REPORT OVERVIEW AND SUMMARY

The Bond Accountability Committee met September 27th, 2018 and submits this quarterly report to the Lake Oswego School Board to reflect activity in the timeframe of June 1, 2018 to September 30, 2018. The work of the bond team has picked up substantially with multiple projects in their early stages, and a handful of projects completed. Many more projects are on the horizon.

Work began in earnest to map out and design the site of the flagship bond project – the $82 million replacement Lakeridge Junior High School. The team completed security vestibules at four elementary schools. Also, work is underway at Uplands Elementary School after students in the Community School were moved to Palisades to make way for Uplands to become a swing site for Oak Creek then possibly other schools during the multi-bond process.

The BAC received frequent reports over the summer regarding the activities of the bond team, and continues to monitor progress in four key areas: Budget, Schedule, Stakeholders, and Equity. This report is designed to update the School Board on accomplishments and areas of concern that fall within the BAC charter.

RECENT ACCOMPLISHMENTS

The bond team wrapped up a very busy summer of construction activity and planning.

In its last meeting with the BAC on September 27th, the team introduced a significant amount of data, including updates to schedules and budgets, as well as school-specific assessment reports. The BAC recognizes the following accomplishments since the last quarterly report:

1) LAKERIDGE JUNIOR HIGH SCHOOL:

   The district selected Skanska as the Construction Manager/General Contractor (CM/GC) and engaged in additional design services with Mahlum Architects for a master plan to include placement of a pool and track & field at the site. The discussion at the BAC meeting centered on whether the public perception is that LRJ will simply be a “replacement” junior
high school or a new junior high with amenities of a typical junior high (track, fields, etc). The bond team reported that design is currently at 50% DD phase and they expect to have 100% DD drawings by the end of October. DD cost estimates from Skanska are expected at the same time but an exact date was not given. The bond team allocated $4 million from contingency to cover an increase in estimated construction costs, per the October Monthly Report. Milestones in the schedule will be monitored carefully.

2) **SECURE VESTIBULES**: The bond team successfully reallocated dollars from the safety budget to accommodate construction of four vestibules, which faced a three-fold cost increase to $1.5 million from $500,000. The Security Vestibules completed this summer are at Hallinan, Forest Hills and Palisades elementary schools. The Lake Grove vestibules were completed in mid-October. Still outstanding are Oak Creek, Uplands, River Grove and Westridge. Designs for the high schools are under revision now due to the complexity of multiple doors and various other challenges. However, it was shared in the October Monthly Report that $245,000 was reallocated from each high school’s construction budget to the security vestibules. District comment: The Bond Team reported in the May report that the secure vestibule project initially included minimal architectural modifications to allow for controlled entry. As the design developed additional funding from the safety and security project and technology was added to the project. Scope was added to the High School vestibules due to their complexities and through the design effort. Additional funding was transferred from the High Schools to cover increased scope.

3) **IT UPGRADES (Budget is $12.8 million)**: Phase 1 was completed to install Wi-Fi connections in all district classrooms. The completion of Phase 1 allows students to take advantage of the recent expansion of technology to meet the 1:1 goal (K-2 has iPads; 3-5 Chromebooks). The second phase has $8 million available. No details were released on Phase 2. However, the October Monthly Report indicates that budgets for tech infrastructure and Uplands will be reviewed in the next period to accommodate for line items currently exceeding budget. District comment: Pre-Phase 1 installed new fiber-optic cable between all LOSD facilities. Phase 1, installing robust wireless access in all district classrooms, is near completion. All elementary schools and Palisades are
complete; installations at both high schools, both junior high schools and Uplands are currently in process. Completion of Phase 1 allows students to take advantage of the recent expansion of technology to meet the 1:1 goal (K-2 has iPads; 3-5 has Chromebooks; 6-12 is getting Chromebooks). Phase 2 includes the remainder of 1:1 hardware procurement, faculty hardware procurement, and upgrading all network cabling in all facilities to CAT6a specification.

4) NEW PROJECT MANAGER: A new project manager, Paul Eskeldson from CBRE, was introduced September 27th to the BAC, fulfilling a recommendation to enhance and stabilize leadership over the Uplands and Oak Creek elementary schools' projects after the significant loss (turnover) of the internal PM for those schools, and LRJ.

5) SUMMER REPORTING: BAC received frequent reports over the summer.

GENERAL CONCERNS/NEW ITEMS

One year after its launch, the LOSD bond program is moving at a fast clip. Multiple projects are in various stages of planning, permitting, design, public comment and more.

