the Green Valley Ranch neighborhood and is closer to the development occurring into the future

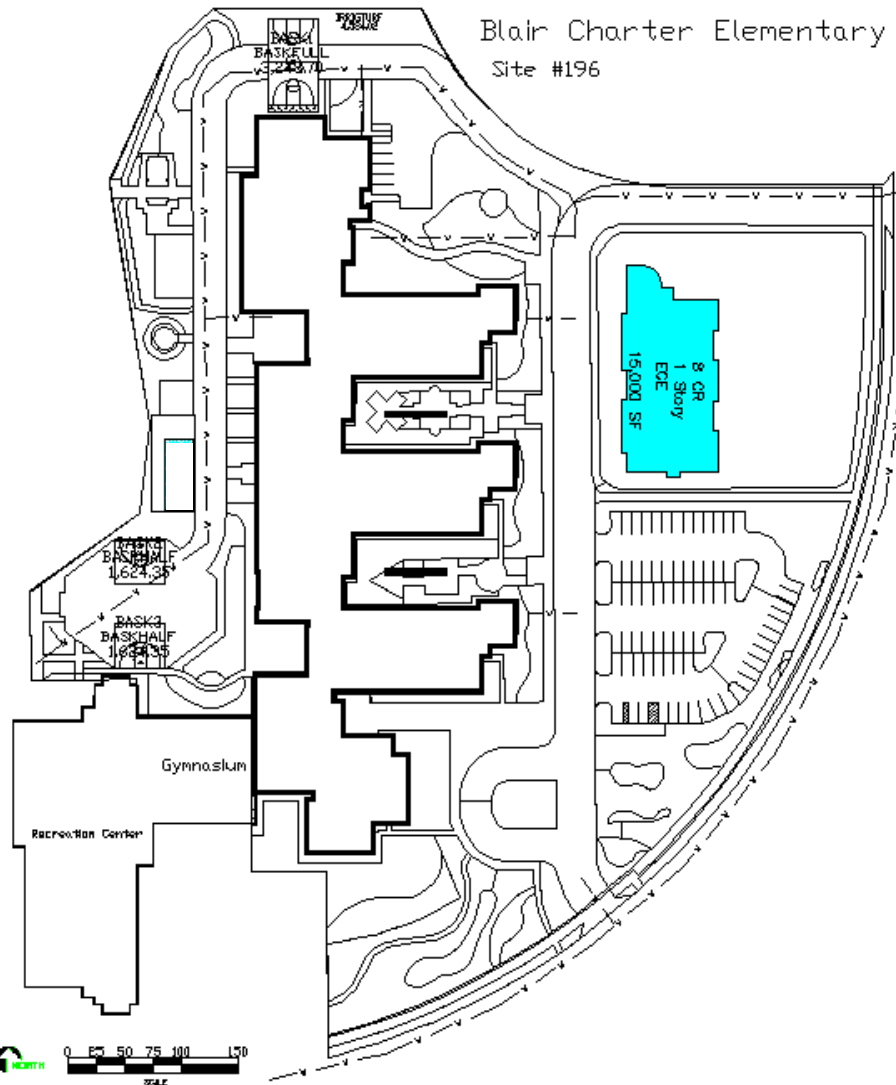
Rationale

- In 2014-15, there were 425 kindergarten students residing in Green Valley Ranch
- In 2015-16, there are only 141 ECE seats in Green Valley Ranch
- Due to very limited community providers, most incoming kinder students have not had the opportunity to attend ECE, in part due to 70%+ FRL rate in the area

Challenges

- Aggressive timeline to design and build for a Fall 2016 opening
- Close coordination needed across departments to quickly address critical decisions and questions that could impact timeline

