

CALSTRS®

HQE Budget Approval

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Additional Funding Needs

- Increased hard costs for the DPR GMP agreement to extend the schedule by 143 work days to cover the extended general conditions and subcontractor expenses through January 2023
- Increases to Construction Administration consultant expenses
- Additional full-time Inspector of Record and support inspections required by OSFM
- Extension of Builders Risk and General Liability coverage
- Increased cost of IT network integration and equipment due to rising costs from supply chain shortages, an increase in the number of network devices in collaboration spaces that will support a blended work environment, and increased installation support

Summary of Increased Costs

Cost Table	\$
Hard Costs	\$ 8,221,700
Added DPR General Conditions and subcontractor costs through 1/31/23	\$ 9,731,700
AV Buyout savings	\$ (700,000)
Owner Design savings	\$ (810,000)
Soft Costs	\$ 6,019,052
Additional Construction Administration	\$ 1,035,850
Additional Inspector of Record/OSFM Inspections	\$ 1,904,450
Owner – IT Network and Integration added costs	\$ 2,780,167
Owner – Builder’s Risk and General Liability Insurance added costs	\$ 298,585
Project Contingency	\$ 4,259,248
Potential future schedule delay General Condition costs	\$ 1,500,000
Estimated known plan review and field inspection costs	\$ 1,250,000
Unknown field inspection costs	\$ 1,509,248
Total Budget Increase	\$18,500,000

Contingency Detail

- The final schedule includes 12 contingency weather days and 30 contingency days for final inspections
- A portion of any unexpended hard cost contingency, which may not all be necessary under optimal construction conditions, could be returned to CalSTRS at the close of the project
- The owner project contingency considers future construction changes required through the inspection process, potential installation days that impact project substantial completion, and cost escalations for those owner purchases still in procurement such as furniture

Bond Financing

- Cash vs. Bond Financing
- Timing of Issuance
 - Funds are not needed now
- Next Steps:
 - Board education on bonds and disclosure
 - Updated financing estimates
 - Resolutions: CEO authority to issue and reimbursement provisions

Recommendation

- Approve additional funding not to exceed \$18,500,000, utilizing tax-exempt lease revenue bonds, to complete the HQE project.
- Approve the issuance of the bonds after substantial completion of the HQE project, when final funding is known, which will require a few months of interim funding from the trust fund until the bonds are issued.