

MEMORANDUM

Date: June 13, 2017

To: Members of the Board of Education

From: Bond Accountability Committee (BAC)

Subject: 17th 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 also provided for oversight by the BAC.

Recent Activities

The BAC met on April 18 at the District office and we were pleased to have Directors Anthony, Knowles, and Rosen in attendance. 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 with supporting data on program budget and other metrics, as well as reports on each of the current bond projects. Staff presentation materials and meeting minutes, along with BAC reports, are regularly posted on the District website.

The BAC heard public comment from a subcontractor on one of the major projects. He raised questions about site security protocols, as well as identifying effective techniques for the inclusion of certified businesses and appropriate accountability. We will work with staff to be sure that lessons learned are incorporated into the planning of the remaining 2012 work and the 2017 bond.

The BAC also met on June 7 for an update on construction progress as we close in on summer completion, and for an initial briefing on the scope of the 2017 bond program. This report, rather than only presenting two-month-old information on the 2012 bond, will incorporate some schedule and budget updates from the June 7 meeting.

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

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

While the program has passed the 2016 peak of construction activity, work continues at a rapid pace to ensure the timely opening of Franklin and Faubion as well as the third phase 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 \$557 million, of which \$344 million (62%) had been spent as of April 1.

As we have discussed during each of our recent reports to the Board, remaining contingencies/reserves at the program level are very limited and, during the remainder of the program, staff will be focused on balancing these reserves (along with IP budgets) with the budgets of the high school projects as they reach completion. We do expect the reserves to be augmented by some amount of additional bond premium from the next bond sale, but the Board has already committed \$2.8 million of any such premium.

Staff continues to work with contractors on the cost ramifications of this winter's severe weather events at Franklin, Roosevelt, and Faubion and those discussions are close to conclusion. However, substantial risks still exist in the program as three major projects are still to close out and one not yet in construction, so we remain anxious about the current level of contingency/reserves.

Project Budgets and Schedules. Significant construction progress has been made in the past few months, and some of the effects of winter weather events have been mitigated. Franklin, Faubion, and Phase 2 of Roosevelt will all be open for the new school year.

The logistical challenges during the summer arising from opening the three schools, plus relocating Grant to Marshall during the same window are significant and will put great stress on PPS staff. Furniture, IT, etc. will all have to be coordinated for a successful operation. Nevertheless, patience will be required of school staffs and administrators.

Each of the schools is closing in on Substantial Completion and approval to occupy. The buildings at Franklin are set to achieve occupancy by the end of June, and the fields (except for the covered walkway and additional bleachers – value engineered items that have been added back) by mid-July.

Faubion is also set for Substantial Completion by the end of June, except for the field (planting delayed by weather) and four rooms that have been delayed by the late confirmation of Kaiser Permanente's addition to the school service team.

Building construction at Roosevelt is set for Substantial Completion by the end of July and you will recall that the plan always called for much of the sitework to become Phase 3 and be completed after school opens. The Roosevelt site will be very active all summer, particularly considering the amount of demolition that needs to be completed after school gets out.

Project budgets continue to be pressured and staff is continuing to quantify the costs related to weather delays and other changes. By far the largest exposure at this point is on the Grant project as the Guaranteed Maximum Price is developed. The construction market, if anything, is even more stretched than it has been resulting in challenges to every element of the budget. The budget pressure has been eased somewhat by two recent Seismic Rehabilitation Grant Program awards from the State amounting to \$3 million, but much uncertainty remains.

Design work for IP17 is complete but, as discussed during our last report, construction has been deferred until all of the major project budget realities are completely understood. (The seismic work at Lewis will proceed to construction in the summer of 2018 now that an SRGP award of \$1.5 million has been made.) Other plans for IP18 and IP19 are entirely dependent on budget availability.

Equity. Staff reports on student involvement remain positive. Tiers 2 and 3 on the Balanced Scorecard show red, but plans are in place for job shadows, internships, etc. over the summer. Efforts are being made to integrate existing student programs; for instance, we were told about the Marketing CTE students from Wilson working on a communications plan covering the openings of the new schools.

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 have asked staff for 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.

Safety. Faubion has experienced its first recordable accident but thankfully, it was minor with the worker returning to work the next day. There were no accidents at any of the other sites during the quarter. Overall, the program's safety record remains outstanding.

Audits. Auditors have commenced 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 current Performance Auditors is expected momentarily; unlike previous years, the BAC has not yet had the opportunity to review the report but will certainly work with staff on any 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.

As noted above, the BAC met with staff on June 7 for a first briefing on the scope of the program, and to hear some initial thoughts on the work. At our next regular meeting in July, we will consider how to best organize ourselves to perform our oversight duties on the new bond while always maintaining vigilance on the 2012 program. We welcome any input from the Board.

Summary

It is an exciting time for the 2012 bond program as three schools proceed towards opening. 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 program.