

MEMORANDUM

Date: November 10, 2014

To: Members of the Board of Education

From: Bond Accountability Committee (BAC)

Subject: 7th 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 October 15 at Concordia University. As is the case with all meetings, it was publicly noticed and open to the public. Public comment was received. 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.

Gary Withers of Concordia and Jen McCalley, Assistant Principal at Faubion, demonstrated the unique synergy between the college and school during their presentation. They increased our excitement over this one-of-a-kind partnership, and will continue to follow progress with great interest. The Disposition and Development Agreement between PPS and Concordia is expected to be ready for approval shortly. Schematic design is underway again based on an estimated commitment of \$15 million from Concordia, which will lead into an application for a Conditional Use Permit from the City.

We received reports on the design status on Roosevelt and Franklin High Schools, completion 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.

The project teams at all 12 schools in IP 2014 are to be congratulated. This work, with a revised budget of \$19.2 million, was even more challenging than the previous summer's program, requiring more oversight, with only 63 calendar days available. (Except, of course, that work on elevators at 3 of the schools will continue during the school year with a summer 2015 completion.) Work at all 12

schools was completed on time and only about one-half of the project contingencies were expended.

Design teams are hard at work on the IP15 program. 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.

Staff also reported on progress on the excellent recommendations made by the Performance Auditors. Work on several has been completed, and we will continue to monitor. We will meet again with the auditors next week to discuss issues for their next round of assessment.

Current Issues

Schedules. 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 at the schematic design level in staff's Balanced Scorecard. These delays have many causes, including changes in school capacity requirements, the extensive public outreach and involvement processes, and discussions over the "additional criteria".

Franklin's design development phase is now complete, and the first construction bid package is planned for late January. Contractor mobilization has slipped from March to June; this doesn't cause too much concern, however, since the work that could have been accomplished before school's out was limited. We look forward to seeing a more detailed construction schedule (including permitting) that, we hope, will minimize the early negative schedule impacts that have been suffered.

Design development at Roosevelt is further behind, and the first bid package is set for early March. However, a phased permitting process is planned to generally maintain the original construction start date. Meetings with the City have caused the team to revise the original phasing plan due to occupancy concerns. This, along with additional enrollment at the school, will require temporary facilities to be necessary. The plan calls for Phase 1 (new Gym/Classroom Wing/Theater/Renovated Building for New Arts & Media Center) to be complete for school opening in 2016, and Phase 2 (full renovation of Main Building) will be complete for 2017 opening. Sitework and demolition will continue into the fall of 2017.

Again, we look forward to seeing more detailed construction phasing schedules (including permitting).

Work on the fire alarm system at Marshall is running behind the original schedule but, at 70% complete, the work will be done in plenty of time for the Franklin move-in next summer.

Yet another major project will shortly be in the mix. Selection of a design team for Grant High School will take place in the 2nd quarter of 2015.

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

The total program budget now sits at \$522 million, having increased since July by \$8 million approved by the Board for additional criteria at the high schools and a \$15 million estimated commitment from Concordia. Of course, it is still hoped that the \$8 million will ultimately be funded out of the Bond Premium, which remains at \$13.9 million.

We will all know a great deal more about the budget next time we meet. The Guaranteed Maximum Price (GMP) is due for Franklin by the end of the year, and for Roosevelt shortly thereafter. These will represent a significant transfer of budget risk from the District to the contractors, allowing us to have a far better gauge of the condition of our budgets.

Although on an entirely different scale, the recent budget experience on IP14 includes both good news and bad news. On the negative side, it appears that market conditions may be causing price increases. However, the District's project contingencies held up very well through construction, and will return some savings to the program. How this translates to the high schools is yet to be seen.

Equity. Staff reports on student involvement remain encouraging. The Board received some detail in the August OSM report.

OSM has settled on a reporting metric for student involvement to be included in the Balanced Scorecard. Instead of trying to report by project, it will now report by year since many activities are not directly project-based. As you will see from the report, 2013 was a learning experience with significant improvement in 2014. We will continue to monitor and encourage student involvement.

The use of MWESBs continues to be a challenge in some ways. However, in sum, the program report payments to date to MWESB firms amount to almost \$3.1

million, representing 9% of total payments. Contractors still lag behind, a result of the fact that all work to date has been awarded on a low bid basis with only aspirational goals applied. We continue to expect this percentage to increase as the high school work gets under way.

In total, consultants are meeting the District's 18% goal, which is certainly impressive. However, a drill-down shows that there is certainly room for further improvement. All of the IP work has exceeded the goal, but the other individual projects are falling short at this point. We will continue to remind staff that each of those consultant teams were evaluated and partly selected on their commitment to meeting the goals, so we expect improved performance.

Other. During the almost two years into the bond program, the BAC has worked hard to report on areas that have seemed to be most important to the Board. Inevitably, those have largely been focused on work scope, schedule, and budget objectives.

We were reminded through public testimony during our meeting, however, that our charter is broader, and we agree that more attention to other areas is appropriate. We have some concerns, though perhaps not the same, about the effectiveness of the Design Advisory Committees and will ask staff to report on that subject. We may also suggest this as a subject of interest to the performance auditors.

We will also work again with staff in an effort to find an effective way of reporting on the other key elements of our charter (sustainability, historic preservation, partnerships, etc.). Any suggestions from the Board would be welcomed.

Summary

It has been another good quarter for the bond program, with impressive performance on the IP14 work and significant progress on the high school planning and design. Of course, we remain concerned about management of future schedule, budget, scope and quality impacts from the high school program delays to date. Assertive risk management strategies should be employed to maintain control, and we will be looking to staff to continue its reporting on these at our next meeting.

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 part in what we still expect will be a very successful bond program.