

MEMORANDUM

Date: August 12, 2014

To: Members of the Board of Education

From: Bond Accountability Committee (BAC)

Subject: 6th BAC Report to the Board

Background

In the November 2012 election, 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 July 16 at the District office. As is the case with all 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 all dealings with the BAC.

We received reports on the design status on Roosevelt and Franklin High Schools, the schematic design process for the replacement of Faubion, the kick-off of Summer 14 work (IP14), and planning for Summer 15 work (IP15). We also learned about fire alarm, tenant improvement, and site improvement work at Marshall High School in preparation for Franklin students in 2015. Finally, staff reported on a study at Grant High School's exterior brick condition.

The IP 2014 work at 12 schools is broken down into 6 packages with a revised budget of \$19.2 million. This work is even more challenging than last summer's program, requiring more oversight, with only 63 calendar days available. (Recall, however, that work on elevators at 3 of the schools will continue during the school year with a planned summer 2015 completion.) OSM has adopted some of the lessons learned from the successful IP13 experience, particularly relating to change order and invoice processes.

Lessons learned have also caused OSM to engage a design team for IP15 much earlier than prior years. Work at 8 schools with a budget of \$12.5 million is planned, along with additional Science Classrooms and ADA upgrades (\$2.6 million) at an additional 19 locations.

The Faubion team has halted schematic design at the 50% stage while Concordia fundraising is ongoing, with the expectation of a September re-start. We have some concern over how to balance progress with the design process without full funding, but do not suggest any change of plan at this point. Like everyone, we are excited by this unique and exciting partnership, and will follow progress with great interest. We are planning to hold our October meeting at Concordia.

The BAC received an update on MWESB participation that, since only consultant work has occurred since our last meeting, is little changed (11%). Data from IP14 construction work was not yet available, but we do not expect an uptick since contractors are selected through a bid process. We will continue to monitor the results and remain confident that the District will have a superior experience on the upcoming CM/GC projects that, of course, involve more significant dollars.

Staff also reported on progress on the excellent recommendations made by your Performance Auditors. Work on several has been completed, and we will continue to monitor.

Current Issues

New Procedures for construction contracts. The new Owner Controlled Insurance Program (OCIP) and the Workforce Training and Hiring Program are both in place for the first time on the IP14 projects. OSM reported on an OCIP learning curve in registering contractors prior to Notices to proceed. We believe that the experience will lead to a smoother process next year.

City of Portland staff will administer the Workforce program and we again applaud the District for adopting a program that is familiar to contractors. Issues will inevitably arise as the District and the City learn to work together on this, but we fully expect the goal of 20% apprenticeship participation to be achieved.

Student Involvement. Staff reports on student involvement are very encouraging. Many summer internships are in place, and several student activities occurred in July.

OSM is still working on appropriate metrics for student involvement, and we agree that it's a difficult challenge. However, we will continue to work with staff as appropriate so that we can all see that significant efforts are bearing fruit.

Budget. Staff has continued to provide budget information to us in a transparent format.

Much has transpired since our last report, but we can report that both the program

and the budget remain intact at this point.

Staff demonstrated to us how the project budgets have been adjusted by allocation from the escalation reserve (originally \$45 million). BAC members expressed some concern over this, but were satisfied to know that, while the reserve has been re-allocated to the project budgets, the designers will not be allowed to design to the increased amounts, allowing the escalation dollars to be used for the intended purpose. Some members did share their own experiences of increased inflation and/or market-driven cost factors, and there remains concern that the escalation reserve (project-based or not) may be insufficient.

Notwithstanding that, the BAC believes that the original reserve was a reasonable estimate; as the work is priced and bid out, we will learn whether it is sufficient or not.

Over the last quarter, the “additional criteria” for high schools and its effect on budgets have been the subject of much discussion at the Board level. The BAC is pleased with the decision to not shortchange the promised future IP work in order to fund additional scope at the high schools.

Following our July meeting, the Board has approved other sources of funding for this additional scope and has expressed the hope that these funds may be repaid through savings within the bond program, for example through the current bond premium. No one can say, of course, if that premium will still exist after future bond sales but if it does, we do have some concern about “competition” once again between the high schools and the complete IP program. Time will tell.

Schedule. Staff has continued to provide detail and transparency on each of the project schedules, and the format used has proved to be very helpful to us. Again, we appreciate staff’s responsiveness to our requests in this regard.

Both Roosevelt and Franklin designs are significantly behind the Baseline Schedule, as reflected by the “red” report in staff’s Balanced Scorecard. This delay is due changes in school capacity requirements, the extensive public outreach and involvement processes, and discussions over the “additional criteria” (see above).

This does not mean that the completion dates will change, but time will have to be made up during the rest of the design process and/or construction period, and Franklin in particular is already reporting some progress. We look forward to seeing more detailed design and construction schedules for these schools that will recover the lost time. Schedule impacts at this early stage of the projects can only increase risk to budget, quality, and scope.

Communication. Subsequent to our meeting, a Frequently Asked Questions section has been added to the Building Improvement Bond section of the website. This will be very helpful in communicating issues to the public and we look forward to seeing regular updates.

Summary

It has generally been a good quarter for the bond program. Of course, our overriding concern remains over management of schedule, budget, scope and quality impacts from high school program changes. Assertive risk management strategies are needed to maintain control, and we will be looking to staff to continue its reporting on these at our next meeting.

We continue to be impressed by the caliber 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 part in what we still expect will be a very successful bond program.