

The Bond Oversight Committee met April 21, 2020 at 6:01 p.m. via Zoom video conference.

1. CONVENE

1.01 Call to Order by Chair

Riley Cornelsen called the meeting to order at 6:01 p.m.

1.02 Roll Call of Committee Members

Committee members present: Riley Cornelsen, Anya Milton, Sandi McMillan, Brian Lynch, Dan Cornelsen, Mark Harting.

Also present were Ferndale School District Assistant Mark Deebach, Construction Services Group Representatives Heidi Hanson and Tex Ladish, Cornerstone Construction Vice President Sam Comer and Ferndale School Board Member Andrew McLaurin. There was one audience member present.

1.03 Adopted the Agenda

The committee considered adopting the agenda.

Anya Milton moved to adopt the agenda. Mark Harting seconded the motion. The motion carried.

1.04 Approval of Minutes

Mark Harting moved to approve the minutes. Sandi McMillan seconded the motion. The motion carried.

2. PUBLIC COMMENT

2.01 Receive Public Comment

No comments were received.

2.02 Share Public Comment Received During the Past Month

Mr. Riley Cornelsen reported that no questions had been received since the last meeting of the committee.

3. UNFINISHED BUSINESS

3.01 How do we communicate with the Public?

Mr. Riley Cornelsen noted the updated dashboard on the website. He said it's the committee's preference to develop additional communications on the cost and budgetary items for the public as those get more defined. Anya Milton agreed that now, more than ever, it will be important to have a social media presence. She asked if there was an established routine on pushing out these types of information via social media. Mr. Deebach said he didn't believe the district had established a routine of doing that, however he said he would get that built into the communication system so when items such as the dashboard are updated, a communication will be sent.

3.02 Considered Candidates for Alternate Member on the Committee

Mr. Riley Cornelsen reported the committee received an additional application for alternate member on the committee. It is from Corey Bullard who has elementary age children in the district. The other candidate for consideration is Bruce McKay with whom the committee spoke with at its last meeting.

Both Brian Lynch and Anya Milton said Mr. Bullard would be a good fit for the committee.

Brian Lynch moved to appoint Corey Bullard to the committee as an alternate member. Sandi McMillan seconded the motion. The motion carried.

Anya Milton said the committee will invite Mr. McKay to the next meeting to see if he is still interested in being part of the committee as an alternate.

3.03 Update on Status of Debt Policy

Mr. Deebach reported that this matter has been on hold during this time due to other work that has needed to be done in regard to the COVID-19 situation.

Riley Cornelsen said it was the hope of the committee that the policy would be in place as the district enters into the next round of bond sales. This was so the community has a better understanding of the finance pieces. Sandi McMillan said that even without a policy in place, the

district can still seek to use a financial advisor. She stated concern about the district's bond rating being reduced. Also, she added that the community thinks it passed a \$110 million bond, however they will be paying over \$278 million for the bond. There may be a better plan so taxpayers are not incurring so much of a debt service impact. She noted how Seattle Schools pays for bonds. She said the community needs to be part of the conversation.

Mr. Deebach said that Seattle Schools does not run bonds. They run capital program levies which are much different. These levies are for a shorter term which means that individual taxpayers will pay a lot more money in a shorter period of time. It would amount to paying 20 years of debt in a six-year period span.

Mr. Deebach said it is clear to the district that the committee has recommended that a policy be put in place and also that the district look at consulting with a financial advisor. Also, he noted the next bond sale may take place in June or July of this year.

3.04 Update on Sponsorship Program

Mr. Deebach said the school board adopted a sponsorship policy for soliciting large donations. As things start returning to normal, the district will actively engage the community and develop a plan for soliciting large corporate sponsors. Mr. Harting asked what "large" meant. Mr. Deebach said it would be a substantial donation. In the policy, the acknowledgement of the donation is weighed against the size of the donation.

Ms. McMillan asked if the district has received an opinion from bond counsel as to whether or not the policy would jeopardize the tax status of the district. Mr. Deebach said he would check with bond counsel and report back to the committee at its next meeting.

It was noted this item would be a repeat item on the agenda so the committee could receive updates from the district.

4. NEW BUSINESS

- 4.01 District Comments/Input
- a. Review Bond Related Spending for March 2020
 - b. Review Cashflow Plan
 - c. Receive an Update on Items Related to the Bond from Ferndale School District and Construction Services Group
 - d. Review Dykeman SD's and VE log
 - e. Review Dykeman Fee Change

Committee members reviewed the value engineering and schematic design documents for the new high school. They also received an update on the budget and cost estimates for the school.

Heidi Hansen, Tex Ladish and Sam Comer provided an update on the high school project. Ms. Hansen said that during schematic design, the cost estimates were over the district target budget. In order to reduce costs, the project team has shifted some aspects of the project to bid as alternates. These include: alternate gym, reuse of the existing weight room, greenhouse and aquaculture building. The existing facilities will be reused as part of the base bid. She noted that until bids actually come in, we will not know for sure whether there will be enough reserves to cover these items. As of now, the project is coming in \$384,000 under the total construction cost target.

Ms. McMillan asked how the COVID and economic situation might impact the project as far as costs. Sam Comer spoke about market volatility. He said historically a normal market increases about 3-4%. In the past few years, it went up 5-6%, but is benchmarking at about 3.5%. He noted that in 2010 when the economy was in a similar situation, escalation was not seen for these types of projects. He said longterm it appears the economy will be leveling out.

Mr. Lynch asked about the maintenance for the membrane type of construction materials. Mr. Comer said using membrane is common and comes with a 30 plus year warranty. It has become the preferred material because of ease of maintenance and warranty.

Ms. McMillan asked what the square footage was for the planned school. Mr. Comer said the build footage was at 193,000; with alternates discounted it takes it to 182,000. Ms. McMillan asked how this compares to the Meridian Plus model. Mr. Comer said the Meridian Plus model was 222,500 square feet at \$124,998,000 million.

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Ms. McMillan asked about the fee to Dykeman. Ms. Hanson said the final fee was \$300,000 more which was taken from the design contingency. Ms. Hanson said the fee is in-line with other similar projects. Mr. Deebach added that Mr. Comer and his team have reduced anticipated budget costs by several million dollars.

The next steps are to complete the design development phase between now and the end of July, and complete the environmental review during the summer.

The Committee received a report regarding the Safety and Security projects that are part of the bond package. Mr. Ladish noted that bidding on some projects is scheduled to begin by May 18, with a goal to complete projects this upcoming summer. He noted that due to size and significance of the HVAC and roofing projects, the district was advised by legal counsel that the projects would need to be professionally bid.

The Committee reviewed financial documents and project expenditures, which total \$1.174 million to date. Additional value engineering opportunities were discussed and value engineering will continue through the course of design, bidding and construction.

Ms. McMillan said she was having a hard time reconciling the ledger and cashflow plan. Mr. Deebach said he would take a look at the documentation and send an update to the committee.

Ms. McMillan asked where the investment earnings will be used. Mr. Deebach said those are in the Capital Projects Fund and will be put back into the project areas that provide the most benefit.

- f. Update on next bond sale (Financial Advisor? Timeline?)

This item was discussed earlier in the agenda.

- g. Quarterly Report to the School Board Update/Timeline

Committee members discussed presenting their quarterly report to the school board in May. Riley Cornelsen, Anya Milton and Sandi McMillan will compile a draft of the report and bring it to the committee for review at its May meeting.

5. ADJOURNMENT

The meeting adjourned at 7:29 p.m.

The next meeting of the committee is scheduled for May 19, 2020. The agenda and materials for the meeting will be available to the committee for review one week in advance of the meeting.