

**Portland Public School District 1
General Obligation Bond Measure
Hearing Minutes
Tuesday April 4, 2017, 4:00 p.m.
Blanchard Education Service Center
Board Auditorium
501 N Dixon Street
Portland, Oregon**

**\$790 Million General Obligation Bond Measure
Measure 26-193**

May 16, 2017 Special Election

Present:

TSCC:

Chair David Barringer, Vice Chair Brendan Watkins, Commissioner Margo Norton, Commissioner James Ofsink, Executive Director Craig Gibons, and Budget Analyst Tunie Betschart

Absent: Commissioner Mark Wubbold

Portland Public School District:

Board members:

Board Chair Tom Koehler, Vice Chair Amy Kohnstamm, Julie Esparza, Pam Knowles, Mike Rosen and Paul Anthony;

Staff:

Interim Superintendent Bob McKean; Deputy Chief Executive Officer Yousef Awwad; Interim Chief Operating Officer Courtney Wilton, Senior Director of the Office of Modernization Dan Young; Bond Consultant Amy Reiz

Chair David Barringer opened the Public Hearing on the \$790 Million General Obligation Bond Measure by explaining TSCC's responsibilities with regard to tax measures. He followed with introductions of TSCC Commissioners and staff. Commissioner Watkins disclosed that his firm is the financial advisor to Portland Public Schools but that the commission will not be voting on anything so there was no conflict.

Chair Barringer asked the school district representatives to introduce themselves and give a brief presentation of the Bond Measure.

Mr. Awwad thanked the commission for conducting the hearing on the bond measure. He gave details as to the age and condition of the buildings within the

district, stating some were over 100 years old and the average was 70 years. He expressed the need for upgrading the buildings to provide optimum safe, learning environments for the students. He said that 99% of the schools had at least one water fixture with lead issues. He said the district intended to bring buildings up to building code and education standards through revenue from a series of bond measures. He described the projects that have been completed and are currently in progress using the proceeds from the 2012 bond measure. He listed the schools which would be included in the plan for this bond measure: Benson, Lincoln, Madison, and Kellogg. He said the cost of the bond measure would be \$0.68 per thousand assessed value.

TSCC Questions:

Chair Barringer asked the following questions:

PPS has about 100 schools and the average age is about 70 years. Since the early 2000's the District has been methodically planning and preparing to modernize these schools. The construction started following the 2012 passage of the first of seven planned bond measures. Tell us about that planning process and how this measure fits in.

Dan Young fielded this question stating that in 2012 PPS adopted a Long Range Facilities Plan outlining the strategy to modernize the schools. The plan identifies the needs across the district. It notes that the only way to get to where they need to be is by using a long term capital program and the only way to sustain a long term capital program is through a series of bonds. He added that at that time there was a Bond Development Committee that helped to prioritize the needs. They reconvened in 2014 to reaffirm the commitment.

With this plan, is there flexibility to respond to changing conditions?

Mr. Wilton explained that the plan is flexible.

Commissioner Norton asked the following questions:

Referring to the size of the tax increase (\$1.40), this is the heaviest lift of all 7 bond series. Was consideration given to only a half-step as opposed to this big lift?

Mr. Wilton explained that the plan is to go for \$1.40, with a decrease over time to \$.60. It is a heavier lift on the front end and the district is levying heavier than necessary but it is intentional, so when it drops down it can be partially replaced with additional measures. He said they are being upfront about the plan; communicating that the needs are significant and include not only this measure but successive measures as well. He said the district may issue two series, which will lower the rate.

It appears that the “ask” of the voters is “Are you in or out?” and your expectation is that the voters are not particularly rate sensitive. Is this true?

Mr. Wilton said he feels there is sensitivity to rates but polling indicates there is support for this amount; price didn't seem to be a factor. Passage depends more on confidence in the district's plan. He went on to say the district has only presented two measures over the last 22 years. This will be the third, and that is not excessive in consideration of the facilities.

Commissioner Watkins asked the following question:

Have you noticed or are you aware of any headline sensitivity due to negative publicity? And with that in mind, does that make you question the timing of presenting such a large measure to the voters now verses down the road?

Board Member Koehler answered. He said there have been headlines about the lead crisis. The district has turned this into an opportunity to do a health and safety look. The public is very aware of the need. They are working through the staffing issues; The Board hired an interim superintendent and are about to hire a new superintendent. This is bringing stability back to the district.

Board Member Kohnstamm added that there is over a billion dollars in deferred maintenance and that everything cannot be addressed at once. The prioritization will address the issues of lead in the water and in the paint as well as the asbestos and radon issues. She described the process of prioritization and why they are asking for this amount for the bond at this time.

Commissioner Ofsink asked the following questions:

Voters that do not have school age children may not be familiar with the condition of the schools. What percentage of voters do not have children in district schools? How are you reaching out to those voters?

Board Member Kohnstamm fielded this question explaining that about 75%-80% of the voters do not have children in school. The Board is mobilizing a very aggressive campaign using volunteers as well as paid people to help get the word out. Parents, students, board, and the community in general are making phone calls, sending post cards and preparing direct mailings. Getting information to those who do not have kids in PPS is a high priority with the board. She added that the general public is well aware of the shape the buildings are in and the maintenance needed.

Commissioner Watkins asked the following question:

In Multnomah County, the majority of May bond measures fail while most of the November bond measures pass. We know the Board had good reason to postpone the November election, but why go to the voters in May? Who will champion this measure?

Board Member Koehler responded saying they had looked at this. When there was not a presidential election in November, it was pretty equal as far as successful ballot measures. Waiting until another presidential election would be too far into the future. The health and safety issues need to be addressed now.

