

MEMORANDUM

Date: August 12, 2019
To: Members of the Board of Education
From: Bond Accountability Committee (BAC)
Subject: 26th 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. Following passage of the measure, the Board expanded the BAC's Charter to include the 2017 program.

The current members of the BAC are:

Tenzin Kalsang Gonta
Charlie Johnson
Tom Peterson
Kevin Spellman, Chair
Dick Steinbrugge
Cheryl Twete
Karen Weyland

Recent Activities

The BAC's regular quarterly meeting was held on July 24 at Lincoln High School. 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:

- Completion of construction work at Grant High School.
- Completion of Phase 3 construction at Roosevelt High School.
- Start of construction at Kellogg Middle School and Madison High School.
- Multiple Health and Safety projects required by the 2017 bond.
- Planning and design work for Lincoln, and Benson High Schools.

We are pleased to welcome Marina Cresswell as the new Senior Director at OSM. Unfortunately, at the same time, we lost our Director of Construction. We hope that Marina can bring greater stability in staffing the organization and we look forward to working closely with her as the program moves forward.

2012 Bond Program

Work covered by the 2012 Bond is reaching its final stages, culminating in the opening of the fully modernized Grant High School. There were many schedule challenges during both design and construction so it’s a tribute to the entire project team that the school will open on time in accordance with the schedule established back in 2012.

Cost escalations on the project have stabilized during the past several months, so the current cost projections for the entire 2012 bond program remain just within available funds. However, the final cost at Grant is substantially over the original budget and even over the amount forecast two years ago when construction commenced.

Given that construction is now starting on the major 2017 projects in an even more inflationary environment, we strongly recommend that OSM conducts an in-depth analysis of the Grant project so that lessons may be learned, and appropriate adjustments made.

Oregon law provides that evaluations of projects that were exempted from competitive bidding are prepared shortly after completion. We have not seen any such evaluation on Franklin High School yet, and we hope that evaluations will be promptly prepared on both Grant and Roosevelt.

Commissioning of the modified mechanical systems at Roosevelt High School has been completed, and it's expected that performance will be substantially improved. Phase 3 of construction will be complete this month. We last reported that the project was expected to come in \$1.4 million under budget, but much of that amount has now been committed to replacing the windows in the historic building. This work was the victim of early "value engineering".

Franklin's final costs are under budget by \$700,000, and there are also savings in program management as well as interest earnings on bond funds. In sum, the program overall is still forecast to complete the current scope within available 2012 bond funds. Staff continues to show a possible \$10 million injection in non-bond funds committed some time ago by the Board to support any further unexpected costs, but these funds should not now be necessary. Without those additional funds, staff projects net program savings of \$4.38 million.

2017 Bond Program

The budget situation for the 2017 Bond program remains dire. With the addition of an expanded Multiple Pathways to Graduation (MPG) Building to the Benson project, the 2017 bond program now reports unfunded costs of \$270 million.

A building permit has been received for Kellogg Middle School and construction has commenced. Completion is scheduled for February 2021 with school opening set for 2021/22. Cost projections show completion within the current revised budget.

At Madison, a demolition permit was received in June allowing abatement work and demolition to begin. A guaranteed maximum price has not yet been agreed with the contractor, but the most recent cost estimate has the project estimated at \$206 million, \$6 million over the Board-approved budget. That difference has been partially funded by a \$2.5 million Seismic Rehabilitation Program Grant (SRPG). To cover the remaining difference, staff proposed to reduce the project contingency to 7.4%; the BAC recommended against that, given the experiences to date on high school cost increases during construction.

Staff has now proposed to cover any overrun with funds from the 2017 bond program contingency. Again, we recommend against that commitment. Leaving aside the fact that the program contingency of \$20 million doesn't really even exist in a program that is so substantially underfunded, we feel that every effort should first be made to find cost savings.

OSM has committed to provide more clarity on a strategy to avoid the overrun.

The construction documents phase of design has started for the new Lincoln High School, with the design development phase cost estimate having met budget. We are encouraged that some innovative approaches seem to be having positive effects on the project. The next round of pricing is due in September, and site mobilization is set for January 2020, a 4-month early start to original construction schedule.

As you know, the final scope of the Benson High School project has been determined, resulting in the budget increasing to \$358 million which is \$156 million over the original budget. A CM/GC firm is under contract for preconstruction work and will be an essential member of the team as cost, schedule, and construction methods are considered. Site investigation work is currently underway; the results will be useful in reconciling the schematic design estimates which came in about \$25 million over budget. The team has engaged in a value engineering exercise, and we have asked for a briefing on that process.

We had again hoped to receive information during our meeting on external validation of cost estimates of the major bond projects by a professional cost consulting firm. Unfortunately, that work is still not yet complete.

Staff presented a very helpful summary of the current and planned Health and Safety work. Significant work is being done this summer and beyond to honor the bond commitment on scope and investment; we have suggested that the summary that allows tracking of the obligated \$150 million be posted on the bond website for public consumption.

Other Issues

Equity. Results are still being tracked at the project level but, overall, the two bond programs are now combined. Certified business participation is steady at a cumulative 17.9%, tracked on a payment basis. The District's aspirational goal remains at 18%.

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

Goals for student engagement have been met for 2019, and we look forward to seeing tabulations of summer internships and other activities.

Safety. There have now been 12 recordable accidents at Grant to date, with none occurring in the recent quarter. None have been serious.

660,000 hours have been worked on the project. No accidents have occurred so far on the Kellogg and Madison sites.

Audits. We expect to be briefed shortly on Phase II of the performance audit and look forward to seeing audit recommendations. Staff continues to report on recommendations from prior audits.

Seismic Standards. We have had several discussions about the seismic standards that should inform the designs of our major projects and find that there is no specific guidance or direction in the Education Specifications. Of course, all projects meet or exceed building codes, and the general standard provides for each facility to have one area (often the gymnasium) that meets Risk Category IV (essential facility) while the rest of the building is designed to Risk Category III (life safety performance). However, there is apparently no District-wide standard in place.

The designs of the major 2017 program projects are too far along to alter course but, as the District considers future bond-funded projects, we recommend that the Board require exploration of what seismic standards should be adopted so that appropriate funding may be included.

Taxes. Staff reported its concern about the project cost effects of the newly enacted Student Success Act and the Portland Clean Energy Fund. While the actual figures are not yet clear, there is no doubt that project costs will increase.

Summary

The 2012 bond program will meet its final schedule goal and will stay within the program budget. Major challenges continue 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.