



REPORT TO COUNCIL

DATE: October 23, 2019

TO: City Council

FROM: Robin Laughlin, Bond Program Manager

SUBJECT: Accept the Year 4 Report on the \$68,000,000 Parks 2014 General Obligation Bond (Report)

I am pleased to submit for your consideration and acceptance the fourth Annual Report on the \$68M 2014 Parks General Obligation Bond. The purpose of this report is to summarize and share with the public the current status, achievements, and challenges of the Bond Program implementation. The report also includes the details of our public outreach and transparency efforts.

The Bond Team continues to make significant progress on delivery of the Parks Bond project - of the 52 Bond projects, 34 are complete and the remaining 18 are underway. In the fourth year of the Bond Program, fourteen projects were completed and open to the public. The Program ended the fiscal year with total spending at \$40.8 million, 39% of which went to State certified disadvantaged, minority-owned, women-owned, and/or emerging small businesses, exceeding the City's 20% utilization goal.

Year 4 accomplishments also included the completion of a Performance Audit. The Audit findings confirmed that the Bond funds are being spent in a manner that adheres to the language of the Bond Measure, that the Bond Program is operating in a fiscally responsible manner, and that the existing documentation systems are transparent, in place, and functioning well. The results of the Audit will serve to guide



future work and the continued efficient delivery of the Bond projects. In Year 4, Portland Parks & Recreation (PP&R) also conducted an online community survey to assess outreach effectiveness and to gauge if the public feels the Parks Replacement Bond Program has been open and transparent. Survey results indicate more than three quarters of respondents had heard of the Bond or its projects and 36% rated the Bond Program transparency as good/very good. Based on the feedback received, Bond related social media posts have increased. For all Bond projects, targeted public outreach efforts continue.

The Annual Report will again be shared with the public in several ways: Spanish and English versions of the Short Report will be made available in community centers and at PP&R events; the full Report will be shared with the Bond Oversight Committee, the media, key stakeholders, the Parks Board, and any resident who requests a copy; and all reports will be posted to the Parks Replacement Bond website.

The Bond Oversight Committee will use this report, along with their own independent research and analysis, as a basis for their review of PP&R's performance, the results of which they will share with you later this year.

PP&R will continue to report back on an annual basis on our progress made on the 2014 Parks Replacement Bond. We are grateful that the voters have prioritized taking care of parks infrastructure and we look forward to celebrating with the community as they continue to see more results of their investment through increased accessibility, renovated playgrounds, more efficient pools, and other improvements made possible by the Bond funding.

Thank you,

Robin Laughlin

Robin Laughlin, PLA - Bond Program Manager



PORTLAND PARKS & RECREATION SM

Healthy Parks, Healthy Portland



2018-19

PARKS REPLACEMENT BOND ANNUAL REPORT

YEAR
4

Information in this report is accurate as of June 30, 2019.

PARKS
REPLACEMENT
BOND
ANNUAL REPORT
2018-19

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Dear Portlanders,

If we had to describe the Parks Replacement Bond's fourth year in one word, it would be "play":

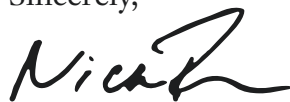
- Construction began on playgrounds at Gilbert Primary, Glenhaven, and Lynchview Parks;
- Playground renovations were completed at Kenton Park and the North Park Blocks;
- An inclusive playground for Northwest Portland opened in Couch Park;
- Design began on an inclusive playground at Gabriel Park in Southwest Portland; and
- Twelve playgrounds had new play pieces installed.

Over the life of the Bond, nearly 40 playgrounds across Portland will be improved, but, as former Parks Director Charles Jordan said, "Parks are more than just fun and games." Each project completed—including critical repairs to pools, trails, restrooms, community centers, and playgrounds—represents the community's investment in safer, more inclusive places where people of all ages and abilities can gather together and build a stronger community.

With more than half of the Bond projects done and funding winding down, we are shifting our focus to lead PP&R in a more financially sustainable direction. PP&R's budget struggles have made it clear that the expectations for the parks and recreation system we'd like to have aren't supported by the funding we do have. We are working on a funding strategy to change that, with details coming later this fall.

Thank you again for your investment in the 2014 Parks Replacement Bond, and please continue to look for progress updates at ParksReplacementBond.org.

Sincerely,



Commissioner Nick Fish



Portland Parks & Recreation
Director Adena Long

For more information about the Bond, visit ParksReplacementBond.org.



Kenton Park

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Summary

On November 4, 2014, 74% of Portland voters approved Measure 26-159, the Parks Replacement Bond, which provides \$68 million in funds for urgent repairs in parks, community centers, and facilities throughout the city. Portland Parks & Recreation's (PP&R's) Bond Program is now in its fourth year. The Bond projects target PP&R's most critical needs by focusing on fixing or improving facilities that are closed, at risk of closure, or deficient. Projects are categorized as follows:

- Playgrounds
- Trails and bridges
- Pool surfacing, mechanical systems, and decks
- Park maintenance buildings to address worker safety and efficiency
- Pioneer Courthouse Square's waterproofing and infrastructure
- Americans with Disabilities Act (ADA) barriers to improve park access for all Portlanders
- Restrooms and other facilities, including community centers

This report summarizes and shares the work accomplished in the Bond's fourth year of implementation. Detailed information is provided about the Bond Program's investments and performance, including project progress, challenges, public outreach, and transparency efforts.

The Bond Program is executing 52 projects in two phases. In Phase 1, PP&R allocated \$47.6 million of the \$68 million Bond to 34 projects across the city. In Year 2 of the Bond, with input from the community, PP&R developed the Phase 2 Project list to spend the remaining Bond funds on an additional 18 projects. The Phase 2 list includes three playground renovations; play piece and surfacing repairs at 30 parks; three bridge repairs or replacements; pool repairs at Peninsula Park's outdoor pool; accessibility improvements at multiple sites; and repairs that include restroom, roof, electrical, or other updates at six sites.

The \$68 million in Bond funding is making significant improvements across the city and is only a first step in addressing a long backlog of critical repair projects necessary to ensure appropriate levels of service for the City of Portland. PP&R faces an expanding park maintenance funding gap, with current estimates indicating a \$450 million gap for major maintenance funding needs over the next 10 years in our community’s parks, community centers, and other facilities. Additional funding will be critical for our parks and facilities to remain safe, accessible, and enjoyable for all Portland residents and visitors. PP&R is working hard to ensure that current Bond funds are used wisely and that the projects funded maximize benefits to the greatest number of park users.



North Park Blocks playground

Original Bond Measure



Playgrounds

Phase 1: Couch, Creston, Kenton, Lents, Lynchview, Ventura Parks and North Park Blocks
Phase 2: Gabriel, Gilbert Primary, Glenhaven Parks



Play Pieces

Phase 2: Albert Kelly, Argay, Berkeley, Bloomington, Colonel Summers, Flavel, Fulton, Hancock, Irving, Knott, Laurelhurst, Mt. Tabor, Pendleton, Sewallcrest, University, Washington, Wilkes, Wilshire, and Woodstock Parks



Trails and Bridges

Phase 1: Forest Park: Maple Trail, Forest Park: Lower Macleay Trail, Springwater Corridor Bridge #48
Phase 2: Foley-Balmer Natural Area, Marshall Park, Springwater Corridor Bridge #140



Pools

Phase 1: Grant Pool, Matt Dishman Pool and Spa, Peninsula Park Pool Feasibility Study
Phase 2: Peninsula Park Pool



Pioneer Courthouse Square

Phase 1: Pioneer Courthouse Square Renovations

CITY OF

Measure 26-159

Referred to the People by the City Council

BALLOT TITLE

Bonds to fix playgrounds, trails; improve park facilities, safety, accessibility.

Question: Shall Portland fix, improve park facilities by issuing bonds estimated to maintain current tax rate; require audits and public oversight? If the bonds are approved, they will be payable from taxes on property or property ownership that are not subject to the limits of sections 11 and 11b, Article XI of the Oregon Constitution.

Summary: Measure would authorize \$68,000,000 in general obligation bonds for Portland Parks & Recreation facilities. Because previous bonds are scheduled to be repaid, City's parks bond tax rate is not expected to increase from current rate of \$0.0877 per \$1,000 of assessed value.

Anticipated projects include fixing, improving:

- 10 to 20 play areas currently closed, at risk of closure, or deficient, including Couch, Creston, Kenton, Lents, Lynchview, North Park Blocks, Ventura parks
- Trails, bridges, including in Forest Park
- Community pools, including Matt Dishman, Peninsula, Grant
- Sellwood Park buildings, Rieke Field, Multnomah Arts Center, St. Johns Community Center
- Restrooms, roofs, other deficient parks, structures, and equipment
- Pioneer Courthouse Square failing structures, leaks, cracks
- Barriers to accessibility for people with disabilities
- Park maintenance facilities to address worker safety, efficiency

Funds are for repairs and other capital costs, not park operations. A five-member oversight committee will review bond expenditures, provide annual reports. Bonds may be issued in multiple series; audits required.

EXPLANATORY STATEMENT

This Measure would allow the City of Portland to issue up to \$68 million in general obligation bonds and to use the money from the bonds for capital costs, including repairs and improvements, for facilities owned or operated by Portland Parks & Recreation. The projects to be funded by this measure are planned to include, but are not limited to: fixing or improving play areas that are either currently closed, at risk of closure, or deficient, in up to twenty (20) parks; repairing, replacing or improving trails and bridges in parks, including in Forest Park; repairs to community swimming pools at Matt Dishman Community Center, Peninsula Park and Grant Park; capital repairs to Sellwood Park buildings, Rieke Field, Argay tennis courts, the Multnomah Arts Center and St. Johns Community Center; fixing, improving and building restrooms at Bloomington, Couch, Colonel Summers, Ed Benedict, Glenwood, Lynchview, Mount Tabor, Parklane, Ventura and Wilkes Parks; fixing, replacing and improving roofs, and other deficient parks, park structures and park equipment; repairing leaks, cracks and failing structures at Pioneer Courthouse Square; removing barriers to accessibility for people with disabilities; and making improvements, repairs or renovations to Parks maintenance facilities to address worker safety and efficiency.

NO ARGUMENTS IN OPPOSITIO

PORTLAND

All of the funds would be used for capital repairs and other capital costs, not for day-to-day Parks operations.

An oversight committee will be appointed to review bond expenditures and to report annually to the Council. The Measure also directs the Council to provide for performance audits to ensure that projects funded by the bonds are consistent with voter intent.

In 1994, the voters approved a bond measure for parks and recreation. The final payment on the bonds authorized by that measure will be made before taxes are levied to pay principal and interest on bonds authorized by this Measure. The City estimates that the tax rate on the bonds authorized by this Measure will not exceed the rate levied in the last year of repayment of the bonds authorized in 1994, which is estimated to be \$0.0877 per \$1,000 of assessed value, or approximately \$13 per year on a home with the median assessed value of \$152,890. Taxes imposed to pay the principal and interest on the bonds would not be subject to the rate limitations of Sections 11 and/or 11b of Article XI of the Oregon Constitution. If this Measure is not approved, taxes for repayment of parks bonds will not be assessed, once taxes have been collected for the final repayment of the outstanding bonds.

Submitted by:

City of Portland City Council
Commissioner Amanda Fritz



Restrooms, Other Urgent Repairs

Phase 1: Argay Park Tennis Courts, Bloomington Park Restroom, Colonel Summers Park Loo, Couch Park Loo, Ed Benedict Park Restroom, Glenwood Park Restroom, Lynchview Park Irrigation, Mary Rieke Soccer Field, Mt. Tabor Summit Restroom, Multnomah Arts Center Seismic Study, Multnomah Arts Center Cottages Study, Parklane Park Loo, Raymond Park Loo, Sellwood Pool Bathhouse Roof, St. Johns Community Center Roof, Ventura Park Loo, Wilkes Park Loo

Phase 2: Fernhill Park Water Supply, Matt Dishman Community Center Roof, Matt Dishman Community Center Electrical Repairs, Montavilla Community Center Roof, Multnomah Arts Center Seismic Repairs, Pier Park Loo, Sellwood Park Kitchen Roof



Accessibility

Phase 1: Washington Park Rose Garden

Phase 2: East Portland Community Center, Mt. Tabor Park, Multnomah Arts Center Cottages



Protecting Workers

Phase 1: Mt. Tabor Yard, Delta Park Urban Forestry Yard

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Project Map



Pools

Prevent emergency closures, stop water leaks, improve water conservation and energy efficiency



Playgrounds

Replace or build 10 to 20 play structures that are closed, at risk of closure, or deficient



Play Pieces

Replace equipment that needs repair and/or has tested positive for lead-based paint; address drainage and replace wood fiber play surfacing



Accessibility

Remove access barriers in parks throughout city; a 2014 report found thousands of barriers across park system



Trails and Bridges

Preserve access to natural areas and open spaces by repairing trails and bridges



Restrooms, Other Urgent Repairs

Prevent closures, replace and repair restrooms, roofs, and other failing structures throughout the system



Protecting Workers

Improve safety, make critical upgrades, fix leaking roofs, update equipment at maintenance facilities



Pioneer Courthouse Square

Replace failing structures, fix leaks and cracks, make improvements at our most-visited park



Additional Investments since 2013:

PP&R invests funds from System Development Charges, grants, and partners for growth projects and other improvements. Some Bond projects also received these funds. The additional investments shown follow neighborhood coalition boundaries.



Performance

Performance Overview

The Bond Program follows firmly established project performance measures that focus on three key indicators: scope, schedule, and budget. Voters expect PP&R to responsibly manage these three areas throughout the life of the Bond Program.

The fourth year of the Bond brought the total spend to \$40.8 million. The Bond Team continues to carefully manage project scopes, schedules, and budgets. The Team also remains true to the goal of “Fixing Our Parks” by not only repairing or replacing key park elements but also by making Portland parks better and more accessible places for everyone.

The majority of Bond Projects remain within their originally established scope, schedule, and budget. Currently, all 52 Bond projects are underway or complete.

Year 4 Highlights

- **Project Work:** This year the Bond Program surpassed the halfway mark with 34 of 52 bond projects now complete. Fourteen Bond projects were completed over the last 12 months. Of those, eight were Phase 1 projects and six were Phase 2.
- **Audit:** Audits were required as part of the Bond measure to ensure fiscal accountability. To meet this obligation, PP&R engaged an independent firm, Harvey M. Rose Associates, LLC, to provide a performance audit of Bond activities. The audit was completed in January 2019 and found that:
 - The Bond Program funds were spent in a manner that adheres to the language of the Measure;
 - The Bond Program is operating in a fiscally responsible manner; and
 - The existing documentation systems are transparent, in place, and functioning well.



52

Projects in Bond
Phases 1 and 2



34

Projects completed



18

Projects underway



15

Current projects
ahead of or on
schedule

\$
40.8
million dollars
spent to date

4.3%
Cumulative percentage
administrative expenses



Forest Park bridge

The Performance Audit provided eight recommendations to further enhance the Bond Program's efficiency. This progress check on how the Bond Program is operating serves as a guide for future work to ensure the continued efficient delivery of the Bond projects. A summary of the Audit can be found in the Transparency section of this report. Additionally, the full report is provided in Appendix D.

- **Project Tracking:** The previously established project tracking systems continue to be used and refined to consistently and effectively track project scopes, schedules, and budgets for all active Bond projects.
- **Public Involvement:** The Bond Program public involvement and communications plan continues to guide all Bond projects. Outreach approaches are constantly refined to ensure that PP&R is reaching out to all Portlanders and gathering important public feedback. In 2018 PP&R asked for community feedback on the public process to identify opportunities for growth and improvement. The results of this important work are reported in the Transparency section of this report.
- **Awards:** In addressing the park system's most critical repairs, staff have demonstrated moments of excellence. As an example, the Forest Park Bridges project replaced missing and failing bridges along popular Forest Park trails. A project focus of providing durable, scalable, and safe replacement bridges earned this project a national Small Projects Award from the American Institute of Architects.

The Bond Program Manager leads a team of highly qualified project managers who oversee the Bond work from design through construction. Two landscape architects and three civil engineering professionals bring a broad set of experiences from private and public practice. The team is supported by a management analyst, an office support specialist, and a full-time community engagement professional from PP&R's Equity & Inclusion Team. The Bond Team works alongside PP&R's Capital Improvement Team, to provide focused work that is consistent with PP&R's Assets & Development Program goals.

Vision Statement

The Bond-specific vision statement and set of eight goals continue to guide the Bond Team's work.

Vision Statement

We support our City and its livability and values by renovating parks and park facilities in a way that is true to the focus on urgent needs, replacement, and re-investment in key services. We plan to exceed our community's expectations for superior services, sustainable resources, and efficiency.

Goals

1. Deliver the Bond projects on time or early and on budget or below.
2. Stay true to the scope language as defined in the Bond's legal framework.
3. Uphold the highest standards of transparency, accountability, and responsiveness to community input.
4. Deliver projects that are aligned with best practices in play and recreation environments, durability, maintainability, design, and local context.
5. Strive to exceed the goals for equity by increasing opportunities in public purchasing and contracting. Explore opportunities to be inclusive and welcoming to underrepresented communities at every step of project implementation.
6. Use the opportunity of the Bond efforts to communicate a larger message about how PP&R currently serves the community and its current condition.
7. Deepen the relationship with other parts of PP&R by including internal stakeholders early and often in the project's refinement and implementation.
8. Build a team within PP&R that is respectful, supportive, engaged, and collaborative.

Fiscal Policies

In addition to the Vision and Goals, the team adheres to the established Fiscal Policies that guide how budgets are tracked and managed. These policies are listed below. For a full description, refer to the 2015–16 Parks Replacement Bond Annual Report.

1. Each project should have a well-defined scope and budget.
2. Each project should have a clear project budget when project assignments are being made.
3. Each project budget should be peer reviewed.
4. Project contingencies should be released over the life of the project.
5. Each project needs to stay true to the initial project scope and budget unless a documented scope change is approved.
6. Project funding should remain intact within project themes.
7. General program contingency should be managed by the Bond Program Manager.
8. Project budgets should be reviewed annually.
9. The Bond spend-down rates should be monitored closely and targets should be reached.
10. Overhead coding needs to be monitored closely.
11. Earnings on Bond Fund investments should be used for project completion.



Kenton Park playground

Building trust in immigrant communities

As Portland grows, so does the need for quality park features in all corners of the city. Outer Southeast Portland, for example, is home to a large number of newer immigrants and refugees from all over the world. The area will soon see two parks revitalized thanks to the Parks Replacement Bond. Lynchview and Gilbert Primary Parks will feature new playgrounds designed with input and involvement from a diverse community.

Getting the community involved meant earning their trust. Hanna Grishkevich served as a community engagement liaison for both playground projects. The principal of a private school started by Slavic families more than a decade ago and a Ukrainian immigrant herself, Hanna understands the importance of reaching out and assuring immigrants that their opinions really count.

Hanna says that at first, the Russian-speaking community viewed the process with a lot of skepticism. “We would encourage them to vote for their favorite design, and they would say that it really doesn’t matter,” she says. “But [Portland] Parks would tell them, yes, we could do what we want, but that’s not how it works. Our manager is actually interested in what you have to say.”

Their skepticism stems from their cultural roots, Hanna says. “No one ever asks our opinion back home.” The idea of government borrowing was foreign to them. “There are no taxes in Ukraine, and ‘bond’ can’t even be translated,” she says. “But here, they could see what the process was, from start to finish, and

all the possibilities. To be able to be a person who decides something, whose opinion matters, who is able to express an idea is inspiring.”

To spread the word about PP&R’s community meetings, Hanna would distribute flyers, in Russian, Spanish, and English, outside the schools adjacent to the parks. She mentioned the meetings to her students, many of whom, she learned, had attended those schools. Realizing that the design process would be the perfect civics lesson, she encouraged them to participate.

Her students and their fellow participants gained a sense of empowerment. “Now they are encouraged to speak their mind, and they know they can participate in a City Council meeting [for instance],” she says. “My students felt proud of their role. I tell them, ‘You will tell your kids someday, I was there; I was in these meetings.’”

Like the participants, Hanna was inspired by the level of engagement PP&R insisted upon. “People can read people,” she says. “[PP&R staff members] gave me faith that not everyone is a bureaucrat going for the checklist. People get into the flow of caring and stay there.”



Scope

The majority of Bond projects continue to stay within the originally defined scope. As reported in prior years, many Bond projects have amplified the Bond investment with outside funding sources. As an example, Gabriel Park Playground and Peninsula Pool had scope increases funded by System Development Charges (SDC) allocations. SDC funding for Gabriel Park Playground will provide a larger destination inclusive play area. At Peninsula Pool, SDCs are funding access improvements in the adjacent community center, on the pool deck, and increased pool capacity.

For all projects with additional funding, spending for work outside the Bond's scope is tracked separately from the Bond project spending. The following Bond projects that have received additional outside funding:



Couch Park playground (before)



Couch Park playground (after)

- **Couch Park:** Strong community interest called for an expanded, inclusive play area that went beyond the original project scope. Through a partnership with the Friends of Couch Playground and Harper's Playground, an additional \$500,000 in private funding was raised to supplement Bond funds and allow for a vibrant inclusive play environment within the original footprint of the Bond project.
- **Creston Park:** Bond funds for this playground renovation project are leveraged by an infusion of SDC funds and ADA Transition Plan Implementation Program (ADATPIP) funds. The SDC funds provide additional play opportunities, while the ADATPIP funds primarily address path-of-travel issues on pathways leading to the playground.
- **Gabriel Park:** In keeping with the Bond's commitment to replacement, not expansion, Bond funds were allocated to replace the playground within its existing footprint. SDC funds will supplement the project budget to increase the play area size and expand inclusive play opportunities. Design work is funded by the ADATPIP to study accessible pedestrian access from Vermont Avenue to the playground.

- **Glenhaven Park:** This Bond funded playground renovation project is supplemented by SDC funds to provide a consolidated play area with increased play opportunities.
- **Lynchview Park:** Bond funds will provide a new playground and improvements to the soccer field irrigation. SDC funds amplify the investment here by providing funding for an expanded play area, picnic facilities, benches, a new Portland Loo and associated pedestrian pathways, and other capacity-increasing improvements.
- **North Park Blocks:** Early community input supported expanding the play area beyond its original footprint. The design team created a plan that addresses this need. The design remained within the allocated Bond project budget.
- **Playground Pieces & Drainage:** Funding minor playground and pathway improvements across the city, Bond funds for this project are supported with ADATPIP dollars that will make ADA pathway improvements at three park sites: Pier, Peninsula, and Sellwood. Community partners have also provided private funds to enhance play opportunities at Patton Square and Wilshire Parks. SDC funds are supporting play area expansion at Patton Square park.
- **Matt Dishman Pool and Spa:** This Bond project focused on re-plastering the pool and replacing the whirlpool spa. Allocations from SDCs and Major Maintenance funds supported the project to expand the whirlpool spa and address mechanical system needs.
- **Peninsula Pool:** This Bond project replaces the pool's mechanical system and gutters and makes improvements to the pool deck. Funds from SDCs supplemented the project budget to provide increased access with a new wheelchair lift in the Community Center, new lighting on the pool deck, and redevelopment of the pool to provide a larger shallow area. This project also received ADATPIP funding to address path-of-travel issues on the pool deck.



North Park Blocks opening celebration



Laurelhurst Park



Peninsula Pool construction

- **Mt. Tabor Yard:** Bond funds are allocated to this project to construct modern shop spaces for the Bureau's Professional Repair and Maintenance Services staff. SDC dollars are funding a new multi-modal path as part of the project. Additional General Fund monies support the Bond project work.
- **Pioneer Courthouse Square:** This project replaced the waterproofing membrane and made other critical repairs to the restroom, HVAC, and electrical systems. SDC funds supported the restroom expansion.
- **Mt. Tabor Park Handrails:** This Bond project replaced outdated, non-compliant handrails with ADA-compliant handrails. Additional new handrails adjacent to the project site were funded by SDC funds.
- **Multnomah Art Center Cottages:** The Bond project scope provides improved access to the programed spaces at the Cottages. Additional funds from the ADATPIP allow for increased access in the project area.
- **Colonel Summers Park:** A Bond project here added a Portland Loo to the park. Prior to the Bond-funded work, a new splash pad was identified on the Capital Improvement Project SDC Funded List. For efficiency, a single Bond Project Manager concurrently oversaw work on the two projects. Splash pad spending was tracked and paid for with the separate SDC funding sources.
- **Fernhill Park Water Supply:** The Bond project scope was targeted to eliminate lead-contaminated plumbing system elements. The work occurred in conjunction with SDC-funded playground, splash pad installation, and restroom work.
- **Parklane Park Loo:** Bond funds provided a new Portland Loo and associated pedestrian paths. SDC funds supported the capacity expansion elements of the project work.



Mt. Tabor Park Handrails

**PARKS REPLACEMENT BOND ANNUAL REPORT
YEAR 4**

- **Pier Park:** This Bond funded project replaced an outdated restroom and associated paths. ADATPIP funds provided additional ADA walkway improvements in the park.
- **St. Johns Community Center Roof:** This Bond project to replace the Community Center’s roof was completed concurrent with separately funded energy efficiency work on the heating and cooling system. Project work and costs were tracked separately.
- **Ventura Park Loo:** Bond funds provided a new Portland Loo and associated pedestrian paths. SDC funds supported the project work.
- **Wilkes Park Loo:** Bond funds provided a new Portland Loo and associated pedestrian paths. SDC funds supported the project work.

Schedule

Of the 52 Bond projects, 34 are complete, and the remaining 18 projects are in design or construction. The majority of Phase 1 projects and all Phase 2 projects are projected to be delivered on schedule. A small number of projects have had schedule adjustments to create efficiencies, allow a more critical project to move ahead, resolve public involvement issues, address weather-related issues, or complete contract negotiations. Fifteen are currently on or ahead of, by one month to one year.

The following active projects are experiencing schedule delays:

- **Delta Park Urban Forestry Yard:** Design work for this project began on time; however, early design cost estimates revealed significant cost overruns to provide the building program. Subsequent redesign efforts impacted the project schedule. Additionally, land use and development permit requirements were significantly more complicated than originally anticipated, further delaying project work.



Pier Park restroom (before)



Pier Park construction



St. Johns Community Center roof construction

- **Mt. Tabor Yard:** Design work for this project began as scheduled but has taken longer than anticipated. Land use permit requirements have caused lengthy review and approval processes by Portland’s Historic Landmarks Commission and Code Hearings Officer. Additional delays occurred because of an expanded public involvement process to gain public support for utilization of the Long Block for the PP&R’s Horticultural Services’ potted plant storage area. Development permit issues have further delayed this project.
- **Creston Park Playground:** This project is behind schedule due to issues raised during the public involvement process. Staff and the design team have addressed the issues and are continuing to move the project forward.

Budget

The majority of the Bond projects are currently within their originally allocated Bond budgets. Projects exceeding their budgets include Grant Pool, Parklane Loo, Mt. Tabor Yard, and Delta Park Urban Forestry Yard.

- Grant Pool had higher-than-anticipated construction costs.
- Parklane Loo had funding from two sources. Due to an accounting error, the Loo project’s Bond funding source was overcharged. The overall project did not go over budget.
- Mt. Tabor Yard had unanticipated land use and permit requirements that have contributed to increases in project expenses for design. Current cost estimates indicate construction bids are likely to push the project over budget. Project and Program contingency savings are anticipated to be sufficient to address the overage.
- Delta Park Urban Forestry Yard has also had unanticipated permit requirements that have contributed to increases in project expenses for design. Current cost estimates for this indicate that construction bids are likely to push the project over budget. Project and Program contingency savings are anticipated to be sufficient to address the overage.

**PARKS REPLACEMENT BOND ANNUAL REPORT
YEAR 4**

As reported in previous years, overall the Bond projects are staying within the “maximum not-to-exceed” budget allocations. Many completed projects have returned savings to the program contingency, and more are expected to follow suit if present trends continue. The Bond Program Manager will coordinate with PP&R’s Director and Commissioner as well as the Bond Oversight Committee to ensure that all funds are appropriately allocated in keeping with the Bond Program Fiscal Policies.

Administrative costs are being tracked as part of the Bond’s fiscal management. The fourth year of the Bond’s implementation focused on project work with a well-established team. As expected, administrative costs continue to trend downward significantly as projects progress and construction work begins. Administrative costs are currently 4.3% over the life of the Bond.

In the last year, the program has responded to a recommendation made in the Performance Audit to revise the program practices to consistently charge citywide overhead percentages to Bond Program projects in order to reflect overhead costs the projects incur and avoid potentially difficult reconciliation issues. Program staff have worked with the PP&R Finance Manager and Bond Counsel to revise the approach. The details of this change can be found in Appendix A.

In accordance with the City’s debt management practices, the Bond Program strives to meet certain spend-down targets with its Bond fund issuances: 10% spent within six months, 45% within 12 months, 75% within 18 months, and 100% within two years. To date there have been two issuances of Bond funds. The first was in 2015 for \$28.3M. This covered the funding of many of the Phase 1 projects. A second issuance occurred in 2018 for \$24.5M to cover some Phase 1 projects and many of the Phase 2 projects. Spend-down targets for both issuances were not met due to lower-than-anticipated spending rates; however Bond funding was not negatively effected.

Detailed information on spend-down targets and spending projections can be found in the Challenges section of this report and Appendix A.

