




Midpeninsula Regional
Open Space District

Memorandum

DATE: January 27, 2020

MEMO TO: Board of Directors

THROUGH: Ana Ruiz, General Manager 

FROM: Stefan Jaskulak, Chief Financial Officer

SUBJECT: Review of Use of Contingency Funds – FY20

This memo provides an overview of the contingency amounts approved and spent during the fiscal year ending June 30, 2020 (FY20), running from July 1, 2019 through June 30, 2020, as requested by the full Board of Directors (Board) in 2020 to understand how much of the authorized contingencies are used overall as part of the contracting work.

Policy:

Contracts over \$50,000 are approved by the Board and subsequently executed by the General Manager. These contracts may or may not have a contingency awarded. Typically, contingencies range between 5% and 15% per Board Policy 3.03:

Public Contract Bidding, Vendor and Professional Consultant Selection, and Purchasing Policy 1.C. Contract Change Orders -- Staff may issue change orders to a contract, provided that the aggregate of all change orders to that contract does not exceed fifteen percent (15%) of the original contract price. A larger contingency may be authorized, based on unusual circumstances. Change orders shall not exceed the total contract amount approved by the Board, General Manager or other District employee as authorized by this Policy, including any contingency amount. Any expenditure beyond the originally approved contract and contingency amount shall be approved by the party authorized at that expenditure level under this Policy.

Contingency Process:

Purchase orders are generated against the approved base contract amount. Once contingency spending is deemed necessary, the project manager requests approval from their respective Assistant General Manager or the Chief Financial Officer. This additional approval step was added in October 2019 as an extra review to ensure that the use of contingencies are within the scope of the project and critical to the successful completion of the contract/project. A separate contingency purchase order is then generated in the accounting system (NWS) to record spending of the contingency. Any additional amount beyond the Board-approved not-to-exceed contract amount requires additional Board approval.

Review Process:

Contracts may span multiple fiscal years, either because of the multi-year scope of the project or contract, or because it is initiated partway through a fiscal year and carries over into the next. Therefore, staff pulled all contracts that were in effect during any part of FY20 to complete this Contingency Review memo.

Currently, there is no automated method to aggregate the contingencies awarded per contract. For the use of contingency amounts, however, staff put a process in place to require a separate purchase order to approve the use of contingencies, which makes reporting of actual contingency spend since October 2019 feasible directly from NWS.

Findings:

Staff reviewed 99 new and existing contracts over \$50,000 that were approved by the Board and were in effect during FY20. Some of these contracts were new, some were ongoing, and some were closed. Staff also included data on the original amount of the contract and on the amended amount as contracts amounts may be increased/amended over time. The statistics are as follows:

Contracts Reviewed:	99
Total Original Contract Amount:	\$38,456,233.85
Total Amended Contract Amount:	\$46,299,429.51

Board Authorized Contingency:	\$5,164,782.12
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81 of the 99 contracts include an approved contingency
Equates to 13.43% of the original contract amount and
11.16% of the amended contract amount.

Contingency Expensed:	\$2,275,036.05
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33 of the 81 contracts with a contingency include use of the
contingency (44% of the approved contingency was used).
Equates to 5.92% of the original contract amount and
4.91% of the amended contract amount.

Based on the findings above, 44% of the Board approved contingency amount has been expensed in 2020, which equates to just under 5% of the amended total Board-approved contract amount.

Next Steps:

Future reporting of the above-mentioned statistics will be included in the Annual Year-End report of the Capital Improvement and Action Plan.

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