

MEMORANDUM

Date: June 11, 2020

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

From: Bond Accountability Committee (BAC)

Subject: 29th 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 will be presented 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 Weyland
Beth Woodward

New Format

The new BAC members have correctly observed that, as these reports have expanded to cover our full scope, some of the more important points can become lost in the narrative. Henceforth, any key recommendations will be highlighted in **bold text** and summarized at the end of the report, and action items for staff to consider will be *italicized and numbered* for tracking purposes.

Recent Activities

The BAC's quarterly meeting was held in a virtual session on May 20, having been postponed from its April date. As is the case with all regular BAC meetings, it was publicly noticed but, 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.

Two pieces of written public comment were timely submitted but not made available to the committee until after the meeting. Both raised concerns about proposed work at Sylvan Middle School in terms of both scope and bond funding. The commenters believed that \$2 million designated as "swing-sites" within the Lincoln High School budget were being allocated to work at West Sylvan including new softball and baseball facilities. They saw this as an inappropriate use of bond funds because neither baseball nor softball had been played at Lincoln, and no such use had been listed in the bond referral materials.

We have been assured by staff that no bond funds will be used for new softball/baseball facilities, and that only a portion of the \$2 million in question will be used at West Sylvan exclusively for athletic facilities that have been displaced at Lincoln. We have asked for a breakdown of the full \$2 million allocation. Any District funds used for non-bond projects are beyond the scope of the BAC's oversight.

29-A1. Staff is requested to promptly provide the BAC with the proposed allocation of the Lincoln \$2 million "swing-site" budget along with a description of the bond-funded work planned for West Sylvan.

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 and design of Phase IV.

- Closeout at Franklin High School.
- Multiple Health and Safety projects.
- Planning and design work for Benson High School and Multiple Pathways to Graduation (“MPG”).

2012 Bond Program

Closeout and final accounting are in various stages at Franklin, Roosevelt, and Grant High Schools. Final accounting at Franklin is complete but the resolution of some cost audit items still needs to be documented. Similarly, all outstanding change orders have been resolved at Roosevelt, but some cost verification remains incomplete. At Grant, some late cost issues have arisen and remain under discussion with the contractor.

29-A2. Staff is requested to promptly provide the BAC with documentation closing out the Franklin cost issues raised in the October 2017 audit, and the Roosevelt cost issues raised in the November 2017 audit.

Cost projections include funding for some ongoing work at Franklin and Roosevelt (the most significant of which involves window replacement in the historic building at 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 starting with completion on the south, east and west elevations due by August and final completion around Thanksgiving. Some limited TI work related to Phase IV at Roosevelt will also occur this summer, and design development for the project is complete and under review.

OSM’s more aggressive approach to closeout at Grant has resulted in few remaining punch list items. We are hopeful that the outstanding cost issues can be quickly resolved, allowing the project accounting to be finalized.

As we have noted previously, the final cost at Grant is substantially over the original budget and even over the amount forecast at the start of construction. The District’s performance auditors have conducted a preliminary review of the project’s cost history but may need to continue as a part of next year’s work plan.

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

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

An audit of the Owner-Controlled Insurance Program (“OCIP”) remains outstanding; a reserve of \$500,000 is being carried in the projections. After funding all the additional work at the high schools, the entire 2012 program now shows projected final savings of \$575,000.

2017 Bond Program

The budget situation for the 2017 Bond program remains in the red, although it has improved. A bond premium amounting to \$68 million was secured from the last 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. The entire program now reports unfunded costs of \$202 million.

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

The large projects currently under construction at this time are tracking within their approved budgets. OSM, like all of PPS, is learning to manage and collaborate remotely. Project teams are using contracted employees for construction site oversight on furlough days.

Operational safety plans have been established for each of the construction sites incorporating best practices gleaned from 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 some contractor crew members who went into 14-day self-isolation after exposure to a suspected or confirmed infection off the jobsite but there have been no reports of a confirmed infection on the projects.

Challenges from the pandemic include 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. This is an ongoing issue and, although OSM’s current cost projections are intended to cover resultant costs, we expect a fuller analysis at our July meeting.

29-A4. Staff is requested to present a detailed analysis of incurred and projected cost and schedule impacts of COVID-19 at our next regular meeting.

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 remained after delays from the permitting process, so COVID effects could be problematic. Staff and contractors are working on mitigation options, but OSM is also thinking about effects of a late completion of the project.

Schedule issues will also affect the budget, which included a reduced project contingency. We expect an update on the status of that contingency at our July meeting.

29-A5. Staff is requested to fully brief the BAC on the projected completion at Madison during our next meeting.

