

## **MEMORANDUM**

**Date:** August 22, 2017

**To:** Members of the Board of Education

**From:** Bond Accountability Committee (BAC)

**Subject:** 18th BAC Report to the Board

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### **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 also provided for oversight by the BAC.

### **Recent Activities**

The BAC's regular quarterly meeting was held on July 27 at the District office. As is the case with all regular BAC meetings, it was publicly noticed and open to the public. Office of School Modernization staff continues to be very helpful and supportive of the process, and demonstrates a consistent commitment to transparency and clarity in its dealings with the BAC.

The Committee received updates from staff that included the Balanced Scorecard report (2012 program) with supporting data on program budget and other metrics, as well as reports on each of the current bond projects and plans for the 2017 bond program. Staff presentation materials and meeting minutes, along with BAC reports, are regularly posted on the District website.

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

- Closeout of Phase 2 construction at Roosevelt High School, and work on Phase 3.
- Close out of construction at Franklin High School.

- Close out of construction at Faubion PK-8 School.
- Subcontractor buy out and development of the Guaranteed Maximum Price for Grant High School.
- Construction on Improvement Projects (IP) 2016 (elevator work at Chavez).

While the program has passed the 2016 peak of construction activity, the level of activity has been extraordinary in order to ensure the timely opening of Franklin and Faubion and Phase 2 at Roosevelt.

### **Current Issues on the 2012 Bond Program**

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

The total Bond Program now stands at \$562 million, of which \$368 million (65%) had been spent as of July 1. The increase in the Program budget is due mostly to the inclusion of two recent Seismic Rehabilitation Grant Program awards from the State for Grant High School (\$3 million) and Lewis Elementary (\$1.5 million).

As we have repeatedly discussed during each of our recent reports to the Board, remaining contingencies/reserves at the program level are very limited so staff continues to be focused on balancing these reserves with the budgets of the high school projects as they reach completion. Since our meeting, the final bond sale for the 2012 program occurred resulting in an additional premium but the prior Board has already committed \$2.8 million to the maker space at Roosevelt.

As is always the case with such substantial construction projects, there are multiple cost issues to work through as work comes to an end at Franklin, Roosevelt, and Faubion. While final numbers were not yet in, staff reported that Franklin could have an overrun of approximately \$2 million, Faubion expects to run over by about \$450,000, while Roosevelt should finish about \$1 million under budget. As these issues are finalized, any overages will further strain the remaining program contingency/reserves.

By far the largest budget issue, though, is the finalization of the Guaranteed Maximum Price for Grant High School. At the time of our meeting, the pricing was significantly over budget so staff arranged for a BAC subcommittee to meet with the project team on August 15 in order to review the process that has been underway to reach this point. We have recommended to staff that additional validation of the construction pricing should occur before a GMP should be accepted.

*Project Schedules.* The best news of all is that Franklin, Faubion, and Phase 2 of Roosevelt will all be open for the new school year and grand openings are under way.

Despite numerous challenges along the way (changes in school capacity, difficult regional design/construction environment, budget issues, permitting delays, severe winter weather, etc.), these openings have met the schedule that was laid out for the bond program five years ago. OSM and the project teams are to be commended on this achievement.

Along with all of the last minute construction work, logistical challenges during this summer arising from opening the three schools, plus relocating Grant to Marshall during the same window have been significant but have been overcome.

Some work, of course, will continue at each location. The covered walkway at Franklin (a value engineered item that had recently been added back) is still under construction. Work on the Kaiser Permanente space at Faubion is also ongoing. And, of course, the plan at Roosevelt always called for much of the sitework to be developed in Phase 3 and be completed after school opens.

Work at Grant High School has commenced with early work packages to keep the project on schedule even while the GMP exercise continues. And Marshall High School has been made ready and welcoming for Grant students as planned.

*Equity.* Staff reports on student involvement remain positive. Tiers 2 and 3 on the Balanced Scorecard show red but, subsequent to that report, plans are underway for job shadows, internships, etc. over the summer.

The employment of apprentices through the Workforce Hiring program is at 26%, well ahead of the 20% goal.

Certified business involvement is more challenging but remains a priority. We will continue to seek a report of the efforts made on both the Franklin and Roosevelt projects in the spirit of lessons learned, particularly as the results on each were so starkly different. We anticipate solid results at Grant, and certainly want to carry lessons into the 2017 bond program. Overall, certified businesses account for 13.7% of the program to date.

*Safety.* There were no accidents at any of the sites during the quarter. Overall, the program's safety record remains impressive.

*Audits.* Auditors are close to completing a review of the construction expenditures on the Franklin and Roosevelt contracts; this is standard practice on CM/GC contracts, and we support the process. The final report from your Performance Auditors was delivered in late June and we expect to work with staff through their recommendations and will track progress accordingly. An RFP for the next phase of performance audits is currently under development and should be issued shortly.

### **2017 Bond Program**

The passage of the 2017 \$790 million bond measure obviously presents a terrific opportunity for the District, but raises enormous challenges as well.

At the time of our meeting, very little work had commenced so there has been little for us to track at this point. We will be increasing the duration of our meetings in the future so that we have adequate time to address both programs, and will also make greater use of a subcommittee system as the need arises.

### **Summary**

It is a pleasure to be able to report that three schools will open as planned way back in 2012. While challenges have arisen and many remain, we believe the taxpayers will be very pleased with the end products, as will staff and students at these facilities.

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 the continued success of your bond programs.