

# Portland Public Schools

## Public Hearing

### **\$ 790 Million General Obligation Bond Measure No. 26-193**

“Bonds to Improve Health, Safety, Learning by Modernizing, Repairing Schools”

(May 16, 2017 Special District Election)

**Date:** April 4, 2017

**Time:** 4:00

**Place:** Blanchard Education Service Center, Board Auditorium

### **General Obligation Bond Levies**

The Oregon Constitution and statutes give municipal corporations authority to incur debt to finance government functions.

One form of debt is Unlimited Tax General Obligation Bonds (GO Bonds). When GO Bonds are issued, the municipality pledges to make payments on the bonds from any unrestricted resources. Few municipal corporations have enough unrestricted revenue available for this purpose, so they commonly ask the voters to authorize a dedicated property tax levy to generate revenue to pay the debt service.

The Oregon Constitution and statutes confine the use of GO Bonds to:

...costs of land and of other assets having a useful life of more than one year, including costs associated with acquisition, construction, improvement, remodeling, furnishing, equipping, maintenance or repair.

GO Bond levies have the advantage that they are not subject to property tax limitations. Passing a GO Bond measure does not reduce a jurisdiction's other property tax revenue, nor does it impinge upon overlapping districts' property tax revenues. GO Bond measures are not reduced by compression.

GO Bond levies are dollar-amount levies. A district with a GO Bond levy determines the amount of money it needs to pay debt service on the issue in the coming year and instructs the County Assessor to levy that dollar amount. The Assessor converts that dollar amount into a rate.

While the rate will not be reduced by compression, it may be reduced by an urban renewal levy if any portion of the district is in an urban renewal area. And all property tax revenues are subject to a percentage lost to discounts taken by taxpayers and by non-payment by taxpayers. So the taxing district has to gauge its dollar amount request to incorporate these losses.



The project information in the bond measure is the taxing district's commitment on how the bond proceeds will be spent. Should the district spend the proceeds in ways contrary to the bond measure, then the tax levy loses its exemption to tax limitations.

Ultimately, the exact levy amount and rate cannot be known until the bonds are sold, so all the bond-specific information in the bond measure (except the maximum amount of the issue) is an estimate. As this review is being prepared, there is a strong element of uncertainty in the political and economic spheres.

## **District Background**

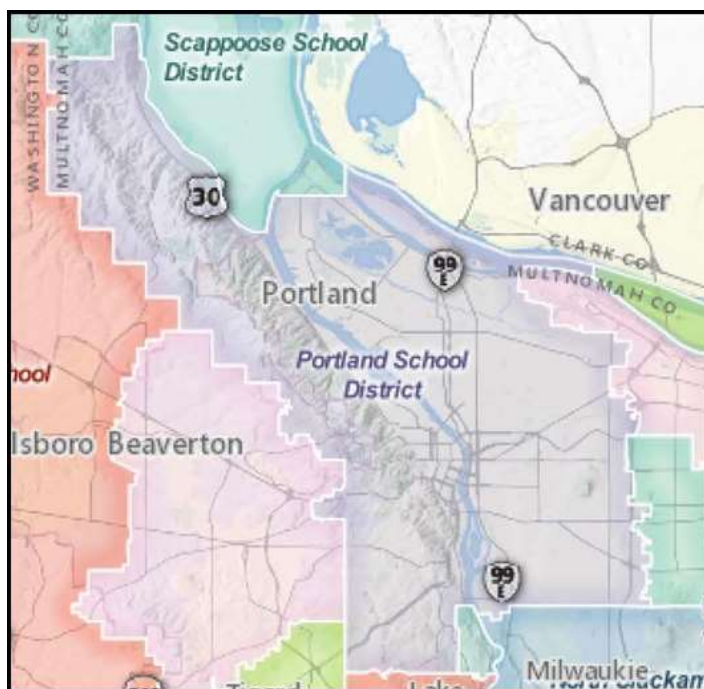
### **Geography and Governance**

Portland Public Schools is the largest school district in the state of Oregon, serving over 48,000 students. Enrollment is projected to be 51,000 in five years, a 5.7% increase<sup>1</sup>.

