



Office of Mayor Ted Wheeler
City of Portland

Madame Auditor,

We are very proud that the Portland Building Reconstruction Project is ahead of schedule and on budget. The goal of the project is to replace the building envelope to eliminate water intrusion, perform seismic upgrades, replace building systems at the end of their life cycle, and meet LEED Gold standards. The reconstructed building will create an adaptable building that will last 50-100 years, providing a productive work environment for employees and a welcoming space for community members.

The project has been transparent about additional initiatives proposed outside of the construction budget and the return on investment for each of them:

- In January 2017, the project team and CFO Ken Rust proposed the space optimization investment, which was approved by City Council <https://youtu.be/EutwiZrDdkc>.
- In 2018, the project team updated City Council on the project <https://youtu.be/lp-EhnshUMs>.
- The project team briefs Council members on project status and issues in monthly check-in meetings as needed.

It should be noted that the project team did not begin “excluding some elements from the project scope to stay within its \$195 million budget”. Furnishings, technology equipment, and childcare buildout were never part of the project scope <https://www.portlandoregon.gov/omf/article/620884>.

The project team has appropriately proposed opportunities - as they have identified them - to capitalize on this once-in-a-generation project to save money over the long-term. For example, the space optimization project alone is estimated to save the City \$25 million over the next twenty years by moving additional employees into the building not originally planned there, allowing us to avoid additional lease costs.

And, while technology was not in project scope, there is sufficient contingency to cover the cost. In November 2018, the project team was directed to invest in technology as part of the project without exceeding the \$195 million budget cap (<https://www.portlandoregon.gov/omf/article/732870>). It is worth noting that the Portland Building Community Oversight Committee agreed that this was a reasonable decision.

In line with your recommendations, we are now posting additional budget information on the project website. The most recent is here: <https://www.portlandoregon.gov/omf/article/733786>

Regarding the COEP dollars your team identified, more than \$800,000 will be released once the COEP is successfully established in Prosper Portland, per Council direction. In short, the opportunity, though delayed, will be realized.

Finally, the Portland Building Community Oversight Committee, a group of Council appointees with decades of experience on complex construction projects, has consistently given the project top marks for budget discipline and scope; the “red” score on equity your team refers to in the audit has been clearly and consistently articulated by the committee as a respectful prod to the team to continue driving hard to achieve our goals in a tight market for both skilled labor and contractors. We embrace this tight oversight and believe it has been instrumental in achieving excellent results to-date.

Please see the latest equity numbers for both workforce and contracting goals (<https://www.portlandoregon.gov/omf/article/732386>). The City set ambitious goals in both areas and is on track to exceed them.

We trust you have had time to review the Portland Building Community Oversight Committee’s letter regarding your audit and the project’s transparency <https://www.portlandoregon.gov/omf/article/733397>.

Thank you for adding this to your team’s work over the past year at the CAO’s request and for all your team’s efforts to improve City government.

Sincerely,



Mayor Ted Wheeler



Tom Rinehart, CAO