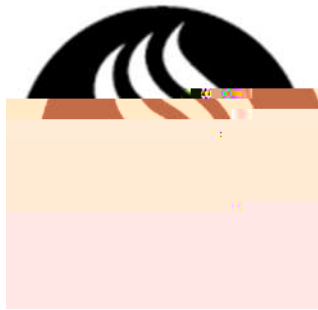

2017 Bond Performance Audit

2



Performance Audit – Fiscal Year 2018/2019
Final Report: 2017 Bond Cost Estimates



Introduction and Background

xonw2nwa2 EadB2M CuwddPC2To-T2cc2va iC2dPMF2 2uonoK a-C2udttonnaa2iaudtta-MaM2nw n2Ec
EmOPou2fuwddPC2L EEfM 2a-T Ta2o-2 2CaioaC2ds2CuwddP2ud-Cnimunod-2Od-MC2nd2mBTi Ma2
pAa i2BaioaM2iaataMomoPMb-T2Masouoa-uoac2 -M2tdMaioK2aoc2dsPawmCF2Oio-To-T2
CuwddPC2m

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EXHIBIT 5 KEY BOND PARTNERS



OANFYdR9yE0nDFLBDyRVL.DyRAnR nBDFc D1.dRTF @CBAN03cRAV.DFdLB AndRLnyRyAYNoDnERFRFDc D1X
[ABZzV BRFDcDYBnDRLBRB3DRB oDRB3DRbPPR4AnyR1L.RyDcDCATDyX

R

Scope and Methodology

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Section 1: \$790 Million Bond was Partially Supported by Independent Professional Estimates

S-2nwa2BmOP62Caundi

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EXHIBIT 10 ESCALATION MARKET CONDITIONS Vs. OSMA ASSUMPTIONS, JANUARY 2017

OANFYD6R9N(CB)DFLBDyRVL.DyRANB3R9dF YLRkNLFBDFC8RUAn.BFNyB AnRUA.BRMDTAFB.RTFD4NF.DyR08RyDFRuDcDBBR
kNLFBDFRpdRbipSRBARKNLFBDKREdRbipXR

53CDRB3DRD.YLCLB AnReLYBADRND8EY8B dDDE3R

EXHIBIT 11. R

EXHIBIT 12 COMBINED SOFT COST AND FF&E COST FACTORS USED BY PPS, JANUARY 2017

PPS
Assumptions

Concerns Raised

Section 2: Additional Cost Information could have Aided Decision Making and Transparency

jsnai2udtP-Po-T2-M2aCnot no- \$2,800-102Bid4aun2udCn2Cofe2adCaumno,a2Pa MaiCw0B
BiaCa-nad-102d-102B-nod-102nwa2hd-102-m iv2\$OF 2\$28-22aoc-T2ha-Ma102aJaumno,a2
Pa MaiCw0B-102d-102Bai nod- P2Ca-102 iuwon-102n-102wwo

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No Rationale was Found Supporting Various Health and Safety Project Options

xAFREB3DLCB3RLnyR.LeDB87EADN8DYBicDRCDLyDRBAcyDyRyEBVcNynCRKA. .RAeRB3DRLODR
AeR22OR.Y3AACReLY C B D.cRL..D..DnBRAeReLY C B8RYAny B AndRYA.BRLnLC8 .dRTA. .VCDRTF AF B fLB.
B3FDNR An.ReAFRFDdDyLB

Section 3: Although Project Estimates Have Increased, PPS Has Been Working on Cost Containment

I Cnot naC2nd2udtBPana2nwa2BivabulA2128P0A-82d-Mv ,aTid: -20v2tdia2nw -2\$92Baiua-n2nd2
3llc2toPPod-2aM2WauatOai2\$A8Y2u CRT di2nwa2UP6awddP2Bid4aunC2 Pd-aF2aCnot naM2udCnC2
w ,a2o- uia CaM2sidd231YA2toPPod2B CC Ta2nd23clc2toPPod2CR2
nw -2n:d2va iC2Co- \$A82wa2M2B CCawP2,ai0P1B4aunC2BdCaM2nd2,draW2-20022222222
3clA2toPPod-202M2Dra-2uw PP2-To-TR