The district's boundaries encompass a 152 square mile area, most of which is within the City of Portland. The district extends into portions of unincorporated Multnomah County, as well as Clackamas and Washington counties. The district serves an estimated population of 610,000.

The district's board of directors consists of seven members, elected by zone to four-year terms. The directors serve without compensation. Three board members positions are up for election on the same ballot as this bond measure.

The board established a Bond Stakeholder Advisory Group to advise it on this bond. The group had about 35 members and met regularly to screen projects, polling, and other issues related to this bond. The Board accepted the group's recommendations for this bond measure.



<sup>1</sup> PRC Forecast of PPS Enrollment 2016-17 to 2030-31 based on October 2015 Enrollments (pdf)

### District Preparation for Facilities Improvements

The district has over 100 buildings. The oldest was built in 1908. 84 schools are over 60 years old. The average age is 65 years<sup>2</sup>. In the early 2000's the district began evaluating these facilities and planning a comprehensive facilities upgrade program. It conducted a community conversation which culminated in a Long Range Facilities Plan, an Education Facilities Vision document, and an Educational Specifications document.

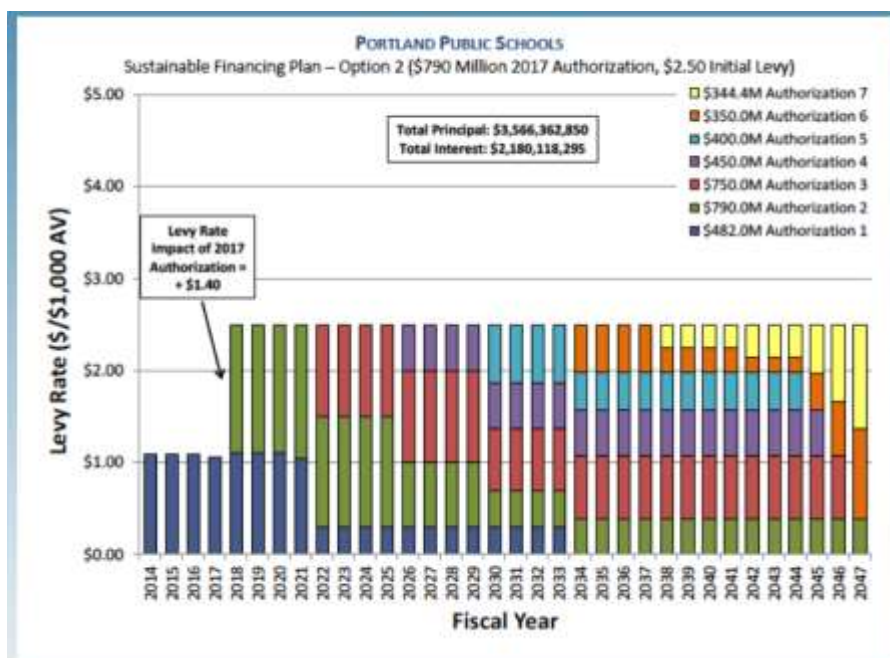
The [Long Range Facilities Plan](#) (2012) summarized the district's facilities situation:

The average age of PPS buildings is over 65 years. Decades of deferred maintenance and lack of stable capital funding for school facilities have created a \$1.6 billion deferred maintenance backlog. This creates classroom and other learning environments with inadequate air flow and temperature control, leaky roofs, noisy and archaic mechanical and plumbing systems, and inadequate electrical systems to support current-day technology.

The [Education Facilities Vision Document](#) (2013) captured the concepts generated in the community conversations. The resulting [Educational Specifications](#) (2015) guide the district as it rehabilitates older buildings and designs new buildings:

Ed Specs are a set of building design characteristics that establish the ways facilities support programs and curriculum. They also establish a baseline of equitable facilities standards for school construction efforts across PPS. Ed Specs provide information to architects for the design of school facilities and include space, furnishing, site, program and performance requirements.