Early earthwork is complete at Lincoln High School, including the deep pilings, which were considered a significant risk factor. Fortunately, few obstructions were encountered. The project has been operating under a structural permit and the building permit expected in August. The contractor's guaranteed maximum price has been agreed and approved by the Board. The BAC noted that the GMP amount did not seem to fit within the project budget, so staff will provide more information.

29-A6. Staff is requested to immediately provide a reconciliation of the Lincoln GMP and other costs to the full project budget of \$242 million.

COVID-19 has negatively affected steel detailing at Lincoln, so the team is working on some resequencing of work. Opening of the new school is planned for the 2022/23 year with Phase 2 work to follow.

Benson High School's 50% design development cost estimates have been reconciled and a coordinated value engineering/cost cutting exercise has been underway. We expect a full briefing shortly on the Benson budget since the project's funding will be included in the 2020 bond. (This scrutiny will include the budget for MPG.) Design work also continues on the swing sites (Marshall and Kenton) and some work will begin onsite this summer.

29-A7. Staff is requested to fully brief the BAC on the development and status of cost budgets/estimates for both Benson (including swing sites) and MPG during a special meeting focused on the 2020 bond.

The master plan for the MPG building was approved by the Board Bond Committee and will advance to the full Board. Following that, work will begin on the schematic design package. We regret that the District's current seismic standards have not been adjusted in light of our repeated recommendation. Those standards do require the design team to provide an analysis at the end of

schematic design to bring the entire building up to Level 4/Immediate Occupancy for structural only, as well as the cost for some limited utility connections at the gym. While this is important, we fear that this is too late. The budget has already been established and schematic design completed based on the limited standard. We again urge the Board to reconsider the required seismic standards for all new buildings.

29-R2. As previously recommended, the Board should consider raising the seismic standard for all new buildings (including MPG) considered for funding through future bond programs to Level 4/Immediate Occupancy, and to budget accordingly.

The Health and Safety work will be in full swing this summer at multiple school sites. Roof work is underway at Chapman and Hayhurst, fire alarm work at 18 schools, and asbestos abatement at 11 locations. In addition, lead paint, water quality, and security work continue. Unfortunately, due to budget issues on unforeseen asbestos at Jackson, Phase 2 of that work will be delayed until 2021. Of the \$158 million dedicated to Health and Safety work, over \$67 million has been spent as follows:

Accessibility	\$8,298,965
Asbestos Remediation	\$3,548,835
Fire Sprinkler/Alarms	\$9,468,833
Lead Paint Stabilization	\$ 881,017
Radon Mitigation	\$ 158,713
Roof Improvements	\$29,664,504
Security Improvements	\$2,911,740
Water	\$2,376,658
Management Costs	\$6,574,838
OSCIM Grant	\$3,277,779

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 fallen to a cumulative 16.55%, tracked on a payment basis. However, there may be some misreporting in the Madison data so OSM will review. The District's aspirational goal remains at 18%.

29-A8. Staff is requested to immediately advise of any corrected data reporting for Madison.

Apprentice trade hours are at 24%, still well ahead of the 20% goal.

No information on student engagement was provided.

29-A9. Staff is requested to provide a full briefing on student engagement work and plans at our July meeting.

Safety. 227,000 hours have been worked to date at Madison, with one minor recordable accident. Kellogg and Lincoln have no recordable accidents, with 51,000 and 11,000 hours worked respectively.

Audits. A mid-contract cost audit at Madison has been completed. The performance auditor's Year 2 report is due by June 9, and a work plan for Year 3 will follow.

29-A10. Staff is requested to immediately provide the Madison mid-contract cost audit and the Year 2 performance audit, plus engage the BAC in developing the work plan for Year 3.

2020 Bond Planning

COVID-19 has severely disrupted the District's planning for a 2020 bond. We expect to meet shortly for a briefing on the current plans and, as noted above, it appears likely that our work on cost estimating methodologies will revolve largely around Benson and MPG.

29-A11. Staff is requested to include the BAC's work on the 2020 bond in all District-published timelines so that the Board can be assured that input will be timely.

Summary

Current projects are reported on schedule and on budget. However, there are significant uncertainties arising from the unprecedented pandemic. OSM is fully cognizant of the challenges and has undertaken appropriate measures to address them, but risk on all fronts remains high. These are extraordinary times; we hope that OSM will reach out to the BAC for creative advice and counsel as appropriate.

Our current recommendations are:

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

29-R2. As previously recommended, the Board should consider raising the seismic standard for all new buildings (including MPG) considered for funding through future bond programs to Level 4/Immediate Occupancy, and to budget accordingly.

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.