

MEMORANDUM

Date: November 18, 2019

To: The Board of Education's School Improvement Bond Committee

From: Bond Accountability Committee (BAC)

Subject: 27th 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 current 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 October 30 in the Library at the modernized Grant High School. We were pleased to welcome

Directors Bailey and Scott for 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.

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.

Public comment was offered by a representative of a subcontracting company which had worked on the modernization of Grant. The same gentleman had provided very critical testimony some time ago concerning his minority-owned company’s experience while working on the Franklin High School modernization. In contrast, this time he offered effusive praise of the Grant general contractor and the whole team on the project. He said that his company had been welcomed on the job as a teammate, and that the relationship had been the best he had experienced in over 20 years in the business. His company has now started work at Madison High School, and he is looking forward to a similar positive involvement there.

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

- Construction work at Kellogg Middle School.
- Construction work at Madison 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 Lincoln, and Benson High Schools.

2012 Bond Program

The last major project from the 2012 bond was completed this quarter with the on-time opening of Grant High School. There are some ongoing construction issues at the school (paging/bell system, HVAC controls programming) being addressed, and the final cost audit must be completed, but staff is planning on a much timelier close out than on the other high schools.

As we have noted previously, the final cost at Grant is substantially over the original budget and even over the amount forecast two years ago when construction commenced. We are pleased to see that an analysis of these increases on the Grant project is included in the performance auditors’ work plan for 2020.

There are some continuing concerns at both Franklin and Roosevelt. Staff is monitoring some unexplained concrete settling at Franklin and has reserved some funds for any necessary repairs, and replacement of windows in the historic building at Roosevelt has also been budgeted.

Oregon law provides that evaluations of projects that were exempted from competitive bidding are prepared shortly after completion. Evaluations on Franklin, Grant, and Roosevelt are expected shortly.

Staff now projects savings of \$4,472,000 after completion of all current scope from the 2012 bond and the Board committee has been considering options for appropriate use of these funds. (These savings do not include expected interest earnings of approximately \$2 million.)

It must be considered a resounding success when a seven-year bond program involving four major projects plus work at over fifty other schools is completed within budget and all major timelines that were set forth back in 2012 have been achieved. Additional funds (bond premiums, state grants, etc.) did become available, for sure, and they allowed considerably more space at each of the high schools than had been promised in the bond. District staff (current and former), plus numerous contractors and designers should be recognized for this achievement, along with the support they have received from this and previous Boards.

2017 Bond Program

The budget situation for the 2017 Bond program remains dire. During the last quarter, the funds available for Benson High School have been increased by \$11.4 million from CET funds that the Board had previously authorized. The 2017 bond program now reports unfunded costs of \$257 million.

Construction is well underway on Kellogg Middle School. Completion is scheduled for April 2021 with school opening set for 2021/22. Cost projections show completion within the current revised budget.

The guaranteed maximum price for Madison High School has been agreed with the contractor and approved by the Board, and major demolition and abatement work is almost complete. The current project budget includes a reduced project contingency, so we are looking forward to seeing a fresh analysis after the risks associated with these early phases of work have passed.

Staff advised that several value engineering options, particularly within the electrical scope, are being considered in a further effort to reduce budget risk.

The late issuance of the structural permit for Madison from the City caused an 11-day delay to the project. The contractor is making progress towards recovery of this time.

There is good budget news on the new Lincoln High School, with the 50% construction document phase cost estimate having met budget. We remain encouraged that some innovative approaches seem to be having positive effects on the project. A groundbreaking ceremony is set for December 14, with site work under an Early Work Amendment beginning in January, a 5-month early start to the original construction schedule. Opening of the new school is planned for the 2022/23 year.

Design of Benson High School is in the design development phase after a considerable budget reconciliation and value engineering effort at the end of schematic design. (The Multiple Pathways to Graduation (“MPG”) building is in pre-design.) We received a briefing from the project team on schedule, the extended VE process, and extensive site investigations. The total project budget (including MPG) remains at \$358 million which is \$156 million over the original budget.

Construction work on the two swing sites (Marshall and Kenton) will take place during the summers of 2020 and 2021, with work beginning on both Benson and MPG in summer 2021. Both will open in Fall 2024.

Of the \$158 million dedicated to Health and Safety work, almost \$55 million had been spent by October as follows:

Accessibility	\$7,703,374
Asbestos Remediation	\$3,299,112
Fire Sprinkler/Alarms	\$7,166,239
Lead Paint Stabilization	\$ 861,306
Radon Mitigation	\$ 149,812
Roof Improvements	\$29,211,113
Security Improvements	\$ 642,966
Water	\$2,015,689
Management Costs	\$3,787,505

A considerable amount of work in each of these categories was undertaken during last summer and into the school year. Designs for summer 2020 projects are underway as well as for fire alarm upgrades at 18 schools.

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 is steady at a cumulative 17.65%, 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.

Goals for student engagement have been met for 2019, and we look forward to seeing tabulations of summer internships and other activities.

Safety. There were 12 recordable accidents during the two years of construction activity at Grant, and none of them were serious. 689,000 hours were worked on the project. No accidents have occurred to date on the Kellogg and Madison (71,000 hours to date) sites.

Audits. We were briefed in early October on Phase II of the 2019 performance audit and agree with the audit recommendations. OSM staff have taken no exception and have established an audit implementation team. We also provided some input to the auditors into the work plan for the 2020 audit.

Revised Charter. As you know, the Board recently expanded the BAC's monitoring responsibilities to include the District's future bond planning efforts. As required by the revised Charter, our focus will be on cost estimating processes related to proposed work, and bond development risk management strategies including project cost escalation assumptions, contingency assumptions, bond management cost estimates, etc. Our initial briefing from staff occurred on November 13.

Taxes. Staff reported on the likely effect of the newly enacted Student Success Act and has projected a cost to the 2017 bond program of \$4.4 million. We now understand that the Portland Clean Energy Fund will not apply to public projects.

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.