

May 31, 2022,

To: Charlie Russo, Chair
Select Board
Town of Sudbury
275 Old Lancaster Road
Sudbury, MA 01776

**RE: Fairbank Community Center Project
Contingency Considerations**

Dear Mr. Russo:

In follow up to the Select Board's (SB) request at their May 24, 2022 meeting, the intent of this letter is to recap the potential contingency replacement needs for the Fairbank Community Center (FCC) project. Compass and the Permanent Building Committee (PBC) had an initial discussion on a range of \$1.0 - \$1.6M for a potential replenishment of the contingency. The low end of the range comes with more trade offs and uncertainty than the high end of the range.

Current Budget Status

Following the award of the General Contract and the internal budget transfers, \$592,055 remains in the overall total project budget which is currently allocated for moving expenses, MEP commissioning, Furniture, Fixtures and Equipment (FF&E), technology equipment, utility backcharges and other miscellaneous owner costs. Note that some of the budget allocation for FF&E and/or technology equipment was included in the internal budget transfers, so the remaining \$592,055 is not the total original budgeted amount for the above line items. The PBC's intent is to seek additional contingency replenishment and let the \$592,055 be spent on its intended purpose, with additional funds sought to make up for the above noted internal budget transfers. In the interim this \$592,055 amount would serve as the project contingency for any required change orders until the contingency is able to be replenished.

Recent Additional Funding Sources

Please note, the above value does not include other recently authorized additional funding amounts of the \$300,000 for Technology Equip. nor the \$200,000 for kitchen equipment and other FF&E authorized at 2022 Annual Town Meeting. It also does not include the recently awarded \$100,000 kitchen equipment grant amount. These Town Meeting appropriations will be used to cover Furniture, Fixture, Equipment and Technology purchases. This \$600,000 in appropriated project funding is in addition to the \$592,055 noted above, but will NOT be used for change orders.

Contingency Needs

Industry standards for an appropriate construction contingency for an addition and renovation project is 5% of the value of the construction costs. The Total Project Budget includes other project contingencies carried for consultant costs, testing and the administrative costs. In order to award the General Contractor bid for the FCC project, it required utilizing the full amount from both these contingencies with the exception of a \$200,000 hold for the potential builder's risk insurance policy. The 5% construction contingency line item transfer was based on the approximately \$23.3 million construction budget, not the actual \$25.5 million+ bid amount.

The PBC's requested preference at their last meeting was to pursue a 5% construction contingency and try to restore some of the scope that needed to be removed to allow the award to proceed. A breakdown of the \$1.6 Million could include:

Replenish Construction Contingency (5% of bid amount)	\$ 1,250,000
Restores Scope removed thru Deduct Alternates and/or Value Engineering	\$ 230,000
Replenishing part of the Furniture/Tech budget borrowing	\$ 120,000
Budget Available for Construction Award	\$ 1,600,000

Under this scenario the 5% contingency will serve both the construction change orders as well as any other project cost needs that arise which would have been managed through the Total project budget contingency.

The \$1.0 million is the low end of the range if additional funding is a significant hardship. It represents 4% of the construction value and does not bring back some of the scope that was required to be value engineered out of the project. Securing only \$1.0 million would have less flexibility with budget management for change orders and the remaining procurement for the project.

If the PBC was to pursue built in furniture at the lobby desks to replace the removed scope of Deduct Alternate #2 those decisions would occur in December 2022 for a summer 2023 installation. A decision to restore the basketball court fencing removed under Deduction Alternate #1 would be timed for June 2023.

Remaining Risks

As discussed at the SB meeting, the deeper into a project and the more contracts that are committed to, the more cost certainty there is. Awarding the General Contract and all the subcontractors was the largest risk impact on the project. Remaining risks ahead from a procurement stand point are movers, commissioning, Furniture, Fixtures, & Equipment and Technology equipment purchases.

In the proposed construction work the greatest risk of unforeseen conditions occurs early in the site and earth excavation work and late with the abatement and demolition of the original building. The abatement of hazardous materials occurs at the end of this project, in Oct & Nov. 2023. However, there is still a renovation scope in the project with the installation of windows and openings in the exterior walls of the existing pool building. Each of those tasks carry risk.

All construction projects experience change orders for design team errors or omissions. No set of bid documents is perfect. The average for these types of change orders approach 1% of the total contingency. In addition to this other typical change orders are caused by inspections having jurisdiction, coordination discrepancies and owner scope changes. As noted the industry standard is to carry 5%, but the final spend down is projected to be less than dependent on many of the factors noted in this letter.

If the SB or the PBC have any questions on the above content then please let me know.

Sincerely yours,



Jeff D'Amico
Project Executive

CC:

Permanent Building Committee, Town of Sudbury
Henry Hayes, Town of Sudbury
Christopher Eberly, Compass