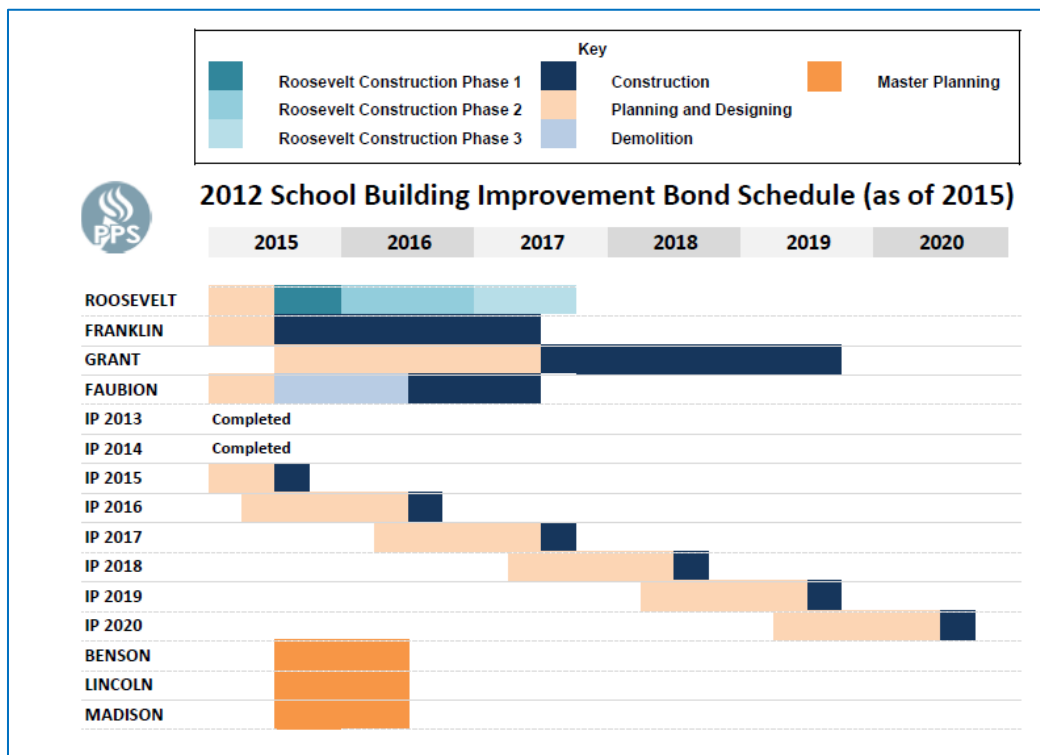
The culmination of this work was a financing plan calling for a series of General Obligation Bond measures. The plan calls for a "subway tile" approach to the debt service structure: maintaining a level bond levy while providing funding for a steady stream of modernization projects. To the right is a sample of this plan from a January, 2017 Board meeting presentation.



<sup>2</sup> Health and Safety Memo

The district placed an initial bond measure of \$548 million on the May, 2011 ballot. It lost by 668 votes. The board put a smaller measure (\$483 million) on the May, 2012 ballot (a presidential primary election). It passed with 66% yes votes and 34% no votes.

The proceeds from that bond are now being used to renovate or replace four schools, do master planning for three others, and do major projects at 48 other schools. The following chart shows the status of those projects as of 2015.



**The Current Bond Measure**

The planned orderly progression from one bond measure to the next (and from one set of school modernizations to the next) was interrupted in early 2016. It was then that the public learned there was lead in the water in some district drinking fountains. In the discovery’s aftermath, the district superintendent and many high level district officials resigned.

As the impact of these issues crystalized, the school board cancelled the second proposed bond measure, which had been planned for the 2016 November ballot.

The board determined that lead in the water was significant enough issue to warrant a complete review of district health and safety issues. By February of this year, the board had developed enough information about these issues that it decided to go ahead with

the bond measure and placed in on the May 2017 ballot. The measure includes funding for four school modernizations and \$150 million in environmental improvement projects.

### A. Environmental Health and Safety Issues

The lead in the water issue had a large impact on planning for this bond measure.

In the aftermath of the public discovery of the lead issue, the district undertook an environmental health and safety gap analysis. The analysis looked beyond lead in the water to evaluate lead paint, playground and auditorium safety, radon, structural soundness, fire alarm systems, asbestos, and other environmental hazards. The study identified \$1.6 billion in deferred maintenance needs.

