

MEMORANDUM

Date: February 11, 2018
To: Members of the Board of Education
From: Bond Accountability Committee (BAC)
Subject: 24th 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.

In May 2017, voters approved a \$790M capital improvement bond measure that included a requirement for citizen accountability and oversight.

The current members of the BAC are:

Tenzin Kalsang Gonta
Charlie Johnson
Tom Peterson
Kevin Spellman, Chair
Dick Steinbrugge
Cheryl Twete
Karen Weyland
Dana White

Recent Activities

The BAC's regular quarterly meeting was held on January 23 in the Lincoln High School library. As is the case with all regular BAC meetings, it was publicly noticed and open to the public. Staff presentation materials and meeting minutes, along with BAC reports, are regularly posted on the District website.

Office of School Modernization (“OSM”) staff continues to be very helpful and supportive of BAC’s oversight, and demonstrates a consistent commitment to transparency and clarity in its dealings with the Committee and its members.

No public comment was offered.

As this report is written, PPS staff is managing the following work:

- Construction work at Grant High School.
- Health and Safety work required by the 2017 bond.
- Closeout of Phase 3 construction at Roosevelt High School.
- Planning and design work for Madison, Lincoln, and Benson High Schools and Kellogg Middle School.

The key position of OSM Director of Construction has been filled. We congratulate Dan Jung on his appointment as the District’s Chief Operating Officer and are confident in Scott Perala’s ability to take over as lead of OSM on an interim basis. However, we remain concerned about the effect of such significant changes in an incomplete team on the management of a program that has so many challenges.

2012 Bond Program

Work covered by the 2012 Bond is reaching its final stages. The challenging schedule at Grant High School will be achieved (as have all projects in the program) and the current cost projections show the program coming in just within available 2012 bond funds.

Construction at Grant High School continues at a significant pace with over 200 workers on site every day. At one point earlier in the project, there was a potential schedule slip of up to 120 days; this has been entirely recovered, and the team predicts that completion will now be right on schedule.

The current project cost projection, however, shows an overrun of about \$5.5 million due to a number of factors. Making up the schedule issues (including an uninsured cost factor resulting from the fire on site in 2017) has been costly, and unforeseen hazardous materials and structural deficiencies exceeded the anticipated contingencies. The BAC and project team also discussed the effect of bidding some subcontract packages with incomplete design documents. All of these issues must be taken into account on future projects. Fortunately, savings in program management overall plus interest earnings are expected to cover this overrun.

Closeout is still being addressed at Roosevelt High School, including issues related to the mechanical systems. Designers, contractors and PPS staff are working hard on identifying and rectifying the problems which seem to be exacerbated by the phased nature of the project. Phase 3 (except for the tennis courts) should be complete by the end of February.

Franklin's final costs will be right on its \$113 million budget, and Faubion is still expected to run over slightly. In summary, the program overall is still forecast to complete the current scope within available 2012 bond funds. It is very close, though, so staff continues to show a possible \$10 million injection in non-bond funds committed some time ago by the Board to support any further unexpected costs

2017 Bond Program

The budget situation for the 2017 Bond program remains dire. Since our last meeting, a number of budget adjustments have been made including a reversal of the prior Middle School allocation, approval of a Master Plan budget for Benson High School, allocation of funds for pre-design work at Cleveland, Jefferson, and Wilson (\$100,000 each), and forecasted interest earnings amounting to \$34 million. In sum, the 2017 bond program reports unfunded costs of \$197 million.

The challenge at this point, of course, is to maintain the integrity of these revised budgets and to maintain the fiscal discipline necessary. In this regard, the Lincoln team has engaged in a couple of important strategies that have borne some fruit. Faced with a significant deficit during the Design Development phase of the Lincoln project, OSM engaged a professional value engineering firm to lead a 5-day workshop with the team. (This was one of the strategies that OSM reported to be available last quarter.)

This exercise succeeded in identifying numerous design/construction alternatives with the potential to save up to \$29.5 million, bring the project back to budget, without affecting program. Some of the identified savings, it is important to note, are subject to approval by the City; the team is working hard to gain that approval but clearly some savings remain at risk.

This experience has resulted in OSM committing to the same exercise on Benson in the near future. Unfortunately, the design at Madison is almost complete and is too far along to be subjected to the same scrutiny at this point. It is unfortunate that the VE initiative was not launched earlier since we feel that the Madison project could have benefited greatly from a similar process.

Although it's rather late for the 2017 planning phase, we were pleased to hear that the District has engaged a professional cost consulting firm to explore external validation of the bond project estimates that have blown the budgets so badly. We look forward to seeing their work product which is expected shortly.

The Madison design continues, as preparations are made for a construction start this summer after the school moves to Marshall. (Significant coordination work is ongoing as Grant prepares to leave the Marshall site and Madison moves in.) Taking the lessons learned from Grant and the other schools, destructive testing is still underway. The permitting process is critical for the project and the team is working closely with the City to meet the schedule.

Current estimates on the Kellogg project meet the revised budget. The team is also working on permits with the City, and a Request for Qualifications has been issued so that a list of bidders can be identified. Construction is scheduled to start this summer.

Design is also underway on Benson and an active and engaged Design Advisory Group is working with the team. As you know, plans for the multiple pathways' programs are to be determined shortly, allowing the project design to move forward. A Request for Proposals will be issued soon so that a CM/GC can join the team.

Work on the Health and Safety packages has continued. The larger projects from last summer at Lewis (Interior seismic upgrades, ADA improvements, and fire sprinklers) and King (seismic roof upgrades, fire sprinklers and alarm, ADA improvements, and elevator) are complete. The work at Fernwood (seismic roof upgrades, fire sprinklers, and ADA improvements) has experienced significant challenges, with the result that the District has terminated the contractor's contract. While this is always a last resort, the project and stakeholders take priority. We understand that OSM has implemented a recovery plan to complete the work.

Work is planned for summer 2019 at Rigler, Jackson, Hayhurst, and Sitton, with the goal being to bid these packages shortly. Work on the Chapman roof has been deferred until 2020; the full scope of work was identified too late for the design to be completed in time for this summer. In these circumstances, we agree with the postponement.

Work continues on asbestos abatement, paint stabilization, water fixtures, and security projects, using a variety of contracting strategies.

Other Issues

Equity. Results are still being tracked at the project level but, overall, the two bond programs are now combined. Certified business participation is steady at a cumulative 17%. The District's aspirational goal remains at 18%.

Apprentice trade hours are at 25%, well ahead of the 20% goal.

Goals for student engagement were met for 2018, and greater involvement is planned for 2019.

Safety. There have been 10 recordable accidents at Grant to date. None have been serious. As of early January, a total of 452,000 hours have been worked on the project.

Audits. The new performance audit team is hard at work and will be reporting soon on its findings related to the project estimates included in the 2017 bond referral. We look forward to continuing to engage with them as their work proceeds.

It will be some time since our last performance audit (2017) due to the delayed procurement of the new team. The BAC still expects OSM to use the current cost audits on Franklin and Roosevelt to comply with the bond programs' annual audit requirement for 2018. Those audits resulted in a number of recommendations which we will be discussing with OSM staff shortly.

An interim cost audit is planned for Grant.

Summary

The 2012 bond program is on track to meet its final schedule goal and stay just within the program budget. Major challenges continue to lie ahead on the 2017 bond program. We remain impressed by the quality and professionalism of OSM staff, design teams and contractors as they take on multiple issues, and are pleased that some new approaches have been adopted. We thank the Board for this opportunity to serve and play a small part in your bond programs.