



PORTLAND PUBLIC SCHOOLS

OFFICE OF OPERATIONS

501 North Dixon Street / Portland, OR 97227

Telephone: (503) 916-2000

Mailing Address: P. O. Box 3107 / 97208-3107

STAFF MEMO

Date: March 8, 2024

To: Board of Education

From: Dan Jung, Chief Operating Officer

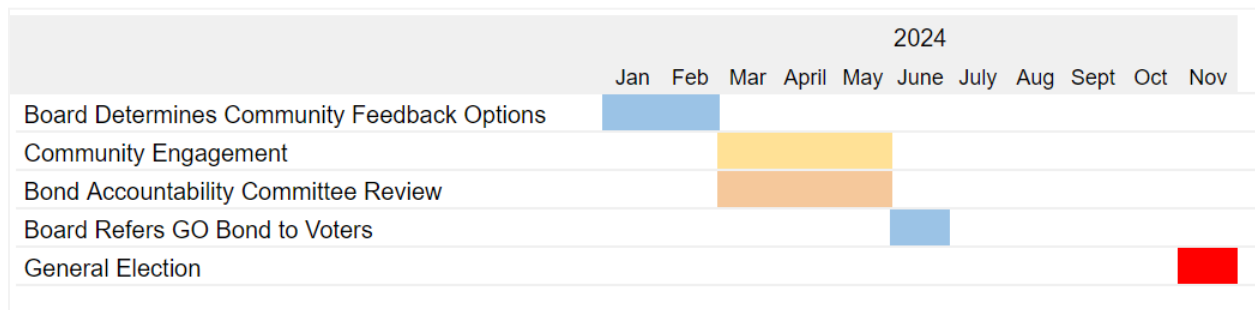
Subject: General Obligation Bond Planning

Introduction

The next general obligation bond (GO bond) is anticipated to be presented to voters in November 2024. In order to refer a GO bond package, the District must determine:

1. The amount of the GO bond
2. The financing plan
3. The scope of work

To meet the November 2024 goal, a GO bond referral must be made no later than August. It will be important that these decisions be made quickly to allow time for further scope refinement, review by the Bond Accountability Committee and community input. Below is a sample GO bond development schedule.



At the January 23, 2024 Board of Education Study Session, Directors reviewed staff materials and provided feedback on potential bond scope of work, financing and more. General takeaways from that meeting were that staff should consider:

- Pursuing a larger bond principal amount
- Continuing to prioritize high school modernization projects
- Allocating significant funds to address existing facility conditions
- Proceeding with planned technology improvements
- Retaining the existing levy rate

At the February 28, 2024 Facilities & Operations Committee meeting Directors largely re-confirmed the above priorities and considered additional scopes of work (such as athletics) and posed questions regarding other scopes including curriculum and technology. Tonight Staff are providing an updated sample bond option for your review and consideration.

Sample Option Summary

Approximate Principal Amount:	\$2.2 billion
Estimated Levy Rate:	\$2.50/1,000
Estimated Total Interest:	\$1 billion

Cost Estimates

All provided cost numbers are estimates and will change. Staff are actively working on a number of updates including for the modernizations, curriculum, etc. Estimates will be updated as new cost data is obtained.

Sample Option | *Scope of Work*

Physical Facility Improvements

Due to PPS's overall physical condition needs, it is not feasible to address all building conditions in one bond. The sample option includes \$400 million for physical facility improvements, to include deferred maintenance and capital asset renewal.

Staff recommend writing the GO bond language to cover a mix of physical facility improvements that address existing facility deficiencies that include known and unknown deferred maintenance items and capital renewal needs. Sample scope of work include plumbing, mechanical, electrical, fire suppression, roofing, exterior building skin (including windows), kitchen equipment, playground equipment, site work, etc. The intent of the funding is to complete work that addresses existing building conditions and improves the District's overall FCI.

\$400 million would substantially improve many schools across the District. PPS would execute the work by using a 2-pronged approach of completing full building system replacements where feasible and bundling smaller scopes into larger projects. For example, large building systems - such as roof replacements or HVAC upgrades - may be executed as stand-alone projects, often completed in one phase. For smaller scopes of work we will aim to bundle all work together in one project to complete as much as possible and practical at one location. Where feasible, projects will be completed in summer and off hours; however larger scopes will need to be completed in multiple phases including concentrated summer work and work during the school year.