<b>EHS Capital Planning Program Cost Analysis</b>	
Staff Recommendation	Rev. 8
Project Area	Assumed Project Costs
Improve building foundations and ventilation to mitigate radon levels	\$ 1,126,125
Repair unsafe auditorium stages	\$ 6,177,133
Remove or encapsulate exposed lead paint	\$ 16,623,936
Remove or encapsulate asbestos	\$ 21,297,466
Replace old pipes and fixtures to reduce lead and improve water quality	\$ 28,492,000
Improve playground safety and accessibility	\$ 37,243,490
Improve ADA accessibility*	\$ 100,680,717
Updated fire safety alarms and sprinkler system	\$ 131,459,611
Strengthen school safety and security	\$ 54,254,027
Fix leaky and deteriorating roofs, exterior walls, or windows	\$ 311,485,127
Make seismic upgrades	\$ 934,959,273
	<b>Total \$ 1,643,798,906</b>

This measure includes \$150 million for Environmental Health and Safety projects to address the immediate problems on the list; lead paint, water quality, asbestos, fire systems, and roofing/building envelope issues.

### B. School Replacements and Renovations

The bond will cover the renovations of Benson and Madison High Schools and replacement of Lincoln High School and Kellogg Middle School.

In a January 24, 2017 presentation to the Board, the architects and project managers for these projects repeated used the word “constraints” to describe the challenges to these projects. The constraints include the dense urban environments in which the schools are located, the need to keep the schools functioning as the work is done, the city’s planning and development standards, and the district’s educational standards (for buildings) to name a few. Excerpts from the presentations follow.

## Benson High School (Renovate and Expand)

**PROJECT OVERVIEW /**



**CONSTRUCTION BUDGET**  
\$122 Million

**PROJECT BUDGET**  
\$202 Million

**STUDENT DESIGN CAPACITY**  
1,700

**PROPOSED BUILDING AREA**  
+/- 368,000 SF

**KEY PROJECT CHALLENGES**

- + Historic landmark
- + Constrained urban site
- + Extensive health and safety upgrades required, including seismic upgrade of unreinforced masonry (URM) buildings and providing universal ADA access throughout campus
- + Phased construction with student occupancy

Main Building construction, crew 4B16

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JANUARY 24, 2017


## Madison High School (Renovate and Expand)

**Scope of Work Summary**


- Light Renovation: 37,977 SF (12%)
- Medium Renovation: 76,821 SF (24%)
- Heavy Renovation: 98,492 SF (30%)
- New Construction: 112,416 SF (34%)
- Total area: 325,706 GSF


• Construction Cost Estimate:  
\$95,000,000

• Project Cost Estimate:  
\$146,000,000



1957 2017


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## Lincoln High School (Replace)

**Lincoln High School** Key Challenges


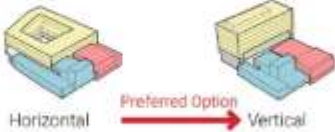











- No Viable Off-Site Swing Option Requiring Temporary Swing School To Be Constructed on Track and Field
- Location Within The Central City 2035 Plan
- Constrained Site In Dense Urban Setting
- Utility Easements Running Through Site Creating "No Build Zones"
- Sloped Site Topography Requiring Extensive Grading For Accessibility
- Poor Soils Requiring Deep Foundation Systems
- Existing School Is 100,000 Sf Below Ed Spec For Comprehensive High School for 1700 Students
  - Existing Lincoln High School: 180,912 Sf
  - Required 2017 Ed Spec: 281,370 Sf
- Existing Mechanical, Electrical, Plumbing, Data And Fire Protection Systems Are Outdated And Need To Be Replaced
- Existing Building Needs Full Seismic Upgrade

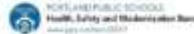



BORA

**Lincoln High School** Summary

- Health & Safety and Security
- Student-Centered Facilities
- Meet Ed Specs (Quality and Quantity)
- Minimize Disruptions during Construction
- Long term Operational Efficiency
- Meet Goals Cost Effectively

	Renovation + Addition	RECOMMENDED BY MPC
		Full Replacement
		
	    	     
	<p><b>\$252M</b> Total Project Cost</p>	<p><b>\$ 187M</b> Total Project Cost</p>


BORA


## Kellogg School (Replace)

<b>Project Overview</b>		
	<u>Construction Cost</u>	<u>Project Cost</u>
Renovation And Addition	\$ 38.3 Million	\$ 56.3 Million
Full Replacement	\$ 32 Million	\$ 45 Million