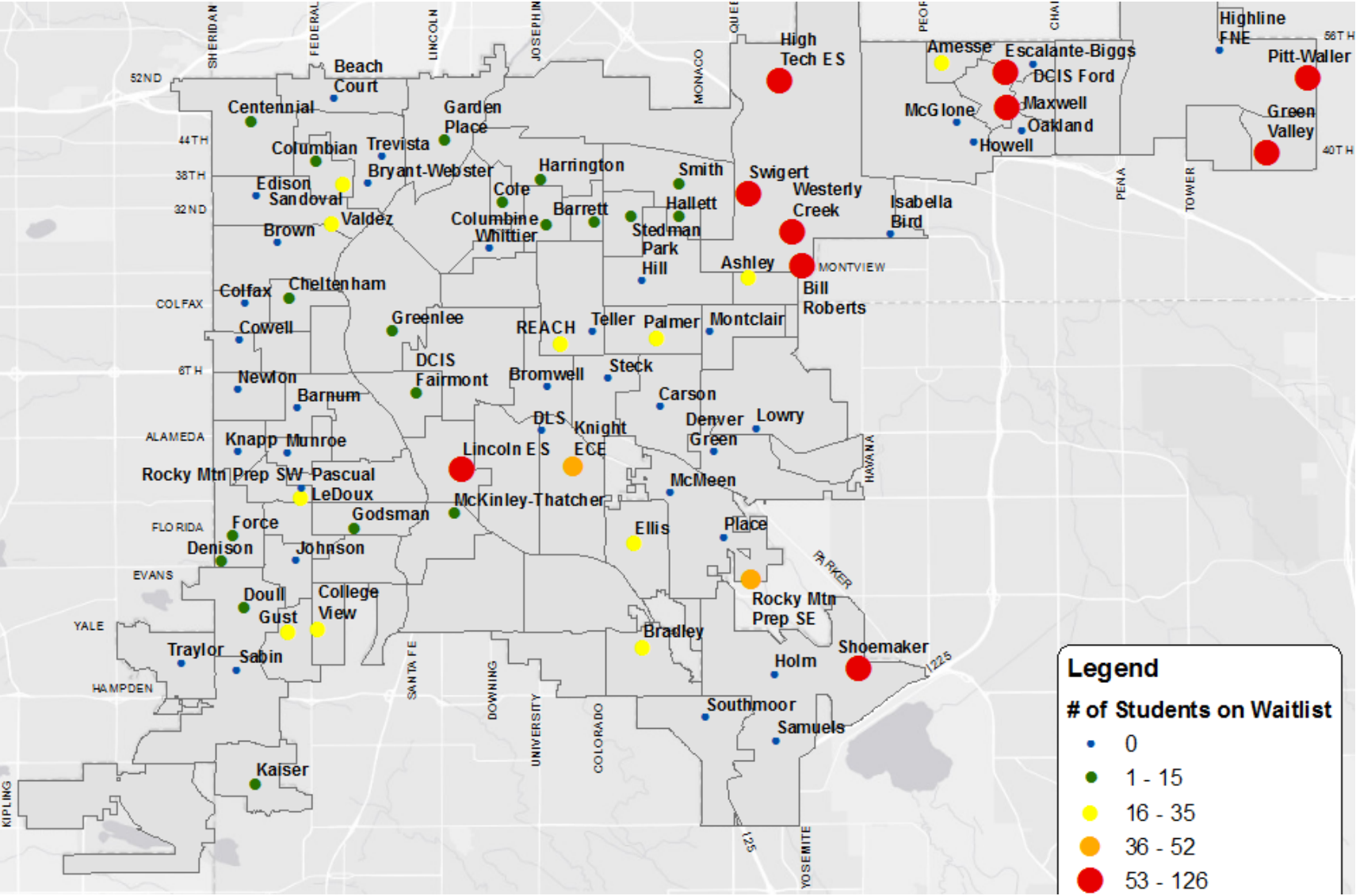
Overview of Recommended Solution - ECE Center at the Blair Campus



Recommended Solution

- New building for an ECE center across from Blair
 - Separate address from current Blair bldg
- Flexibility to support 4 yo and 3 yo program (Special Needs)
- No phase in
- 1 story - 15,000 SF ECE similar to the McGlone footprint and scope:
 - (8) Classrooms
 - (1) Administration Area
 - (1) Multi-Purpose Room
- Conduct a post-occupancy evaluation on McGlone to incorporate into other elements into design
- Sitework - Update parking and driveways; add ECE playground
- Provider for the ECE Center will be selected through a Call process; December BOE vote targeted

District Overview of ECE-3 Waitlist Demand



Regional ECE-4 Supply/Demand Analysis

Northwest

Adequate overall seats, though demand is concentrated at high-performing seats. Declining regional enrollment.