1) POOL OPTIONS: In recent weeks, members of the public and pool advocates have come forward in the newspaper and on social media to express dismay that the pool has disappeared from all construction plans. The BAC earlier recommended separating the pool from the LRJ designs because it was beginning to create scheduling and financial burdens on the LRJ project, which is the flagship of this first school bond. We believe the board appropriately separated the pool and pursued various funding options, but none of those panned out. At this point, it is important to heed the calls of pool proponents and ensure that funding the right sized pool in the right location remains viable within this bond cycle. Otherwise, we run the risk of alienating key voters by not keeping with the intent of the bond. As part of continued evaluation of the pool, the BAC urges (per the last quarterly report):

a. Updated estimates furnished to the BAC and the School Board for the pool project should include (i) all estimated design and construction costs of each proposed pool facility (i.e., including soft costs and offsite costs) so that the true estimated costs of any
proposed pool facility are in front of the BAC and the School Board, and (ii) detail and
clarity as to the scope of each proposed pool facility.

We recommend the School Board clearly begin addressing the root problems of funding
and scope for the new pool, and share the path forward with the public.

District Response: The District has taken action to move the pool forward. To that
end, it has created a Superintendent’s Task Force whose charge will be to:

1. Make recommendations to design a facility that will
   a. Meet the needs of our high school athletic programs
   b. Support the need of our community partners
   c. Ensure an adequate design that will endeavor to allow break-even
      operations while keeping the priority focused on the district’s high school
      programming needs.

2. Create an operational business model that will
   a. Make recommendations for possible partnerships and efficiencies that will
      reduce or offset costs.
   b. Make recommendations for possible new or alternative funding models.

The task force has been appointed and held its first meeting on October 29th. The
next meeting will be held on November 26th. A recreational and aquatics consultant,
Ballard King, has been selected to assist the task force complete its work. The
proposed schedule calls for the task force to meet 4 -5 times and develop a report of
recommendations to the Board at the conclusion of its work.

2) UPLANDS/OAK CREEK: The cost to upgrade Uplands Elementary School for occupancy
by Oak Creek students is approximately double the current allocation ($6 million instead of
$3 million). The primary drivers of increased costs are seismic improvements and roofing.
Significant scope was added due to the anticipated long-term use as a school. Bond staff
reports this in yellow – meaning resolution may impact cost or schedule. However, this
overage was offset by the condition of Oak Creek not being as bad as expected. As the
project team receives estimates, it is seeking ways to align the funding with the expenses.
Uplands activity needs to adhere to the schedule, which will require close monitoring by the
School Board due to scope and budget increases. Currently, the bond team is working to
avoid use of bond premium.
With the consideration of increased work at Uplands, it is important the School Board consider how the school will be used for the next decade – particularly as a swing site and/or as an additional school should the capacity issues at other schools continue to put pressure on those buildings.

3) **LRJ BUDGET:** Lakeridge Junior High School costs are increasing, with a hard cost budget of $62 million which is about $7 million more than originally planned. Plus the bond team would like to add another $8 million in bond premium to the project.

   a. The BAC has previously requested detailed construction schedule clearly identifying design, review, public comment, permitting, demolition, construction, and move in activities.

   b. Key Issues identified: Army Corps of Engineers identified low-quality wetlands that require additional permitting; the schedule is tight with limited float time between phases; the $59 million in hard costs – does this cover a basic replacement school and is that aligned with the public perception of what it wants to buy vs what it can buy; how will the pool fit into this site plan; should some bond premium/contingency be allocated?

**District comment:** Current Allocated Construction costs $62M up from the original $55M.

In addition to the $62M the overall project budget includes $5.2M in contingency. The total project budget is currently $82.07M.

**Breakdown of remaining $5.2 in contingency**

- $3.3M construction – Reserved for construction
- $700K Design – Allocated during design
- $1.2M Program – Allocated during the life of the project to cover funding shortages for hard and soft cost scopes.

The bond team with support of Superintendent recommends an additional $8M to construct the base building and add also the following scope into the project:

1) Choir Room
2) Covered Play Area
3) 4 classroom wing
4) Orchestra room
5) Resiliency

Total proposed Construction costs $70M

Overall LJR Budget including soft costs $90.27M if $8M is approved by the board.

4) RIVER GROVE: River Grove and Westridge elementary schools are in the early phases for deferred maintenance, maker space, and other types of improvements. River Grove was identified for replacement in the second bond (2022/2023) but currently has $3 million allocated for deferred maintenance.

5) BRYANT MEMORIAL: Members of the public are requesting organized walk-throughs of Bryant Elementary before it is removed for the new LRJ.

6) EXPENSES AUDIT: Please provide the audit of bond expenditures when it is made available. The BAC requests the Agreed Upon Procedures opinion and any recommendations when these are available with the audited financial statements as of June 30, 2018.