With the current election there are a number of open board positions which will generate interest in the election. The campaign is being supported by the business community and a number of organizations which is reflective of the need for bond measure this and will help it pass.

Mr. Koehler went on to say that in addition to parents, other organizations like PGE, Nike, the Latino Network, and Oregon League of Conservation Voters support the measure.

Board Member Kohnstamm added the campaign consultant has a recent successful track record including a successful 2016 measure for the Gresham Barlow School District.

Commissioner Ofsink asked the following question:

When given a choice, the Board retained Kellogg School in this bond measure. We understand this is for program and facilities reasons. How does this school fit into the District's plan? Why act on this school now?

Mr. Wilton explained that the facility has been vacant for a number of years. Originally the plan was the district would rehabilitate the school but engineering analysis showed that it would be better, to just replace the school. Even though it would be slightly more expensive to build new, the results would be a better use of tax payer dollars. The life of the building will be much longer. The condition and design will be much better for educational purposes.

Commissioner Norton asked this follow-up question:

Is Kellogg included in this measure now because the district needs the space? What is the programmatic push to get Kellogg back online?

Mr. Wilton said it is certainly a programmatic piece to move to the middle school model, even though the district will have some K-8 schools well into the future.

Interim Superintendent McKean added that the board has directed him to open two middle schools and the expectation is that there will be a third one in the near future and it will be on that side.

Chair Barringer asked this follow-up question:

If the district only issues a portion of the bond, will Kellogg and the other middle school openings be pushed out?

Mr. Wilton answered saying the overall schedule would not be impacted by splitting the bond series. The sequence of school upgrades has not been fully determined. Kellogg will begin soon and would take roughly about 18 months of design planning and 18 months of construction.

Commissioner Norton asked the following question:

With this historically substantial bond measure, what assurances are you giving the voters that 20 years from now the district will not have even more deferred maintenance?

Mr. Wilton fielded this question saying the board adopted the Capital Renewal Policy several years ago. With this, a certain amount of capital revenue is dedicated to asset renewal. Currently, there is over \$14 million in this fund. For example, the Cleveland HS playing field will be replaced using these funds. So this is in place to provide funding for facility improvements. The district has also dedicated a portion of the construction excise tax to maintaining the new facilities.

He explained that in the proposed budget, they have a add a million dollars in funding to the custodial/maintenance staff. This is directed at maintaining the new facilities at the level needed based on their design.

He added that there are still equity issues between new schools in good condition and older schools that are not in such good condition. In time, General Fund allocation for custodial/maintenance will need to be increased as the new/renovated schools are added. He said the continuing deferred maintenance is a symptom of the need for a consistent bond funding because there is not enough operational and routine capital revenue to maintain the current facilities.

Mr. Awwad added that the district has promised the community that they will reserve resources to maintain the new facilities and the source of that funding is the construction excise tax.

Commissioner Watkins asked the following question:

Funding for future bond measure projects is included in this measure. How much is planned and for which schools?

Mr. Young answered saying the district created a master plan with the 2012 bond which includes planning for the other six high schools. They have learned a great deal doing this and want to use this method of planning going forward. Master planning is high level planning and does not include specific needs at the time.

Commissioner Ofsink asked the following questions:

What lessons has the district learned from administration of the projects under the first bond measure and how will they be applied to the work contemplated under this second bond measure?

Mr. Young said the lessons learned would really span the gamut. Each project team has brought many lessons learned to the table. These are reviewed, discussed and captured each month. He described a few of them including adoption of “education specifications”; having uniform design standards; timing of procurement for projects; expanding the project planning time line from 12 to 18 months; and planning for the unknown structural and condition issues better in renovation projects. He also said the district is learning about ways to communicate more effectively with the community.

Commissioner Ofsink asked him to clarify “Ed Specs”.

Mr. Young explained that it is a document that gives examples for building schools if such as the desired specifications for number and size of classrooms. It is a document that leans toward the education side not the construction side.

Is there a process in place to continue to modernize this document as time goes on?

Mr. Young said yes and it is really a “living” document so lessons learned can be applied to that and modified as needed. Information Technology is its own separate piece as it changes so frequently.

Chair Barringer asked this follow-up question:

How do you plan projects in order to finish prior to the beginning of school?

Mr. Young said even though it has been challenging at times, the district has always been able to meet the timeline.

Commissioner Ofsink asked this follow-up question:

With the changes in staffing and the governing board, how are the lessons learned being communicated to the upcoming board and staff members in order to maintain continuity?

Mr. Young said from a staff prospective they try to communicate efficiency, looking at staff as support to the contractors. They want to reduce variables to increase efficiency.

Ms. Kohnstamm added that as for the Board's prospective, as they oversee the work they want to keep the planning team in place to assure continuity and a long term capital reinvestment program. She added that it is the board's responsibility to make sure the investment program is in service to a clear educational strategy by talking with the community about what they want to see. She talked about "maker-space" or other types of new learning environments and new ways to integrate technology.

Chair Barringer asked the following question:

What will happen if this bond measure does not pass?

Mr. Wilton said that the district will continue to respond to emergencies, keeping the schools safe. They would need to continue the bottled water system which is expensive; continue monitoring certain risks such as lead paint; as well as continuing to do some rehabilitation work but on a much smaller scale. If the bond funding is not available they will need to dig deeper into the operating budget to complete projects that just can't wait. They may also have to look into other types of borrowing, which would rely on the General Fund to repay and this would affect the classroom.

Chair Barringer asked if any member of the public had signed up to speak or if anyone else wanted to make any other comments on the measure. No one had signed up to speak and there were no other comments.

With no further discussion Chair Barringer thanked those in attendance for coming and their thoughtful comments. He then adjourned the public hearing.