Ld: a,aiF2nwa2

Appendix A: Auditee Response



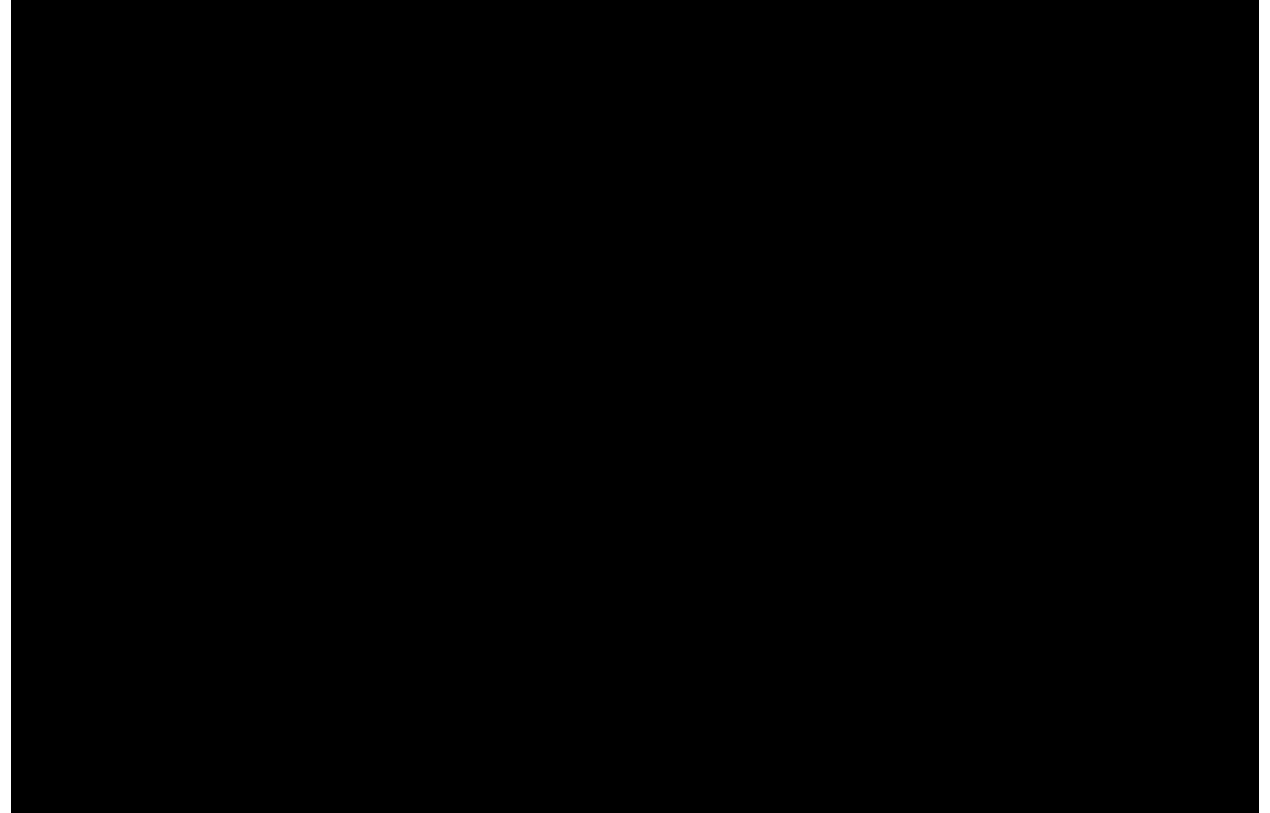
PPS Response: PPS agrees with this recommendation. As noted on page 29 of the Report, QSM starts the value of providing and fragile to under vine assumptions and results. QSM will undertake robust review of all cost assumptions. SEC Recommendation #4: Discuss comparison of cost estimation methodology used with past PPS experiences, current market conditions, and estimates developed by peer districts where possible. PPS Response: PPS agrees with this recommendation. Similar to Recommendation #2, QSM understands

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Date:

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PPS Response: PPS agrees with this recommendation. As noted on page 29 of the Report, OSM operational staff stressed the importance of a bond cost estimation methodology that is understandable and traceable to underlying assumptions and records. OSM staff understands the value of providing cost data that is founded in professional support, reviewed and vetted prior to being developed into a recommendation. Future bond planning efforts will include professionally developed cost estimates and robust review of all cost assumptions.

SEC Recommendation #3: Establish a central location to retain final estimates at each project phase (master planning, schematic design, design document, construction document), including any supporting documentation used to develop each estimate.

PPS Response: PPS agrees with this recommendation. Currently OSM utilizes a “design phase approval” process that captures specific detailed project data at the end of each design phase including the current building plans (floor plans, elevations, etc), cost estimates, available contingency, current schedule status, stakeholder engagement plans, etc. All of this information is reviewed and stored electronically in OSM’s project management software system for future use and reference. All 2017 bond modernization projects have, or will, complete a design phase approval at the end of each design phase including master planning, schematic design, design development, and construction documents.

SEC Recommendation #4: Discuss comparison of cost estimation methodology used with past PPS experiences, current market conditions, and estimates developed by peer districts when presenting cost estimates to the Board and public stakeholders.

PPS Response: PPS agrees with this recommendation. Similar to Recommendation #2, OSM understands the value of developing informed and vetted cost data. Future bond planning efforts will include robust review of all cost assumptions and comparisons to other relevant and comparable projects and programs.

SEC Recommendation #5: Categorize the reasons for variances in project costs, and aggregate those changes to the program level to provide information on why costs varied from original bond, as well as report this information to the Board and public stakeholders.

PPS Response: PPS agrees with this recommendation. In November 2018 OSM prepared two documents for the Bond Accountability Committee’s review. One document compared PPS project costs to other relevant K 12 projects nationally; the second document provided a detailed cost breakdown of Madison and Lincoln, broken down by individual Construction Specification Institute (CSI) division and compared each division of work to recently PPS projects: Roosevelt, Franklin and Grant. Additionally, OSM staff highlighted individual cost variances between the projects and provided a division by division analysis of the costs and provided reasons for the variances. In an effort to provide additional outside review of PPS project costs, in January 2019 OSM hired professional construction cost estimating firm, Rider Levell Bucknall, to compare ~~to other relevant K 12 projects nationally~~

PPS Response: PPS agrees with this recommendation. Similar to Recommendation #5, over the last 12 months OSM has provided detailed project cost comparison data and continues to develop and provide cost information as necessary and requested.

SEC Recommendation #7: Analyze results of variances to make adjustments to future estimation models and methodology as well as to analyze whether changes are needed in the delivery of projects to ensure stronger cost containment.

PPS Response: PPS agrees with this recommendation. Future bond planning efforts will include robust review of all cost assumptions and comparisons to other relevant and comparable projects and programs.

SEC Recommendation #8: Ensure project milestone reports use consistent data across all projects and clearly identify deviations.

PPS Response: PPS agrees with this recommendation. OSM utilizes standard operating procedures to ensure consistency between projects. Each project utilizes a project update template each month to report on project status. Similarly, regular reporting structures are utilized for the Bond Accountability Committee and quarterly project updates to the Board of Education. PPS and OSM will continue to incorporate feedback to improve on processes and procedures.