



03-06-2024 Town Council Meeting Responses to Council Questions

ITEM #6: Increase the Project Authorization for the Rosemary Street Parking Deck.

Council Question:

We had a guaranteed maximum on the construction price in our contract with Samet; can you explain why these amounts (except for town change orders) weren't covered under that maximum?

Staff Response:

The Guaranteed Maximum Price was based on the original project design. When the foundation couldn't be built under those assumptions (2021), the GMP could no longer be applied to the extent additional costs were due to the redesign. Both in-house and outside counsel advised the Town prior to the Council's November 2021 discussion about proceeding with the design change and increasing the project budget.

Council Question: We hired expertise to make sure we were including all costs in our original budget. Some of the things on the list (security cameras, wayfinding) seem pretty standard. Plus, we capped the costs. Help me understand why these are coming up now and why they don't fall into the cap. Also, are any of the costs related to University's needs and should they help share?

Staff Response: *A few items were not included in the GMP plans (e.g. wayfinding outside the garage) and Samet originally explored with the Town whether we could cover some of those costs from other funds to stay within the \$9M ask. At this time, we recommend putting all project costs in the project budget for transparency and clarity. The primary reason for cost increases are redesign, time delays, and the general increase in cost of materials worldwide. If there are any final costs related to the University's needs, we will explore cost-sharing.*

Council Question: We had heard there would be a need for an additional \$1 million. Now the request is just over \$3 million? Please provide a better breakdown and explanation of the \$2.1 million for Samet.

Staff Response: *In January, Samet estimated potential increases at \$1.5M. We and our outside consultants asked them to review and confirm these costs and in February 21st, they estimated the costs to be \$2.1M.*

The amount of time elapsed from foundation redesign (November 2021) until completion and the global construction industry's shifts have been significant factors that reduced our ability to estimate project costs and schedule with certainty. The cost overruns we are realizing on the project can be summarized in the following categories below. Figures being presented to finish the project are similar across each of these categories.

- System coordination: \$328,280
- Engineering modifications: \$470,793
- Escalation: \$441,861
- Unforeseen Site conditions: \$480,000



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Council Question: At the end of big projects, it is my understanding that many organizations withhold some of the funds and use an outside company to perform an audit as a way to ensure they are not overpaying. The audit is also a way to learn from one project to the next.

Is this something we are already doing? If not, can you please provide information on what that would entail in terms of cost and turn-around?

Staff Response: *We are following the industry standard of change review by the Engineer of Record, Perkins and Will and Ballentine, with the added oversight from our owner representative team of industry experts, Grubb Properties and Walker Consulting. This team works diligently to represent the Town's interests, review all design decisions and construction claims, and provide support in negotiating fair prices for labor and materials on all proposed contractual changes. This combined effort relies on the up-front, real-time, verification of all claimed overages prior to any Town authority sign-off for additional funds to ensure there are no overpayments. The Town PM's and BMD have already discussed holding a 'lessons learned' meeting at the close of the project to discuss items that can be carried forward for the benefit of any future construction in the Town.*

The cost of an outside audit could range from \$10,000 to \$20,000 and would likely take six months depending on the depth of the audit.

Council Question: On p. 68, there's a discussion of debt capacity and financing impacts. Was this taken into account in our discussions about our bond issuance capacity during the retreat? Does it change the \$50M affordability/\$70M capacity figures we were given then?

Staff Response: *When preparing material for the staff retreat, we knew that we still needed to borrow the \$9 million in additional project costs that Council had authorized back in November 2022, but we did not yet know the total amount of additional project costs to include in the final estimates. We used a \$10 million placeholder for that discussion. Therefore, \$2.02 million of the additional \$3.02 million being discussed will count towards the amount of debt available for us to borrow (the \$50.5 million to maximize debt affordability/\$77.53 million within debt capacity limits)*



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Council Question: Can you share a little bit about how conservative the estimates are for the projections mentioned here?

AND

Council Question: Why do we have a hefty contingency fee for a project that's almost finished? My understanding of how contingency works has been that it is high at the start and spent or left-over at the end. We are less than 3 months out from opening the deck. Help me understand why we are being asked for more contingency monies now? Where is the uncertainty in the costs you're presenting to us?

Staff Response: *We have asked the project team to be as thorough and as comprehensive as possible in putting together these estimates. When the project was originally budgeted, there was relatively little contingency included. Since the foundation redesign, the project has continued to experience unforeseen challenges, such as significant groundwater on the site which required redesign, additional equipment, and time to implement the new solution.*

The team has done its best to identify costs between now and the project completion, but we prefer to include some additional contingency in the project budget because we know the Council is trying to make plans for future borrowings and we'd rather not have to return for an additional request to close out the project. Even at the end of a project, there are unforeseen situations that arise, such as the water-main break that happened on Rosemary Street last week. It is not possible to fully predict all possible costs and needs for the project, even at this stage of construction.

Duplicate questions:

- The two contingency questions are combined above.
- These questions are covered in the responses above:

Council Question: How does the extra \$3.02M added to the parking deck cost affect our ongoing budget and borrowing capacity? (\$51M compared to \$39M is quite a change...)

Council Question: I will want to understand more about the impacts on the debt fund as it relates to pushing other projects back.