

MEMORANDUM

Date: November 5, 2018

To: Members of the Board of Education

From: Bond Accountability Committee (BAC)

Subject: 23rd BAC Report to the Board

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.

The current members of the BAC are:

Tenzin Kalsang Gonta
Charlie Johnson
Tom Peterson
Kevin Spellman, Chair
Cheryl Twete

Recent Activities

The BAC's regular quarterly meeting was held on October 17 at the District office. As is the case with all regular BAC meetings, it was publicly noticed and open to the public. Staff presentation materials and meeting minutes, along with BAC reports, are regularly posted on the District website.

Office of School Modernization ("OSM") staff continues to be very helpful and supportive of BAC's oversight, and demonstrates a consistent

commitment to transparency and clarity in its dealings with the Committee and its members.

No public comment was offered.

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

- Construction work at Grant High School.
- Health and Safety work covered by the 2017 bond.
- Closeout of Phase 3 construction at Roosevelt High School.
- Final closeout at Franklin and Faubion schools.
- Planning and design work for Madison, Lincoln, and Benson High Schools and Kellogg Middle School.

Key positions within OSM (Director of Construction, Senior Project Manager for Benson HS, Construction Manager for Lincoln HS) remain unfilled and recruitment continues in the face of severe regional shortages of design and construction professionals. Since the BAC last met, management of the bond program has been further stretched by having Dan Jung take on management of Facilities & Asset Management, albeit on an interim basis. We applaud the extraordinary commitment of Dan and his key staff in assuming this additional load but we are very concerned about having an incomplete team managing a program that has so many challenges. We also cautioned staff to ensure that bond funds are not used for non-bond functions.

2012 Bond Program

Work covered by the 2012 Bond is proceeding well despite significant challenges.

Construction at Grant High School continues at a significant pace with the major activities of roofing, interior framing and drywall underway. Current cost projections continue to show it to be completed within the current budget amount. However, project contingencies have been further depleted and there is now an expectation that the project will likely require a further injection from the program contingency. Fortunately, the program overall is still forecast to complete the current scope within available 2012 bond funds.

Clearly, completion of Grant constitutes the greatest remaining risk in the 2012 bond program, and we hope to have a more detailed cost and schedule update and forecast at our next meeting in January.

As you know, a location for the Grant softball field has been determined and approved by the Board. Costs associated with that work are not budgeted or included in cost projections.

Closeout is still being addressed at Roosevelt High School, including issues related to the mechanical systems. Designers, contractors and PPS staff are working hard on identifying and rectifying the problems which seem to be exacerbated by the phased nature of the project. Estimated costs associated with Phase 4 have been removed from the project forecast that now anticipates beating budget by over \$5 million.

The District should take pride in the fact that the Roosevelt High School project has been honored with a DeMuro Award from Restore Oregon recognizing “creativity, persistence, and craftsmanship” in outstanding restoration projects. It is the only school project in the state to be so honored.

Franklin’s final costs will be right on its \$113 million budget, and Faubion is still expected to run over slightly. The program overall is still forecast to complete the current scope within available 2012 bond funds.

2017 Bond Program

The budget situation for the 2017 Bond program remains dire. As planning and design proceeds, OSM’s current projections for Madison, Lincoln, Kellogg and Benson continue to show unfunded costs of \$190 million. (The cost report actually shows \$201 million but a budget reversal to remove the middle school conversion transfer will bring it back to \$190 million.)

Since our last meeting, the Board has brought clarity to bond budget uncertainty by approving revised budgets for Madison, Lincoln, and Kellogg at \$199 million, \$242 million, and \$60 million respectively. The funding of these overages has been removed from the Benson budget that will have to be replenished from some other source in the future.

The challenge at this point, of course, is to maintain the integrity of these revised budgets and to maintain the fiscal discipline necessary. OSM has committed to a number of strategies on these projects, recognizing the continuing significant cost effects of the over-heated regional design/construction market. A number of different value engineering and cost reduction exercises are being utilized in an effort to rein in any additional budget challenges; we are pleased with this approach and look forward to seeing the fruits of these efforts.

