PORTLAND PUBLIC SCHOOLS
Office of School Modernization
501 North Dixon Street • Portland, OR 97227

Board of Education
Meeting Materials Cover Sheet May 21st, 2019

A. Staff Report
B. BAC Presentation 2019 Q1
C. Bond 2012 Program
D. Bond 2017 Program-Revised Variance
E. Bond Program Cost Summary
F. 4.17.2019 SEC Audit Presentation
G. 4-25-2019 Bond Audit Report
H. BAC 4 17 2019 Meeting Minutes

Board of Education

Staff Analysis and Report to the Board

Board Work Session Date: N/A

District Priority:

Board Meeting Date (if action item): 5/21/19

Executive Leadership Lead: Dan Jung, COO

Department: Office of School Modernization

Staff Lead: Scott Perala, Senior Director (Interim)

SUBJECT: Bond Program Status; Quarterly Update

I. BACKGROUND

In November 2012 and May 2017 voters approved general obligation bonds to complete~~d~~ capital improvement projects for Portland Public Schools. The District's Office of School Modernization s~~S~~taff has developed a set of performance measures to provide management information for the staff and reporting tools for the Bond Accountability Committee and the Board's oversight role. Performance metrics for the 2012/2017 bond program are based on the Balanced Scorecard (BSC).

II. RELATED POLICIES/BEST PRACTICES

The provided documentation includes metrics tracking the performance of the District's Equity in Public Purchasing and Contracting Policy.

III. ANALYSIS OF SITUATION

Quarterly Update:

The bond program continues to make progress planning, designing and completing capital improvements. The attached documentation provides an overview of recent accomplishments and current status of the bond program.

Kellogg MS Update:

Kellogg MS project is preparing to break ground in June 2019. Building permits have been submitted to the City of Portland and the project has been approved to participate in the Mayor's Fast Track Permitting program. The school is planned to be complete~~d~~ in late spring 2021 and be~~ing~~ operational for the 2021/2022 school year.

The District received bids through a 2-tier prequalification process for the project in April. The successful bidder was within the District's construction budget and all required contractual documents have been received by PPS's Purchasing and Contracting department. The contract with Todd Construction is currently being negotiated/processed by the District.

Madison HS Update:

The Madison HS Modernization Project continues to move towards the start of construction in the summer of 2019.

The project design has completed the 90% Construction Documents and has submitted the first series of building permit documents to the City of Portland for review/approval. The project has completed the Land Use Review process. Initial work on site is scheduled to start mid-June 2019 with the bulk of the project getting under construction in early July 2019.

Estimates by the project contractor and ~~third party~~third-party independent cost estimating consultants indicate the project is approximately $12M over budget based on the 50% Construction Documents (CDs). The project team has completed a review of the design and, based on realignment of the scope with the District's educational specifications, reconciled the costs to within $5.5-$6M of budget. Cost reviews/studies of the 50% CDs continue and estimates of the 90% CDs are on-going and a more comprehensive presentation/discussion is scheduled for the Board work session on June 4, 2019.

The project team continues to coordinate move/transition planning with the Grant HS project team and with Madison HS administrative staff. The current schedule calls for the Madison staff to transition into temporary storage in late June and will locate to Marshall HS in early August.

IV. **FISCAL IMPACT**
The current combined (2012/2017) program budget is $1.4 billion. The provided documentation includes detailed financial information.

V. **COMMUNITY ENGAGEMENT (IF APPLICABLE)**
The bond program continues to engage internal and external stakeholders through public workshops, targeted project meetings, open houses, etc. Design Advisory Groups are active for Kellogg, Madison, Lincoln and Benson.

VI. TIMELINE FOR IMPLEMENTATION/EVALUATION
The provided information includes detailed project schedule information.

VII. BOARD OPTIONS WITH ANALYSIS
N/A

VIII. STAFF RECOMMENDATION
N/A

IX. I have reviewed this staff report and concur with the recommendation to the Board.

Guadalupe Guerrero **Date**
Superintendent
Portland Public Schools

ATTACHMENTS from 1/23/19 Bond Accountability Committee Meeting

A. Bond Accountability Committee Meeting Minutes
B. Bond Accountability Committee PowerPoint Presentation
C. Performance Audit Presentation – April 2019
D. Performance Audit – April 2019 Report and Staff Response
E. 2012 Program Cost Summary
F. 2017 Program Cost Summary
G. Project Management Cost Summary

School Improvement Bond Update

Bond Accountability Committee Meeting

April 17, 2019

Agenda

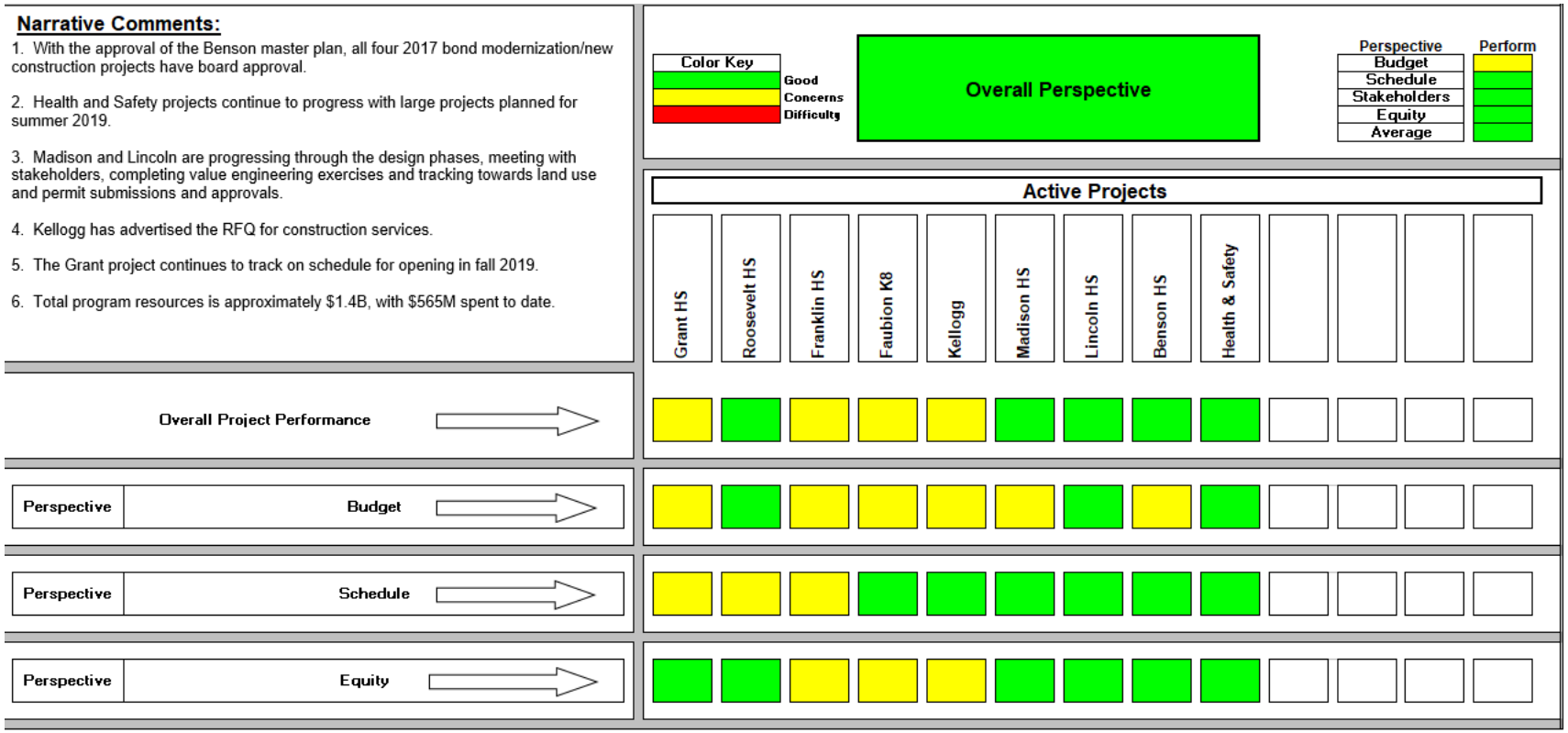
• Welcome & Introductions	5:30 pm
• Public Comments	5:35 – 5:45 pm
• Balanced Scorecard	5:45 – 6:00 pm
• Program Update	6:00 – 6:15 pm
• 2017 Bond Performance Audit	6:15 – 6:45 pm
• Spotlight: Health & Safety Program	6:45 – 7:30 pm
• Project Reports	7:30 – 8:15 pm
• Questions	8:15 – 8:30 pm
• Wrap-Up and Adjourn	

Public Comment

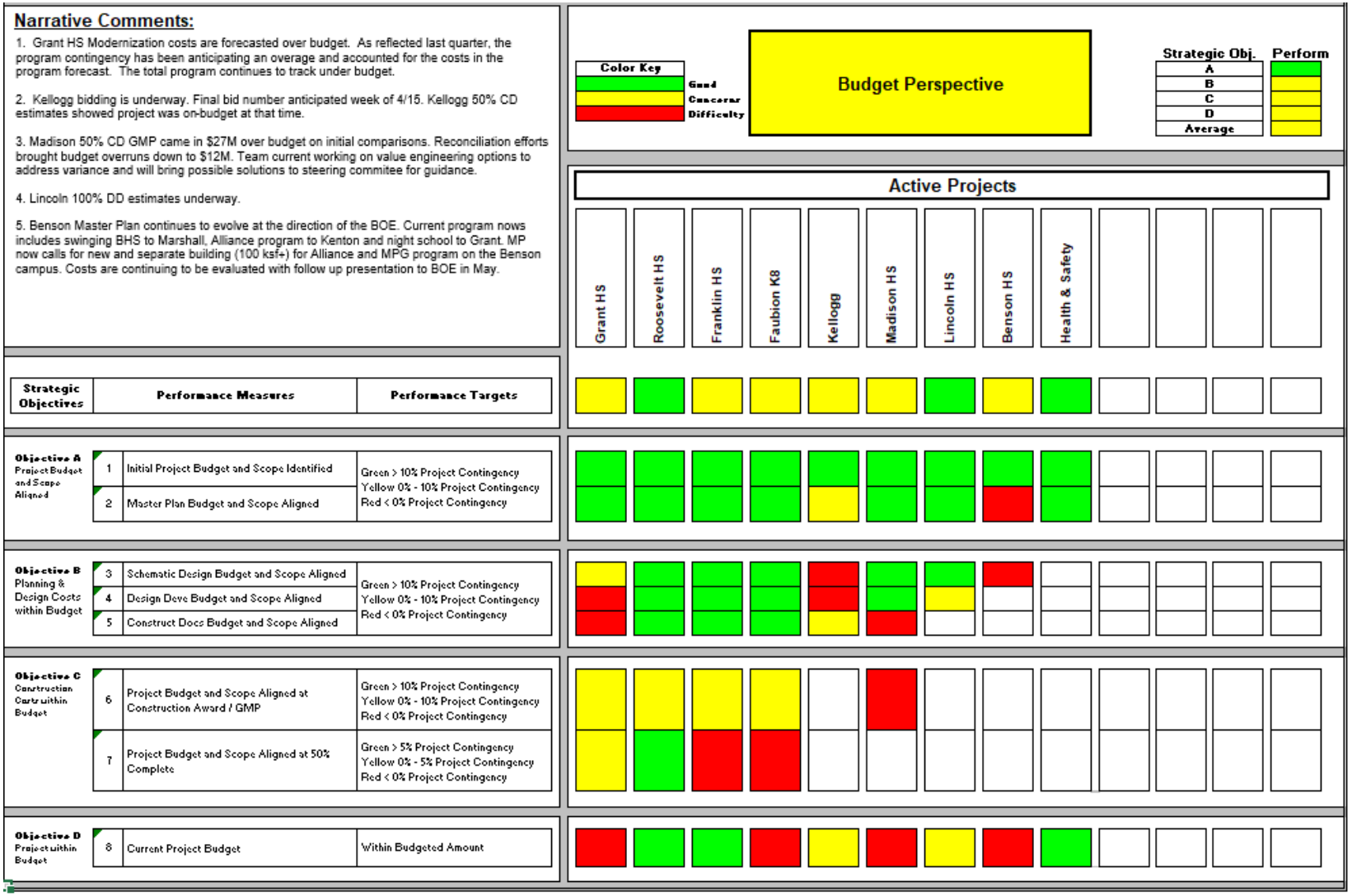
Program Update – Balanced Scorecard

Narrative Comments:

1. With the approval of the Benson master plan, all four 2017 bond modernization/new construction projects have board approval.
2. Health and Safety projects continue to progress with large projects planned for summer 2019.
3. Madison and Lincoln are progressing through the design phases, meeting with stakeholders, completing value engineering exercises and tracking towards land use and permit submissions and approvals.
4. Kellogg has advertised the RFQ for construction services.
5. The Grant project continues to track on schedule for opening in fall 2019.
6. Total program resources is approximately $1.4B, with $565M spent to date.



Program Update – Balanced Scorecard



Narrative Comments:

1. Grant HS Modernization costs are forecasted over budget. As reflected last quarter, the program contingency has been anticipating an overage and accounted for the costs in the program forecast. The total program continues to track under budget.

2. Kellogg bidding is underway. Final bid number anticipated week of 4/15. Kellogg 50% CD estimates showed project was on-budget at that time.

3. Madison 50% CD GMP came in $27M over budget on initial comparisons. Reconciliation efforts brought budget overruns down to $12M. Team current working on value engineering options to address variance and will bring possible solutions to steering commitee for guidance.

4. Lincoln 100% DD estimates underway.

5. Benson Master Plan continues to evolve at the direction of the BOE. Current program nows includes swinging BHS to Marshall, Alliance program to Kenton and night school to Grant. MP now calls for new and separate building (100 ksf+) for Alliance and MPG program on the Benson campus. Costs are continuing to be evaluated with follow up presentation to BOE in May.

Color Key: Good / Concerns / Difficulty

Budget Perspective

Strategic Obj.	Perform
A	
B	
C	
D	
Average	

Active Projects: Grant HS, Roosevelt HS, Franklin HS, Faubion K8, Kellogg, Madison HS, Lincoln HS, Benson HS, Health & Safety

Strategic Objectives		Performance Measures	Performance Targets
Objective A Project Budget and Scope Aligned	1	Initial Project Budget and Scope Identified	Green > 10% Project Contingency Yellow 0% - 10% Project Contingency Red < 0% Project Contingency
	2	Master Plan Budget and Scope Aligned	
Objective B Planning & Design Costs within Budget	3	Schematic Design Budget and Scope Aligned	Green > 10% Project Contingency Yellow 0% - 10% Project Contingency Red < 0% Project Contingency
	4	Design Deve Budget and Scope Aligned	
	5	Construct Docs Budget and Scope Aligned	
Objective C Construction Carts within Budget	6	Project Budget and Scope Aligned at Construction Award / GMP	Green > 10% Project Contingency Yellow 0% - 10% Project Contingency Red < 0% Project Contingency
	7	Project Budget and Scope Aligned at 50% Complete	Green > 5% Project Contingency Yellow 0% - 5% Project Contingency Red < 0% Project Contingency
Objective D Project within Budget	8	Current Project Budget	Within Budgeted Amount

Budget Update:

2012 Bond Program BAC Summary

2012 Bond Program Project Summary	Original Budget	Approved Budget Changes		Current Budget	Estimate At Completion	Forecasted Over/(Under)	Actuals Approved
Bond Management	15,117,563	11,978,406	1	27,095,969	24,720,263	(2,375,705)	20,426,583
Bond Issuance Costs	3,000,000	(521,346)	2	2,478,654	2,478,654	-	2,056,501
PBOT IGA	5,000,000	-		5,000,000	5,000,000	-	-
OCIP	-	2,857,473	3	2,857,473	3,357,473	500,000	2,332,338
Escalation	*45,000,000*	(45,000,000)	4	-	-	-	-
Fund 424		-	5	-	-	-	-
Bond Premium		-	6	-	-	-	-
Contingency - OSM	5,063,798	(3,776,449)	7	1,287,349	*1,287,349*	-	-
Contingnecy - BOE Reserves	20,000,000	(20,000,000)	8	-	-	-	-
Additional Criteria Financing (FHS/RHS)	-	-	9	-	-	-	-
Interest Revenue (Projected)	-	-		-	(400,000)	(400,000)	-
	93,181,361	**(54,461,917)**		**38,719,444**	**36,443,739**	**(2,275,705)**	**24,815,423**

Budget Update:

2017 Program Costs Summary

4/15/2019

	Original Budget	Approved Budget Changes		Current Budget	Estimate At Completion	Forecasted Over/(Under)	Actuals Approved
Bond Management	40,000,000	12,005,610	1	52,005,610	56,742,413	(263,197)	5,129,762
Bond Issuance Costs	-	2,159,753	2	2,159,753	5,000,000	2,840,247	2,159,753
OCIP	-	-		-	5,000,000	5,000,000	-
Escalation	-	-		-	-	-	-
Contingency - OSM	20,000,000	(6,400,951)	3	13,599,049	13,599,049	-	-
Bond Premium	-	-	4	-	-	-	-
Contingnecy - BOE Reserves	-	-		-	-	-	-
Projected Earned Interest	-	-		-	(34,000,000)	(34,000,000)	-
	60,000,000	**7,764,412**		**67,764,412**	**46,341,463**	**(26,422,949)**	**7,289,515**
ACCESSIBILITY - UNALLOCATED BUDGET	10,000,000	(8,808,440)	5	1,191,560	1,191,560	-	-
ASBESTOS - UNALLOCATED BUDGET	12,000,000	(6,147,546)	6	5,852,454	5,852,454	-	-
FIRE ALARM/SPRINKLER - UNALLOCATED BUDGET	25,849,990	(14,910,443)	7	10,939,547	10,939,547	-	-
LEAD PAINT - UNALLOCATED BUDGET	16,623,936	(12,933,321)	8	3,690,615	3,690,615	-	-
RADON- UNALLOCATED BUDGET	1,126,125	(239,902)	9	886,223	886,223	-	-
ROOFS - UNALLOCATED BUDGET	50,907,949	(28,398,456)	10	22,509,493	22,509,493	-	-
SECURITY - UNALLOCATED BUDGET	5,000,000	(5,000,000)	11	-	-	-	-
WATER FIXTURES/PIPES - UNALLOCATED BUDGET	28,492,000	(10,608,021)	12	17,883,979	17,883,979	-	-
OSCIM GRANT- UNALLOCATED BUDGET	-	8,000,000	13	8,000,000	8,000,000		
	150,000,000	**(79,046,129)**		**70,953,871**	**70,953,871**	**0**	**0**
	210,000,000	**(71,281,717)**		**138,718,283**	**117,295,334**	**(26,422,949)**	**7,289,515**

Budget Update:

2012 and 2017 Bond Summary

Project Name	Original Budget	Approved Budget Changes	Current Budget	Current Commitments	Estimate At Completion	Forecasted Over/(Under)	Actuals Approved
2012 Bond							
Franklin HS Modernization	81,585,655	31,899,040	113,484,695	113,483,313	112,863,970	(620,725)	112,302,648
Grant HS Modernization	88,336,829	66,650,681	154,987,510	153,114,432	158,660,801	3,673,292	122,424,327
Grant - GHS Grant Bowl Improvements - 4919 - FY19	-	250,000	250,000	-	250,000	-	-
Roosevelt HS Modernization	68,418,695	33,467,919	101,886,614	99,521,389	100,444,817	(1,441,797)	98,043,373
Roosevelt - Modulars-relocated and store - 4435 - FY17	-	186,749	186,749	186,749	186,749	-	186,749
Faubion Add-Ons - 4918 - DA004 - FY19	-	100,000	100,000	24,834	124,834	24,834	23,519
Faubion Replacement	27,035,537	22,900,014	49,935,551	49,743,565	49,938,926	3,375	49,697,026
Improvement Project 2013	9,467,471	2,495,668	11,963,139	11,963,139	11,963,139	-	11,963,139
Improvement Project 2014	13,620,121	4,191,667	17,811,788	17,811,788	17,811,788	-	17,811,788
Improvement Project 2015	13,521,066	102,076	13,623,142	13,497,438	13,497,438	(125,704)	13,497,438
Improvement Project 2015 - Maplewood	-	1,518,698	1,518,698	1,518,698	1,518,698	-	1,518,698
Improvement Project 2015 - SCI	-	2,057,687	2,057,687	2,057,686	2,057,686	(1)	2,057,686
Improvement Project 2016	15,274,437	1,386,346	16,660,783	16,468,882	16,468,977	(191,806)	16,404,180
GROUP 3 (IP 2017)	6,796,707	14,762,435	21,559,142	21,203,411	21,866,179	307,037	20,283,776
Improvement Project 2018	9,062,119	(9,062,119)	-	-	-	-	-
Improvement Project 2019	-	-	-	-	-	-	-
Master Planning - Benson HS	191,667	206,975	398,642	398,642	398,642	-	398,642
Master Planning - Cleveland HS	191,667	(191,667)	-	-	-	-	-
Master Planning - Jefferson HS	191,667	(191,667)	-	-	-	-	-
Master Planning - Lincoln HS	191,667	165,427	357,094	357,094	357,094	-	357,094
Master Planning - Madison HS	191,667	208,333	400,000	324,080	324,080	(75,911)	324,070
Master Planning - Wilson HS	191,667	(191,667)	-	-	-	-	-
Marshall Swing Site - Bond 2012	-	4,070,103	4,070,103	4,070,103	4,070,103	-	4,070,103
Tubman Swing Site - Bond 2012	-	1,164,776	1,164,776	1,164,776	1,164,776	-	1,164,776
Swing Sites & Transportation	9,550,000	(9,550,000)	-	-	-	-	-
Educational Specification	-	275,168	275,168	275,168	275,168	-	275,168
Debt Repayment	45,000,000	-	45,000,000	45,000,000	45,000,000	-	45,000,000
2012 Bond Program	93,181,361	(54,461,917)	38,719,444	30,722,123	36,443,739	(2,275,705)	24,815,423
	482,000,000	**114,410,725**	**596,410,725**	**582,907,308**	**595,687,603**	**(723,113)**	**542,619,623**
Additional Funding Resource (If/When Needed)	-	10,000,000	10,000,000	-	-	(10,000,000)	-
Total 2012 Bond	**482,000,000**	**124,410,725**	**606,410,725**	**582,907,308**	**595,687,603**	**(10,723,113)**	**542,619,623**

* In February 2017 OSM was directed to proceed with design and construction of Grant HS under the direction an additional $10M would be made available to OSM if/when needed