Student Design Capacity: 675


Building Area: 105,112 SF



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<b>Health &amp; Safety</b> <ul style="list-style-type: none"><li>-Water damage - mold</li><li>-Asbestos</li><li>-Lead in pipes</li><li>-Required seismic improvements</li><li>-Unreinforced masonry walls</li><li>-Hollow clay tile walls</li><li>-Poor building envelope insulation – lower thermal comfort &amp; energy waste</li><li>-Non ADA accessible compliant</li><li>-Damaged finishes throughout</li></ul>	<b>Learning Spaces – Educational Standards</b> <ul style="list-style-type: none"><li>-Does not meet PPS ED specs for middle school</li><li>-Classrooms are too small</li><li>-Inadequate science labs</li><li>-Inadequate CTE space</li><li>-Gymnasium is too small</li><li>-Kitchen is too small</li></ul>
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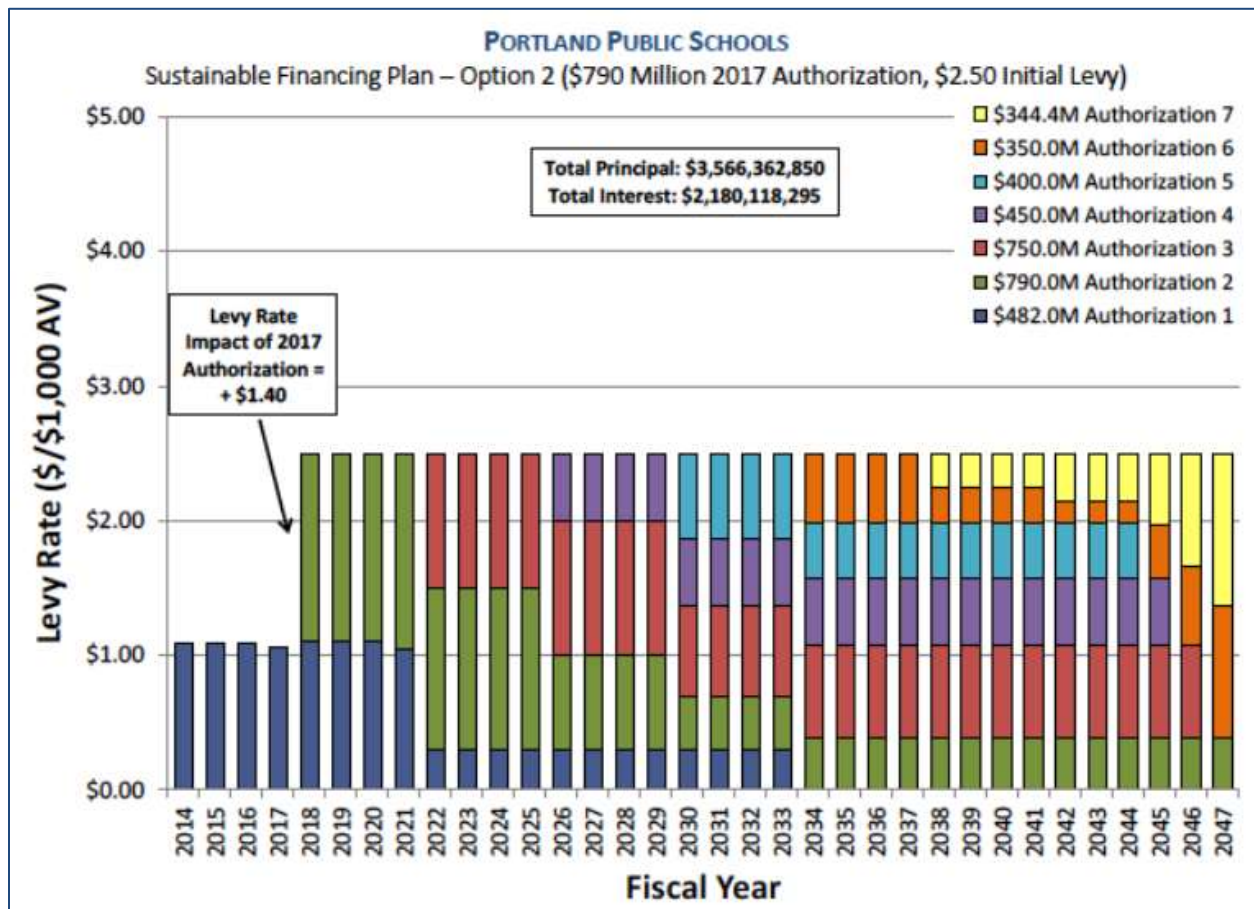
### C. Summary and Impact

