

MEMORANDUM

Date: February 10, 2015

To: Members of the Board of Education

From: Bond Accountability Committee (BAC)

Subject: 8th 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 January 21 at Grant High School, and we were pleased to be joined by Directors Belisle, Buel and Koehler. As is the case with all meetings, it was publicly noticed and open to the public. No 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.

At the outset, BAC members were appointed for staggered terms, with Willy Paul and Tom Peterson serving initial two-year terms. We are delighted that both Willy and Tom were willing to serve longer, and that the Board has appointed them both to fresh terms. Their long experience at Kaiser Permanente and the Port of Portland respectively has proven invaluable to the Committee.

At the meeting, the Committee received updates from staff that included the Balanced Scorecard report with supporting data on budget and other metrics, each of the bond projects, and the status of last year's performance audit recommendations. We also heard reports on bond work that related to the historic significance of our school buildings, and an update on capital partnerships that have been developed.

The projects at Roosevelt and Franklin High Schools are at a critical point. Negotiations are underway with both CM/GC firms on establishing a Guaranteed Maximum Price for the construction work, which represents a significant transfer of risk from the District to the contractors. We were pleased to hear that the State has awarded a \$1.3 million Seismic Rehabilitation Grant to Franklin to augment

the planned seismic improvements, so that sum will be added to the project budget.

A Project Director has been appointed for the Grant High School project, and she will be moving promptly to a selection of a design team, with Master Planning scheduled to start mid-year. The design of Faubion PK-8 School Replacement is underway again, and construction is expected to start this Fall.

The elevator work associated with the IP14 program is moving ahead, with completion expected this month at James John and Hosford. Design work for IP15 is on track for an earlier Notices to Proceed on seven construction contracts this summer, the result of the lessons learned program from prior years. The improvement work at Marshall is coming to a close, and we're pleased that open houses are scheduled for the Franklin and Grant communities in the near future.

An additional project, roof replacement at Maplewood Elementary, has been added to this summer's project list. We understand that PPS's maintenance staff recognized an immediate need, and we are pleased that OSM was flexible enough to accommodate. This work would have been included as a future IP project, so the funds were brought forward to cover the cost.

Following the meeting, the Committee was given access to the District's financial audit, which includes the bond program. We were pleased to learn that the auditors raised no questions concerning the implementation of the program.

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 remain behind the Baseline Schedule, as reflected by the "red" report at design levels in staff's Balanced Scorecard (although overall they are both "yellow"). These delays have many causes, including changes in school capacity requirements, the extensive public outreach and involvement processes, and discussions over the "additional criteria".

The completion of construction documents at both schools has been phased, along with the building permit approvals. This can often work well, and we understand that the City is fully cooperative, but it can also create problems so we will be watching that process closely. It's also difficult to move forward too aggressively on construction documents while the Guaranteed Maximum Price remains unsettled, so those negotiations are definitely on the critical path. We

expect that issue to be resolved before our next meeting, so we will all have a much clearer understanding of the schedules.

Both IP13 and IP14 managed their incredibly tight schedules superbly. The challenge for IP15 is no less significant with 65 calendar days available. Managing seven construction contracts within that timeframe will be a challenge, which staff have to date managed to meet.

Following a break in the design process to allow Concordia University to develop its fundraising program, the team seems ramped up to complete a construction package for bid in the third quarter.

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

The total program budget remains at \$522 million, including the \$15 million estimated commitment from Concordia. The Development and Disposition Agreement remains incomplete, but we are hoping it will be signed shortly.

We will all know a great deal more about the budget next time we meet. We had hoped that the Guaranteed Maximum Price (GMP) for Franklin would have been resolved, but we expect that it, along with Roosevelt, will complete very soon.

The Committee does have concerns about market conditions causing price increases. All of the escalation reserve has been distributed to the projects so there is no remaining pot to draw from in the event of increased prices. Committee members have observed some significant recent price pressure in the industry. However, the District's project contingencies on the IP work have held up very well through construction so far, 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 new reporting metric for student involvement in the Balanced Scorecard makes more sense to the Committee. Instead of trying to report by project, it will now report by year since many activities are not directly project-based. 2013 was a learning experience with significant improvement in 2014, and we are hoping that momentum can carry forward into this year and beyond. We will continue to monitor and encourage student involvement.

The employment of apprentices through the Workforce Hiring program exceeded expectations on IP14 and the work at Marshall. Again, we hope the trend continues.

The use of MWESBs to date continues to be a challenge. However, in sum, the program has reported payments to date to MWESB firms in an amount that exceeds \$3.7 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.

Stakeholder Perspective. Feedback from the various stakeholder groups has been generally very positive, with the exception of the Roosevelt Design Advisory Group (DAG), which reports "yellow" on the Balanced Scorecard. There was not a large sample, so this could be skewed but we should pay attention in any event. Staff reported that OSM will carry lessons learned into the formation and implementation of the DAG for Grant High School. There will be a clearer statement of purpose, PPS staff members other than the School Principal will be excluded (with other avenues open for their input) and a chairperson will be asked to direct the process. We agree that changes are necessary and these seem appropriate.

Performance Audit. Staff has been working hard on last year's recommendations, and we were provided with copies of a report to the auditors. Our Committee chair met with the auditors as they developed their work plan for the current year, and we look forward to seeing their report this spring.

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 now also ask staff to include reports on other criteria that were established during the bond development period. During this meeting, we heard reports on historic preservation efforts within the bond program, and capital partnership development. In addition to these reports at our meetings, we recommend that the District post updates on the Bond website.

Summary

It has been another solid quarter for the bond program. Of course, we remain vigilant on management of future schedule, budget, scope and quality impacts from the high school program delays to date, 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.