ADA

Modernized schools in the GO bond will meet current ADA code requirements; however, the sample option does not include dedicated funding for ADA or other accessibility improvements. PPS is in the process of completing Phases 1 and 2 of the ADA Transition Plan, providing main-level accessibility district-wide, via the 2020 bond. There is no funding to complete the second tier of barrier removal which would include the installation of elevators at the multi-story schools which have not been modernized, as well as barrier removal in restrooms that are on upper and lower levels of the multi-story schools. See PPS's Accessibility website for more details: <https://www.pps.net/Page/2247>

Security

The sample option does not include funds for dedicated security improvements. In 2017 and 2020, voters supported bonds that had safety and security improvements as one of the many investments for bond dollars. PPS takes a layered security approach as outlined in the Department of Homeland Security guide: [The CYBERSECURITY AND INFRASTRUCTURE SECURITY AGENCY | K-12 SCHOOL SECURITY GUIDE | 3rd Edition](#)

The 2017 bond focused primarily on building perimeter and the interior layer with the improvements to the access control systems for all campuses and the installation of an all hazards public address system.

The 2020 bond further expanded the investment into physical security improvements with a focus on the school ground layer, building perimeter and interior layers with the installation of interior and exterior cameras, the upgrade of classroom door locks and the replacement of antiquated intrusion systems.

The 2024 bond security improvement recommendations allow for risk reduction and protection through all four of the main layers of physical security:

- Ground perimeter layer - the outer boundary of a school campus
 - **Fencing**
- School ground layer - fields, playgrounds, and parking lots
 - **Surveillance System**
- Building perimeter - walls enclosing the inside of the school building
 - **Secured Vestibules**
 - **Access Control**

- Building interior layer - all spaces inside the school building
 - **Window Coverings**

In addition to further risk reduction and protection, these recommendations will fund window coverings outlined in the Portland Association of Teachers collective bargaining agreement.

For more details reference the [Staff Memo: General Obligation Bond Planning \(01/18/24\)](#)

Outdoor Spaces

The sample option does not include dedicated funds for outdoor or play space upgrades.

For more details reference the [Staff Memo: General Obligation Bond Planning \(01/18/24\)](#)

Athletics

Currently, both youth and high school sports regularly practice on non-PPS sites. Even with projected declining enrollment, which was incorporated into the Long Range Facility Plan (LRFP) issued in 2021, the scheduling needs for student athletics exceeds PPS field capacity.

To meet scheduling capacity needs, the LRFP identifies the following high priority facility improvements:

- Develop Jackson, Marshall, and Whitaker-Adams as athletic hubs.
- Athletic upgrades at four (4) middle schools: Lane, Ockley Green, George, and West Sylvan (update to: Roseway Heights for 2024 planning). Each site should at minimum have a multipurpose turf field with a track, an appropriately sized main gym and an auxiliary gym.
- Access to turf baseball and softball fields for all high schools (e.g., Franklin, Marshall).

Implementation of three hubs listed above, four middle school field improvements including Lane, Ockley Green, George, and Roseway Heights (update for 2024 planning), and completion of Franklin fields would require an investment of \$148 million.

For more details reference the [Staff Memo: General Obligation Bond Planning \(01/18/24\)](#)

Educational & Technology Improvements

Technology Improvements

See Memo: Bond Next Device Replacement Budget (03.15.2024)

Physical Education

The Long Range Facility Plan (LRFP) identifies space for structured movement as a high priority to support Physical Education instruction. The need for structured movement rooms (2,000 SF) is critical in schools without dedicated gyms. The LRFP is further coordinated with the requirements of the PPS Ed Spec which identifies the need for outdoor covered play areas (4,000 SF) to support PE instruction in schools without adequate gyms or structured movement spaces to support scheduling. The Ed Spec

requirements were developed in coordination with the state law for the number of PE minutes required per student.

The reasons for Physical Education reach beyond meeting regulatory requirements. The PPS Graduate Portrait articulates the ways in which lifelong learning and health are essential to students' success¹. The skill-based model of PPS Physical Education programming directly supports positive outcomes for our students who will gain the immediate- and long-term health benefits correlated to physical activity. The U.S. Department of Health and Human Services identified a comprehensive list of physical activity benefits for children in the updated the Physical Activity Guidelines in 2019² including mental health, academic performance, and a full range of short and long term physical health improvements.

