

MEMORANDUM

Date: August 31, 2020

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

From: Bond Accountability Committee (BAC)

Subject: 30th 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 are delivered to the Board's School Improvement Bond Committee.

The members of the BAC are:

Greg DiLoreto
Norm Dowty
Tenzin Kalsang Gonta
Tom Peterson
Kevin Spellman, Chair
Dick Steinbrugge
Cheryl Twete
Karen Weylandt
Beth Woodward

Recent Activities

The BAC's quarterly meeting was held in a virtual session on July 29. As is the case with all regular BAC meetings, it was publicly noticed and, since it was a virtual meeting, the public was invited to submit written comment and view a live stream. Staff presentation materials and meeting minutes, along with BAC reports, are regularly posted on the District website.

No public comment was received.

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

- Construction work at Kellogg Middle School.
- Construction work at Madison High School.
- Construction work at Lincoln High School.
- Punchlist work and closeout at Grant High School.
- Closeout at Roosevelt High School, work on the windows rehabilitation and tenant improvement phase of Phase IV.
- Closeout at Franklin High School.
- Multiple Health and Safety projects.
- Design work for Benson High School and Multiple Pathways to Graduation ("MPG"), plus site investigation work at Benson and tenant improvement work at Marshall.

The Office of School Modernization ("OSM") continues its search to fill several staff vacancies including the Director of Construction position. OSM will also be recruiting a Senior Manager of Business Operations. Although OSM leadership has performed valiantly during this difficult time, we agree that this additional support is much needed.

The current contract for overall program management and construction management services (CBRE/Heery) expires in December, so an RFP process is underway.

OSM's presentation of the projects' schedule status now includes a summary from its scheduling consultant and also shows comparisons against the baseline schedules. We greatly appreciate this change.

2012 Bond Program

Closeout and final accounting are in various stages at Franklin, Roosevelt, and Grant High Schools. Final accounting at Franklin is complete and only the required contract evaluation remains outstanding. Our audit subcommittee has received a copy of the closeout cost audit for Roosevelt (through Phase III) and we look forward to seeing the District's response to the questioned items. At

Grant, some late cost issues have arisen and remain under discussion with the contractor.

30-A1. Staff is requested to provide the BAC with its response to the closeout cost audit on the Roosevelt project.

30-A2. The BAC recommends that lessons learned from the late cost issues on the Grant project be formalized and adopted program wide. Staff is requested to provide the BAC with a summary.

Cost projections include funding for some ongoing work at Franklin and Roosevelt and a few improvement projects at Grant. Lessons learned on completed schools are shared with the teams on upcoming projects.

Work on the window rehabilitation at Roosevelt is in the completion stage, well ahead of the original schedule. Some limited TI work related to Phase IV at Roosevelt is also underway, with a permit and construction start on the addition set for October.

OSM's more aggressive approach to punchlist and warranty at Grant has led to a successful outcome. We are hopeful that the outstanding cost issues can be quickly resolved, allowing the project accounting to be finalized.

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

30-A3. Staff is again requested to promptly provide the BAC with a schedule for completion of the required evaluations for Franklin, Roosevelt, and Grant.

The 2012 program now shows projected final savings of \$994,000.

2017 Bond Program

The budget situation for the 2017 Bond program remains in the red. As reported last quarter, a bond premium amounting to \$68 million was secured from the most recent bond sale; it is currently being carried in the program budget, but we believe that it should be applied directly to the shortfall at Benson.

29-R1. OSM should immediately transfer the \$68 million bond premium from the most recent sale of bonds to the Current Budget for Benson High School.

Projected interest earnings for the program have been reduced from \$21.5 million to \$12 million. In addition, an error in recording interest earnings for 2019

resulted in an over-statement of more than \$3 million; this adjustment will reduce available program contingency. The entire program now reports unfunded costs of \$210 million. (A projected shortfall of \$214 million has been included in the Board's 2020 bond referral.)

Challenges arising out of the coronavirus pandemic continue to impact the program. OSM, like all of PPS, is learning to manage and collaborate remotely. Operational safety plans have been established for each of the construction sites incorporating best practices based on recommendations by the CDC, local health officials and the District. Each of the contractors has provided their own COVID-19 safety plans. There have been a few confirmed cases on District projects which have been addressed in accordance with COVID protocols.

The pandemic has caused some labor challenges, slowdowns from social distancing requirements, and supply chain disruptions. OSM staff has been proactive in working with contractors to identify and mitigate problems but resultant costs are building. We did not receive the requested program-wide summary of incurred and projected COVID-related costs although project staff did provide what may be a mix of actual and forecasted costs. Both Kellogg and Lincoln staff reported that, at this point at least, the costs can be absorbed by project contingencies. On the other hand, Madison staff estimates that its costs can only be partially covered by its project contingency.

Given the high-risk potential of this issue, we again recommended that staff regularly update and report its program-wide analysis of both incurred and projected costs as well as schedule impacts.

30-A4. Staff is again requested to present its updated analysis of incurred and projected cost and schedule impacts of COVID-19 at each of our regular meetings.

Construction continues at Kellogg Middle School and is scheduled to complete in early 2021 allowing significant time for FF&E installation before school opening in the fall. The project contingency remains healthy at this time, and cost projections show completion within the current budget.

Schedule and budget remain the key issues at Madison High School. Little if any schedule float remains after delays in the permitting process, and 1.5 days were lost to a COVID-related shutdown. Staff and contractors continue to work on mitigation options.

