

MEMORANDUM

Date: November 29, 2016

To: Members of the Board of Education

From: Bond Accountability Committee (BAC)

Subject: 15th 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 October 19 in the newly-completed media center at Roosevelt High School. As is the case with all regular BAC 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 its dealings with the BAC.

The Committee received updates from staff that included the Balanced Scorecard report with supporting data on program budget and other metrics, as well as reports on each of the current bond projects. Staff presentation materials and meeting minutes, along with BAC reports, are regularly posted on the District website.

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

- Construction at Roosevelt High School.
- Construction at Franklin High School.
- Construction at Faubion PK-8 School.
- Construction on IP 2016 (7 schools).
- Design Development for Grant High School.
- Design work for IP 2017 (16 schools).

The bond program has past the peak of its construction activity, which occurred in the summer months. However, work continues at an

extraordinary pace, all 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 has increased over the last quarter by almost \$400,000 to over \$551 million, of which \$271 million (49%) has been spent. Reflecting the activity level, 10% of the entire bond program was spent in the July – September quarter.

As staff advised during its most recent update, \$6 million has been transferred from program reserves to complete Franklin, and \$2.2 million transferred to Roosevelt as the first installment on the maker space addition. Remaining contingencies/reserves at the program level are now only \$5.8 million and there is no doubt that this is insufficient to complete the original program. This means that the scope of IP 2017/18/19 work will have to be re-thought. Although we do expect some additional bond premium from the next bond sale in 2017, the Board has already committed \$2.8 million of any such premium.

Substantial risks still exist in the program so we remain very concerned about this shrunken level of contingency/reserves.

Project Budgets and Schedules. For the fourth time in this bond program, all schools involved in the IP work opened on time. Once again, no recordable accidents occurred. The unforeseen conditions on the Cleveland HS roofing work caused some delays and significant added expense, but all major work was complete by the end of October. As planned, elevator work at Chavez and Scott will be completed next summer.

The Physical Education building at Franklin will be complete by the end of January, and the main campus remains on track for a May 2017 building completion (the site remains at July 2017). The plan is to be “student-ready” by August 1.

As discussed in our last report, the Franklin project in many ways became the program’s “pilot project” (particularly in the modernization of the historic structure) in the sense that lessons learned on the project will result in savings elsewhere. Certainly, OSM has facilitated the Roosevelt and Grant design and construction teams’ exposure to the Franklin site which should help on those projects.

As you know, Phase 1A at Roosevelt (new gym building and media center) opened for school in August and work continues on getting Phase 1B (Performing Arts and Commons) ready for winter term. Work on Phase 2 (the historic building) has also continued with much of the demolition and abatement work complete. We will ask for an update on project contingency, given our concerns over the significant amount of modernization work with its inevitable surprise elements in Phase 2.

Given the level of activity and the presence of staff and students on site during the school year, it is remarkable that the project remains accident-free. Everyone involved should be proud of this achievement.

The same zero-accident record is in place at Faubion where construction progress at Faubion is going well, with over \$1.8 million remaining in contingency. The team is currently working to make up a 10-day delay in delivery of the masonry materials. Unlike Franklin and Roosevelt, Faubion is a ground-up project with less potential for unforeseen conditions. Nonetheless, the design and construction teams along with the OSM staff should be commended on the progress to date.

At the time of our last report, the design and construction teams on Grant HS were reconciling schematic design estimates for the project. Design is now underway on the design development stage, and the team has re-engaged the Design Advisory Group to bring it up to speed.

Design work for IP17 is proceeding but the scope of work has been adjusted down to reflect budget availability. Science classroom improvements will be made at 6 schools, State Rehabilitation Grant work will occur at Lewis, window restoration work will happen at 2 schools, and 8 schools will be modified for roof fall protection. At this point, only minor work is budgeted for IP18 and IP19.

Equity. Staff reports on student involvement remain positive and, even excluding a few large events, over 1,000 students have been engaged. Nine summer internships were available over the summer.

The employment of apprentices through the Workforce Hiring program continues to exceed the goal at 23%.

Certified business involvement remains a priority and the transition to the District-wide business equity tracking system has been helpful but also comes with its own frustrations. The current reported 13.75% of payments to certified firms within the program does still not reach the aspirational goal but is much improved. 229 contracts have been

awarded within the program, and 80 (35%) have gone to certified firms. However, the system has not merged the early contract performance (which fell well short) into the reported figures. Furthermore, we are only getting reports on a program basis instead of a contract basis. We believe that this makes it very difficult to affirmatively manage performance and additional efforts should be made to provide additional data.

Safety. As noted above, there have been zero accidents to date at Roosevelt and Faubion and, during the quarter, Franklin and the IP work were also accident-free.

Performance Audit. At the time of writing this report, we have scheduled a subcommittee session with staff to look closer at the completeness of work on the auditors' recommendations, as well as the District's responses to the 2016 audit.

Summary

Portland taxpayers can continue to see their tax money at work at the Franklin, Roosevelt and Faubion sites, and there's significant behind the scenes work on the design of Grant and IP17. The amount of work put in place this summer is extraordinary and stretched resources to the limit. While there are certainly challenges, we continue to find the budgets and schedules overall being appropriately 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.