The most economical approach to bring the number of teaching stations into compliance with the Ed Spec is to build outdoor covered play spaces for 35 schools and to convert interior school space for structured movement instruction in Movement Labs in 26 schools.

The sample option includes \$33 million to install covered play areas at 35 schools with no funding identified for structured movement spaces which are part of the total instructional station need. The total anticipated need for Movement Labs is approximately \$44 million for 35 schools.

The risks associated with not improving instructional station scheduling capacity in schools are the potential economic impacts of funding loss and the correlated student academic, mental, and physical health impacts.

For more details reference the [Staff Memo: General Obligation Bond Planning \(01/18/24\)](#)

Curriculum

The sample option includes funds to support ongoing curriculum adoptions. We estimate annual adoptions at \$11 million - \$12 million per year. Staff are working on updated estimates and will share with the board.

Capacity

The sample option does not include funds for capacity. For more details reference the [Staff Memo: General Obligation Bond Planning \(01/18/24\)](#)

Modernizations

Jefferson High School

¹ Portland Public Schools reimagined Preparing Our Students to Lead Change and Improve the World https://www.pps.net/cms/lib/OR01913224/Centricity/Domain/219/PPS_Vision_Final.pdf

² U.S. Department of Health and Human Services. https://health.gov/sites/default/files/2019-09/Physical_Activity_Guidelines_2nd_edition.pdf Washington, DC: U.S. Department of Health and Human Services; 2018.

The sample option includes funds to complete the Jefferson High School Modernization. For more details see Presentation: [Jefferson High School - Redesign \(03/20/2024\)](#)

Ida B Wells High School

The sample option includes funds to complete the Ida B Wells High School Modernization. The 2020 bond includes \$20 million for this project to support comprehensive planning and beginning design. For more details see Staff Memo: [Ida B Wells High School Modernization Project & Design \(02/26/2024\)](#)

Cleveland High School

The sample option includes funds to complete the Cleveland High School Modernization. The 2020 bond includes \$20 million for this project to support comprehensive planning and beginning design. For more details see [Presentation: Cleveland HS Modernization - Planning and Design \(02/28/2024\)](#)

Tubman Middle School

Due to the impacts of the proposed I-5 freeway expansion, the PPS Board of Education directed the relocation of Harriet Tubman Middle School (Tubman) away from I-5.³ The State of Oregon has provided \$120 million to support relocation of Tubman MS. The most recent cost estimate to relocation Tubman MS is \$156 million - \$186 million. The sample option includes funds to complete the relocation of the Harriet Tubman Middle School.

K-5 Learning Center

The most recent concept option to support the relocation of Tubman MS includes construction of a joint use facility that will include the Center for Black Student Excellence and a K-5 Learning Center that will be able to house a PK-5 Portland charter school. The current cost estimate to complete this project is \$110 million - \$133 million. The 2020 bond includes \$60 million to support capital construction of the Center for Black Student Excellence.

Contingency & Administration

Program contingency is a risk management tool used to buffer against unanticipated costs such as:

- Higher than anticipated escalation costs
- Building code or zoning code changes
- Emergency facility needs
- Or any other unanticipated cost; discretionary or nondiscretionary

The more scope-defined projects included in the GO bond package, the higher the risk of not completing all of the work within the GO bond funding. The sample includes a very large amount of scope-defined projects - the ERP and modernizations total close to \$1 billion - therefore staff recommends a program contingency of 15% to manage future cost risks.

³ The construction schedule for the I-5 freeway expansion is currently unknown.

Note: during execution of the GO bond work the program contingency funds are transferred to other scores of work. Bond programs end with a zero dollar contingency balance.

It's also worth noting that the construction industry continues to be volatile, and construction cost estimates have not been very accurate the past several years. Portland has also continued to be one of the hottest construction markets in the nation and experienced 8% - 10% cost escalation growth (as an average) each of the past several years.

Administration funds the resources needed to carry out the bond work, including staff, bond issuance costs, insurance, etc. The current estimate is 3% of total cost. This estimate will be refined as the scope of work becomes more clear.