A third and final issuance is planned for winter 2019-20. The timing of the issuance will be dependent on spending patterns and projections. Program spending trends and other lessons learned from prior issuances will also inform the final decision on the timing.

Adherence to Bond Language

The Bond Program remains true to implementing the promises made to the public in Ballot Measure 26-159. The Program has executed appropriate projects, engaged a Bond Oversight Committee, and solicited a performance audit.

With the implementation of the Bond Phase 2 Project List in Year 3, PP&R has completed or begun 52 projects in categories identified in the Bond language, including playground renovations, trail and bridge projects, pool projects, Pioneer Courthouse Square renovations, repairs to restrooms and other facilities, accessibility improvement projects, and maintenance facility projects that address worker safety. The Bond Phase 2 Project scoping also identified improvements to 30 playground sites, with a focus on replacing individual play pieces and drainage improvements. One of these identified playgrounds, Pendleton Park, had serious drainage issues that PP&R maintenance staff subsequently addressed.



Sellwood Park Kitchen Roof construction



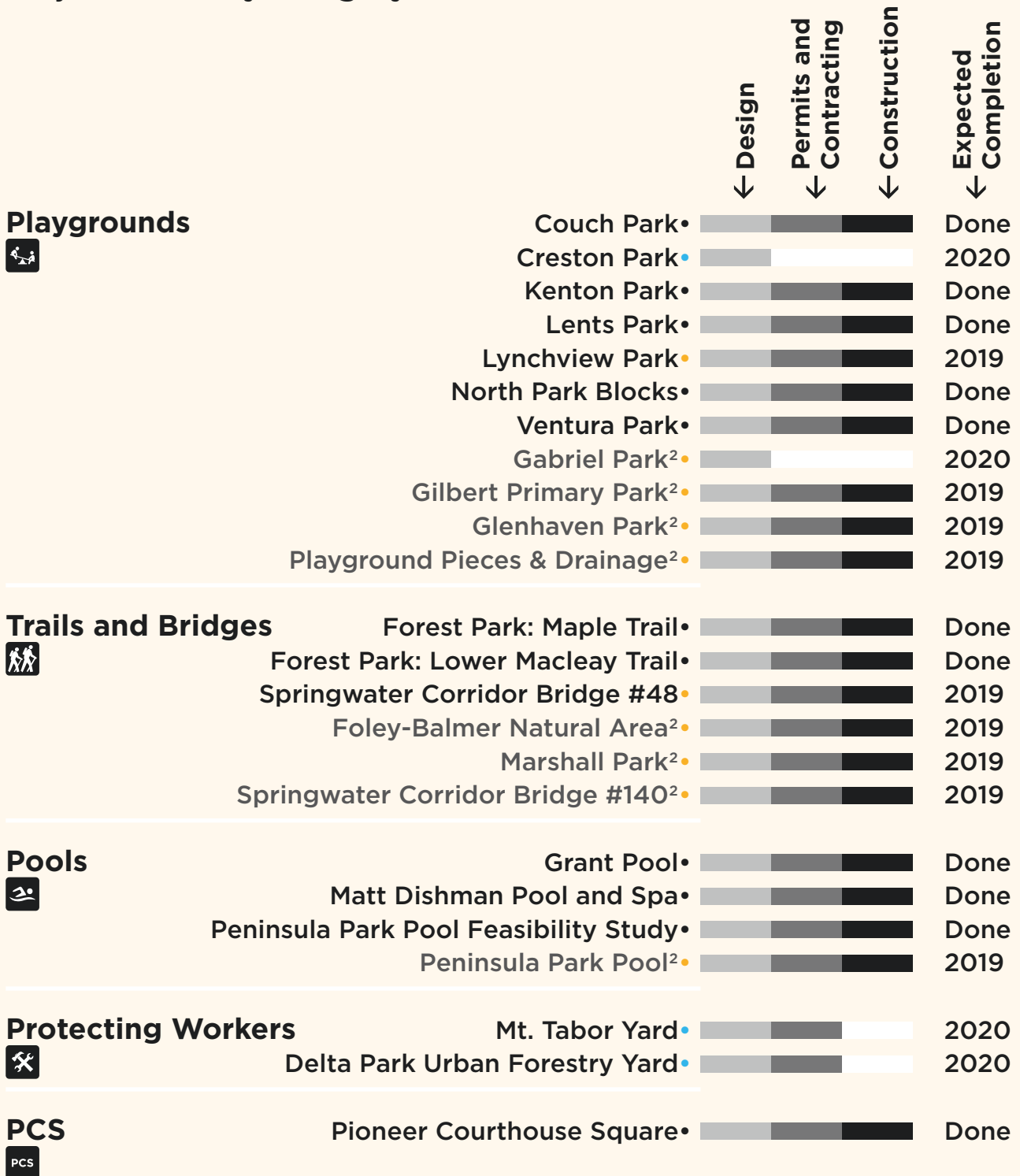
Sellwood Park Kitchen Roof (after)

Keys to Bond Success in Year 4

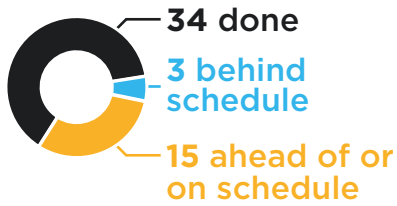
- **Kept most projects on or ahead of schedule.**
Result: Better service to the public and reduction of construction inflation costs.
- **Separated Bond Fund tracking from other PP&R funds.**
Result: Bond funding is monitored and spent appropriately.
- **Utilized and refined tracking systems.**
Result: Project progress is monitored for scope, schedule, budget, and other issues. Deviations and trends are caught early and mitigated.

(continued on page 21)

Project Status by Category



• Project completed • Project behind schedule • Project ahead of or on schedule ² Phase 2 projects
 Phase 1 and Phase 2 projects are identified here to provide context for this report.



Accessibility



	Design	Permits and Contracting	Construction	Expected Completion
Washington Park Rose Garden•	█	█	█	Done
East Portland Community Center ² •	█	█	█	2020
Mt. Tabor Park Handrails ² •	█	█	█	Done
Multnomah Arts Center Cottages ² •	█	█	█	2019

Restrooms, Other Urgent Repairs



Argay Park Tennis Courts•	█	█	█	Done
Bloomington Park Restroom•	█	█	█	Done
Colonel Summers Park Loo•	█	█	█	Done
Couch Park Loo•	█	█	█	Done
Ed Benedict Park Restroom•	█	█	█	Done
Glenwood Park Restroom•	█	█	█	Done
Lynchview Park Irrigation•	█	█	█	2019
Mary Rieke Soccer Field•	█	█	█	Done
Mt. Tabor Summit Restroom•	█	█	█	Done
Multnomah Arts Center Cottages Study•	█	█	█	Done
Multnomah Arts Center Seismic Study•	█	█	█	Done
Parklane Park Loo•	█	█	█	Done
Raymond Park Loo•	█	█	█	Done
Sellwood Pool Bathhouse Roof•	█	█	█	Done
St. Johns Community Center Roof•	█	█	█	Done
Ventura Park Loo•	█	█	█	Done
Wilkes Park Loo•	█	█	█	Done
Fernhill Park Water Supply ² •	█	█	█	Done
Matt Dishman Community Center Electrical ² •	█	█	█	Done
Matt Dishman Community Center Roof ² •	█	█	█	2020
Montavilla Community Center Roof ² •	█	█	█	2019
Multnomah Arts Center Seismic Repairs ² •	█	█	█	Done
Pier Park Loo ² •	█	█	█	Done
Sellwood Park Kitchen Roof ² •	█	█	█	Done

• Project completed • Project behind schedule • Project ahead of or on schedule

² Phase 2 projects

Phase 1 and Phase 2 projects are identified here to provide context for this report.

Keys to Bond Success in Year 4 (continued)

- **Involved the public and created transparent processes.**

Result: PP&R has continued to build on the community’s involvement in shaping Bond Phase 1 and Phase 2 projects. Diverse meeting outreach strategies, thoughtfully formed Project Advisory Committees, multiple online updates, and seeking input at key decision-making points are just some of the many tools the Public Involvement Team uses to ensure authentic, transparent communication.

In 2018, PP&R asked Portlanders for community feedback on the public process to identify opportunities for growth and improvement. PP&R is using that feedback to further improve on its work and is also making concerted efforts to reach a larger spectrum of Portlanders by engaging communities of color, new immigrants and refugees, and people living with disabilities.

- **Exceeded the goals for utilization of disadvantaged, minority-owned, women-owned and/or emerging small businesses (D/M/W/ESB) in consultant and contracting services.**

Result: 31% of the consultant contracts for professional or technical services and 41% of the construction contracts that have been completed or are underway are utilizing State-certified D/M/W/ESB firms.

- **Utilized the Prime Contractor Development Program.**

Result: Seventeen of the Bond project construction contracts have been awarded using the City’s Prime Contractor Development Program, which focuses on contracting with pre-qualified D/M/W/ESB firms.

- **Transitioned through Bond Program changes**

Result: Several changes occurred within PP&R and the Bond Program in Year 4, all of which were met with flexibility, adaptability, and dedication to the Program goals.

- PP&R faced many changes over the last year, including a new Commissioner, a new Director, and the departure of the Deputy Director.



Raymond Park Loo construction

- The Bond Program’s Team Lead was promoted to Bond Program Manager.
- Staff turnover created a three-month vacancy in the Program’s analyst position.
- Janice Mason, appointed by Commissioner Amanda Fritz, joined the Bond Oversight Committee in late 2018, filling the Dion Jordan’s vacant position.

Challenges

The fourth year of Bond work saw many of the challenges faced in prior years. Bond spending continues to be slower than originally anticipated, the construction climate continues to be heated, and permitting requirements have delayed a few projects.



Wilshire Park play piece (before)



Wilshire Park play piece (after)

- **Bond Spending Targets:** Spending on Bond projects has occurred at a slower pace than originally anticipated. With \$40.8 million spent through June 2019, the rate of spending on projects is lower than projected. The major factors in this discrepancy are unanticipated permitting and bidding delays. Approximately 75% of project spending occurs during construction, and these delays can push construction out by several months. Another factor is seasonal construction restrictions that were not considered in early spending projection approaches. With more projects reaching construction in summer 2019, the long-range Bond Program spending projection remains on track.
- **Construction Climate:** The Portland metropolitan area continues to experience a heated construction climate. Across the region, contractors are booked, many contractors report being too busy to bid, and some contractors are having difficulty securing subcontractors and labor. The tight construction market has translated to higher prices and fewer bids, which has impacted some Bond project budgets and schedules. As in prior years, the fourth year of the Bond has had several construction bids come in significantly over professional cost estimates.

Staff efficiencies and established project contingencies have continued to allow most of these increases to be absorbed into the overall project allocations. Anticipating that future projects may encounter costs exceeding their “maximum not-to-exceed” allocation, a program contingency fund of \$2 million was set aside as part of the Bond Phase 2 Project List process to ensure that the Bond projects could be delivered as promised. The Bond Oversight Committee made this recommendation, which is supported by City staff.

- **Complex Permitting Requirements and Workloads:**

As the volume of construction projects being processed in the City has continued to increase, the workload of City staff working diligently to process permit and land use applications also continues to increase. Due to these staffing limitations, project schedules have occasionally been adjusted.



Couch Park playground

The power of community

Kenton Park is a second home for many families in the growing North Portland neighborhood. Like every home, renovations are often needed in order to accommodate a family's changing needs. In this case, Kenton Park's playground needed an update to better serve its community. The equipment was outdated, inaccessible, and in disrepair.

Marti Clemmons and her family live very close to the park, which they visit at least once a day. Marti represented the Kenton Neighborhood Association throughout the playground renovation design process. At two open house events, she shared input from parents she spoke with at the playground who weren't able to attend the meetings.

"What was impressive about those early-stage meetings is that everyone was involved and given the time to be heard," she says. "This included hearing the children's ideas. As a community, we were able to pick what we liked or didn't like about each design."

Many of those ideas are now a reality. Kids seek adventure on the nature-based timber play structure every day. They scramble up, down, and along staggered timber logs, scale up and down a rope climber, and make their way up to a tower before exiting down a big slide, only to run back and do it all over again. Large chimes give them a chance to create music for all to enjoy, and swings let them soar high to take it all in.

Marti notes some of the amenities grown-ups had asked for. "I am thrilled at the many

benches and picnic tables to sit and watch the community interact with one another. "She points out the addition of a drinking fountain and raves, "How great is it that we don't have to walk all the way to the other side of the park to get a drink of water?"

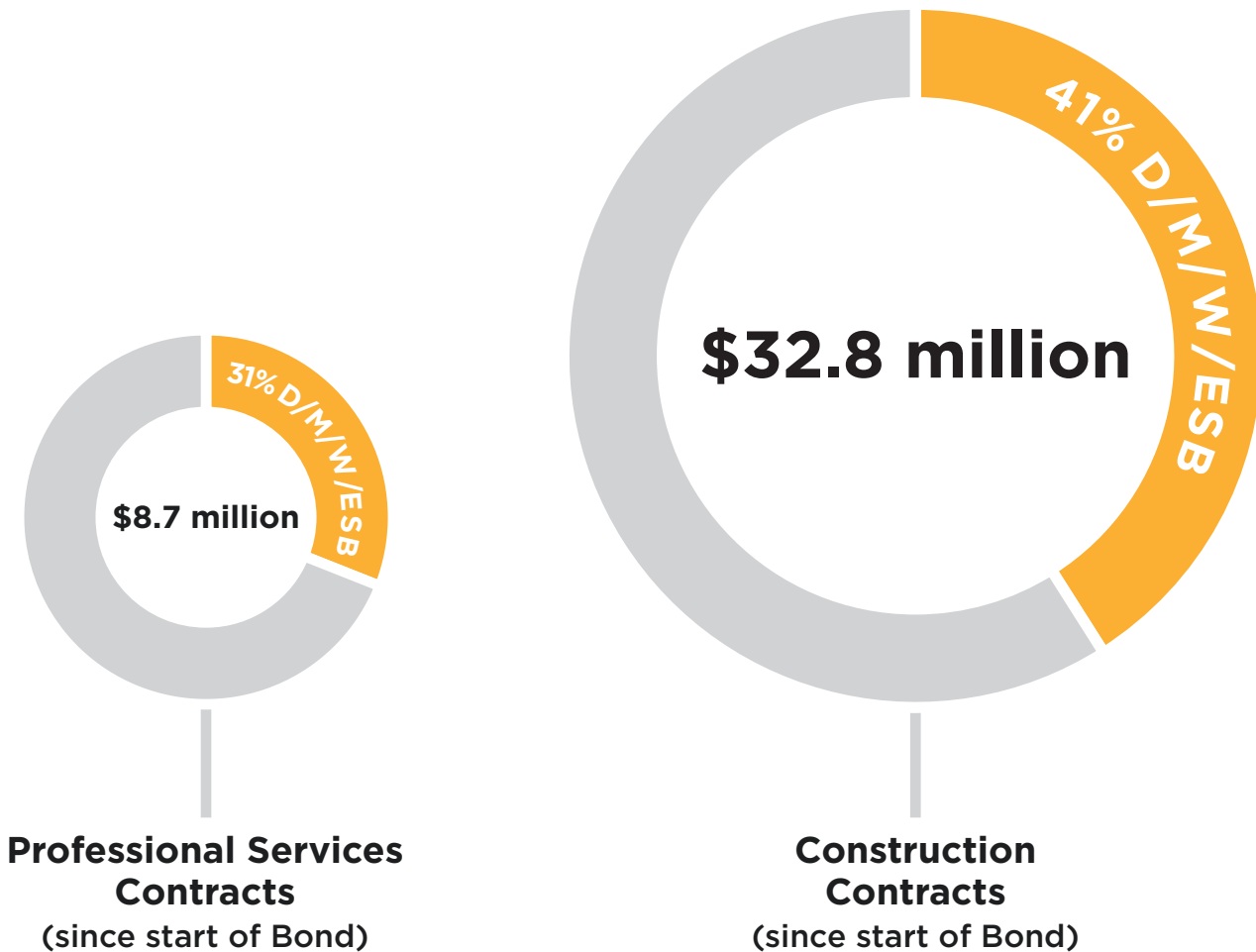
Marti praises the overall design process. "It seemed like a perfect example of how I would like to see future neighborhood endeavors happen. What you see here is a direct outcome of the power of community working with city components to better the neighborhood. If you don't feel like you are heard in the larger scheme of things or feel like you are not doing enough for your community, get involved, talk with your neighbors—because incredible things will happen."

On the grand re-opening day in September 2018, young park enthusiasts held a long red ribbon while Marti and her four-year-old daughter proudly wielded the ceremonial scissors. Together, they made the symbolic cut and the playground was once again open for the business of play.

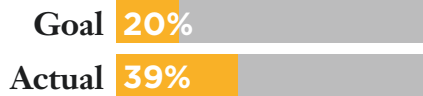


Investment

PP&R is committed to providing opportunities to disadvantaged, minority-owned, women-owned and/or emerging small businesses (D/M/W/ESB firms). The Bond Team continues to engage local D/M/W/ESB firms in outreach to ensure that they are aware of the consulting and contracting opportunities associated with Bond projects. Staff continue to work with local organizations, including the local chapter of the National Association of Minority Contractors, to share information about upcoming projects with D/M/W/ESB professionals.



% of combined contract value awarded to D/M/W/ESB firms since start of Bond



The Bond Team continues to be an active participant in the City's Prime Contractor Development Program (PCDP), which creates prime contracting opportunities with the City of Portland for state-certified D/M/W/ESB firms. These contractors are provided technical assistance and educational opportunities in different areas of work, increasing their ability and capacity to perform work on the City's public works projects. PCDP contractors are currently engaged in many of the Bond Program's summer 2019 construction projects, including playground renovation projects at Glenhaven and Gilbert Primary Parks, Playground Drainage sites throughout the city, and the Springwater Corridor bridge replacement projects.

The PP&R Bond Team has been able to successfully surpass the City's D/M/W/ESB utilization goal of 20%. Since July 2015, Bond projects have awarded 39% of the value of professional design service work and construction work to certified D/M/W/ESB firms. Taken separately, 31% of the value of all Bond professional design services contracts and task orders and 41% of the value of all Bond construction contracts and task orders have been awarded to D/M/W/ESB firms. The Bond Team intends to continue this trend by employing certified firms for Bond project work wherever feasible.



Glenhaven playground, built by PCDP contractor Faison Construction

Transparency

Portland residents are fortunate to have a variety of parks and natural areas that encourage people to participate in activities and recreation programs that support physical, mental, and social well-being. Access to a park or community center, the types of programs offered, the opportunity to play, and the social connections a person forms with others and to nature all have positive impacts on the community as a whole. The improvements funded by the Parks Replacement Bond will allow more people—especially youth—to get outside, be active, play, and create connections with their community.

PP&R’s work around community engagement must reflect our increasingly diverse community’s needs and desires. As stated in PP&R’s five-year Racial Equity Plan, staff are committed to community participation and outreach and to including communities of color and refugee and immigrant communities. Project-specific outreach, advisory committees, public meetings, signage, and online Bond information and questionnaires continue to help ensure that the Bond improvements meet the community’s needs and expectations.

To ensure that we hear the voices of a broad spectrum of Portlanders, PP&R’s Community Engagement staff have involved Community Engagement Liaisons. These individuals have ties to Spanish-speaking, Somali, Vietnamese, and Russian communities and can assist with outreach and translation for playground design projects. Project-specific outreach has also been targeted to low- income and disability communities, and open house meetings have been held in conjunction with cultural events such as Summer Free For All concerts and New Year in the Park, a celebration of Cambodian, Laotian, Thai, and Burmese cultures. These outreach efforts will continue with a commitment to adaptation and learning to ensure positive outcomes.

A recent example of this targeted outreach can be found in the Gabriel Park Playground project. This project is focused on creating an inclusive playground for all ages and abilities.

YEAR 4



19

Public meetings



3

Celebration events



25,688

Parks Bond website hits
parksreplacementbond.org



112,332

Hits to individual Parks
Bond project web pages

The members selected for the Project Advisory Committee (PAC) include:

- 38% who identify as people of color and from refugee and immigrant populations;
- 54% who have experienced living with disabilities in their families or have professional/volunteer experience with the disability community; and
- 46% of whom are renters, including two residents of Stephens Creek Crossing, a Home Forward housing community focused on accessibility and affordability.

A new online interactive map on the Bond Program website, ParksReplacementBond.org, shows the location and status of Bond projects. The map has been well received since its debut in summer 2018. This interactive tool was created to provide quick access to information on individual projects and a clear visual image of the Bond Program's impact throughout the community.



Gabriel Park playground open house

A playground for everyone

For Renee Becerra and her family, Gabriel Park has been their neighborhood park for more than five years, but their favorite parks are a bit farther from home. “We usually travel across town to accessible playgrounds like Harper’s Playground, Gateway Discovery Park, and Mountain View Champions Park,” she says. “Those are favorite places for my kids. I love that they can use most or all of the playground equipment there.”

Renee’s sons, ages 3 and 7, are both autistic. Her older son, David, also has a rare type of epilepsy that affects his speech and motor skills, and he uses a wheelchair part of the time. “If he’s feeling good, he prefers to be up and running around at the playground,” Renee says. “On days he isn’t, he’ll stay in his wheelchair and we’ll play together.”

Gabriel Park, with a unique topography, breathtaking views, and open spaces to roam, is a special place that Renee loves to visit. The playground there is important to her and her sons, but they struggle to find activities that work for them on the small outdated play structure. She’s excited that Gabriel Park is the site of PP&R’s next inclusive playground. She is doubly thrilled that it will be a close-to-home destination site in Southwest Portland that is much like the ones she now takes her kids to in Northeast and North Portland.

“The apartment complex I live in has quite a few tenants with disabilities—adults and kids,” Renee says. “Bringing this to our neighborhood will be a huge improvement for so many people.”

Renee serves on the Project Advisory Committee for Gabriel Park’s new inclusive playground which is scheduled to be completed in late 2020. Along with fellow parents and children, speech and pediatric specialists, and people who use wheelchairs, she is working to help PP&R hear more input from those who would benefit most from spaces like these. The diverse voices and experiences will help shape a welcoming environment for all.

“My sons love slides and just running around and climbing,” she says. “They’re both going to be so excited to see the changes on the playground.”



Bond Oversight Committee

In Year 1, as required by the Bond language, a five-person Bond Oversight Committee was established by City Council with a core mission to ensure that PP&R was delivering the Bond funded projects as promised to the voters, maintaining fiscal accountability for Bond expenditures, and being transparent with the community. The Oversight Committee was tasked with reporting annually to City Council about the Bond Program's performance. The Committee meets regularly with the Bond Program Manager and publishes an annual report each fall to City Council. The report is distributed to the public through PP&R community centers and other City facilities.

The Oversight Committee had one member change last year when chairperson Dion Jordan's term ended. In fall 2018, Commissioner Amanda Fritz appointed Janice Mason to fill his vacancy. Committee members are:



Kenton Park playground

- Jonath Colón
- Karen Loper Tracy
- Ken Richardson
- Zari Santner
- Janice Mason

The Oversight Committee provided its report on Year 3 of the Bond Program with a report to Portland City Council in December 2018. The report focuses on the Committee's three objectives: Adherence to the Language of the Bond, Maintaining Fiscal Accountability, and Being Transparent with the Community. The report mentions efforts made by PP&R to address a Committee recommendation to gauge the public's perception of the Bond Program's openness and transparency.

The Oversight Committee continues to meet quarterly, and members of the public are welcome to attend. Details regarding upcoming meeting locations, past meeting notes, and reports can be found at parksreplacementbond.org. The Oversight Committee's Year 4 report will be available in late fall 2019.

Communications and Transparency Survey

In late fall 2017, the Oversight Committee had recommended that PP&R Bond staff investigate whether efforts to be transparent with the community are effective. The Committee also asked PP&R to gauge whether the public feels that the Bond Program has been open and transparent. Based on this recommendation, PP&R published an online survey as part of the Bond's Year 3 Annual Report in summer 2018.

The survey was highlighted in the Year 3 Annual Report, which was distributed in hard copy to more than 50 locations citywide, including PP&R facilities, public libraries, neighborhood coalitions, and other sites, and at multiple events including the Walk with Immigrants & Refugees, the Jade District Night Market, and the Tongan Festival. PP&R staff sent an email out twice to more than 100,000 PP&R email subscribers. The survey was shared in neighborhood coalition and association newsletters and on social media through Facebook and Nextdoor.com. The survey was open from August 2018 to mid-October 2018. PP&R received a total of 1,227 comments.



New swings at Washington Park

Some highlights from the survey are:

- Less than a quarter of survey participants had not heard about the Bond or its projects.
- For those who had heard of the Bond, it was most commonly through seeing a sign or banner at a park or community center or receiving an email about a Bond project.
- A majority of participants knew the Bond was focused on maintenance and repair, but only about 18% were aware that there was a Bond Oversight Committee.
- When it came to rating the Bond's transparency, 36% thought it was "good/very good" and only 10% rated it "poor/very poor." About 54% had "no opinion/didn't know."
- To improve the Bond's transparency, participants most frequently recommended more frequent updates on social media and the PP&R website. Other suggestions were more emails, local news stories, mailings to homes, outreach to community organizations, and more signs in parks.
- For future Bond communications, participants most frequently mentioned that they wanted to hear about Bond projects and

the overall progress through an email newsletter and signs/ displays at community centers and parks. Social media was also popular, but some noted that many do not participate in social media.

In response to the community feedback, the Bond Program's Public Involvement Team has increased social media posts to reach a wider audience. Email and signage communication methods will continue to be utilized.

A full report on the transparency survey and its findings is available on the Bond website, parksreplacementbond.org.

Bond Program Performance Audit

The 2014 Parks Replacement Bond measure included a requirement for audits. To meet this requirement an independent audit firm, Harvey M. Rose Associates, LLC, was hired through an RFP process to provide a performance audit at the mid-point of the delivery of the Bond Program. This work was completed in January 2019. Another audit will be performed at the conclusion of Bond Program work.



Couch Park playground opening

The audit evaluated the Bond Program's performance, including decision making and control structures, Bond Program activities and spending, and PP&R's oversight and monitoring efforts. The audit was conducted in accordance with generally accepted government auditing standards.

The Performance Audit's objectives were to determine if:

- The Bond Program funds were spent in a manner that adheres to the language of the Bond Measure; and
- The Bond Program is operating in a fiscally responsible manner, ensuring that Bond dollars are clearly and separately tracked, and ensuring integrity and accuracy of financial statements.

The audit's findings demonstrate that the Bond Program has been successful in delivering on the promises made to the community in Measure 26-159 and in Council Resolution 37085.

**PARKS REPLACEMENT BOND ANNUAL REPORT
YEAR 4**

The findings are as follows:

- The Bond Program funds were spent in a manner that adheres to the language of the Measure;
- The Bond Program is operating in a fiscally responsible manner; and
- The existing documentation systems are transparent, in place, and functioning well.

PP&R appreciates that the Performance Audit provides eight recommendations to *further enhance* the Program's efficiency.

These recommendations are summarized below.

1. Document PP&R's approach to the reallocation of available funds.
2. Review and consider adjusting the escalation and contingency lines in the standardized budget template.
3. Formalize and document the process for timing and the size of bond issuances.
4. Formalize and document PP&R's procedures for making spending projections.
5. Revise the method for charging citywide overhead costs to projects.
6. Document procedures for tracking project funding for Bond projects that have additional funding sources such as SDC's.
7. Work with Procurement Services to evaluate and improved contractor performance.
8. Formalize and document contracting practices for on-call PTE contract management and monitoring.

Although recommendations, #7 and #8, are beyond the scope of the Bond Program, PP&R will forward those recommendations to the appropriate parties. PP&R is committed to continuous improvement and is taking steps to make progress on the remaining six recommendations. Notably, staff have met with Bond Counsel and PP&R's Finance Manager and have already revised practices to charge citywide overhead costs to the Bond Program projects. The full audit report can be found in Appendix D.



Couch Park playground

Looking forward

Process Improvements

The Bond Program Manager is working with the Program's new Analyst to address recommendations made by the Performance Audit and to make further process improvements in tracking, reporting, and projecting the work of the Program.

Project Management

Three large projects will continue to be monitored to bring them to successful implementation and completion.



Foley-Balmer bridge construction



Marshall Park bridge construction



St Johns Community Center roof construction

- **Mt. Tabor Yard:** Complex land use issues for the maintenance facility will need to be tracked through final documentation and into permits and construction. Construction within a constrained site while keeping the Yard operational will contribute to the project's complexity.
- **Delta Park Urban Forestry Yard:** Land use conditions for the Urban Forestry maintenance facility will need to be tracked through final documentation and into permits and construction. As with the Mt. Tabor Yard project, construction within a constrained site while it remains an active worksite for PP&R staff will make project delivery complex.
- **Gabriel Park:** With an infusion of SDC funding to expand the project to provide an inclusive destination playground, this project is anticipated to have passionate public input and will need to be carefully designed to meet diverse needs.

Project Completion

In the coming year, project managers will have completed most of the Phase 1 projects and many Phase 2 projects. In total, 52 Bond projects are on track for delivery by the end of the Bond.