In general, cost increases have been identified for the pool, LRJ, the security vestibules and Uplands Elementary School. Based on general economic factors, we recognize cost increases will continue to be identified and we recommend the School Board proactively develop a methodology of allocating contingencies and the bond premium now rather than wait until the end of this bond to quickly spend down remaining funds.

Committee Members

Jeff Fisher – Chair, Bruce Brown, Jennifer Dale, Kirsten Day, Scott Emmett, Don Irving, Tom Michie, Sara Pocklington (LOSD Board Member) and Bob Barman (LOSD Board Chair)
# Summary of Prior Items

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<tr>
<th>BAC Item</th>
<th>Comments</th>
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<tr>
<td>1) Program level project schedules</td>
<td>Project evaluations are reviewed based on schedule, budget, equity and stakeholders. To perform this evaluation, every schedule needs to indicate design and permitting milestones specific to each project. District comment: Detailed schedules for secure vestibules, LRJ, and Westridge were provided with the August BAC Report. Oak Creek and Uplands schedules are currently being updated by our Contractor. Program level schedules have been previously submitted.</td>
<td>Ongoing – Received LRJ schedules</td>
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| 2) Oak Creek/Uplands – updated design and construction schedule requested. | A. What is driving $2M increase in seismic scope and roof replacement. Why was this not in original plan? District comment: The District has decided that Uplands will be used as an educational facility for the foreseeable future.  
B. Detailed design schedule requested by BAC  
C. Recommendation to hire CM/GC as soon as possible due to revised budget/schedule  
District Comment: CMGC has been hired and is currently bidding the scope at Uplands. The CMGC is concurrently estimating the scope for Oak Creek. |                                |
| 3) Westridge – unsuccessful first round posting for CM/GC | District comment: Westridge was re-advertised, Mortenson was selected as the CMGC.                                                                                                                  |                                |
| 4) 10-plex Modular Units                      | A. Originally slated to have 6 at LOJ and 4 at Lake Grove. The plan is no longer Lake Grove, so where will the 4-plex go and where is it now? District Comment: 4-plex is planned to be placed at Uplands due to increased need for educational programming space. |                                |
| 5) Replacement PM for Lakeridge JR High and Oak Creek | A. Bond Team introduced Paul from CBRE at the September 27 meeting. This fulfills recommendation to permanently augment position from a qualified Construction Management company. | CLOSED                         |
| 6) Path forward for projects with either budget or schedule challenges | District comment: Projects budgets are actively tracked during planning and design phases and through construction. The project teams forecast budgets based on estimated cost of work and to align to available funding. Where there are shortages in funding following refinement efforts (both budget and scope), the project team may recommend the use of bond premium. Bond premium is allocated through Board action.  
Schedules are also actively managed by the project teams. Once a contractor is selected, the team works together to efficiently deliver the projects. | OPEN                           |
| 7) Updated LRJ spending plan                  | A. Was this sent in August report?  
District comment: Please clarify what information BAC is requesting.                                                                                                                                  | OPEN                           |
| 8) Summary of pre-bond costs charged against Program Costs | A. Still need amount that was spent/ however it was audited.  
District comment: Please see schedule "Schedule of Reimb Resolution" included in email.                                                                                                         | OPEN/ CLOSED?                   |
| 9) Requested June 30, 2018 audit with Agreed Upon Procedures over bond expenditures | A. The BAC has not received the report (I think it was issued just in the past month or two).  
District comment: Stuart to address at meeting on Nov 8th.                                                                                                                                     | OPEN                           |
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<th>Program Costs – develop detailed monthly staffing/spending plan for the life of the Bond pertaining to program costs</th>
<th>A. These are personnel costs and other “indirect” expenses. District comment: &quot;Salaries, wages &amp; benefits&quot; are budgeted for the life of the bond, for the portion of salaries charged to program costs. Consultant costs are budgeted as contracts are executed for the life of each contract's term.</th>
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<td>11)</td>
<td>Bond Cost Management and Cost Control Plan</td>
<td>A. Program management plan to be finalized by end of 3rd quarter. District comment: The budget development and cost management document were included in the April BAC report. This is included in the Program Management Plan. The program management plan continues to be developed and has been delayed due to staffing constraints. PMP sections and procedures have been issued in drafts to the project teams as needed based on the current status of projects. We anticipate that the PMP will be issued for Team review during the 4th quarter.</td>
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<td>12)</td>
<td>Program Contingency Summary Is this referring to Bond Premium?</td>
<td>A. BAC forwarded a proposed plan to document and summarize contingency spending and allocations. District comment: District Comment: The Bond Team and District Leadership has recommended guiding principles to prioritize the use and allocation of bond premium.</td>
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