



# **GO Bond Planning**

## **Bond Accountability Committee**

December 18, 2024





# Agenda

- Welcome and Introductions 2:00 - 2:10
- Public Comment 2:10 - 2:20
- Review Scope & Budget 2:20 - 3:25
  - Charter & Expectations
  - 2024 GO Bond Option
  - Scope of Work
  - Questions & Next Steps
- Adjournment 3:25 - 3:30



# Public Comment



# Materials

- Memo: GO Bond Planning
- Exhibit A: Proposed GO Bond Option
- Bond Curriculum Update - Nov 15, 2024
- BAC Cost Model Work Book - May 15, 2024
- Presentation - BAC Bond Planning - May 15, 2024



# BAC Charter

## Charter

The Committee will review future bond planning processes and materials and provide advice to the Board, prior to bond referral, on:

- Cost estimating processes related to proposed modernization efforts, new construction projects and other potential scopes of work
- Bond development risk management strategies including project cost escalation assumptions, contingency assumptions, bond management cost estimates, etc

**In other words: we request your assessment of whether you find that it is reasonable to conclude the proposed \$1.8 billion budget is sufficient to complete the scope of work outlined in the GO bond option**

## BAC Expectations

- Review materials and provide a written a recommendation to the Board of Education
- The BAC is **NOT** expected to act as de facto professional cost estimators



# GO Bond Option Parameters

School Facilities Improvement Oversight Committee (SFIOC)

- Target a total bond between \$1.5 - \$1.8 billion
- Plan for an 8-year bond cycle
- Retain the existing tax rate
- Plan for the May 2025 ballot measure



# Proposed Option

<b>Physical Facility Improvements</b>	<b>\$269,000,000</b>
Deferred Maint & Priority Scope	\$190,000,000
Athletics	\$79,000,000
<b>Educational &amp; Technology Improvements</b>	<b>\$242,000,000</b>
Technology	\$176,000,000
Physical Education	\$10,000,000
Curriculum	\$56,000,000
<b>Modernizations</b>	<b>\$1,150,000,000</b>
Jefferson High School	INCL ABOVE
Cleveland High School	INCL ABOVE
Cleveland High School - Powell Park Option	INCL ABOVE
Ida B Wells High School	INCL ABOVE
Elementary and Middle Schools	INCL ABOVE
<b>Admin</b>	<b>\$83,050,000</b>
<b>Contingency</b>	<b>\$83,050,000</b>
<b>Total</b>	<b>\$1,827,100,000</b>



# Deferred Maintenance & Priority Scope: \$190m

As detailed in the Board meeting materials, PPS is confronting substantial facility needs, with an overall cost that exceeds several billion dollars. Although there is some flexibility in how these needs are categorized, we generally classify physical facility improvements into three primary categories:

1. **Deferred Maintenance** (addressing failed or failing assets)
2. **Capital Renewal** (planning for assets beyond their expected useful life)
3. **Priority Scopes of Work** (new improvements or upgrades)

Deferred Maintenance: The District's deferred maintenance backlog is substantial, with thousands of assets in need of replacement, totaling **more than \$1 billion**. PPS's overall facility condition index is rated as "poor." **Addressing deferred maintenance items improves facility condition index score.**

Capital Renewal: According to the APPA benchmark, annual investment in capital renewal should be 3% of the Current Replacement Value (CRV), equating to roughly \$171 million per year. While this is a broad estimate not specific to PPS, it is reasonable to assume **over \$100 million per year** would be needed to maintain the existing conditions of PPS facilities. **Addressing capital renewal needs improves facility condition index score.**

Priority Scopes of Work: Priority projects that fall outside of deferred maintenance include seismic retrofits, athletic facility upgrades, the addition of air conditioning, security improvements, and other critical needs. PPS's Long Range Facilities Plan (and other capital planning documents) identify substantive upgrade needs in these areas. It is reasonable to assume addressing all of this scope would cost **several billions of dollars.**



# Deferred Maintenance & Priority Scope: \$190m

## SAMPLE

Deferred Maintenance	Est Project Cost Range	Est # of Projects	Total
<i>Emergency &amp; Unplanned Projects (annual)</i>	\$5,000,000 - \$10,000,000	*	\$60,000,000
Roof Replacement	\$5,000,000 - \$7,000,000	9 - 12	\$60,000,000
Exterior Enclosure Improvements	\$2,000,000 - \$4,000,000	3 - 5	\$10,000,000
HVAC System Major Repairs	\$250,000 - \$1,000,000	5 - 20	\$5,000,000
Plumbing System Major Repairs	\$250,000 - \$1,000,000	5 - 20	\$5,000,000
Electrical System Updates	\$1,500,000 - \$2,500,000	6 - 10	\$15,000,000
Fire Alarm Upgrades	\$250,000 - \$500,000	5 - 10	\$2,500,000
Playground Equipment Replacement	\$100,000 - \$250,000	10 - 25	\$2,500,000
New Elevators	\$1,000,000 - \$2,000,000	1 - 2	\$2,000,000
Site Improvements	\$50,000 - \$250,000	4 - 20	\$1,000,000
<b>Priority Scope Improvements</b>			
New HVAC Systems	\$8,000,000 - \$12,000,000	1 - 2	\$15,000,000
Security Improvements	\$500,000 - \$2,000,000	1 - 4	\$2,000,000
Seismic Improvements	\$5,000,000 - \$10,000,000	1 - 2	\$10,000,000
* Estimated annual allocation			<b>\$190,000,000</b>