The renaming of Madison could also have an effect on schedule; OSM should advise the Board of the timeline under which a change can be accommodated prior to reopening.

Schedule issues will also affect the budget with its reduced project contingency which, as noted above, may be exhausted by COVID costs. It's imperative to keep abreast of this, and we expect an update on the status of that contingency at our October meeting.

30-A5. Staff is requested to fully brief the BAC on the status of the project contingency at Madison during our next meeting.

The work at Lincoln High School covered by a structural permit is almost complete and the building permit is still expected by the end of August. COVID issues have caused disruptions in structural steel procurement (both detailing and fabrication) resulting in a change in supplier.

Relocation of a PGE Transmission Duct Bank has created a fresh challenge, but the work will be undertaken during Phase II and will be covered by the off-site improvements budget.

Staff reported that the GMP amount approved by the Board is \$280,000 under budget but, since the BAC noted that it did not seem to fit within the total project budget, staff will provide more information. (This has been done subsequent to the meeting.)

The Lincoln schedule still predicts completion of Phase I by 2022/23 school opening, with Phase 2 work to follow.

Benson High School has reached the 75% design development milestone, and work continues on value engineering options to be sure that the next cost estimate is within budget while retaining an acceptable project contingency. The project's Type III review was approved in July by the Historic Landmarks Commission. Investigation work is occurring as planned in the building during the summer.

Swing site work at Marshall and Kenton has started this summer, while the auxiliary CTE building at Marshall is being reduced in size for budget purposes. Completing design and obtaining permits in time for the planned construction start will be a challenge.

The schematic design phase of the Multiple Pathways building is underway with the Design Advisory Group set to reconvene in the fall.

Health and Safety staff and contractors are extraordinarily busy this summer with work at multiple school sites. Roof work is underway at 6 schools, fire alarm work at 18, ADA work at 6, and asbestos abatement at 11 locations. In addition, lead paint, water quality, and security work continue. Of the \$158 million dedicated to Health and Safety work, over \$74 million has been spent as follows:

Accessibility	\$8,299,000
Asbestos Remediation	\$3,818,000
Fire Sprinkler/Alarms	\$11,272,000
Lead Paint Stabilization	\$ 887,000
Radon Mitigation	\$ 159,000
Roof Improvements	\$32,423,000
Security Improvements	\$4,018,000
Water	\$2,619,000
Management Costs	\$7,689,000
OSCIM Grant	\$3,278,000

Other Issues

Equity. Certified business participation program-wide has fallen again to a cumulative 15.98%. The District’s aspirational goal remains at 18%. This latest data has highlighted an issue with the reporting protocols. Participation is reported on a payment basis, so it will always vary depending on the trade composition during the current period. It also makes it impossible to predict where the program will end up and therefore allow for mid-course adjustments to be made.

The Madison contractor gave a presentation of that project’s experience and advised that, on a contract basis, participation is at only 11.92% with very few additional contracts to be let. There are many reasons for this shortfall which came about despite the contractor’s robust outreach effort. Our concern was exacerbated by the Lincoln team’s report that, after letting most of the Phase I contracts, the project has only secured 11% participation. Consultants on Lincoln and Benson are also falling short of the goal.

It seems clear there are significant hurdles to meeting the District’s goal, at least on the larger projects, and that reporting only on a payment basis can provide insufficient notice of shortfalls. We suggest that OSM engage with Community Engagement and Purchasing and Contracting to review the situation and recommend improvements in both implementation and reporting.

30-A6. OSM should work with Community Engagement and Purchasing and Contracting to recommend improvements that will increase COBID participation in the District’s bond programs.

Apprentice trade hours are at 24%, still well ahead of the 20% goal. However, it seems that the larger projects are starting to see industry-wide challenges with laborer apprentices.

Staff reported that student participation has suffered during the pandemic for obvious reasons. However, staff continues to look for more virtual student engagement opportunities. The Lincoln team is particularly active, and we look forward to regular updates.

Safety. 308,000 hours have been worked to date at Madison, with one minor recordable accident. Kellogg and Lincoln have no recordable accidents, with 69,000 and 19,000 hours worked respectively.

Audits. The mid-contract cost audit at Madison has been provided and we're hoping to hold an audit subcommittee meeting with staff and the cost auditor shortly, subject to a determination of how public meeting rules apply to such meetings.

30-A7. Staff is requested to schedule a subcommittee meeting with the cost auditor to discuss the Madison mid-contract cost audit as soon as the public meeting rules are clarified.

Other

It has become increasingly apparent that the reporting framework for our regular meetings is no longer effective. It was created in 2013 when there were just a handful of projects in progress at any one time. Now, as an example, the Project Cost Report has over 100 line items.

Marina Cresswell recognized this as an issue as soon as she was appointed Senior Director of OSM but, obviously, other priorities have emerged. However, we hope that both she and Dan Jung will agree that this is the time to improve the structure of the BAC/OSM interaction. This will be particularly important if the 2020 bond referral is passed in November.

The Board can help. A 2021 BAC Chair should take the lead in this process, so naming that person now is critical. Also note that, as discussed previously, three BAC members will be leaving at the end of the year and there is currently one open seat.

30-R1. The Board should consider naming the 2021 BAC Chair as soon as possible to allow that person to work with staff on a new reporting framework.

Summary

Current projects are reported on schedule and on budget. However, there are significant uncertainties arising from the unprecedented pandemic. These are

extraordinary times; we hope that OSM will reach out to the BAC for creative advice and counsel as appropriate.

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.