Bond Implementation Constraints

The majority of GO bond work requires physical construction. Market capacity and operational constraints must be considered when planning for GO bonds. Since 2016 PPS has averaged about \$200M in capital spending per year, with some years exceeding \$250M and others down closer to \$100M.

Acknowledging anticipated future cost escalation, estimating a total capital outlay **between \$150 million and \$250 million annually** is reasonable.

The sample option includes approximately \$2.2B in principal. The 2020 GO bond will have approximately \$600M in principal remaining at the end of 2024. Combined the total is about \$2.8B.⁴

- Spending \$2.8B at a rate of :
 - \$250M per year equates to spending all GO bond principal in 12 years, or by 2036
 - \$150M per year equates to spending all GO bond principal in 19 years, or by 2043

⁴ Does not include non-bond capital funds, including for the relocation of Harriet Tubman Middle School

	Spend Rate	
	\$150M / year	\$250M / year
2024	\$ 2,800,000,000	\$ 2,800,000,000
2025	\$ 2,650,000,000	\$ 2,550,000,000
2026	\$ 2,500,000,000	\$ 2,300,000,000
2027	\$ 2,350,000,000	\$ 2,050,000,000
2028	\$ 2,200,000,000	\$ 1,800,000,000
2029	\$ 2,050,000,000	\$ 1,550,000,000
2030	\$ 1,900,000,000	\$ 1,300,000,000
2031	\$ 1,750,000,000	\$ 1,050,000,000
2032	\$ 1,600,000,000	\$ 800,000,000
2033	\$ 1,450,000,000	\$ 550,000,000
2034	\$ 1,300,000,000	\$ 300,000,000
2035	\$ 1,150,000,000	\$ 50,000,000
2036	\$ 1,000,000,000	\$ -
2037	\$ 850,000,000	\$ -
2038	\$ 700,000,000	\$ -
2039	\$ 550,000,000	\$ -
2040	\$ 400,000,000	\$ -
2041	\$ 250,000,000	\$ -
2042	\$ 100,000,000	\$ -
2043	\$ -	\$ -
2044	\$ -	\$ -
2045	\$ -	\$ -

The sample option includes a large amount of modernization projects, therefore it is reasonable to assume execution of the bond will see average yearly spending on the high side of the range; however, completing multiple modernizations consecutively has impacts on internal organization capacity as well as market capacity. Modernization projects will need to be carefully sequenced to be successful.

If PPS attempts to complete too much work simultaneously, risks include inflated costs, protracted project schedules and impacted scope and quality of work.

Maintenance Considerations

Per Oregon statute, ordinary maintenance and repair costs cannot be funded by GO bonds. Therefore an important consideration when planning GO bond projects are expected ongoing costs that must be absorbed by the District’s general fund, or other fund source. Sample scopes of work that require non-GO bond funds to maintain include new technology or additional square footage.

Summary

The above information is provided for review and discussion. Feedback and direction on preferred total bond amount, scope of work, financing, etc. is welcomed and will help inform the upcoming bond.

Resources

- Long-Range Facilities Plan - Vol. 1 - [LINK](#)
- Long-Range Facilities Plan - Vol. 2 - [LINK](#)
- Long-Range Facilities Plan Presentation - F&O Committee - 04 15 2021 - [LINK](#)
- Long-Range Facilities Plan Presentation - F&O Committee - 10 27 2021 - [LINK](#)
- Long-Range Facilities Plan Presentation - Board Work Session - 11 09 2021 - [LINK](#)
- Bond Planning Introduction - F&O Committee - 08 21 2023 - [LINK](#)
- Staff Memo: General Obligation Bond Planning - Board Work Session - 01 23 2024 - [LINK](#)
- Sample Bond Financing Options - Board Work Session - 01 23 2024 - [LINK](#)
- Conceptual Bond Budgets - Board Work Session - 01 23 2024 - [LINK](#)
- Sample Bond Options - Board Work Session - 01 23 2024 - [LINK](#)
- Staff Memo: General Obligation Bond Planning - F&O Committee - 02 28 2024 - [LINK](#)
- Conceptual Bond Budgets - F&O Committee - 02 28 2024 - [LINK](#)
- Director Concept: Native American Students - F&O Committee - 02 28 2024 - [LINK](#)
- Director Concept: PIL Investments - F&O Committee - 02 28 2024 - [LINK](#)