# Athletic Improvements: \$79m

ATHLETIC FACILITY IMPROVEMENTS		
<b>High School Athletic Hubs</b>		
Jackson HUB (turf field, lights, site improvements)	X	\$17,700,000
Marshall Campus HUB (turf field, lights)	X	\$6,200,000
<b>Middle School Turf &amp; Lights</b>		
West Sylvan (turf field, lights)	X	\$13,300,000
<b>High School Improvements</b>		
Roosevelt Turf Baseball, Softball and Hitting Facility	X	\$10,200,000
Grant Lights	X	\$1,500,000
Grant Seating	X	\$5,300,000
Franklin Upper (turf, lights, hitting facility)	X	\$13,200,000
<b>Other</b>		
<i>HS Turf and Track Replacement in next 10 years</i>	X	\$11,400,000
		<b>\$78,800,000</b>



# Athletic Improvements: \$79m

**Hard Costs:** The scope of each project varies, but many are based on work PPS has completed in recent years, such as new turf fields, lighting, hitting facilities, etc. As a result, much of the hard cost data is derived from these recent, similar projects.

**Soft Costs:** Similarly soft cost estimates are based on recent projects. We have applied an 18% design contingency to most projects.

**Furniture, Fixtures, and Equipment (FF&E):** Some projects will require new athletic equipment to become complete and usable. A FF&E markup has been applied to those projects.

# Athletic Improvements: \$79m

**Contingencies:** Given that many of these projects are still in the early planning stages and based on zero percent design, various contingencies have been included to address potential future cost risks.

- **Scope/Design Contingency:** Given that the estimated costs are based on historical data from similar projects, we apply a 10% scope/design contingency. This helps account for potential site-specific considerations that may require additional work, such as extra walking paths, stairs, or lighting due to unique site grading or other factors.
- **Jurisdictional Requirements:** The base hard cost data is often drawn from larger projects, and does not account for jurisdictional requirements such as land use conditions of approval or unexpected permit requirements. A contingency is applied to address any unanticipated compliance requirements or required improvements.
- **Project Contingency:** A standard practice at PPS is to apply a 10% contingency for new construction projects and a 15% contingency for renovations. Although many of the athletic improvements are new construction, a significant portion of the work involves civil engineering and is therefore subject to higher risk due to unknown underground conditions. As a result, we have applied a 15% project contingency to all projects to account for unforeseen circumstances.

# Athletic Improvements: \$79m

**Cost Escalation:** As detailed project schedules and sequencing are still being developed, and given that the athletic improvements must be coordinated with other capital projects, we estimate that all work will be completed over 8 to 10 years. To account for inflation and potential price increases, we have factored in 5 years of cost escalation (from the base year 2025) at a rate of 4% per year for all projects. We acknowledge that this method overestimates some projects (those being completed sooner) and underestimates the later projects, but we believe this is a reasonable approach to the athletic improvements scope as a whole.



# Physical Education: \$10m

In accordance with the Division 22 Physical Education (PE) requirements from the Oregon Department of Education, PPS must fully comply with the mandated PE minutes. To meet this requirement, PPS has undertaken modifications at schools over the last 2 years to expand PE spaces and offerings. To achieve full compliance, additional PE spaces need to be identified at six remaining schools: Cesar Chavez, da Vinci, George, Ockley Green, Metropolitan Learning Center, and Winterhaven. Each of these schools has unique space needs, necessitating resources to both initiate and complete the projects.

The GO bond budget allocates \$10 million to cover the cost of this work, approximately \$1.6 million per school. While the specific solutions for each site have not yet been determined, we anticipate that the allocated amount will be sufficient to complete the required improvements, based on previous projects. Any savings from this work will be redirected to the Program Contingency fund. Should additional funding be required, it will be drawn from the available Program Contingency.