The following Bond projects are in construction and scheduled for completion over the next year:

- Foley-Balmer Natural Area Bridge
- Gilbert Primary Park Playground
- Glenhaven Park Playground

**PARKS REPLACEMENT BOND ANNUAL REPORT
YEAR 4**

- Lynchview Park Irrigation Repairs
- Lynchview Park Playground
- Marshall Park Bridge
- Montavilla Community Center Roof
- Peninsula Park Pool
- Playground Parts & Drainage – multiple sites
- Springwater Corridor Bridge #48
- Springwater Corridor Bridge #140

The following Bond projects are scheduled to begin construction in the next year:

- Creston Park Playground
- Delta Park Urban Forestry Yard
- East Portland Community Center ADA Improvements
- Gabriel Park Playground
- Matt Dishman Community Center Roof
- Mt. Tabor Yard
- Multnomah Arts Center Cottages

Ongoing Reporting and Celebrations

PP&R will continue to report annually on the 2014 Parks Replacement Bond’s progress. Annual reports are available online, and a printed version of the Executive Summary is available in English and Spanish at PP&R locations and other public places.

As always, the Bond Team welcomes feedback and inquiries from our community, design professionals, and the construction industry. The PP&R Bond Program Manager, Bond Project Managers, and Community Engagement staff are also available to answer project specific questions. Contact information can be found at parksreplacementbond.org.

Moving forward, the Bond Team’s focus will remain on delivering the promises made to voters in 2014 and continued accountability to Portland residents in addressing urgent needs across the city. PP&R is immensely grateful to Portlanders for their ongoing support of our park system—a history that dates to the first gift of land from a private resident in 1852. Through the



Kenton Park playground
opening celebration

years with continued support from the community via additional gifts, volunteer service, and voter-supported levies and bonds, a valuable parks legacy has been established. The aim of this Bond is to continue caring for this legacy so that Portland's park system is a point of pride for generations of Portlanders to come.

Every month Portlanders are seeing tangible change throughout the city as they swim in renovated pools, play on upgraded playgrounds, and have access to clean, modern restrooms and other facilities. As the Bond Program heads into its fifth year, the Bond Team looks forward to celebrating with the community as Portlanders see more results of their investment through increased accessibility, renovated playgrounds, more efficient pools, and other Bond improvements.



Couch Park opening celebration

An investment in local businesses

The Parks Replacement Bond isn't just about new playground equipment, updated facilities, and improved accessibility in some of the city's most beloved spaces—it also creates jobs and opportunities for local companies. Many Bond funded park projects are on a smaller scale than other City projects, and they can be an ideal starting point for state-certified Disadvantaged, Minority-owned, Women-owned, and Emerging Small Business (D/M/W/ESB) contractors that want to work with the City.

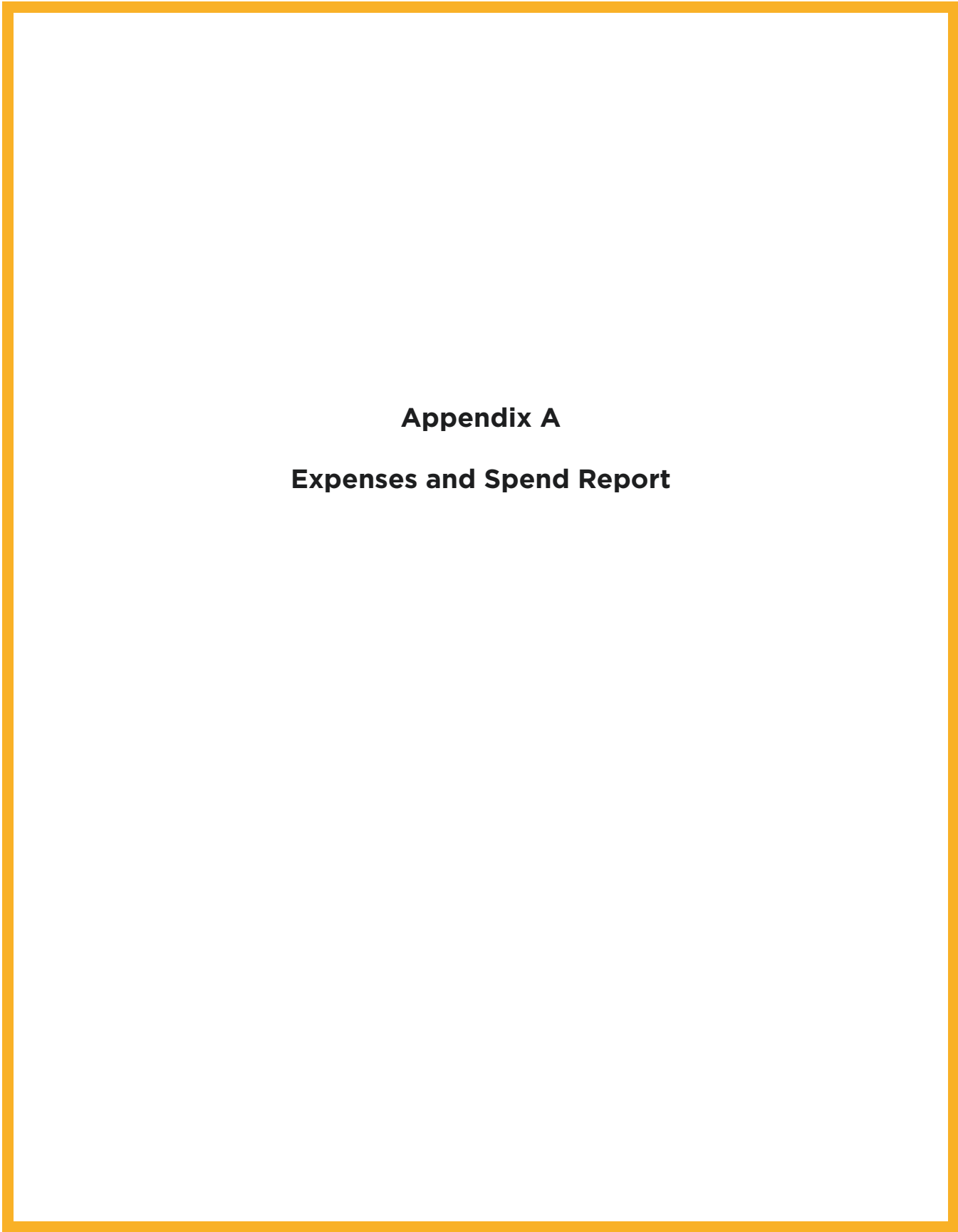
For this pool of historically underutilized contractors, the City of Portland's Prime Contractor Development Program (PCDP) provides contracting opportunities and support in navigating the City's systems, paperwork, and other requirements that can be daunting barriers to success. Stacey Drake Edwards, PCDP Program Manager, works with all City bureaus with capital improvement projects to help the City meet its goal of 20% utilization of D/M/W/ESB companies. As of June 2019, 41% of the value of Bond funded construction work has been awarded to these certified companies.

Utilization of the PCDP program has been a key factor in success for the Bond's completion of many playground renovations, roof repairs, and restroom repairs across the city. Through the program, D/M/W/ESB contractors have a more level playing field when bidding on jobs and understanding expectations, and PP&R has more knowledgeable contractors to choose from. Equally important, community members see that the people working to improve their parks and community centers reflect the diversity of Portland.

Stacey proudly notes the success story of 3 Diamond Construction, a State Certified Minority Contractor. When the company came to PCDP, most of its work had been with smaller projects. After completing some smaller maintenance projects for PP&R, 3 Diamond was able to successfully compete for and complete a \$160,000 Bond-funded improvement project on the Springwater Trail. The opportunities that PCDP and the Bond Program presented have allowed this local Latino-owned business to steadily increase their experience and profits.

Despite success stories like these, Stacey acknowledges that there are still challenges for her program to overcome as staff may think it will be hard to work with newer, emerging businesses. In the end, it is worth it. Stacey says, "having this program means that City bureaus will have more access to qualified contractors, while keeping costs down and opportunities up."





Appendix A
Expenses and Spend Report

The 2014 Parks Replacement Bond requires annual reporting of expenses incurred by the Bond Program in program administration and in implementing projects. Program expenses generally consist of staff salary and benefits, project consultant fees, project construction costs, Bond issuance costs, and incidental administrative expenses. The incurred expenses are detailed in the following section. They are categorized by expense type including professional services, construction costs, and administrative expenses. Projections on future spending are also included to provide additional insight into Bond Program spending.

Background

The Bond Program began accruing expenses in December 2014. Financial accounting codes were created for each project, with each code being defined further by the phase in which the expenses were incurred. Project managers charge external expenses (e.g., consultant fees) and internal costs (e.g., personnel time) directly to a project's corresponding accounting code, which allows for an accurate and complete financial record of the spending progression for all Bond projects. Historically, the reported expense definitions and categories have not included project overhead fees and have not been detailed in prior Annual Reports. The overhead costs are tracked separately and a detailed reconciliation report of overhead will be provided at the close of the Bond Program.

For the purposes of this report, the Bond Program has established the following definitions and categorizations for expenses incurred by the Bond Team:

CATEGORY OF EXPENSE	COSTS INCLUDE
<p>Professional Services</p>	<ul style="list-style-type: none"> • Project consultant fees <ul style="list-style-type: none"> - Design, engineering, and other project consultation services • Parks’ project management staff <ul style="list-style-type: none"> - Hours coded directly to projects - Hours coded to training, leave, other non-project time • Initial project scoping and management services
<p>Construction Costs</p>	<ul style="list-style-type: none"> • Soft construction costs <ul style="list-style-type: none"> - Permits, PBOT surveys, special reviews, Bureau of Labor and Industries, advertisements, etc. • Hard construction costs <ul style="list-style-type: none"> - Payments for contracted construction services • Regional Arts and Culture Council (RACC) disbursements for public art <ul style="list-style-type: none"> - Compensation for RACC
<p>Administrative Expenses</p>	<ul style="list-style-type: none"> • Public involvement and community outreach • Program support staff • Bond management staff • Office supplies and computer equipment • Office furnishings and configurations for Bond Team space • Professional development, recruitments, and certifications • Bond issuance costs and Bond counsel consultations • City-provided printing and motor pool services • Telecommunications and phone services • Bond costs from issuances, Bond Counsel consultations, and audits

Bond Program Expenses

Through June 2019, the Bond Program incurred a total of \$39,602,601 in expenses. These expenses included professional services, construction costs, and administrative expenses. A comprehensive breakdown of these expenses, along with a percentage computation of the categorized expense vs. aggregate Program expenses are provided in the following pages. For the purposes of transparency, administrative expenses have been tracked in several subcategories, including personnel costs for program management and support staff, Bond issuance costs, and various Program expenses.

The total of the listed Program Expenses does not include overhead costs incurred by the Program and its projects. Overhead costs are captured separately, are tracked together with Program Expenses, and reported as Program Spending.

Overhead is comprised of a fee added to all project personnel hours to cover PP&R's indirect costs for services including, among others, office space rental, information technology support, and City Attorney services. A detailed reconciliation report of overhead expenses will be provided at the close of the Bond Program.

Program Expenses as of June 30, 2019: \$39,602,600

Program Spending as of June 30, 2019*: \$40,759,574

*Program Expenses together with Overhead

EXPENSES	COSTS			%OF TOTAL EXPENSES
	YEARS 1-3	YEAR 4	TOTAL	
Professional Services	\$7,983,830	\$2,227,879	\$10,211,709	25.8%
Project Management Staff Salary & Benefits	\$1,732,898	\$587,842	\$2,320,740	
Project Management Staff Non-Project Billing	\$673,072	\$174,999	\$848,071	
Project Consultant Fees	\$5,511,299	\$1,413,748	\$6,925,047	
Initial Project Scoping and Management Services	\$66,561	\$51,290	\$117,851	
Construction Costs	\$18,858,223	\$8,815,123	\$27,673,345	69.9%
Hard Construction Costs	\$17,480,526	\$8,345,818	\$25,826,343	
Soft Construction Costs	\$921,327	\$410,297	\$1,331,624	
RACC Disbursement	\$456,370	\$59,008	\$515,378	
Administrative Expenses	\$1,273,441	\$444,105	\$1,717,546	4.3%
Program Management and Support Staff Salary and Benefits	\$1,051,161	\$341,274	\$1,392,435	
Bond Issuance Costs	\$0	\$700	\$700	
Bond Audit Costs	\$0	\$58,735	\$58,735	
Miscellaneous Administrative Expenses	\$222,280	\$43,396	\$265,676	
Office Supplies and Computer Equipment	\$10,280	\$828	\$11,108	
Training, Certifications and Dues	\$14,999	\$0	\$14,999	
Public Involvement and Community Outreach	\$105,507	\$28,852	\$134,360	
Furnishing/Construction of Bond Team Space	\$46,429	\$0	\$46,429	
Printing	\$17,847	\$5,838	\$23,685	
Motor Pool	\$2,476	\$2,277	\$4,752	
Telecomm & Phone Service	\$24,742	\$5,601	\$30,343	
Total Program Expenditures	\$28,115,494	\$11,487,107	\$39,602,600	100%

Individual Project Expenses

All projects being implemented under the Bond Program are accounted for independently, allowing for the budget and current spending to be tracked throughout the life of each project. The following bar graph provides a breakdown of all current Bond projects, the project budget allocation, and spend to date for each through June 30, 2019.

New Reporting Methods

Based on the recommendations from the Bond Audit completed in 2019, an improved Project Funding Log has been implemented to track changes to Bond project funding. This new tracking tool will be helpful to the Program as it nears completion and as funding reallocations are made.

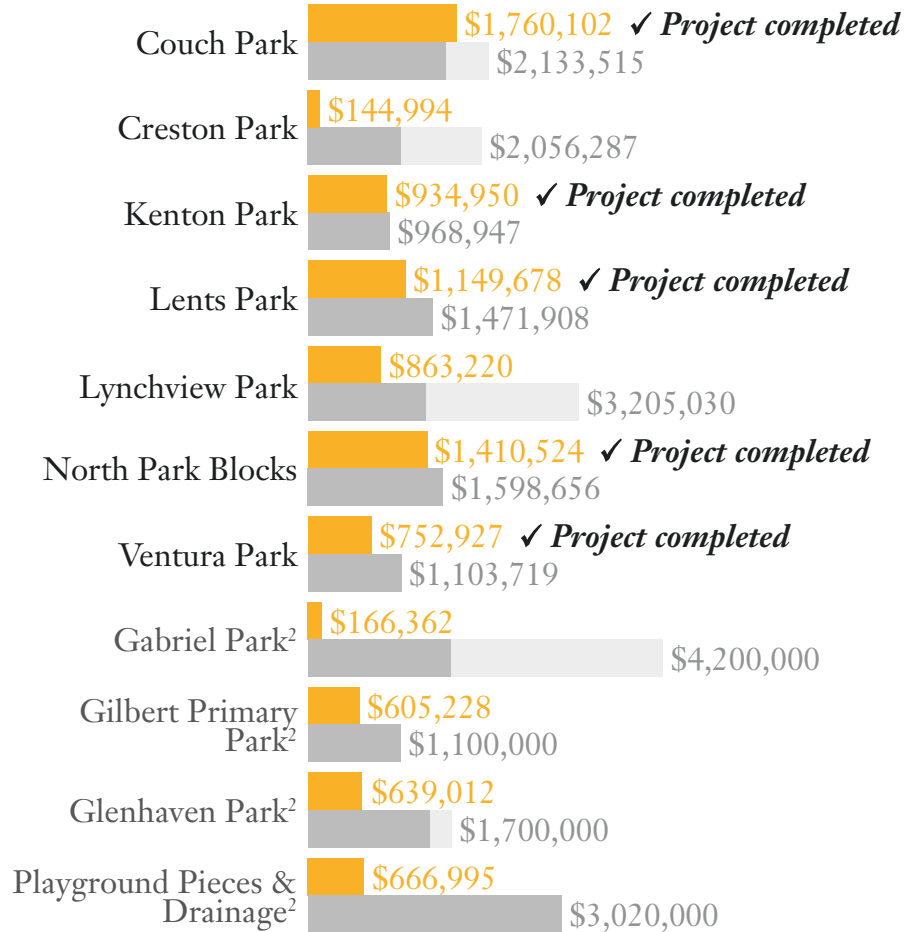
The Project Funding Log informs a new Budget vs. Actuals Report that Bond Team members and management use to track project spending. The new Project Funding Log is also used for annual reporting and is the basis for the project spending information on the following pages. The project budget allocations and spend-to-date figures include all project expenses as well as overhead charges incurred to date.

Project Spending—Current Bond Projects

■ = spend to date ■ = Bond funding budget ■ = other funding budget ²= Phase 2 project

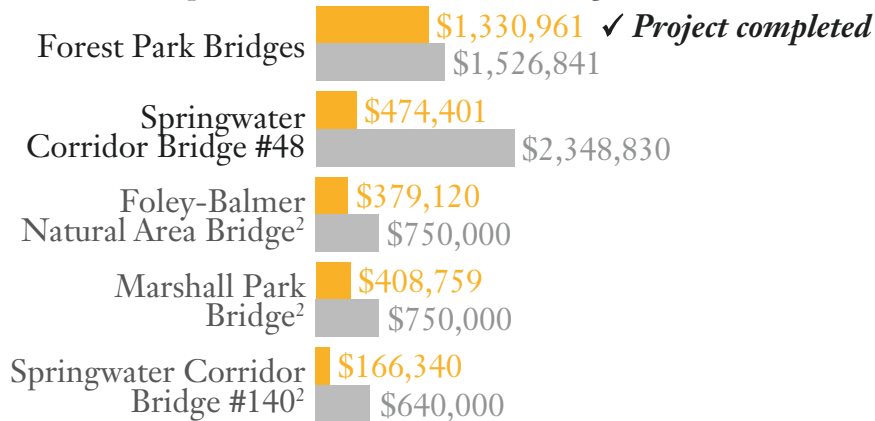
Playgrounds

\$9,093,992 spend to date; \$22,558,062 budgeted



Trails & Bridges

\$2,759,581 spend to date; \$6,015,671 budgeted

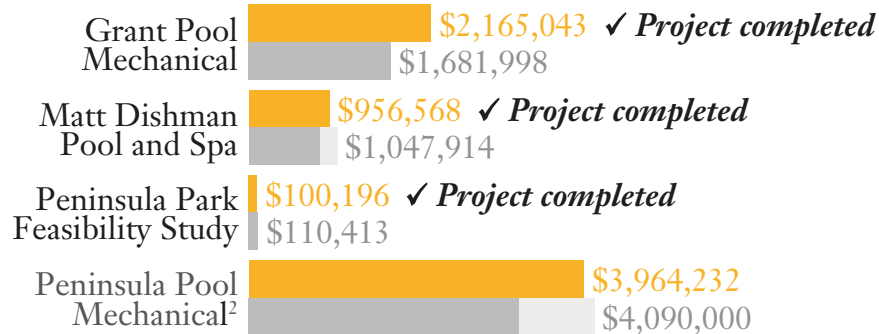


Project Spending (continued)

 = spend to date  = Bond funding budget  = other funding budget ²= Phase 2 project

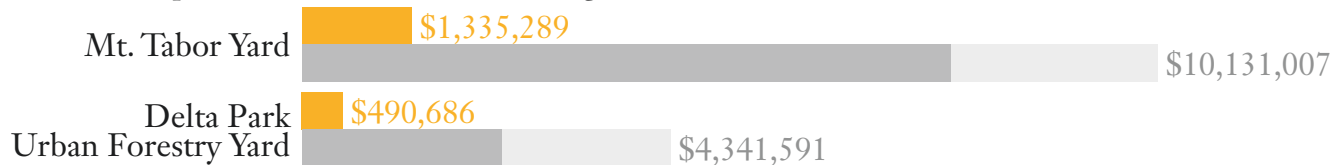
Pools

\$7,186,039 spend to date; \$6,930,325 budgeted



Protecting Workers

\$1,825,975 spend to date; \$14,472,598 budgeted



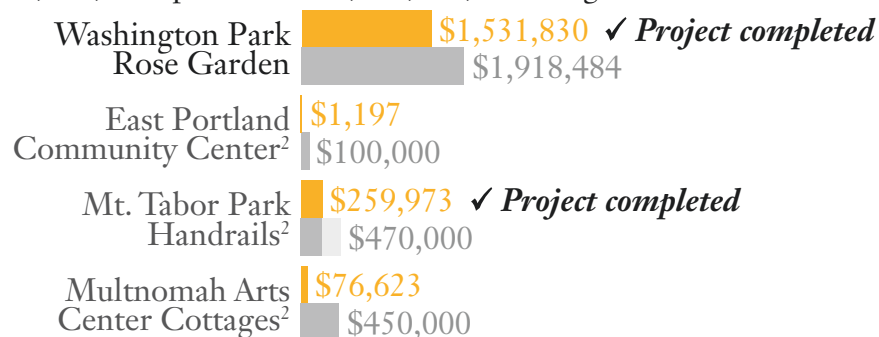
Pioneer Courthouse Square

\$9,264,223 spend-to-date; \$10,186,541 budgeted



Accessibility

\$1,869,623 spend-to-date; \$2,938,484 budgeted





































Project Spending (continued)

 = spend to date  = Bond funding budget  = other funding budget ²= Phase 2 project
















  **Restrooms, Other Urgent Repairs**

\$13,229,633 spend to date; \$18,223,588 budgeted

Argay Park Tennis Courts	 \$818,338 ✓ <i>Project completed</i>	 \$1,067,533
Bloomington Park Restrooms	 \$296,201 ✓ <i>Project completed</i>	 \$421,842
Couch Park Loo	 \$484,577 ✓ <i>Project completed</i>	 \$577,388
Colonel Summers Park Loo	 \$1,439,108 ✓ <i>Project completed</i>	 \$1,604,532
Ed Benedict Park Restrooms	 \$128,115 ✓ <i>Project completed</i>	 \$100,000
Raymond Park Loo	 \$338,984 ✓ <i>Project completed</i>	 \$533,800
Glenwood Park Restrooms	 \$270,613 ✓ <i>Project completed</i>	 \$391,488
Lynchview Park Irrigation	 \$15,869	 \$179,777
Mary Rieke Soccer Field	 \$1,672,495 ✓ <i>Project completed</i>	 \$2,173,057
Mt. Tabor Summit Restrooms	 \$550,358 ✓ <i>Project completed</i>	 \$623,984
Multnomah Arts Center Seismic Study	 \$77,629 ✓ <i>Project completed</i>	 \$126,896
Multnomah Arts Center Cottages Study	 \$74,311 ✓ <i>Project completed</i>	 \$106,028
Parklane Park Loo	 \$358,230 ✓ <i>Project completed</i>	 \$597,552
Sellwood Pool Bathhouse Roof	 \$974,986 ✓ <i>Project completed</i>	 \$1,272,539
St. Johns Community Center Roof	 \$1,498,836 ✓ <i>Project completed</i>	 \$1,560,733
Ventura Park Loo	 \$554,081 ✓ <i>Project completed</i>	 \$714,758
Wilkes Park Loo	 \$419,863 ✓ <i>Project completed</i>	 \$546,681

Project Spending (continued)

■ = spend to date ■ = Bond funding budget ■ = other funding budget ²= Phase 2 project

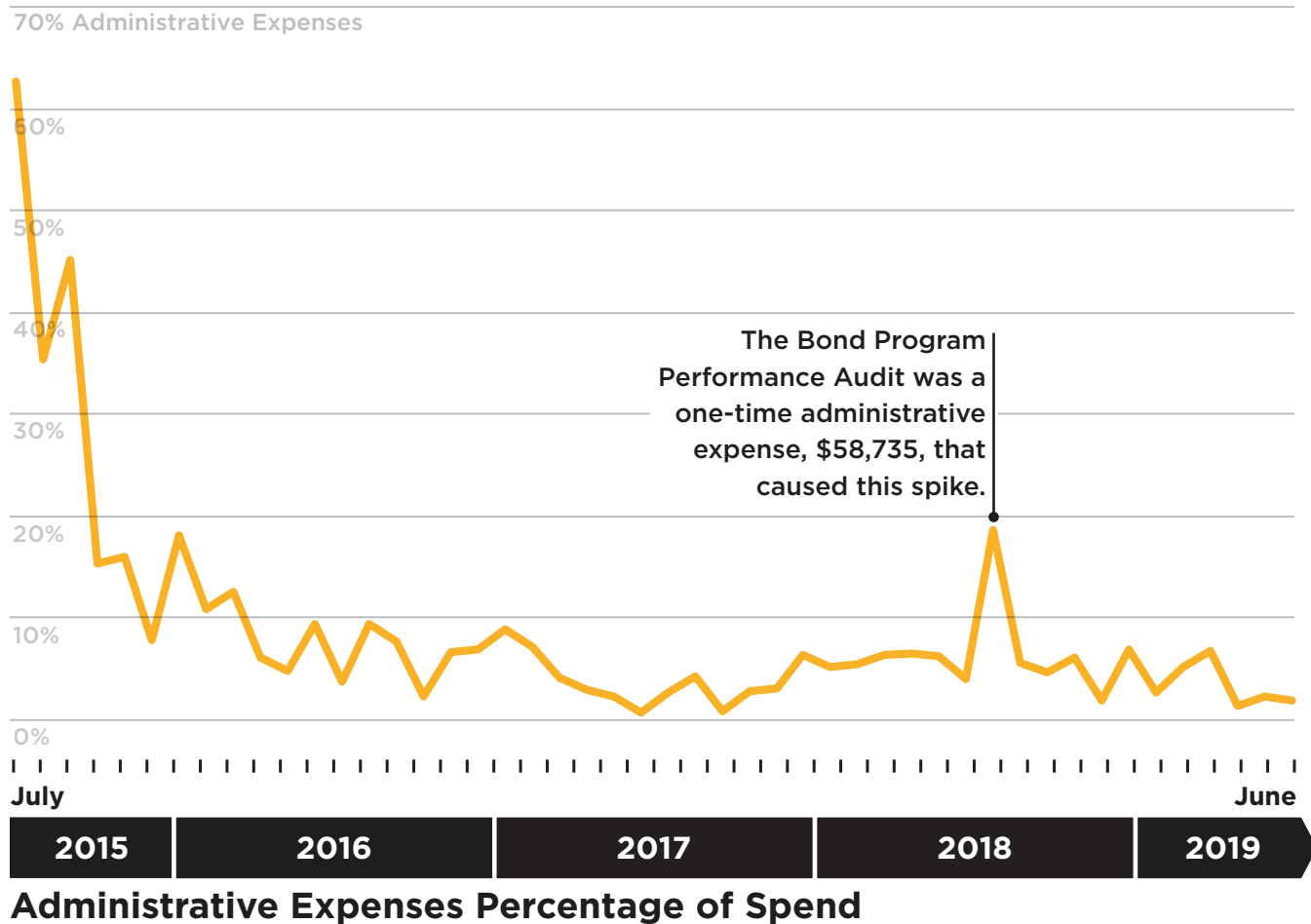
Fernhill Park Water Supply ²	 \$1,318,992 ✓ <i>Project completed</i>	  \$1,325,000
Matt Dishman Community Center Roof ²	 \$132,907	 \$500,000
Matt Dishman Community Center Electrical ²	 \$180,941 ✓ <i>Project completed</i>	 \$250,000
Montavilla Community Center Roof ²	 \$137,711	 \$1,300,000
Multnomah Arts Center Seismic Repairs ²	 \$854,931 ✓ <i>Project completed</i>	 \$1,000,000
Pier Park Restrooms ²	 \$417,826 ✓ <i>Project completed</i>	 \$750,000
Sellwood Park Kitchen Roof ²	 \$213,731 ✓ <i>Project completed</i>	 \$500,000

Administrative Expenses

The Bond Program has established a goal of keeping administrative expenses at less than 10% of total Program spending. Considerable administrative expenses incurred at Program start-up resulted in administrative percentages above 10% for the first ten months of the Bond Program.

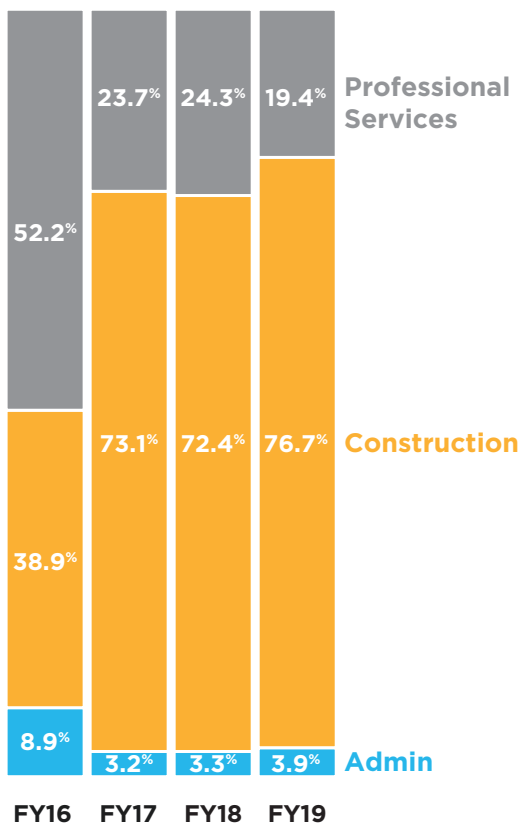
Overall administrative expenses have stayed below 10% of total Bond spending, with the accumulative percentage at 4.3% from the start of the Bond through June 30, 2019.

In Year 4 of the Program, administrative expenses fluctuated due to the Bond Performance Audit expenses and lower construction expenses in the winter. Project spending over the rest of the reporting period balanced this pattern, resulting in 3.9% of all Year 4 expenses attributed to administrative expenses.



