

MEMORANDUM

Date: November 20, 2020

To: The Board of Education's School Improvement Bond Committee

From: Bond Accountability Committee (BAC)

Subject: 31st BAC Report

Background

In November 2012, voters approved a \$482M capital improvement bond for Portland Public Schools. The PPS Board appointed a Citizen Bond Accountability Committee to monitor the planning and progress of the bond program relative to voter-approved work scope, schedule and budget objectives.

In May 2017, voters approved a \$790M capital improvement bond measure that included a requirement for citizen accountability and oversight. Following passage of the measure, the Board expanded the BAC's Charter to include the 2017 program.

In October 2019, the Board expanded the BAC's monitoring responsibilities to include the District's future bond planning efforts.

In November 2020, voters approved a \$1.208 billion capital improvement bond measure that included a requirement for citizen accountability and oversight. The BAC's Charter requires amendment to include the 2020 program.

Beginning in November 2019, the BAC's reports are delivered to the Board's School Improvement Bond Committee.

The members of the BAC are:

Greg DiLoreto
Norm Dowty
Tenzin Kalsang Gonta
Tom Peterson
Kevin Spellman, Chair
Dick Steinbrugge
Cheryl Twete
Karen Weylandt
Beth Woodward

Recent Activities

The BAC's quarterly meeting was held in a virtual session on November 4 due to the need to postpone after the original October 28 date was not publicly noticed. Since it was a virtual meeting, the public was invited to submit written comment and view a live stream. Staff presentation materials and meeting minutes, along with BAC reports, are regularly posted on the District website.

No public comment was received.

As this report is written, PPS staff is managing the following work:

- Construction work at Kellogg Middle School.
- Construction work at Madison High School.
- Construction work at Lincoln High School.
- Closeout at Grant High School and design for the Upper Field Improvement.
- Contracting for Roosevelt High School Phase IV.
- Closeout at Franklin High School.
- Multiple Health and Safety projects.
- Design work for Benson High School plus TI work and preconstruction for the CTE building at Marshall, and design work for Kenton.
- Design work for Multiple Pathways to Graduation ("MPG").
- Development of an Execution Plan for the 2020 bond program.

The Office of School Modernization ("OSM") has had several staff vacancies including the Director of Construction and Senior Manager of Business Operations positions open for some time. We understand that well-qualified applicants are now available, and the hiring process is underway.

With regard to the expiration of overall program management and construction management services (CBRE/Heery), OSM has revised its strategy. It intends to directly contract for existing CBRE/Heery CMs currently working on 2017 Modernization projects for continuity purposes but use on-call contracts on Health and Safety work. A separate RFP will be issued for program management consulting services.

2012 Bond Program

Closeout and final accounting are in various stages at Franklin, Roosevelt, and Grant High Schools. Final accounting at Franklin is complete and only the required contract evaluation remains outstanding. Our audit subcommittee has received a copy of the closeout cost audit for Roosevelt (through Phase III) but has not seen final documentation. At Grant, late cost issues have been settled

with the contractor. Our audit subcommittee has yet to receive copies of mid-point or closeout audits for Grant.

Current cost projections for the program include some additional funding for Roosevelt Phase IV and for a few improvement projects at Grant.

Work on the window rehabilitation at Roosevelt is complete, well ahead of the original schedule and work on Phase IV new construction is starting.

Oregon law provides that evaluations of projects exempted from competitive bidding are issued shortly after completion. Evaluations on Franklin, Grant, and Roosevelt are expected soon.

The 2012 program now shows projected final savings of \$1,015,000.

2017 Bond Program

The budget situation for the 2017 Bond program remains in the red. As reported previously, a bond premium amounting to \$68 million was secured from the last bond sale; it is currently being carried in the program budget, but we believe that it should be applied directly to the shortfall at Benson.

Projected interest earnings for the program have been reduced from \$21.5 million to \$12 million. The entire program now reports unfunded costs of \$207 million. (Funds for a projected shortfall of \$214 million are included in the 2020 bond package.)

Challenges arising out of the coronavirus pandemic continue to impact the program. Operational safety plans have been established for each of the construction sites incorporating best practices based on recommendations by the CDC, local health officials and the District. Each of the contractors has provided their own COVID-19 safety plans. There have been a few confirmed individual cases on District projects but no clusters.

The pandemic has resulted in some labor challenges, slowdowns from social distancing requirements, and supply chain disruptions, with cost and schedule ramifications. We applaud the approach taken by OSM staff in working proactively with contractors to identify and mitigate problems. At the time of our meeting, COVID-related costs had amounted to \$2.6 million, with projections for an additional \$1.2 million in 2020 and \$4 million in 2021.

Staff reported that these costs are being reflected in both project contingencies and the program contingency. This can cause some confusion. For instance, Kellogg's contingency is expected to be sufficient to handle its COVID costs whereas Madison's is not; yet both projects report that they are still on budget.

It seems that a better approach (and one consistent with prior practice) would be to show project-related COVID costs at the project level and transfer budget increases from the program contingency as appropriate. It would also be helpful to regularly report on the status of both project and program contingencies for full transparency.

Construction continues at Kellogg Middle School and is scheduled to complete in early 2021 allowing significant time for FF&E installation before school opening in the fall. Change orders on the project have reached only 4% and the project contingency remains healthy enough at this time to absorb all expected COVID expenses. Cost projections show completion within the current budget.

Schedule and budget remain the key issues at Madison High School. All remaining weather days were utilized to mitigate smoke/fire impacts in September, and selective overtime is being worked to recover as well as from COVID effects. The project was one day ahead of schedule and the team was working on increasing float.

