



Board Agenda Item #	Agenda # II A
Date:	July 13, 2017
To:	Magnolia Board of Directors
From:	Caprice Young, Ed.D., CEO & Superintendent
Staff Lead:	Caprice Young, Ed.D., CEO & Superintendent
RE:	MSA San Diego School Construction Project Budget

Proposed Board Recommendation

I move that the Board approve the revised MSA San Diego construction budget forecast of \$7,888,501 based on the completion of the bidding, negotiation, legal review and investor approval of the major contracts.

Background

As of July 12, 2017, the forecast for completed project is \$7,871,869. This constitutes an increase of \$2,089,842 from the March 9, 2017 estimated budget of \$5,798,659. The March budget was established prior to the bidding of the major contracts and was based on an assumption of using one vendor to provide the complete school on a turnkey basis. The primary causes of the increase in price were the shift away from the turnkey strategy (couldn't do it) and the last minute change of vendor providing the 18 classrooms and restrooms due to Silver Creek not being able to provide those modular prior to the start of the school year. This required an increase in the cost of construction due to the compression of the schedule in order to complete all but the installation of the multipurpose gym by the start of school on September 5, 2017. Silver Creek has estimated that the multipurpose gym will be installed by January 8, 2018.

The forecasted project budget includes a five percent contingency in hard costs of \$345,202, as well as a ten percent contingency in soft costs of \$58,114. In addition, because we have shifted to purchasing refurbished modular classrooms, our bankers have required that we create a \$300,000 repair and refurbishment fund upon closing of the bonds and add to the fund at a rate of \$100,000 per year for three years. As the school spends down the account, there is no requirement that it be replenished and, while it exists, it may be used towards the calculation of coverage ratios.

The new forecasted budget funding source will be the bonds being issued through the CSFA and will bring us up to our \$25 million cap. This puts added pressure on the other two projects to come in at or below their budgeted levels. It also increases the cost of the school's ongoing operations due to the increase in debt service.

Because the construction schedule is extremely tight, we have budgeted \$20,000 towards the rental of space for the month of September in case the site is not ready. The staff is in the process of identifying locations for "swing space" from among colleges, communities of faith and private facilities. The principal also has been focused on flexible, exciting STEAM powered programs for the first month of school to attract and retain students.

Although more than 80% of this budget has now been expended or is based on firm bids, there continue to be risks related to schedule management with very tight windows by which the site preparation work must be completed to accommodate placement of the buildings. Fortunately, the DSA has been especially accommodating and responsive.

Budget Implications

Budget implications are addressed above.

How Does This Action Relate/Affect/Benefit All MSAs?

This project is only for MSA San Diego; however, as our flagship school in San Diego the success of this project reflects especially strongly upon other schools and major financial difficulties would negatively impact the Home Office budget.

Name of Staff Originator:

Caprice Young, CEO & Superintendent

Exhibits (attachments):

MSA San Diego Construction Project Budget Forecast (July 12, 2017)

**MSA San Diego
Bond Project 2017**

Budget Estimate Board Date 3-09-17		Revised Budget Estimate Board Date 7-13-17	
Soft Costs		Soft Costs	
Environmental Assessment:	\$ 80,000	Environmental Assessment	\$ 15,119
Architecture and Engineering	\$ 156,508	Architecture and Engineering	\$ 156,508
Agency Fees	\$ 35,000	Architecture and Engineering (Change Order)	\$ 58,060
		Agency Fees	\$ 42,750
		Project Management (EFG)	\$ 81,000
		Inspector of Records (IOR)-Silver Creek	\$ 11,700
		Temporary Administrative Office	\$ 9,000
		Moving and Storage Costs	\$ 29,000
		Inspector of Records (IOR)- Site	\$ 140,000
		Swing Space	\$ 20,000
		Expediting	\$ 6,000
		Builders' Risk Insurance	\$ 12,000
Subtotal Soft Cost	\$ 271,508	Subtotal Soft Cost	\$ 581,137
Contingency @ 10%	\$ 27,151	Contingency @ 10%	\$ 58,114
Total Soft Cost	\$ 298,659	Total Soft Cost	\$ 639,251
Hard Costs		Hard Costs	
Site Improvement:	\$ 500,000	Abatement and Demolition	\$ 71,250
		Furniture	\$ 30,000
		Information Technology Infrastructure	\$ 114,440
		General Contractor	\$ 3,500,000
Silver Creek	\$ 4,500,000	Silver Creek (Admin Building and MPR)	\$ 1,972,440
		W. Scottsman	\$ 1,215,918
Subtotal Hard Cost	\$ 5,000,000	Subtotal Hard Cost	\$ 6,904,048
Contingency @ 10%	\$ 500,000	Contingency @ 5%	\$ 345,202
Total Hard Cost	\$ 5,500,000	Total Hard Cost	\$ 7,249,250
Total Initial Estimate	\$ 5,798,659	Total Revised Estimate	\$ 7,888,501

Notes:

Light blue items are committed or spent

For board approval 7/13/2017

This is the portion of the EFG contract committed to this project during 2016-17 and 2017-18

Negotiated Contract Pending For board approval 7/13/2017

To pay for space if construction runs late
Transfer of lobbyist activity to construction project

Includes low voltage conduit
Final Bid Pending For board approval 7/13/2017

Bid In For board approval 7/13/2017

Bid In For board approval 7/13/2017

These estimates preceded bidding and assumed that Silver Creek would work as a turn-key provider and GC.

* \$300,000 included in bond for replacement and repairs

This is a fund created to support any site improvements related to upgrades needed over the next three years. As they are spent down they are not required to be replenished; however, another \$100,000 of net operating cash will be added to the fund annually on June 2018, 2019 and 2020, unless spent to upgrade or improve the overall campus.

*Can we use MSA SD cash reserves for this so we don't hit \$25m CSFA Cap?