SCHOOL BUILDING IMPROVEMENT BOND

Project Name	Original Budget	Approved Budget Changes	Current Budget	Current Commitments	Estimate At Completion	Forecasted Over/(Under)	Actuals Approved
2017 Bond							
Benson HS Modernization	202,000,000	(123,297,700)	78,702,300 *	3,615,205	330,000,000	251,297,700	598,166
Kellogg Replacement	45,000,000	14,800,000	59,800,000	6,617,956	59,800,000	-	5,171,936
Lincoln HS Replacement	187,000,000	55,500,000	242,500,000	14,055,194	242,500,000	-	3,648,057
Madison HS Modernization	146,000,000	53,000,000	199,000,000	16,169,318	199,000,000	-	9,104,631
	580,000,000	**2,300**	**580,002,300**	**40,457,673**	**831,300,000**	**251,297,700**	**18,522,791**
Benson HS Modernization: Pre-Design - Pre-Bond	-	561,725	561,725	561,725	561,725	-	561,725
Kellogg Replacement: Pre-Design - Pre-Bond	-	385,873	385,873	385,873	385,873	-	385,873
Lincoln HS Modernization: Pre-Design - Pre-Bond	-	378,557	378,557	378,557	378,557	-	378,557
Madison HS Modernization: Pre-Design - Pre-Bond	-	274,297	274,297	274,297	274,297	-	274,297
Cleveland HS Modernization-Pre-Design - Pre-Bond - 4964 - FY1	-	100,000	100,000	-	100,000	-	-
Jefferson HS Modernization-Pre-Design - Pre-Bond - 4965 - FY1	-	100,000	100,000	-	100,000	-	-
Wilson HS Modernization-Pre Design - Pre-Bond - 4966 - FY19	-	100,000	100,000	-	100,000	-	-
2017 Bond Program: Pre-Design - Pre-Bond	-	81,323	81,323	81,323	81,323	-	81,323
2017 Bond Program	210,000,000	(71,281,717)	138,718,283	15,704,971	112,296,184	(26,422,099)	7,289,515
	210,000,000	**(69,299,941)**	**140,700,059**	**17,386,747**	**114,277,959**	**(26,422,099)**	**8,971,290**
Chapman - Re-Roof and Fire Sprinkler System Installation - Bonc	-	2,842,000	2,842,000	531,042	2,846,660	-	236,191
GROUP 2 - Fire Alarm / Sprinkler	-	8,533,136	8,533,136	1,006,420	9,418,151	-	720,413
GROUP 4 - ASBESTOS	-	3,033,661	3,033,661	1,486,081	3,133,467	-	1,401,120
Harrison Park - Copy Room-Abate Asbestos Tile - 4664 - FY18	-	10,185	10,185	10,185	10,185	-	10,185
Harrison Park - K Classrooms-Abate Asbestos from floor tiles - 4	-	24,009	24,009	24,009	24,009	-	24,009
Hayhurst - SRGP-Bond - 5028 - FY19	-	2,500,000	2,500,000	410,322	2,500,000	-	-
Hosford - Wood Shop Floor-Asbestos - 4573 - FY18	-	41,523	41,523	41,523	41,523	-	41,523
Jackson - Health & Safety Improvements-Bond - 5030 - FY19	-	6,521,000	6,521,000	-	6,521,000	-	-
Jefferson - Camera-Pull Stations - 4528 - FY17	-	30,859	30,859	30,859	30,859	-	30,859
Lee - Roof Repair - 4497 - FY18	-	97,000	97,000	97,000	97,000	-	97,000
Lent - Radon Mitigation - 4344 - FY17	-	59,512	59,512	59,512	59,512	-	59,512
Multi-2018-4675-Bond-Security-PKG1 FY18-19	-	3,062,749	3,062,749	15,040	3,062,749	-	13,000
Multi-2018-5025-Bond-Security-PKG2-FY19	-	2,962,599	2,962,599	-	2,962,599	-	-
Multi-2018-5026-Bond-Security-PKG3-FY19	-	2,962,600	2,962,600	-	2,962,600	-	-
Multiple Site - Lead Paint Remediation	-	-	-	-	-	-	-
Multiple Sites - 2018-2019 Middle School Conversions - 4586-FY	-	32,540,735	32,540,735	31,673,686	32,540,735	-	29,520,590
Multiple Sites - Asbestos Bond Projects-2018-19 - 4923 - FY19	-	1,310,000	1,310,000	298,426	1,310,000	-	123,999
Multiple Sites - Asbestos Bond Projects-2019-20 - 4924 - FY20	-	-	-	-	-	-	-
Multiple Sites - Asbestos Bond Projects-2020-21 - 4925 - FY21	-	-	-	-	-	-	-
Multiple Sites - Day CPM Management Services - 4610 - FY18	-	1,977,243	1,977,243	1,975,804	1,977,243	-	1,112,675
Multiple Sites - Fire Alarm Equipment Purchase - FY15/16/17/18	-	507,151	507,151	383,606	738,980	-	383,606
Multiple Sites - Floor Replacement-Bond Compensible - 4565 - F	-	281,044	281,044	124,841	367,041	-	124,841
Multiple Sites - Lead in Water Repairs - 4517 -Fund 424 - FY17	-	7,129,460	7,129,460	2,165,551	8,036,672	-	1,737,382
Multiple Sites - Lead Paint Abatement - BOND	-	10,050,000	10,050,000	34,380	10,084,380	-	16,163
Multiple Sites - Lead Paint Abatement - Emergency Declaration -	-	1,273,500	1,273,500	1,273,500	1,273,534	-	1,273,500
Multiple Sites - Lead Paint Abatement - Fund 423 - 4493 -FY17	-	577,003	577,003	577,003	577,003	-	577,003
Multiple Sites - Moving Services Contracts - 3851 - FY15/16/17	-	-	-	-	-	-	-
Multiple Sites - Radon Mitigation - 4609 - FY18	-	113,354	113,354	113,354	113,354	-	113,354

Budget Update:

Project Name	Original Budget	Approved Budget Changes	Current Budget	Current Commitments	Estimate At Completion	Forecasted Over/(Under)	Actuals Approved
Sitton - Health & Safety Improvements-Bond - 5027 - FY19	-	1,000,000	1,000,000	500,501	1,000,000	-	-
Woodstock - Hallway-Abate and replace floor tiles - 4738 - FY18	-	8,614	8,614	8,614	8,614	-	8,614
	-	89,448,937	89,448,937	42,841,259	91,697,869	-	37,625,540
Total 2017 Bond	**790,000,000**	**20,151,296**	**810,151,296**	**100,685,678**	**1,037,275,829**	**224,875,601**	**65,119,621**
Total Bond	**1,272,000,000**	**144,562,021**	**1,416,562,021**	**683,592,987**	**1,632,963,431**	**214,152,488**	**607,739,244**

* Includes $11.4M of a pending budget change

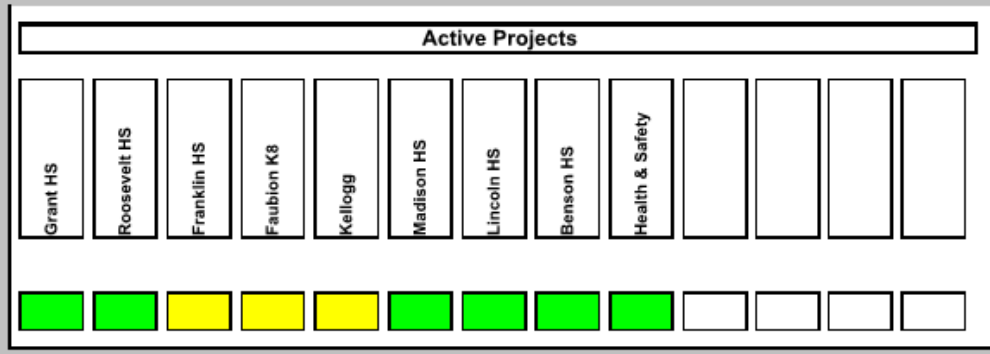
Program Update – Balanced Scorecard

Narrative Comments:

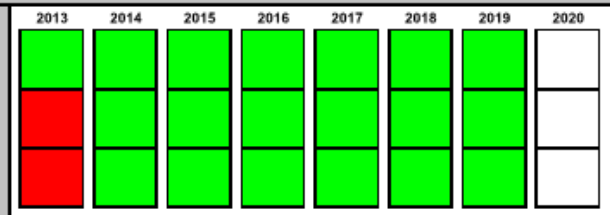
1. Overall OSM is tracking at 27.5% (up from 25%) and 15.34% (up from 14%) for consultants and contractors respectively for certified business participation, for a cumulative of 17%. A 1% increase since last quarter. Qualifying costs breakdown as:
MBE: 32.98% (up from 31%)
WBE: 50.93% (down from 52%)
SDVBE: 0.13% (up from 0.1%)
ESB: 15.96% (down from 16%)

2. OSM continues to exceed the 20% apprenticable trade hours goal (currently 24% overall (down from 26%)). Kellogg is the only active project not currently exceeding the goal, however this data is on demolition only. Demolition has traditionally been a challenging trade to procure apprentices. We anticipate the goal will be met at Kellogg, as well as the other projects.

3. OSM met all student engagement goals in 2019. The team is planning for even more engagement in 2020.



Strategic Objectives		Performance Measures	Performance Targets
Objective A Meets Aspirational Certified	1	Consultants - % of payments made to Certified owned	Green: Certified >18% Yellow: Certified >10% Red: Certified <10%
	2	Contractors - % of payments made to Certified owned	
	3	Project Overall - % of payments made to Certified owned	
Objective B apprenticable trade participation	4	Contractors % of labor hours/apprenticable trade	Green: participation >20% Yellow: participation >10% Red: participation <10%
Objective C Meets student participation	5	Tier 1 - Group Activities EG: career fairs, guest speakers	Green: students > 500 Yellow: students > 100 Red: students < 100
	6	Tier 2 - 1-on-1, Short-Term Activities EG: job shadows, mock interviews	Green: students > 50 Yellow: students > 20 Red: students < 20
	7	Tier 3 - 1-on-1, Long-Term Activities EG: internships	Green: students > 10 Yellow: students > 5 Red: students < 5



Program Update – Balanced Scorecard

Narrative Comments:

1. Grant continues to track on overall schedule and 7/30 substantial completion. Punchlist to begin end April. Transition planning underway for summer 2019.

2. Roosevelt Phase 3 is substantially complete. Tennis courts and surrounding work will begin in May.

3. Kellogg MS abatement and demolition is complete. Construction bids due 4/16.

4. Madison HS 50% CD's issued and estimated. CMGC and A/E are working to achieve path to budget. Demolition drawings submitted for permit.

5. Lincoln 75% DDs complete and issued to CMGC and 3rd party for estimating. Land use permit application submitted.

6. Benson SD completion delayed to accomodate BOE determination of future MPG location and completion of Benson HS programming.

Color Key	
	Good
	Concerns
	Difficulty

Schedule Perspective

Strategic Obj.	Perform
A	
B	
C	
D	
Average	

Active Projects

Strategic Objectives		Performance Measures	Performance Targets	Grant HS	Roosevelt HS	Franklin HS	Faubion K8	Kellogg	Madison HS	Lincoln HS	Benson HS	Health & Safety			
Objective A Establish Schedule Target & Strategy	1	Baseline Schedule Established	Green = completed												
Objective B Planning, Permitting & Design Phases on Schedule	2	Design Contract Award	Green = < 0 weeks impact Yellow = 0 - 4 weeks Red > 4 weeks (measured from baseline schedule)												
	3	Schematic Design Completed													
	4	Design Development Completed													
	5	Construction Contract Documents													
	6	Land Use Permit Approved													
	7	Building Permit Approved													
Objective C Construction on Schedule	8	Construction Started	Green = < 0 weeks impact Yellow = 0 - 4 weeks Red > 4 weeks (measured from baseline schedule)												
	9	Substantial Completion													
	10	Final Completion													
Objective D Meet Occupancy / Completion Schedule Target	11	Current Project Schedule	On target for school opening												

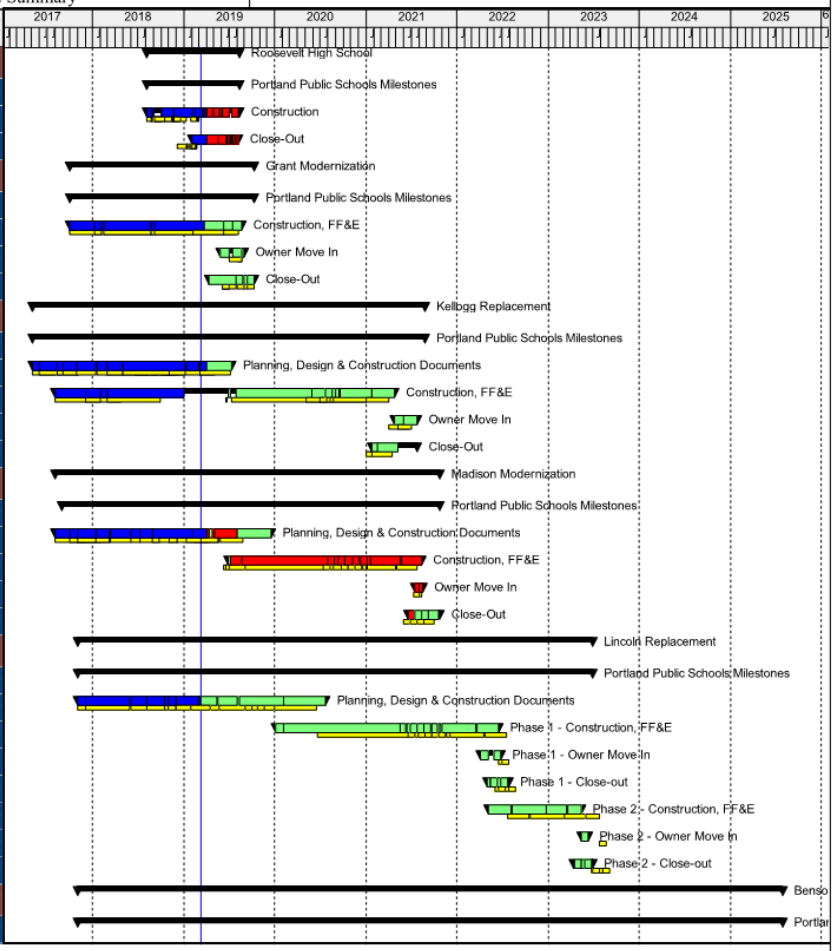
Schedule Update: Modernization Projects

CBRE | HEERY

Portland Public Schools (PPS)
Master Planning Schedule
- Baseline Variance Summary

Data Date: 11-Mar-19
Run Date: 03-Apr-19

Activity ID	Activity Name	Original Duration	Start	BL Project Start	Finish	BL Project Finish	Variance - BL Project Finish Date
	Roosevelt High School	237	07-Aug-18 A	07-Aug-18	12-Aug-19	01-Mar-19	-114
	Portland Public Schools Milestones	117	07-Aug-18 A	07-Aug-18	12-Aug-19	01-Mar-19	-114
	Construction	237	07-Aug-18 A	07-Aug-18	12-Aug-19	01-Mar-19	-114
	Close-Out	56	04-Feb-19 A	05-Dec-18	06-Aug-19	25-Feb-19	-114
	Grant Modernization	749	02-Oct-17 A	02-Oct-17	10-Oct-19	11-Oct-19	1
	Portland Public Schools Milestones	251	02-Oct-17 A	02-Oct-17	10-Oct-19	11-Oct-19	1
	Construction, FF&E	749	02-Oct-17 A	02-Oct-17	19-Aug-19	05-Aug-19	-10
	Owner Move In	66	28-May-19	03-Jul-19	28-Aug-19	21-Aug-19	-5
	Close-Out	127	12-Apr-19	05-Jun-19	10-Oct-19	11-Oct-19	1
	Kellogg Replacement	889	01-May-17 A	01-May-17	23-Aug-21	23-Aug-21	0
	Portland Public Schools Milestones	889	01-May-17 A	01-May-17	23-Aug-21	23-Aug-21	0
	Planning, Design & Construction Documents	349	01-May-17 A	01-May-17	10-Jul-19	08-Jul-19	-2
	Construction, FF&E	803	01-Aug-17 A	01-Aug-17	23-Apr-21	01-Apr-21	-16
	Owner Move In	65	26-Apr-21	02-Apr-21	23-Jul-21	01-Jul-21	-16
	Close-Out	130	25-Jan-21	31-Dec-20	23-Jul-21	01-Jul-21	-16
	Madison Modernization	932	01-Aug-17 A	01-Aug-17	21-Oct-21	04-Oct-21	-13
	Portland Public Schools Milestones	932	31-Aug-17 A	31-Aug-17	21-Oct-21	04-Oct-21	-13
	Planning, Design & Construction Documents	460	01-Aug-17 A	01-Aug-17	18-Dec-19	27-Aug-19	-77
	Construction, FF&E	541	27-Jun-19	11-Jun-19	11-Aug-21	23-Jul-21	-13
	Owner Move In	25	15-Jul-21	12-Jul-21	18-Aug-21	13-Aug-21	-3
	Close-Out	91	17-Jun-21	31-May-21	21-Oct-21	04-Oct-21	-13
	Lincoln Replacement	1369	01-Nov-17 A	01-Nov-17	26-Jun-23	07-Sep-23	53
	Portland Public Schools Milestones	1369	01-Nov-17 A	01-Nov-17	26-Jun-23	07-Sep-23	53
	Planning, Design & Construction Documents	611	01-Nov-17 A	01-Nov-17	22-Jul-20	17-Jun-20	-25
	Phase 1 - Construction, FF&E	633	06-Jan-20	18-Jun-20	17-Jun-22	20-Jul-22	23
	Phase 1 - Owner Move In	60	04-Apr-22	16-Jun-22	24-Jun-22	27-Jul-22	23
	Phase 1 - Close-out	61	02-May-22	02-Jun-22	25-Jul-22	25-Aug-22	23
	Phase 2 - Construction, FF&E	265	09-May-22	21-Jul-22	12-May-23	26-Jul-23	53
	Phase 2 - Owner Move In	20	15-May-23	27-Jul-23	09-Jun-23	23-Aug-23	53
	Phase 2 - Close-out	56	10-Apr-23	22-Jun-23	26-Jun-23	07-Sep-23	53
	Benson Modernization	1894	01-Nov-17 A	01-Nov-17	28-Jul-25	12-Mar-25	-98
	Portland Public Schools Milestones	1802	01-Nov-17 A	01-Nov-17	28-Jul-25	12-Mar-25	-98



Remaining Level of Effort | Actual Level of Effort | Baseline | Actual Work | Remaining Work | Critical Remaining Work | Milestone | Summary

Page 1 of 2

TASK filter: All Activities

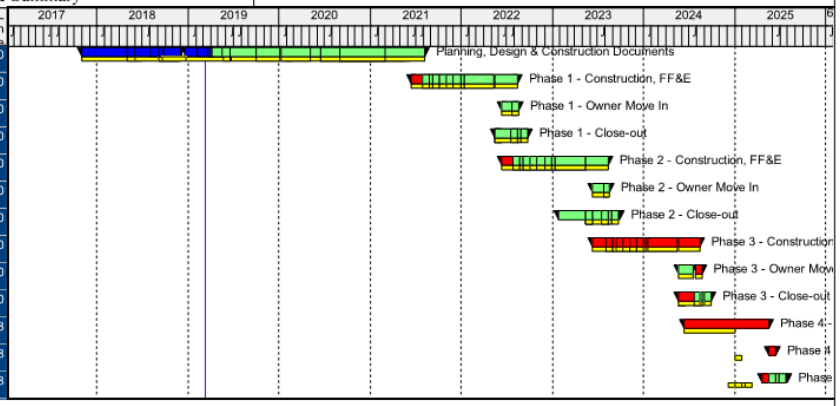
Schedule Update: Modernization Projects

CBRE | HEERY

Portland Public Schools (PPS)
Master Planning Schedule
- Baseline Variance Summary

Data Date: 11-Mar-19
Run Date: 03-Apr-19

Activity ID	Activity Name	Original Duration	Start	BL Project Start	Finish	BL Project Finish	Variance - BL Project Finish Date
	Planning, Design & Construction Documents	858	01-Nov-17 A	01-Nov-17	06-Aug-21	06-Aug-21	0
	Phase 1 - Construction, FF&E	305	14-Jun-21	14-Jun-21	12-Aug-22	12-Aug-22	0
	Phase 1 - Owner Move In	50	13-Jun-22	13-Jun-22	19-Aug-22	19-Aug-22	0
	Phase 1 - Close-out	96	16-May-22	16-May-22	26-Sep-22	26-Sep-22	0
	Phase 2 - Construction, FF&E	305	13-Jun-22	13-Jun-22	11-Aug-23	11-Aug-23	0
	Phase 2 - Owner Move In	50	12-Jun-23	12-Jun-23	18-Aug-23	18-Aug-23	0
	Phase 2 - Close-out	176	23-Jan-23	15-May-23	25-Sep-23	25-Sep-23	0
	Phase 3 - Construction, FF&E	310	12-Jun-23	12-Jun-23	16-Aug-24	16-Aug-24	0
	Phase 3 - Owner Move In	70	20-May-24	20-May-24	23-Aug-24	23-Aug-24	0
	Phase 3 - Close-out	96	20-May-24	20-May-24	30-Sep-24	30-Sep-24	0
	Phase 4 - Potential Construction	245	10-Jun-24	10-Jun-24	16-May-25	31-Dec-24	-98
	Phase 4 - Owner Move In	20	19-May-25	01-Jan-25	13-Jun-25	28-Jan-25	-98
	Phase 4 - Close-out	71	21-Apr-25	04-Dec-24	28-Jul-25	12-Mar-25	-98



Remaining Level of Effort | Baseline | Remaining Work | Milestone
Actual Level of Effort | Actual Work | Critical Remaining Work | Summary

Page 2 of 2

TASK filter: All Activities

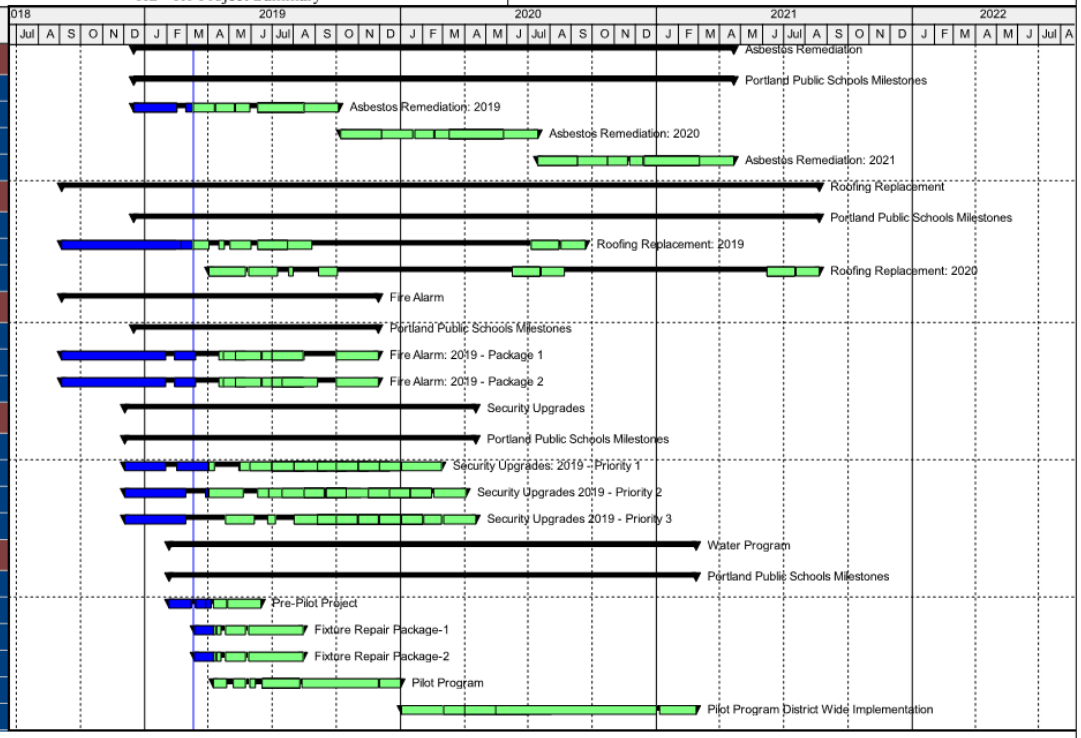
Schedule Update: Health & Safety

CBRE | HEERY

Portland Public Schools (PPS)
Health and Safety
HS - R1 Project Summary

Data Date: 11-Mar-19
Run Date: 08-Apr-19

Activity ID	Activity Name	Original Duration	Start	Finish
	Asbestos Remediation	665	15-Dec-18 A	20-Apr-21
	Portland Public Schools Milestones	665	15-Dec-18 A	20-Apr-21
	Asbestos Remediation: 2019	186	15-Dec-18 A	04-Oct-19
	Asbestos Remediation: 2020	195	07-Oct-19	14-Jul-20
	Asbestos Remediation: 2021	195	15-Jul-20	20-Apr-21
	Roofing Replacement	753	03-Sep-18 A	20-Aug-21
	Portland Public Schools Milestones	753	15-Dec-18 A	20-Aug-21
	Roofing Replacement: 2019	400	03-Sep-18 A	21-Sep-20
	Roofing Replacement: 2020	610	01-Apr-19	20-Aug-21
	Fire Alarm	312	03-Sep-18 A	29-Nov-19
	Portland Public Schools Milestones	312	15-Dec-18 A	29-Nov-19
	Fire Alarm: 2019 - Package 1	194	03-Sep-18 A	29-Nov-19
	Fire Alarm: 2019 - Package 2	194	03-Sep-18 A	29-Nov-19
	Security Upgrades	409	03-Dec-18 A	17-Apr-20
	Portland Public Schools Milestones	409	03-Dec-18 A	17-Apr-20
	Security Upgrades: 2019 - Priority 1	256	03-Dec-18 A	28-Feb-20
	Security Upgrades 2019 - Priority 2	281	03-Dec-18 A	03-Apr-20
	Security Upgrades 2019 - Priority 3	280	03-Dec-18 A	17-Apr-20
	Water Program	628	04-Feb-19 A	26-Feb-21
	Portland Public Schools Milestones	628	04-Feb-19 A	26-Feb-21
	Pre-Pilot Project	79	04-Feb-19 A	14-Jun-19
	Fixture Repair Package-1	121	13-Mar-19 A	14-Aug-19
	Fixture Repair Package-2	87	13-Mar-19 A	14-Aug-19
	Pilot Program	185	08-Apr-19	31-Dec-19
	Pilot Program District Wide Implementation	295	02-Jan-20	26-Feb-21



Remaining Level of Effort | Primary Baseline | Remaining Work | Milestone
Actual Level of Effort | Actual Work | Critical Remaining Work | Summary

Page 1 of 1

TASK filter: All Activities

2012/2017 Bond Program

Accomplishments

- VE process report out and SOP
- 2017 Bond performance audit report out
- eBuilder processes overhauled to incorporate DoC
- CM onboard for Lincoln & Security Improvements

