

MEMORANDUM

Date: August 4, 2015
To: Members of the Board of Education
From: Bond Accountability Committee (BAC)
Subject : 10th 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 prog

- f* Completion of design and start of contractor selection for Faubion PK-8 School.
- f* Commencing design for IP 2016 (12 schools).
- f* Selection of a design team and appointment of a Design Advisory Group for Grant High School.
- f* Preparation for master planning of Benson, Lincoln, and Madison High Schools.

This is an extraordinary amount of work for a capital program, and requires intense management by OSM staff and the District's design firms and contractors. The major projects at the high schools involve an extraordinary amount of activity, particularly at Roosevelt where, in addition to the modernization work, temporary facilities are being prepared in time for students' return in a few weeks. In addition, the challenge for the 2015 summer work at 27 schools, the largest IP program to date, is even greater than prior years since only 65 calendar days are available. Lessons learned from prior years have helped greatly through completing designs earlier and making awards sooner to allow for preconstruction activities such as registering for the Owner-Controlled Insurance Program, the submittal process, and mobilizing to the sites.

Both "swing" sites (Marshall and Tubman) are on track to receive students this month from Franklin and Faubion respectively.

Since our last report, the District's performance auditors have delivered their second report. The BAC reviewed the report and endorsed its findings. We agree with the auditors' observation that program management has, after a strong start, continued to refine and enhance its systems and procedures, and continue to serve the program well.

Current Issues

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

The total program budget now stands at \$550 million as funds from various sources have been incorporated into the bond program. Since our last report, the bond premium from the second bond sale has been added to the program. This premium amounted to \$33 million. However, the program budget already included \$8 million that the Board had approved for the Additional Criteria at the high schools, when it was hoped that it could be covered by a future bond premium. That has now come to pass, so the net increase is approximately \$25 million.

This addition has now been largely allocated to projects, including bringing Grant

up to parity in terms of Additional Criteria and cost escalation. Approximately \$4 million remains as a program reserve, the Board reserve of \$10 million remains intact, and each project budget includes its own contingency reserve.

Project Budgets and Schedules. Staff's Balanced Scorecard will continue to show both Roosevelt and Franklin designs behind the Baseline Schedule, as reflected by the "red" report at the various design levels (although overall both schools show "yellow"). These delays have many causes, including changes during design in school capacity requirements, the extensive public outreach and involvement processes, and discussions over the "additional criteria". Crucially, though, construction in both cases is now underway generally as planned.

As construction work on the high schools begins, project budgets and schedules become more and more intertwined. This is particularly true at Roosevelt due to the phasing of the work that allows students to remain on campus throughout construction. After the rush to have the temporaries ready for school in a few weeks, the pressure will be squarely on the Phase 1 work, which includes construction of a new theater and a new gym. Very little float exists in the schedule that requires occupancy next August. The focus will then switch to Phase 2. This includes modernization of the existing main building, and has similarly little float in its schedule goal of an August 2017 completion.

To date, the BAC has been satisfied with schedule presentations that show only a few milestones. The critical nature of the high school work, however, causes us to ask for more detail on those schedules and we will work with OSM to develop an effective format.

As noted above, each project budget includes its own contingency. The BAC agrees with OSM staff that these contingency reserves should not be considered available for discretionary changes; modernizations of facilities like the high schools will inevitably include cost impact surprises, which will likely put pressure on those reserves.

The Committee continues to have concerns about market conditions causing price increases. Fortunately, the District's project contingencies on IP work have held up very well through construction so far, and each IP program to date has returned some savings to the program.

Equity. Staff reports on student involvement remain impressive. The new reporting metric for student involvement in the Balanced Scorecard shows the program to be exceeding the year's goals with the highlight being 12 interns currently working at various sites and projects over the summer.

The employment of apprentices through the Workforce Hiring program continues

Summary

The summer of 2015 gives Portland taxpayers the opportunity to see their money at work all over the District at 31 schools, including Franklin and Roosevelt. At this point in the bond program, that money is being well spent and effectively managed.

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 small part in a very successful bond program.