From:	Dawn Guarriello <dawnguarriello@yahoo.com>
Sent:	Tuesday, November 15, 2022 12:32 PM
To:	Laurie Hunter; Lorraine Finnegan; Parks, Ian; Pat Nelson
Subject:	Fwd: Project Funding and Contingencies
Attachments:	VE - final inflation and contingency numbers - 1.xlsx

FYI

Begin forwarded message:

> **From:** Charles Parker <charles.f.parker@gmail.com>
> **Date:** November 15, 2022 at 12:25:52 PM EST
> **To:** Pat Nelson <pcknelson@gmail.com>, Dawn Guarriello <dawnguarriello@yahoo.com>
> **Subject: Project Funding and Contingencies**
>
> Hi Dawn and Pat,
>
> I think it would be helpful for the Building Committee to understand exactly how much budget headroom we have with the Select Board's authorized spending limit of $110,000,000. To this end, I prepared a spreadsheet which shows the total increase in project cost from October to bid time, assuming a final bid at 100% of the allowable limit. And, I show what this means as a rate of growth in cost for the 6 months between 60% estimate and bid. Additionally, I have a recommendation for mitigating the risk of a final bid that exceeds the limit. I would like to have this sent to the Committee.
>
> First, let's look at the possible increase in cost over those 6 months from 'current' cost at the time of the 60% estimate to the final maximum allowable bid. This includes two items. The first element is the built-in escalation from the estimators (60% CD Cost Estimate 10/19/22) at $2,639,669. This estimators' escalation represents the difference in cost due to inflation over the 6 months between 60% estimate and bid. On top of these estimator escalation dollars, the Select Board provided an additional $3,905,004 (new construction budget - current construction budget). These SB dollars allow the bid to exceed the estimators' escalation. The two sources total $6,544,673 of possible cost increase dollars above a base building (October costs). Total cost increase using base October cost for the building (see note below) gives us a total increase over the six months of 7.8% or an annualized rate of 15.7%.
>
> If the Building Committee feels that there is a risk that the bids will blow past the authorized funding level, the best risk management approach is either more VM or Alt Deducts. The latter can be structured and then taken if needed to manage back to the authorized level after the bid is accepted. A few examples of simple Alt Deducts are: reduce crushed stone in playing fields to 4" for $252K in savings, eliminate geotextile in playing fields for $128K in savings, reduce landscape trees on the site by 90% for $275K in savings, etc. There are over $2M in simple-to-structure savings that could be used only if there's a mismatch between our funding level and the lowest bid.
>
> Anyway, if the Building Committee feels that the level of risk with the $110 number is acceptable and we don't need Alt Deducts, we are good to go with the $110M with no more VE.
>
> Attached is the spreadsheet.

Charlie

Note: As of the 60% estimate, the base cost of the building is $83,431,419, using October costs. Base cost is calculated by subtracting the escalation of $2,639,669 from the reconciled cost number. Additionally, the last VE of $384,592 is removed, given that we developed this final VE list after 60% CD.