Next Steps

- RLB cost comparison
- 2017 Bond performance audit – Ph 2
- OCIP II
- CM's for Benson & Summer 2019 Projects
- On-call service contracts
  - Testing & inspection, locksmith, cleaning, moving, legal

Challenges & Opportunities

- Staffing
  - Sr. Director of OSM
  - Projects
- Market conditions – subcontractor attitudes towards work and pricing
- Communications program for Summer projects
- Re-evaluate contract templates
- ODOT, PBOT and TriMet coordination

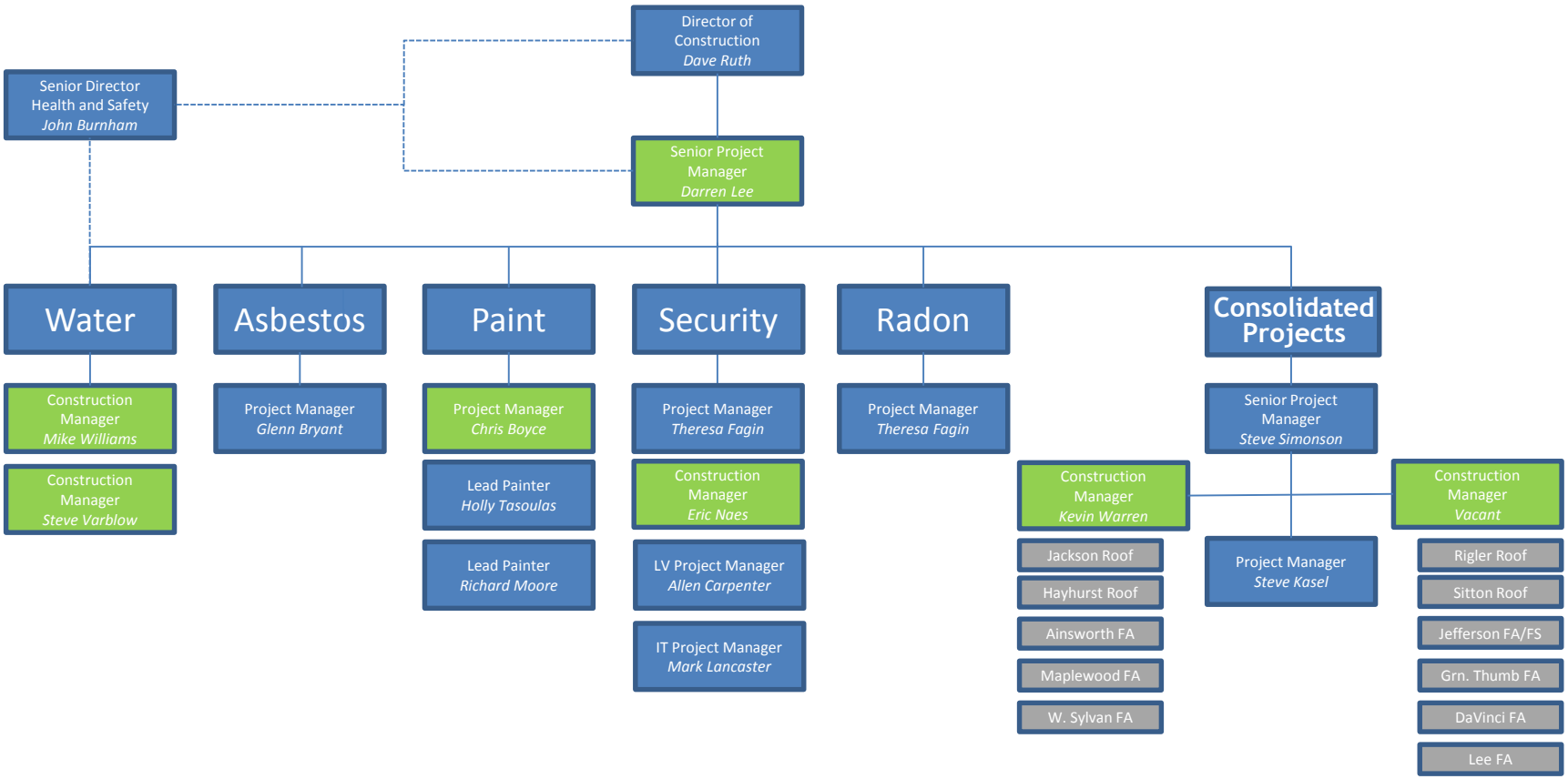
2017 Bond Program Performance Audit

Presentation

Health & Safety Program

Presentation

H&S Operational Chart



H&S By The Numbers

Health & Safety Program	Current Bond Budget		Commitments (Actual / Projected)	Estimate at Completion	Remaining Funds
Accessibility	$ 9,200,000	1	$ 8,757,525	$ 8,565,221	$ 634,779
Asbestos	$ 11,040,000	1	$ 5,367,546	$ 5,553,349	$ 5,486,651
Fire Alarms & Sprinklers	$ 23,781,991	1	$ 13,565,760	$ 14,344,466	$ 9,437,525
Lead Paint Stabilization	$ 15,294,021	1	$ 12,000,475	$ 12,034,889	$ 3,259,132
Radon Mitigation	$ 1,036,035	1	$ 172,866	$ 172,866	$ 863,169
Roofing & Seismic	$ 58,835,313	1, 2, 3	$ 46,206,121	$ 45,584,157	$ 13,251,156
Security Improvements	$ 4,600,000	1, 4	$ 9,023,438	$ 9,023,438	$ (4,423,438)
Water Quality Improvements	$ 26,212,640	1	$ 9,913,943	$ 9,913,943	$ 16,298,697
TOTALS	$ 150,000,000		$ 105,007,675	$ 105,192,330	$ 44,807,670

Budget Footnotes

1 8% of Original Bond Budget transferred to Bond MGMT

2 Includes $8,000,000 OSM grant for roofing

3 Includes $4,000,000 SRGP grants for Lewis and Hayhurst

4 Projected overrun requires offset from within H&S (reflected) or 2017 Bond Contingency

H&S Program - Project Planning

H&S Program

Accomplishments

- Replaced Fernwood GC
- Bid packages for 2019 work on the street
  - Fire Alarm – 7 schools
  - Roof / Seismic – 4 schools
  - Asbestos – 7 schools
  - Security Group 1 – 26 schools
  - DWS repairs – 500 fixtures

Next Steps

- Procurement for Group 2 & 3 Security projects
  - 61 schools
- Design RFP's for Summer 2020 & FA projects
- Coordinating building closures for Asbestos Abatement and Lead Paint Stabilization projects
- Implement DWS pilot program - 6 schools
- IDIQ for Lead Paint Stabilization

Challenges & Opportunities

- Termination of Fernwood contractor
  - Mediation scheduled for May 30
- Preparation and communication for Summer 2019 projects
- Stakeholder Engagement
- Drinking Water Station (DWS) pilot program & communications
- New water fixture requirements from State…significant uptick in number of "taps" we have to address

H&S Program - Looking Ahead

- **2020**
  - **Complete Security Improvements**
  - **Complete Fire Alarm upgrades – 19 schools**
  - **Implement DWS replacement (pending successful pilot program)**
  - **Roofs / Seismic - Tentative: Chapman, Ockley-Green, Kelly, Phase 2 Hayhurst & Jackson**
  - **Asbestos – Tentative: Jackson, Ockley-Green, DaVinci, Lent, Sitton, Jefferson**
  - **Lead Paint Stabilization**

- **2021 & Beyond**
  - **Lead Paint Stabilization: potentially through 2026**
  - **Roofs / Seismic: 4 – 6 schools per year through 2022 or 2023**
    - **Tentative 2021: Duniway, Glencoe, Irvington, Richmond, W. Sylvan**
  - **Asbestos: 6 – 7 schools per year through 2022 or 2023**

Project Updates

Roosevelt HS Modernization

Accomplishments

- Revised piping for mechanical system mixing stations completed. TAB and commissioning underway.
- Continued progress to addressing MEP system punchlist issues (reduced from 488 items to 40 items).
- Progressing with Phase 3 work
  - Subgrade work and storm water planters complete.
  - Site paving complete
  - Landscape 50% complete

Next Steps

- Complete Phase 3
  - Landscape planting
  - Tennis Court area and immediate surroundings scheduled for May / June completion
- Complete TAB and commissioning of revised mechanical piping.

Challenges & Opportunities

- Façade heat gain issues and air intrusion issues in the 1929 building classrooms & Admin offices
- Preventive and deferred maintenance support

Grant HS Modernization

Accomplishments

- Construction is on-schedule! (zero float)
- Most major equipment deliveries are complete.
- RFI's are slowing down and is the quantity of new unknown issues each week.
- Finishes are going in throughout the building.
- Landscaping and the turf field are underway.
- Architect selected for Grant Bowl master plan

Next Steps

- Focusing on commissioning and close-out.
- Zone A punchlist scheduled for end April
- FF&E deliveries begin on June 3rd.
- Grant will be moved out of Marshall by June 21st.
- Substantial Completion of Grant is on July 30th.
- Athletics start at Grant on August 5th.
- Teachers return on August 21st.

Challenges

- Subcontractor default
- Critical path scopes
- Below grade water intrusion @ existing walls
- Transition from Marshall

Safety Update

- 12 recordable incidents and 0 reportables.
- 570,000 manhours to date. Incident Rate is 4.2.
- Recent Incidents:
  - 2/2/19 steel worker falls 7' from ladder and hurts his back.
  - 3/7/19 Sheetmetal worker cuts his hand on sharp edge requiring 6 stiches.

Budget Update:

	January 20, 2019 Budget	April 17, 2019 Projection	Delta
1. CONSTRUCTION	$130,745,731	$137,885,126	$7,139,395
2. PROFESSIONAL SERVICES	$11,969,417	$12,311,323	$341,906
3. OWNER COSTS	$8,677,066	$8,464,351	($212,715)
4. CONTINGENCY	$295,295	$0	($295,295)
TOTAL BUDGET:	**$151,687,509**	**$158,660,801**	**$6,937,292**

- Budget Projection Notes:
  - After adjustment to include $584k Builder's Risk reimbursement for fire related costs, projected cost has increased $790k from last BAC update.
  - Reasons for the increases:
    - Raimore Claim ($150k)
    - Potential Contractor Contingency Increase ($540k)
    - District Policy Changes Regarding Compensable I.T. Costs ($300k)
- Additional Risks Include:
  - Overages in General Conditions & General Requirements
  - Overages/Savings in Concrete and Concrete Floor Finishing (T&M scopes)

Kellogg MS Replacement

Accomplishments

- ❑ City conditional use and adjustment approval
- ❑ 100% permit/bid document set completed
- ❑ Permit set/application submitted to City as part of Fast-Track, Portland Online Permitting System (POPS)
- ❑ 2-step procurement process underway, with Request for Quotes (RFQ) step complete and Invitation to Bid (ITB) step in progress, bids due April 16

Next Steps

- ❑ Review of bids and contracting with selected low bid General Contractor (GC)
- ❑ Submittals and selection of bid alternates
- ❑ Community outreach & "open house" prior to construction start
- ❑ Building permit and NTP

Challenges & Opportunities

- ❑ While 10 GCs expressed interest at the RFQ step, only 2 GCs submitted proposals and were selected to participate in the ITB step
- ❑ Planning for opening of new school would benefit from selection of KMS planning principal as soon as possible/practical
- ❑ Planning Principal role vacant until Fall 2020 (lack input on FF&E and administrative items)
- ❑ OSM team outlining Kellogg Middle School (KMS) staff budgeting and planning effort for 2021 / 2022 school year
- ❑ Staff / Operations budget

Madison HS Modernization

Accomplishments

- ❑ Land use permit approved.
- ❑ Demo permit submitted
- ❑ 50% CD set completed & estimated
- ❑ Approx. 70% of design / assist subs on-board
- ❑ Transition planning for Marshall move-in
- ❑ Awarded SRGP Grant - $2.5M

Next Steps

- ❑ Budget reconciliation and VE
- ❑ Submit foundation / structure permit set
- ❑ Issue 95% CD's
- ❑ Finalize GMP
- ❑ Mobilize and start abatement at the end of June

Challenges & Opportunities

- ❑ 50% CD estimate was @ $12 M over budget. Reconciliation and value engineering efforts for path to budget currently underway. Findings may impact foundation / structure design and permit submission.
- ❑ Permit schedule for foundation / structure design leaves little schedule float
- ❑ ODOT right of way / offsite improvements

Lincoln HS Modernization

Accomplishments

- ❑ Stakeholder Engagement on final program organization.
- ❑ DAG input on exterior design
- ❑ Total Value Design (TVD) process ongoing
- ❑ 75% DD Completed
- ❑ Design process on schedule

Next Steps

- ❑ 75% DD Estimates by the CM/GC and ACC due May 3
- ❑ PPS Internal Design Review of DD drawings and Specifications
- ❑ RFP for early trade partners on MEP scope.

Challenges & Opportunities

- ❑ Early site mobilization scheduled for January 2020 creating a 4 month early start.
- ❑ Coordinating athletic swing space
- ❑ Alternate method to meet CoP green roof requirement
- ❑ Potential partnership for track and field upgrades with PSU
- ❑ Potential partnership with Multnomah Athletic Club (MAC) for tennis courts
- ❑ Site Constraints – site tour

Benson HS Modernization

Accomplishments

- ❑ Stakeholder engagement for Schematic Design
- ❑ DAG tours of GHS, RHS, FHS
- ❑ Board Work sessions & Meetings for approval
- ❑ CMGC RFP and selection
- ❑ Started discussions with PPR about Buckman field use and renovations

Next Steps

- ❑ Continued DAG work sessions and DAG tours of GHS, RHS, FHS
- ❑ Continue discussions with PPR regarding south driveway/Buckman field connection
- ❑ CMGC contract approval
- ❑ Schematic Design review
- ❑ Master plan revisions for Board by end of May

Challenges & Opportunities

- ❑ Site planning & considerations
- ❑ Determine feasibility & impacts of off-site swing to Marshall / Kenton
- ❑ Multiple Pathways to Graduation schools & program placement
- ❑ Value Engineering Charrette & Study

BAC Discussion

Questions

Next Board Presentation

May 14, 2019

Next BAC Meeting

Date: July 24, 2019

Place: TBD

2012 Bond Program BAC Summary

2012 Bond Program Project Summary	Original Budget	Approved Budget Changes		Current Budget	Estimate At Completion	Forecasted Over/(Under)	Actuals Approved
Bond Management	15,117,563	11,978,406	1	27,095,969	24,720,263	(2,375,705)	20,426,583
Bond Issuance Costs	3,000,000	(521,346)	2	2,478,654	2,478,654	-	2,056,501
PBOT IGA	5,000,000	-		5,000,000	5,000,000	-	-
OCIP	-	2,857,473	3	2,857,473	3,357,473	500,000	2,332,338
Escalation	*45,000,000*	(45,000,000)	4	-	-	-	-
Fund 424		-	5	-	-	-	-
Bond Premium		-	6	-	-	-	-
Contingency - OSM	5,063,798	(3,776,449)	7	1,287,349	*1,287,349*	-	-
Contingnecy - BOE Reserves	20,000,000	(20,000,000)	8	-	-	-	-
Additional Criteria Financing (FHS/RHS)	-	-	9	-	-	-	-
Interest Revenue (Projected)	-	-		-	(400,000)	(400,000)	-
	93,181,361	**(54,461,917)**		**38,719,444**	**36,443,739**	**(2,275,705)**	**24,815,423**

changes from last meeting noted in green

	Budget Change Footnotes	To / From	Amt
1	Transfer Admin budget from Projects to Program	(10 projects)	12,333,182
	Traffic Engineering Services	(10 projects)	300,000
	FAM contribution to e-Builder licenses	new resource	15,000
	Reallocated Program Management Budget	PBOT budget line	800,000
	Additional CMs for IP2014	CM budget line	398,500
	Div 01 Document Development	FHS	(3,375)
	FAM contribution to e-Builder licenses - 2015	new resource	21,760
	FAM contribution to e-Builder licenses - 2016	new resource	21,760
	Transfer $10k from COO/CSM to payroll	Cont COO/CSM	10,000
	FAM contribution to e-Builder licenses - 2017	new resource	21,760
	Move funds for Bond Management	Bond MGMT	329,391
	Add GF funds for contracts audit	new source	87,225
	FAM contribution to e-Builder licenses - 2018	new resource	21,760
	Reallocated Program Management Budget	varies	(420,280)
	Reallocated Program Management Budget	varies	200,000

	Transfer funds to payroll account	Bond MGMT	200,000
	Move Project Management Budget	Bond MGMT	(2,358,277)
			11,978,406
2	Transfer funds for Schematic Design (FHS/GHS/RHS)	Cont COO/CSM	(621,820)
	Reallocated Program Management Budget	Bond Oversight	(800,000)
	Bond Issuance Funds	Bond Premium	1,015,474
	Add funds to cover costs of final issuance	Cont COO	(115,000)
			(521,346)
3	Move funds from COO Cont to cover OCIP	Cont Coo/CSM	2,435,000
	FAM contribution to OCIP	new resource	21,998
	FAM contribution to OCIP (correction)	new resource	475
	Move funds to cover estimated cost to cover remainder of GHS		400,000
			2,857,473
4	Escalation (applied to current budget)	Franklin	(5,858,911)
	Escalation (applied to current budget)	IP2014	(493,462)
	Escalation (applied to BOE transfer)	RHS	(740,882)
	Escalation (applied to BOE transfer)	FHS	(362,367)
	Escalation (applied to current budget)	Roosevelt	(4,625,345)
	Escalation (applied to current budget)	IP2014	(58,029)
	Escalation (applied to current budget)	Faubion	(2,418,588)
	Escalation (applied to current budget)	IP2015	(733,908)
	Escalation (applied to current budget)	IP2015-SCI	(151,129)
	Escalation (applied to current budget)	Grant	(10,143,276)
	Schematic Design Budget	FHS/GHS/RHS	(19,414,103)
			(45,000,000)
5		General Fund	
	Add Taxable Funds to Program	(424)	4,000,000
	Allocate Budget to Faubion	Faubion	(450,000)
	Earned interest	new source	82,554
	Correcting earned interest allocation	Cont COO	(82,554)
	Allocate Budget to Faubion	Faubion	(3,141,344)
	Remove Budget from Program	out of program	(408,656)
			0
6	Bond Premium	new resource	13,870,119
	Transfer Bond Premium	Cont COO	(13,870,119)

	Bond Premium #2 received	new resource	33,211,833
	Transfer funds for project allocation	Cont COO	(30,000,000)
	Transfer funds to cover issuance expenses	Bond Issuance	(1,015,474)
	Allocate "first" portion of Maker Space Budget	RHS	(2,196,359)
	Bond Premium	new resource	9,854,606
	Allocate "last" portion of Maker Space Budget	RHS	(2,803,641)
	Allocate budget to GHS for GMP	GHS	(7,050,965)
			-
7	Budget adjustment (Contingency - COO)	IP2013	(2,223,190)
	Solar roof study	IP2013	(32,350)
	Ockley Green SL	IP2013	(115,278)
	Adding Fund 405 funds to COO Contingency	Fund 405	546,441
	Move funds from Contingecy COO to IP2013	IP2013	(546,441)
	Moving funds from IP2013 to COO Contingency	IP2013	546,441
	Reallocation of IP scope of work	IP2014	(14,938,982)
	Reallocation of IP scope of work	IP2014	13,558,581
	Solar roof study	IP2014	(67,135)
	Reallocation of IP scope of work	IP2015	(13,887,403)
	Reallocation of IP scope of work	IP2015	13,521,066
	Ockley Green SL	IP2016	115,278
	Reallocation of IP scope of work	IP2016	(7,483,385)
	Reallocation of IP scope of work	IP2016	15,159,159
	Reallocation of IP scope of work	IP2017	(13,782,466)
	Reallocation of IP scope of work	IP2017	6,796,708
	Reallocation of IP scope of work	IP2018	(8,005,396)
	Reallocation of IP scope of work	IP2018	9,062,120
	Swing Site Funding Change.	Swing & Trans	(1,500,000)
	Swing Site Funding Change.	Marshall	1,500,000
	FHS Turf/Track Enhancements	Marshall	(1,300,000)
	Move funds for Fund 405 reconciliation	IP2013	(62,560)
	Reallocation of IP scope of work	IP2016	7,181,967
	Reallocation of IP scope of work	IP2017	13,227,332
	Reallocation of IP scope of work	IP2015	12,917,006
	Reallocation of IP scope of work	IP2018	7,682,952
	Reallocation of IP scope of work	IP2016	(12,319,254)
	Reallocation of IP scope of work	IP2017	(10,192,356)
	Reallocation of IP scope of work	IP2015	(11,803,551)
	Reallocation of IP scope of work	IP2019	(1,949,393)
	Reallocation of IP scope of work	IP2018	(2,314,069)

Reallocation of IP scope of work	IP2015-SCI	(2,048,500)
Reallocation of IP scope of work	IP2015-ADA	(382,134)
Consolidate IP2015-SCI and IP2015-ADA	IP2015-ADA	382,134
Consolidate IP2015-SCI and IP2015-ADA	IP2015-SCI	(382,134)
OCIP	Bond Oversight	(2,435,000)
Budget savings	IP2013	1,000,000
Adjust Scope	IP2018	1,785,187
Adjust Scope	IP2019	1,285,755
Apply budget to construction bids	IP2014	(3,000,000)
Schematic Design Budget	FHS/GHS/RHS	(490,005)
FY2013/14 Interest Earned	new source	10,772
Holladay Annex ADA	IP2015-SCI	39,610
Budget savings	IP2013	93,537
Budget savings	IP2014	1,100,000
Additional CMs for IP2014	CM budget line	(398,500)
Remove unused FAM funds and SB1149 funds	out of program	(5,552)
Transfer funds to Maplewood (equivelant of Esc)	Maplewood	(122,477)
Earned interest	new source	299,546
Transfer Bond Premium	Bond Premium	13,870,119
Schematic Design Budget	Faubion	(4,000,000)
Reallocation of IP scope of work	IP16-IP19	22,582,080
Reallocation of IP scope of work	IP16-IP19	(22,582,080)
E-Rate + Add'l swing site funds	RHS	(1,826,150)
E-Rate	FHS	(698,400)
Construction bid delta	IP2015-Maplewood	(400,000)
E-Rate	Faubion	(229,950)
Escalation	IP2016	(1,950,943)
Transfer Bond Premium	Bond Premium	30,000,000
Master Planning budget increases	BHS/LHS/MHS	(329,998)
Grout Window Restoration	IP2016	(175,000)
"remove" Additional Criteria Financing	out of program	(6,985,057)
Escalation	GHS	(12,705,525)
Additional Criteria funding	GHS	(4,984,796)
E-Rate	GHS	(676,350)
Allocate budget to cover current costs	Marshall	(350,000)
IP2015 unforseen conditions	IP2015	(175,000)
Allocate budget to cover current costs	Marshall	(250,000)
Allocate budget to cover current costs	IP2016	(175,000)
Project Close Out	IP2013	6,161

