

MEMORANDUM

Date: August 7, 2018

To: Members of the Board of Education

From: Bond Accountability Committee (BAC)

Subject: 22nd 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
Willy Paul
Tom Peterson
Kevin Spellman, Chair
Cheryl Twete

Recent Activities

The BAC's regular quarterly meeting was held on July 18 at Beaumont Middle School. Directors Kohnstamm and Moore attended all or part of the meeting. As is the case with all regular BAC meetings,

Prior to the meeting, some Committee members toured the construction site at Grant High School and met with District, contractor and architect members of the project team.

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.

As always, the BAC made time for public comment at the start of the meeting. One member of the public expressed significant concerns over the District’s management of warranty obligations and maintenance operations at completed bond-funded projects, with specific reference to Franklin High School. While maintenance expenses are not covered by

2019. Current projections also show it to be completed within the current budget amount. Project contingencies have been depleted due to weather and other issues, including unexpected hazardous materials and shortcomings in the existing structure; however, the project team expects the remaining contingencies to be sufficient to avoid budget overruns.

Alternative solutions to the Grant softball field location were briefly described to us. The matter will be presented shortly to the Board.

Closeout is still being addressed at Roosevelt High School, including issues related to some value engineering decisions made earlier in the project. The closeout process is always challenging but it seems to be proceeding in a way that's consistent with a project of this magnitude and complexity. The Roosevelt project should still come in about \$800,000 under budget.

Franklin is expected to generate some minor savings from budget, and Faubion is expected to run over slightly. Projections for the 2012 program as a whole show that it will be completed within budget.

2017 Bond Program

The budget situation for the 2017 Bond program is very different. Although there are many moving parts and many estimates remain incomplete, the current projections for Madison, Lincoln, Kellogg and Benson reveal unfunded costs of \$190 million.

Over the past quarter, in accordance with the Board's prior action, work on the District's Middle Schools Conversion amounting to \$11.4 million has been "funded" by reducing the budgets for Madison, Lincoln, and Benson by \$3.8 million each. As the Board is aware, the BAC opposes the use of bond funds for this purpose that we consider to be outside the scope approved by the voters. In our judgment, funding this work by reducing the already inadequate budgets for approved High School work simply underscores the error.

The BAC also opposed the Board's recent approval of the master plan for Madison High School with an undetermined budget, but one that likely exceeds the bond budget by well over 35%. Current estimates for Lincoln and Benson surpass their bond budgets by a similar magnitude.

In our judgment, budget discipline on the 2017 bond was abandoned with the Madison vote. Firm budgets should be immediately re-established for

the high schools, and the project teams should be instructed to adhere to them.

There has been much discussion at the Board level about how the budgets were set for the bond referral. Our emphasis has instead been on the actual designs and associated estimates. Like everyone, we understand that there are significant cost effects of the over-heated regional design/construction market (which tariffs will exacerbate) so we have long encouraged OSM to explore external validation of these project estimates, and we are pleased that some data has indeed been collected.

As it was presented to us, appropriate caveats were included – the analysis is incomplete, “apples to apples” cost information is difficult to validate, every project has unique characteristics, etc. These are all appropriate and should encourage caution in reaching conclusions from the data. We agree that there is a limit to how valuable this comparison can be, but in general terms, we think it can still be instructive. In the broadest sense, Franklin and Roosevelt’s costs are in a “reasonable” zone while Madison and Lincoln’s are not.

Faced with this challenge, we are encouraged that OSM has explored some innovative approaches to the problem. Staff has begun a cost exercise comparing Franklin/Roosevelt/Grant to Madison and Lincoln through a meaningful process and we look forward to seeing the outcome. As we have said many times, we believe that the 2012 bond program was a success, and it therefore can and should be used as a benchmark going forward. For instance, we (and the taxpayers) will want to know with some specificity why, if Franklin’s modernization could be completed last year for \$113 million, the projections for Madison and Lincoln are so high.

The Design Development estimate for Kellogg Middle School is also substantially over budget and a comprehensive reconciliation process is underway. Although this project is not using a CM/GC process, OSM has engaged a contractor for a constructability analysis that should produce some benefits.

OSM is also exploring engagement of outside value engineering services to introduce new perspectives beyond project team VE expertise and

Work on the Health and Safety packages has continued as planned. (A comprehensive report was recently delivered to the Board by OSM.) Larger projects are underway this summer at Lewis (Interior seismic

Summary

There are major challenges ahead on the 2017 bond program. However, we remain impressed by the quality and professionalism of OSM staff as they take on