

Date: March 9, 2018

For ACTION: _____

For INFORMATION: X

Board Agenda: Yes _____

No X

FROM: Michael Herbstman, Chief Financial Officer
Elijah Gross, Director of Planning, Design, and Construction

THROUGH: Dr. Lois Berlin, Ed.D., Interim Superintendent of Schools
Mignon Anthony, Chief Operating Officer
Richard Jackson, Director of Educational Facilities
Azjargal E. Bartlett, Construction Program Manager

TO: The Honorable Ramee A. Gentry, Chair, and Members of the Alexandria City School Board

TOPIC: Early Childhood Center Project – CIP Budget Projection

BACKGROUND: Following the March 8, 2018 Regular School Board Meeting, Mr. Lewis requested further clarification on how the CIP budget for the Early Childhood Center retrofit project has changed since it was originally passed by the School Board..

SUMMARY: On May 26, 2016, the School Board approved its Final FY 2017 – 2026 Capital Improvement Program (CIP) budget which included \$8,262,000 for the Pre-K Center Project. This was originally conceptualized as a stand-alone center that would be leased (utilizing money within the Operating Fund) and retrofitted (using the \$8.3 million from the CIP funds referenced above).

In 2016, the opportunity arose for the School Board to purchase the properties at 1701 and 1705 N. Beauregard, now known as Ferdinand T. Day Elementary School. It was immediately evident that there were educational and financial advantages to purchasing and retrofitting that building rather than leasing space for a new elementary school. The financial analysis projected savings of \$64 million over twenty years. The School Board acted quickly and passed a budget transfer on December 1, 2016 in support of the project. Included in this action was a transfer from the Pre-K Center Project to the West End Elementary Project totaling \$7,220,505.

Following this transfer, the Pre-K Center Project budget balance was \$1,041,495 and the project was re-conceptualized as a co-location on the campus of John Adams Elementary School. This remaining balance would only be sufficient to retrofit Pre-K classrooms to the minimum standards.

As project planning progressed and additional stakeholders joined the conversation, scope changes were proposed to the project beyond delivering the bare-minimum standards for Pre-K classrooms. The project, now rebranded as the Early Childhood Center, involves the design and construction of 21 newly renovated classrooms for the Virginia Preschool Initiative Program (VPI), Head Start Program, and Early Childhood Special Education (ECSE) Program. The project also provides separate administrative suites for both John Adams Elementary and the Early Childhood Center and secure entrances for both schools.

This Early Childhood Center project was also split into two phases. Phase I – summer of 2018 - includes administrative areas and clinics for both schools, secure entrances, and 5 classrooms with hallways. Phase II - summer of 2019 will include the remaining 16 classrooms with hallways. The FY 2019 – 2028 Adopted CIP, passed by the School Board on January 25, 2018, contains an FY 2019 allocation of

\$1,985,000 for Phase II of the project. Based on the latest estimates as of March 2018, this amount remains sufficient to complete Phase II of the project.

On March 8, 2018, the Board approved a transfer of \$505,277 from the CIP Reserve Account to the Early Childhood Center project account. Following this transfer, the Phase I project budget increased from \$1,041,495 to \$1,546,772.

(A brief aside is necessary to address another question from Mr. Lewis during the March 8 Board meeting. While \$1,041,495 was the current budget until the transfer on March 8, 2018, there have been \$193,914 in expenditures to date on design and other costs. Therefore, the available funding has been shown in various places, including the recent FY 2018 CIP Q2 Report, as \$847,581).

The current Phase I cost estimate is \$1,650,911 (This estimate differs slightly from the one presented March 8 because a new third-party estimate was completed last week after Construction Documents were finalized). \$266,000 is available in system-wide and John Adams accounts directly related to this project. That reduces the amount required in the Early Childhood Center project account for Phase I to \$1,384,911.

The available balance of \$847,581 shown in the FY 2018 CIP Q2 Report was the accurate balance for the project prior to the March 8 School Board meeting. The March 8 budget transfer increased available funding to \$1,352,858. Staff believes that the current exposure of \$32,053 can be eliminated through effective contract negotiations and judicious use of the owner's contingency.

Key budget, expenditure and projection figures are summarized in the below charts.

Early Childhood Center Phase I – Budget Development

| <i>Description</i> | <i>Board Action Date</i> | <i>Amount</i> |
|--|--------------------------|----------------------|
| FY 2017 - 2026 CIP: Retrofit of Stand-Alone Lease | May 26, 2016 | \$8,262,000 |
| Transfer from Project in Support of 1701/1705 Purchase | December 1, 2017 | <u>(\$7,220,505)</u> |
| Adjusted Phase I Project Budget | | \$1,041,495 |
| Transfer from CIP Reserve | March 8, 2018 | <u>\$505,277</u> |
| Current Phase I Project Budget | | \$1,546,772 |

Early Childhood Center Phase I – Current Budget Comparison to Estimated Costs

| <i>Description</i> | <i>Amount</i> |
|--|--------------------|
| Current Phase I Project Budget | \$1,546,772 |
| Less: Expenditures to Date | <u>(\$193,914)</u> |
| Available Phase I Project Budget as of March 9, 2018 | \$1,352,858 |
| Available Budget in Closely Related John Adams and System-Wide Accounts | <u>\$266,000</u> |
| Total Available Budget within All Spendable Accounts | \$1,618,858 |
| Less: Projected Project Costs Following Third-Party Estimate at Construction Documents | <u>\$1,650,911</u> |
| Current Exposure to be Addressed through Contract Negotiation/Owner's Conting. | (\$32,053) |

Early Childhood Center Phase 2 – Current Requested Funding Comparison to Estimated Costs

| <i>Description</i> | <i>Amount</i> |
|--|--------------------|
| Total Requested Funding foe Phase 2 in FY19 | \$1,985,000 |
| Less: Projected Project Costs Following Third-Party Estimate at Construction Documents | <u>\$1,886,552</u> |
| Potential Coverage for Phase 1 & 2 Known and Unknown Exposures | \$98,448 |

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