**We are confident that the allocated budget is sufficient to address the PE facilities needs at the six schools.**



# Curriculum: \$56m

- Provides \$7M annually over 8 years in support of curriculum adoptions
- New schedule stretches out core content adoptions over two years and required “postponement” of adoptions within an allowable two year window
- Is not intended to be the sole funding source for all adoptions
- Requires immediate reductions, while also maintaining compliance with the Oregon Department of Education’s outlined curriculum adoption cycle

**Because the curriculum budget is a fixed annual allocation designated to support new curriculum adoptions, which are supplemented by additional non-bond funding, we are confident that the \$56 million will be effectively used to address the curricular needs as outlined.**

# Technology Improvements: \$176m

Project	Years 1-4 Amount	Years 5-8 Amount	Total
Business Modernization/ERP	\$38 million	\$0	\$38 million
Staff & Student Device Refresh	\$35 million	\$35 million	\$70 million
Data Center/Classroom Tech/Infrastructure	\$25.5 million	\$25 million	\$50.5 million
Cybersecurity	\$3.5 million	\$4 million	\$7.5 million
HVAC and Energy Sustainability	\$10 million	\$0	\$10 million
<b>Total</b>	<b>\$112 million</b>	<b>\$64 million</b>	<b>\$176 million</b>





# Modernizations: \$1.150b

	Cleveland HS	Ida B Wells HS	Jefferson HS
	<i>Schematic Design</i> 1	<i>Schematic Design</i> 1	<i>Schematic Design</i> 1
Hard Cost	384,968,991 2	365,300,518 2	409,297,113 2
Soft Cost	33,155,000 3	36,300,000 3	42,007,914 3
FF&E	8,700,000 4	10,000,000 4	9,988,000 4
Swing	500,000 5	2,200,000 5	345,000 5
Project Contingency	41,320,859 6	41,200,000 6	29,459,770 6, 7
Administration	Incl. in Program	Incl. in Program	Incl. in Program
Land	0	0	0
<b>SUBTOTAL</b>	<b>468,644,850</b>	<b>455,000,518</b>	<b>491,097,797</b>
Escalation	Incl. in HC 7	Incl. in HC 7	Incl. in HC 8
<b>TOTAL</b>	<b>468,644,850</b>	<b>455,000,518</b>	<b>491,097,797</b>

# Modernizations: \$1.150b

Project Budgets			
	Current Project Budget	Target Project Budget	Delta
Cleveland HS	\$469,000,000	\$360,000,000	-\$109,000,000
Ida B Wells HS	\$455,000,000	\$360,000,000	-\$95,000,000
Jefferson HS	\$491,000,000	\$366,000,000	-\$125,000,000
	<i>\$1,415,000,000</i>	<i>\$1,086,000,000</i>	<i>-\$329,000,000</i>

Project Funding			
	2020 Bond Funding	2025 Bond Funding	Total
Cleveland HS	\$20,000,000	\$340,000,000	\$360,000,000
Ida B Wells HS	\$20,000,000	\$340,000,000	\$360,000,000
Jefferson HS	\$366,000,000	\$0	\$366,000,000
Other	\$0	\$470,000,000	\$470,000,000
	<i>\$406,000,000</i>	<i>\$1,150,000,000</i>	<i>\$1,556,000,000</i>



# Bond Administration - \$83M

Program administration includes the resources required to manage and support the bond work, covering staff, bond issuance costs, insurance, and other related expenses.

From 2021 to 2023, Portland Public Schools (PPS) spent approximately \$37 million for bond program administration, averaging approximately \$12 million annually. Annual expenses fluctuate depending on the number and complexity of active projects, as well as the timing of significant expenditures, such as bond insurance payments.

For the 2020 GO bond program, the administration budget is set at \$62 million (6% of the project budget for the bond), of which \$20 million has been spent. With approximately 46% of the budget spent to date, we anticipate that total administration costs will remain close to, but below the allocated amount.

The upcoming 2025 GO bond presents a unique challenge compared to previous bonds, due to its size, scope, and other variables. The budget for administration of the 2025 GO bond is set at \$83 million, which is 5% of the bond project budget OSM will strategically design the mix of direct PPS employees and contracted administrative positions to provide the expertise necessary at an efficient cost. It will be important to keep a close eye on administration costs as the program evolves, the modernization budgets become solidified, and additional projects become clear to ensure that the program's administrative budget evolves with the program's project makeup.

**We are confident that the full GO bond program can be successfully managed and delivered within the available funding.**



# Program Contingency - \$83M

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

- Higher than anticipated cost escalation
- Costs associated with longer than estimated project schedules
- Building code or zoning code changes
- Emergency facility needs
- Or any other unforeseen cost, either discretionary or nondiscretionary

The proposed option includes an \$83 million program contingency (5% of the total bond amount), designed to address (i) unanticipated cost overruns, and (ii) any additional discretionary scope within the GO bond's language and parameters.

**We are confident that the program contingency is sufficient to cover unforeseen expenses and that the \$1.8 billion budget will be adequate to complete the proposed GO bond scope of work.**



# Questions & Next Steps

## Questions

## Next Steps

- BAC recommendation to Board of Education