Following initial consideration of the options, the Board indicated a preference for replacement rather than rehabilitation of the Lincoln and Kellogg schools (replacement being significantly less expensive). That left the Board with two options as shown to the right, one including Kellogg School and one without.

Proposed bond options	
APPROXIMATELY 30% OF MODERNIZATION & REBUILD BUDGETS TARGETED TO HEALTH & SAFETY PROJECTS IN ALL APPLICABLE CATEGORIES	
<b>Option 1</b> <b>\$790 Million</b> \$324M FOR HEALTH & SAFETY	<b>Option 2</b> <b>\$745 Million</b> \$310.5M FOR HEALTH & SAFETY
<ul style="list-style-type: none"> <li>Additional health &amp; safety projects ..... \$150M</li> <li>Modernization &amp; additions Benson ..... \$202M Madison ..... \$146M</li> <li>Full rebuild Lincoln ..... \$187M Kellogg ..... \$45M</li> <li>Management, Contingency &amp; Miscellaneous ..... \$60M</li> </ul>	<ul style="list-style-type: none"> <li>Additional health &amp; safety projects ..... \$150M</li> <li>Modernization &amp; additions Benson ..... \$202M Madison ..... \$146M</li> <li>Full rebuild Lincoln ..... \$187M</li> <li>Management, Contingency &amp; Miscellaneous ..... \$60M</li> </ul>

At its February 28 meeting, the Board selected Option 1, a \$790 million bond measure that includes the replacement of Kellogg School.

Option 1 requires an estimated property tax levy of \$1.40 per \$1,000 of AV (\$140 annually for \$100,000 of AV). When combined with the current bond levy of \$1.10, district patrons would be paying \$250 per \$100,000 AV annually for the first four years of the bond. The following chart illustrates how the levy fits into the “subway tile” bond scheme. It is authorization 2 in green.



## **D. State Funds**

If voters approve this measure, the district will receive \$8 million from a state grant program for additional capital improvements. The district will invest these funds in additional health and safety capital projects.

### **Bond Financial Information**

#### **Funds**

Oregon's Local Budget Law requires that revenue legally dedicated for specific purposes be budgeted in a separate fund to ensure that revenue is only spent for the purposes authorized. The revenue source for the new debt service fund would be the property taxes generated by this levy. This property tax resource cannot be used for any other purpose.

#### **Monitoring**

The Explanatory Statement filed with Multnomah County states that:

“An independent group of citizens from the community will review quarterly reports and audits of how the bond dollars are being to provide accountability to the public until construction is complete.”

In addition, as part of TSCC's annual budget review process, the taxes imposed to cover General Obligation Debt, will be reviewed and compared to the payment schedule and other fund resources. TSCC staff will question proposed levies in excess of revenue reasonably needed to pay current debt service.

## **Summary**

**Type of Levy:** General Obligation Bonds for Facilities Capital Projects

**Funding Provided:** \$ 790 Million, restricted to listed capital projects.

**Period:** Anticipated term of bonds is 30 years.

**Rate:** \$1.4000 per \$1,000 AV (Assuming one issue of \$790 Million and continuation of general bond market conditions of January 2017). Debt Service is stepped down over 30 year life of bonds.

**Forecasted Revenue:** \$70 million initially.

**Impact:** This bond measure will allow the district to

- Replace one high school,
- Rehabilitate and expand two high schools, and
- Perform capital improvements district-wide to address immediate health and safety needs.

**Other Issues:**

- The average age of most PPS facilities is 75 years.
- Allied with the health and safety issues addressed in this bond measure, the district is planning to use operating funds to increase its preventative and routine maintenance staff and risk management staff.