

MEMORANDUM

Date: February 23, 2015

To: Members of the Board of Education

From: Bond Accountability Committee (BAC)

Subject: 12th 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 January 28 at the District office, and we were pleased to be joined by Directors Kohnstamm, Anthony and Knowles. 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 current bond projects. The staff presentation materials and meeting minutes are posted on the District website.

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

- Close out of IP 2015 (4 construction contracts, 8 schools), including the elevator installations at Ainsworth and Woodlawn.
- Construction at Roosevelt High School.
- Construction at Franklin High School.
- Construction at Faubion PK-8 School.
- Completing design for IP 2016 (12 schools) and preparing for bids.
- Schematic Design for Grant High School.
- EdSpecs for Benson, and master planning of Benson, Lincoln, and Madison High Schools.

District expenditures on the bond program are now approximately \$9 million per month.

Current Issues

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

Last quarter, we expressed concern that the Bond Management budget showed a projected \$300,000 overrun. We are now pleased to report that OSM has refocused on this issue and now projects coming in \$175,000 under budget.

The total Bond Program budget remains \$550 million, of which \$152 million (28%) has been spent. Contingencies at the program level remain about at \$19 million, with another \$2.2 million from the most recent bond premium. Substantial risks still exist in the program so we believe that maintaining these contingency levels at this time is appropriate.

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 design changes resulting from increases in high school capacity as well as the "additional criteria" modifications.

Despite those delays, though, construction at both schools commenced generally as planned. However, although we cannot quantify it, we suspect that the schedule pressure during design as a result of these changes is now manifested in construction budget and schedule challenges.

All permits have now been received for Franklin, and those necessary for the current phase of work at Roosevelt have also been secured. We have experienced some delays at Franklin due to unidentified hazardous materials, but the team is diligently working to make up the time and has already made progress in that regard. Roosevelt has also suffered some delays including weather but, again, the contractor understands how critical it is to complete Phase 1 this summer and is working to make up the lost days.

Project contingencies have been put under severe pressure, largely due to the challenging bid market. The bid for Faubion came in over budget and, since the three bids were within a 3% range, it's fair to assume that market conditions drove the overrun. \$1.9 million was transferred from the project contingency to cover this, leaving the remaining contingency rather skinny.

Similarly, market pressures during buyout have strained project contingencies at both Franklin and Roosevelt (\$4.3 million and \$5.1 million respectively at this time). The balance is especially concerning at Roosevelt where much of the modernization work yet to come in Phase 2 is likely to provide the most “surprises”.

Escalating market prices have also caused the District to transfer the entire project contingency for IP 2016 work to the budget. Actual bid pricing will determine the ultimate budget but we should expect that additional transfers will be necessary. Fortunately, there will be some funds available from unused contingencies on IP 2014 and IP 2015 work.

Equity. Staff reports on student involvement remain impressive. In 2015, the bond team contributed 1,614 hours at 45 activities and served 1,219 students. However, we heard public testimony on this subject, which urged an even more aggressive approach. The BAC agrees and again recommends that the Office of Teaching and Learning take the lead to take full advantage of the opportunities the bond program provides.

The employment of apprentices through the Workforce Hiring program continues to exceed the 20% goal. A couple of contractors on IP 2015 failed to perform and appropriate action was taken.

MWESB involvement remains a priority and the BAC continues to urge the District to be creative in its outreach and its team approach with its CM/GCs. We heard public testimony on this subject, and agree that continuous focus is required. At the end of 2015, 8.4% of program payments had been made to MWESB's. We anticipate that these percentages will improve as more MWESB firms under contract at Franklin and Roosevelt perform their work, but this is still well below the aspirational goal.

We must commend the District, however, in its fresh focus on this issue, and its willingness to try new approaches. The selected design team for the Madison master plan, for instance, includes 44% MWESB participation. Also, the RFP document for Grant High School incorporates some significant changes from those previously used, which we hope will result in increased participation on the contractor side.

Safety. At the time of our meeting, there had been no safety incidents on the Roosevelt site where, since the campus is being shared with staff and students, is a significant achievement.

Franklin has experienced 4 “recordable” accidents, all relatively minor and all involving apprentices. As a result, the contractor has revised its work protocol for apprentices and no incidents have occurred since.

Other. We had expressed concern previously about the leadership transition at OSM, and want to report to the Board that our observations to date of Jerry Vincent and his team have been very positive. The level of planning, design, and construction activity remains extraordinarily high and would be a challenge for any management team.

Summary

Portland taxpayers can currently observe their tax money at work at the Franklin, Roosevelt and Faubion sites, and there’s also intense activity behind the scenes in preparation for IP 2016, design of Grant, and master planning of Madison, Lincoln, and Benson. At this point in the bond program, we believe 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.