Project Close Out	IP2015-Maplewood	125,829
Project Close Out	Ed Specs	24,832
Earned interest	new source	295,056
Allocate budget to cover current costs	IP2016	(2,500,000)
Allocate budget to cover current costs: Schematic Design	IP2016	(5,000,000)
Project Close Out	IP2014	295,011
Project Close Out	IP2015-SCI	484,467
Transfer moving budget from Tubman	Tubman	371,521
Transfer moving budget to Faubion	Faubion	(371,521)
Transfer fall protection budget to IP2017	IP2017	(1,000,000)
Remove Benson IP scope of work from IP2017	IP2017	1,326,691
Remove Benson IP scope of work to IP2018	IP2018	(1,326,691)
Project Close Out	Master Plan - Benson	101,358
Project Close Out	Tubman	798,703
Earned interest	new source	1,850,384
Remove Funding	IP2018	1,969,002
Remove Funding	IP2019	273,995
Project Close Out	Master Plan - Lincoln	42,905
Transfer $10k from COO/CSM to payroll	Bond MGMT	(10,000)
Transfer moving budget to Faubion	Faubion	(28,928)
Transfer additional funds to IP2016	IP2016	(150,000)
Transfer IP2017 "postponed" scope of work	IP2017	8,243,934
Transfer RHS modular move funding	RHS Modular Sale/Rec	(162,402)
Project Close Out	Marshall	529,885
Move funds for Bond Management	Bond MGMT	(329,391)
Project Close Out	Marshall	9,092
Tranfer funds for South Grandstands	FHS	(315,315)
Add 10M of budget for GHS	**TBD**	**10,000,000**
Allocate budget to GHS	GHS	(19,839,542)
Additional funds for IP2016	IP2016	(23,347)
Budget Correction	Remove from Program	(1,000)
Additional funds for IP2016	IP2016	(270,000)
Earned interest	new source	1,631,931
Correcting earned interest allocation	Fund 424	82,554
Move earned taxable interest to Faubion	Faubion	(82,554)
RHS mobile clinic sale proceeds	new source	43,450

		bond issuance	
	Add funds to cover costs of final issuance	costs	(265,000)
	Reallocated Program Management Budget	varies	(399,720)
	Reallocated Program Management Budget	varies	600,000
	TEMPORARY BUDGET CHANGE	FHS	(100,000)
	Transfer Savings	Faubion	3,141,344
	Transfer Additional funds to Faubion	Faubion	(100,000)
	Transfer unspect Maker Space budget	RHS	4,824,656
	Transfer funds to payroll account	Bond MGMT	(200,000)
	Transfer budget to Lewis SRGP	Lewis	(100,000)
	Transfer budget for GHS ROW work	GHS	(900,705)
	Transfer budget for GHS "bowl" planning	GHS Bowl	(250,000)
	Transfer project management funding to contingency	Proj Mgt	2,358,277
	Transfer budget to Grant for IT puchases	Grant IT	(1,300,000)
	Transfer budget for Grant GMP	Grant	(2,000,000)
	Align budget with RHS modulars	RHS	(163,402)
	Remove 10M of budget for GHS	**TBD**	**(10,000,000)**
			(3,776,449)
8	Increase Target Capacity to 1700	FHS, RHS, GHS	(10,000,000)
	RHS Shop Bldg set aside	RHS	(2,000,000)
	Restore RHS Shop Bldg budget	RHS	2,000,000
	Transfer budget to Franklin	FHS	(6,000,000)
	Transfer budget to Grant	GHS	(4,000,000)
			(20,000,000)
9	Additional Criteria Financing	new source	8,000,000
	Allocate Financing to FHS & RHS	FHS/RHS	(6,985,057)
	"remove" Additional Criteria Financing	out of program	(1,014,943)
			-

2017 Program Costs Summary

4/15/2019

	Original Budget	Approved Budget Changes		Current Budget	Estimate At Completion	Variance	Actuals Approved
Bond Management	40,000,000	12,005,610	1	52,005,610	56,742,413	4,736,803	5,129,762
Bond Issuance Costs	-	2,159,753	2	2,159,753	5,000,000	2,840,247	2,159,753
OCIP	-	-		-	5,000,000	5,000,000	-
Escalation	-	-		-	-	-	-
Contingency - OSM	20,000,000	(6,400,951)	3	13,599,049	13,599,049	-	-
Bond Premium	-	-	4	-	-	-	-
Contingnecy - BOE Reserves	-	-		-	-	-	-
Projected Earned Interest	-	-		-	(34,000,000)	(34,000,000)	-
	60,000,000	**7,764,412**		**67,764,412**	**46,341,463**	**(21,422,949)**	**7,289,515**
ACCESSIBILITY - UNALLOCATED BUDGET	10,000,000	(8,808,440)	5	1,191,560	1,191,560	-	-
ASBESTOS - UNALLOCATED BUDGET	12,000,000	(6,147,546)	6	5,852,454	5,852,454	-	-
FIRE ALARM/SPRINKLER - UNALLOCATED BUDGET	25,849,990	(14,910,443)	7	10,939,547	10,939,547	-	-
LEAD PAINT - UNALLOCATED BUDGET	16,623,936	(12,933,321)	8	3,690,615	3,690,615	-	-
RADON- UNALLOCATED BUDGET	1,126,125	(239,902)	9	886,223	886,223	-	-
ROOFS - UNALLOCATED BUDGET	50,907,949	(28,398,456)	10	22,509,493	22,509,493	-	-
SECURITY - UNALLOCATED BUDGET	5,000,000	(5,000,000)	11	-	-	-	-
WATER FIXTURES/PIPES - UNALLOCATED BUDGET	28,492,000	(10,608,021)	12	17,883,979	17,883,979	-	-
OSCIM GRANT- UNALLOCATED BUDGET	-	8,000,000	13	8,000,000	8,000,000		
	150,000,000	**(79,046,129)**		**70,953,871**	**70,953,871**	**0**	**0**
	210,000,000	**(71,281,717)**		**138,718,283**	**117,295,334**	**(21,422,949)**	**7,289,515**

* - Does not include $5M budget transfer into Bond Management line items currently in progress

2012 and 2017 Bond Summary

Project Name	Original Budget	Approved Budget Changes	Current Budget	Current Commitments	Estimate At Completion	Forecasted Over/(Under)	Actuals Approved
2012 Bond							
Franklin HS Modernization	81,585,655	31,899,040	113,484,695	113,483,313	112,863,970	(620,725)	112,302,648
Grant HS Modernization	88,336,829	66,650,681	154,987,510	153,114,432	158,660,801	3,673,292	122,424,327
Grant - GHS Grant Bowl Improvements - 4919 - FY19	-	250,000	250,000	-	250,000	-	-
Roosevelt HS Modernization	68,418,695	33,467,919	101,886,614	99,521,389	100,444,817	(1,441,797)	98,043,373
Roosevelt - Modulars-relocated and store - 4435 - FY17	-	186,749	186,749	186,749	186,749	-	186,749
Faubion Add-Ons - 4918 - DA004 - FY19	-	100,000	100,000	24,834	124,834	24,834	23,519
Faubion Replacement	27,035,537	22,900,014	49,935,551	49,743,565	49,938,926	3,375	49,697,026
Improvement Project 2013	9,467,471	2,495,668	11,963,139	11,963,139	11,963,139	-	11,963,139
Improvement Project 2014	13,620,121	4,191,667	17,811,788	17,811,788	17,811,788	-	17,811,788
Improvement Project 2015	13,521,066	102,076	13,623,142	13,497,438	13,497,438	(125,704)	13,497,438
Improvement Project 2015 - Maplewood	-	1,518,698	1,518,698	1,518,698	1,518,698	-	1,518,698
Improvement Project 2015 - SCI	-	2,057,687	2,057,687	2,057,686	2,057,686	(1)	2,057,686
Improvement Project 2016	15,274,437	1,386,346	16,660,783	16,468,882	16,468,977	(191,806)	16,404,180
GROUP 3 (IP 2017)	6,796,707	14,762,435	21,559,142	21,203,411	21,866,179	307,037	20,283,776
Improvement Project 2018	9,062,119	(9,062,119)	-	-	-	-	-
Improvement Project 2019	-	-	-	-	-	-	-
Master Planning - Benson HS	191,667	206,975	398,642	398,642	398,642	-	398,642
Master Planning - Cleveland HS	191,667	(191,667)	-	-	-	-	-
Master Planning - Jefferson HS	191,667	(191,667)	-	-	-	-	-
Master Planning - Lincoln HS	191,667	165,427	357,094	357,094	357,094	-	357,094
Master Planning - Madison HS	191,667	208,333	400,000	324,080	324,080	(75,911)	324,070
Master Planning - Wilson HS	191,667	(191,667)	-	-	-	-	-
Marshall Swing Site - Bond 2012	-	4,070,103	4,070,103	4,070,103	4,070,103	-	4,070,103
Tubman Swing Site - Bond 2012	-	1,164,776	1,164,776	1,164,776	1,164,776	-	1,164,776
Swing Sites & Transportation	9,550,000	(9,550,000)	-	-	-	-	-
Educational Specification	-	275,168	275,168	275,168	275,168	-	275,168
Debt Repayment	45,000,000	-	45,000,000	45,000,000	45,000,000	-	45,000,000
2012 Bond Program	93,181,361	(54,461,917)	38,719,444	30,722,123	36,443,739	(2,275,705)	24,815,423
	482,000,000	**114,410,725**	**596,410,725**	**582,907,308**	**595,687,603**	**(723,113)**	**542,619,623**
Additional Funding Resource (If/When Needed)	-	10,000,000	10,000,000	-	-	(10,000,000)	-
Total 2012 Bond	**482,000,000**	**124,410,725**	**606,410,725**	**582,907,308**	**595,687,603**	**(10,723,113)**	**542,619,623**

* In February 2017 OSM was directed to proceed with design and construction of Grant HS under the direction an additional $10M would be made available to OSM if/when needed

Project Name	Original Budget	Approved Budget Changes	Current Budget		Current Commitments	Estimate At Completion	Forecasted Over/(Under)	Actuals Approved
2017 Bond								
Benson HS Modernization	202,000,000	(123,297,700)	78,702,300	*	3,615,205	330,000,000	251,297,700	598,166
Kellogg Replacement	45,000,000	14,800,000	59,800,000		6,617,956	59,800,000	-	5,171,936
Lincoln HS Replacement	187,000,000	55,500,000	242,500,000		14,055,194	242,500,000	-	3,648,057
Madison HS Modernization	146,000,000	53,000,000	199,000,000		16,169,318	199,000,000	-	9,104,631
	580,000,000	**2,300**	**580,002,300**		**40,457,673**	**831,300,000**	**251,297,700**	**18,522,791**
Benson HS Modernization: Pre-Design - Pre-Bond	-	561,725	561,725		561,725	561,725	-	561,725
Kellogg Replacement: Pre-Design - Pre-Bond	-	385,873	385,873		385,873	385,873	-	385,873
Lincoln HS Modernization: Pre-Design - Pre-Bond	-	378,557	378,557		378,557	378,557	-	378,557
Madison HS Modernization: Pre-Design - Pre-Bond	-	274,297	274,297		274,297	274,297	-	274,297
Cleveland HS Modernization-Pre-Design - Pre-Bond - 4964 - FY1	-	100,000	100,000		-	100,000	-	-
Jefferson HS Modernization-Pre-Design - Pre-Bond - 4965 - FY1	-	100,000	100,000		-	100,000	-	-
Wilson HS Modernization-Pre Design - Pre-Bond - 4966 - FY19	-	100,000	100,000		-	100,000	-	-
2017 Bond Program: Pre-Design - Pre-Bond	-	81,323	81,323		81,323	81,323	-	81,323
2017 Bond Program	210,000,000	(71,281,717)	138,718,283		15,704,971	117,295,334	(26,422,099)	7,289,515
	210,000,000	**(69,299,941)**	**140,700,059**		**17,386,747**	**119,277,109**	**(26,422,099)**	**8,971,290**
Chapman - Re-Roof and Fire Sprinkler System Installation - Bond	-	2,842,000	2,842,000		531,042	2,846,660	-	236,191
GROUP 2 - Fire Alarm / Sprinkler	-	8,533,136	8,533,136		1,006,420	9,418,151	-	720,413
GROUP 4 - ASBESTOS	-	3,033,661	3,033,661		1,486,081	3,133,467	-	1,401,120
Harrison Park - Copy Room-Abate Asbestos Tile - 4664 - FY18	-	10,185	10,185		10,185	10,185	-	10,185
Harrison Park - K Classrooms-Abate Asbestos from floor tiles - 4	-	24,009	24,009		24,009	24,009	-	24,009
Hayhurst - SRGP-Bond - 5028 - FY19	-	2,500,000	2,500,000		410,322	2,500,000	-	-
Hosford - Wood Shop Floor-Asbestos - 4573 - FY18	-	41,523	41,523		41,523	41,523	-	41,523
Jackson - Health & Safety Improvements-Bond - 5030 - FY19	-	6,521,000	6,521,000		-	6,521,000	-	-
Jefferson - Camera-Pull Stations - 4528 - FY17	-	30,859	30,859		30,859	30,859	-	30,859
Lee - Roof Repair - 4497 - FY18	-	97,000	97,000		97,000	97,000	-	97,000
Lent - Radon Mitigation - 4344 - FY17	-	59,512	59,512		59,512	59,512	-	59,512
Multi-2018-4675-Bond-Security-PKG1 FY18-19	-	3,062,749	3,062,749		15,040	3,062,749	-	13,000
Multi-2018-5025-Bond-Security-PKG2-FY19	-	2,962,599	2,962,599		-	2,962,599	-	-
Multi-2018-5026-Bond-Security-PKG3-FY19	-	2,962,600	2,962,600		-	2,962,600	-	-
Multiple Site - Lead Paint Remediation	-	-	-		-	-	-	-
Multiple Sites - 2018-2019 Middle School Conversions - 4586-FY	-	32,540,735	32,540,735		31,673,686	32,540,735	-	29,520,590
Multiple Sites - Asbestos Bond Projects-2018-19 - 4923 - FY19	-	1,310,000	1,310,000		298,426	1,310,000	-	123,999
Multiple Sites - Asbestos Bond Projects-2019-20 - 4924 - FY20	-	-	-		-	-	-	-
Multiple Sites - Asbestos Bond Projects-2020-21 - 4925 - FY21	-	-	-		-	-	-	-
Multiple Sites - Day CPM Management Services - 4610 - FY18	-	1,977,243	1,977,243		1,975,804	1,977,243	-	1,112,675
Multiple Sites - Fire Alarm Equipment Purchase - FY15/16/17/18	-	507,151	507,151		383,606	738,980	-	383,606
Multiple Sites - Floor Replacement-Bond Compensible - 4565 - F	-	281,044	281,044		124,841	367,041	-	124,841
Multiple Sites - Lead in Water Repairs - 4517 -Fund 424 - FY17	-	7,129,460	7,129,460		2,165,551	8,036,672	-	1,737,382
Multiple Sites - Lead Paint Abatement - BOND	-	10,050,000	10,050,000		34,380	10,084,380	-	16,163
Multiple Sites - Lead Paint Abatement - Emergency Declaration -	-	1,273,500	1,273,500		1,273,500	1,273,534	-	1,273,500
Multiple Sites - Lead Paint Abatement - Fund 423 - 4493 -FY17	-	577,003	577,003		577,003	577,003	-	577,003
Multiple Sites - Moving Services Contracts - 3851 - FY15/16/17	-	-	-		-	-	-	-
Multiple Sites - Radon Mitigation - 4609 - FY18	-	113,354	113,354		113,354	113,354	-	113,354

Project Name	Original Budget	Approved Budget Changes	Current Budget	Current Commitments	Estimate At Completion	Forecasted Over/(Under)	Actuals Approved
Sitton - Health & Safety Improvements-Bond - 5027 - FY19	-	1,000,000	1,000,000	500,501	1,000,000	-	-
Woodstock - Hallway-Abate and replace floor tiles - 4738 - FY18	-	8,614	8,614	8,614	8,614	-	8,614
	-	**89,448,937**	**89,448,937**	**42,841,259**	**91,697,869**	**-**	**37,625,540**
Total 2017 Bond	**790,000,000**	**20,151,296**	**810,151,296**	**100,685,678**	**1,042,274,979**	**224,875,601**	**65,119,621**
Total Bond	**1,272,000,000**	**144,562,021**	**1,416,562,021**	**683,592,987**	**1,637,962,581**	**214,152,488**	**607,739,244**

* Includes $11.4M of a pending budget change

PORTLAND PUBLIC SCHOOLS

2017 BOND PERFORMANCE AUDIT
PHASE I REPORT: BOND COST ESTIMATES

APRIL 17, 2019

Presented by:
Catherine Brady
Lien Luu

SJOBERG EVASHENK
CONSULTING, INC

FIRM BACKGROUND & AUDIT STANDARDS

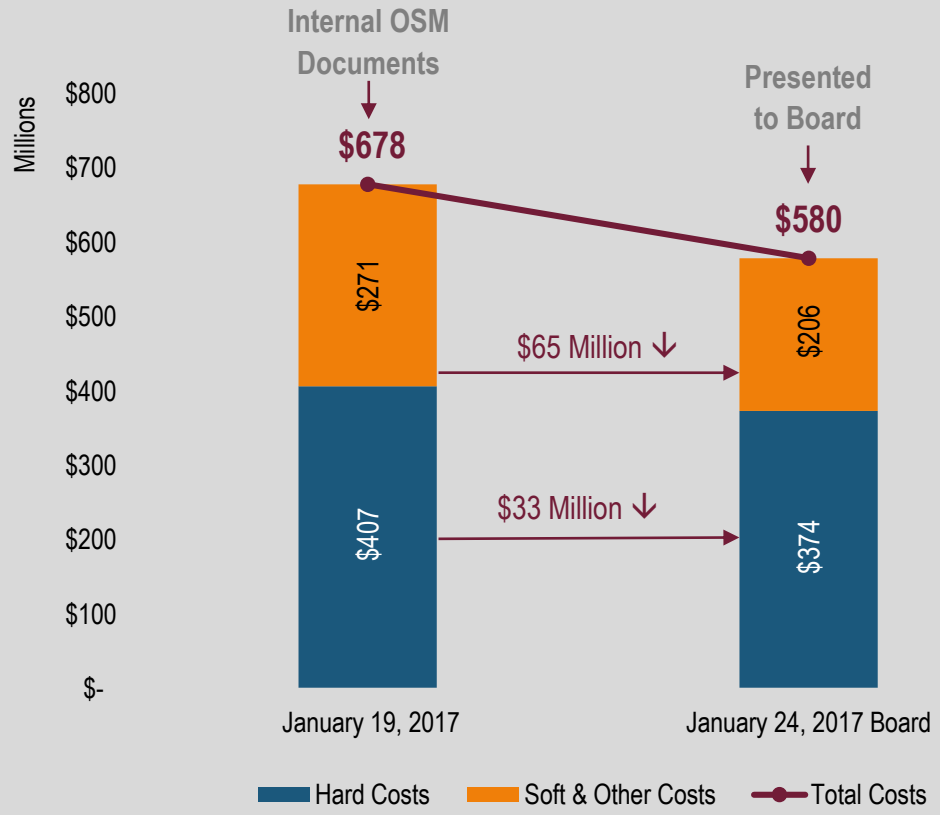
- Hired in October 2018 to conduct Annual Performance Audits
- Sjoberg Evashenk Background
- Generally Accepted Government Auditing Standards (GAGAS, “Yellow Book”)

PERFORMANCE AUDIT SCOPE

- First 2017 Bond Audit Done in 2 Phases:
  - Phase 1 : Development of $790 million Bond amount
  - Phase 2 :
    - Current Budget and Cost Estimation Practices.
    - Program and Project Management, Planning, Design.
    - High-Level Contracting/Procurement, Financial Reporting.
    - Systems and Records Keeping.

SECTION 1: $790 MILLION BOND WAS PARTIALLY SUPPORTED BY INDEPENDENT PROFESSIONAL ESTIMATES

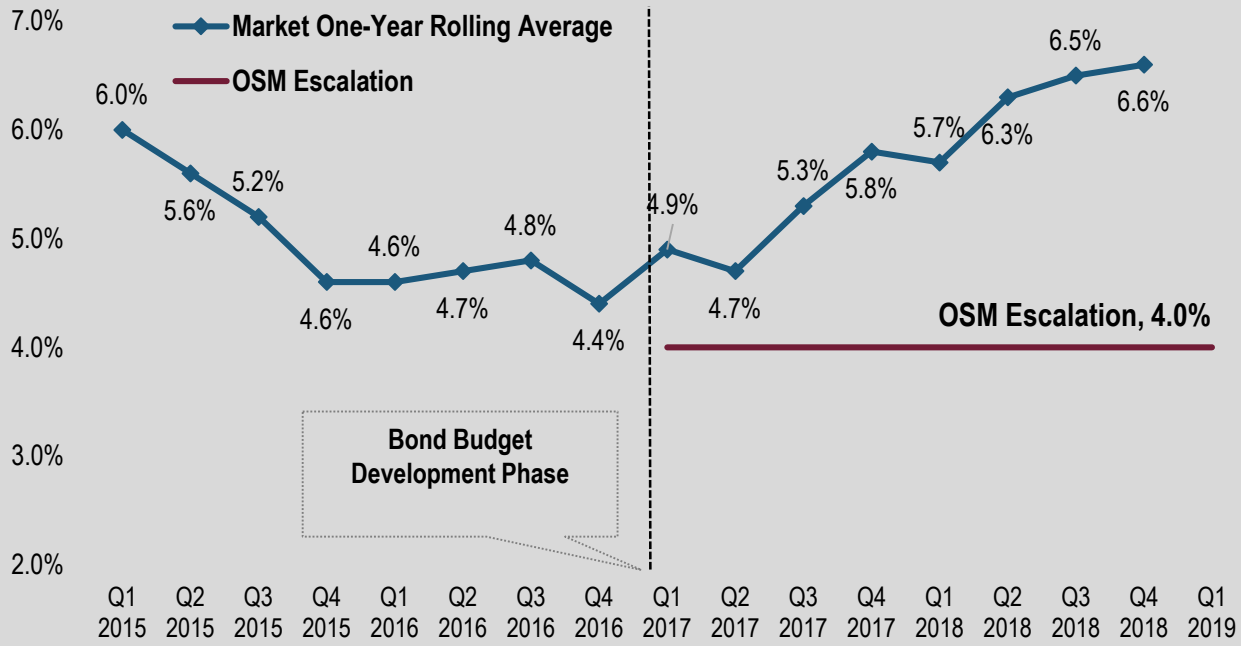
- Nearly 70% of School Capital Project Costs were Supported by Underlying Independent Professional Estimates.
- OSM Executive Leadership Lowered School Capital Project Estimates by Approximately $100 Million, but No Explanation or Rational Existed to Support Reduction.



Source: Auditor-Generated based on Internal OSM Bond Budget Development Worksheets and Options Presented to the Board on January 24, 2017.

SECTION 1: $790 MILLION BOND WAS PARTIALLY SUPPORTED BY INDEPENDENT PROFESSIONAL ESTIMATES

- Other School Capital Project Cost Factors Were Low when Compared to the Market.



Source: Auditor-Generated based on North America Quarterly Construction Cost Report by Rider Levett Bucknall, Quarter 1, 2015 to Quarter 4, 2018.

- Escalation Assumptions were Inconsistent with Market Conditions at that Time and Historical Performance.
- Soft Cost Assumptions did Not Align with Historic Performance.
- Contingency Assumptions were more Aligned with Past Performance.

SECTION 1: $790 MILLION BOND WAS PARTIALLY SUPPORTED BY INDEPENDENT PROFESSIONAL ESTIMATES

- School Capital Project-Level Cost Concerns Raised were Not Fully Considered by OSM Executive Leadership.
- Bond Program-Level Cost Estimates Were too Low and did not Align with Other Districts Reviewed.
- Health & Safety Project Costs Appeared to be Based on Independent Estimates and Needs Assessments, although Full Documentation did not Exist to Substantiate.

SECTION 2: ADDITIONAL COST INFORMATION COULD HAVE AIDED DECISION MAKING AND TRANSPARENCY

Option 1: $790 Million
$324M FOR HEALTH & SAFETY

- Additional health & safety projects $150M
- Modernization & additions
  - Benson $202M
  - Madison $146M
- Full rebuild
  - Lincoln $187M
  - Kellogg $45M
- Management, Contingency & Miscellaneous $60M

Option 2: $867 Million
$347.1M FOR HEALTH & SAFETY

- Additional health & safety projects $150M
- Modernization & additions
  - Benson $202M
  - Madison $146M
  - Lincoln $252M
  - Kellogg $57M
- Management, Contingency & Miscellaneous $60M

Option 3: $745 Million
$310.5M FOR HEALTH & SAFETY

- Additional health & safety projects $150M
- Modernization & additions
  - Benson $202M
  - Madison $146M
- Full rebuild
  - Lincoln $187M
- Management, Contingency & Miscellaneous $60M

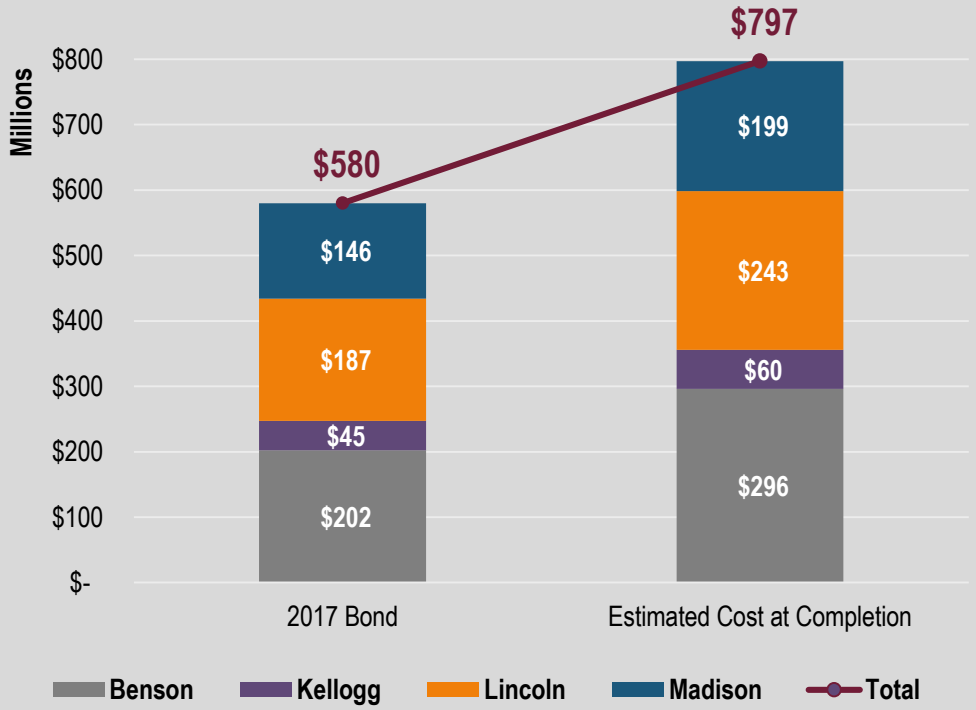
Option 4: $810 Million
$330M FOR HEALTH & SAFETY

- Additional health & safety projects $150M
- Modernization & additions
  - Benson $202M
  - Madison $146M
  - Lincoln $252M
- Management, Contingency & Miscellaneous $60M

Source: Bond Options Provided to Board at Board Working Session, January 24, 2017.

