

# Meeting Minutes | April 17, 2013

## Portland Public Schools Bond Accountability Committee (BAC)



PORTLAND PUBLIC SCHOOLS  
Office of School Modernization  
501 North Dixon Street • Portland, OR 97227

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*Members present:* Kevin Spellman (Chair, via phone), Steve March, Tom Peterson, John Mohlis  
*Board members present:* Pam Knowles (liaison), Greg Belisle and Bobbie Regan  
*PPS staff present:* Dan Jung, Jim Owens, Ken Fisher (Heery International), CJ Sylvester, Neil Sullivan, Sharie Lewis, Jen Sohm, Debbie Pearson, Michelle Platter, Bob Alexander, Darwin Dittmar, Cheryl Anselone, Jen Wishart  
*Next meeting:* Wednesday, July 17, 2013, location to be determined

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**I. Welcome & Introductions.** Kevin opened the meeting via phone and handed off to Tom Peterson to manage the meeting. Members not present were Anita Decker, Louis Fontenot and Willy Paul. Committee members self-introduced as did staff members who were present.

**II. Public Comment.**

- No public comment

**III. Program Update.**

- **Organization – Jim Owens**
  - Bond Team Organizational chart was shown and Jim gave an update on the staffing changes.
  - 15 ‘bond funded’ positions have been filled and reside in four separate PPS Departments – OSM, FAM, Accounting & Purchasing/Contracting.
  - Michelle Platter (OSM) was introduced as the Capital Project Director for the Roosevelt Project.
  - Debbie Pearson (OSM) was introduced as the Capital Project Director for the Franklin Project.
  - Michelle Chariton (FAM & not present) was introduced as the Project Manager for the Summer Improvement Projects.
  - The Capital Communications Coordinator has been reclassified as ‘manager’ and will be recruited shortly. Expect to ‘fill’ the position by the end of May.
  - The Educational Liaison position will work with the teams as we move into the master planning and design phase. This position has not yet been filled.
- **Balanced Scorecard – Jim Owens/Dan Jung/Ken Fisher**
  - The balanced scorecards are used as a tool to evaluate projects monthly.
  - Q: Are the balanced scorecards on the website?
    - A: The scorecards presented at the last committee meeting are currently on the website; the scorecards presented today will be on the website shortly.
- **Overall perspective:**
  - Educational Visioning/edspec project:

- The Educational Visioning and Ed Spec work is on schedule. Although not technically a 'Bond' project the completed Ed Spec document will inform design teams for all Bond projects.
  - The Educational Visioning Executive Advisory Committee met yesterday. The advisory committee received feedback from the ongoing community conversations. Eight community conversations have taken place so far; there are eight remaining. Central themes from these community conversations will be captured and presented in a summary report (the design specifications document). Visioning work to be wrapped up at the end of May. The design specifications document is expected to be complete in August.
- Summer Improvement projects:
  - PPS staff has issued four bid packages for the summer 2013 improvement projects. The Alameda bid opening was today.
  - Summer 2013 work is currently on track and on budget although we're awaiting results of the public bidding process. The bond team is confident that we will be able to execute this summer's work before students return in September.
  - We are in the process of establishing a methodology to determine how the 2014 (and beyond) summer improvement work is prioritized.
- Faubion replacement project:
  - This summer, two re-locatable, pre-engineered buildings are being installed on the Faubion site. These buildings accommodate two classrooms each for a total of four. They will help capacity at Faubion and support 'swing site' needs.
  - We are working closely with our partner Concordia University to develop an agreement regarding the future development of the Faubion site.
- Franklin and Roosevelt High 'full modernization' projects:
  - Both schools are scheduled to be completed by Sept 2017.
  - Staff is developing architect/engineer solicitations which we expect to issue in late May. Selection and award is planned for July/August.
  - Draft charters have been developed for the two Design Advisory Groups (DAG). Staff expects to recruit volunteer members and conduct initial meetings in June.
- Board member, Bobbie Regan, expressed concern regarding the proposed schedule. She expressed her personal opinion to move the schedule up so a school is completed prior to a potential bond ballot in November 2016.
- **Budget Perspective**
  - The first bond increment was sold this morning.
    - CFO Neil Sullivan explained that the District's financial advisor Seattle NW Securities led us through the process of a competitive bid.
    - The bids received included a premium of \$13.8 million more than the principle that we have to pay back.
    - We sold two series of bonds.
      - Series A is a two year bond. Series B is a 20 year bond.
    - 10 and 12 bids came in respectively. The bids were very competitive and close.

