

Ferndale School District No. 502
Bond Oversight Committee Quarterly Report
May 21, 2019 – September 30, 2019

INTRODUCTION

On May 21st, 2019, the officially formed, voter approved, Bond Oversight Committee (from here on will be referred to as the BOC) adopted governing bylaws which provide the purpose, authorization, function and responsibilities of the BOC for the duration of the bond. Bylaws can be found on the district website on the Bond Oversight Committee's webpage.

The current BOC consists of the following individuals:

- Riley Cornelsen, co-chair
- Anya Milton, co-chair
- Mark Harting
- Brian Lynch
- Sandi McMillan
- Adam Rustad
- Bo Smith
- Dan Cornelsen, alternate

OVERVIEW

The BOC has met in its official capacity a total of five times since May, and a two of its original members have changed. Dan Cornelsen stepped down from the committee to become an alternate and Ryan Kimball moved up to the committee level. At that point we brought Bryan Lynch on as an alternate. Kimball later stepped down, due to his family moving out of the district. At that point the secondary alternate, Bryan Lynch was voted into Ryan Kimball's place.

The majority of this first quarter, plus one month, was spent learning how to work together as a group. Official district email addresses were set up for use, we were trained in the Open Public Meetings Act by the State Attorney General's office. The first sale of bonds was issued towards the end of this quarter so there were limited financial reports to review.

The BOC has requested that the district create a dashboard that will easily, visually track bond progress in the following areas: High School, Critical Needs Projects and Security Upgrades. Within these areas, viewers will be able to view timeline, track project progress and follow budgetary progress.

The BOC's key function is advising on the following:

- A. Selection and appropriation of construction and professional service contracts
- B. Construction plans and schedules, including prioritization and design
- C. Review of bond sales
- D. Evaluate cost savings

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A. Selection of Construction & Professional service contracts

The BOC has reviewed and commented on all services purchased so far. This has included (not an exclusive list) archaeology, soil analysis, wetlands, transportation, architect and project management. Many hours have been devoted by the seven members, reading and analyzing and raising questions. Appropriation of each service is done through a purchase order by the FSD and all have occurred with the BOC input.

B. Construction Plans

The largest area of unknown for the finances the BOC will review is around GCCM FHS construction contract. The BOC understands that the process of GCCM will limit cost uncertainty, provide additional value to the district, and overall save bond monies. The BOC has reviewed the GCCM applicants and has given a nod to the two that FSD is pursuing.
10/11 UPDATE: FSD has chosen to move forward with Cornerstone on pre-construction services.

C. Review Sale of Bond

We reviewed the Closing Instructions from DA Davidson to the FSD which included details of the bond sale. Discussion from the BOC to the FSD included: Resolution 18-2018 gave the FSD administration the ability to amortize the bonds over 22 years, we note the first sale of bonds includes a debt service schedule of 18 years (ends 12/1/2038).

The voter approved Initiative was for \$112 million in bonds, this first issue will decrease that total by \$47 million. The BOC has requested FSD create a cash flow analysis estimating future bond sales approximate dates and cash flow needs.

The BOC discussed the timing of this sale given the fact that the Federal Reserve had repeatedly announced it would be lowering its target range for its benchmark interest rate. The BOC would like the FSD to consider engaging a Financial Advisor on future sales.

The BOC has noticed that FSD doesn't have existing policies on debt. The BOC recommends the SD establish a debt policy.

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D. Evaluate Cost Saving Measures

We have been given access to analyze and comment on all services purchased to date. All members on the BOC have skills in cost containment. One of the largest expenses to date has been the Dykeman architect and the Construction Service Group. The BOC brought to the FSD attention that there appeared to be an overlap between those two services along with the FSD operations in the area of Critical Needs Projects. FSD is examining ways it can reduce overhead costs of those services by pulling some of the Critical Needs Projects out of the functions of architect and CSG.

BOC was attentive to the fact that deferred maintenance was identified as a cause of repetitive roofing issues. We requested the school district forecast maintenance needs to keep the Critical Needs Projects completions in good working order for years to come. FSD is creating a detailed replacement cycle asset management system to better handle maintenance needs and included higher maintenance service budget in 2019-20.

The BOC has commented on FHS building site soils, ground water, and foundational costs. Where the high school will be located will play a large role as to how costs could be contained.

The BOC and FSD are designing a Master Budget that will be able to track the \$112 million to what has encumbered and eventually spent. The BOC will only monitor additional funding as it becomes secured by FSD, such as grants, business sponsorships and anticipated state match funds.

CONCLUSION

In summary, the level setting of expectations in working with each other and the district and developing the mechanisms for the BOC's deliverables have been a learning process. The BOC anticipates that the expectations set will be met, and more information will be readily known and discussed as the district develops a more fluent understanding of the bond process.