As noted in the Transparency section of this report, the Bond Performance Audit made a recommendation to revise the method for charging citywide overhead costs to projects. This change was made in spring 2019 and primarily impacts reimbursement practices. Administrative expenses are not expected to increase due to the new approach to documenting and charging overhead expenses.

The following graph illustrates the year-to-year changes that the Bond Program has seen in each expense category. The first year was met with administrative start-up costs and a focus on professional services costs at project start up. In years since, construction costs have been the majority of expenses while the administrative expenses and professional services have decreased.



Spending by category

Issuance Spending

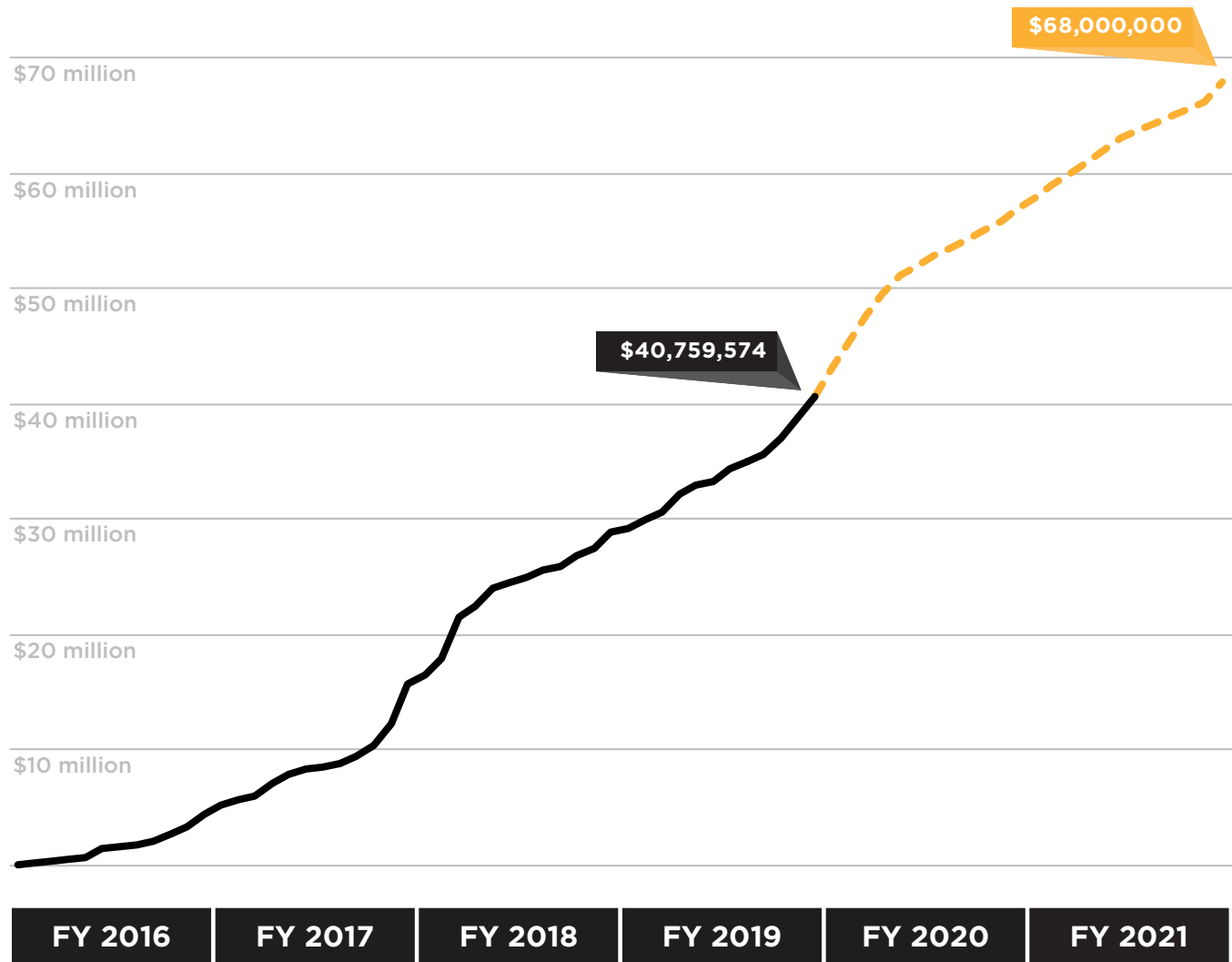
Most of the Bond Program's funds come from tax-exempt, municipal bonds. Since borrowings are at low, tax-exempt interest rates, public entities like PP&R are not permitted to generate extra earnings by investing the funds at higher, taxable rates. If Bond interest earnings are higher than the tax-exempt rates, the IRS generally requires the entity to return the overage. However, the entity can keep the extra earnings if it is able to reach certain Bond spend-down targets: 10% spent within six months, 45% within 12 months, 75% within 18 months, and 100% within two years. All spending targets must be met for the exception to apply.

The first issuance of the Bond in July 2015 included \$26.3 million in tax-exempt funds. Program setup, staff training, and ambitious spending projections caused the first issuance to miss spend-down targets; however, as of June 2019, the full issuance amount has been spent.

A second issuance of \$24.5 million occurred in January 2018. Due to factors discussed in the Performance section of this report, spending was much lower than anticipated and the six-month 10% spend-down target for the second issuance was not met. Permitting and construction delays for the Couch Park, Kenton Park, North Park Blocks, Mt. Tabor Yard, and St. Johns Community Center projects had a significant impact on spending. As of June 2019, four of the five projects have completed construction.

Over the last four years of Bond spending, interest rates have remained relatively low. Overall interest earnings on unspent bond proceeds have not exceeded levels allowed by the IRS. Moving forward, interest rates are anticipated to remain relatively low. Financial impacts to the Bond are not anticipated; however, rates are closely monitored to ensure compliance.

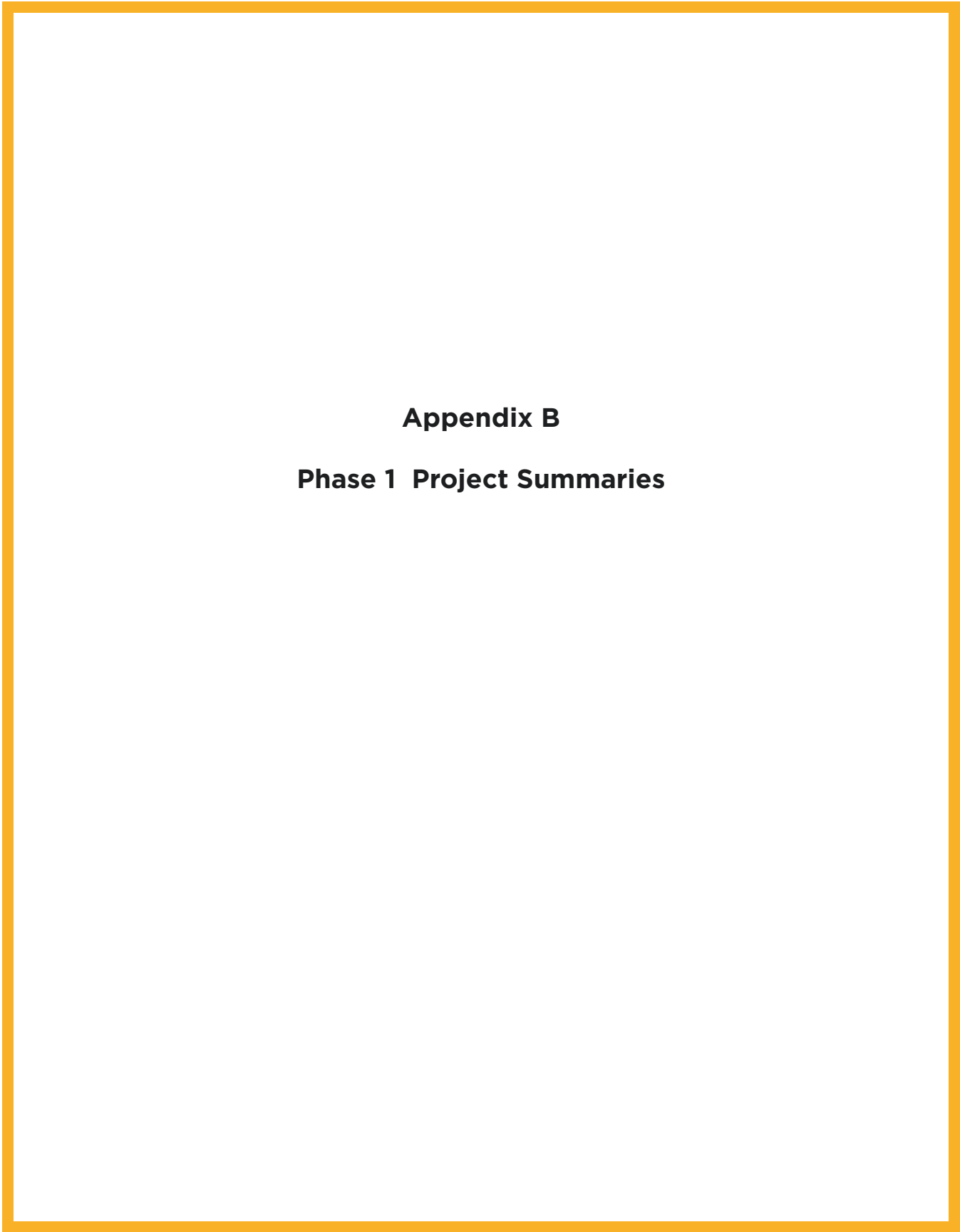
A third and final issuance is anticipated for early winter 2019. All Program spending is projected to conclude in FY 2020–21.



Spend to date versus Projected Spending

Bond Spend-down

— = Spend-to-date - - = Spending projections



Appendix B
Phase 1 Project Summaries

The Parks Replacement Bond was passed in November 2014 authorizing \$68 million in general obligation bonds for repair and replacement projects. The first Bond project list, known as Phase 1, was allocated \$47.6 million. These projects are summarized below. The remaining available Bond funding will be spent in Phase 2, as outlined in Appendix C.

Project criteria for the 2014 Parks Replacement Bond

The projects for the Phase 1 and Phase 2 Bond project lists were identified as urgent needs and prioritized with the following criteria:

1. Investing in projects that are immediate safety concerns or urgent repairs (urgency = highest probability of failure \times highest impact of failure). Equity ratings were also applied which factored in a higher rating for diverse communities of color, populations below the poverty level per Census data and youth below 18 years of age.
2. Investing in projects that reduce bigger costs later on
3. Responsible repairs for general deferred maintenance needs
4. Investing in energy efficiency
5. Increasing accessibility for all
6. Restoring services that are currently closed



Playgrounds

Replace or build 10 to 20 play structures that are closed, at risk of closure, or deficient



Couch Park
NW Glisan St. &
19th Ave.

✓ *Project completed*

Replace play equipment and correct adjacent Americans with Disabilities Act (ADA) deficiencies. Provide and install new play equipment, fall protection surfacing and new fencing as needed to separate the playground from the street and Dog Off Leash Area. Correct ADA deficiencies by renovating parts of the brick plaza walkway between the streets and the restroom. See separate listing under Restrooms category for a description of that work at this location.



Creston Park
SE 44th Ave. & Powell Blvd.

Replace play equipment and correct adjacent ADA deficiencies. Provide and install new play equipment and fall protection surfacing. Provide an ADA accessible path to the playground and the swings from SE Francis Street, and create an accessible parking space. Provide an ADA-compliant drinking fountain and benches. Protect the existing light fixtures and trees.



Kenton Park
8417 N Brandon Ave.

✓ *Project completed*

Replace play equipment and correct adjacent ADA deficiencies. Remove and replace outdated play structures, picnic tables, benches, drinking fountain, and pavement adjacent to the restroom. Provide new rubberized play surfacing, drainage, and curbs. Remove existing walkways and replace with ADA-compliant paths between N Delaware Avenue, restroom, and play area.



Lents Park
4808 SE 92nd Ave.

✓ *Project completed*

Replace play equipment and correct adjacent ADA deficiencies. Update the play opportunities in the playground. Create accessible circulation between the upper and lower levels of the play area. Replace picnic tables, benches, and the drinking fountain with accessible units. Make ADA corrections to walkways between SE Steele Street parking area, play area, and restroom. Restripe parking area on SE Steele Street for ADA compliance.



Lynchview Park
 SE 167th Ave. & Mill St.

Provide play equipment and correct adjacent ADA deficiencies. Accommodate a wide range of play for children of all ages. Provide new equipment, rubberized surfacing, benches, picnic table, drinking fountain, trash receptacle, and shade trees. Provide accessible parking stall. Create accessible pathways connecting new parking stall and the park entrances. See separate listing under Restrooms and Other category for a description of irrigation work at this park.



North Park Blocks
 NW Park Ave. & Couch St.

✓ *Project completed*

Update the play area. Remove and replace two aging play structures, a swing set, and rubberized surfacing. Move the lights to just outside the play area to provide more room for play equipment. Remove and replace the buckled, out-of-compliance walkways from the SW and NE corners to the play area.



Ventura Park
 SE 113th Ave. & Stark St.

✓ *Project completed*

Replace play equipment and correct adjacent ADA deficiencies. Remove and replace outdated play structures and play surface. Install larger play area with rubberized surfacing and subsurface drainage system. Replace pavement buckled by tree roots including bench pads and the bike rack pad. Re-install benches and bike rack. Remove ADA barriers at parking lot. Protect adjacent trees and lighting. See separate listing under Restrooms and Other category for a description of that work at this location.



Trails and Bridges

Preserve access to natural areas and open spaces by repairing trails and bridges



Forest Park: Maple Trail

✓ *Project completed*

Replace the deteriorating existing bridge abutments and construct a new trail bridge across Saltzman Creek.

The Maple Trail bridge failed in 2012, creating a gap in a popular walking trail loop. Make minor trail improvements at the bridge approaches.

**Forest Park: Lower
Macleay Trail***✓ Project completed***Replace two deteriorating trail bridges on the Lower
Macleay Trail and one bridge on the Wildwood Trail.**

Complete minor streambank bioengineering to enhance the health of Balch Creek. Connect the new bridges to existing trails. Fully restore impacted trails to pre-construction condition.

**Springwater Corridor
SE 45th Ave. &
Johnson Creek Blvd.**

Repair one bridge and stabilize the trail. Bridge 48 is located near the Johnson Creek Blvd. trailhead. It is the original wooden trestle bridge with footings in Johnson Creek and needs complete replacement. Additional repairs may be needed to stabilize the bank.

**Pools**

Prevent emergency closures, stop water leaks, improve water conservation and energy efficiency

**Grant Pool**

2300 NE 33rd Ave.

✓ Project completed

Replace outdated mechanical systems and correct pool deck ADA deficiencies. The pool's mechanical systems date to the 1920s and 1940s, and they need replacement. Overhaul the pool's mechanical systems, including all plumbing: pumps, pipes, strainer baskets, chemical controllers, sanitation systems, and sand filters. Update pool deck to correct ADA deficiencies, and provide two new pool lifts. Install new boiler, ventilate mechanical room, add UV system, reconfigure main drain, rebuild pool gutters and pool floor.

**Matt Dishman Community
Center Pool and Spa**

77 NE Knott St.

*✓ Project completed***Re-plaster the pool and replace the failing whirlpool spa.**

Replacing the spa includes full demolition of the existing spa, and construction of a new, reinforced concrete shell with tile overlay. Replace the spa mechanical system, including piping, circulation and therapy jets, filtration system, and chlorine feeders. Add UV filtration system to the spa. Expand capacity of the new spa with System Development Charges (SDC) funding.



**Peninsula Park Pool
Feasibility Study**
700 N Rosa Parks Way
✓ Project completed

Produce feasibility report to assess the condition of the existing pool systems, and provide recommendations for location of the new mechanical systems. Assumption of report is that Phase 2 of the Bond Program will provide funding to replace pool mechanical systems, including plumbing, pumps, motors, pipes, drains, strainer baskets, chemical controllers, sanitation systems (including a new UV system to reduce chlorine use), filters, and installation of a surge tank. Additional assumption is that funding would be provided to replace the gutters, existing ladders, guard towers, and steps; repaint the pool shell and allow for ADA improvements to the pool deck.



Protecting Workers

Improve safety, make critical upgrades, fix leaking roofs, update equipment at maintenance facilities



Mt. Tabor Yard
6437 SE Division St.

Construct new shop space per 2008 Master Plan. Design and construct new ~17,000 sq. ft. shop/warehouse and office facility space per the 2008 Master Plan for electric, paint, welding, fencing, facilities maintenance, and carpentry shops. A bicycle/pedestrian path connecting neighborhoods south of Division Street to Mt. Tabor Park is part of the project and will be funded via System Development Charges.



**Delta Park Urban
Forestry Yard**
10850 N Denver Ave.

Construct a new covered and secure storage area for large equipment and an enclosed shop building. Project elements include ~9,600 sq. ft. of covered secure equipment storage space, ~3,500 sq. ft. programmed for shop space and controlled storage, restrooms, showers, and lockers, along with demolition of the existing barn, and reconfiguration of the yard to optimize operations.

PCS

Pioneer Courthouse Square**Replace failing structures, fix leaks and cracks, make improvements at most-visited park**

Pioneer Courthouse Square
701 SW 6th Ave.
✓ Project completed

PCS

Replace aging infrastructure. Replace the waterproofing membrane that protects the underground occupied spaces. Retrofit the restrooms to meet ADA compliance and to create a new all-user restroom facility. Replace the aging HVAC and central control system components. Remove and replace the skylights to eliminate leaks below them. Provide handrails and other ADA improvements as required by code.

**Accessibility****Remove access barriers in parks throughout city**

**Washington Park
Rose Garden**
4001 SW Canyon Rd.
✓ Project completed



Remove ADA barriers from the main promenade extending the length of the Rose Garden. Remove ADA barriers from the ramp connecting the garden to the store plaza and from the path between the store plaza and the ADA parking at the tennis court area. Work included in the promenade aspect of the project includes extensive redesign to eliminate stairs in the center of the garden. Replace drinking fountain.

**Restrooms, Other Urgent Repairs****Prevent closures, replace and repair restrooms, roofs and other failing structures throughout the system**

Argay Park Tennis Courts
NE 141st Ave. &
Shaver St.
✓ Project completed



Rebuild and upgrade all four existing tennis courts. Upgrade lighting. Replace all fencing, nets, and stanchions. Rebuild the playing surface, necessary to eliminate substantial cracking and differential settlement. Replace existing player benches, signage, and drinking fountain. Correct deficiencies in ADA path of travel to the courts from NE 141st Avenue.



Bloomington Park Restrooms
SE 100th Ave. & Steele St.
✓ Project completed

Renovate the existing restroom and correct ADA deficiencies. Demolish interior partitions, and reconfigure interior spaces to provide two all-user restrooms, one of which is to be ADA-compliant. Provide new lighting, floor drains, floor finish, and ADA-compliant fixtures. Provide new roof, and repair and repaint exterior surfaces. Preserve storage closet. Correct ADA deficiencies on walkways between the playground and SE Steele Street, restroom, and playground. Replace curb ramp at SE Steele Street, and stripe for ADA parking at curb ramp.



Couch Park Loo
NW Glisan St. & 19th Ave.
✓ Project completed

Add a Portland Loo. Convert the existing restroom to provide maintenance and recreation support functions. Extend water, electrical, and sanitary sewer systems to serve new Loo. Correct ADA deficiencies in the pavement immediately surrounding the restroom building and Loo. Refer to the Couch Park Playground project for ADA path-of-travel corrections to NW Glisan and NW Hoyt.



Colonel Summers Park Loo
SE 17th Ave. & Taylor St.
✓ Project completed

Add a Portland Loo. Work with stakeholders to determine the new Loo location and treatment of the existing restroom building. Provide water, electrical, and sanitary sewer systems to serve the new Loo. Provide new ADA-compliant pathways to Loo, pavilion, and splash pad.



Ed Benedict Park Restroom
SE 102nd Ave. & Powell Blvd.
✓ Project completed

Eliminate ADA barriers to the restroom near the skatepark. Make minor renovations to the restroom so that it can remain open year-round.



Raymond Park Loo
SE 118th Ave. & Raymond St.
✓ Project completed

Install a new Portland Loo. Locate new Loo and provide water, electrical and sanitary sewer systems to serve it. Provide ADA-compliant path to the Loo.

**Glenwood Park Restrooms**SE 87th Ave. &
Claybourne St.*✓ Project completed***Renovate existing restrooms and correct ADA deficiencies.**

Reconfigure interior spaces to provide two all-user, ADA compliant restrooms. Provide new lighting, floor drains, floor finish, and ADA-compliant fixtures. Provide new roof. Repair and repaint exterior. Correct ADA deficiencies to path from SE 89th Avenue by repairing three sections of non-compliant asphalt paving. Replace curb ramp at SE 89th Avenue, and stripe for ADA parking at curb ramp.

**Lynchview Park Irrigation**

SE 167th Ave. & Mill St.

Replace non-functioning irrigation system. New area-specific irrigation system will provide a high level of water efficiency utilizing a weather based central irrigation control platform. Include irrigation for sports fields and playground area (3 zones), backflow, controller, Maxicom, and all accessory plumbing.

**Mary Rieke Soccer Field**

1405 SW Vermont St.

✓ Project completed

Renovate synthetic playing field. Demolish existing field, perform geotechnical investigation to identify drainage and subsidence issues. Correct geotechnical issues, install sub-base and drainage system. Install new synthetic field with furnishings, curbing, and accessible pathway between school and new field. Install conduit to allow lighting in a future phase.

**Mt. Tabor Summit
Restrooms**

SE 60th Ave. & Salmon St.

*✓ Project completed***Restore summit restrooms and correct ADA deficiencies.**

Reconfigure interior spaces to provide two all-user restrooms, one of which is to be ADA compliant. Replace plumbing and electrical systems, finishes, fixtures, lighting, and interior and exterior paint. Replace water service line to pump house. Provide a new roof. Winterize facility for year-round use. Restore exterior façade. Improve exterior path by replacing existing asphalt paving and providing fully-accessible path from Harvey Scott Drive.

**Multnomah Arts Center
Seismic Study**

7688 SW Capitol Hwy.

✓ Project completed

Analyze seismic needs for the main building. Develop strategy and cost estimates for addressing the highest priority seismic improvements to the main building that were analyzed in the 2008 Comprehensive Seismic Repair Report.



**Multnomah Arts Center
 Cottages Study**

7688 SW Capitol Hwy.

✓ *Project completed*

Conduct a study to assess mitigation options for ADA deficiencies identified at the cottages. Develop a strategy and cost estimate for addressing ADA deficiencies. Consider restrooms, adding a ramp from lower parking lot, and additional ramps to the cottages.



Parklane Park Loo

SE 155th Ave. & Main St.

✓ *Project completed*

Install a Portland Loo and correct ADA deficiencies. Locate new Loo near the play area and provide water, electrical, and sanitary sewer systems to serve it. Provide ADA compliant paths to connect Loo to the sidewalk and the play area.



Sellwood Pool

Bathhouse Roof

SE Miller St. & 7th Ave.

✓ *Project completed*

Replace bathhouse roof. Match historic character of the building. Make diaphragm and seismic improvements as required. Rebuild or replace deteriorated roof windows and windows on the pool side of the structure. Make minor improvements to exterior brick work.



**St. Johns Community
 Center Roof**

8427 N Central Ave.

✓ *Project completed*

Make various repairs at this 1940s facility. Install a new roof covering: strip the roof, make needed repairs to the decks, install ice and snow shield on the low slopes, and install a high efficiency roof. Make seismic upgrades as required by code. Resolve various HVAC issues: remove two unit heaters from the gym; replace with roof top gas heating and air conditioning units; replace AC-1, 2, 3, and 4; modify duct work to classroom served by AC-1 providing both return and supply; replace central control monitoring system throughout the building.



Ventura Park Loo

SE 113th Ave. & Stark St.

✓ *Project completed*

Install a Portland Loo. Locate Loo near the play area and provide water, electrical, and sanitary sewer systems to serve it. Provide ADA-compliant connections to the sidewalk and the play area. See separate listing under the Playground category.

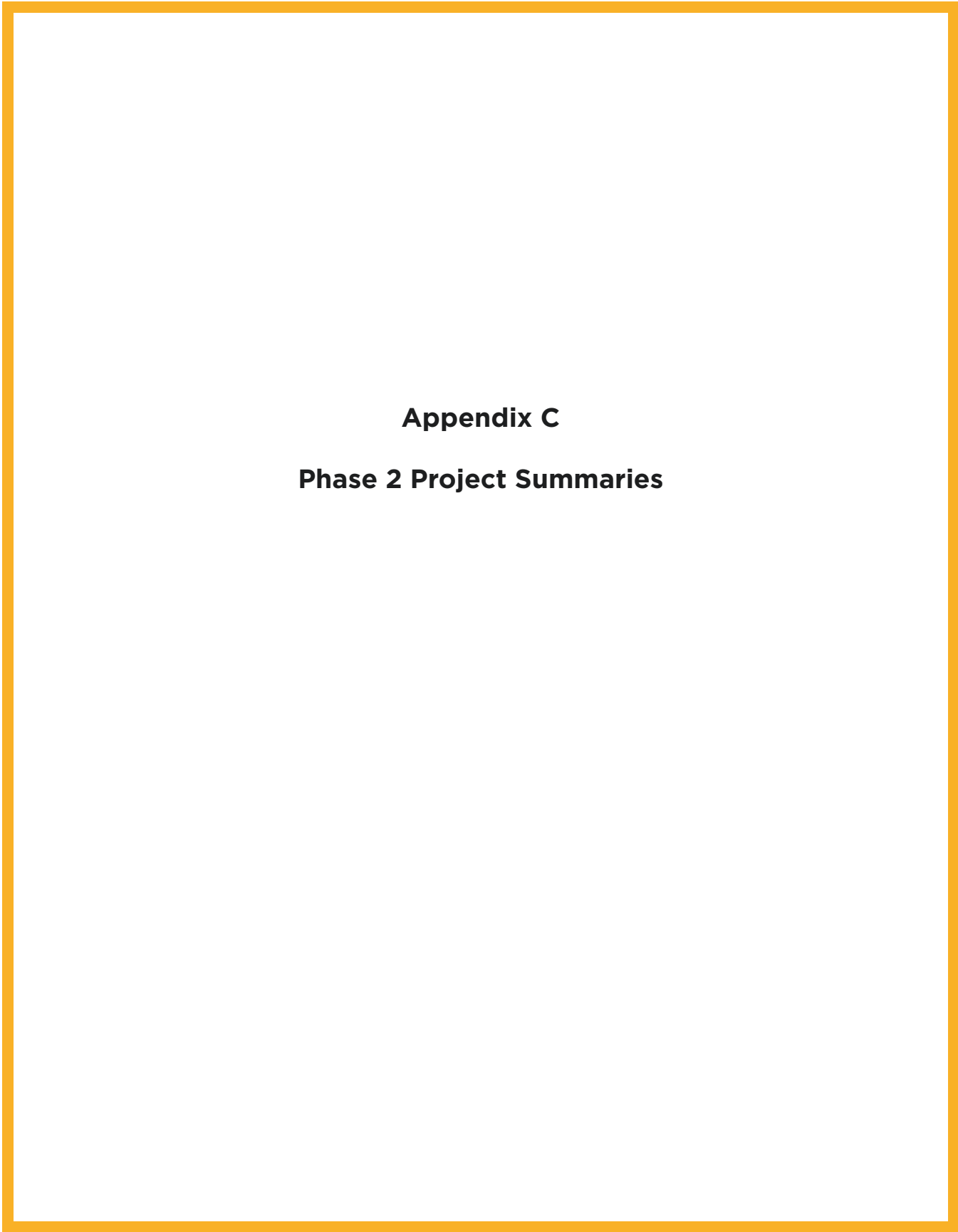


Wilkes Park Loo

NE 154th Ave. & Beech St.

✓ *Project completed*

Install a Portland Loo. Work with stakeholders to select the best location near the play area. Provide water, electrical, and sanitary sewer systems to serve the Loo. Provide ADA-compliant connections to the sidewalk and the play area.



Appendix C
Phase 2 Project Summaries

The Parks Replacement Bond Phase 2 projects described below were identified in the second year of the Bond. Together the Phase 1 and Phase 2 projects meet the obligations of the original Bond language by providing a slate of projects that meet the spending and thematic obligations outlined in the measure. The Phase 2 list was developed with information sourced in asset management assessments, the 2014 Parks Replacement Bond project criteria, equity ratings, cost estimates, public outreach, and City Council approval.



Playgrounds

Replace or build 10 to 20 play structures that are closed, at risk of closure, or deficient (at least \$5M for the life of the Bond).

Accomplished by Bond Phase 1: \$9.7M spent, 7 playgrounds

Required for Bond Phase 2: 3 playgrounds



Gabriel Park

SW 45th Ave. & Vermont St.

Replace play structures and surfaces, and correct ADA deficiencies. Remove and replace existing play equipment and fall protection surfacing to provide an inclusive play space. Make path of travel improvements between parking area and playground by removing and replacing park walkway. Provide site grading as needed. Replace drinking fountain. If budget allows, provide stair access to Vermont Street and consider ADA upgrades to the restrooms. Expanded play areas to provide Destination Inclusive Play will be funded by System Development Charges.



