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## **FUSD Board exercising resourceful stewardship to maintain Measure E bond commitments amid unprecedented cost escalations**

**(Fremont, CA, Nov. 27, 2018)** – While it’s no surprise a dollar from 2014 won’t buy a dollar in 2018, no one could have anticipated the unprecedented cost escalation that exists in today’s construction market. Even with the historic increases that have seen bids come in well over project costs, the Fremont Unified School District (FUSD) Board of Trustees is staying true to its building commitments by finding resourceful ways to deliver the bond projects promised in the four-year-old \$650 million Measure E bond initiative.

The “road map” of all bond projects is the comprehensive implementation plan that is reviewed and refreshed annually based upon changing conditions. One of those conditions is the projected cost escalation of construction, fees, and other variables that change based upon market conditions. Escalation percentages are adjusted and forecast based upon historic norms. However, within the past year, those numbers began to spike alarmingly due to a number of variables including the cost of raw materials, a decrease in available workers and competing projects around the Bay Area. Now, with the nearly \$15 billion in local bonds approved by California voters in this month’s election, costs could go even higher.

A significant commitment in the Measure E bond is the conversion of the District’s five junior high schools to expanded middle school campuses for sixth- to eighth-graders. This will ease elementary school overcrowding and overloading and also offers certain instructional benefits. Over the past few months, bids for these projects have come in significantly over cost projections causing the Board to increase their project budgets.

“The skyrocketing escalation of construction costs poses real challenges for the scheduled implementation of bond projects, based upon the District’s Long Range Facilities Plan,” said Dr. Kim Wallace, Superintendent. “The Board’s highest priority is the conversion of the five middle school campuses, and while these projects are still on track, cost escalations mean substantial reprioritization of all other projects.”

According to construction consultants Leland Saylor and Associates, who shared market trends with the Board in April 2018, there is currently more than \$50 billion in construction underway in the Bay Area alone. This construction boom has led to an increased demand for building materials but in particular steel, lumber and plywood, which have increased anywhere from 10-17 percent. Add to that the effects of catastrophic fires in the state and the hurricanes in the southeast US on the demand for raw materials and you get exponential cost increases.

And this doesn’t even take into account the robust construction unemployment numbers, which are at historic lows near 3 percent, according to the national Association of Building Contractors. In fact, Bay Area construction employment is up a whopping 57 percent since 2010, leading to many out-of-state construction workers coming to the area to fill the void.

For now, the Board is holding off on scheduled bond projects that have not started yet and focusing on the more than \$350 million of projects in progress, including the five middle school conversions, and will hold a discussion on the reprioritization of these projects at a future meeting. For more information on the projects completed, in progress and not yet started, see the most recent [quarterly Measure E financial report](#).

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