

## **MEMORANDUM**

**Date:** February 24, 2014

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

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

**Subject:** 4th BAC Report to the Board

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### **Background**

In the November 2012 election, 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 15 at Franklin High School. As is the case with all meetings, it was publicly noticed and was open to the public. PPS 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.

We received reports on the final completion of work on the Summer 2013 projects (which came in almost \$1,000,000 below budget), the design status on Roosevelt and Franklin High Schools, and the design work on the replacement of Faubion. In addition, the designs for 12 schools included in the Summer 14 program are on schedule for Spring bids.

The Board has approved the Master Plans for Roosevelt and Franklin, as well as the EdSpecs for High Schools. (We have some concerns about these processes – see below under *Budget & Schedule*.) The Construction Manager/General Contractor (CM/GC) teams for Roosevelt and Franklin have been engaged to provide preconstruction services, and work by the Design Advisory Groups (DAGs) has continued. The Master Plan for Faubion is expected to come before the Board next month.

The BAC heard that your financial auditors provided a clean opinion on the bond fund for last fiscal year (of course, activity was limited for 2012/13). We also heard from the performance auditors on their work plan and schedule; we look forward to consulting with them on their findings, which could result in recommendations of our own.

## **Current Issues**

*Budget and Schedule.* Staff has continued to provide budget information to us in a transparent format. As noted above, almost \$1,000,000 was saved on IP13 work compared to budget. On the other hand, projections for Bond Oversight Costs show about a \$1,000,000 overrun. We appreciate that it is still very early in the program, and we know that staff is paying particular attention to this; we will continue to monitor this expense item. The program budget continues to recognize an almost \$14 million bond premium achieved through the first bond sale, and we support the decision to hold this premium in reserve at this time.

Staff has also responded to our request to provide more detail and transparency on each of the project schedules, and the format used has proved to be very helpful to us. Again, we appreciate staff's responsiveness to our requests.

As noted above, we have budget, schedule and scope concerns over the Master Planning/EdSpecs process on Roosevelt and Franklin High Schools. The original, and logical, plan was to have the EdSpecs approved before work commenced on Master Plans. Similarly, we expected any capacity question on the high schools to be settled at the outset. As we pointed out in our prior report, each of these activities could have derailed the design/construction schedules.

We do not believe that, at this point, the overall scheduled completion of these schools has been compromised. However, the most recent schedules show that design durations have been somewhat compressed. While we have not yet seen any evidence of specific problems, our experience tells us that such compression and the confusion engendered by the late change in school capacity requirements as well as the late adoption of EdSpecs have, at a minimum, increased budget and schedule risk on the projects.

We do recognize that both the project budgets and schedules prepared to date have been conceptual in nature, and that the design teams' cost consultants have been tracking progress. We are, however, concerned about the effects of the process to date, and are looking forward with great interest to reviewing the budgets and schedules that will shortly be developed by each CM/GC.

*Equity.* The Equity Perspective section of the Balanced Scorecard consists of three separate metrics.

Beginning with the IP14 work, the District will work with the City of Portland on a Workforce Training and Hiring Program. While we have some minor concern over how the District and the City will work together on this, we applaud the District for adopting an existing program with which contractors are familiar. We look forward

to the seeing results and fully expect the goal of 20% apprenticeship participation to be achieved.

The bond program is currently showing 12% participation by Minority/Women-Owned/Emerging Small Business (MWESB). While this still falls short at this point of the District's aspirational goal, we understand that it is a significant improvement over previous District achievement. As we have reported before, we expect that contractor percentages for IP14 will also likely lag the goal. The high schools' CM/GC process provides somewhat more flexibility in this area, and the BAC looks forward to seeing creative and successful strategies on those projects.

The Balanced Scorecard shows green for the student participation criteria since consultants and contractors have registered as required on BizConnect. We believe that contractors and consultants are more than willing to work on this issue, and we were encouraged to hear that the District is working on new strategies to better engage students in these opportunities. We agree that some other metric that does a better job of reporting on actual student participation should be developed.

## **Summary**

The BAC continues to be impressed by the caliber and professionalism of OSM and other staff, and thanks the Board for this opportunity to serve and play a part in what we all expect will be a very successful bond program.