PAT Update
Original commitments

FACILITIES CAPITAL PROGRAM
HISD CAPITAL IMPROVEMENT PROGRAM

Scope of Work

SCHEDULE SCOPE/BUDGET

BOND PHASING SCHEDULE

GROUP 1

Group 2

Group 3

2013

Mid / Late 2014

- Planning and Design — Late 2013
- Anticipated Construction to Begin — Early 2014
  - Askew Elementary School
  - Sam Houston High School
  - Jordan High School
  - Young Women’s College Prep

SCOPE/BUDGET

SCHEDULE

HOUSTON INDEPENDENT SCHOOL DISTRICT
Current economic climate

“It’s the highest level the area has seen since the boom of the 1980s.”

Houston Business Journal
October 3, 2014
Rising demand

Labor

- Rebar workers: 49%
- Glaziers: 42%
- Masons: 40%

Materials

- Rebar: 49%
- Cement: 40%
- Structural steel: 36%
2012 construction costs

Average New Construction Cost for Texas Schools

HISD budgeted an average of $160/SF

44% market increase

$149
2011*

$146
2012*

$153
2013*

$210
2014-15

*Sources: Texas Comptroller of Public Accounts, RS Means, data reported by school districts
Scope-to-budget process

- Planning
- Schematic Design
- Design Development
- Construction Documents

Budget checkpoints
Addressing the gap

Average Budgeted vs. Current Market (per SF)

<table>
<thead>
<tr>
<th>Category</th>
<th>Budgeted</th>
<th>Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original budget</td>
<td>$160</td>
<td></td>
</tr>
<tr>
<td>Budget + 100% inflation</td>
<td>$175</td>
<td></td>
</tr>
<tr>
<td>Budget + 100% inflation + 50% of reserves</td>
<td>$182</td>
<td></td>
</tr>
<tr>
<td>Current market</td>
<td>$210</td>
<td></td>
</tr>
</tbody>
</table>
What are we doing about this?

We are taking these steps:

1. Reconcile scope-to-budget
2. Reallocate funds within project budgets to approved construction budget
3. Negotiate construction contract
What are we doing about this?

We are not cutting construction budgets

We are increasing construction budgets by moving inflation and reserve dollars within your project to the construction portion of your budget

We are still facing a challenging market
Moving forward

- Continuing scope-to-budget alignment and negotiations with contractor
- Ongoing school communications with latest updates
- Evaluating market trends (price of oil?) and strategic timing of your project
- No final decisions have been made
Thank you

This is a process not an event

We ask that everyone be patient as we work through these challenges
Questions?