

Construction Climate Favorable for Bond Projects: 2008-09

Although construction costs rose abruptly from 2004-2007, necessitating cost-controlling measures, the construction environment is currently favorable for completing the remainder of the projects in the KCLS Capital Improvement Plan as originally intended. With the onset of the economic recession at the end of 2007, costs associated with construction began declining. Although the decline in construction costs is now slowing, the construction environment remains favorable for achieving the library improvement projects in the 2004 Capital Improvement Plan. Assuming the construction climate remains stable through 2014, KCLS expects to be able to complete the remainder of the projects as planned.

Optimizing Funding for All Capital Bond Projects: 2004-07

Since voters approved the KCLS Capital Bond Measure in 2004, construction costs have increased 28%¹ nationwide, significantly exceeding our carefully calculated cost projections which were based on the best construction cost estimates available, including calculating projected costs at a higher annual inflation rate (5%) than the average historical rate at that time (3%).

Prudent financial management will optimize the \$172 million Capital Improvement Plan, but the abrupt rise of uncontrollable external costs requires alterations to library improvement projects in order to ensure funding for all projects.

Strategic Approach to Guide Revisions

As the fiscal authority responsible for KCLS, the Board of Trustees must make adjustments in the scope and budget allocated for projects in the Capital Improvement Plan funded by the bond. To meet the challenge of escalating construction costs, KCLS staff and the Board are proactively developing a strategic approach to guide decisions for each library project throughout the decade-long Capital Improvement Plan.

The strategic approach is threefold: to meet the service needs of each library and the System as a whole; to aggressively pursue cost-controlling measures for each construction project; and to prioritize funding in rapidly growing areas to meet projected needs.

The entire Capital Improvement Plan is currently being evaluated and staff is developing a list of potential modifications. Any alterations made to the scope or budget of projects in the Plan must be approved by the Board.

Cost-Controlling Measures

The most likely options include:

- Start some construction projects earlier than planned to avoid continued inflation
- Explore co-development opportunities with community stakeholders
- Bundle smaller projects under a single contractor to control costs (see design Build, page 22)
- Meet parking needs through alternative methods

- Evaluate existing facilities slated for replacement or expansion and determine whether a remodel is sufficient or practical
- Review each designated library for cost-effectiveness of automated materials handling system without RFID (current RFID technologies do not offer sufficient benefit to offset cost)
- Review the option of funding remodeling projects from the General Operating Fund as was the practice prior to the 2004 Capital Bond Measure
- Provide library services during construction at nearby library locations versus incurring the expense of leased or trailer space

Future Factors

In addition to escalating construction costs, other factors also may impact the planning strategy:

- At least one library may be annexed to Seattle or Renton. If so, it would be outside the KCLS service area and the construction project would no longer be funded by the bond.
- A few projects also are stalled due to site problems, difficulties obtaining permits from jurisdictions, restrictions in evolving development regulations and other development issues.

We anticipate that conditions will continue to change, and we will monitor all considerations carefully.

ⁱ Turner Cost Index