Gilbert Primary Park

SE 134th Ave. & Foster Rd.

Replace play structures (including a slide that tested positive for lead paint) and surfaces. Correct ADA deficiencies. Remove and replace existing play equipment and fall protection surfacing. Provide a safe play space. Make path-of-travel improvements between adjacent streets and playground by removing existing wood chip path and replacing it with an ADA-compliant asphalt pathway. Provide site grading as needed.



Glenhaven Park

7900 NE Siskiyou St.

Replace play structures and surfaces and correct ADA deficiencies. Remove and replace existing play equipment and fall protection. Make path-of-travel improvements from sidewalk to playground by removing and replacing park walkway. Provide site grading as needed.



Playground Pieces & Drainage

Replace play equipment that needs repair and/or has tested positive for lead-based paint (up to \$3M designated for Phase 2. A minimum of 30 parks will be completed).



Play Pieces

Replace play equipment that needs repair and/or has tested positive for lead-based paint. All play pieces with lead-based paint in the park system have been removed or fenced off and designated for removal. Due to limited funds, equipment with high play value such as slides, swings, and whirls has been prioritized for replacement first. Albert Kelly, Argay, Berkeley, Bloomington, Colonel Summers, Flavel, Fulton, Hancock, Irving, Knott, Laurelhurst, Mt. Tabor, Pendleton, Sewallcrest, University Park, Washington, Wilkes, Wilshire, and Woodstock Parks.



Drainage

Make drainage improvements or replace engineered wood fiber (ADA-approved wood chips). Burlingame, Clinton, Harney, Patton Square, Peninsula, Pier, Portsmouth, South Park Blocks, Sunnyside School, and Woodlawn Parks.



Trails and Bridges

Preserve access to natural areas and open spaces by repairing bridges and trails (at least \$5M during the life of the Bond).

Accomplished by Bond Phase 1: \$3.73M spent

Required for Bond Phase 2: \$1.26M



Foley-Balmer Natural Area
SW 18th Place &
Collins St.

Replace the bridge allowing access in Foley-Balmer Natural Area. There is currently no built access across Tryon Creek in Foley-Balmer Natural Area. This project site is within an Environmental Protection Zone, and will require an Environmental Land Use Review, review by the U.S. Army Corps of Engineers, and potential review by other state and federal agencies depending on impacts to the site.



Marshall Park
SW Boones Ferry Rd. &
Arnold St.

Replace the bridge allowing access across Owl Creek. The existing bridge is closed to the public due to poor structural condition. This project site is within an Environmental Protection Zone, and will require an Environmental Land Use Review, review by the U.S. Army Corps of Engineers, and potential review by other state and federal agencies depending on impacts to the site.



**Springwater Corridor
Bridge #140 (by SE Circle
Ave./Powell Butte)**

Remove and replace existing timber bridge deck with long-wearing and slip-resistant asphalt deck. Current decking is hazardous to use during rainy conditions.



Pools

Prevent emergency closures, stop water leaks, improve water conservation and energy efficiency (at least \$5M during the life of the Bond).

Accomplished by Bond Phase 1: \$3M spent

Required for Bond Phase 2: \$2M



Peninsula Park Pool
700 N Rosa Parks Way

Update all pool mechanical and circulation systems in order to meet code and improve water quality. Address accessibility barriers so more users can enjoy the pool. This pool was built in 1912, and most of the existing mechanical systems date to the mid-20th century. Systems do not meet current code and are highly inefficient.



Accessibility

Remove access barriers in parks; recent report found tens of thousands of barriers across park system (up to \$5M during the life of the Bond).

Accomplished by Bond Phase 1: \$2.3M spent

Required for Bond Phase 2: Bond obligation met; additional ADA improvements with Phase 2 projects



East Portland Community Center ADA Issues
740 SE 106th Ave.

Address ADA issues identified in 2014 ADA Transition Plan barriers report. This project will address known barriers located in the entry area of the Community Center.



Mt. Tabor Park Handrails
SE 60th Ave. and Salmon St.
✓ Project completed

Replace and provide ADA-compliant handrails for the grand staircase in the northeast corner of the park. This project will occur in conjunction with the installation of new handrails toward the top of this staircase (funded by System Development Charges).



Multnomah Arts Center Cottages
7688 SW Capitol Hwy.

Improve accessibility. These cottages are currently used and programmed by PP&R. Project scope will be based on the feasibility study performed in Phase 1 of the Bond.



Restrooms, Other Urgent Repairs

At least \$5M.

Accomplished by Bond Phase 1: \$8.9M spent

Required for Bond Phase 2: Bond obligation met; additional repairs with Phase 2 projects.



Fernhill Park Water Supply

6010 NE 37th Ave.

✓ *Project completed*

Remove lead in water supply. Current potable water fixtures have been closed. Project scope includes a reconfiguration of the plumbing to eliminate lead-contaminated features as well as a new potable water service. Project will occur in conjunction with restroom renovation and splash pad installation (funded by System Development Charges).



Matt Dishman Community

Center Roof

77 NE Knott St.

This project will replace the leaking roof at Matt Dishman Community Center. Install a new roof, make needed repairs to the decks.



Matt Dishman Community

Center Electrical

77 NE Knott St.

✓ *Project completed*

This project will replace parts of the electrical system. The improvements will increase both the reliability and the safety of the electrical system that is more than 40 years old.



Montavilla Community

Center Roof

8219 NE Glisan St.

Replace roof. Montavilla Community Center was built in the 1920s with several improvements and expansions occurring since. The roof is beyond its service life, and its replacement has become a high priority.



Multnomah Arts Center

Seismic Repairs

7688 SW Capitol Hwy.

✓ *Project completed*

Make seismic repairs to the main building. Project scope will be based on the feasibility study performed in Phase 1 of the Bond. The primary goal of the improvements is to provide a structure that allows patrons to exit the building safely should a seismic event occur.



Pier Park Restroom
10325 N Lombard St.

✓ *Project completed*

Demolish existing restroom (aka the “tin shed”) near the intersection of N Bruce St. and James Ave. Install new Portland Loo in same location. There will be several ADA upgrades as well: re-grade pathway to new Loo, install new drinking fountain, and make area around information board accessible.



Sellwood Park Kitchen Roof
SE Miller St. & 7th Ave.

✓ *Project completed*

Replace the roof. In recent years, a complete electrical system and appliance renovation occurred, and the structure is frequently permitted for use. Replacement of the roof will ensure the kitchen’s continued viability.

The Bond projects below are underway or completed.



Protect Workers

Improve safety, make critical upgrades; fix leaking roofs, update equipment at maintenance facilities (up to \$10M during the life of the Bond).

Accomplished by Bond Phase 1: \$10M spent
Required for Bond Phase 2: Bond obligation met



Pioneer Courthouse Square

Replace failing structures, fix leaks and cracks, make improvements at our most visited park—10 million visits annually (up to \$10M during the life of the Bond).

Accomplished by Bond Phase 1: \$10M spent
Required for Bond Phase 2: Bond obligation met

Appendix D

**Performance Audit of the
Parks Replacement
Bond Program**

Performance Audit of the Parks Replacement Bond Program

**Prepared for:
Portland Parks & Recreation**

Harvey M. Rose Associates, LLC

<http://www.harveyrose.com>

January 28, 2019

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January 28, 2019

Robin Laughlin, Bond Program Manager
Portland Parks and Recreation
1120 SW 5th Avenue, Suite 1302
Portland, Oregon 97204

Dear Ms. Laughlin

Attached is the report on the *Performance Audit of the Parks Replacement Bond Program*. The objectives of this audit were to determine if:

- The Bond Program funds were spent in a manner that adheres to the language of the measure approved by the voters, approving \$68 million in general obligation bonds to fix and improve Portland Parks and Recreation facilities while not increasing the property tax rate from the current rate of \$0.0877 per \$1,000 of assessed value; and
- The Bond Program is operating in a fiscally responsible manner, including maintaining fiscal accountability as a core driver, ensuring Bond dollars are clearly and separately tracked, and ensuring integrity and accuracy of financial statements.

We found that the Bond Program funds were spent in a manner that adheres to the language of the measure approved by the voters, and that the Bond Program is operating in a fiscally responsible manner.

Our report contains five findings and eight recommendations that are intended to improve the efficiency of the Bond Program. These areas of increased efficiency include (1) reviewing and adjusting how project contingencies and cost escalation for Bond Program staff are calculated and incorporated into the project budget templates, (2) formalizing the process for timing project spending and bond issuances, (3) revising the method for charging citywide overhead rather than Bond Program administrative costs to bond projects, (4) documenting procedures to track bond and non-bond funding by project, and (5) formalizing and documenting contracting practices.

We would like to thank the Asset and Development Division Manager, the Bond Program Manager and Bond Program staff, and Portland Parks and Recreation and City of Portland staff for their time and assistance in preparing this report. We would also like to acknowledge your written response to our audit findings and recommendations, beginning on page 43 of this report.

Sincerely

Severin Campbell, Principal
Harvey M. Rose Associates LLC

Executive Summary

The objectives of the *Parks Replacement Bond Performance Audit* were to determine if:

- The Bond Program funds were spent in a manner that adheres to the language of the measure approved by the voters, approving \$68 million in general obligation bonds to fix and improve Portland Parks and Recreation facilities while not increasing the property tax rate from the current rate of \$0.0877 per \$1,000 of assessed value; and
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Bond Program

Portland voters approved a ballot measure in 2014, allowing the City to issue up to \$68 million of general obligation bonds to fund capital repairs and improvements to the City's parks and recreation facilities. The bond funds would be used for the following project themes:

- Accessibility
- Pioneer Courthouse Square
- Playgrounds
- Pools
- Protect workers
- Restrooms and other repairs
- Trails and bridges

The Parks Replacement Bond Program consists of 52 projects divided into two phases, of which 34 were in Phase I (21 of which are completed) and 18 are scheduled for Phase II.

The total Parks Replacement Bond Program budget is \$78.5 million, of which \$68.3 million are bond funds (including interest earnings) and approximately \$10.2 million are other funds, as shown in Exhibit i below. As of July 2018, the Bond Program had spent \$28.3 million of the \$68.3 million in bond funds.

Exhibit i: Program Budget Summary as of July 2018

Theme	Bond Allocation	Other Funds	Total Budget
Accessibility	\$2,718,484	\$0	\$2,718,484
Pioneer Courthouse Square	10,000,000	150,000	10,150,000
Playgrounds	16,538,062	6,000,000	22,538,062
Pools	5,832,325	208,000	6,040,325
Protect Workers	9,907,716	2,000,000	11,907,716
Restrooms and Other Repairs	15,313,870	1,790,951	17,104,821
Trails and Bridges	6,015,671	0	6,015,671
Program Contingency	2,000,000	0	2,000,000
Total	\$68,326,128	\$10,148,951	\$78,475,079

Source: Auditor's analysis based on Bond Spend Projection Comparison 2015-2018

The City sold \$52.8 million in Parks Replacement Bonds in 2015 and 2018, and plans to sell a third and final series of Parks Replacement Bonds in 2019 to fund completion of Phase II projects.

Findings and Recommendations

1. The Bond Program's practices for estimating costs and budgeting contingencies resulted in net surpluses for completed projects

As of July 2018, the Bond Program is projected to have \$3.4 million in funds to allocate to additional projects or to existing projects that exceed their bond allocation due to project savings and unassigned contingencies. Two project themes – restrooms and other repairs, and playgrounds - have surpluses of more than 20 percent of their bond allocation for completed projects. These surpluses were offset by one project theme – pools – which exceeded its budget allocation by 14.6 percent for completed projects. Additional cost overruns are anticipated for a few on-going projects, including the Peninsula Pool Mechanical project and Mt. Tabor Yard.

Project surpluses have resulted from budgeting practices as well as cost containment efforts. The Bond Program includes contingencies in project budgets for each project component (construction, external soft costs, internal soft costs), and escalates project costs each year by the construction cost index of 6.05 percent. The construction cost index may overstate the escalation in internal soft costs, which do not mirror costs increases in the construction industry, contributing to surpluses in projects' internal soft costs of more than 24 percent.

While it is important for projects not to exceed their budgets, budgeting more for contingencies and escalation than is necessary diverts funds from other projects. The Bond Program could potentially have included additional projects in Phase II if surplus bond funding had been known to be available. Because construction costs – both labor and materials – are rising, having funds to begin and complete additional projects at an earlier point in the program could reduce future costs that would otherwise be incurred.

As of October 2018, approximately \$1.1 million of the Bond Program's \$2.0 million contingency has been allocated to cover cost overruns in the Grant Pool and Peninsula Pool

Mechanical projects, and the remaining \$0.9 million was unassigned. The \$3.4 million in funds available for re-allocation include the unassigned portion of the Bond Program's \$2 million contingency.

Recommendation 1: The Bond Program Manager should document the program's approach to reallocating the approximately \$3.4 million in available bond funds to existing projects or new projects, such as projects that were considered for Phase II but ultimately not selected, and report on that approach to the Bond Oversight Committee.

Recommendation 2: The Bond Program Manager should consider adjusting the contingency and escalation assumptions for internal soft costs in the Program Budget Template for future projects based on analysis of actual spending.

2. Bond Program project spending was slower than anticipated when the first two series of Parks Replacement bonds were sold

Due to lower than expected spending, the Bond Program missed all four spending targets for the first bond issuance in 2015. The Internal Revenue Service (IRS) Code limits interest earnings on bond proceeds to deter state and local governments from issuing tax-exempt bonds in order to invest the proceeds and earn interest, requiring the rebate of excess interest earnings to the IRS. While the Parks Replacement Bond Annual Report noted that current low interest rates prevent excess interest earnings on bond proceeds, rising interest rates could result in higher-than-allowed interest earnings on bond proceeds in the future if spending of the bond proceeds is not timely.

The Bond Program is expected to miss two out of four spending targets for the second bond issuance in 2018, which does not conform to the Program's fiscal policies. The second bond series were issued earlier than were needed for actual project spending due to inadequate communication among program staff regarding project delays and the pace of construction, a faster than anticipated Bond issuance approval process, and in order to maintain a stable property tax rate for City residents, which was promised to the voters but is not the general practice for the City's other general obligation bonds. Bond Program staff has already taken steps to address these issues, but we believe the Program would benefit from formalizing and documenting these processes.

Recommendation 3: The Bond Program Manager should formalize and document existing procedures on how to determine timing and size of bond issuance in advance of the third bond issuance in 2019. The procedures should specify how maintaining stable property tax rates will be prioritized among other considerations.

Recommendation 4: The Bond Program Manager should direct the Management Analyst to formalize and document existing procedures to (a) communicate with project managers and make necessary adjustments to spending projections for their projects; and (b) compare actual and projected spending on a regular basis to determine if other adjustments are necessary to improve the accuracy of projections.

3. The Bond Program's practice to budget citywide overhead in bond projects but reimburse the Program's administrative costs from bond funds could be difficult to reconcile

The City of Portland allocates overhead costs for general central support services to the City's bureaus in time for the bureaus to incorporate the overhead allocation into their annual budget requests. Portland Parks & Recreation incorporates these overhead allocations, calculated as a percentage of staff time, into the budgets for the Capital Improvement Program and Bond Program. Portland Parks & Recreation found in 2016 that the administrative costs (called "common costs") for starting up the Bond Program, including setting up computers, training and other expenses for Bond Program staff, exceeded the citywide overhead charged to the Bond Program. The Bond Program's common costs prior to FY 2016-17 of \$794,166 were \$169,912 more than overhead costs of \$624,254 reimbursed by the Bond Program. While the budget templates for the Bond Program still incorporate the citywide overhead allocation, beginning in FY 2016-17, the Bond Program began requesting monthly reimbursement for common costs rather than overhead costs from bond funds.

Between FY 2015-16 and FY 2017-18, total citywide overhead allocations to Bond Program projects were \$1,966,089, which varied by only one percent from common costs reimbursed by bond funds of \$1,949,188. However, the annual variance ranged from common costs being 27 percent *more* than the citywide overhead allocation in FY 2015-16 to 28 percent *less* than the citywide overhead allocation in FY 2017-18. According to interviews with Bond Program staff, reconciling the difference between overhead costs and common costs will be more difficult as the difference between these costs increases. According to these interviews, allocating citywide overhead percentages to Bond Program projects, as is done with Capital Improvement Program projects, would more accurately reflect overhead costs incurred by the Bond Program. Going forward, the Bond Program should revise their practices to consistently charge citywide overhead percentages to Bond Program projects in order to reflect overhead costs incurred by the projects and avoid potentially difficult reconciliation of common costs to overhead costs each year.

Recommendation 5: The Bond Program Manager should revise Bond Program practices to consistently charge citywide overhead percentages to Bond Program projects in order to reflect overhead costs incurred by the projects and avoid potentially difficult reconciliation of common costs to overhead costs each year.

4. The Bond program's tracking of System Development Charges and other non-bond funds allocated to Bond program projects is inconsistent among projects

Bond-funded projects may also include System Development Charges (SDC) and other funds for project components not eligible for bond funding. The Park Replacement Bond funds are to be used for repairs and improvements to existing playgrounds, pools, restrooms, bridges and trails, and other facilities, while SDC funds pay for the acquisition and development of new parks, trails, and natural areas across the City.

Bond funds and SDC funds were approved for different purposes, and therefore, need to be tracked according to the purpose for which they were approved. While Portland Parks & Recreation finance staff set up separate project codes for charging bond and non-bond funds for project costs, written bond program policies do not specify how SDC and other project

funds are to be tracked. The Bond program is inconsistent in tracking how non-bond funds are spent on Bond projects; three of the 21 completed projects combined bond and SDC funding in their tracking documents, so that it was not possible to tell how much of each funding source had been spent, and an additional two projects included all funding sources in their projected spend amounts but excluded other (non-bond) funding sources in their original budget amounts.

Recommendation 6: The Bond Program Manager should document procedures to budget and track bond and non-bond funding by project going forward.

5. Monitoring of on-call contracts and contractor performance could be better coordinated

Portland Parks & Recreation follows the City's contracting procedures for professional services. The pool of on-call professional service contractors selected by Portland Parks & Recreation is available to both the Bond Program and the Capital Improvement Program. Although on-call contracts and task orders are entered into the City's financial system, SAP, the Bond Program tracks on-call contracts for Professional/Technical/Expert services manually via five excel spreadsheets (contract insurance tracking, funds remaining, next in rotation, etc.), making it difficult to monitor contracts that have expired insurance documents, have terms that are ending, or have insufficient funds remaining. The Bond Program would benefit from formalizing and documenting existing policies and procedures for on-call Professional/Technical/Expert services contract management and monitoring to ensure the availability of sufficient qualified contractors to meet future needs

In addition, neither the City nor the Parks Replacement Bond Program has a formal process to evaluate contractors. In the absence of a documented process to evaluate contractor performance, the Bond Program risks using underperforming contractors, or faces potential liability for not using contractors who underperform but for whom underperformance has not been documented. Portland Parks & Recreation staff should consult with Procurement Services to determine how Bond Program staff can evaluate and work with contractors to improve their performance.

Recommendation 7: The Portland Parks & Recreation Director should consult with the City's Director of Procurement to determine how Bond Program staff can evaluate and work with contractors to improve their performance.

Recommendation 8: The Portland Parks & Recreation Director should request that staff in the Operations and Strategies Division formalize and document existing policies and procedures for on-call PTE contract management and monitoring to ensure the availability of sufficient qualified contractors to meet future needs.

We would like to thank the Portland Parks & Recreation Asset and Development Division Manager, Bond Program Manager, Bond Program Management Analyst, Bond Program Office Support Specialist, Bond Program project managers, Operations and Strategies Division Procurement Analyst, and City of Portland Debt Management staff for their assistance in providing information, answering questions, and reviewing this report.

Introduction

Audit Objectives

The objectives of the *Parks Replacement Bond Performance Audit* were to determine if:

- The Bond Program funds were spent in a manner that adheres to the language of the measure approved by the voters, approving \$68 million in general obligation bonds to fix and improve Portland Parks and Recreation facilities while not increasing the property tax rate from the current rate of \$0.0877 per \$1,000 of assessed value; and
- The Bond Program is operating in a fiscally responsible manner, including maintaining fiscal accountability as a core driver, ensuring Bond dollars are clearly and separately tracked, and ensuring integrity and accuracy of financial statements.

Audit Scope

The *Parks Replacement Bond Performance Audit* evaluates the Bond Program's performance, including Bond Program decision making and control structures, Bond Program activities and spending, and the Portland Parks and Recreation oversight and monitoring. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Methodology

To conduct this performance audit, we interviewed Bond Program and debt management staff, collected program documents, and assessed major risks to program performance. Following our initial survey and risk assessment, we conducted follow-up interviews, more detailed review of program documents, and an in-depth review of three Bond Program projects: Argay Park Tennis Court, Lents Park Playground, and Pioneer Courthouse Square. Details of our performance audit methodology are in Appendix II to this report.

We submitted a confidential draft report, summarizing our findings and recommendations, to the Bond Program Manager on September 18, 2018, and conducted an exit conference with Bond Program staff on October 23, 2018. Based on information provided at the exit conference, we revised our report and submitted our final report to the Bond Program Manager on November 2, 2018. The Bond Program Manager provided a written response to our findings and recommendations, attached to this report beginning on page 43.

Summary of Audit Results

We found that the Bond Program funds were spent in a manner that adheres to the language of the measure approved by the voters, and that the Bond Program is operating in a fiscally responsible manner. Our report contains five findings and eight recommendations that are intended to improve the efficiency of the Bond Program. These areas of increased efficiency include (1) reviewing and adjusting how project contingencies and cost escalation for Bond

Program staff are calculated and incorporated into the project budget templates, (2) formalizing the process for timing project spending and bond issuances, (3) revising the method for charging citywide overhead rather than Bond Program administrative costs to bond projects, (4) documenting procedures to track bond and non-bond funding by project, and (5) formalizing and documenting contracting practices.

Bond Program

Portland voters approved a ballot measure in 2014, allowing the City to issue up to \$68 million of general obligation bonds to fund capital repairs and improvements to the City's parks and recreation facilities. The bond measure provided for a five-member oversight committee to review bond expenditures and report annually to the City Council, and performance audits to ensure that projects funded by the bonds are consistent with voter intent.

According to the ballot measure, bond funds would be used for eight project themes:

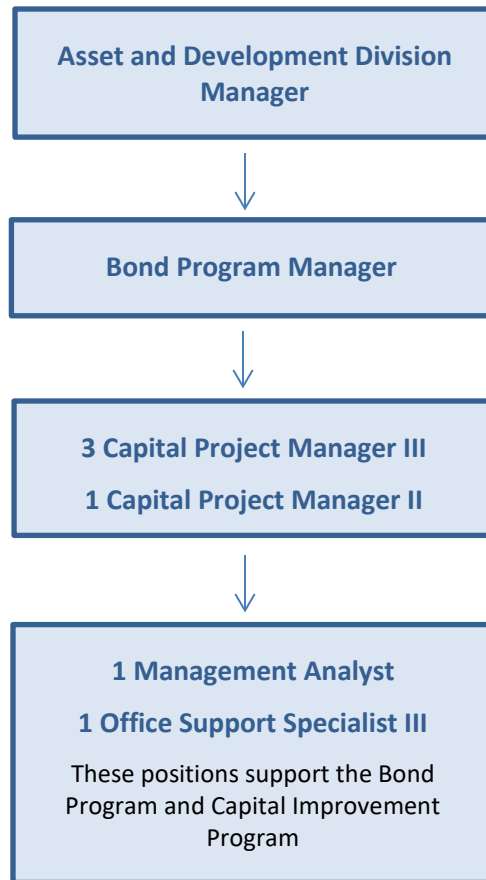
- 10 to 20 play areas that were currently closed, at risk of closure, or deficient, including Couch, Creston, Kenton, Lents, Lynchview, North Park Blocks, and Ventura parks;
- Trails and bridges, including in Forest Park;
- Community pools, including Matt Dishman, Peninsula Park, and Grant Park;
- Sellwood Park buildings, Rieke Field, Multnomah Arts Center, and St. Johns Community Center;
- Restrooms, roofs, other deficient parks, structures, and equipment, including restroom improvements at Bloomington, Couch, Colonel Summers, Ed Benedict, Glenwood, Lynchview, Mount Tabor, Parklane, Ventura, and Wilkes Parks;
- Pioneer Courthouse Square failing structures, leaks, and cracks;
- Barriers to accessibility for people with disabilities; and
- Park maintenance facilities to address worker safety and efficiency.

The Parks Replacement Bond Program is divided into two phases. Phase I projects were published in July 2014. Phase II projects were to be determined in 2015-2016, following staff recommendations and public input. The program includes 52 bond-funded projects, of which 34 were in Phase I and 18 are in Phase II. Of the 34 Phase I projects, 21 have been completed.

Assets & Development Division

The Bond Program sits in the Portland Parks & Recreation Assets & Development Division. The Bond Program is one of several programs reporting to the Assets & Development Division Manager. Other direct reports are Central Services, Asset Management, Planning, Engineering and Construction, and the Capital Improvement Program.¹ The Bond Program Manager reports directly to the Assets and Development Division Manager, and oversees the project managers and support staff for the Bond Program.

¹ The Capital Improvement Program is funded largely by System Development Charges (SDC) charged to residential developers. Capital program projects differ from bond projects in that capital program projects are to enhance or expand Parks and Recreation facilities, while the Bond Program projects repair and replace existing Parks and Recreation facilities.



While the Bond Program has dedicated staffing, capital program project managers may also be assigned to bond-funded projects in order to meet the program's staffing needs.

Bond Program Projects

Projects Approved in Phase I

The projects approved in the 2014 ballot measure gave general information on the themes and specific projects to be funded. The information presented to the City Council and public provided more detail on the themes and projects to be funded in the first phase. Playgrounds, trails and bridges, pools, and restroom and other urgent repair projects set minimum funding levels. Three themes – Pioneer Courthouse Square renovation, accessibility, and maintenance facilities safety improvements and renovation – set maximum funding levels. Phase I project funding was \$45 million of the \$68 million bond, as shown in Exhibit 1 below.

Exhibit 1: Phase I Themes, Projects, and Funding Allocations

Theme	Parks and Facilities	Project Description	Funding Amount
Playgrounds	Couch Park, Creston Park, Kenton Park, Lents Park, Lynchview Park, North Park Blocks, Ventura Park	Replace outdated play structures; update play areas; create ADA accessible access (Lents Park); add play features	At least \$5 million
Trails & Bridges	Maple Trail, Forest Park, Springwater Corridor Trail	Replace and repair bridges; stabilize trails	At least \$5 million
Pools	Grant Park, Matt Dishman Community Center, Peninsula Park	Replace mechanical systems; replace whirlpool at Matt Dishman Community Center	At least \$5 million
Restrooms	Bloomington Park, Couch Park, Colonel Summers Park, Ed Benedict Park, Glenwood Park, Mount Tabor Park, Parklane Park, Ventura Park, Wilkes Park	Install new or repair/replace existing restrooms	
Other Repairs	Argay Park, Lynchview Park, Reike regional soccer field, Multnomah Arts Center, Sellwood Park, St. Johns Community Center	Resurface tennis courts (Argay); upgrade irrigation system (Lynchview); renovate turf and re-open field (Reike); improve access and make structural repairs (Multnomah Arts Center); repair roofs (Sellwood); and capital repairs and improvements (St. Johns)	At least \$5 million
Accessibility	Citywide	Increase accessibility and remove barriers	No more than \$5 million
Protect Workers	Mt. Tabor Yard and Urban Forestry-Delta Park	Major repairs to maintenance facilities to ensure worker safety	No more than \$10 million
Pioneer Courthouse Square	Pioneer Courthouse Square	Replace failing structures, waterproof membrane, make other improvements	No more than \$10 million
Total			\$45 million

Source: Memorandum to July 16, 2014 City Council

The identified need for capital repair and replacement far exceeded the proposed \$68 million bond measure. To prioritize projects receiving bond funding, Phase I projects were ranked as the assets most likely to fail and the assets with the highest consequence of failure. According to documents submitted to the City Council in July 2014, project criteria included (1) investments in projects that have immediate safety concerns or need urgent repairs, (2) investments in projects that reduce bigger costs later on, (3) responsible repairs for deferred maintenance needs, (4) energy efficiency, (5) increasing accessibility, and (6) restoring services that are currently closed.

Projects Approved in Phase II

Additional projects were funded in Phase II. Selection of Phase II projects included several meetings with community members, discussions in Parks Board and Oversight Committee meetings, and other outreach efforts.

The Assets Development Division expanded the asset management function in 2015 and 2016, adding staff to the function. Selection of Phase II projects included an assessment of which facilities were likely to fail and the consequences if a facility were to fail (the same criteria as for Phase I but with more information from the expanded asset management program). Project costs were estimated by an outside consultant.

Priority projects were ranked and selected by theme. Criteria included the condition of the asset, likelihood of failure, and the consequence of failure. The location of the project and whether it served an underserved community, greater population of youth, populations at or below the poverty level, and a higher percentage of people of color were also considered. The Portland City Council approved the Phase II projects in June 2017. The Phase I and Phase II projects are shown in Appendix I.

Program Oversight and Reporting

Oversight Committee

The 2014 bond measure provided for an Oversight Committee to review bond expenditures and report annually to the City Council. The measure did not further define the membership or role of the Oversight Committee. A memorandum to the Portland City Council from the Director of Portland Parks & Recreation in July 2014 described the five-member Oversight Committee appointed by the City Council and to be formed prior to the first bond issuance in 2015. The Oversight Committee began meeting at least quarterly in June 2015.

