

Meeting Minutes **April 17, 2013**

Portland Public Schools Bond Accountability
Committee (BAC)



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

Members present: Kevin Spellman (Chair, via phone), Steve March, Tom Peterson, John Mohlis
Board members present: Pam Knowles (liaison), Greg Belisle and Bobbie Regan
PPS staff present: Dan Jung, Jim Owens,

- The two-year true interest cost is 0.41 percent. The 20-year true interest cost is 2.90 percent.
- We are using up less principal, so it gives us more capacity to leverage future sales.

Q: What will the District do with this extra money? Will it go back to the public?

- A: Chief Operations Officer, CJ Sylvester, explained that the language in the bond gives us the latitude to continue the same kind of work at other schools not originally called out in the bond.

Voter Approved Bond Proposal Cost Summary

Operations Manager, Dan Jung, explained why there is a difference between the voter-approved bond proposal cost summary and the current budget.

Now that we are in the implementation phase of the bond program, the staffing cost has been moved out of the project budgets and moved into the program cost. These costs will ultimately go back into the projects.

Q: Why did we make that change?

- A: Instead of allocating staff time to a project monthly, we allocate these expenses to the projects incrementally.

Q: How much higher are the 2013 improvement projects budget estimates than the actual bids?

- A: We are in the process of receiving bids now and will update the BAC at the next meeting with actual costs. If bids exceed established budgets, PPS staff has outlined a plan to exercise value engineering.

Project Cost Summaries:

Slide was shown that breaks down project costs across 20 projects.

Contingency:

Our goal is to progress into construction phase with a minimum of 10% contingency. Contingency is managed both within individual projects and at the program level. The contingency is not included into the project forecast until an expense is expected or known; therefore the amount a project is shown under budget is the available project contingency.

Most projects are started with a 15 percent contingency.

Q: Why did the budget for the 2013 Summer Improvements increase?

A: The original budgets were based upon conceptual estimates. During planning & programming phase our design team developed a more accurate description of the work scopes and aligned with budget and schedule. Additional funds were allocated from the program contingency line "COO – Contingency" to support completing these work scopes.

Q: Of the \$2.2 million increase, what lessons can we learn from the escalation?

A: The scope of work for these projects includes roof tear off/replacement, seismic upgrades, ADA and science lab improvements. When initial estimates were prepared we didn't fully anticipate the complete scope and costs at each school. We now have

a better sense of the costs to do this work. In the bond language, we said "up to 63 schools" would be improved. We still expect to complete the bond scopes at all 63 schools even if it requires use of program level contingencies such as program contingency and escalation.

Q: What is the minimum estimate of how many schools will be completed? When can the total number of schools be communicated?

A: We will have a better sense after this summer, and after summer 2014.

The Bond 2012 project listed in the spreadsheet is made up of staffing costs, public street improvements, bond issuance, and contingency.

The "Program Admin" line within the Bond 2012 project shows over budget by \$4 million. It is not actually over budget; the staffing costs will be moved back into the respective project budgets.

Total program management budget is roughly \$27 million; the current total estimate is slightly under that budget.

It was requested that information be provided to the full Board on 11/13/13 for a meeting on 10/20/14. 459.19 5m 8 Tm members.

Schedule Perspective:

Ken Fisher provided an update on the schedule. The

Q: Board member, Bobbie Regan, asked if the bond team was in active discussions with the

Alignment with Business Equity Policy
Lower maintenance costs; increase efficiency
Historic preservation
Partnerships and shared use of facilities
Seismic implementation
ADA compliance
Communication

Q: How will the staff report to the committee on each of the above goals?

Q: Does the committee want reporting on these goals?

A: Yes, the school board asked that the committee report on these goals.

Q: Should they be stand-alone reports?

Committee member, Steve March, expressed that the committee doesn't need detail on these goals, but they would like a 10,000 foot view of how the bond program is on addressing each of these goals.

Committee member, Tom Peterson explained that some of these goals will be evolving as we work through the design process. He would like to see periodic briefings at critical phases on these topics.

Jim Owens suggested that the committee may want to collaborate with the school board as to what they would like to highlight.

Kevin Spellman felt that the communication goal is both program and project based.

Board member, Pam Knowles, explained that the board would like information on goals in addition to the ones listed: how are our students are involved, CTE opportunities, and partnership opportunities. Additionally, how are our high schools working with the business community to help prepare students?

Kevin Spellman will work with Jim Owens and Pam Knowles to refine the process of providing information to the board.

Discussion of Presentation to the Board on 4/29/13:

John Mohlis to join Kevin Spellman in presenting at the April 29, 2013 board meeting.

The three committee meetings held to date should be discussed, as well as the subjects that have come up at these meetings and how the committee has dealt with these subjects.

Budgeting, scheduling & quality control should also be discussed.

Q: What other areas of interest and areas of concern should be expressed to the board at this early stage?

The presentation is only a 15 minute segment, much of which will be taken up by questions.

Pam Knowles explained that the board will be interested in the schedule and the committee's charter.

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Jim Owens explained that the bids for the summer work will be opened by the 4/29 board meeting. One package will be presented on 4/29 meeting, the other three packages will be presented on the 5/6 meeting.

John Mohlis requested that Kevin Spellman email the committee members with a draft of the presentation to board.

Tom Peterson was concerned that the board updates will be more frequent than the BAC meets.

Jim Owens explained that the board has requested that staff report monthly. Staff plans to supply the material reported to the board to the committee members.

Pam Knowles explained that the board considers the BAC essentially as an audit committee.

Q: Will there be construction audits?

A: Financial audits will be a part of the District's auditing cycle. We are still looking at how we will approach the performance audit process.

Kevin Spellman felt that the committee will be working closer with the performance audit than the financial audit.

V. Wrap Up

Upcoming Presentations:

- Next meeting was originally scheduled at Wilson, but it can no longer be held at Wilson due to roof replacement project.
- Faubion is a possible location.
- The date of the next meeting is Wednesday, July 17, 2013.
- Tom Peterson expressed his appreciation for the opportunity to have the meetings at the school sites.