- The two-year true interest cost is 0.41 percent. The 20-year true interest cost is 2.90 percent.
  - We are using up less principal, so it gives us more capacity to leverage future sales.
  - Q: What will the District do with this extra money? Will it go back to the public?
    - A: Chief Operations Officer, CJ Sylvester, explained that the language in the bond gives us the latitude to continue the same kind of work at other schools not originally called out in the bond.
- **Voter Approved Bond Proposal Cost Summary**
  - Operations Manager, Dan Jung, explained why there is a difference between the voter-approved bond proposal cost summary and the current budget.
    - Now that we are in the implementation phase of the bond program, the staffing cost has been moved out of the project budgets and moved into the program cost. These costs will ultimately go back into the projects.
    - Q: Why did we make that change?
      - A: Instead of allocating staff time to a project monthly, we allocate these expenses to the projects incrementally.
    - Q: How much higher are the 2013 improvement projects budget estimates than the actual bids?
      - A: We are in the process of receiving bids now and will update the BAC at the next meeting with actual costs. If bids exceed established budgets, PPS staff has outlined a plan to exercise value engineering.
- **Project Cost Summaries:**
  - Slide was shown that breaks down project costs across 20 projects.
  - Contingency:
    - Our goal is to progress into construction phase with a minimum of 10% contingency.
    - Contingency is managed both within individual projects and at the program level.
    - The contingency is not included into the project forecast until an expense is expected or known; therefore the amount a project is shown under budget is the available project contingency.
    - Most projects are started with a 15 percent contingency.
  - Q: Why did the budget for the 2013 Summer Improvements increase?
    - A: The original budgets were based upon conceptual estimates. During planning & programming phase our design team developed a more accurate description of the work scopes and aligned with budget and schedule. Additional funds were allocated from the program contingency line “COO – Contingency” to support completing these work scopes.
  - Q: Of the \$2.2 million increase, what lessons can we learn from the escalation?
    - A: The scope of work for these projects includes roof tear off/replacement, seismic upgrades, ADA and science lab improvements. When initial estimates were prepared we didn’t fully anticipate the complete scope and costs at each school. We now have

a better sense of the costs to do this work. In the bond language, we said “up to 63 schools” would be improved. We still expect to complete the bond scopes at all 63 schools even if it requires use of program level contingencies such as program contingency and escalation.

- Q: What is the minimum estimate of how many schools will be completed? When can the total number of schools be communicated?
  - A: We will have a better sense after this summer, and after summer 2014.
- The Bond 2012 project listed in the spreadsheet is made up of staffing costs, public street improvements, bond issuance, and contingency.
  - The “Program Admin” line within the Bond 2012 project shows over budget by \$4 million. It is not actually over budget; the staffing costs will be moved back into the respective project budgets.
  - Total program management budget is roughly \$27 million; the current total estimate is slightly under that budget.
- It was requested that information be provided in a full 8 ½” x 11” format for the committee members.
  
- **Schedule Perspective:**
  - Ken Fisher provided an update on the schedule. The balanced scorecard shows the program is on time and on budget. The Summer Improvement Project is also on schedule. See narrative comments.
  - Draft Baseline Schedule:
    - Heery’s professional scheduler has looked at the project schedules for opportunities for the schedules to be condensed.
    - The Draft Baseline Schedule is a living document; the Capital Project Directors will be helping to further refine this schedule.
    - Work for the Marshall swing space is not reflected in schedule at this time.
    - Q: Is the procurement process shown on this schedule?
      - A: The schedule shown is an executive summary; the procurement schedule has been taken into account. The schedule, for the high school modernizations, is based on a Construction Manager/General Contractor (CM/GC) alternate procurement process, not a design/bid/build process. Staff expects to request authority from the Board to use CM/GC at the appropriate time.
    - It was requested that the schedule presented to the committee reflect the procurement process timelines. Staff will provide.
  - Q: How will CM/GC firms be selected?
    - A: Jim outlined the procurement process described in ORS 279C. As an ‘alternative method’ Board exemption approval is required. Staff will collaborate with the BAC on use of this procurement tool.
  - Committee member, Tom Peterson, explained that the subcontractor selection is an important piece to the procurement process. The committee will be interested in how the bond team handles this.