There was discussion about the status of Madison's project contingency and staff presented a summary of its current status. There are differing interpretations of the definition of remaining contingency – does it include funds assigned to identified risks, or is it only funds that remain for unidentified risks?

Either way, staff advised that the project cannot absorb COVID costs so there will need to be a transfer of some magnitude from the program contingency.

Staff continues to do a good job in managing the budget and schedule, but both are now very tight. We recommend that no discretionary changes should be approved at this time, and that staff now update the Board Bond Committee on status of both schedule and budget at each meeting until construction concludes.

As we advised in our previous report, renaming of Madison could also have a significant effect on schedule and budget. Staff told the BAC that the project could accommodate a change if the decision is made by January but any decision after that date would have negative impacts. OSM should directly advise the Board Committee of the timeline under which a change can be accommodated prior to reopening.

Considerable work has occurred at Lincoln High School despite the fact that the building permit is running months late. It was currently in its 5th round of comments. COVID issues have caused disruptions but the project remains on schedule at this time.

The Lincoln schedule still predicts completion of Phase I by 2022/23 school opening, with Phase 2 work to follow.

Benson High School has reached the 100% design development milestone; the initial cost estimate exceeds budget so the team will work to bring it within budget while retaining an acceptable project contingency. Significant site investigation took place in the building during the summer which provided valuable information to the design team and the CMGC. In addition, the removal of paint from the historic main building east elevation wall went better than expected.

TI work at Marshall that started in the summer has continued during distance learning conditions. The auxiliary CTE building has been reduced in size and significant value engineering options adopted for budget purposes. The current permitting timeline threatens to delay construction work and subsequent move in. The scope of work at Kenton has been reduced and staff continues its coordination with De La Salle High School on the building transition.

The Masterplan for the Multiple Pathways building is changing due to input from Portland Bureau of Transportation. Initial contractor estimates for the project were well outside the budget, so work is being done to reconcile the two. The design team is actively engaging students starting with the schematic design phase.

Health and Safety staff and contractors were extraordinarily busy this summer with work at multiple school sites and, in many cases, have been able to take advantage of the extended period of remote learning. Over \$16 million was spent during the quarter. Of the \$158 million dedicated to Health and Safety work, over \$74 million has been spent as follows:

Accessibility	\$8,815,000
Asbestos Remediation	\$4,610,000
Fire Sprinkler/Alarms	\$14,801,000
Lead Paint Stabilization	\$1,569,000
Radon Mitigation	\$ 159,000
Roof Improvements	\$40,489,000
Security Improvements	\$6,649,000
Water	\$2,728,000
Management Costs	\$7,623,000
OSCIM Grant	\$3,278,000

Design is starting for re-roofing in 2021 at Duniway, MLC, and Rieke, as well as for the Seismic Rehabilitation Grant Program work at Lent.

2020 Bond Program

Staff advised that work is being finalized on an Execution Plan for the work covered by the successful 2020 bond. There was discussion about whether or

not the BAC would be briefed and/or consulted as the Plan is developed but staff made no commitment.

Other Issues

Equity. Certified business participation program-wide has fallen again slightly to a cumulative 15.69%, short of the District's aspirational goal of 18%.

The Benson contractor gave a presentation of the plans for achieving or exceeding the goal, utilizing some new strategies. In short, they expect the traditional outreach efforts for low price/best value selection will result in 14% participation. They plan to add on to this through set-aside work packages bid only by certified firms (5%) and direct contracting with certified firms (2%). The total internal goal of 22% is aggressive considering recent experience but we applaud the creative alternatives being proposed.

There was also better news from the Lincoln team which reported that they have now reported 17% contractor participation and predict that, after Phase 2 work is let, the project will achieve 17.8%.

The equity focus rightly falls on the contractors' performance, but we should not forget the consultants who, on both Lincoln and Benson, are also falling short of the goal.

Apprentice trade hours are at 24% program-wide, still well ahead of the 20% goal. The larger projects continue to see industry-wide challenges with laborer apprentices, but Lincoln has improved to 19% and Madison to 18%.

Safety. Kellogg has a stellar record with no recordable accidents during 115,000 hours worked. 413,000 hours have been worked to date at Madison, with one new minor recordable accident (one week on light duty). Lincoln experienced its first recordable accident which was minor (also one week on light duty) with 51,000 hours worked.

Audits. The mid-contract cost audit at Madison has been provided and we were hoping to hold an audit subcommittee meeting with staff and the cost auditor. The 2020/21 performance audit is underway although we have not yet held a subcommittee meeting on the workplan. The practicality and effectiveness of a BAC audit subcommittee is under review given the District's determination of how public meeting rules apply to such meetings.

Other

As reported last quarter, it has become increasingly apparent that the reporting framework for our regular meetings is no longer effective. It was created in 2013 when there were just a handful of projects in progress at any one time. Now, as an example, the Project Cost Report has over 100 line items.

Two representatives of the BAC have now met with Chair DePass, C.O.O. Jung, and OSM Senior Director Cresswell to exchange ideas and agree on principles to guide the rework process.

Tenzin Kalsang Gonta (4 years) and Tom Peterson and Kevin Spellman (both 8 years) are leaving the BAC.

Summary

Current projects are reported on schedule and on budget. However, there remain significant uncertainties arising from the unprecedented pandemic. There is also a significant management challenge ahead, given the addition of work scope from the 2020 bond program. These are extraordinary times; we hope that OSM will reach out to the BAC for creative advice and counsel as appropriate.

We remain impressed by the quality and professionalism of OSM staff, design teams and contractors as they take on multiple issues and are pleased to see continued willingness to explore new approaches. We thank the Board for this opportunity to serve and play a small part in your bond programs.