- Limited Cost Data Was Provided to Board.
- Information Provided was Similar to Most Other Districts Reviewed.
- Board Questions Focused More on Design than Cost.

SECTION 3: ALTHOUGH PROJECT ESTIMATES HAVE INCREASED, PPS HAS BEEN WORKING ON COST CONTAINMENT



Source: Bond Options Provided to Board at Board Working Session, January 24, 2017 and Program Management Cost Report from OSM e-Builder system, with data as of December 31, 2018.

- Estimated Costs to Complete School Projects have Increased Nearly 37 Percent Since Bond Passed.
- Fluctuations in Cost Estimates are Typical During Early Planning and Design.
- While Recent Cost Estimates Were Higher than 2017 Bond, OSM is Working on Cost Containment.

SECTION 4: CONCLUSIONS & CONSIDERATIONS

- Audit focused on Bond Development Phase between December 2016 and January 2017.
- Current OSM Leadership has asserted that protocols have changed and Audit Recommendations are already in place.
- Next Audit Phase and/or Future Performance Audits will review and verify revised practices.

QUESTIONS

Sjoberg Evashenk appreciates the cooperation and assistance from PPS and its external consultants.

Questions?

Portland Public Schools

2017 Bond Performance Audit

Performance Audit – Fiscal Year 2018/2019
Final Report: 2017 Bond Cost Estimates

April 2019

SJOBERG EVASHENK CONSULTING, INC

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REPORT HIGHLIGHTS

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RESULTS

Given the complexity of capital construction projects, accurate cost estimates built on sound methodologies are critical to reduce risks of cost overruns, minimize potential gaps in funding, prevent scope reduction, and keep promises made to voters. At Portland Public Schools (PPS), initial cost estimates used to develop the 2017 Bond were supported by professional estimates and empirical data. However, final cost estimate figures presented to the Board of Education (Board) were based on assumptions that were too low and a formal documented methodology did not exist to substantiate cost factors that were lower than market conditions at that time. Yet, it is still early in the 2017 Bond cycle and there are opportunities, to some extent, to make cost adjustments through in-progress value engineering efforts as well as refinements in internal practices to achieve program efficiencies and cost savings. However, because of the scale of the budgetary gap, efforts will also need to involve decisions about eliminating scope or delaying promised projects to subsequent bond cycles.

BACKGROUND AND PURPOSE

On May 16, 2017, Multnomah County voters approved a $790 million School Building Improvement Bond (2017 Bond) to fund renovations at Benson and Madison High Schools, rebuilds at Lincoln High School and Kellogg Middle School, and a variety of health and safety projects at schools within the PPS District. Specifically, the 2017 Bond funds were allocated as follows:

- $580 million in school projects;
- $150 million of health and safety projects; and
- $60 million for program management and contingencies.

In October 2018, PPS hired Sjoberg Evashenk Consulting to conduct performance audits of the 2012 and 2017 Bond projects. As requested by the PPS Board, this first audit scope focused solely on the development of cost estimates supporting the $790 million bond budget figure.

KEY FINDINGS

- While a consistent process was employed, a formal, documented methodology to guide the development of the 2017 Bond budget at $790 million did not exist; however, independent professional cost estimates supported $403.5 million of the $580 million in school project hard costs and $45 million of the $150 million for health and safety projects.
- Total cost estimates for the school projects initially prepared by Office of School Modernization (OSM) operational staff generally aligned with market factors, although OSM executive leadership at that time subsequently adjusted cost factors to a lower range when compared to market conditions and with similar bonds passed at other school districts in Oregon, Washington, and California. In total, former OSM executive leadership reduced initial total project cost estimates proposed by OSM operational staff by nearly $100 million without a documented methodology, rationale, or explanation.
- Similarly, assumptions used by OSM executive leadership in 2017 to arrive at the $60 million budget for program-level costs were generally low when compared with the 2012 PPS Bond and other school districts reviewed.
- Pre-bond cost estimate information provided to the Board aligned with other districts; however, additional information could have increased clarity for decision-makers and transparency to the public.
- PPS is working on containing costs in light of rising project cost estimates. With only $50.8 million in expenses incurred through December 2018, Bond partners will need to exercise continued vigilance to ensure the program stays within current budgetary constraints.

CONCLUSIONS

Current OSM executive leadership and operational staff asserted that significant changes to cost estimation practices have been made since the 2017 Bond passed and issues identified in this audit report have already been addressed.

Since the scope of this audit was limited to assessing the development of cost estimates for the $790 million Bond in 2017, we will verify whether OSM current efforts and practices have addressed issues and recommendations noted from this audit as part of future bond performance audit cycles.

Introduction and Background

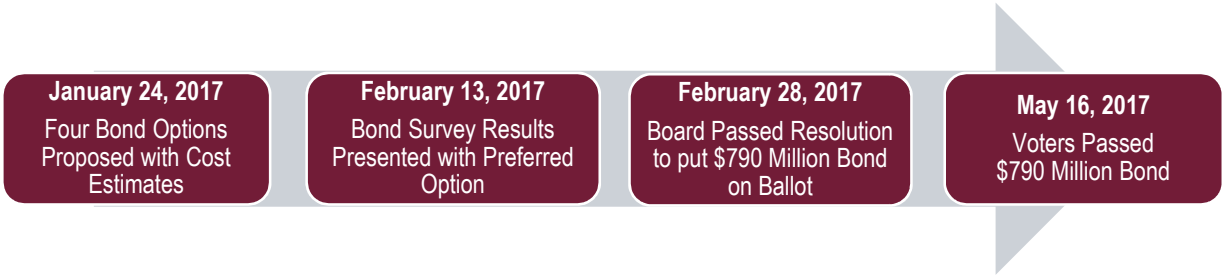
With the age of Portland schools averaging 77 years old, a citizens committee recommended that Portland Public Schools (PPS) engage in a series of school construction bonds to upgrade all PPS schools over a 30-year period to remedy building deficiencies and modernization of learning environments—thus, bringing schools up to current building code and educational standards. [1]

Bond Development

In 2012, Portland voters passed a $482 million bond to pay for the first phase of its school construction efforts through a levy against assessed property values. Schools improved in the 2012 Bond included Grant, Franklin, and Roosevelt High Schools and Faubion Middle School in addition to a series of building improvements at other district schools. This was the first construction bond passed by voters since 1995.

Subsequently, facilities testing revealed growing issues at district schools related to lead, roofing, and fire safety systems. Thus, in 2016, PPS began efforts to propose a 2017 Bond measure to fund another series of health and safety projects in addition to modernization of three high schools and one middle school. PPS enlisted external bond consultants and a Bond Stakeholder Advisory Group to poll likely voters about passing a proposed bond and determining preference on scenarios for spending bond proceeds. [2] Further, PPS Office of School Modernization (OSM) executive leadership and staff developed cost estimates for the various proposed bond options, with the assistance of professional cost estimators, to present to the PPS Board of Education (Board) for approval as shown in Exhibit 1.

EXHIBIT 1. 2017 BOND DEVELOPMENT TIMELINE



Sources: Board meeting materials from January 24, 2017; February 13, 2017; and February 28, 2017; and 2017 Multnomah County Election Pamphlet.

2017 Bond Provisions

On May 16, 2017, Multnomah County voters approved Measure 26-193, the largest Bond in state history at $790 million, backed by a levy rate of $0.68 per $1,000 of assessed property tax value over 30 years. [3] The

[1] According to the Proposed Health, Safety and Modernization Bond Frequently Asked Questions published on the PPS website, some schools were built more than 100 years ago and more than half were built before 1940. Before the prior 2012 Bond, only two schools had been built in the last 35 years.

[2] The Bond Stakeholder Advisory Group was formed to provide feedback to the Board in preparation for the 2017 Bond and consisted of individuals from the local community.

[3] The levy rate was estimated at $1.40 per $1,000 for the first four years, declining thereafter.

measure funded $580 million in renovations at Benson and Madison High Schools and full rebuilds of Lincoln High School and Kellogg Middle School, as well as $150 million for a series of health and safety projects improvements at other schools in the PPS District. Approximately one-third of the budgets for each high school and middle school project also included funds to address health and safety issues at those specific schools as well. Funding was also set aside to provide master planning for future capital upgrades and improvements of Cleveland, Jefferson, and Wilson High Schools as part of $60 million in program contingency and program management as shown in Exhibit 2.

EXHIBIT 2. 2017 KEY COMPONENTS OF $790 MILLION BOND

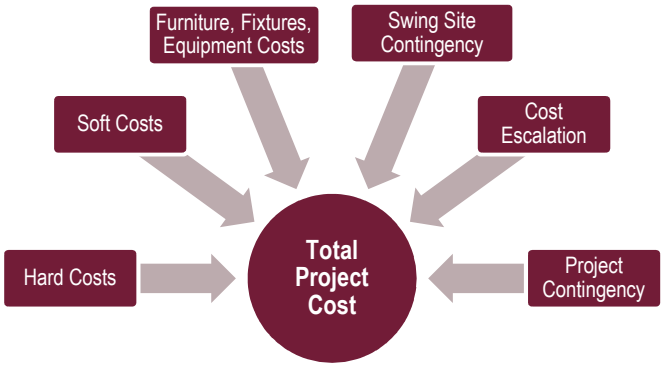
$790 Million Bond		
$580 million **School Capital Projects**	**$150 million** **Health & Safety Projects**	**$60 million** **Program Management & Program Contingency**
Rebuilding or Modernizing: (1) Benson HS (2) Kellogg MS (3) Lincoln HS (4) Madison HS	• ADA • Asbestos • Fire Safety • Lead-based Paint • Radon • Roofs • Security Systems • Water Quality	Included items such as: • PPS Personnel Costs • Fees for Program and Construction Management Consultant and Architects • Master Planning for Future Schools

Source: January 24, 2017 Board of Education Handout, 2017 Multnomah County Election Pamphlet, and Bond Program Budget Overview.

School Capital Project Cost Components

Given the complexities of capital improvement projects, there are multiple cost components associated with the planning and construction of school buildings. Projects will have costs associated with design and construction activities as well as contingencies for unforeseen needs that may occur during a project. At PPS, costs for the design and construction of school capital projects were captured in six primary categories as shown in Exhibit 3.

EXHIBIT 3. TOTAL PROJECT COST COMPONENTS



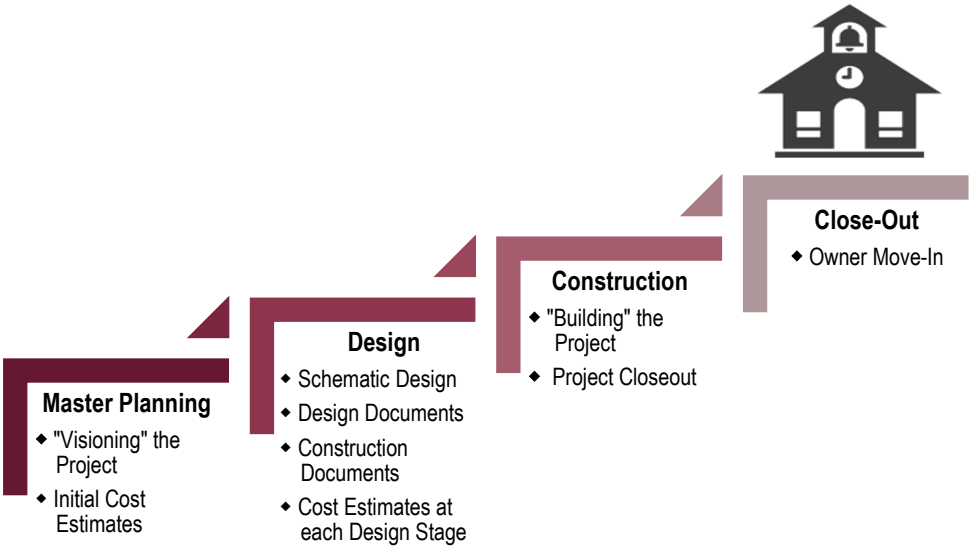
Source: Auditor-generated based on internal PPS Budget Development Worksheets and Data.

Project hard costs include the actual physical construction on the school site such as contractor labor, site equipment, materials needed, and utilities costs, while project soft costs typically include design costs related to architecture and engineering services as well as other costs such as permits, fees, and inspection services. Additional project costs are added for interior school furniture, fixtures, and equipment (FF&E) such as desks, filing cabinets, technical equipment, and trade fixtures as well as possible swing site contingencies to capture costs associated with setting up a temporary school environment, if needed, while renovations are implemented. Another standard component of a project cost is the addition of an escalation factor—both a percentage for expected increases to the cost of construction as time passes as well as the number of years that escalation growth would be applied. Finally, typical project costs also establish a project contingency factor percentage or dollar amount for unforeseen conditions that surface as design and construction services are delivered. Combined, these costs represent the total cost to deliver a project. During master planning and design phases, project cost components and estimates are regularly refined and adjusted with updated data on changing market conditions, design drawings, and site conditions.

School Capital Project Delivery Phases

Planning and implementing a capital construction project is a complex endeavor with several different phases and many different players involved at each phase. Exhibit 4 illustrates the primary phases of a capital improvement project including master planning, design, construction, and close-out.

EXHIBIT 4. KEY PROJECT DELIVERY PHASES



Source: Auditor-generated based on interviews, process walk-throughs, observations, and documentary review.

Health and Safety Projects

Prior to the bond passage in May 2017, PPS testing showed 99 percent of schools had at least one water fixture with lead above acceptable federal levels, roofs were beyond their useful life and leaking, and fire safety systems were insufficient or did not include sprinkler systems. Technical staff in PPS' Facilities and Asset Management (FAM) worked in collaboration with external experts to assess school health and safety needs and estimated cost of mitigation could total approximately $1.6 billion.

To address these needs and mitigate deficiencies, PPS believed it was more cost effective to address health and safety needs as part of full school rebuilds or modernizations following timelines established in its 2012 Long Range Facilities Plan. Thus, for the 2017 Bond, $174 million in health and safety improvements were included as part of the $580 million capital project cost estimates for Benson High School, Lincoln High School, Madison High School, and Kellogg Middle School. [4]

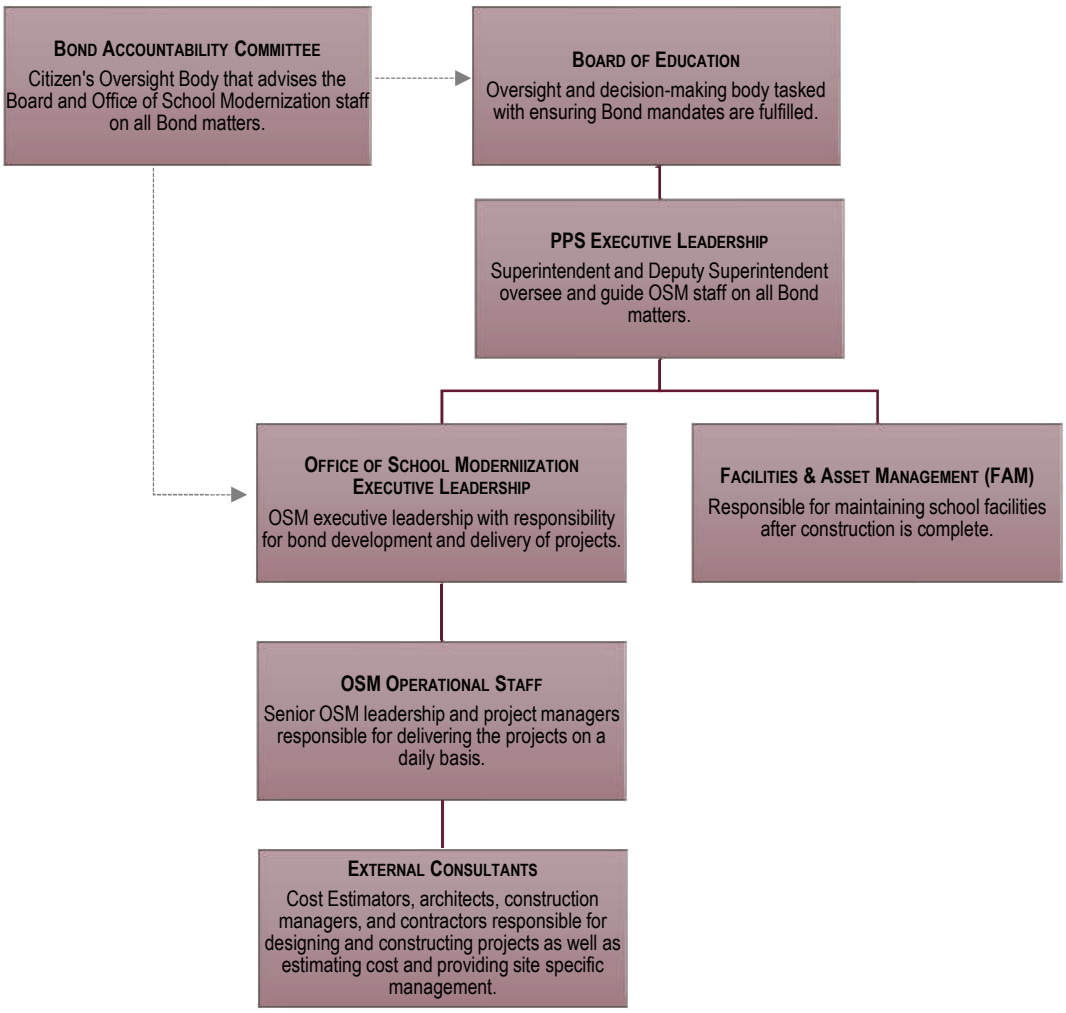
Additionally, PPS believed they had capacity to mitigate additional health and safety deficiencies at other schools within the PPS District. At the same time, however, there was a practical limit to how much construction work could be accomplished during the bond investment cycle due to the availability of skilled construction workers and the limited timeframe available to complete work while students are out of school—a period of approximately 60 days over school summer break. As part of the 2017 Bond, another $150 million was set aside to resolve health and safety concerns at schools across the district.

Bond Partners

As the largest school district in Oregon and one of the largest in the Pacific Northwest with more than 49,000 students and approximately 80 schools, PPS administers capital improvement projects and maintains school buildings. Within PPS, OSM is primarily responsible for the administration, management, and implementation of the 2012 and 2017 Bonds. To assist in these responsibilities, there are a number of internal and external Bond Partners involved as well as oversight provided by a citizen's Bond Accountability Committee (BAC) and the Board as shown in Exhibit 5. However, while the BAC and Board have responsibility as part of overall bond delivery and oversight, they were not involved with the development of project and bond cost estimates.

[4] The $174 million set aside for health and safety improvements at the four schools—Lincoln, Madison, Benson, and Kellogg—were incorporated into total project cost estimates for those schools totaling $580 million.

EXHIBIT 5. KEY BOND PARTNERS



Source: Auditor-generated based on interviews, process walk-throughs, observations, and documentary review.

Note: Exhibit reflects structure at the time the 2017 Bond was developed.

Scope and Methodology

PPS hired Sjoberg Evashenk Consulting in October 2018 to conduct annual performance audits of the 2012 and 2017 School Improvement Bonds over a four-year period. To establish the initial annual work plan and audit objectives, Sjoberg Evashenk Consulting interviewed PPS executive leadership and operational staff, and stakeholders; gathered and reviewed initial documents; and performed a high-level risk assessment.

For 2018, the performance audit will focus on the period between April 1, 2017 and March 31, 2019 and on several objectives such as reviewing cost estimates, determining the delivery status of all projects and programs, assessing strengths and weaknesses of PPS program oversight, testing specific project management practices and challenges, and comparing results to Bond delivery goals, construction industry leading practices, and other school districts, where practical and data available.[5]

Results will be reported in two separate audit reports in 2019. The first performance audit report will have a primary objective on attempting to identify the basis for setting the 2017 Bond budget at $790 million as requested by the PPS Board.[6] To meet that objective, SEC performed a variety of audit tasks including the following.

- Conducted in-depth interviews with key personnel including, but not limited to current Superintendent and Deputy Superintendent business and operations, current Chief Operating Officer, current Senior Director Office of School Modernization, current Senior Director Environmental Health and Safety, school projects senior and assistant project managers, construction managers, Senior Bond Financial Analyst, PPS staff responsible for procurement, public records, information technology, human resources, facilities and asset management, and key consultants including architects and professional cost estimators to understand and assess methodologies, activities, worksheets, tools, context, and models employed to develop the 2017 Bond estimates.
- Analyzed and assessed documents including, but not limited to, cost estimate worksheets and PowerPoint presentations, long range facilities plan, professional cost estimations, architect due diligence reports, Primavera schedules, budget data maintained in PPS' e-Builder system, and high-level internal budget development documents, in addition to Board agendas, meeting minutes, videos, and meeting materials between September 6, 2016 and February 5, 2019.
- Compared PPS Office of School Modernization (OSM) cost estimation practices, assumptions, and amounts regarding project costs, contingencies, escalation, and program management to industry standards where available and other school districts in Oregon, Washington, and California.

[5] Industry best practices were drawn from a variety of sources including the Construction Management Association of America (CMAA) Construction Management Standards of Practice, Project Management Body of Knowledge (PMBOK) Construction Extension, and Sjoberg Evashenk Capital Construction Program Audit Library.

[6] The second performance audit report will be issued later in 2019.

- Analyzed master planning documents, due diligence reports, professional cost estimates, schematic designs, design development documents, and construction documents related to Lincoln, Madison, and Benson High Schools as well as Kellogg Middle School.
- Worked with PPS Information Technology to run queries of employee-specific computer drives and Google drives. Analyzed results of key word search parameters related to the bond, cost estimates, contingencies, budget development and models, project costs, cost estimators, and architects for specific schools from files of past and present employees involved with 2017 Bond estimates.
- Reviewed results from email search queries performed as part of a two-year public records request containing more than 6,000 pages as well as a 78-page bond fact finding email search.
- Researched all PPS Board agendas, meeting materials, minutes, and audio between September 6, 2016 and February 5, 2019 as well as the Bond Accountability Committee meeting minutes and progress reports between October 19, 2016 and January 19, 2019.
- Reviewed publicly available meeting agendas, materials, videos, and meeting minutes to understand and compare other school districts' information presented to their respective Boards prior to passage of similar bonds for the following school districts:
    - Beaverton, OR School District
    - North Clackamas, OR School District
    - Eugene, OR School District
    - Salem-Kaiser, OR School District
    - Vancouver, WA Public School District
    - San Francisco, CA Unified School District
    - Santa Clara, CA Unified School District
- Compared assumptions made by OSM executive leadership and operational staff prior to passage of the Bond regarding soft costs, project and program contingency, escalation, and program management costs to assumptions utilized by the following school districts during the development of similar bond measures:
    - Beaverton, OR School District
    - North Clackamas, OR School District
    - Salem-Kaiser, OR School District
    - Santa Clara, CA Unified School District
- Compared PPS' construction cost escalation against actual changes in construction costs. Actual construction cost were captured using the construction cost index for Portland produced quarterly by Rider Levett Bucknall.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Section 1: $790 Million Bond was Partially Supported by Independent Professional Estimates

In the public sector, where funding amounts are often set by voter-approved measures, owners must exercise prudence and diligence in estimating capital project costs and programming limited financial resources. Without this framework in place, a program is at risk of financial instability and loss of public trust to support similar initiatives in the future. For the $790 million 2017 Bond, we analyzed underlying cost estimates for each of the three major components as follows:

1. School Capital Projects—$580 million
2. Health and Safety Projects—$150 million
3. Program Management and Contingency—$60 million

Processes employed by OSM during the early stages of the 2017 Bond development phase were consistent with leading project cost estimation practices—as evidenced by both the use of a professional cost estimator to calculate project hard costs and external architects to develop school-specific master planning documents. However, when OSM began adding other required cost factors to the professional hard cost estimates to calculate total project costs, practices employed became less formal and eventually were no longer trackable to a replicable methodology.

