

MEMORANDUM

Date: February 22, 2017

To: Members of the Board of Education

From: Bond Accountability Committee (BAC)

Subject: 16th 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 January 18 at Lincoln High School and we were pleased to have Director Kohnstamm in attendance. 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.
- Closeout on IP 2016 (elevator work at Chavez and Scott continues).
- Design Development budget reconciliation for Grant High School.
- Design work for IP 2017.

The bond program has passed the peak of its construction activity, which occurred in the summer months. However, work continues this quarter at a rapid pace despite severe weather challenges, all in a robust 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 remains at \$551 million, of which \$312 million (57%) has been spent. Reflecting the activity level, 17% of the entire bond program was spent in the second half of 2016 at a rate of almost \$16 million per month, or \$786,000 per day.

As we have discussed during each of our recent reports to the Board, remaining contingencies/reserves at the program level are meager. Staff will be tested during the balance of the program as they balance these reserves with the remaining IP budgets and the continuing needs of the high school projects. Although we do expect some additional bond premium from the next bond sale (2017), the Board has already committed \$2.8 million of any such premium.

We are concerned about the cost ramifications of this winter's severe weather events at Franklin, Roosevelt, and Faubion. In addition, substantial risks still exist in the program with three major projects still to close out and one not even in construction yet so we remain very concerned about the shrunken level of contingency/reserves.

Project Budgets and Schedules. Schedules on each of the major projects have been negatively affected by weather this winter, with additional events even since our meeting in January. OSM is working with each of the contractors to determine what can be done to make up the lost time as well as identifying associated costs. We eagerly await the outcome of this work, which could have a significant effect at the program level.

Franklin continues to plan for the Physical Education building to be complete by April 1, and the rest of the buildings by August 1. Phase 1B at Roosevelt opened as planned in January and the pressure now moves to completing Phase 2 by summer. Faubion had made up some lost time before the weather hit but will now need to redouble their efforts.

The logistics of opening Franklin, Faubion, and Phase 2 at Roosevelt, plus relocating Grant to Marshall during the same window this summer

will put great stress on PPS staff. Furniture, IT, etc. will all have to be coordinated for a successful operation. Nevertheless, patience will be required of school staffs and administrators.

Project budgets continue to be pressured. Franklin expects to use essentially its entire contingency, Roosevelt has an overrun, and Faubion's contingency is down to 3%. In addition, the Design Development estimates at Grant exceed the budget, so additional reconciliation work is underway there.

Roosevelt projects a \$1 million overrun, which will be funded through a Qualified Zone Academy Bond (QZAB), which is a 25-year interest-free federal program. The BAC will work with OSM to review the causes of the changes to ensure that they are appropriate.

Most of the work on IP 16 is in close out. (As planned, elevator work at Chavez and Scott will be completed next summer.) The Cleveland HS roofing work was complete by the end of October but caused a significant cost overrun due to unforeseen structural issues.

Design work for IP17 is proceeding but the scope of work has again been adjusted to reflect budget realities. The design of science classroom improvements at 6 schools will be completed, and the seismic work at Lewis will proceed to construction if a State Rehabilitation Grant is received. Plans for IP18 and IP19 are entirely dependent on budget availability.

Equity. Staff reports on student involvement remain positive and, even excluding a few large events, 1,300 students have been engaged. Derek Henderson at OSM has done an outstanding job of working with the schools and contractors to find and implement opportunities.

The employment of apprentices through the Workforce Hiring program continues to exceed the 20% goal.

Certified business involvement remains a priority. In aggregate, 11.5% of total payments have been made to certified firms but contractor performance has varied a great deal. At this point, the standout performer is Lease Crutcher Lewis (Roosevelt) with 22%.

The new tracking software is under revision at this time so that it will report certified business results on a contract basis in the future. This should provide better data to help manage performance.

Safety. Faubion retains its accident-free record. Unfortunately, one minor accident occurred during the quarter at Roosevelt but, overall, the program's safety record remains outstanding.

Performance Audit. We were pleased to have the District's performance auditors attend our meeting. We reviewed with staff the status of open items on the recommendations list, which have now been prioritized and assigned. We will follow up on these at future meetings.

Summary

The bond program completed an extraordinary amount of design and construction work in 2016. While challenges have arisen and many remain, we continue to find the taxpayers to be well served, with 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.