The Oversight Committee clarified its mission statement in February 2016 to include the review of three specific areas:

- (1) adherence to the language of the bond;
- (2) fiscal accountability; and
- (3) transparency.

These three areas were further defined in the Oversight Committee's annual reports, including:

- (1) deliverables are based on the promises contained in the language of the voter's pamphlet;
- (2) fiscal accountability is a core driver of the program, bond dollars are clearly and separately tracked, and financial statements are accurate; and
- (3) the program promotes equity, participation, accountability, and trust.

The Oversight Committee's meeting minutes and annual reports are posted in full on the Bond Program website. Meeting minutes were posted through May 2018, and the next meeting was announced for September 25, 2018. The Oversight Committee's annual report for FY 2015-16

and FY 2016-17 were posted on the website; the Oversight Committee plans to present the annual report for FY 2017-18 to the City Council in December 2018.

Annual Reports

Portland Parks & Recreation submitted the Parks Replacement Bond annual report to City Council in FY 2015-16, FY 2016-17, and FY 2017-18, and posted the reports in English and Spanish on the Bond Program's website. The FY 2015-16 annual report laid out the Parks Replacement Bond Programs' goals and fiscal policies, summaries of which were reiterated in the FY 2016-17 and FY 2017-18 annual reports. The FY 2017-18 annual report summarizes the Bond Program projects' scope, budgets, and schedules, and contains appendices with more detailed information on (1) Bond Program and individual projects' spending to date, projected spending through 2020, and spending on administrative expenses; and (2) summaries of Phase I and Phase II projects.

Internal Reporting

Project managers submit monthly project status reports to the Bond Program Manager, summarizing the project and current status, including if the project is on-track to complete the project on schedule, on budget, and within the project scope. Project summaries are rolled up into the monthly at-a-glance report. The Bond Program Manager reports monthly to the Assets & Development Division Manager on (i) project spending, (ii) variances between the project budget and actual spending, and (iii) the use of budget contingencies. The Asset & Development Division Manager reports on significant project issues to the Portland Parks & Recreation department head; major project issues are reported to the commissioner.

Project managers may move project funds within the project to address project needs, as long as the project remains within budget. The Bond Program Manager may move funds between projects within the same theme, such as playgrounds, trails and bridges, pools, and restrooms. If project funds are to be moved between themes, such as moving funds from restrooms to pools, approval by the Assets & Development Division Manager in consultation with the Bureau Director is required. In accordance with the Bond Program's Fiscal Policy #6, the Bureau Director will keep the Commissioner informed as needed. The Bond Program has not moved funds between themes but may do so in the future.

Issuance of Bonds

The City issued Parks Replacement bonds in 2015 and 2018. To date, the City has issued \$52.8 million in bonds with \$14.8 million remaining in future bond issuances, as shown in Exhibit 2 below.²

² The total expected bond issuance is \$67.6 million. The difference between the \$68.0 million authorization and expected issuance of \$67.6 million represents the underwriter's discount, or the difference between the price at which a bond issue is bought and the price at which the bonds are sold to an investor.

Exhibit 2: Prior Parks Replacement Bond Issuance and Remaining Authorized and Unissued Bonds

2015 and 2018 Issuances	Bond Proceeds
2015 Series B Taxable Bonds	\$1,992,923
2015 Series C Tax Exempt Bonds	<u>26,286,480</u>
Subtotal 2015 Bonds	\$28,279,403
2018 Series A Tax Exempt Bonds	<u>24,557,617</u>
Total Bond Proceeds to Date	\$52,837,020
2019 Series A Tax Exempt Bonds (estimated)	\$14,797,591
Subtotal Bond Proceeds	\$67,634,611
Interest Earnings (estimated)*	\$819,539
Total Estimated Bond Proceeds **	\$68,454,149

Source: Sources and Uses of Bond Authorization (actual and projected)

*Assumes 0.225% average interest earnings

** Amount due to rounding

Taxable Bonds

The City's debt management team and tax counsel determined that a portion of the Pioneer Courthouse Square project did not qualify for tax-exempt bond funding because the site had private tenants. Therefore, \$2 million of general obligation bonds were issued in 2015 (Series 2015B) as taxable bonds rather than tax exempt bonds. The taxable bonds pay higher interest than tax-exempt bonds, but because the \$2 million in taxable general obligation bonds were paid within one year, actual interest payments were \$8,750.

Taxable bond proceeds were \$1.99 million, as shown in Exhibit 2 above. According to the Bond Reimbursement Summary provided by Bond Program staff, \$1.14 million in taxable bonds has been spent on projects benefiting private tenants as of July 2018. The balance of \$0.85 million may be allocated to other Bond Program projects.

Program Budget and Spending to Date

As of July 2018, \$68.3 million were allocated to Bond projects, as shown in Exhibit 3 below.³ Additionally, the Bond Oversight Committee recommended the set aside of a program contingency in the amount of \$2.0 million from the total Bond funds authorized by voters.

³ The allocation of \$68.3 million includes the \$67.6 million in bond proceeds and approximately \$700,000 in interest earnings. The variance between the \$68.45 million shown in Exhibit 2 above and \$68.3 in Exhibit 3 below is due to varying estimates of interest earnings.

Exhibit 3: Program Budget Summary as of July 2018

Theme	Bond Allocation	Other Funds	Total Budget
Accessibility	\$2,718,484	\$0	\$2,718,484
Pioneer Courthouse Square	10,000,000	150,000	10,150,000
Playgrounds	16,538,062	6,000,000	22,538,062
Pools	5,832,325	208,000	6,040,325
Protect Workers	9,907,716	2,000,000	11,907,716
Restrooms and Other Repairs	15,313,870	1,790,951	17,104,821
Trails and Bridges	6,015,671	0	6,015,671
Program Contingency	2,000,000	0	2,000,000
Total	\$68,326,128	\$10,148,951	\$78,475,079

Source: Auditor's analysis based on Bond Spend Projection Comparison 2015-2018

*Note: total bond allocation does not equal the total estimated bond proceeds from above, due to differences in estimated interest earnings

Remaining Expenditures and Balances

As of July 2018, \$28.3 million of the total bond allocation had been spent and \$40.0 million of the total allocation remain to be spent by FY 2020-21, as shown in Exhibit 4 below.

Exhibit 4: Actual Spending and Remaining Bond Allocation as of July 2018

Theme	Actual to Date		Remaining Allocation		Bond Allocation
	Amount	% of Total	Amount	% of Total	
Accessibility	\$1,463,996	53.9%	\$1,254,488	46.1%	\$2,718,484
Pioneer Courthouse Square	8,455,271	84.6%	1,544,729	15.4%	10,000,000
Playgrounds	3,545,304	21.4%	12,992,758	78.6%	16,538,062
Pools	3,219,210	55.2%	2,613,115	44.8%	5,832,325
Protect Workers	935,980	9.4%	8,971,736	90.6%	9,907,716
Restrooms and Other Repairs	7,107,539	46.4%	8,206,331	53.6%	15,313,870
Trails and Bridges	1,627,586	27.1%	4,388,085	72.9%	6,015,671
Common Program Costs	1,957,931	n/a	(1,957,931)	n/a	0
Program Contingency	0	0.0%	2,000,000	100.0%	2,000,000
Total	\$28,312,819	41.4%	\$40,013,309	58.6%	\$68,326,128

Source: Auditor's analysis based on Bond Spend Projection Comparison 2015-2018

Remaining Bond Proceeds

The first issuance of the Bond in July 2015 included \$26.3 million in tax-exempt funds and \$2.0 million in taxable funds. The second issuance of the Bond in January 2018 included \$24.5 million in tax-exempt funds, and a third and final issuance for proceeds of approximately \$14.8 million is scheduled to occur in the summer of 2019.

As shown in Exhibit 5 below, \$28.9 million of the \$52.8 million total bond proceeds to date have been spent, and \$23.9 million, or 45 percent, remain. Program spending is projected to conclude in FY 2020-21.

Exhibit 5: Total Bond Proceeds and Amount Remaining as of July 31, 2018

Bond Series	Bond Proceeds*	Amount Spent to Date	Remaining Proceeds*	
			Amount	Percent
2015 Series B Taxable	\$1,992,923	\$1,144,469	\$848,454	42.6%
2015 Series C Tax Exempt	26,286,480	25,361,376	925,104	3.5%
2018 Series A Tax Exempt	24,557,617	2,445,513	22,112,104	90.0%
Total	\$52,837,020	\$28,951,358	\$23,885,662	45.2%

Sources: Sources and Uses of Bond Authorization and Bond Reimbursement Summary

*Excludes bond interest earnings

The following sections contain our findings and recommendations.

1. Budget Variances

As of July 2018, the Bond Program is projected to have \$3.4 million in funds to allocate to additional projects or to existing projects that exceed their bond allocation due to project savings and unassigned contingencies. Two project themes – restrooms and other repairs, and playgrounds - have surpluses of more than 20 percent of their bond allocation for completed projects. These surpluses were offset by one project theme – pools – which exceeded its budget allocation by 14.6 percent for completed projects. Additional cost overruns are anticipated for a few on-going projects, including the Peninsula Pool Mechanical project and Mt. Tabor Yard.

Project surpluses have resulted from budgeting practices as well as cost containment efforts. The Bond Program includes contingencies in project budgets for each project component (construction, external soft costs, internal soft costs), and escalates project costs each year by the construction cost index of 6.05 percent. The construction cost index may overstate the escalation in internal soft costs, which do not mirror costs increases in the construction industry, contributing to surpluses in projects' internal soft costs of more than 24 percent.

While it is important for projects not to exceed their budgets, budgeting more for contingencies and escalation than is necessary diverts funds from other projects. The Bond Program could potentially have included additional projects in Phase II if surplus bond funding had been known to be available. Because construction costs – both labor and materials – are rising, having funds to begin and complete additional projects at an earlier point in the program could reduce future costs that would otherwise be incurred.

As of October 2018, approximately \$1.1 million of the Bond Program's \$2.0 million contingency has been allocated to cover cost overruns in the Grant Pool and Peninsula Pool Mechanical projects, and the remaining \$0.9 million was unassigned. The \$3.4 million in funds available for re-allocation include the unassigned portion of the Bond Program's \$2 million contingency.

The Bond Program's practices for estimating costs and budgeting contingencies resulted in project deficits in pool projects but overall program surpluses

As of July 2018, projected spending on all 52 bond-funded projects is expected to be less than the bond funds allocated by \$3.4 million or 5.0 percent. Exhibit 6 below shows the budget variance for 18 out of 21 completed projects as of July 2018. Two project themes have project surpluses of more than 20 percent of their bond allocation for completed projects, including restrooms and other repairs (20.2 percent under bond allocation) and playgrounds (29.0 percent under bond allocation). These surpluses were offset by one project theme—pools—which exceeded its budget allocation by 14.6 percent for completed projects. Additional cost overruns are anticipated for a few on-going projects, including the Peninsula Pool Mechanical project and Mt. Tabor Yard.

The Bond Program set aside a program contingency in the amount of \$2.0 million from the total bond funds authorized by voters at the recommendation of the Oversight Committee. As

of October 2018, approximately \$1.1 million of \$2.0 million contingency has been allocated to cover cost overruns in the Grant Pool and Peninsula Pool Mechanical projects, and the remaining \$0.9 million was unassigned. The program contingency, project variance from 18 completed projects, and projected variance for the Peninsula Pool Mechanical project, which is on-going, total \$3.4 million.⁴ According to the Bond Program Manager, the program will review the available bond funds in the fall of 2018 and determine how to reallocate excess funds. The Program Manager could reallocate funds to existing projects or new projects, such as projects that were considered for Phase II but ultimately not selected, in consultation with the Asset Manager and the Director (if funds reallocated across themes). According to the Bond Program Manager, some of the existing projects may require additional funds from the \$3.4 million available, as they include two maintenance facility renovations, multiple roof renovations, and a seismic renovation to an old structure.

Exhibit 6: Bond Program Variance Summary as of July 2018

Bond Program Variance Summary

Total Estimated Bond Proceeds ⁵	\$68,454,149
Total Variance from Bond Proceeds Amount	\$3,431,667
Completed Projects Variance*	2,037,437
On-going Projects Variance**	(605,770)
Program Contingency	2,000,000
% Variance	5.01%

Completed Projects Budget Variance Summary

Theme (Projects Complete)	Bond Allocation	Actual Spending	Project Variance	Percent Variance
Accessibility (1)	\$1,918,484	\$1,826,870	\$91,614	4.8%
Pioneer Courthouse Square (1)	10,000,000	9,999,975	25	0.0%
Playgrounds (2)	2,575,627	1,828,621	747,006	29.0%
Pools (3)	2,632,325	3,017,702	(385,377)	-14.6%
Restrooms and Other Repairs (9)*	6,994,132	5,584,423	1,409,709	20.2%
Trails and Bridges (2)	1,526,841	1,352,381	174,460	11.4%
Total	\$25,647,409	\$23,609,972	\$2,037,437	7.9%

Auditor's analysis based on Bond Budget Contingency Tracking document

*Excludes three completed restroom/other repairs projects because documents that show actual spending and project variance do not separate bond and other funding sources

** Includes Peninsula Pool Mechanical. Cost overruns are also likely for Mt. Tabor Yard.

⁴ The reassignment of \$1.1 million in program contingency funds offsets the deficit in the Grant Pool project (\$481,730, see Exhibit 11) and Peninsula Pool Mechanical project (\$605,770, shown in Exhibits 6 and 11). As a result, the deficit in pool projects of \$991,147 (shown in Exhibit 11) becomes a surplus of \$96,353 (for Matt Dishman and the Peninsula Park Feasibility Study). Funds available for reallocation remain \$3.4 million, including \$0.9 million in program contingency, and \$2.5 in completed project surplus (approximately \$2.4 million in Accessibility, Pioneer Courthouse Square, Playgrounds, Restrooms and Other Repairs, and Trails and Bridges, shown in Exhibit 6; and \$96,353 in Pools for Matt Dishman and the Peninsula Park Feasibility Study, shown in Exhibit 11).

⁵ Available bond funds of \$68,454,149 include bond proceeds of \$67,634,611 and estimated interest earnings of \$819,539, as shown in Exhibit 2 in the Introduction to this report.

Budget surpluses due to contingencies and cost escalators

According to the Program Manager, contingencies are built into project budgets as a buffer to address unknowns and are the same across themes. Unused project contingencies are not released (for reallocation to other Bond projects) until final project costs are known. Project contingencies from the program budget template are shown in Exhibit 7.

Exhibit 7: Contingency and Escalation Assumptions in Budget Template

Budget Item	Value
Scope Contingency	45% of Estimated Direct Construction Costs
Construction Contract Contingency	10% of Construction Contract
External Soft Cost contingency	30% of External Soft Costs
Internal Soft Cost Contingency	30% of Internal Soft Costs
Construction and Soft Cost Escalation	6.05% per year, based on the Construction Cost Index

Source: Budget Template

In the fall of 2015, Portland Parks & Recreation hired Budget Controls Group, Inc. to review the program's budget template and make recommendations based on industry standards. Budget Controls Group reviewed the contingency values, and determined that they were reasonable. However, contingencies and escalation assumptions regarding internal soft costs should be revisited as actual expenditures for completed projects are 24.7 percent less than budgeted expenditures on average, as shown in Exhibit 8 below. In particular, the construction cost index may not be appropriate to estimate escalation for internal soft costs, as construction prices, which are driven by materials costs and construction wages, increase more rapidly than wages of program staff. The consumer price index, a measure of inflation, was 3.9 percent as of January 2018, which is significantly less than the 6.05 percent construction cost index.

Actual construction and external soft cost expenditures for completed projects were also less than budgeted expenditures on average, as shown in Exhibit 8 below. While it is important for projects not to exceed their budgets, budgeting more for contingencies and escalation than is necessary diverts funds from other projects; the Bond Program could potentially have included additional projects in Phase II if surplus bond funding had been known to be available. Because construction costs – both labor and materials – are rising, having funds to begin and complete additional projects at an earlier point in the program could reduce future costs that would otherwise be incurred.

Total costs for 21 completed projects were \$2.7 million, or 9.6 percent, less than the total budget for these projects, and internal soft costs were \$1.0 million, or 24.7 percent, less than what was budgeted for these projects, as shown in Exhibit 8 below. Additionally, construction costs for the 12 completed restrooms and other repairs projects and the two completed playground projects were more than 20 percent less than what was budgeted for these projects.

Exhibit 8: Budget Variance for 21 Completed Projects, as of July 2018

All Themes (21)	Budget*	Actual*	Variance*	% Variance
Construction	\$18,858,021	\$17,518,844	\$1,339,177	7.1%
External Soft Costs	4,410,104	4,144,371	265,733	6.0%
Internal Soft Costs	4,238,274	3,192,278	1,045,996	24.7%
Total	\$27,506,400	\$24,855,494	\$2,650,906	9.6%

Restrooms and Other Repairs (12)

Construction	\$6,010,971	\$4,635,993	\$1,374,978	22.9%
External Soft Costs	1,206,116	1,129,353	76,763	6.4%
Internal Soft Costs	1,636,036	1,064,177	571,859	35.0%
Total	\$8,853,123	\$6,829,523	\$2,023,600	22.9%

Playgrounds (2)

Construction	\$1,790,762	\$1,362,029	\$428,733	23.9%
External Soft Costs	272,520	247,944	24,576	9.0%
Internal Soft Costs	512,345	218,648	293,697	57.3%
Total	\$2,575,627	\$1,828,621	\$747,006	29.0%

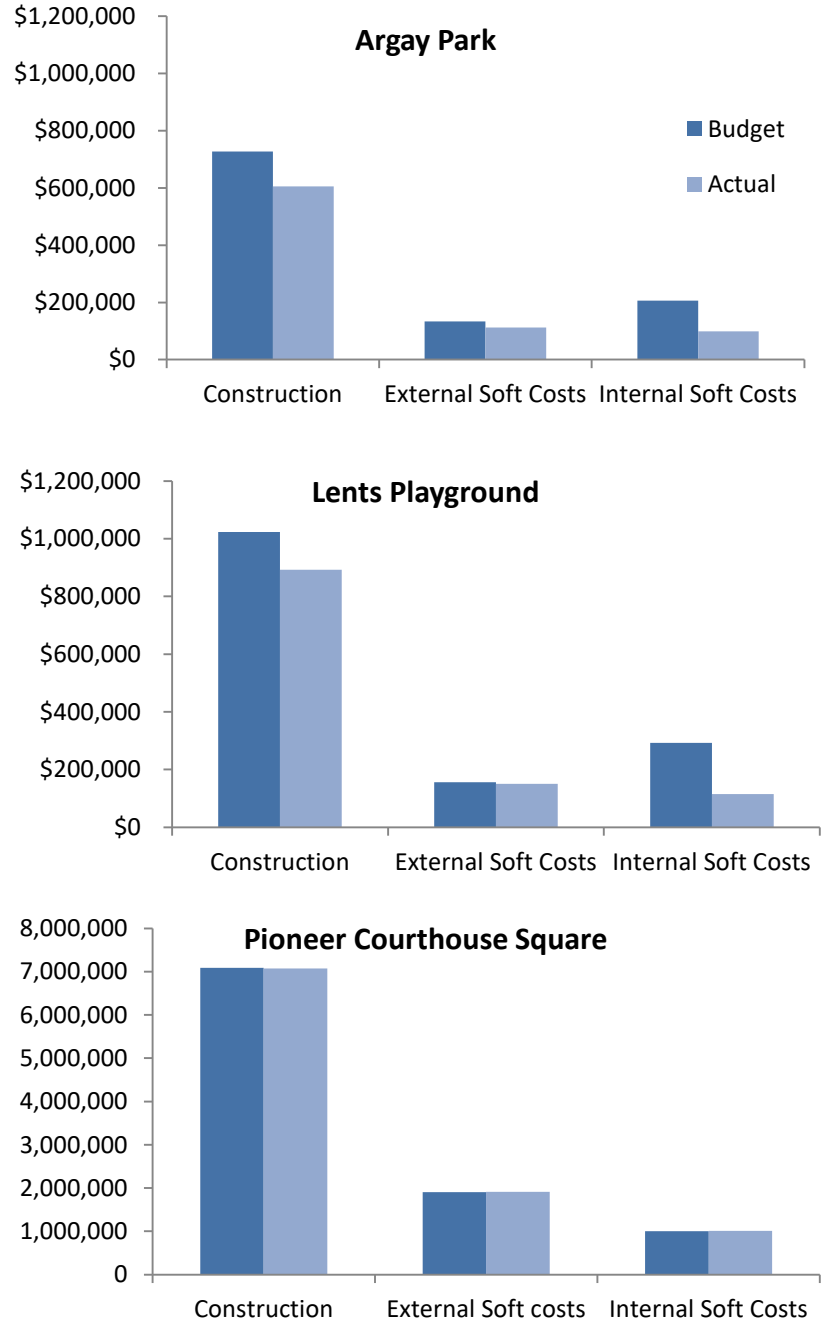
Source: Auditor's analysis based on Bond Budget Contingency Tracking document

*Includes other funding sources and spending for three restroom/other repairs projects. Therefore, variance does not reflect bond funds available for reallocation

Argay Park, Lents Playground, and Pioneer Courthouse Square

As shown in Exhibits 9 and 10, both Argay Park and Lents Playground had savings for construction and internal soft costs, for total project savings of more than 20 percent due to unused contingencies and budgeted escalation, which is consistent with trends identified for these themes (Restrooms and Other Repairs and Playgrounds). According to the Bond Program Manager, the contingencies were not needed because of good project management and cost containment efforts. The Argay Park and Lents Playground projects were straightforward and did not have unforeseen changes in scope or construction, according to project managers. Additionally, Lents Playground did not need its budgeted escalation because construction prices had not increased markedly since initial scoping, according to program staff. Total costs for Pioneer Courthouse Square are nearly equal to the project budget because project savings identified before project completion were reinvested into the project.

Exhibit 9: Budget v Actual for Three Projects



Source: Auditor’s analysis based on project budgets

Exhibit 10: Budget Variance for Three Projects, as of July 2018

Argay Park	Budget	Actual	Variance	% Variance
Construction	\$727,872	\$604,986	\$122,887	16.9%
External Soft Costs	133,377	112,436	20,941	15.7%
Internal Soft Costs	206,284	99,334	106,950	51.8%
Total	\$1,067,533	\$816,756	\$250,777	23.5%
Lents Playground				
Construction	\$1,023,377	\$892,410	\$130,967	12.8%
External Soft Costs	155,739	150,118	5,621	3.6%
Internal Soft Costs	292,793	115,026	177,767	60.7%
Total	\$1,471,908	\$1,157,554	\$314,354	21.4%
Pioneer Courthouse Square				
Construction	\$7,089,647	\$7,072,453	\$17,194	0.2%
External Soft Costs	1,907,896	1,916,196	(8,300)	-0.4%
Internal Soft Costs	1,002,432	1,011,315	(8,883)	-0.9%
Total	\$9,999,975	\$9,999,964	\$11	0.0%

Source: Auditor's analysis based on project budgets

Budget deficits resulting from inaccurate initial cost estimates

According to interviews with program staff, Portland Parks & Recreation staff had limited resources when developing initial cost estimates in advance of voter approval for Phase I projects, which represented a diverse portfolio of projects. In particular, staff significantly under-estimated costs for pools and maintenance facility projects in the protect workers theme and over-estimated costs for restrooms. The Bond Program hired Ukiah Engineering, a third-party firm, to estimate costs for Phase II projects.

As of July 2018, two pools and one maintenance facility project in the protect workers theme are projected to exceed their bond allocations. Grant Pool and Peninsula Pool are projected to exceed their bond allocation by \$481,730 (28.6 percent) and \$605,770 (18.9 percent) respectively, as shown in Exhibit 11. According to program staff, Mt. Tabor Yard is also likely to exceed its budget by \$1.5 to \$2.0 million. As mentioned above, approximately \$1.1 million of \$2.0 million contingency has been allocated to cover cost overruns for pool projects. According to interviews with program staff, the two pool projects have presented unique budgeting challenges. A limited number of pool contractors in the region resulted in higher than anticipated contract bids. Additionally, Program staff did not have prior experience estimating costs for pool repairs and did not know the extent of deferred maintenance needs for the Grant and Peninsula Pools to inform initial cost estimates. For example, during the design phase, program staff learned that they would need to replace Peninsula Pool's electrical system because the Building Code prevented the addition of new equipment to the existing system. Portland Parks & Recreation expanded the asset management program in FY 2015-2016, allowing for better tracking of maintenance needs for Portland Parks & Recreation assets, including pools, going forward.

Exhibit 11: Pool Project Variance Summary as of July 2018

Pool Project	Bond Allocation	Total		% Variance
		Projected Expenditures	Projected Variance	
Grant	\$1,681,998	\$2,163,728	(\$481,730)	-28.6%
Matt Dishman	839,914	753,910	86,004	10.2%
Peninsula Park Feasibility Study	110,413	100,064	10,349	9.4%
Peninsula Pool Mechanical	3,200,000	3,805,770	(605,770)	-18.9%
Total	\$5,832,325	\$6,823,472	(\$991,147)	-17.0%

Source: Auditor's analysis based on Bond Budget Contingency Tracking document

The overall program surplus is difficult to calculate due to inconsistent tracking

Several bond projects have other funding sources, but the Bond program is inconsistent in how these funds are reported, and may be overstating surplus bond funds by \$0.2 to \$0.6 million. Program staff tracks project savings from completed projects in its Bond Budget Contingency Tracking document to determine what funding may be available to reallocate to existing projects or new projects in the future. However, project budgets reported in the document do not consistently exclude System Development Charge (SDC) funding or other funding sources, and the document overstates total undistributed bond funds by \$0.2 to \$0.6 million.⁶ Bond program policies do not stipulate how project managers should track and report bond funding and other funding sources. This impairs the reliability of information in the tracking document and management's ability to effectively plan for the Program. For example, the document reports undistributed funds of \$235,996 for Parklane Loo, and includes these funds in an estimated total of \$2.5 million in undistributed funds projected for the Bond program. However, the undistributed funds for this project are entirely comprised of SDC funds and may not be reallocated to other bond program projects. Three of the 21 completed projects included all funding sources in their budget tables for the tracking document, and an additional two projects included all funding sources in their projected spend amounts but excluded other (non-bond) funding sources in their original budget amounts.

⁶ We assume that undistributed funds from Parklane Loo (\$235,996) are all SDC funds because bond funds were overcharged for this project, but it is unclear how much of undistributed funds for Ventura Park Loo (\$253,488) and Wilkes Loo (\$124,407) are bond funds and how much are SDC funds. If all undistributed funds for Ventura Park Loo and Wilkes Loo are SDC funds, the tracking document overstates undistributed bond funds by \$613,891. If all undistributed funds for these two projects are truly bond funds, the document overstates undistributed bond funds by \$235,996.

Reallocation of bond funds may be constrained by promises the City made to residents while marketing the bonds

As of July 2018, the Bond Program had met its spending objective for restrooms and other repairs and was on-track to meet spending objectives for the remaining six project themes, provided all projects remain within their allocated budgets, as shown in Exhibit 12 below. To fulfill promises made to the public during marketing of the bonds, reallocation of \$3.4 million in bond funds would need to satisfy these spending objectives. According to program management, the program may be able to allocate additional funds to the protect workers theme, which is expected to incur cost overruns, over and above the \$10 million cap, pending approval by the Asset Manager and the Bureau Director.

Exhibit 12: Program Spending Objective Status by Theme as of July 2018

Theme	Spending Objective	Spending to Date	Percent Spent to Date	Total Bond Allocation	Spending Objective Status
Accessibility	Up to \$5 million	\$1,463,996	29.3%	\$2,718,484	On-track
Pioneer Courthouse Square	Up to \$10 million	8,455,271	84.6%	10,000,000	On-track
Playgrounds	At least \$5 million	3,545,304	70.9%	16,538,062	On-track
Pools	At least \$5 million	3,219,210	64.4%	5,832,325	On-track
Protect Workers	Up to \$10 million	935,980	9.4%	9,907,716	On-track
Restrooms and Other Repairs	At least \$5 million	7,107,539	142.2%	15,313,870	Objective Met
Trails and Bridges	At least \$5 million	1,627,586	32.6%	6,015,671	On-track

Source: Auditor's analysis based on Bond Spend Projection Comparison 2015-2018 and Bond marketing materials

Recommendation 1: The Bond Program Manager should document the program's approach to reallocating the approximately \$3.4 million in available bond funds to existing projects or new projects, such as projects that were considered for Phase II but ultimately not selected, and report on that approach to the Bond Oversight Committee.

Recommendation 2: The Bond Program Manager should consider adjusting the contingency and escalation assumptions for internal soft costs in the Program Budget Template for future projects based on analysis of actual spending.

