

MEMORANDUM

Date: May 19, 2014
To: Members of the Board of Education
From: Bond Accountability Committee (BAC)
Subject: 5th BAC Report to the Board

Background

In the November 2012 election, 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 April 23 at the Marshall Campus. As is the case with all meetings, it was publicly noticed and open to the public. PPS 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.

We received reports on the design status on Roosevelt and Franklin High Schools, the schematic design process for the replacement of Faubion, upcoming bids for Summer 14 work (IP14), and the solicitation for design services for Summer 15 work (IP15).

The Faubion master plan has been approved by the Board, and that team has commenced schematic design while fundraising is ongoing. We have some concern over how to balance progress with the design process without funding in place from PPS's partner, Concordia University, but do not suggest any change of plan at this point. We do understand the unique and exciting partnership underway at Faubion, and will follow progress with great interest.

The IP 2014 work has been broken down into 6 packages, which will require more oversight but should also provide more opportunities to smaller firms. As you recall, the IP13 work was a great success, but IP14 is even more challenging because the summer schedule is reduced due to make-up snow days. Contractors will be permitted, even encouraged, to work 6-day weeks.

We heard that, as expected, the Workforce Training and Hiring Program will be in place for IP14 and all subsequent work. City of Portland staff will administer the

program and we applaud the District for adopting a program that is familiar to contractors. We will be interested to see how the District and the City will work together on this, but look forward to the seeing results and fully expect the goal of 20% apprenticeship participation to be achieved.

The BAC received an update on MWESB participation that, since only consultant work has occurred since our last meeting, is little changed (11.4%). We do not expect an uptick from the IP14 work because contractors are selected through a bid process, but we look forward to seeing the results. We remain confident that the District will experience superior results on the upcoming CM/GC projects that, of course, involve more significant dollars.

Current Issues

Student Involvement. Both the Board and the BAC has previously expressed concern over a perceived failure to take advantage of this unique opportunity to engage students in the bond program. We had also asked staff to re-think the measure that had been established for this requirement (registration on BizConnect). We are happy to report that staff, consultants, and contractors have become regularly and actively engaged in this challenge.

We were delighted to hear that, through March 2014, over 6,000 PPS students have been involved in one way or another with the bond program. There have been 9 career-learning opportunities (job fairs, etc.) and 32 presentations by consultants/contractors. In addition, paid internships are planned both within PPS and with consultants. Going forward, the student involvement metrics will measure Group Activities, Short-Term Activities, and Long-Term Activities.

Staff and all involved are to be commended for their efforts. In particular, consultants Heery, DOWA, and Bassetti should be recognized for establishing internships independent of PPS funding.

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

During our last report, we noted that projections for Bond Oversight Costs showed a \$1 million overrun. Staff has since reduced that deficit significantly. However, an additional \$2.2 million was added to this line item for the new Owner Controlled Insurance Program (OCIP) for a total overrun of \$2.45 million. The OCIP is ultimately expected to be cost-neutral, but the full expense has been projected at this point. It is planned to offset this by transferring the savings from IP13 (\$1.13 million) as well as some of the COO Contingency.

We again note that the budget forecasts show significant savings in most line items. This is due to the fact that expenditure of contingencies, bond premium, etc. is not included in the forecasts. Staff has been transparent with this methodology and we take no issue with it so long as we all remain cognizant.

We advised the Board during our last appearance to expect that the initial CM/GC estimates at Franklin and Roosevelt High Schools would exceed budget. This in fact is the case and, in our experience, is not at all unusual. In fact, one of the reasons to use an alternative delivery method is to address exactly this situation at the earliest stage. We understand that the Franklin budget/scope reconciliation has subsequently occurred, while, due to ongoing uncertainties (see below), there remains a gap in the Roosevelt effort. We expect this to be resolved prior to final presentation of schematic design.

Public Outreach. Compared to our experience, the degree of public outreach (DAG meetings, open houses, workshops, etc.) during the master planning and schematic design processes at Franklin, Roosevelt, and Faubion has been extraordinary. Unfortunately, it may be that the appropriate “ground rules” for this outreach were either not fully laid out or were not completely understood.

Our expectation was that the District’s design/construction teams would be totally open to receiving input at every level, and our observation is that this has generally occurred. The expert teams hired by the District should give that input due consideration, and reconcile to budget, schedule, scope, and quality expectations; this is what the broader public rightly expects. We recommend that more clarity be brought to bear on when the “input” needs to cease as the implementation phases take over.

Schedule. Staff has continued to provide detail and transparency on each of the project schedules, and the format used has proved to be very helpful to us. Again, we appreciate staff’s responsiveness to our requests in this regard.

The Roosevelt and Franklin schematic designs are significantly behind the Baseline Schedule, as reflected by the “yellow” report in staff’s Balanced Scorecard. This delay is due to the recent change in school capacity requirements, the extensive public outreach and involvement processes, and the recent “additional criteria” (see below).

This does not mean that the completion dates will change, but time will have to be made up during the rest of the design process and/or construction period. We should stress that these delays are in comparison to the Baseline Schedule only, and we look forward to seeing more detailed design and construction schedules for these schools that will recover the lost time. Schedule impacts at this early stage of the projects can only increase risk to budget, quality, and scope.

Additional Criteria for High Schools. The BAC has concern that this further change in program supersedes previously adopted standards, particularly at this late stage. Already, the High Schools' programs do not conform to the Board-adopted Long Range Facilities Plan or the adopted EdSpecs, both of which provide for 1500 student capacity. The adopted Master Plans provided for increased capacity at additional cost, and these additional criteria will further alter these Plans.

We make no judgment on these criteria or the increased capacity, but would like to see consistency between all adopted Plans etc. Programmatic changes at the project level should not precede amendments to guiding programmatic documents. Changes in program this late in Schematic Design is not best practice and increases risk to schedule, budget, quality, and scope.

These criteria will add classrooms to the three High Schools. We have not been shown where the necessary funds will come from, but we know that additional scope of this magnitude can only be achieved by reducing scope on other projects within the bond program.

Summary

Significant progress has been made in the last quarter on some areas (e.g. student participation) but the overriding concern at this point is over management of schedule, budget, scope and quality impacts from high school program changes. Assertive risk management strategies are needed to maintain control, and we will be looking to staff to report on these at our next meeting.

We continue to be impressed by the caliber and professionalism of OSM staff and the design and construction teams, and thank the Board for this opportunity to serve and play a part in what we still expect will be a very successful bond program.