Nonetheless, while no comprehensive documented methodology for estimating costs for the three Bond components was in place, the hard cost portion of the $580 million estimate for the school capital projects was supported by underlying independent professional estimates. [7] However, other cost factors were added to hard costs to arrive at total project costs as follows:

Total Project Cost = Hard Cost (from professional estimator)
+ Soft Cost (percent of hard cost)
+ FF&E (project specific)
+ Contingency (percent of all of the above)
+ Swing/Temporary Space (project specific)
+ Escalation (based on market condition and construction schedule)

Figures for these cost components, first proposed by OSM operational staff, aligned with market factors at that time. However, OSM executive leadership subsequently reduced the total capital school project cost estimates by $100 million without adequate justification or explanation of its rationale. [8] Further, the underlying assumptions used as part of the reduced project escalation and soft costs were inconsistent with market conditions at the time, industry leading practices, and similar bonds passed at other school districts.

[7] Capital project construction hard costs include estimates of expenses such as new construction or renovation, building and site-work, contractor bond and insurance, general conditions, geotechnical conditions, and other construction-related costs.

[8] Auditors attempted to locate documentation through reviews of internal budget worksheets and emails, 6,000 pages of documents discovered from a public records email request, key-word search results from employee personal computer drives and Google drives, and high-level searches of PPS internal shared drives.

Similarly, we found estimates for the $150 million of health and safety costs seem to be based on underlying independent professional estimates as well—although cost estimate reports to substantiate the specific details were not available for all health and safety categories. For the third and final component of the 2017 Bond related to program-level management and contingency estimates, no industry thresholds or best practices exist to validate the $60 million estimate; however, OSM executive leadership used assumptions and percentages that were low when compared to other districts reviewed and PPS' own historic performance.

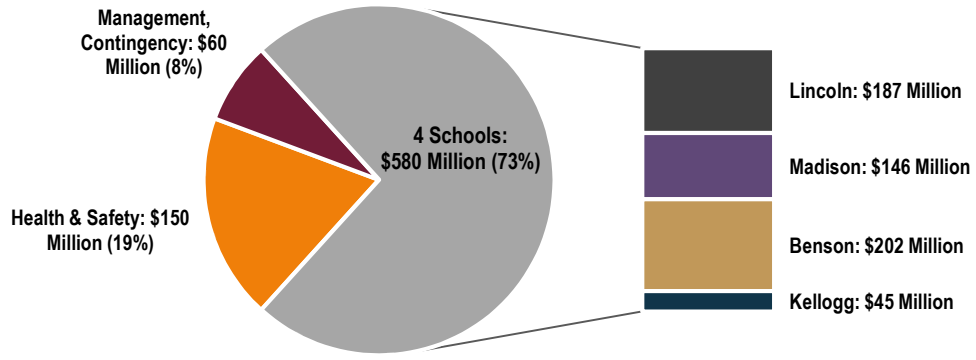
Although OSM operational staff and the program management consultant raised concerns with the cost factors used by OSM executive leadership during the development of the bond budget, we were unable to locate any documentation on how or whether those concerns were considered when OSM executive leadership presented bond options to the Board for approval in January 2017.

Nearly 70 Percent of School Capital Project Costs were Supported by Underlying Independent Professional Estimates

In contrast to best practices guidelines, a formal documented or consistent cost estimating methodology was not in place during the early bond budget development phase that included consideration of consistent cost components, data sources for underlying assumptions, roles and responsibilities of internal and external experts, processes to ensure consistency in cost considerations across schools or experts involved, due diligence vetting and approval practices, and retention of underlying documents. [9]

However, by early January 2017, initial costs for the school projects' master planning phase were finalized and presented to the Board with more than 73 percent of the $790 million earmarked for four school capital project improvements, as shown in Exhibit 6. Part of these costs were developed by PPS-hired architects and a professional cost estimator based on initial assessments of school buildings and site conditions, and were combined with OSM estimates for soft costs, FF&E, escalation and contingencies to arrive at total school project costs.

EXHIBIT 6. SCHOOL PROJECTS IN COMPARISON TO $790 MILLION BOND



Source: January 24, 2017 Board of Education Handout, 2017 Multnomah County Election Pamphlet, and Bond Program Budget Overview.

[9] The Construction Management Association of America (CMAA) emphasizes the importance of having a compatible and consistent cost estimate format to facilitate and communicate cost comparisons.

Total project costs were categorized into six primary components including hard costs, soft costs, FF&E, swing, escalation, and contingency. For the hard costs component, the professional cost estimator used preliminary architectural drawings prepared by each school's architect during the master planning phase to estimate costs. Aligning with industry practices, the basis of the estimates included a series of assumptions including, but not limited to, gross floor area, site-work, and margins and adjustments for items such as general conditions, overhead and profit, design contingency, or bonds and insurance.

Based on underlying documents, these independent professional cost estimates for project construction hard costs totaled approximately $403.5 million in January 2017 as shown in Exhibit 7—supporting nearly 70 percent of the $580 million in total school project costs or 51 percent of the total $790 million 2017 Bond.

EXHIBIT 7. PROFESSIONAL PROJECT CONSTRUCTION HARD COST ESTIMATES AS OF JANUARY 2017

Source: 2017 Bond Master Planning Final Concept Options reports prepared by PPS cost estimation consultant for the four schools shown.
Note: Costs were estimated by the PPS cost estimation consultant using rates current as of January 2017. Lincoln Hard Cost shown is for the horizontal option with site option B per the 2017 Bond Master Planning Cost Estimate prepared by PPS' Bond Cost Estimator.

For the remaining cost components related to areas such as soft costs, escalation, and contingency, OSM operational staff calculated estimates totaling $271 million using internal percentages and factors applied against project construction hard costs. This practice and the initial internal percentages used by OSM operational staff generally aligned with industry market conditions at that time.

OSM Executive Leadership Lowered School Capital Project Estimates by Approximately $100 Million, but No Explanation or Rationale Existed to Support Reduction

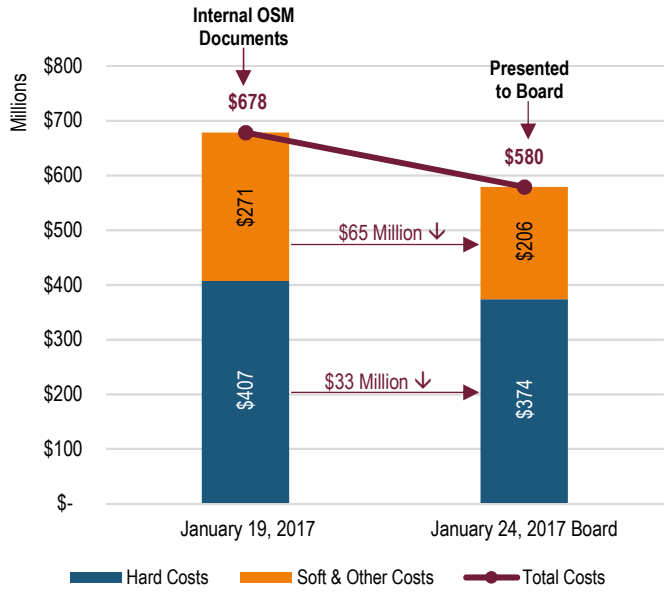
While it is not unusual for project owners like PPS to modify early independent professional cost estimates as they are most familiar with project-specific nuances, a documented explanation or rationale for adjustments to professional and OSM internal estimates would better ensure the integrity of estimates and enhance accountability.

As previously discussed, after OSM executive leadership received professional construction hard cost estimates for the four school projects in mid-January 2017 totaling $403.5 million, OSM operational staff ran various models adding amounts for soft costs, escalation, contingency, and FF&E to calculate total project estimates. One model from January 19, 2017 used cost assumptions that aligned with market conditions, historical performance, and leading practices that resulted in a $678 million total project cost estimate for the four schools as shown in Exhibit 8. [10] Subsequently, OSM executive leadership lowered the

[10] Public records requests data contained cost model versions 22, 23, and 24 that were generated between January 19, 2017 and January 23, 2017. Auditors used the January 19, 2017, version 22 as basis for comparison to data presented to the Board on January 24, 2017.

total school project cost amount by $100 million for a new total of $580 million—which was provided to the Board on January 24, 2017 and later approved by voters in May 2017.

EXHIBIT 8. SUMMARY COST ESTIMATE DEVELOPMENT FOR THE FOUR SCHOOL PROJECTS, JANUARY 2017

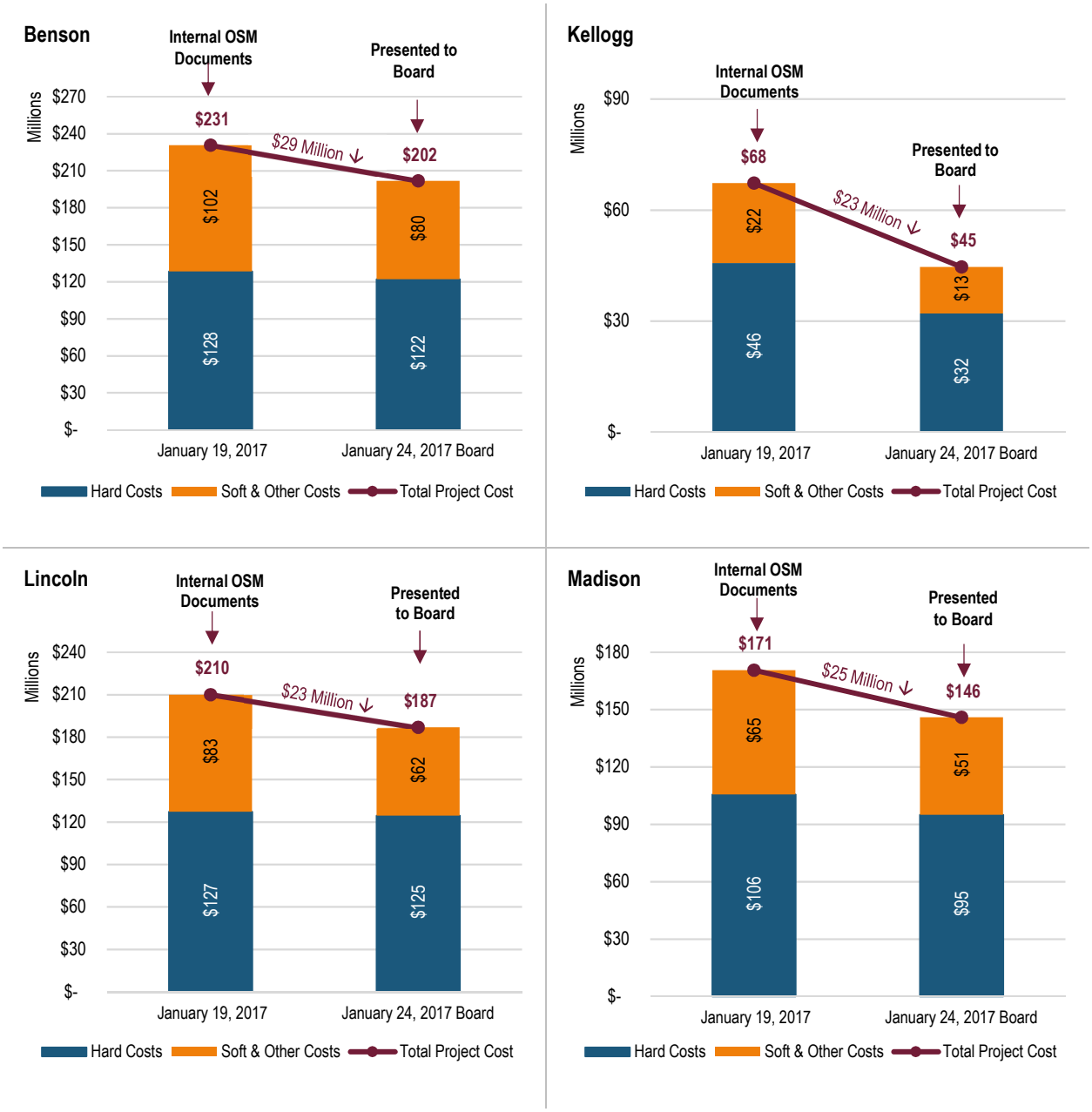


Source: 2017 Bond Master Planning Final Concept Options reports prepared by PPS cost estimation consultant. OSM Bond Budget Development Worksheets, Version 22, January 19, 2017. Board Working Session Meeting Packet, January 24, 2017. Estimates based on Option #1 approved by the Board in February 2017.

While it does not appear that project scope was also cut when cost projections were lowered based on our high-level review, it was difficult to determine with certainty since there were no underlying architect due diligence reports with validated costs supporting the $100 million reduction. As such, the underlying reason for the reduction in costs cannot be substantiated due to a lack of documentation or reliable supporting data. With an unsubstantiated approximate $100 million reduction—comprised of $33 million lowered from independent professional project construction hard cost estimates and $65 million lowered from internal project soft and other cost estimates—PPS was challenged from the beginning to deliver the projects within the approved budgets for the 2017 Bond.

At the individual school level, that $100 million reduction during the Bond budget development phase resulted in decreases in individual estimates ranging from approximately $23 million to $29 million lower than initial pre-bond budget estimates as shown in Exhibit 9.

EXHIBIT 9. PROJECT COST ESTIMATES BY INDIVIDUAL SCHOOL, JANUARY 2017



Source: 2017 Bond Master Planning Final Concept Options reports prepared by PPS cost estimation consultant for the four schools shown. OSM Bond Budget Development Worksheets, January 19, 2017. Board Working Session, January 24, 2017.

Note: Soft & other costs included soft costs, furniture, fixtures, and equipment, project contingency, and escalation. Lincoln Hard Cost shown is the Full Replacement Option per the Lincoln 2017 Bond Master Planning Final Concept Options report.

While adjustments to professional estimates may be warranted to account for factors such as expected volatility in the construction market, historical data from similar bonds, or professional judgment by OSM leadership and operational staff or other industry experts, best practices strongly recommend that those considerations be formalized and supported by an underlying methodology that documents the decision-

making process including any vetting of factors to and validity of assumptions used. [11] However, this framework did not appear to be in place when cost estimates for the 2017 Bond were developed. Rather, the audit found limited availability of documentary evidence surrounding key budget and cost estimation decisions, which further complicated any reconciliation of internal OSM budget working documents with information presented to the Board for approval.

When these cost reductions are combined with cost assumptions on the lower-end of the market spectrum as discussed in the next section, there is added strain and risk on the budget being sufficient to meet the 2017 Bond promises. This risk is further compounded if project designs or scopes are not similarly adjusted to reflect the budget reductions.

Other School Capital Project Cost Factors Were Low when Compared to the Market

While project construction hard costs typically comprise the majority of a project's total costs, there are five key cost components related to (1) escalation, (2) soft costs, (3) contingency, (4) FF&E, and (5) swing site contingency, if applicable. Our review found that some of the factors OSM executive leadership used in the cost estimates presented to the Board for approval of the 2017 Bond were not aligned with market conditions at that time.[12]

Escalation Assumptions were Inconsistent with Market Conditions at that Time and Historical Performance

When looking at historical rolling one-year escalation factor averages for the Portland region prior to the passage of the 2017 Bond, escalation was higher than OSM internal bond budget development worksheets. Specifically, while the one-year rolling average ranged between 4.4 percent and 6 percent between January 2015 and January 2017, OSM executive leadership used an escalation factor at the lower-end of the market at 4 percent.

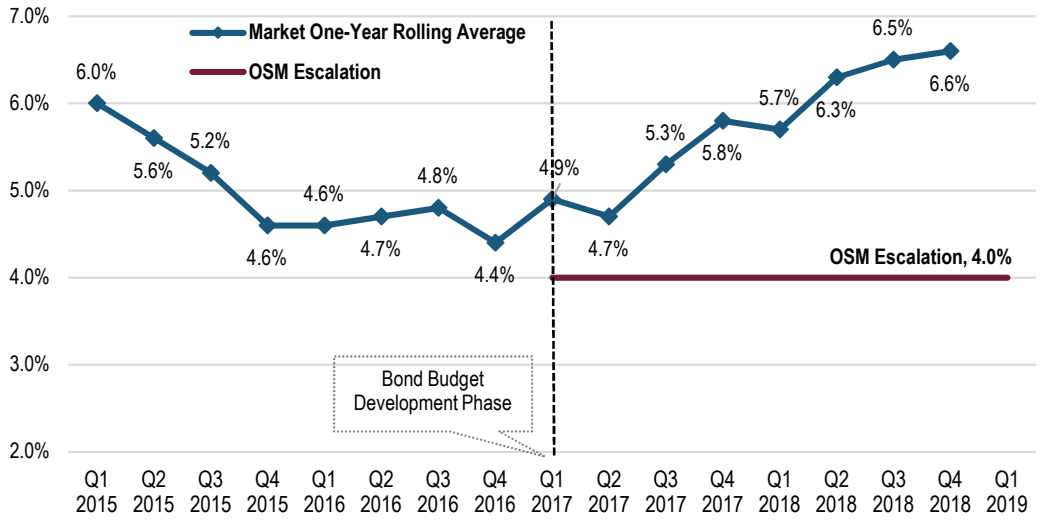
This nuance alone can possibly translate into a $21.2 million variance based on total project costs of $580 million.[13] In fact, actual escalation since the passage of the 2017 Bond has been higher than 4 percent, ranging from 4.7 percent to 6.6 percent as shown in Exhibit 10.

[11] The Construction Management Association of America (CMAA) Construction Management Standards of Practice, 2015.

[12] Market condition factors and data are captured nationally by geographic region and by select metropolitan areas, as well are widely-reported by industry experts and available for public owner use.

[13] The hypothetical $21.2 million represents the difference between annual escalation rates of 4 percent and 6 percent assuming a two-year construction period: $580 million minus $76.1 million escalation over 2 years at 4 percent and 6 percent. Difference is $21.2 Million.

EXHIBIT 10. ESCALATION MARKET CONDITIONS VS. OSM ASSUMPTIONS, JANUARY 2017



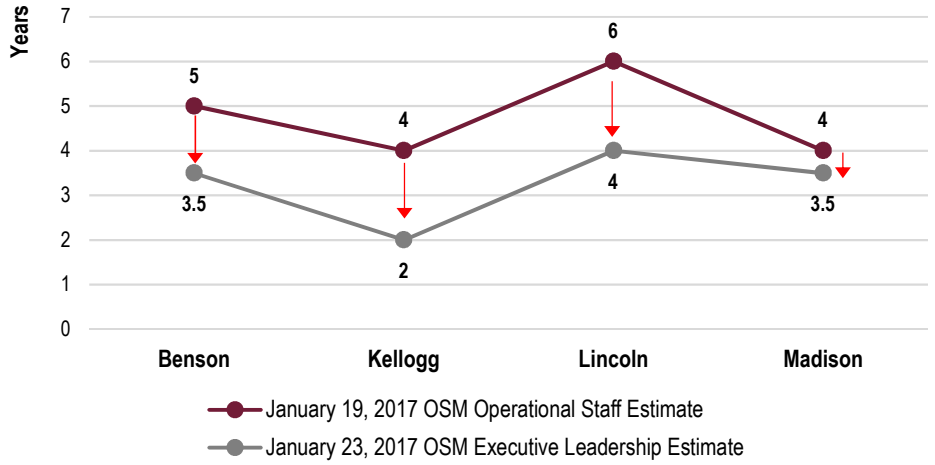
Source: Auditor-generated based on North America Quarterly Construction Cost Reports prepared by Rider Levett Bucknall, Quarter 1, 2015 to Quarter 4, 2018.

While the escalation factor used by OSM executive leadership was lower than actual construction cost increases at that time, other school districts used similar escalation factors in their bond programs that resulted in unfavorable budget issues. For instance, the Beaverton School District used a cost escalation factor of just 3 percent in its 2014 bond, while the North Clackamas School District assumed 4 percent when planning its 2016 bond package. Not only did both Beaverton and North Clackamas School Districts' escalation factors not align with the market, but actual construction cost increases remained well above these estimates. In fact, this resulted in a gap between actual and expected escalation in the Beaverton School District that is expected to grow to an 8.5 percent gap by 2021.

Moreover, another important escalation aspect for multi-year construction programs relates to the number of years for which escalation is calculated that should track with expected construction duration. For example, if construction is anticipated to take six years, then escalation should be extended over the same six-year period or the project could face an immediate and heightened risk of budget challenges.

For its initial internal 2017 Bond estimates, OSM operational staff correctly considered the four to six-year construction schedules based on underlying project scheduling documents as shown in Exhibit 11. However, the final estimate reduced that timeframe to two to four years. While reducing the number of years in calculating escalation also reduced total project cost estimates, this increased overall risks to the program in terms of cost overruns or gaps in funding by not aligning this calculation with reasonable construction schedules.

EXHIBIT 11. REDUCTION IN THE NUMBER OF YEARS FOR ESCALATION CALCULATION



Source: OSM Bond Budget Development Worksheets: January 19, 2017, January 23, 2017, 4pm; OSM Internal Project Execution Schedule, December 6, 2017.

In part, the cumulative effect of setting an escalation factor lower than market and shortening the number of years for escalation calculation purposes contributed towards the forecast issues experienced shortly after the 2017 Bond passed.

Soft Cost Assumptions did Not Align with Historic Performance

OSM executive leadership set additional project-level soft cost assumptions that were also lower than industry values and further exacerbated the budget challenges PPS faced after voters approved the 2017 Bond. For instance, OSM operational staff initially estimated soft costs at 15 percent of the construction hard costs for each of the four schools. However, as shown in Exhibit 12, those soft costs were reduced to 13 percent by OSM executive leadership without explanation when sent to the Board for approval—a factor that was significantly lower than comparables or historical PPS data from the 2012 Bond and internal 2014 High School Estimation Methodology considerations where soft costs were set at around 20 percent. [14]

Likewise, the North Clackamas School District with a similar capital construction bond combined soft cost estimates with FF&E estimates to arrive at a combined rate of 35 percent for these hard costs. [15] Although the North Clackamas School District's 35 percent figure included both soft costs and FF&E as one factor, it was still higher than the factor used by PPS if we combined soft costs with FF&E. Specifically, PPS' combined rate averaged 20.5 percent and ranged from 17 percent to 28 percent for individual schools as shown in Exhibit 12.

[14] Memo from former OSM Executive Director detailing High School Estimation Methodology, January 16, 2014.

[15] The $433 million North Clackamas School District's Capital Construction Bond passed in November 2016. The budget was revised to $466 million in May 2017.

EXHIBIT 12. COMBINED SOFT COST AND FF&E COST FACTORS USED BY PPS, JANUARY 2017

	Soft Cost		FF&E		Combined Rate
	Initial	Final	Initial	Final	Final
Benson	15%	13%	14%	15%	28%
Kellogg	15%	13%	4%	6%	19%
Lincoln	15%	13%	4%	4%	17%
Madison	15%	13%	5%	5%	18%

Source: OSM Bond Budget Development Worksheets: January 19, 2017 and January 23, 2017, 4pm.

Contingency Assumptions were more Aligned with Past Performance

By contrast, OSM operational staff estimates for school project contingency were more in line with industry at 10 percent for rebuilding Kellogg Middle School and Lincoln High School and 15 percent for the renovations at Benson High School and Madison High School. [16] In fact, these percentages were comparable to the 2012 PPS Bond that used a 15 percent contingency for modernizations as well as aligned with the Beaverton School District that considered a 10 to 15 percent contingency for new construction and up to 20 percent for renovations on its school improvement projects. [17, 18]

Project-Level Cost Concerns were Raised, but we Could Not Determine if they were Considered by OSM Executive Leadership

During cost development efforts in the days before bond estimates were presented to the Board on January 24, 2017, OSM operational staff and external consultants raised concerns about factors considered and numbers used—although, we could not find any documentation to determine whether those concerns were considered or how final decisions were made. In fact, OSM operational staff stressed the need for a documented estimation methodology similar to what had been produced for the 2012 Bond that should be understandable and replicable. Additional concerns raised are summarized in Exhibit 13 and mostly related to cost factors used being too low.

EXHIBIT 13. KEY CONCERNS RAISED BY OSM OPERATIONAL STAFF AND CONSULTANTS

	PPS Assumptions	Concerns Raised
Soft Cost	10% - 13%	⚠ 13% is on the lower-end of the acceptable range of 13-15%
FF&E (1)	4% - 15% or $16 - $47 per sf	⚠ $16 per square foot is on the lower-end of the acceptable range of $16-$20 per square foot
Contingency	10% - 15%	⚠ Low project contingency

[16] The Construction Management Association of America (CMAA) suggests adding a contingency of 15 to 25 percent to the total of estimated construction costs.

[17] The $680 million Beaverton School District's Capital Construction Bond passed in May 2014.

[18] PPS 2012 Bond contingency factors were similar to internal 2014 High School Estimation Methodology using a 15 percent contingency factor.