- Q: Board member, Bobbie Regan, asked if the bond team was in active discussions with the City of Portland and the Bureau of Development Services regarding streamlining the permitting process and permitting costs.
  - A: Jim explained that we have already begun a dialogue regarding this process. PPS staff has met with a number of Portland Bureaus including the Bureau of Development Services. We have highlighted the schedules and scope of work to them. We are not yet to the point of detailing how we will streamline the permitting process. We are a part of the facility permit program. This program doesn't apply to the high schools, but it does apply to the summer improvement projects.
- Q: Who is leading the dialogue with the city?
  - A: We have a tiered approach to this dialogue; it takes place on a program and project level.
- **Stakeholder Perspective:**
  - OSM Staff have developed a short survey to obtain feedback from building level & maintenance staff. The survey's primarily measure how effectively the project team addresses educational and maintenance adequacy during design and construction phases.
  - We have received positive results for the summer projects from these surveys.
  - We are developing another survey to use with the design advisory groups when they are on board.
- **Equity Perspective:**
  - Staff developed procedures to track and measure this perspective.
  - Equity in Public Purchasing and Contracting:
    - We have an aspiration goal of 18% for contracting with MWESB businesses.
    - We monitor this on a month-to-month basis.
    - Last time we met we didn't have the performance targets defined.
    - These performance targets have been revised to align with draft equity in public purchasing and contracting administrative directives.
    - Overall bond program MWESB participation is currently 33%, however we have expended only minimal funds so far.
  - Q: In regards to career technical participation for students, will the committee be provided additional detail regarding student engagement?
    - A: Requirements to participate in PPS Career Learning programs is included in new (and to be executed) contracts. OSM staff continues to meet with Career Learning staff and will provide details regarding the current programs at the next BAC.

#### IV. BAC Discussion

- **Other Metrics – Charter:**
  - Chairman, Kevin Spellman, discussed how the BAC might provide advice to the school board on the following topics:
    - Revenues are expended as approved
    - Alignment with LRF

- Alignment with Business Equity Policy
  - Lower maintenance costs; increase efficiency
  - Historic preservation
  - Partnerships and shared use of facilities
  - Seismic implementation
  - ADA compliance
  - Communication
- Q: How will the staff report to the committee on each of the above goals?
- Q: Does the committee want reporting on these goals?
  - A: Yes, the school board asked that the committee report on these goals.
- Q: Should they be stand-alone reports?
  - Committee member, Steve March, expressed that the committee doesn't need detail on these goals, but they would like a 10,000 foot view of how the bond program is on addressing each of these goals.
- Committee member, Tom Peterson explained that some of these goals will be evolving as we work through the design process. He would like to see periodic briefings at critical phases on these topics.
- Jim Owens suggested that the committee may want to collaborate with the school board as to what they would like to highlight.
- Kevin Spellman felt that the communication goal is both program and project based.
- Board member, Pam Knowles, explained that the board would like information on goals in addition to the ones listed: how are our students are involved, CTE opportunities, and partnership opportunities. Additionally, how are our high schools working with the business community to help prepare students?
- Kevin Spellman will work with Jim Owens and Pam Knowles to refine the process of providing information to the board.
- **Discussion of Presentation to the Board on 4/29/13:**
  - John Mohlis to join Kevin Spellman in presenting at the April 29, 2013 board meeting.
  - The three committee meetings held to date should be discussed, as well as the subjects that have come up at these meetings and how the committee has dealt with these subjects.
  - Budgeting, scheduling & quality control should also be discussed.
  - Q: What other areas of interest and areas of concern should be expressed to the board at this early stage?
    - The presentation is only a 15 minute segment, much of which will be taken up by questions.
    - Pam Knowles explained that the board will be interested in the schedule and the committee's charter.
    - Bobbie Regan asked that at each presentation the committee members be reintroduced.
    - Since it is April, the Summer Improvement projects should be discussed.

- Jim Owens explained that the bids for the summer work will be opened by the 4/29 board meeting. One package will be presented on 4/29 meeting, the other three packages will be presented on the 5/6 meeting.
- John Mohlis requested that Kevin Spellman email the committee members with a draft of the presentation to board.
- Tom Peterson was concerned that the board updates will be more frequent than the BAC meets.
  - Jim Owens explained that the board has requested that staff report monthly. Staff plans to supply the material reported to the board to the committee members.
- Pam Knowles explained that the board considers the BAC essentially as an audit committee.
- Q: Will there be construction audits?
  - A: Financial audits will be a part of the District's auditing cycle. We are still looking at how we will approach the performance audit process.
- Kevin Spellman felt that the committee will be working closer with the performance audit than the financial audit.

## V. Wrap Up

- **Upcoming Presentations:**
  - Next meeting was originally scheduled at Wilson, but it can no longer be held at Wilson due to roof replacement project.
  - Faubion is a possible location.
  - The date of the next meeting is Wednesday, July 17, 2013.
  - Tom Peterson expressed his appreciation for the opportunity to have the meetings at the school sites.