Unfortunately, no additional work has been done on external validation of these project estimates that have blown the budgets so badly. We agree with OSM that using external data has significant limitations, but the fact remains that we need to know why we can find no examples from other districts with comparable costs. Is our pricing methodology different, or are the standards for PPS school buildings higher than others?

At our meeting, we received an update from the Madison design and construction team. Early teamwork has achieved significant cost savings and risk reduction, and that work continues. An outside contractor will produce an independent constructability review, and a peer review of the structural design is underway. The District's Construction Manager/General Contractor (CM/GC) also plans to engage in some different procurement strategies (early procurement of some more challenging trades) in addition to bringing the mechanical, electrical, plumbing, and fire systems subcontractors onto the team during preconstruction. A key upcoming deliverable will be the Design Development estimate which is due before year-end.

Significant coordination work is also ongoing as Grant prepares to leave the Marshall site and Madison moves in.

Design continues on Lincoln, and a CM/GC contractor has been selected to join the team. Early tasks will include validation of the current budget and addressing the technical challenges that are unique to the Lincoln site and project.

The Board has recently received an update on the Kellogg project, and the reasons behind the increased budget. Staff reported that part of the challenge has been the fact that the Middle School Ed Specs were reviewed, vetted and revised in parallel with the Kellogg design process. It's disappointing that we did not learn the lesson of the 2012 High School Ed Spec experience by ensuring that Ed Specs were completed prior to school design.

Design is also underway on Benson and an active and engaged Design Advisory Group has been formed. We are concerned, though, that development of the Ed Specs and Master Plan is continuing before the District's comprehensive CTE Plan is complete. This could have a major impact on Benson so, once again, we seem to be moving ahead before the foundation is in place.

Work on the Health and Safety packages has continued. The larger projects from last summer at Lewis (Interior seismic upgrades, ADA improvements, and fire sprinklers) and King (seismic roof upgrades,

fire sprinklers and alarm, ADA improvements, and elevator) are complete. The work at Fernwood (seismic roof upgrades, fire sprinklers, and ADA improvements) has experienced significant challenges that may impact OSM's approach to future summer projects. Work is planned for summer 2019 at Rigler, Jackson, Hayhurst, Sitton, and Chapman, with the goal being to bid these packages earlier in the year.

Large-scale asbestos abatement work (flooring replacement) at Jefferson and Chapman is complete, and early bidding for 2019 summer abatement work is scheduled for January. The limited availability of abatement contractors, and resultant pressure on pricing, may impact how many projects can be undertaken next summer.

Solicitation for painting contractors to augment PPS crews' work on lead paint stabilization is underway while work on Phase 1 priority locations continues. The challenge is significant since work cannot occur while schools are in session, and 10,000 priority locations have been identified.

We also briefly discussed the need for better communication with the public on what H&S work has been completed, and what is planned for the future.

Other Issues

Equity. Results are still being tracked at the project level but, overall, the two bond programs are now combined. Certified business participation has ticked up again and is now at a cumulative 17%. The District's aspirational goal remains at 18%.

Apprentice trade hours are at 25%, well ahead of the 20% goal.

Goals for student engagement have been met for 2018, although every opportunity will be explored over the rest of the year.

Safety. We did not receive any safety data this quarter, but will be sure to get back on track next time.

Audits. The new performance audit team has started work by meeting with numerous stakeholders in the District, including BAC representatives. We look forward to continuing work with them as they ramp up their efforts.

It will be some time since our last performance audit (2017) due to the delayed procurement of the new team. The BAC has encouraged OSM

to use the current cost audits on Franklin and Roosevelt to comply with the bond programs' annual audit requirement for 2018.

An interim cost audit is planned for Grant.

Summary

The 2012 bond program is on track to meet its final schedule goal and stay within the program budget. Major challenges lie ahead on the 2017 bond program. We remain impressed by the quality and professionalism of OSM staff, design teams and contractors as they take on multiple issues, and are pleased that some new approaches have been adopted. We thank the Board for this opportunity to serve and play a small part in your bond programs.