Southwest

Adequate overall seats due to LeDoux Center. Currently 40 open seats at LeDoux

Central Denver / Stapleton

Long waitlists and crowded facilities but there are more private providers

Montbello

Long waitlists at popular options, but declining enrollment will allow for most students to attend

Green Valley Ranch

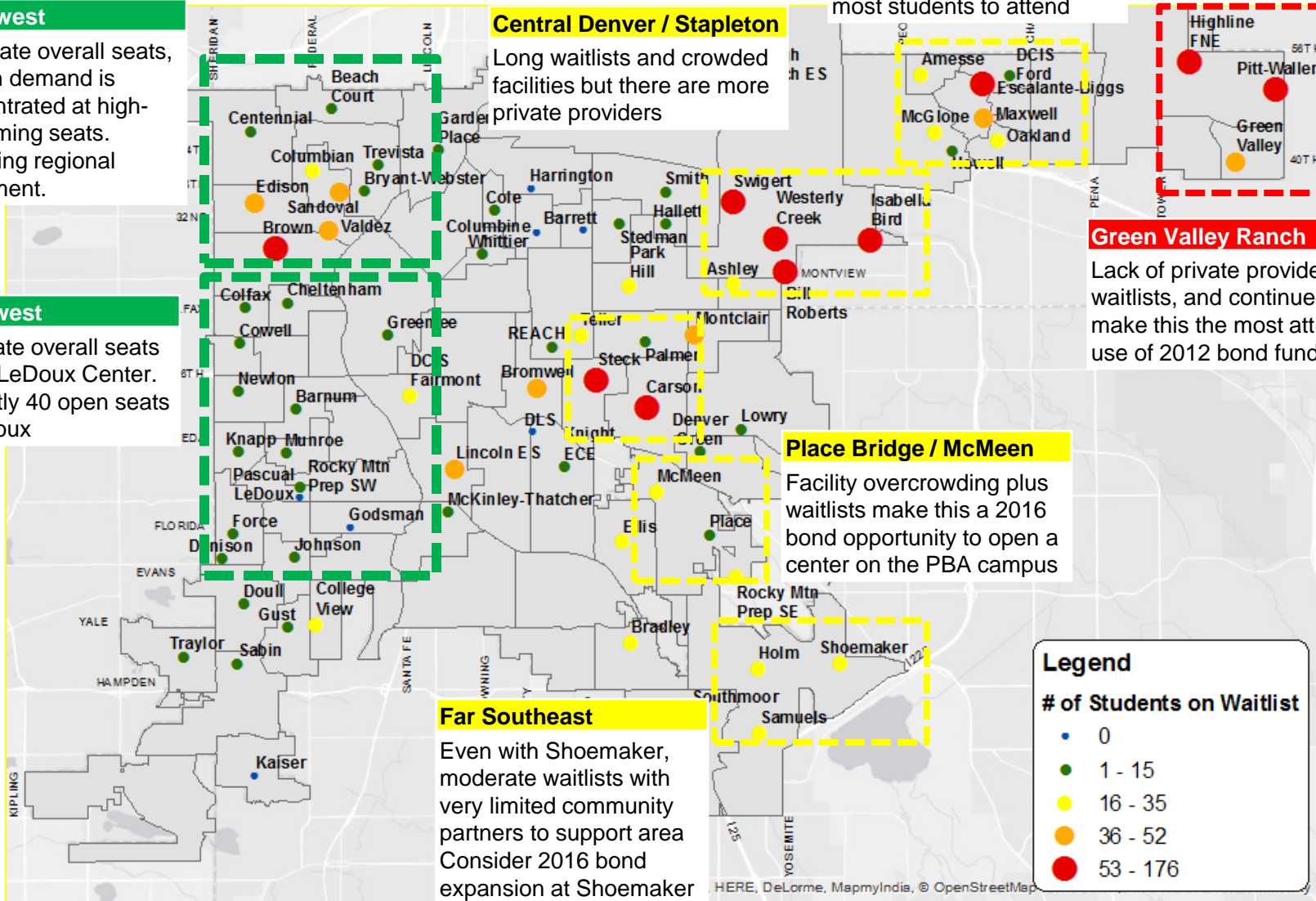
Lack of private providers, long waitlists, and continued growth make this the most attractive use of 2012 bond funds

Place Bridge / McMeen

Facility overcrowding plus waitlists make this a 2016 bond opportunity to open a center on the PBA campus

Far Southeast

Even with Shoemaker, moderate waitlists with very limited community partners to support area Consider 2016 bond expansion at Shoemaker



Upcoming Events

- Look for new MWBE materials next week that will be discussed at the Thursday November 19th Board of Education meeting

- Will work with Roger and Luchia to set December agenda