

MEMORANDUM

Date: August 4, 2015
To: Members of the Board of Education
From: Bond Accountability Committee (BAC)
Subject: 10th BAC Report to the Board

Background

In November 2012, voters approved a \$482M capital improvement bond for Portland Public Schools. The PPS Board appointed a Citizen Bond Accountability Committee to monitor the planning and progress of the bond program relative to voter-approved work scope, schedule and budget objectives.

Recent Activities

The BAC met on July 15 at the District office, and we were pleased to be joined by Chair Koehler. As is the case with all meetings, it was publicly noticed and open to the public. OSM staff continues to be very helpful and supportive of the process, and demonstrates a consistent commitment to transparency and clarity in all dealings with the BAC.

At the meeting, the Committee received updates from staff that included the Balanced Scorecard report with supporting data on budget and other metrics, and each of the bond projects of which there are now many.

The summer of 2016 is the busiest yet in the bond program, and probably in the history of PPS. As this report is written, PPS staff is managing the following work:

- Closeout of work at Marshall High School in preparation for Franklin students.
- Closeout of Improvement Project (IP) 2014 (6 contracts, 12 schools).
- Construction of IP 2015 (4 construction contracts, 8 schools).
- Construction of IP 2015 – Science (2 construction contracts, 18 schools).
- Construction at Maplewood.
- Construction at Tubman Campus in preparation for Faubion students.
- Start of construction at Roosevelt High School.
- Start of construction at Franklin High School.

- Completion of design and start of contractor selection for Faubion PK-8 School.
- Commencing design for IP 2016 (12 schools).
- Selection of a design team and appointment of a Design Advisory Group for Grant High School.
- Preparation for master planning of Benson, Lincoln, and Madison High Schools.

This is an extraordinary amount of work for a capital program, and requires intense management by OSM staff and the District's design firms and contractors. The major projects at the high schools involve an extraordinary amount of activity, particularly at Roosevelt where, in addition to the modernization work, temporary facilities are being prepared in time for students' return in a few weeks. In addition, the challenge for the 2015 summer work at 27 schools, the largest IP program to date, is even greater than prior years since only 65 calendar days are available. Lessons learned from prior years have helped greatly through completing designs earlier and making awards sooner to allow for preconstruction activities such as registering for the Owner-Controlled Insurance Program, the submittal process, and mobilizing to the sites.

Both "swing" sites (Marshall and Tubman) are on track to receive students this month from Franklin and Faubion respectively.

Since our last report, the District's performance auditors have delivered their second report. The BAC reviewed the report and endorsed its findings. We agree with the auditors' observation that program management has, after a strong start, continued to refine and enhance its systems and procedures, and continue to serve the program well.

Current Issues

Program Budget. Staff has continued to provide budget information to us in a transparent format.

The total program budget now stands at \$550 million as funds from various sources have been incorporated into the bond program. Since our last report, the bond premium from the second bond sale has been added to the program. This premium amounted to \$33 million. However, the program budget already included \$8 million that the Board had approved for the Additional Criteria at the high schools, when it was hoped that it could be covered by a future bond premium. That has now come to pass, so the net increase is approximately \$25 million.

This addition has now been largely allocated to projects, including bringing Grant

up to parity in terms of Additional Criteria and cost escalation. Approximately \$4 million remains as a program reserve, the Board reserve of \$10 million remains intact, and each project budget includes its own contingency reserve.

Project Budgets and Schedules. Staff's Balanced Scorecard will continue to show both Roosevelt and Franklin designs behind the Baseline Schedule, as reflected by the "red" report at the various design levels (although overall both schools show "yellow"). These delays have many causes, including changes during design in school capacity requirements, the extensive public outreach and involvement processes, and discussions over the "additional criteria". Crucially, though, construction in both cases is now underway generally as planned.

As construction work on the high schools begins, project budgets and schedules become more and more intertwined. This is particularly true at Roosevelt due to the phasing of the work that allows students to remain on campus throughout construction. After the rush to have the temporaries ready for school in a few weeks, the pressure will be squarely on the Phase 1 work, which includes construction of a new theater and a new gym. Very little float exists in the schedule that requires occupancy next August. The focus will then switch to Phase 2. This includes modernization of the existing main building, and has similarly little float in its schedule goal of an August 2017 completion.

To date, the BAC has been satisfied with schedule presentations that show only a few milestones. The critical nature of the high school work, however, causes us to ask for more detail on those schedules and we will work with OSM to develop an effective format.

As noted above, each project budget includes its own contingency. The BAC agrees with OSM staff that these contingency reserves should not be considered available for discretionary changes; modernizations of facilities like the high schools will inevitably include cost impact surprises, which will likely put pressure on those reserves.

The Committee continues to have concerns about market conditions causing price increases. Fortunately, the District's project contingencies on IP work have held up very well through construction so far, and each IP program to date has returned some savings to the program.

Equity. Staff reports on student involvement remain impressive. The new reporting metric for student involvement in the Balanced Scorecard shows the program to be exceeding the year's goals with the highlight being 12 interns currently working at various sites and projects over the summer.

The employment of apprentices through the Workforce Hiring program continues to exceed the 20% goal, with results coming in closer to 30%.

Contractors still lag behind the aspirational goal for MWESB involvement, a result of the fact that all work to date has been awarded on a low bid basis with only aspirational goals applied. By the time of our next report, we will have the results for IP15 and, crucially, will also have preliminary information from Franklin and Roosevelt. Both CM/GCs have aggressive programs and good histories of MWESB contracting so we remain hopeful that involvement will increase. Since the District reports MWESB involvement based on payments made, however, any improvement may take some time to show up on the Balanced Scorecard.

In total, consultants are meeting the District's 18% goal. However, a drill-down continues to show that there remains room for further improvement. All of the IP work has exceeded the goal, but the other individual projects are falling short. We will continue to remind staff that each of those consultant teams were evaluated and partly selected on their commitment to meeting the goals.

Safety. Given the dramatic increase in construction activity resulting from the work at Franklin and Roosevelt, we have asked staff to add a regular report on safety performance within the program. We will work with staff to develop the best appropriate measure.

Other. We understand that the Board has appointed a School Improvement Bond Committee with Director Kohnstamm serving as chair, and Directors Anthony and Knowles as members. Among other things, this committee is to serve as liaison to the BAC, and we look forward to working closely with it and doing our best to serve its needs.

Since the passage of the 2012 bond measure, the BAC has been pleased to work with C.J. Sylvester and Jim Owens in their leadership roles with OSM and we are extremely sorry to see them leaving in the near future. In our judgment, however, they have developed a highly qualified and effective bond team including OSM staff and outside consultants and contractors, which is professionally and successfully managing an extraordinary workload. This will be their legacy, and the voters and taxpayers within the PPS district have been well served.

We understand that the District intends to replace both C.J. and Jim with a single position. A successful recruitment is imperative for the continuation of an efficient and effective bond program, and we look forward to working closely with the new Chief of OSM.

Summary

The summer of 2015 gives Portland taxpayers the opportunity to see their money at work all over the District at 31 schools, including Franklin and Roosevelt. At this point in the bond program, that money is being well spent and effectively managed.

We remain impressed by the quality and professionalism of OSM staff as well as the design and construction teams, and thank the Board for this opportunity to serve and play a small part in a very successful bond program.