

MEMORANDUM

Date: May 4, 2016
To: Members of the Board of Education
From: Bond Accountability Committee (BAC)
Subject: 13th 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 April 20 at Madison High School, and we were pleased to be joined by Director 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.
- Receiving bids for IP 2016 (12 schools).
- Schematic Design for Grant High School.
- EdSpecs for Benson, and master planning of Benson, Lincoln, and Madison High Schools.

Monthly District expenditures on the bond program have hit approximately \$10 million; however, the level of activity will now ramp up considerably. Projections indicate that, in the 16 months between now and September 2017, the bond program will expend approximately \$220 million, and average of almost \$14 million per month. All of this is occurring in a very challenging design/construction regional environment.

Current Issues

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

The total Bond Program budget remains \$550 million, of which \$176 million (32%) has been spent although, excluding the \$45 million debt repayment, the program is only 25% complete. Contingencies/reserves at the program level amount to \$20 million after the \$2.2 million from the most recent bond premium is allocated to Roosevelt. However, as discussed below, allocations will need to be made to IP16 work as well as Franklin HS that will reduce this amount considerably. Substantial risks still exist in the program so we are very concerned about this shrinking level of contingency/reserves.

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.

The construction schedule at Franklin has been extended from March 2017 until May as a result of unforeseen conditions. This is still well in advance of school opening in the Fall term of 2017. More problematic, however, is the fact that the project contingency at Franklin has been exhausted for a number of reasons (e.g. hazardous materials abatement, subsurface soil conditions) and the project is at this time forecast to be a little more than \$1 million over budget. We have asked staff for additional scrutiny of the costs and updated projections which should be forthcoming shortly.

There has been significant construction progress at Roosevelt, but much remains to be done before students and staff can move into the new and modernized areas this summer. At best, the move will be very challenging, given the very brief turnover period. The project contingency is now less than 5%; we have concerns about this considering the significant amount of modernization work, with its inevitable surprise elements, to be done in Phase 2.

Construction progress at Faubion is going well. As previously reported, \$1.9 million was transferred from the project contingency to cover the bid amounts that were over budget; however, very little of the remaining contingency was used during this quarter.

Escalating market prices have, as feared and predicted, caused a shortfall on IP16 work. Of the 6 bid packages, one came in on budget but three were substantially over budget. One small package attracted no bids at all, and another received just one bid that was so far over budget it was rejected. The District is proceeding with work from four packages (7 schools) but it will require an injection of about \$3 million from the program reserves. The other work will be deferred.

Proposals are being solicited for design work for IP17 (currently budgeted at \$10 million) but a decision on whether or not to proceed with construction will depend on the program budget status early next year.

Equity. Staff reports on student involvement remain positive. However, at the time of our meeting, the total number of summer internships related to the program had not been established. We will look forward to seeing significant activity in that area.

The employment of apprentices through the Workforce Hiring program continues to exceed the goal and stands at 22%.

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. 7.7% of program payments had been made to MWESB's. We had hoped that these percentages will improve as more MWESB firms under contract at Franklin and Roosevelt perform their work but, with Franklin in particular producing very low numbers, this will remain well below the aspirational goal.

We do again, however, commend the District, on its fresh focus on this issue, and its willingness to try new approaches. You may recall that the RFP document for Grant High School incorporated some significant changes from those previously used in the hope that they would result in increased participation on the contractor side. We are happy to see that an award is being made to Andersen/Colas, a partnership between a major local builder and a minority-owned contractor.

Safety. There were no safety incidents during the recent quarter, so the count remains zero to date at the Roosevelt and Faubion sites and just four minor incidents at Franklin. This is a significant achievement that should be applauded,

particularly at Roosevelt where the campus is being shared with staff and students.

Summary

Portland taxpayers can currently observe their tax money at work at the Franklin, Roosevelt and Faubion sites and soon at the 7 schools in the IP 2016 work, and there's significant behind the scenes work on the design of Grant and master planning of Madison, Lincoln, and Benson. At this point in the bond program, we continue to find the money 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 the continued success of your bond program.