2. Timing of Bond Issuance

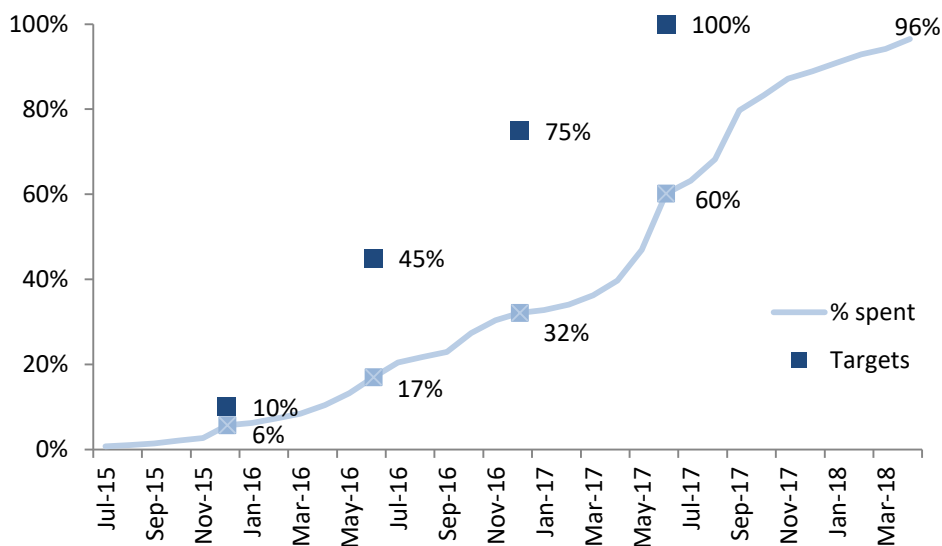
Due to lower than expected spending, the Bond Program missed all four spending targets for the first bond issuance and is expected to miss two out of four spending targets for the second bond issuance, which does not conform to the Program’s fiscal policies. While the Parks Replacement Bond Annual Report noted that current low interest rates prevent excess interest earnings on bond proceeds, which would need to be rebated to the Internal Revenue Service, rising interest rates could result in higher-than-allowed interest earnings on bond proceeds in the future if spending of the bond proceeds is not timely.

The second bond series were issued earlier than were needed for actual project spending due to inadequate communication among program staff regarding project delays and the pace of construction, a faster than anticipated Bond issuance approval process, and in order to maintain a stable property tax rate for City residents, which was promised to the voters but is not the general practice for the City’s other general obligation bonds. Bond Program staff has already taken steps to address these issues, but we believe the Program would benefit from formalizing and documenting these processes.

Lower than expected spending resulted in missed Bond spending targets for the 2015 Series C bonds

Bond funds have been spent at a slower rate than anticipated when the bonds were issued. Parks Replacement Bond Program’s fiscal policies state that 10 percent of bond proceeds are to be disbursed to the bond-funded projects at six months; 45 percent at 12 months, and 75 percent at 18 months. The first issuance of tax-exempt bonds in 2015 missed all four spending targets, as shown in Exhibit 13 below

Exhibit 13: First Issuance Spending Targets v. Actual Spending, as of July 2018



Source: Auditor’s analysis based on Bond Reimbursement Summary

According to discussions with City staff, the Bond Program's initial spending projections were based on spending patterns in the Bureau's Capital Improvement Program, but Bond project spending has occurred at a different rate than Capital Improvement Program projects. The Bureau's Capital Improvement Program projects incurred a greater share of project costs during pre-construction activities relative to Bond projects, which incur about 75 percent of project expenditures during the construction phase later in the project. Bond Program staff has revised their spending projections to reflect actual spending patterns of completed Bond projects. Other factors have contributed to project delays and associated delays in spending including unanticipated delays in obtaining planning permits for some projects, the competitive construction climate resulting in high bids or too few bids, and weather delays.

The Internal Revenue Service (IRS) Code limits interest earnings on bond proceeds to deter state and local governments from issuing tax-exempt bonds in order to invest the proceeds and earn interest. IRS Code Section 148(f) requires state and local governments to rebate excess interest earnings to the IRS. While the Parks Replacement Bond Annual Report noted that current low interest rates prevent excess interest earnings on bond proceeds, rising interest rates could result in higher-than-allowed interest earnings on bond proceeds.

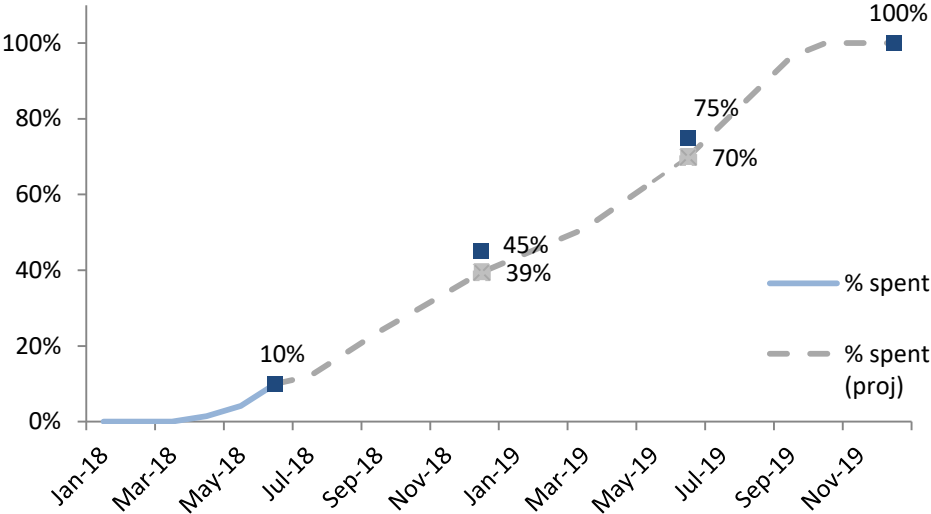
City issued the 2018 Series A bonds without fully spending the prior bond issuance, which does not conform to the Program's fiscal policies

Although the Parks Replacement Bond Annual Report identified the variance between projected and actual bond spending, the second issuance of tax-exempt bonds in 2018 is expected to miss later spending targets. As of June 2018, the 2018 Series A bonds were expected to meet the 10 percent spend-down target but miss the 45 percent and 75 percent spend-down targets, as shown in Exhibit 14 below.

According to the Bond Replacement Program's fiscal policies, bond proceeds are expected to be spent in full prior to the issuance of the subsequent bond issuance. However, nearly \$1 million in 2015 Series C tax-exempt bonds remain unspent as of July 31 2018⁷. Further, while the 2018 Series A bonds were issued in January 2018, the bond proceeds were first spent in April 2018.

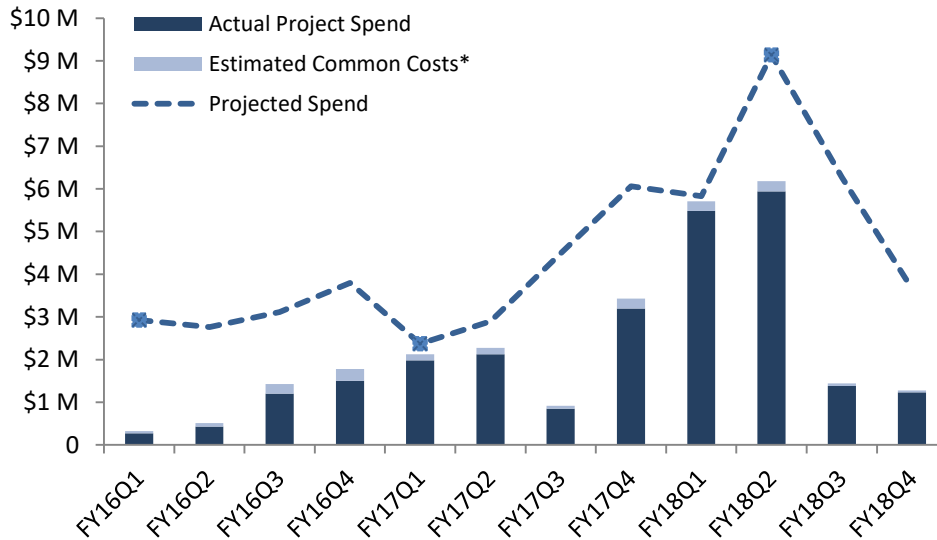
⁷ As shown in Exhibit 5 in the introduction, 2015 Series C tax-exempt bond proceeds were \$26.3 million and expenditures were \$25.4 million, for a remaining balance of \$0.9 million as of July 31, 2018.

Exhibit 14: Second Issuance Spending Targets v. Actual Spending, as of July 2018



Source: Auditor’s analysis based on Bond Reimbursement Summary and Bond Spend Projection Comparison 2015-2018

According to interviews with staff, the 2018 Series A bonds were issued too early due to lower than expected spending in the winter of 2017 and spring of 2018. Actual spending between October 2017 and June 2018 was less than spending projected in November 2017 by \$10.5 million, or 55.1 percent, as shown in Exhibit 15 below. Nearly half of the variance was driven by three projects with lower than expected spending of more than \$1 million, including Mt. Tabor, Pioneer Courthouse Square, and North Park Blocks.

Exhibit 15: Projected Spending v. Actual Spending, as of July 2018

Fiscal Quarter	Projected (Nov 2017)	Actual	Variance	% Variance
Oct 2017 - Dec 2017	\$9,138,108	\$5,938,425	\$3,199,683	35.0%
Jan 2018 - Mar 2018	\$6,269,844	\$1,384,136	\$4,885,707	77.9%
Apr 2018 - Jun 2018	\$3,662,768	\$1,230,755	\$2,432,013	66.4%
Total	\$19,070,719	\$8,553,316	\$10,517,404	55.1%

Projects that underspent by more than \$1M, Oct 2017 through Jun 2018

Site	Projected	Actual	Variance	% of Total Variance
Mt. Tabor	\$2,147,215	\$169,856	\$1,977,359	18.8%
Pioneer Courthouse Square	\$4,742,548	\$3,047,397	\$1,695,151	16.1%
North Park Blocks	\$1,246,952	\$10,302	\$1,236,650	11.8%
Total	\$8,136,715	\$3,227,556	\$4,909,160	46.7%

Source: Auditor's analysis based on Bond Spend Projection Comparison 2015-2018 from July 2018

*Quarterly common costs estimated based on fiscal year annual amounts provided August 2018

According to staff, actual spending was lower than projected for these projects due to inadequate communication between project management staff and the Program's Management Analyst, who creates the spending projections, regarding project delays and the pace of construction. While some projects experienced delays that were unanticipated, others (such as Mt. Tabor) experienced delays that were expected by project management staff and could have been incorporated into the Program's spending projections in advance of bond issuance. As of July 2018, the Management Analyst has been reaching out to project managers to adjust spending projections based on up-to-date project information. We believe this process would benefit from being formalized and documented.

In addition to projected spending and the availability of funds for project-related expenses, Program management, in consultation with the City’s Debt Management Office, also considered the City Council approval process for bond issuance, which took less time than anticipated, and the impact of bond issuance timing on property tax rates. In marketing the bonds, the City promised residents a constant tax rate, and the Ballot Measure stated that the Parks bond tax rate was not expected to increase from the (then) current rate of \$0.0877 per \$1,000 of assessed value. To avoid fluctuations in tax rates, the city issued bonds at an earlier date than was required. According to Debt Management, issuance of the City’s other general obligation bonds have not been similarly constrained by expected tax rate fluctuations.

Because the second bond issuance occurred at a later date than initially planned, the tax rate dipped to \$0.0378 per \$1,000 of assessed value for FY 2017-18. The tax rate increased to \$0.0873 per \$1,000 of assessed value for FY 2018-19, following the second bond issuance, as shown in Exhibit 16 below.

Exhibit 16: General Obligation Parks Bonds Property Tax Levy

Fiscal Year	Tax Rate per \$1,000 AV	Tax on Property with \$200,000 A.V.
FY 2015-16	\$0.0874	\$17.49
FY 2016-17	0.0867	17.35
FY 2017-18	0.0378	7.56
FY 2018-19	0.0873	17.45
FY 2019-20	0.0877	17.54
FY 2020-21	0.0876	17.53
FY 2021-22	0.0877	17.54
FY 2022-23	0.0876	17.53
FY 2023-24	0.0877	17.54
FY 2024-25	0.0876	17.53
FY 2025-26	0.0877	17.53
FY 2026-27	0.0877	17.53
FY 2027-28	0.0877	17.54
FY 2028-29	0.0675	13.51
FY 2029-30	0.0552	11.04

Source: Actual and Projected Debt Service and Property Tax Levy, provided by Bond Program staff

Recommendation 3: The Bond Program Manager should formalize and document existing procedures on how to determine timing and size of bond issuance in advance of the third bond issuance in 2019. The procedures should specify how maintaining stable property tax rates will be prioritized among other considerations.

Recommendation 4: The Bond Program Manager should direct the Management Analyst to formalize and document existing procedures to (a) communicate with project managers and make necessary adjustments to spending projections for their projects; and (b) compare actual and projected spending on a regular basis to determine if other adjustments are necessary to improve the accuracy of projections.

3. Common Costs and Overhead

The City of Portland allocates overhead costs for general central support services to the City's bureaus in time for the bureaus to incorporate the overhead allocation into their annual budget requests. Portland Parks & Recreation incorporates these overhead allocations, calculated as a percentage of staff time, into the budgets for the Capital Improvement Program and Bond Program. Portland Parks & Recreation found in 2016 that the administrative costs (called "common costs") for starting up the Bond Program, including setting up computers, training and other expenses for Bond Program staff, exceeded the overhead charged to the Bond Program. The Bond Program's common costs prior to FY 2016-17 of \$794,166 were \$169,912 more than overhead costs of \$624,254 reimbursed by the Bond Program. While the budget templates for the Bond Program still incorporate the citywide overhead allocation, beginning in FY 2016-17, the Bond Program began requesting monthly reimbursement for common costs rather than overhead costs from bond funds.

Between FY 2015-16 and FY 2017-18, total citywide overhead allocations to Bond Program projects were \$1,966,089, which varied by only one percent from common costs reimbursed by bond funds of \$1,949,188. However, the annual variance ranged from common costs being 27 percent *more* than the citywide overhead allocation in FY 2015-16 to 28 percent *less* than the citywide overhead allocation in FY 2017-18. According to interviews with Bond Program staff, reconciling the difference between overhead costs and common costs will be more difficult as the difference between these costs increases. According to these interviews, allocating citywide overhead percentages to Bond Program projects, as is done with Capital Improvement Program projects, would more accurately reflect overhead costs incurred by the Bond Program. Going forward, the Bond Program should revise their practices to consistently charge citywide overhead percentages to Bond Program projects in order to reflect overhead costs incurred by the projects and avoid potentially difficult reconciliation of common costs to overhead costs each year.

The Bond Program's practice for allocating administrative overhead to bond project budgets does not consistently reflect actual costs

Portland overhead costs

The Government Finance Officers Association (GFOA) defines indirect costs as shared administrative expenses where a department or agency incurs costs for support that it provides to other departments/agencies, including legal, financial, human resources, technology, facilities, maintenance, and other services. While indirect costs and overhead are not synonymous, the City of Portland's Comprehensive Financial Management Policies state that "the City shall establish and maintain a consistent methodology for allocating the costs of the City's central service functions and activities that benefit or are used by several City bureaus", and that "costs shall be allocated for general central support services or activities budgeted in the General Fund". The City's Financial Policy 2.08.01 defines the City's General Fund overhead costs as those incurred by specified functions within the Bureau of Planning and Sustainability, City Budget Office, Council Office, Office of Equity and Human Rights, Office

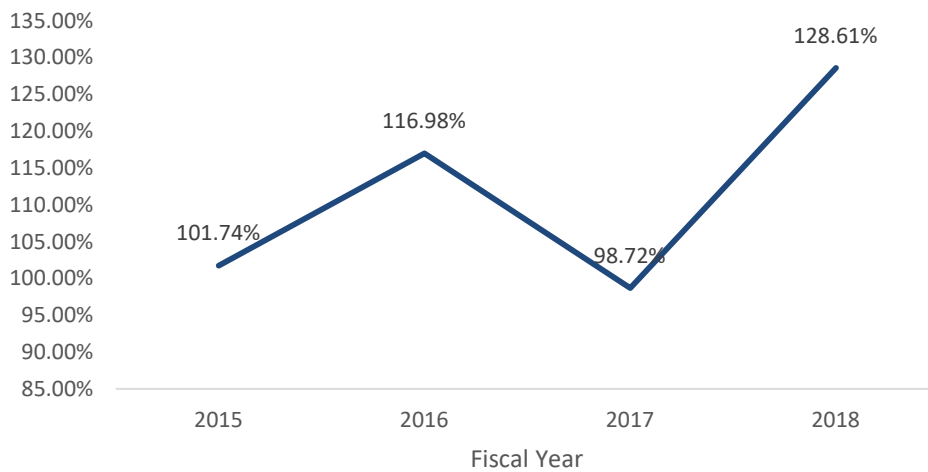
of Government Relations, Office of Management & Finance, Office of Neighborhood Involvement, Office of the City Attorney, Office of the City Auditor, Portland Bureau of Emergency Management, Portland Fire & Rescue, Special Appropriations, and Responsibility.

The City's Budget Office allocates costs for general central support services to the City's bureaus in time for the bureaus to incorporate the overhead allocation into their annual budget requests.

Allocation of overhead costs to capital projects

Portland Parks & Recreation allocates the City's overhead costs to their Capital Improvement Program projects.⁸ Capital overhead rates are calculated as a percentage of staff costs and vary from year-to-year, as shown in Exhibit 17 below:

Exhibit 17: Overhead Percentage Charged to Capital Projects



Source: Portland Parks & Recreation Bond Fund Management Monthly Report.

The Park Replacement Bond Program policies state that the Portland Park & Recreation Finance Manager is responsible for tracking overhead costs charged to the bond, and working with the Bond Program Manager to ensure that these costs do not exceed projections. Each project develops a budget using the budget template designed for the Bond Program. The budget template was revised in 2016 based on a third-party review by the Budget Controls Group, Inc. Bond template policies define how overhead should be added to budget template:

- a. These are the costs for Portland Parks & Recreation staff to manage the project from cradle to grave. It includes overall project management, construction management, public involvement, and any other internal soft costs associated with the project. The budget template is updated annually to incorporate changes to the City's overhead rate.

⁸ The Capital Improvement Program, which is funded by System Development Charges, General Fund, and other funding sources, includes projects that expand Portland Parks & Recreation facilities. The Bond Program is funded by bond funds for the repair and replacement of existing facilities in order to extend their useful life.

- b. The costs for project management, construction management, and PM/CM assistant include the hourly wage rate and direct costs (e.g. health benefits, retirement account, TriMet passes), and do not include overhead (which is calculated separately, as mentioned above).

Common costs

In 2016, Portland Parks & Recreation determined that the City’s overhead allocation should not be reimbursed by bond funds, because the City’s overhead expenses did not accurately reflect administrative expenses incurred by Bond Program projects. Administrative expenses (called “common costs”) to be reimbursed by the Bond Program consist of staff time (management analyst, bond program manager, and other staff time), paid time off, training, and staff meetings. Portland Parks & Recreation found in 2016 that the common costs for starting up the Bond Program, including setting up computers, training and other expenses, exceeded the overhead charged to the Bond Program. The Bond Program’s common costs prior to FY 2016-17 of \$794,166 were \$169,912 more than overhead costs of \$624,254 reimbursed by the Bond Program.

Beginning in FY 2016-17, the Bond Program began requesting monthly reimbursement for common costs rather than overhead costs from bond funds. The Bond Program retroactively reconciled overhead costs that were reimbursed by bond funds prior to FY 2016-17 with common costs incurred by projects.

Reconciliation of overhead charges and common costs going forward

The Bond Program continues to allocate overhead percentages to Bond Program projects, and reconcile the overhead costs to common costs to be reimbursed by bond funds. According to Bond Program staff, because common costs and overhead percentages are close in value, reconciliation of overhead percentages allocated to Bond Program projects with common costs incurred by the projects is not difficult. However, the difference between common costs and overhead costs were much larger in FY 2017-18 compared to FY 2016-17; common costs were \$37,659 or 7 percent more than the overhead allocation in FY 2016-17, but were \$224,472 less or 28 percent less than the overhead allocation in FY 2017-18, as shown in Exhibit 18 below.

Exhibit 18: Comparison of Overhead and Common Costs Charged to Bond Program Projects

Fiscal Year	Common Cost Expenditures	Bond Projects Expenditures	Capital Overhead Allocation	Common Costs More/ (Less) than Overhead Allocation	Common Costs as % of Overhead Allocation
FY 2015-16	\$794,166	\$4,237,347	\$624,254	\$169,912	27%
FY 2016-17	591,304	10,811,715	553,645	\$37,659	7%
FY 2017-18	563,718	11,912,530	788,190	(\$224,472)	-28%
3 Year Total	\$1,949,188	\$26,961,592	\$1,966,089	(\$16,899)	-1%

Source: Auditor’s analysis based on Bond Fund Management Monthly Report

Common costs varied less than overhead costs between FY 2016-17 and FY 2017-18. Common costs of \$563,718 in FY 2017-18 were 5 percent less than common costs of \$591,304 in FY 2016-17. Overhead costs of \$788,190 in FY 2017-18 were 42 percent more than overhead costs of \$553,645.

Common costs charged to Bond Program projects decreased from 18.7 percent in FY 2015-16 to 4.7 percent in FY 2017-18, as shown in Exhibit 19 below.

Exhibit 19: Decrease in Common Costs Charged to Bond Program Projects

Fiscal Year	Common Cost Expenditures	Bond Projects Expenditures	Common Costs as % of Bond Project Expenditures
FY 2015-16	\$794,166	\$4,237,347	18.7%
FY 2016-17	591,304	10,811,715	5.5%
FY 2017-18	563,718	11,912,530	4.7%
3 Year Total	\$1,949,188	\$26,961,592	7.2%

Source: Auditor’s analysis based on Bond Fund Management Monthly Report

While the total variance between overhead costs and common costs was 1 percent in the three-year period from FY 2015-16 through FY 2017-18, the annual variance ranged from 27 percent to -28 percent (a 55-point range). According to interviews with Bond Program staff, reconciling the difference between overhead costs and common costs will be more difficult as the difference between these costs increases. According to these interviews, allocating citywide overhead percentages to Bond Program projects, as is done with Capital Improvement Program projects, would more accurately reflect overhead costs incurred by the Bond Program. Going forward, the Bond Program should revise their practices to consistently charge citywide overhead percentages to Bond Program projects in order to reflect overhead costs incurred by the projects and avoid potentially difficult reconciliation of common costs to overhead costs each year.

Recommendation 5: The Bond Program Manager should revise Bond Program practices to consistently charge citywide overhead percentages to Bond Program projects in order to reflect overhead costs incurred by the projects and avoid potentially difficult reconciliation of common costs to overhead costs each year.

4. Tracking System Development Charges in Bond Projects

Bond-funded projects may also include System Development Charges (SDC) and other funds for project components not eligible for bond funding. The Park Replacement Bond funds are to be used for repairs and improvements to existing playgrounds, pools, restrooms, bridges and trails, and other facilities, while SDC funds pay for the acquisition and development of new parks, trails, and natural areas across the City.

Bond funds and SDC funds were approved for different purposes, and therefore, need to be tracked according to the purpose for which they were approved. While Portland Parks & Recreation finance staff set up separate project codes for charging bond and non-bond funds for project costs, written bond program policies do not specify how SDC and other project funds are to be tracked. The Bond program is inconsistent in tracking how non-bond funds are spent on Bond projects; three of the 21 completed projects combined bond and SDC funding in their tracking documents, so that it was not possible to tell how much of each funding source had been spent, and an additional two projects included all funding sources in their projected spend amounts but excluded other (non-bond) funding sources in their original budget amounts. Going forward, the Bond Program Manager should document procedures to budget and track bond and non-bond funding by project.

The Bond program's tracking of System Development Charges and other non-bond funds allocated to Bond program projects is inconsistent among projects

The Park Replacement Bond program renovates Portland Parks & Recreation parks and facilities to extend their useful life. Some Bond program projects to expand existing parks and facilities are also funded by System Development Charges or other sources. The Park Replacement Bond funds are to be used for repairs and improvements to Portland Parks & Recreation playgrounds, pools, restrooms, bridges and trails, and other facilities. The Park System Development Charge (SDC) is a one-time fee assessed on new development in Portland to fund the acquisition and development of new parks, trails, and natural areas across the City.

Of the 52 Bond program projects, 13 projects also have SDC and other funds. The 52 Bond program projects have total budgets of \$76.4 million, of which \$66.3 million are bond funds and \$10.1 million are SDC and other funds, as shown in Exhibit 20 below.

Exhibit 20: Park Replacement Bond Projects with SDC and Other Funding Sources

	Bond Allocation	Other Funds	Total Budget
13 Projects with SDC or Other Funds			
<u>Playgrounds</u>			
Couch	\$1,633,515	\$500,000	\$2,133,515
Creston	1,106,287	950,000	2,056,287
Lynchview	1,405,030	1,800,000	3,205,030
Gabriel Playground	1,700,000	2,500,000	4,200,000
Glenhaven Playground	1,450,000	250,000	1,700,000
<u>Pools</u>			
Matt Dishman	839,914	208,000	1,047,914
<u>Protect Workers (Worker Facilities)</u>			
Delta Park	2,364,091	2,000,000	4,364,091
<u>Pioneer Courthouse Square</u>			
Pioneer Courthouse Square	10,000,000	150,000	10,150,000
<u>Restrooms and Other Projects</u>			
Colonel Summers Parkk	810,765	500,000	1,310,765
Parklane Park	97,552	500,000	597,552
St Johns CC	1,469,782	90,951	1,560,733
Ventura Park	314,758	400,000	714,758
Wilkes Park	246,681	300,000	546,681
Subtotal, Projects with SDC or Other Funds	\$23,438,375	\$10,148,951	\$33,587,326
39 Projects with Bond Funds Only	42,887,753	0	42,887,753
Total	\$66,326,128	\$10,148,951	\$76,475,079

Source: Bond Spend Projection 2015-2018

SDC Funding Approval

In 2016 Portland Parks & Recreation developed a detailed approval process for use of SDC funds. The project manager submits the request for use of SDC funds to the SDC program manager who reviews the request for eligibility and completeness in coordination with finance and other staff. The request is further reviewed and approved by the Senior Management Team subcommittee, the Portland Parks & Recreation Director, and the Commissioner.

Prior to this process, one Bond program project – Parklane Loo – exceeded its budget for bond funds because the allocation of total bond and SDC funding to the project was not clear. The excess charges to the bond fund have not yet been reversed because Portland Parks & Recreation staff are still reviewing documents to identify which project components were eligible for SDC funding.

Insufficient Procedures to Track Bond and SDC Funds

Projects that expand existing Portland Parks & Recreation facilities may be added to bond funded projects in early planning stages or during the life of the project. The amount of SDC funds allocated to the project may be estimated by comparing the original project to the

expanded project. For example, the Matt Dishman Pool project added \$208,000 in SDC funds to expand the spa, which was the estimated cost difference between replacing the original size of the spa and adding to the size of the spa. The Pioneer Courthouse Square project added \$150,000 in SDC funds to add all-user restrooms, which according to the project manager, was estimated by the design team as the difference between the base project and the additional all-user restrooms.

Bond funds and SDC funds were approved for different purposes, and therefore, need to be tracked according to the purpose for which they were approved. While Portland Parks & Recreation finance staff set up separate project codes for charging bond and non-bond funds for project costs, written bond program policies do not specify how SDC and other project funds are to be tracked. According to interviews with project managers, project managers tracking of SDC funds may vary by project. Generally, project managers allocate SDC funds proportionately to project costs, although projects that have a large portion of SDC funding may have a separate tab in the budget template. The budget tracking spreadsheet for the Pioneer Courthouse Square project did not differentiate bond and SDC expenditures, but rather subtracted the estimated SDC expenditures of \$150,000 from the total project amount of \$10,150,000 in each of the reporting periods (100% design development, 70% construction documents, etc.)

As noted in Section 1 of this report, the Bond program is inconsistent in tracking how non-bond funds are spent on Bond projects, making it difficult to calculate the overall program surplus. Because project budgets reported in the Bond Budget Contingency Tracking document do not consistently exclude SDC funding or other funding sources, the document overstates total undistributed bond funds by \$0.2 to \$0.6 million. Three of the 21 completed projects combined bond and SDC funding in their tracking documents, so that it was not possible to tell how much of each funding source had been spent, and an additional two projects included all funding sources in their projected spend amounts but excluded other (non-bond) funding sources in their original budget amounts.

Recommendation 6: The Bond Program Manager should document procedures to budget and track bond and non-bond funding by project going forward.

5. Professional Service Contract Selection & Monitoring

Portland Parks & Recreation follows the City's contracting procedures for professional services. The pool of on-call professional service contractors selected by Portland Parks & Recreation is available to both the Bond Program and the Capital Improvement Program. Although on-call contracts and task orders are entered into the City's financial system, SAP, the Bond Program tracks on-call contracts for Professional/Technical/Expert services manually via five excel spreadsheets (contract insurance tracking, funds remaining, next in rotation, etc.), making it difficult to monitor contracts that have expired insurance documents, have terms that are ending, or have insufficient funds remaining. The Bond Program would benefit from formalizing and documenting existing policies and procedures for on-call Professional/Technical/Expert contract management and monitoring to ensure the availability of sufficient qualified contractors to meet future needs

In addition, neither the City nor the Parks Replacement Bond Program has a formal process to evaluate contractors. In the absence of a documented process to evaluate contractor performance, the Bond Program risks using underperforming contractors, or faces potential liability for not using contractors who underperform but for whom underperformance has not been documented. Portland Parks & Recreation staff should consult with Procurement Services to determine how Bond Program staff can evaluate and work with contractors to improve their performance.

