

MEMORANDUM

Date: February 5, 2020
To: The Board of Education's School Improvement Bond Committee
From: Bond Accountability Committee (BAC)
Subject: 28th BAC Report

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 included a requirement for citizen accountability and oversight. Following passage of the measure, the Board expanded the BAC's Charter to include the 2017 program.

In October 2019, the Board expanded the BAC's monitoring responsibilities to include the District's future bond planning efforts. Beginning in November 2019, the BAC's reports will be presented to the Board's School Improvement Bond Committee.

The BAC's Charter provides that the Committee "shall consist of approximately seven to ten members..." but we currently have only six. The members of the BAC are:

Tenzin Kalsang Gonta
Tom Peterson
Kevin Spellman, Chair
Dick Steinbrugge
Cheryl Twete
Karen Weyland

Recent Activities

The BAC's regular quarterly meeting was held on January 22 at Jefferson High School. We were pleased to have Director Scott in attendance. As is the case with all regular BAC meetings, it was publicly noticed and open to the public. Staff presentation materials and meeting minutes, along with BAC reports, are regularly posted on the District website.

Office of School Modernization ("OSM") staff continues to be very helpful and supportive of BAC's oversight, and demonstrates a consistent commitment to transparency and clarity in its dealings with the Committee and its members.

There was no public comment.

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

- Construction work at Kellogg Middle School.
- Construction work at Madison High School.
- Construction work at Lincoln High School.
- Punchlist work and closeout at Grant High School.
- Closeout at Roosevelt High School.
- Closeout at Franklin High School.
- Multiple Health and Safety projects.
- Planning and design work for Benson High School.
- Completion of the conceptual master plans for Cleveland, Jefferson, and Wilson High Schools.

2012 Bond Program

Closeout and final accounting are in various stages at Franklin, Roosevelt, and Grant High Schools. Final accounting at Franklin is complete and the audit document will be provided to the BAC. All outstanding change orders have been resolved at Roosevelt, but some cost verification remains incomplete. At Grant, some late cost issues have arisen and are under discussion with the contractor.

Cost projections include funding for some ongoing work at Franklin and Roosevelt (the most significant of which involves window replacement in the historic building at Roosevelt) and a few improvement projects at Grant. Lessons learned on completed schools are shared with the teams on upcoming projects.

OSM has taken a much more aggressive approach to closeout at Grant and, as a result, punch list items are now relatively few and minor. We

are hopeful that the outstanding cost issues can be quickly resolved, allowing the project accounting to be finalized.

As we have noted previously, the final cost at Grant is substantially over the original budget and even over the amount forecast at the start of construction. The District's performance auditors are currently reviewing this progression as a part of their work plan for 2020.

Oregon law provides that evaluations of projects that use alternative contracting methods are prepared shortly after completion. Evaluations on Franklin, Grant, and Roosevelt are expected soon.

Accounting for the entire 2012 bond program now includes interest earnings of approximately \$2 million, and the estimated cost of Roosevelt Phase IV has been recognized. The program now shows projected final savings of \$2.65 million.

2017 Bond Program

The budget situation for the 2017 Bond program remains grim, although little changed from previous reports. The large projects in construction at this time are tracking within their approved budgets, but the overall 2017 bond program continues to report significant unfunded costs, currently at \$259 million.

Construction is well underway on Kellogg Middle School and is scheduled to complete in January 2021 allowing significant time for furniture, fixtures and equipment (FF&E) installation before school opening in the fall. The project contingency remains healthy at this time, and cost projections show completion within the current budget.

Major construction progress has been made during the quarter at Madison High School. Building demolition and abatement work, with significant attendant cost and schedule risks, is essentially complete.

As we discussed last quarter, the Madison project budget includes a reduced project contingency, so we were pleased to receive a briefing on management of that contingency and the threats that multiple risks represent. While there is a long way to go, this proactive management predicts that the project can stay within its budget.

The late issuance of the structural permit for Madison from the City caused an 11-day delay to the project. It is hoped that the building permit, due in early March, will not further delay the work.

Ground has been broken at Lincoln High School and the contractor is about to start on the footings and foundation work, subject to receipt of the foundation permit. Design documents are complete, and the permit set will be submitted by the end of January. We should receive the Guaranteed Maximum Price proposal within a month and expectations are that it, like the 50% construction document phase cost estimate, will be within budget. Opening of the new school is planned for the 2022/23 year with Phase 2 work to follow.

Benson High School has reached the 50% design development phase which will allow for an updated cost estimate for the modernized school building. Design work is also underway on the swing sites (Marshall and Kenton) and there is currently some budget concern over that work. Time is of the essence, particularly at Marshall since some TI work needs to be undertaken this summer and the new auxiliary building should be bid for a fall 2020 start.

Master planning of the Multiple Pathways building (“MPG”) is still underway with Board approval scheduled for February.

We received a comprehensive update of the Health and Safety work, both completed and planned, and OSM will provide the same to the Board (plus post it on the District’s site). Of the \$158 million dedicated to Health and Safety work, over \$60 million has been spent (over \$5 million during the last quarter) as follows:

Accessibility	\$7,716,256
Asbestos Remediation	\$3,468,743
Fire Sprinkler/Alarms	\$8,540,440
Lead Paint Stabilization	\$ 873,117
Radon Mitigation	\$ 149,812
Roof Improvements	\$31,114,067
Security Improvements	\$1,138,924
Water	\$2,235,803
Management Costs	\$5,150,222

The 2020 performance audit will include a report on the District’s management and delivery of the Health and Safety program components in terms of budget and schedule efficiency and quality.

Other Issues

Equity. Results are still being tracked at the project level but, overall, the two bond programs are now combined. Certified business participation

has increased slightly to a cumulative 17.89%, tracked on a payment basis. The District's aspirational goal remains at 18%.

Apprentice trade hours are at 24%, still well ahead of the 20% goal.

We hope to see 2020 plans for student engagement at our April meeting. There are significant opportunities, particularly at Lincoln.

Safety. 128,000 hours have been worked to date, with one minor recordable accident. Kellogg has no recordable accidents, with 24,000 hours worked.

Audits. We briefly reviewed OSM's summary of the status of audit recommendations. Work continues on completing them as quickly as possible.

2020 Bond Planning

The BAC had its first briefing with C.O.O. Jung and Senior Director Cresswell on January 27 at which time we were brought up to date on the Board's ongoing developmental process for a 2020 bond referral. We reviewed templates that the District intends to use as the scope of the referral becomes clearer. Generally, we found these templates and the intended methodology appropriate and consistent with a commitment to transparency. The plan also seems to be responsive to the District's performance auditors' recommendations.

We do have concerns about lack of a clear scope definition with the short time frame leading to a referral, and the pressure this will put on staff and others to develop and vet appropriate cost estimates. We expect to regroup with staff after the Board's upcoming review of project criteria.

Since the conceptual master plans for Cleveland, Jefferson, and Wilson High Schools (some or all of which are candidates for the bond scope) suggest varying degrees of new construction, we reiterate our recent strong recommendation that the Board consider including enhanced seismic standards. This is the time to establish such a policy so that the associated costs can be included in the bond referral.

Summary

The 2012 bond program has met its final schedule goal and has stayed within the program budget. Major budget challenges remain for the 2017 bond program. We remain impressed by the quality and professionalism

of OSM staff, design teams and contractors as they take on multiple issues and are pleased to see continued willingness to explore new approaches. We thank the Board for this opportunity to serve and play a small part in your bond programs.