	PPS Assumptions	Concerns Raised
		⚠ Guaranteed Maximum Price (GMP) contingency excluded from total project cost estimate (2)
Swing	Only considered for Lincoln	⚠ Swing excluded from hard cost estimate ⚠ Swing is underestimated
Escalation	4% annually	⚠ Should be between 4-5% ⚠ 4% is low-end of range ⚠ Should be realistic and tie-in with project schedule

Source: OSM operational staff and external consultants emails, January 2017.
Note: (1) FF&E was $16/square foot for Kellogg middle school, Lincoln high school, and Madison high school. For Benson, FF&E was $45 per square foot on January 19, 2017 and $47 per square foot on January 23, 2017. (2) The Construction Management Association of America defines GMP as "a contractual form of agreement wherein a maximum price is established based upon an agreed scope of work stablished with an understanding by the parties that the actual cost of work could be more or less."

Additional school-specific cost concerns raised by external school project architects included, but were not limited to, the exclusion of fireproofing steel or insulation of exterior walls from the hard cost estimate. Anecdotally these and other concerns such as missing a third-party reconciliation of the hard cost estimates were echoed by the school project architects. Yet, there was no documentation to determine whether these concerns were considered as part of the 2017 Bond estimates. Contrary to industry and good business practice, these concerns and resulting impacts were not sufficiently documented to demonstrate diligence in the 2017 Bond decision-making process or promote greater accountability and transparency to the public.

Health and Safety Project Costs Appeared to be Based on Independent Estimates and Needs Assessments, although Full Documentation did not Exist to Substantiate

As part of the 2017 Bond, PPS set-aside $150 million for health and safety projects in eight specialty areas at schools throughout the district. These eight areas related to water quality, fire safety, asbestos, lead-based paint, roofs, Americans with Disabilities Act (ADA), radon, and security systems.

Cost estimates to fully mitigate issues in these areas were calculated using different methodologies depending on the unique health and safety area and were based on information sources including professional cost estimators and technical consultant estimates; prior assessments for seismic, ADA, and roofing needs conducted in 2009; and FAM's internal facility database as shown in Exhibit 14. [19] This included a 2008 comprehensive assessment by an external consultant that established a baseline report of facility conditions noting deficiencies by system (such as electrical, fire protection, and roofing) as well as deficiencies by cost category (such as hazardous material, ADA compliance, or deferred maintenance). Further, PPS indicated that the professional cost estimator updated prior assessment costs, calculated contingencies, and estimated inflation. Although the health and safety projects are much smaller in scale than the comprehensive school modernizations projects, adding contingency and escalation factors to total project costs aligns with best practices.

[19] Based on a January 24, 2017 Board Bond Work Session Handout.

While we were not able to locate or substantiate all of the underlying documentation, there did seem to be a conscientious methodology employed to estimate costs with supporting empirical data based on independent consultant estimates and formal needs assessments in existence at the time. Specifically more than $45 million—or 30 percent—of amounts presented to the Board on January 24, 2017 for water quality and lead-based paint projects were fully supported by underlying consultant reports prepared in 2016. In addition, for the roof projects, some assessments prepared by the roofing consultant in 2008 were available, but updated 2016 cost estimates could not be located. Similarly for ADA, while the 2013 ADA assessment was available, the 2016 ACC cost estimate was not. For the remaining categories, records could not be located to support any of those estimates.

EXHIBIT 14. SOURCES FOR COST ESTIMATES ASSOCIATED WITH THE $150 MILLION IN HEALTH & SAFETY PROJECTS

Project Area	Estimate	Cost Data Source (1)
Water Quality	$28,492,000	CH2M December 2016 Report and Cost Estimate
Fire Safety	$25,849,990	ACC December 2016 Cost Estimate based on 2016 FAM Inventory of Existing Conditions
Asbestos	$12,000,000	ACC December 2016 Cost Estimate based on 2016 Risk Management Database
Lead-based Paint	$16,623,936	PBS Environmental Report and December 2016 Cost Estimate
Roofs	$50,907,949	ACC November 2016 Cost Estimate based on FAM Inventory of Existing Conditions and 2008 Professional Roof Consultants, Inc. Assessments
ADA	$10,000,000	ACC November 2016 Cost Estimate based on 2013 Akrom Moisan Architects' ADA assessment
Radon	$1,126,125	ACC November 2016 Cost Estimate based on 2016 PPS Risk Management Database
Security Systems	$5,000,000	Triad Consulting December 2016 Cost Estimate and ACC November 2016 Cost Estimate
Total	**$150,000,000**	

Source: January 24, 2017 Board of Education Informational Report on Environmental Health and Safety Facility Improvements.

Acronyms: ACC = Architectural Cost Consultants (an external firm); FAM = Facilities and Asset Management; PBS = PBS Engineering and Environmental (an external firm).

Note (1): In addition to independent professional estimates for project hard costs, PPS added the following factors: 15 percent for soft costs, 10 percent for contingency, 15 percent for a construction contingency, 5 percent for escalation, and 5 percent for abatement on fire, roof, ADA, and security projects.

Although other school districts in Oregon, Washington, and California had similar bond measures with mention of health and safety projects planned, we did not find publicly available data to allow a comparison to FAM's health and safety project cost estimates. [20] Moreover, none of the bond measures for the other districts we reviewed had a separate standalone health and safety project component like PPS' 2017 Bond.

[20] Other districts reviewed were Beaverton, Clackamas, Eugene, Salem-Kaiser, Hillsboro, Gresham, and Battleground School Districts in Oregon as well as Vancouver and Seattle School Districts in Washington and San Francisco School District in California.

Program-Level Cost Estimates Were too Low and did not Align with Other Districts Reviewed

As with any major capital construction program, there are costs that cannot be attributed to a specific project and typically relate to the overall delivery of the program. Two key components of those overarching, program-wide costs are (1) program contingency and (2) program management.

Similar to contingency at a project-level, the intent behind a program contingency is to set aside or reserve amounts for unforeseen events and financially mitigate risks associated with the delivery of large-scale capital programs. Since the level of risk varies based on unique complexities of individual capital projects as well as an owner's risk tolerance, there are no set established industry thresholds for setting these program contingency amounts. Furthermore, program management generally represents labor costs of owner staff and fees for any owner representatives hired to assist with the management and delivery of the program, as well as technology costs or office space. Depending on the unique mix of in-house and consultant staff and related staffing levels, program management costs can also vary and, thus, there are no firmly-established industry thresholds for estimating program management amounts. However, both the program contingency amounts and the program management amounts are typically applied as a percentage of total capital project costs.

For the 2017 Bond, we could not find any documented methodology used to estimate program costs and percentages established may be too low when compared to other district bonds we reviewed as well as historic experiences of PPS' 2012 Bond. As a result of assuming program cost percentages on the lower end, OSM executive leadership at that time may have increased risks and challenges of delivering the Bond projects on-budget and/or as promised to the voters.

Methodology Used to Estimate Program Costs was not Documented

While we analyzed several internal budget working documents, there was no formal or comprehensive budget development methodology employed or documented supporting program cost estimates. For instance, OSM executive leadership identified $60 million for program management and program contingency. However, there was no information explaining how that number was derived nor any historical cost analysis performed to help support assumptions.

Because program management costs are primarily labor dependent, a sound practice in estimating management costs entails evaluating a program's staffing needs over the life of the program. At the Beaverton School District, staff derived program management cost estimates for its bond measure in part from salary costs of district employees working on the program as well as planned staff augmentation over the life of the program. A similar methodology was employed by OSM operational staff for its 2012 Bond where its program management cost estimate was based on a thorough analysis of the number of program staff, related payroll costs, and expected program management consultant services. Yet, a similar staffing assessment or more comprehensive analysis was not done for the 2017 Bond.

Assumption Percentages Applied were Lower than Other Districts Reviewed

The $60 million for program contingency and program management represented approximately 8 percent of program costs, although OSM operational staff and external consultants expressed concerns on the low

figure prior to the bond passage. Specifically, one concern expressed that the program contingency portion was too low at $20 million and not sufficient to cover site specific conditions at Lincoln, Madison, and Benson High Schools. Another concern raised was that at least 6 percent was needed for program management alone and the $40 million estimate for program management did not appropriately include escalation. However, there was no documentation available demonstrating whether those concerns were considered for the options presented to the Board for approval in January 2017.

When compared to other districts in Oregon and California, OSM executive leadership's 8 percent assumption was lower than the other bond programs. For instance, both Beaverton and North Clackamas School Districts in Oregon used factors of 14 and 13 percent, respectively, of total project costs. [21] In dollars, Beaverton School District's program contingency and management was $65 million for its $680 million bond compared to PPS's lower $60 million amount for its larger $790 million bond. Additionally, the Santa Clara Office of Education in California also used a higher factor for its $720 million school construction bond program at 13 percent. [22] Even when considering PPS's own historical experience with its 2012 Bond, staff used a 10 percent factor for program-related costs in 2012—further reinforcing concerns with the reasonableness of the lower percentage used for the 2017 Bond.

[21] Beaverton School District had a $680 million bond passed in 2014. North Clackamas School District had a $433 million bond passed in 2016.

[22] Santa Clara Office of Education had a $720 million bond that passed in November 2018.

Section 2: Additional Cost Information could have Aided Decision Making and Transparency

After compiling and estimating various 2017 Bond project cost scenarios, OSM executive leadership first presented four bond options to the Board on January 24, 2017. At this meeting attended by OSM executive leadership, OSM operational staff, and architects, only high-level cost information was provided in addition to design data and project details. While the level of cost detail was similar to that provided by other districts we reviewed, more comprehensive underlying information could have aided with buy-in and decision-making as well as enhanced transparency of the Bond activities.

Limited Cost Data Was Provided to the Board

First introduced in January 2017, PPS and OSM executive leadership provided the Board with four options for the 2017 Bond for modernization and rebuild projects, health and safety projects, and program-wide efforts as shown in Exhibit 15.

EXHIBIT 15. BOND OPTIONS PRESENTED TO BOARD, JANUARY 24, 2017

Option 1: $790 Million
$324M FOR HEALTH & SAFETY

- Additional health & safety projects $150M
- Modernization & additions
  - Benson $202M
  - Madison $146M
- Full rebuild
  - Lincoln $187M
  - Kellogg $45M
- Management, Contingency & Miscellaneous $60M

Option 2: $867 Million
$347.1M FOR HEALTH & SAFETY

- Additional health & safety projects $150M
- Modernization & additions
  - Benson $202M
  - Madison $146M
  - Lincoln $252M
  - Kellogg $57M
- Management, Contingency & Miscellaneous $60M

Option 3: $745 Million
$310.5M FOR HEALTH & SAFETY

- Additional health & safety projects $150M
- Modernization & additions
  - Benson $202M
  - Madison $146M
- Full rebuild
  - Lincoln $187M
- Management, Contingency & Miscellaneous $60M

Option 4: $810 Million
$330M FOR HEALTH & SAFETY

- Additional health & safety projects $150M
- Modernization & additions
  - Benson $202M
  - Madison $146M
  - Lincoln $252M
- Management, Contingency & Miscellaneous $60M

Source: Board Working Session, January 24, 2017.

For the school modernization and rebuild projects, OSM executive leadership provided documents including project overviews, Master Planning Committee guiding principles, pre-design due diligence reports, health and safety considerations, existing design graphics, and design options. Moreover, OSM executive leadership provided a single-figure estimate for construction and a separate figure for total project costs in addition to narrative and statistics surrounding student capacity, design, and proposed building area in square footage. However, there was no data presented on cost methodology or underlying

cost assumptions. Without information summarizing estimation methodologies used or rationale behind cost assumptions, it is challenging to understand the nuances between the various options proposed or the implications of ultimate decisions.

No Rationale was Found Supporting Various Health and Safety Project Options

For the health and safety projects, PPS executive leadership provided data including a synopsis of the age of PPS school facilities, assessment of facility conditions, cost analysis, possible prioritization methods, and three options for remediating the health and safety needs. Handouts available to the Board listed specific professional cost estimates and technical assessment source documents.

Specifically, PPS executive leadership presented three separate options for the pool of health and safety projects ranging between $100 million, $150 million, and $200 million set aside to address nine types of possible health and safety needs as shown in Exhibit 16. The primary differences between the three cost options were the number of schools that could be funded within a specific category and whether funds for security system projects and seismic projects were included in the three options. However, we could not find a rationale or documentation supporting the various funding options at the $100 million, $150 million, or $200 million levels.

EXHIBIT 16. HEALTH & SAFETY ESTIMATES AVAILABLE TO BOARD, JANUARY 24, 2017

Staff recommendations for additional health & safety projects at 3 cost levels

	$100 MILLION		$150 MILLION		$200 MILLION	
	Dollar amount	Schools funded	Dollar amount	Schools funded	Dollar amount	Schools funded
	$28,492,000	Up to 90	$28,492,000	Up to 90	$28,492,000	Up to 90
	$19,757,939	Up to 13	$25,849,990	Up to 16	$31,757,939	Up to 20
	$9,000,000	Up to 37	$12,000,000	Up to 48	$14,000,000	Up to 58
	$16,623,936	Up to 88	$16,623,936	Up to 88	$16,623,936	Up to 88
	$20,000,000	Up to 5	$50,907,949	Up to 14	$80,000,000	Up to 23
	$5,000,000	Up to 4	$10,000,000	Up to 9	$15,000,000	Up to 13
Rn	$1,126,125	Up to 90	$1,126,125	Up to 90	$1,126,125	Up to 90
	…	…	$5,000,000	Up to 11	$8,000,000	Up to 13
	…	…	…	…	$5,000,000	Up to 2
	…	…	…	…	…	…
	…	…	…	…	…	…

Source: January 24, 2017 Board Bond Work Session Health, Safety, and Modernization Bond handout.

Board Questions Focused More on Design than Cost

After the presentations to the Board, members asked a variety of questions, both general and specific to individual school modernization projects. Most of the questions were related to either the design process, programs to be offered on campus, or other education-related services—but only a few questioning costs. Even for the health and safety projects, questions primarily centered on ADA requirements and whether

project budgets for each of the health and safety categories were distributed equitably around the district. In terms of vetting the cost estimates presented, there were two primary questions—one related to the difference between construction costs and project costs and another related to how costs were allocated to FF&E. Additional Board interaction regarding the costs associated with the four different Bond options involved members stating preferences for the rebuild options as well as the inclusion of the Kellogg Middle School and a brief discussion on bond levy rates.

Also, at two Board meetings in January and February 2017, an external bond marketing consultant presented results from a survey of Multnomah County voters to determine the likelihood of passing a PPS Bond measure on the May 2017 ballot. Results indicated that the majority of voters would support both a $750 million proposed bond as well as an $850 million bond, but the latter could be a tougher sell. Questions asked by the Board included asking for details of voter willingness to approve a bond amount within the proposed $750 to $850 million range, whether alternatives between school rebuild or school modernization had an effect on voter preference, and what level of understanding voters had on how health and safety projects would be addressed within the school modernization projects.

Information Provided was Similar to Most Other Districts Reviewed

While presentations made to the PPS Board did not describe the development of cost estimates, the material presented to the Board was not unlike the approaches used by other school districts we reviewed when they were developing similar capital construction bond programs.

For example, for the North Clackamas School District's $433 million capital construction bond, staff presented three options to its board with cost assumptions and estimations only briefly discussed when the options were presented. Subsequent board meetings in that district focused on the projects included in each of the various bond options, public outreach efforts and levels of support for each option, and administrative efforts necessary to get the bond measure on the ballot—yet, like PPS's bond interactions, these presentations had limited focus on cost. Rather, the information presented was more focused on the higher-level design details of the bond packages as well as the feedback from public engagement efforts.

Similar information was also provided to the Board of Trustees for the Santa Clara Unified School District in California prior to its passage of a $720 million school construction bond in 2018. Beginning in late 2017, staff presented the board with six bond scenarios; like PPS, the presentations did not appear to include a discussion of cost assumptions or methodology. Subsequent board discussions focused on the projects included in each of the various bond options, district debt capacity and effects on property taxes, and timing of placing the bond measure on the ballot. [23]

While it appears that information provided to the PPS Board was consistent with most other districts we reviewed, we believe additional data could be provided in the future such as comparisons of cost estimates with the current market and/or industry standards as well as performance at other districts, where applicable, to better communicate fiscal conditions, potential challenges, and impacts of decisions.

[23] Results based on publicly available documents such as pre-bond communications, board materials, financial reports, and bond status reports.

Section 3: Although Project Estimates Have Increased, PPS Has Been Working on Cost Containment

Estimates to complete the projects for the $790 million 2017 Bond have grown by more than 26 percent to $997 million based on December 2018 forecasts. For the capital school projects alone, estimated costs have increased from $580 million at bond passage to $797 million. With such a significant increase in less than two years since the 2017 Bond passed, delivering all projects proposed to voters within the $790 million budget has been challenging.

However, there has been significant activity at Lincoln, Madison, and Benson High Schools as well as Kellogg Middle School with OSM operational staff evaluating master plans, refining designs, performing revised cost estimates and preparing for construction. Specifically, immediately after the 2017 Bond passed, OSM commissioned updates to master planning documents for all four schools with the intent to refine design concepts and better align cost estimates with current market conditions. According to current OSM executive leadership, practices have changed since the 2017 Bond budgets were developed in late 2016 and early 2017 and emphasis has been placed on formalizing cost estimation methodologies and developing realistic budgets. [24]

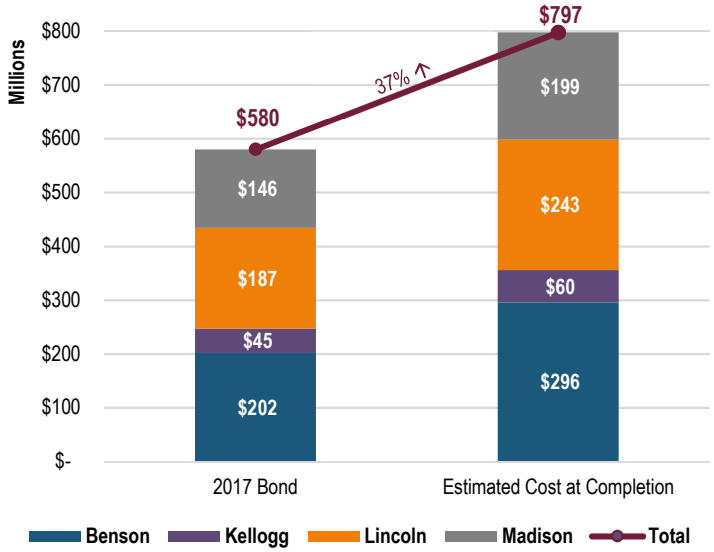
In addition, while fluctuations in cost estimates are typical as projects advance through various stages of planning and design, OSM has initiated cost containment efforts that include revisiting design decisions through focused value engineering sessions and obtaining updated independent cost estimates. Nonetheless, bridging the budget gap may also require eliminating scopes or defer projects to future bond measures. In fact, the Benson High School project is now expected to be completed with the next bond.

Estimated Costs to Complete School Projects Have Increased Nearly 37 Percent Since the Bond Passed

As projects advance through the various stages of their lifecycle and designs become more refined, estimates of project costs are updated to reflect current scopes and budgets. For the four schools, total capital project budgets were updated as part of typical project milestones such as master planning, schematic design, design development, and construction documents. Based on data as of December 2018 from OSM's e-Builder system, the school modernizations are now expected to cost $797 million when completed—37 percent, or $217 million more than the $580 million estimated for the 2017 Bond as shown in Exhibit 17.

[24] Assertions will be corroborated in future audits.

EXHIBIT 17. 2017 BOND BUDGET VS. ESTIMATED COST AT COMPLETION, AS OF DECEMBER 31, 2018



Source: Board Working Session Meeting Packet, January 24, 2017. Program Management Cost Report from OSM e-Builder system, with data as of December 31, 2018.

Because project pricing is closely tied to market conditions, market volatility and assumptions used to predict that volatility—such as escalation—can have a significant impact on cost estimates. As discussed in Section 1 of this report, former OSM executive leadership used escalation factors that were lower than market when developing the 2017 Bond budget, which could be a contributing factor for the variances between January 2017 and December 2018 estimated costs. Specifically, the revised estimates reflected escalation and contingency cost factors that were more considerate of market conditions. However, many additional factors such as scope additions, design modifications, schedule changes, shortage of skilled labor, availability and pricing of materials, or updates to education specifications (Ed Specs) could also affect increases in cost estimates.

Comprehensively identifying and reconciling reasons for the estimated cost increase is a significant effort that the audit could not undertake for this report. Such an endeavor would involve comparing assumptions used across various milestones and projects, reconciling line item amounts to subcontractor bids, reviewing detailed design specifications, and assessing the impact of unique design changes and other cost savings efforts on cost estimates that requires a level of site-specific knowledge and project familiarity that is beyond the scope of this phase of the audit. Yet, as warranted and practical, additional work and analyses may be conducted in this area as part of subsequent audits.

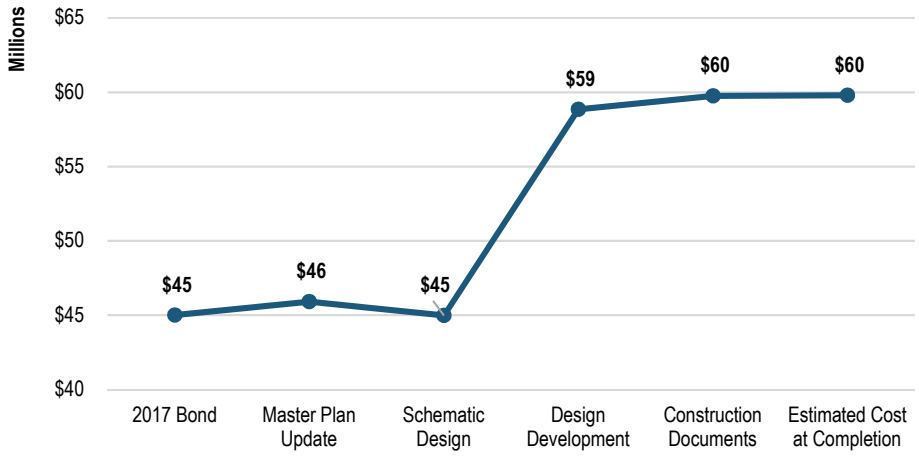
Fluctuations in Cost Estimates are Typical During Early Planning and Design

Despite the various important discussions surrounding budget increases, cost estimates, and cost containment, it is not unusual for capital project cost estimates to increase or decrease as projects progress through the various project delivery stages as scopes and quantities become more refined and are adjusted to align with changing needs or available funding. Even when a project enters the construction phase, costs

could increase again due to higher construction bids or unforeseen conditions faced during actual construction—ultimately impacting the total project cost at completion.

For instance, the Kellogg Middle School capital project, which will be the first of the four schools to start construction in the fall of 2019, was estimated to cost $45 million when the Bond passed in 2017, but latest OSM estimates identified the total cost to complete Kellogg at $60 million as shown in Exhibit 18.

EXHIBIT 18. KELLOGG MIDDLE SCHOOL EXAMPLE SHOWING TOTAL PROJECT COST ESTIMATES AT SELECT MILESTONES



Source: Kellogg updated Master Plan completed November 20, 2017; 90% Schematic Design completed April 12, 2018; Design Development completed July 16, 2018; 50% Construction Documents completed December 17, 2018; Estimated Cost at Completion per e-Builder as of December 31, 2018.

While Recent Cost Estimates were Higher than 2017 Bond, OSM is Working on Cost Containment

With estimated costs to deliver the projects rising since the Bond passed in May 2017, OSM operational staff have been continually challenged to identify cost saving measures while still delivering the projects in accordance with PPS Ed Specs approved by the Board and the needs of the community. Since all of the projects were still in the early planning phase when the 2017 Bond passed, there has been opportunity for OSM to explore cost containment options through various value engineering efforts— a standard industry-wide technique used to identify alternatives to control costs prior to completion of design and before the start of construction. [25]

For instance, when the 90% Schematic Design for the Kellogg Middle School project identified a $13 million difference between the design and construction budget, an external architect worked with OSM operational staff to explore options to bridge the gap. [26] Ideas generated included substituting grass for a synthetic turf system to reduce costs by $412,000 and reconfiguring the school as a 3-story building instead of a 4-story structure by reducing certain programs for a savings of approximately $1.5 million. These and other similar

[25] The CMAA states that value engineering is used for the purpose of optimizing value in project designs. It is best completed during the initial preliminary design stage.

[26] Kellogg 90% Schematic Design Document, April 2018.

considerations for the Kellogg Middle School designs eventually narrowed the gap between the budget and cost estimate from $13 million to $824,000.

Also in-line with leading practices, OSM held a value engineering workshop in December 2018 for the Lincoln High School project that identified $29.5 million in cost saving opportunities. Building upon the success of the Lincoln High School value engineering workshop, OSM intends to go forward with value engineering efforts with the next one scheduled in May 2019 for the Benson High School project.