The City's contracting procedures for professional services

The City of Portland's January 2018 Professional, Technical, and Expert (PTE) Services manual details the City's procedures to procure PTE services. The manual does not address specific internal approvals, reviews, or authorization procedures that City bureaus or the City's financial system has in place. The City bureaus are responsible for creating solicitation documents, assembling evaluation teams, and negotiating and administering contracts. Portland Parks & Recreation has a separate manual, issued in 2016, that details procedures for contracting for PTE services.

According to the City's procurement procedures, architectural and engineering services must be selected through the Qualification Based Selection method⁹, and other services related to public improvements (such as construction management) may be selected through Qualification Based Selection at the Chief Procurement Officer's discretion. City bureaus may enter into price agreements for on-call services provided by architectural, engineering, and other providers for projects whose scope and budget are not pre-determined.

The Portland Parks & Recreation Bureau's Capital Improvement Program and Parks Replacement Bond Program generally use on-call contractors for PTE services selected through Qualification Based Selection. As of August 2018, the Portland Parks & Recreation

⁹ Qualifications-based selection is a process in which service providers are retained based on qualifications rather than price.

Bureau had 89 active professional services contracts in 23 service categories, with contract amounts of \$15.3 million, as shown in Exhibit 21 below. Landscape architecture, civil engineering, and architecture services comprise approximately \$9.4 million or 60 percent of these contract services.

Exhibit 21: Portland Parks & Recreation Professional Services Contracts by Category as of August 2018

Category of Service	Total Contract Amounts by Category
Landscape Architecture	\$4,592,682
Civil Engineering	2,397,500
Architecture Services	2,370,000
Subtotal	\$9,360,182
Roof & Building Envelope Investigation and Design	1,158,343
Structural Engineering	625,000
Mechanical Engineering	525,000
Construction Management	450,000
Special Inspections	425,000
Surveying	400,000
Geotechnical Engineering	397,250
Electrical Engineering	325,000
Property Appraisals	250,000
Trail Planning & Design	225,000
Building & System Commissioning	225,000
Consulting Arborist	200,000
Cost Estimating	200,000
Art Restoration	150,000
Special Inspections	100,000
Hazardous Materials Testing & Abatement	100,000
Environmental Graphic Design	100,000
Permit Specialty	50,000
Photography Services	50,000
Professional Writing Services	25,000
Total	\$15,340,775

Source: Auditor's analysis based on PP&R's on-call services spreadsheet

Task Orders

Bond Program project managers select contractors from the on-call contract list to provide services to specific projects. On-call contractors are selected in rotation, and are requested to provide a proposal for the project work. If proposals are consistent with the on-call contract provisions, the City issues a task order for the work to be performed by the contractor.

Contracts and task orders are entered into, and purchase orders and invoices are processed through, the City's financial system, SAP.

Monitoring of on-call contracts and efforts to replenish pool of on-call contractors could be better coordinated

Although on-call contracts and task orders are entered into SAP, the Bond Program tracks on-call contracts for PTE services manually via five excel spreadsheets (contract insurance tracking, funds remaining, next in rotation, etc.), making it difficult to monitor contracts that have expired insurance documents, have terms that are ending, or have insufficient funds remaining. According to interviews with staff, although contract information is entered into SAP, contract tracking capabilities within SAP are not sufficient to allow the Bureau to effectively monitor their contracts, and SAP does not issue any automatic alerts to inform staff that a contract is going to expire in three months for example.

In addition, the Bond Program would benefit from formalizing current processes for determining if on-call contracts need to be replenished. The Office Support Specialist, who maintains the on-call contract tracking documents, and the Bureau's Procurement Analyst discuss the status of contracts on an as-needed basis to determine if a solicitation needs to be issued to add additional contractors to the on-call list.

Of the \$15.3 million in professional services contracts, \$8.7 million has been spent and \$6.6 million remain, as shown in Exhibit 22 below. All of the outstanding architectural services contracts will expire in the next six months, while nearly 60 percent of outstanding landscape architectural services contracts and more than 80 percent of civil engineering contracts will expire in the next six months, as shown in Exhibit 22 below.

The Bureau will need to have new contracts in place by January to ensure continuity of bond program services. The Bureau issued a solicitation for on-call civil engineering and landscape architectural services on August 29, 2018 and planned to issue a solicitation for on-call architectural services in early October 2019. Awarded contracts for on-call civil engineering and landscape architectural services would begin on January 1, 2019, and awarded contracts for on-call architectural services would begin January 15, 2019 (according to the draft request for proposal), which is one day after all existing architectural services contracts expire. Any delays in issuing the architectural services solicitation could increase the time between contract expiration and the start date for new contracts and potentially result in project delays.

Exhibit 22: Contracts Expiring in the Next Six Months as of August 2018

Services	Total Amount Remaining	Contracts that expire in less than 6 months	
		Amount Remaining	% of Total Remaining
Landscape Architecture	\$1,362,809	\$801,257	59%
Architecture Services	1,321,754	1,321,754	100%
Civil Engineering	756,260	635,355	84%
Subtotal	\$3,440,823	\$2,758,366	80%
Construction Management	450,000		0%
Mechanical Engineering	339,350		0%
Roof & Building Envelope Investigation and Design	239,798	25,288	11%
Special Inspections	237,485	75,619	32%
Trail Planning & Design	225,000		0%
Surveying	215,407		0%
Structural Engineering	205,307		0%
Electrical Engineering	202,268		0%
Consulting Arborist	188,627	188,627	100%
Geotechnical Engineering	154,162	257	0%
Building & System Commissioning	151,747		0%
Art Restoration	140,920		0%
Special Inspections	96,500		0%
HazMat Testing & Abatement-new	91,350		0%
Property Appraisals	78,500	19,500	25%
Cost Estimating	62,920		0%
Environmental Graphic Design	47,600		0%
Photography Services	46,200		0%
Professional Writing Services	16,422		0%
Total	\$6,630,385	\$3,067,656	46%

Source: Auditor's analysis based on PP&R's on-call services spreadsheet

Inadequate contract monitoring and management could result in project delays due to a lack of qualified contractors with sufficient funds remaining on their contracts. Additionally, the Bond Program could face potential liability for using contractors with expired insurance documents or with insufficient funds remaining on existing contracts. According to Bond Program staff, updated contractor insurance certifications are reviewed and approved before contract execution or task order issuance (including any amendments thereof). According to interviews, a lack of sufficient qualified contractors in the Bureau's on-call pool has been a problem in the past, but it has not negatively impacted the Bond Program as of July 2018.

The City has no formal process to evaluate contractor performance

According to interviews, neither the City nor the Parks Replacement Bond Program has a formal process to evaluate contractors. In the absence of a documented process to evaluate

contractor performance, the Bond Program risks using underperforming contractors, or faces potential liability for not using contractors who underperform but for whom underperformance has not been documented. According to the National Association of State Procurement Officials¹⁰, assessing contract risks and monitoring after the contract has been awarded is a best practice for local government contract management. Additionally, they recommend that procurement agencies collect customer needs and contract performance data from users for existing contracts in order to inform specifications to include in future contracts for similar services. Portland Parks & Recreation staff should consult with Procurement Services to determine how Bond Program staff can evaluate and work with contractors to improve their performance.

While project managers did not report issues with contractor performance, program staff reported that some contractors have under-bid on contracts in the past and subsequently received bid increases through change orders. The Bond Program response has been to provide extremely detailed scopes in its requests for proposals to mitigate the risk of increased contract costs.

Recommendation 7: The Portland Parks & Recreation Director should consult with the City's Director of Procurement to determine how Bond Program staff can evaluate and work with contractors to improve their performance.

Recommendation 8: The Portland Parks & Recreation Director should request that staff in the Operations and Strategies Division formalize and document existing policies and procedures for on-call PTE contract management and monitoring to ensure the availability of sufficient qualified contractors to meet future needs.

¹⁰ NASPO is a non-profit association comprised of directors of the central purchasing offices in all 50 states and Washington, D.C.

Appendix I
Phase I and Phase II Bond Funded Projects

Site	Phase I	Phase II	Increase/(Decrease)
Playgrounds			
Couch	\$1,633,515	\$1,633,515	\$0
Creston	806,287	1,106,287	300,000
Kenton	968,947	968,947	0
Lents	1,471,908	1,471,908	0
Lynchview	1,405,030	1,405,030	0
North Park Blocks	1,598,656	1,598,656	0
Ventura	1,103,719	1,103,719	0
Gabriel Playground	0	1,700,000	1,700,000
Gilbert Playground	0	1,100,000	1,100,000
Glenhaven Playground	0	1,450,000	1,450,000
Playground Parts & Pieces	0	3,000,000	3,000,000
Subtotal, Playgrounds	\$8,988,062	\$16,538,062	\$7,550,000
Trails and Bridges			
Maple Trail	\$763,421	\$563,897	(\$199,524)
Macleay Pk	763,421	962,944	199,524
Springwater Bridges	2,348,830	2,348,830	0
Foley-Balmer Bridge	0	750,000	750,000
Marshall Park Bridge	0	750,000	750,000
Springwater Bridge II	0	640,000	640,000
Subtotal, Trails & Bridges	\$3,875,671	\$6,015,671	\$2,140,000
Pools			
Grant	\$1,681,998	\$1,681,998	\$0
Matt Dishman	839,914	839,914	0
Peninsula Park Feasibility Study	110,413	110,413	0
Peninsula Pool Mechanical	0	3,200,000	3,200,000
Subtotal, Pools	\$2,632,325	\$5,832,325	\$3,200,000
Protect Workers			
Mt. Tabor	\$7,543,625	\$7,543,625	\$0
Delta Park	2,364,091	2,364,091	0
Subtotal, Protect Workers	\$9,907,715	\$9,907,716	\$0
Pioneer Courthouse Square			
Pioneer Courthouse Square	\$10,000,000	\$10,000,000	\$0
Subtotal, Pioneer Square	\$10,000,000	\$10,000,000	\$0
Accessibility			
Washington Park Rose Garden	\$1,918,484	\$1,918,484	\$0
MAC ADA Project	0	450,000	450,000
Mt. Tabor Handrails	0	250,000	250,000
EPCC ADA	0	100,000	100,000
Subtotal, Accessibility	\$1,918,484	\$2,718,484	\$800,000
Restrooms and Other Projects			
Argay Park	\$1,067,533	\$1,067,533	\$0
Bloomington Park	421,842	421,842	0
Couch Park Loo	577,388	577,388	0
Colonel Summers Pk	810,765	810,765	0
Ed Benedict Park	633,800	100,000	(533,800)
Raymond Park Loo	0	533,800	533,800
Glenwood Park	391,488	391,488	0
Lynchview Park Irrigation	179,777	179,777	0

Appendix I
Phase I and Phase II Bond Funded Projects

Site	Phase I	Phase II	Increase/(Decrease)
Mary Rieke Soccer	2,173,057	2,173,057	0
Mount Tabor Summit	623,984	623,984	0
Multnomah Arts Center Seismic	126,896	126,896	0
Multnomah Arts Center Cottages	106,028	106,028	0
Parklane Park	97,552	97,552	0
Sellwood Park Roof	1,272,539	1,272,539	0
St Johns CC	1,044,782	1,469,782	425,000
Ventura Park	314,758	314,758	0
Wilkes Park	246,681	246,681	0
Matt Dishman Roof	0	500,000	500,000
Matt Dishman Electrical	0	250,000	250,000
Montavilla CC Roof	0	1,300,000	1,300,000
Pier Park Restroom	0	750,000	750,000
Sellwood Park Kitchen Roof	0	500,000	500,000
MAC Seismic	0	1,000,000	1,000,000
Fernhill HSE	0	500,000	500,000
Subtotal, Restrooms and Other	\$10,088,870	\$15,313,870	\$5,225,000
Total	\$47,411,127	\$66,326,128	\$18,915,001

Audit Objective

The objectives of the performance audit of the Parks Replacement Bond Program were to determine if:

- The Bond Program funds were spent in a manner that adheres to the language of the measure approved by the voters, approving \$68 million in general obligation bonds to fix and improve park facilities while maintaining the current property tax rate, and requiring audits and public oversight;
- The Bond Program is operating in a fiscally responsible manner, including maintaining fiscal accountability as a core driver, ensuring bond dollars are clearly and separately tracked, and ensuring integrity and accuracy of financial statements.

Audit Process

The performance audit was conducted in three phases. The first phase consisted of the initial assessment, the second phase was detailed field work, and the third phase was reporting and quality assurance.

Initial Assessment

The project team met with Portland Parks & Recreation staff responsible for the Bond Program in a kick-off meeting on July 18, 2018. The purpose of this meeting was to introduce the project team, discuss the audit process, and discuss our initial request for information. Based on our discussion in the kick-off meeting, we revised our request for information.

Initial Request for Information

Documents obtained through our initial request for information and reviewed by project team included:

- Bond Program policies and procedures
- City of Portland procurement policies and procedures
- List of all completed Bond Program projects
- Examples of construction and professional/technical/expert services and construction contracts
- Examples of program status reports for three projects selected for detailed review: Lents Park Play Area Renovation, Argay Park Tennis Courts, and Pioneer Courthouse Square
- Portland Parks & Recreation organization chart
- Bond Program annual reports
- Oversight Committee annual reports and Oversight Committee meeting minutes
- Budget contingency tracker, budget template methodology, budget template, capital project financial structure
- Bond administration v. common costs
- Bond financial tracking overview
- Operating procedures for Portland's financial system (SAP), and for insurance collection, contracts, debt management, procurement, project digital archiving, spending forecasts, and task orders
- Sample management reports, including "At-a-Glance", reimbursement requests, and project spend reports

- Construction management manual
- Memoranda for pricing of bond issuances
- Memoranda pertaining to timing of bond issuances, property tax rates, and bond spending
- Oversight Committee meeting minutes

Initial Interviews

We conducted survey interviews in July and August with the following City of Portland and Portland Parks & Recreation staff:

- Portland Parks & Recreation Assets & Development Division Manager
- Bond Program Manager
- Portland Parks & Recreation staff responsible for bond program budget and tracking
- Portland Parks & Recreation staff responsible for contracting and procurement
- Bond Program project managers for Pioneer Courthouse Square, Argay Park Tennis Courts, and Lents Park Play Area Renovation
- City of Portland debt management staff

Progress Report

As part of our initial assessment, we submitted a progress report to the Bond Program manager on August 17, 2018, summarizing (i) Bond Program spending as of July 2018; (ii) bond spending rates; (iii) spending variances by theme and by pool projects; (iv) contract selection and monitoring; and (v) project management, communication, and decision making. The progress report outlined the tasks for the detailed field work phase of the audit.

Field Work

The progress report outlined the field work phase of the audit:

The Bond program's decision making and control structures

This task consisted of an assessment that (a) bond funds are achieving the objectives of the Bond program; (b) safeguards are in place to ensure proper use of resources; (c) use of Bond resources are reported to management and the public; (d) information in reports is reliable; and (e) the Bond program complies with applicable laws.

As part of this task, we reviewed (a) the assumptions in initial budget planning; (b) the reasons for delays in project spending, the impact on the timing of bond issuance, and the Bond programs actions to better estimate project spending and bond issuance; (c) how program/project changes are communicated and approved; and (d) the effectiveness of communication between the Portland Parks & Recreation staff working with the Bond program and other City staff

The Bond program's activities and spending

This task consisted of (a) a review of all bond revenues and expenditures and whether the Bond program is on track to meet its goals; (b) a review of the 52 bond-funded projects' budgets, scopes, and timelines, reasons for changes to the projects (if any), approval process for project changes, and reporting of changes to management and the public; and (c) an assessment that bond funds are property charged, and not used for non-project expenses.

As part of this task, we reviewed budget tracking, and communication between project managers and supervisors. We assessed the (a) procedures and controls in place to ensure that bond funds are not charged for expenses that should be paid from other funds (such as developer fees); and (b) the Bond program’s methodology to calculate overhead charges to bond-funded projects

The Bond program’s control and monitoring environment

This task consisted of an assessment of (a) monthly and annual management reporting; (b) the role of the Bond Oversight Committee; (c) monitoring of bond-funded projects by Department management; (d) the sufficiency of reporting on projects to management and the public; and (e) the contract selection, task order, amendment, and change order process.

As part of this task, we (a) reviewed the Bond program’s process to select consultants, monitor consultant contracts, issue task orders and amendments, and evaluate contractor performance; (b) identified contract change orders, the reasons for change orders, the change order approval process, and the impact on project and program contingencies; and (c) project managers’ adherence to project management guidelines.

To conduct the detailed field work, we collected and evaluated additional documents, including:

- Request for Proposals for professional/technical/expert services, and on-call contractor tracking documents
- Updated Bond Program budget tracking documents
- Bond Program contingency tracker
- Budget template documents

We had follow up discussion with Bond program, contracting, and debt management staff to ensure an adequate understanding of (i) the City of Portland’s process for timing of bond issues, (ii) Portland Parks & Recreation’s contracting process, and (iii) Bond program procedures for developing and tracking project budgets, including scope changes, contingencies, overhead allocations and other budget processes.

In performing the three audit task above, we evaluated three bond projects in detail – Argay Park, Lents Park, and Pioneer Courthouse Square – as a source of evidence for our performance audit findings. This evaluation included in-depth interviews with the three project managers, and detailed evaluation of project documents (project status reports, contracts and contract amendments, change order documentation, budgets, project schedules, and project scope changes).

Reporting and Quality Assurance

We submitted a confidential draft report to the Bond Program Manager on September 18, 2018, summarizing our findings and recommendations. We met with the Portland Parks & Recreation Asset & Development Division Manager, Bond Program Manager, and Management Analyst on October 23, 2018 to discuss the confidential draft report. Based on information provided to the audit team, we revised the draft report and submitted the final draft report to the Bond Program Manager on November 2, 2018

Observations

As noted in the Introduction to this report, we found that the Bond Program funds were spent in a manner that adheres to the language of the measure approved by the voters, and that the Bond Program is operating in a fiscally responsible manner. Our report contains five findings and eight recommendations that are intended to improve the efficiency of the bond program. These areas of increased efficiency include reviewing and adjusting how project contingencies and cost escalation for Bond Program staff are calculated and incorporated into the project budget templates, formalizing the process for timing project spending and bond issuances, revising the method for charging citywide overhead rather than Bond Program administrative costs to bond projects, documenting procedures to track bond and non-bond funding by project, and formalizing and documenting contracting practices.

Below are three Bond Program processes that we reviewed, for which we did not find weaknesses, but for which the Bond Program could be improved by better documenting procedures and ongoing monitoring. This includes: (1) better defining changes to a bond-funded project's scope; (2) better defining when bond funds can be appropriately used for maintenance activities; and (3) continued monitoring of contracts and change orders.

Scope Changes

Capital projects should have a defined scope to ensure that the project conforms to the requirements of the bond as approved by the voters, and that the project can be completed within the project budget and schedule. According to interviews with project managers, the project scope is defined at the beginning of the project and incorporated into the budget template. Changes in the project are revised in the project template and reported in the monthly status report.

While the Bond Program's fiscal policies specify the approval process for changes in a project's scope, the program's policies do not define what constitutes as a change in a project's scope. According to interviews with project managers, any project component not specifically defined in the original project constitutes a change in scope. If a project component changes, the project manager discusses the change with the bond program manager; if the component change is considered to be a change in the overall project scope, senior Portland Parks & Recreation management determine if the scope change is consistent with the bond measure.

Project managers told us that many projects have some sort of scope change, but these changes are minor and do not impact the project budget. Larger scope changes underwent a formal approval process; the process for minor changes is less clear. The bond program would benefit from a written procedure that defines scope changes, and the process to approve scope changes depending on the size and impact of the change.

Maintenance Activities

Capital expenditures, which are typically a part of larger capital projects, can be defined as the costs associated with constructing or purchasing a new asset or improving or replacing existing assets. Improvements must extend the useful life of the asset or increase the capital asset's ability to provide service.

The bond program does not have written procedures that define maintenance components of projects or the process for separating maintenance from capital expenses. According to interviews, few instances occur where capital and maintenance expenses overlap. The Lents Play Area renovation required maintenance staff to repair a lock that had been vandalized; whether this repair was billed to maintenance or capital project funds was not clear. The Pioneer Courthouse Square project included cleaning of the stoa columns in the project budget. The bond program would benefit from a written procedure that defines how these activities apply to the bond program.

Contracts below Reporting Thresholds

In our review of contract documents for Argay Park Tennis Courts, Lents Park Playground Renovation, and Pioneer Courthouse Square, we identified two contracts (out of 14 reviewed) with amounts just below thresholds that have additional approval requirements. The Lents Playground initial task order for design services was for \$99,990, which is \$10 below the contractor's original contract amount. Issuing a task order for more than \$100,000 would have required a contract amendment and approval by the Chief Procurement Officer. Because the task order exceeded \$75,000, the task order was signed by the Portland Parks & Recreation Director.

Additionally, the Pioneer Courthouse Square contract amendment for project management assistant services increased the original contract amount by 24.7 percent, which is 0.3 percentage points below the threshold for increased approval requirements. Contract amendments that increase the original contract amount by more than 25 percent require approval by City Council. According to the Bond Program Manager, the contract amendments require multiple reviews and approvals. The amendment to the contract for project management assistant services was signed by the purchasing agent and the city auditor.

Our detailed review of contracts was based on the three projects, and therefore, we did not identify trends in approving contracts or contract change orders just below mandated reporting levels. The Bond Program Manager should continue to monitor contracts and change orders to identify and correct consistent practices in approving contracts and change orders below mandated reporting levels.

Portland Parks & Recreation Written Response



PORTLAND PARKS & RECREATIONSM

Healthy Parks, Healthy Portland

January 23, 2019

Severin Campbell
Harvey M. Rose Associates, LLC
1390 Market Street, Suite 1150
San Francisco, CA 94102

Dear Ms. Campbell,

Portland Parks and Recreation (PP&R) hired Harvey M. Rose Associates to conduct a Performance Audit of the 2014 Parks Replacement Bond Program (Bond Program) as promised in the 2014 Bond Measure Language. On behalf of PP&R, I want to thank you and your firm for the work you have completed.

As your audit demonstrates, the Bond Program has been successful in delivering on the promises made to the community in Measure 26-159 and in Council Resolution 37085.

We understand from your performance audit that the findings are as follows:

- The Bond Program funds were spent in a manner that adheres to the language of the Measure.
- The Bond Program is operating in a fiscally responsible manner.
- The existing documentation systems are transparent, in place, and functioning well.

PP&R appreciates that the Performance Audit's eight recommendations are to *further enhance* our efficiency. It should be noted that two recommendations, #7 and #8, are beyond the scope of the Bond Program, however, we will forward these recommendations to the appropriate parties as discussed below.

PP&R is committed to continuous improvement, and we offer the following information in response to the Performance Audit recommendations.

Administration

1120 SW 5th Avenue, Suite 1302
Portland, OR 97204
Tel: 503-823-PLAY (7529) | Fax: 503-823-6007

PORTLANDPARKS.ORG

Nick Fish, Commissioner
Kia Selley, Interim Director



Sustaining a healthy park and recreation system to make Portland a great place to live, work, and play.

Auditor Recommendation 1: *The Bond Program Manager should document the program's approach to reallocating the approximately \$3.4 million in available bond funds to existing projects or new projects, such as projects that were considered for Phase II but ultimately not selected, and report on that approach to the Bond Oversight Committee.*

PP&R Response – Recommendation 1: The Bond Program's Fiscal Policies direct the Program's approach to reallocating funds within seven themes and across the Program.

- PP&R will continue to follow existing policies for reallocating any remainder funds between existing and new projects and will formalize the documentation of the Bond Program's decisions for funding reallocations.
- The approach for allocation of remainder funds will be reported to the Bond Oversight Committee.

Auditor Recommendation 2: *The Bond Program Manager should consider adjusting the contingency and escalation assumptions for internal soft costs in the Program Budget Template for future projects based on analysis of actual spending.*

PP&R Response – Recommendation 2: All Bond projects are currently underway or complete, and PP&R will continue with the current approach to contingencies and escalations for all 2014 Parks Replacement Bond projects.

- Project contingencies have allowed the Bond Program to be responsive to variability in the economy and are anticipated to remain necessary to ensure delivery on all 52 projects within the scope that has been promised to the community.
- PP&R will review the Budget Template and will consider making adjustments for future projects.

Auditor Recommendation 3: *The Bond Program Manager should formalize and document existing procedures on how to determine timing and size of bond issuance in advance of the third bond issuance in 2019. The procedures should specify how maintaining stable property tax rates will be prioritized among other considerations.*

PP&R Response – Recommendation 3: Staff have worked closely with Debt Management for prior bond issuances and will continue to do so.

- PP&R staff have begun to prepare for and refine the approach for the next issuance. PP&R staff will formalize and document the updated procedure. Prioritization approaches will be included in the documentation.

Auditor Recommendation 4: *The Bond Program Manager should direct the Management Analyst to formalize and document existing procedures to (a) communicate with project managers and make necessary adjustments to spending projections for their projects; and (b) compare actual and projected spending on a regular basis to determine if other adjustments are necessary to improve the accuracy of projections.*

PP&R Response – Recommendation 4: PP&R will formalize and document existing procedures for communicating with project managers regarding project spending and projections. PP&R will continue to compare actual and projected spending on a regular basis to inform further adjustments.

- PP&R will coordinate this work with Recommendation 3.

Auditor Recommendation 5: *The Bond Program Manager should revise Bond Program practices to consistently charge citywide overhead percentages to Bond Program projects in order to reflect overhead costs incurred by the projects and avoid potentially difficult reconciliation of common costs to overhead costs each year.*

PP&R Response – Recommendation 5: PP&R will revise the current Bond Program practices for charging overhead costs to the Bond Program Projects.

- Staff will continue to work with the PP&R Finance Manager to accomplish this work.

Auditor Recommendation 6: *The Bond Project Manager should document procedures to budget and track bond and non-bond funding types by project going forward.*

PP&R Response – Recommendation 6: PP&R is confident that System Development Charge funds have been spent on eligible project elements that add to the park system's capacity.

- PP&R will document procedures to enhance the tracking of bond and non-bond funding types by project.

Auditor Recommendation 7: *The Portland Parks & Recreation Director should consult with the City's Director of Procurement to determine how Bond Program staff can evaluate and work with contractors to improve their performance.*

PP&R Response – Recommendation 7: Contractor performance evaluation is a City-wide issue, and the Bond Program will continue to follow the guidance of the City's Procurement Office to optimize the work with contractors. The Bond Program Manager will also forward this recommendation to the PP&R Director and the Assets and Development Division Manager.

Auditor Recommendation 8: *The Portland Parks & Recreation Director should request that staff in the Operations and Strategies Division formalize and document existing policies and procedures for on-call PTE contract management and monitoring to ensure the availability of sufficient qualified contractors to meet future needs.*

PP&R Response – Recommendation 8: The Bond Program Manager will forward these audit recommendations to the PP&R Director and will work with Operations and Strategies Division staff to formalize and document existing policies and procedures for on-call PTE contract management and monitoring.

PP&R is committed to continuous improvement. The Performance Audit will guide further refinement to our business processes as we deliver on the promises made to voters in a fiscally responsible and transparent manner.

Thank you again for your work and insight into enhancing our processes as we continue to deliver much-needed park improvement projects for the Portland community.

Sincerely,



Robin Laughlin, PLA
Bond Program Manager



For more information about the bond, visit parksreplacementbond.org

Note: Information in this report is accurate as of June 30, 2019

Agenda No.
REPORT

million Title

Accept the Year Four Report on the \$68,000,000 Parks 2014 General Obligation Bond (Report)

<p>INTRODUCED BY Commissioner/Auditor: Nick Fish</p>	<p>CLERK USE: DATE FILED <u>OCT 15 2019</u></p>
<p>COMMISSIONER APPROVAL</p> <p>Mayor—Finance & Administration - Wheeler</p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - Fish <i>smg</i></p> <p>Position 3/Affairs - Hardesty</p> <p>Position 4/Safety - Eudaly</p>	<p style="text-align: center;">Mary Hull Caballero Auditor of the City of Portland</p> <p>By: <u><i>[Signature]</i></u> Deputy</p>
<p>BUREAU APPROVAL</p> <p>Bureau: Parks & Recreation Bureau Head: Adena Long <i>[Signature]</i></p> <p>Prepared by: Robin Laughlin Date Prepared: 09/13/2019</p>	<p>ACTION TAKEN:</p> <p>OCT 23 2019 Rescheduled to October 30, 2019 at 10:15 AM Time Certain</p> <p>OCT 30 2019 ACCEPTED</p>
<p>Impact Statement</p> <p>Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/></p>	
<p>City Auditor Office Approval: required for Code Ordinances</p>	
<p>City Attorney Approval: required for contract, code, easement, franchise, charter, Comp Plan</p>	
<p>Council Meeting Date 10/23/19</p>	

AGENDA
<p>TIME CERTAIN <input type="checkbox"/></p> <p>Start time: _____</p> <p>Total amount of time needed: _____ (for presentation, testimony and discussion)</p>
<p>CONSENT <input type="checkbox"/></p>
<p>REGULAR <input checked="" type="checkbox"/></p> <p>Total amount of time needed: 20 minutes (for presentation, testimony and discussion)</p>

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:	
	YEAS	NAYS
1. Fritz	✓	
2. Fish	✓	
3. Hardesty	✓	
4. Eudaly	✓	
Wheeler	_____	