

## **MEMORANDUM**

**Date:** August 7, 2018  
**To:** Members of the Board of Education  
**From:** Bond Accountability Committee (BAC)  
**Subject:** 22nd 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 included a requirement for citizen accountability and oversight.

The current members of the BAC are:

Tenzin Kalsang Gonta  
Charlie Johnson  
Willy Paul  
Tom Peterson  
Kevin Spellman, Chair  
Cheryl Twete

### **Recent Activities**

The BAC's regular quarterly meeting was held on July 18 at Beaumont Middle School. Directors Kohnstamm and Moore attended all or part of the meeting. 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.

Prior to the meeting, some Committee members toured the construction site at Grant High School and met with District, contractor and architect members of the project team.

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.

As always, the BAC made time for public comment at the start of the meeting. One member of the public expressed significant concerns over the District’s management of warranty obligations and maintenance operations at completed bond-funded projects, with specific reference to Franklin High School. While maintenance expenses are not covered by bond funds, we agree that it’s important that the District takes appropriate action to protect its bond investments. The written comments are posted along with the meeting minutes on the District website.

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

- Closeout of Phase 3 construction at Roosevelt High School (Phase 4 remains on hold).
- Final closeout at Franklin and Faubion schools.
- Construction work at Grant High School.
- Health and Safety work covered by the 2017 bond.
- Demolition work at Kellogg and design of the replacement Middle School.
- Planning and design work for Madison, Lincoln, and Benson High Schools.

We were advised that several key positions within OSM have been filled over the past quarter, and were happy to be introduced to Claire Hertz, the District’s new Deputy Superintendent for Business and Operations. OSM continues to recruit for other positions but faces severe regional shortages of design and construction professionals,

## **2012 Bond Program**

Work covered by the 2012 Bond is proceeding well.

Construction at Grant High School continues at a significant pace and we were happy to hear that the recovery schedule has successfully made up time lost to weather and unforeseen conditions. The project is now back on a more normal (if intense) schedule to achieve opening as planned in

2019. Current projections also show it to be completed within the current budget amount. Project contingencies have been depleted due to weather and other issues, including unexpected hazardous materials and shortcomings in the existing structure; however, the project team expects the remaining contingencies to be sufficient to avoid budget overruns.

Alternative solutions to the Grant softball field location were briefly described to us. The matter will be presented shortly to the Board.

Closeout is still being addressed at Roosevelt High School, including issues related to some value engineering decisions made earlier in the project. The closeout process is always challenging but it seems to be proceeding in a way that's consistent with a project of this magnitude and complexity. The Roosevelt project should still come in about \$800,000 under budget.

Franklin is expected to generate some minor savings from budget, and Faubion is expected to run over slightly. Projections for the 2012 program as a whole show that it will be completed within budget.

## **2017 Bond Program**

The budget situation for the 2017 Bond program is very different. Although there are many moving parts and many estimates remain incomplete, the current projections for Madison, Lincoln, Kellogg and Benson reveal unfunded costs of \$190 million.

Over the past quarter, in accordance with the Board's prior action, work on the District's Middle Schools Conversion amounting to \$11.4 million has been "funded" by reducing the budgets for Madison, Lincoln, and Benson by \$3.8 million each. As the Board is aware, the BAC opposes the use of bond funds for this purpose that we consider to be outside the scope approved by the voters. In our judgment, funding this work by reducing the already inadequate budgets for approved High School work simply underscores the error.

The BAC also opposed the Board's recent approval of the master plan for Madison High School with an undetermined budget, but one that likely exceeds the bond budget by well over 35%. Current estimates for Lincoln and Benson surpass their bond budgets by a similar magnitude.

In our judgment, budget discipline on the 2017 bond was abandoned with the Madison vote. Firm budgets should be immediately re-established for

the high schools, and the project teams should be instructed to adhere to them.

There has been much discussion at the Board level about how the budgets were set for the bond referral. Our emphasis has instead been on the actual designs and associated estimates. Like everyone, we understand that there are significant cost effects of the over-heated regional design/construction market (which tariffs will exacerbate) so we have long encouraged OSM to explore external validation of these project estimates, and we are pleased that some data has indeed been collected.

As it was presented to us, appropriate caveats were included – the analysis is incomplete, “apples to apples” cost information is difficult to validate, every project has unique characteristics, etc. These are all appropriate and should encourage caution in reaching conclusions from the data. We agree that there is a limit to how valuable this comparison can be, but in general terms, we think it can still be instructive. In the broadest sense, Franklin and Roosevelt’s costs are in a “reasonable” zone while Madison and Lincoln’s are not.

Faced with this challenge, we are encouraged that OSM has explored some innovative approaches to the problem. Staff has begun a cost exercise comparing Franklin/Roosevelt/Grant to Madison and Lincoln through a meaningful process and we look forward to seeing the outcome. As we have said many times, we believe that the 2012 bond program was a success, and it therefore can and should be used as a benchmark going forward. For instance, we (and the taxpayers) will want to know with some specificity why, if Franklin’s modernization could be completed last year for \$113 million, the projections for Madison and Lincoln are so high.

The Design Development estimate for Kellogg Middle School is also substantially over budget and a comprehensive reconciliation process is underway. Although this project is not using a CM/GC process, OSM has engaged a contractor for a constructability analysis that should produce some benefits.

OSM is also exploring engagement of outside value engineering services to introduce new perspectives beyond project team VE expertise and constructability reviews. OSM is also engaging with other capital project owners to address common issues and best practices. Further, a comprehensive review of the District’s Program Management Plan has commenced. These are all positive moves.

Work on the Health and Safety packages has continued as planned. (A comprehensive report was recently delivered to the Board by OSM.) Larger projects are underway this summer at Lewis (Interior seismic upgrades, ADA improvements, and fire sprinklers), King (seismic roof upgrades, fire sprinklers and alarm, ADA improvements, and elevator), and Fernwood (seismic roof upgrades, fire sprinklers, and ADA improvements). Work is planned for summer 2019 at Rigler, Jackson, Hayhurst, Sitton, and Chapman, with the goal being to bid these packages earlier in the year. In addition, work on lead abatement (paint and water) and asbestos abatement work continues across the District.

Health and safety work that is part of the District's Middle Schools conversion project is also being funded out of the H&S allocation in the bond.

## **Other Issues**

*Equity.* Results are still being tracked at the project level but, overall, the two programs are now combined. Certified business participation is now at 25% for consultants and 14% for contractors, for a cumulative 16%. The District's aspirational goal remains at 18%.

Apprentice trade hours are at 25%, well ahead of the 20% goal.

Goals for student engagement have been met for 2018, although every opportunity will be explored over the rest of the year.

*Safety.* We did not receive any safety data this quarter, but will be sure to get back on track next time.

*Audits.* We are pleased that a new performance audit firm has been selected by the District, and we look forward to working with their staff as they ramp up their efforts.

*Role of the BAC.* The Committee briefly discussed concerns over our current lack of clarity over our role and the Board's expectations of our work. The Board of Education is, of course, the only policy- and decision-making body for the District. It seems, though, that to be most effective, the BAC should have been more engaged and consulted on the recent major decisions that had such budget impacts. Both bond measures require citizen oversight and accountability and we would like a better understanding of expectations. Informal discussions with Chair Moore are planned.

## **Summary**

There are major challenges ahead on the 2017 bond program. However, we remain impressed by the quality and professionalism of OSM staff as they take on multiple issues, and are pleased that some new approaches are being considered. We thank the Board for this opportunity to serve and play a small part in your bond programs.