In addition, as of December 31, 2018, only $50.8 million of the $790 million Bond has been spent or committed for the four schools as shown in Exhibit 19. With that in mind, there is still time for PPS oversight bodies, OSM, and stakeholders to collaboratively work together towards delivering modern facilities that address the needs of the District's educational goals within the budgetary constraints set by the 2017 Bond—or determine that some 2017 Bond projects may have to be delayed and delivered as part of subsequent bond cycles or reduced scopes may have to be considered. In fact, the completion of the Benson High School project has already been deferred to the next bond due to the projected funding shortfall.

EXHIBIT 19. BUDGET TO ACTUALS AND ESTIMATED COST AT COMPLETION, AS OF DECEMBER 31, 2018

	Status as of December 2018	Actual Expenses through December 2018	Commitments (Encumbrances) as of December 2018
Kellogg	50% Construction Documents	$ 4,316,952	$ 6,262,444
Madison	100% Design Development	$ 6,625,849	$ 14,234,869
Benson	Master Planning	$ 519,380	$ 3,585,596
Lincoln	75% Schematic Design	$ 2,368,891	$ 12,845,908
Total		**$13,831,072**	**$36,928,817**
		$50,759,889	

Source: OSM e-Builder 'Cost Summary - Budget vs. Commit vs. Actuals Paid' Report; OSM e-Builder "Project Management Cost Report – by program".

Section 4: Conclusions and Recommendations

During the audit, we primarily focused on PPS and OSM activities in late 2016 and early 2017 leading up to the Bond passage. Given that the scope of this audit was limited to assessing the development of cost estimates for the $790 million Bond, conclusions drawn and areas suggested for PPS and OSM consideration were based on currently available data and practices in place for that time period. While we found that initial cost estimates used to develop the 2017 Bond were generally supported by professional estimates and followed a consistent process, final cost estimate figures presented to the Board for bond approval were lower than market conditions at that time and could not be replicated due to lack of a formal, documented methodology.

However, current OSM executive leadership has asserted that many protocols have changed since that time and practices recommended from this audit are now in place. These subsequent changes and revised practices will be verified as part of the next audit phase or future annual Bond performance audits.

Recommendations

While OSM operational staff stressed the importance of a bond cost estimation methodology that is understandable and traceable to underlying assumptions and records, the cost data presented to the PPS Board for approval of the 2017 Bond lacked data to allow for a replication of the figures used by OSM executive leadership. To better align cost estimates with prevailing market conditions and industry leading practices, OSM should have developed a formal cost estimation methodology for use on all projects, documented deviations from standard practice, and established a central location to retain all final cost estimates including any supporting documentation used to develop each estimate. However, current OSM executive leadership stated that it now ensures its project estimates use factors that align with market conditions and better documents results of cost decisions. Since we have not yet had an opportunity to verify current practices, we recommend that, on a go-forward basis, OSM should begin or continue to:

1. Develop and consistently apply a formal cost estimation methodology across projects regardless if developed in-house or by external consultants, including documentation of the reasons for any deviations from the established methodology.
2. Compare and analyze cost estimate assumptions and factors with historic practices and other comparable bonds or districts to determine whether adjustments to estimation methodology seem warranted.
3. Establish a central location to retain final estimates at each project phase (master planning, schematic design, design document, construction document), including any supporting documentation used to develop each estimate.

In addition, more comprehensive data could have been provided to the Board when discussing cost estimates such as comparisons of estimates with market and/or industry standards as well as performance at other districts, where applicable, to better communicate fiscal conditions, potential challenges, and impacts of decisions. Thus, to enhance transparency and Board knowledge, OSM should:

4. Discuss comparison of cost estimation methodology used with past PPS experiences, current market conditions, and estimates developed by peer districts when presenting cost estimates to the Board and public stakeholders.
5. Categorize the reasons for variances in project costs, and aggregate those changes to the program-level to provide information on why costs varied from original bond, as well as report this information to the Board and public stakeholders.

Finally, in light of the increased scrutiny PPS is experiencing with its cost estimates, OSM should identify key cost drivers and closely monitor trends that could impact funding available for PPS bond projects. Trends with increased program financial risk should be captured, analyzed, and presented to the Board and general public along with scenarios to mitigate risks or options to minimize negative impacts resulting from cost estimates coming in higher than expected. Following are some recommended actions for considerations to assist OSM in responding to changing construction market conditions and strengthen transparency and accountability. Specifically, OSM should:

6. Conduct an analysis to determine to what degree various factors, especially scope changes and changes in construction costs, caused an increase in construction costs for the 2017 Bond projects. This could include comparing assumptions used across various project milestone reports and/or reconciling line items amounts to subcontractor bids.
7. Analyze results of variances to make adjustments to future estimation models and methodology as well as to analyze whether changes are needed in the delivery of projects to ensure stronger cost containment.
8. Ensure project milestone reports use consistent data across all projects and clearly identify deviations.

Appendix A: Auditee Response

PORTLAND PUBLIC SCHOOLS
501 North Dixon Street / Portland, OR 97227
Telephone: (503) 916-2222/ Fax: (503) 916-3253
Mailing Address: P. O. Box 3107 / 97208-3107

Date: **April 4, 2019**

To: Cathy Brady, Principal
Sjoberg, Evashenk & Associate

From: Dan Jung, Chief Operating Officer

Subject: Performance Audit – Fiscal year 2018/2019
Phase I Report
Staff Response

Portland Public Schools (PPS) and the Office of School Modernization (OSM) have received and reviewed Sjoberg, Evashenk and Associates (SEC) 2018/2019 March 2019 Audit Report titled "Performance Audit – Fiscal Year 2018/2019, Phase I Report: Bond Cost Estimates" (the Report). PPS appreciates the significant amount of data and documentation SEC reviewed in a short period of time to produce the Report. PPS also appreciates the thoroughness of the Report, the thoughtful conclusions and recommendations and the professionalism of the SEC staff.

As noted in the Report, PPS has already concluded and addressed many of the recommendations provided. PPS has prepared short responses to each of the recommendations.

SEC Recommendation #1: Develop a formal cost estimation methodology and apply consistently across projects regardless if developed in-house or by external consulates, including documentation of the reasons for any deviations from the established methodology.

PPS Response: PPS agrees with this recommendation. As evidenced in the materials that are routinely provided to the Board of Education for master planning and other project updates, OSM utilizes has a consistent methodology for conveying detailed project cost information. The approach includes providing a summary breakdown of the detailed cost estimate generated by a professional construction cost estimator, plus all additional costs (with noted assumptions for each item) that sum the project total. OSM provides this level of detail on all modernization and new construction projects to convey a high level of transparency and provide rationale behind the noted assumptions. Examples of this methodology and format can be seen in the master plans brought forward to the Board of Education for Kellogg, Madison, Lincoln and Benson. This same level of detail will be employed on future bond planning efforts.

SEC Recommendation #2: Compare and analyze cost estimate assumptions and factors with historic practices and other comparable bonds or districts to determine whether adjustments to estimation methodology seem warranted.

PPS Response: PPS agrees with this recommendation. As noted on page 29 of the Report, OSM operational staff stressed the importance of a bond cost estimation methodology that is understandable and traceable to underlying assumptions and records. OSM staff understands the value of providing cost data that is founded in professional support, reviewed and vetted prior to being developed into a recommendation. Future bond planning efforts will include professionally developed cost estimates and robust review of all cost assumptions.

SEC Recommendation #3: Establish a central location to retain final estimates at each project phase (master planning, schematic design, design document, construction document), including any supporting documentation used to develop each estimate.

PPS Response: PPS agrees with this recommendation. Currently OSM utilizes a "design phase approval" process that captures specific detailed project data at the end of each design phase including the current building plans (floor plans, elevations, etc), cost estimates, available contingency, current schedule status, stakeholder engagement plans, etc. All of this information is reviewed and stored electronically in OSM's project management software system for future use and reference. All 2017 bond modernization projects have, or will, complete a design phase approval at the end of each design phase including master planning, schematic design, design development, and construction documents.

SEC Recommendation #4: Discuss comparison of cost estimation methodology used with past PPS experiences, current market conditions, and estimates developed by peer districts when presenting cost estimates to the Board and public stakeholders.

PPS Response: PPS agrees with this recommendation. Similar to Recommendation #2, OSM understands the value of developing informed and vetted cost data. Future bond planning efforts will include robust review of all cost assumptions and comparisons to other relevant and comparable projects and programs.

SEC Recommendation #5: Categorize the reasons for variances in project costs, and aggregate those changes to the program-level to provide information on why costs varied from original bond, as well as report this information to the Board and public stakeholders.

PPS Response: PPS agrees with this recommendation. In November 2018 OSM prepared two documents for the Bond Accountability Committee's review. One document compared PPS project costs to other relevant K-12 projects nationally; the second document provided a detailed cost breakdown of Madison and Lincoln, broken down by individual Construction Specification Institute (CSI) division and compared each division of work to recently PPS projects: Roosevelt, Franklin and Grant. Additionally, OSM staff highlighted individual cost variances between the projects and provided a division by division analysis of the costs and provided reasons for the variances. In an effort to provide additional outside review of PPS project costs, in January 2019 OSM hired professional construction cost estimating firm, Rider Levell Bucknall, to compare current PPS project costs to other relevant K-12 projects.

SEC Recommendation #6: Conduct an analysis to determine to what degree various factors, especially scope changes and changes in construction costs, caused an increase in construction costs for the 2017 Bond projects. This could include comparing assumptions used across various project milestone reports and/or reconciling line items amounts to subcontractor bids.

PPS Response: PPS agrees with this recommendation. Similar to Recommendation #5, over the last 12 months OSM has provided detailed project cost comparison data and continues to develop and provide cost information as necessary and requested.

SEC Recommendation #7: Analyze results of variances to make adjustments to future estimation models and methodology as well as to analyze whether changes are needed in the delivery of projects to ensure stronger cost containment.

PPS Response: PPS agrees with this recommendation. Future bond planning efforts will include robust review of all cost assumptions and comparisons to other relevant and comparable projects and programs.

SEC Recommendation #8: Ensure project milestone reports use consistent data across all projects and clearly identify deviations.

PPS Response: PPS agrees with this recommendation. OSM utilizes standard operating procedures to ensure consistency between projects. Each project utilizes a project update template each month to report on project status. Similarly, regular reporting structures are utilized for the Bond Accountability Committee and quarterly project updates to the Board of Education. PPS and OSM will continue to incorporate feedback to improve on processes and procedures.

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Meeting Minutes | April 17th, 2019

Portland Public Schools Bond Accountability Committee (BAC) Location: Madison High School Library

PORTLAND PUBLIC SCHOOLS
Office of School Modernization
501 North Dixon Street • Portland, OR 97227

Members present:	*Kevin Spellman, Tom Peterson , Tenzin Gonta, Dick Steinbrugge, Charlie Johnson*
Not present:	*Cheryl Twete, Karen Weylandt*
Board members present:	*Amy Kohnstamm*
Guests present:	*Ken Fisher, Curtis Matthews, Cathy Brady, Lien Luu*
PPS/OSM staff present:	*Dan Jung, Scott Perala, Dave Ruth, Derek Henderson, Darwin Dittmar, Darren Lee, Cynthia Le, Claire Hertz*
Next meeting:	*July 24th, 2019 (Location TBD)*

I. Welcome & Introductions

Kevin Spellman calls meeting to order at 5:35 pm.

II. Public Comment

- No public comment.

III. Program Overview

Bond Accountability Committee

- OSM announces that committee member Dana White has resigned her service on the BAC as she is the new Director of Property and Real Estate Management at Portland Public Schools. Dana has already started the onboarding process and staff is excited to have her expertise.

Staffing

- Interviews for the Benson Construction Manager are underway. There are five candidates from the various firms for this position.
- Requests for candidates from these firms are also out on the street for Health and Safety Construction Manager.

- Bryce Gardner has joined the Grant team as a construction manager and will help them to finish out the project.

Balanced Scorecard: <u>OVERALL PERSPECTIVE</u>

- With the approval of the Benson master plan, all four 2017 bond modernization/new construction projects have board approval. Additional work is being done to consider additional program options for the Benson site using the current Master Plan as the baseline.
- Health and Safety projects continue to progress with large projects planned for summer 2019.
- Madison and Lincoln are progressing through the design phases, meeting with stakeholders, completing value-engineering exercises and tracking towards land use and permit submissions and approvals.
- Kellogg has advertised the RFQ for construction services.
- The Grant project continues to track on schedule for opening in fall 2019.
- Total program resources is approximately $1.4B, with $565M spent to date.

Balanced Scorecard: <u>BUDGET</u>

- Grant HS Modernization costs are forecasted over budget. As reflected last quarter, the program contingency has been anticipating an overage and accounted for the costs in the program forecast. The total program continues to track under budget.
- Kellogg bidding is underway. Final bid number anticipated week of 4/15. Kellogg 50% CD estimates showed project was on-budget at that time.
- Madison 50% CD GMP came in $27M over budget on initial comparisons. Reconciliation efforts brought budget overruns down to $12M. Team current working on value engineering options to address variance and will bring possible solutions to steering committee for guidance.
- Lincoln 100% DD estimates underway.
- Benson Master Plan continues to evolve at the direction of the BOE. Current program now contemplates swinging BHS to Marshall, Alliance program to Kenton and night school to Grant. MP now calls for new and separate building (100 ksf+) for Alliance and MPG program on the Benson campus. Costs are continuing to be evaluated with follow up presentation to BOE in May for input and guidance.

- **2012 Bond Budget**
    - OSM provides a summary of OCIP review for bond projects and discusses the plan for future projects.
    - OSM is shifting staffing costs from the 2012 Bond to the 2017 Bond as the Grant Modernization Project is wrapping up.

OSM/BAC Discussion: *The BAC has requested a new report on Budget that has a level of transparency more suited for general understanding. The discussion centered around the need for having a budget report that shows the totals and how much has been spent against the totals. EG: 150 million for health and safety create a report that shows the 150 million and then breaks down what has been spent so far and on what. The goal is to create a report for the voter audience. OSM to schedule a separate meeting to discuss in detail with the BAC what this report needs to look like, and what information does it need to convey.*

There was also continued discussion about how to better track significant creep in budget (which is identified as common) to accomplish greater transparency.

OSM/BAC discussion continued about transparency and delegation of funds. If the budget increases, do we still refer to it as savings if it is technically higher than the original budget? Discussion centering around transparency and accountability.

OSM to set up a meeting with the BAC to determine reporting needs and what the data should look like.

- **2017 Bond Budget**
    - OSM provides an overview of the 2017 Bond Budget.

OSM/BAC discussion regarding OCIP funding differences between Bond 2012 and Bond 2017. OSM currently reviewing this issue and will not be adding projects to the program until this review is complete. The goal is to identify and implement best practice for this. Consideration of contractor providing insurance, or at least partial insurance to provide cost savings.

Further discussion about providing greater clarity and transparency on reporting. OSM to track and incorporate into separate meeting.

Balance Scorecard: <u>EQUITY</u>

- OSM reviews current numbers for equity goals for Certified Business (Minority, Woman Owned, or Emerging Small Business), Workforce Apprenticeship, and Career Learning efforts.

- Overall OSM is tracking at 27.5% (up from 25%) and 15.34% (up from 14%) for consultants and contractors respectively for certified business participation, for a cumulative of 17%. A 1% increase since last quarter. Qualifying costs breakdown as:
    - MBE: 32.98% (up from 31%)
    - WBE: 50.93% (down from 52%)
    - SDVBE: 0.13% (up from 0.1%)
    - ESB: 15.96% (down from 16%)

- OSM continues to exceed the 20% apprentice trade hours goal (currently 24% overall (down from 26%)). Kellogg is the only active project not currently exceeding the goal, however this data is on demolition only. Demolition has traditionally been a challenging trade to procure apprentices. We anticipate the goal will be met at Kellogg, as well as the other projects.

- OSM met all student engagement goals in 2019. The team is planning for even more engagement in 2020.

Balance Scorecard: STAKEHOLDER

- OSM reports that stakeholder engagement methods are still in review.

Balance Scorecard: SCHEDULE

- Grant continues to track on overall schedule and 7/30 substantial completion.
    - Punchlist to begin end April. Transition planning underway for summer 2019.
- Roosevelt Phase 3 is substantially complete. Tennis courts and surrounding work will begin in May.
- Kellogg MS abatement and demolition is complete. Construction bids due 4/16.
- Madison HS 50% CD's issued and estimated. CMGC and A/E are working to achieve path to budget. Demolition drawings submitted for permit.
- Lincoln 75% DDs complete and issued to CMGC and 3rd party for estimating. Land use permit application submitted.
- Benson SD completion delayed accommodating BOE determination of future MPG location and completion of Benson HS programming.

GUEST PRESENTATION: 2017 PERFORMANCE AUDIT PHASE 1

Presentation of phase 1 performance audit by Sjoberg Evashenk Consulting (SEC). Cathy Brady and Lien Liu provided a presentation summarizing the work that has been completed thus far and largely targets the 2017 Bond by request of the Board of Education.

Presentation and discussion of next steps for phase/year 1 for the audit, and then planning for year 2 and subsequent years.

BAC observes that there may be concern with audit language that talks about cost containment being interpreted as trying to get back to the 790 million dollar number, when it more accurately is trying to keep the program under 1 billion dollars.

DETAILED STAFF UPDATE: 2017 HEALTH AND SAFETY WORK.

Dave Ruth and Darren Lee provide a detailed update on budget, schedule, and planning for the Health and Safety project work. Including:

- Lead Paint Stabilization
- Water Fixture Repair
- Security Upgrades
- Radon Mitigation
- Consolidated Projects (Roofs, Seismic, Accessibility)
- Asbestos Abatement
- Bid packages for 2019 work on the street
- Fire Alarm – 7 schools

- Roof / Seismic – 4 schools
- Asbestos – 7 schools
- Security Group 1 – 26 schools
- DWS repairs – 500 fixtures
- Procurement for Group 2 & 3 Security projects
- 61 schools slated for work this summer
- Design RFP's for Summer 2020 & FA projects
- Coordinating building closures for Asbestos Abatement and Lead Paint Stabilization projects
- Implement DWS pilot program - 6 schools
- IDIQ for Lead Paint Stabilization **Termination of Fernwood contractor**
- Mediation scheduled for May 30
- Preparation and communication for Summer 2019 projects
- Stakeholder Engagement
- Drinking Water Station (DWS) pilot program & communications
- New water fixture requirements from State…significant uptick in number of "taps" we have to address

Looking Ahead:

- 2020
- Complete Security Improvements
- Complete Fire Alarm upgrades – 19 schools
- Implement DWS replacement (pending successful pilot program)
- Roofs / Seismic - Tentative: Chapman, Ockley-Green, Kelly, Phase 2 Hayhurst & Jackson
- Asbestos – Tentative: Jackson, Ockley-Green, DaVinci, Lent, Sitton, Jefferson
- Lead Paint Stabilization
- 2021 & Beyond
- Lead Paint Stabilization: potentially through 2026
- Roofs / Seismic: 4 – 6 schools per year through 2022 or 2023
- Tentative 2021: Duniway, Glencoe, Irvington, Richmond, W. Sylvan
- Asbestos: 6 – 7 schools per year through 2022 or 2023

OSM provides review of detailed organizational chart for all Health and Safety Projects. OSM also provides detailed breakdown of PPS schools and history of work that has been done, when, and will help track issues for better coordinating.

As part of lessons learned, OSM has begun to engage in earlier design and earlier contracting. Earlier communication and coordination has also been implemented, and a plan is being developed to help align efforts between OSM, FAM, and Maintenance and Operations to communicate to all building use stakeholders about plans and impacts to sites and programs.

OSM/BAC discussion about communication, lessons learned, and the detailed consolidated Health and Safety Matrix presented to the committee. The committee concurs that this is a great tool and provides an excellent level of detail.

IV. Projects Update

GRANT MODERNIZATION

Accomplishments:

- Construction is on-schedule! (zero float)
- Most major equipment deliveries are complete.
- RFI's are slowing down and is the quantity of new unknown issues each week.
- Finishes are going in throughout the building.
- Landscaping and the turf field are underway.

- Architect selected for Grant Bowl master plan

Next Steps:

- Focusing on commissioning and close-out.
- Zone A punchlist scheduled for end April
- FF&E deliveries begin on June 3rd.
- Grant will be moved out of Marshall by June 21st.
- Substantial Completion of Grant is on July 30th.
- Athletics start at Grant on August 5th.
- Teachers return on August 21st.

Challenges:

- Subcontractor default
- Critical path scopes
- Below grade water intrusion @ existing walls
- Transition from Marshall

Safety Update:

- 12 recordable incidents and 0 reportables.
- 570,000 manhours to date. Incident Rate is 4.2.
- Recent Incidents:
    - 2/2/19 steel worker falls 7' from ladder and hurts his back.
    - 3/7/19 Sheetmetal worker cuts his hand on sharp edge requiring 6 stiches.

ROOSEVELT MODERNIZATION

- Revised piping for mechanical system mixing stations completed. TAB and commissioning underway.
- Continued progress to addressing MEP system punchlist issues (reduced from 488 items to 40 items).
- Progressing with Phase 3 work
    - Subgrade work and storm water planters complete.
    - Site paving complete
    - Landscape 50% complete
- Complete Phase 3
    - Landscape planting
    - Tennis Court area and immediate surroundings scheduled for May / June completion
- Complete TAB and commissioning of revised mechanical piping. Façade heat gain issues and air intrusion issues in the 1929 building classrooms & Admin offices
- Preventive and deferred maintenance support

KELLOGG

Accomplishments

- City conditional use and adjustment approval
- 100% permit/bid document set completed
- Permit set/application submitted to City as part of Fast-Track, Portland Online Permitting System (POPS)
- 2-step procurement process underway, with Request for Quotes (RFQ) step complete and Invitation to Bid (ITB) step in progress, bids due April 16

Next Steps

- Review of bids and contracting with selected low bid General Contractor (GC)
- Submittals and selection of bid alternates
- Community outreach & "open house" prior to construction start
- Building permit and NTP

Challenges and Opportunities

- While 10 GCs expressed interest at the RFQ step, only 2 GCs submitted proposals and were selected to participate in the ITB step
- Planning for opening of new school would benefit from selection of KMS planning principal as soon as possible/practical
- Planning Principal role vacant until Fall 2020 (lack input on FF&E and administrative items)
- OSM team outlining Kellogg Middle School (KMS) staff budgeting and planning effort for 2021 / 2022 school year
- Staff / Operations budget

MADISON

Accomplishments
- Land use permit approved.
- Demo permit submitted
- 50% CD set completed & estimated
- Approx. 70% of design / assist subs on-board
- Transition planning for Marshall move-in
- Awarded SRGP Grant - $2.5M

Next Steps
- Budget reconciliation and VE
- Submit foundation / structure permit set
- Issue 95% CD's
- Finalize GMP
- Mobilize and start abatement at the end of June

Challenges and Opportunities
- 50% CD estimate was @ $12 M over budget. Reconciliation and value engineering efforts for path to budget currently underway. Findings may impact foundation / structure design and permit submission.
- Permit schedule for foundation / structure design leaves little schedule float
- ODOT right of way / offsite improvements

LINCOLN

Accomplishments
- Stakeholder Engagement on final program organization.
- DAG input on exterior design
- Total Value Design (TVD) process ongoing
- 75% DD Completed
- Design process on schedule

Next Steps
- 75% DD Estimates by the CM/GC and ACC due May 3
- PPS Internal Design Review of DD drawings and Specifications
- RFP for early trade partners is on MEP scope.

Challenges and Opportunities
- Early site mobilization scheduled for January 2020 creating a 4 month early start.
- Coordinating athletic swing space
- Alternate method to meet CoP green roof requirement
- Potential partnership for track and field upgrades with PSU
- Potential partnership with Multnomah Athletic Club (MAC) for tennis courts
- Site Constraints – site tour

BENSON

Accomplishments

- Stakeholder engagement for Schematic Design
- DAG tours of GHS, RHS, FHS
- Board Work sessions & Meetings for approval
- CMGC RFP and selection
- Started discussions with PPR about Buckman field use and renovations

Next Steps

- Continued DAG work sessions and DAG tours of GHS, RHS, FHS
- Continue discussions with PPR regarding south driveway/Buckman field connection
- CMGC contract approval
- Schematic Design review
- Master plan revisions for Board by end of May

Challenges and Opportunities

- Site planning & considerations
- Determine feasibility & impacts of off-site swing to Marshall / Kenton
- Multiple Pathways to Graduation schools & program placement
- Value Engineering Charrette & Study

OSM ACTION ITEMS

- OSM to schedule a tour of the Lincoln Modernization Site, not building.
- OSM to provide Benson documents pre-board meeting for review.
- OSM to schedule BAC Meeting to discuss expenditure reporting.
- OSM to schedule a BAC Sub-Committee Audit Review.

Next BOE Presentation: May 21st, 2019

V. Adjournment

Kevin adjourned the meeting at 8:38 PM.