

Ferndale School District No. 502
Bond Oversight Committee
Meeting Minutes June 23, 2020
Recorder: Tammy Bengen

The Bond Oversight Committee met June 23, 2020 at 6:40 p.m. via Zoom video conference.

SPECIAL NOTE: Due to technical difficulties during the meeting, the public was unable to attend via Zoom. Therefore, the committee chose to record the meeting and post it on the Bond Oversight committee webpage for public access. A recording of the meeting is available at this link:
<https://www.youtube.com/watch?v=Wjboq4-cOml&feature=youtu.be>.

1. CONVENE

1.01 Call to Order by Chair

Riley Cornelsen called the meeting to order at 6:40 p.m.

1.02 Roll Call of Committee Members

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

Also present were Ferndale School District Assistant Mark Deebach, Construction Services Group Representative Tex Ladish, Ferndale School Board Member Andrew McLaurin and Ferndale High School Principal Jeremy Vincent.

1.03 Adopted the Agenda

The committee considered adopting the agenda.

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

1.04 Approval of Minutes

Sandi McMillan moved to approve the minutes as submitted. Anya Milton seconded the motion. The motion carried.

2. PUBLIC COMMENT

2.01 Receive Public Comment

On behalf of the committee, Anya Milton expressed appreciation to Tammy Bengen since this was her last meeting with the committee. Ms. Milton said "we are grateful for your meticulous organization and support, you will be missed and thank you for your 27 years of service to the district." Ms. Bengen thanked the committee.

2.02 Shared Public Comment Received During the Past Month

Riley Cornelsen noted that no other comments were received since last month's meeting.

3. UNFINISHED BUSINESS

3.01 How do we communicate with the Public?

Sandi McMillan said she had checked the dashboard on the website and that it is current as of June 1.

Riley Cornelsen asked what the district's plans were for communication during the summer. Andrew McLaurin said the governor's mandate for how meetings are held is set to expire July 1. The school board, at its June 30 meeting, will discuss what their plans are for the summer.

Anya Milton said the district should prepare at this time to answer questions from the community about reopening school in the fall, informing them of what that might look like and letting them know the new state requirements. Mr. McLaurin acknowledged her point. He noted that the guidance from the Office of the Superintendent of Public Instruction has been changing.

3.02 Considered Candidates for Alternate Member on the Committee

It was the consensus of the committee to stay in a holding pattern for this month on appointing another alternate member.

Also, Anya Milton will reach out to committee member Cathy Raymond about Cathy's status and report back to the committee.

3.03 Review Capital Bond-Levy Policy (Debt Policy)

Mark Deebach presented the draft policy to the committee. He noted that the school board at its last meeting asked that the policy be reviewed by the

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Bond Oversight Committee and that the committee provide recommendation to the board.

Mr. Deebach and Mr. McLaurin said there were questions and concerns brought up during the board meeting about having such a policy and the inclusion of the district having a financial planner review bond sale matters. Thus, the board asked that Cynthia Weed from K&L Gates, district's bond counsel, speak with the committee about the bond process in Washington State and answer questions from the committee.

Mr. Deebach introduced Ms. Weed who was in attendance.

Sandi McMillan said having a financial advisor is like the district having a cost estimator for the construction. The GFOA (Government Finance Officers Association) has a best practice that says you need a third party person if you don't have the board or staff present for this kind of financial acumen. The financial advisor would give better insight for what to know in a negotiated sale. They look at items such as amortization schedule, interest rate and how the bonds are structured. She said it took the district four times to get this ballot passed for the CP bond. She said the suggested policy from the committee is a few paragraphs about how the district is going to do its planning. She conveyed it has been a struggle the past 20 years for her, as a community member, to understand how bond measures come together. This policy provides for accountability and transparency. It is based on national best practice. She said the district spent over \$170,000 on bond issue fees in the first round so \$10,000 for this additional process shouldn't be viewed as negative.

Mr. McLaurin said the district has legal counsel whose job is to guide the district through the process.

Sandi McMillan said she heard the superintendent make that statement also. She worries that someone may come back and say that if bond counsel is not a registered financial advisor that the district is not able to accept advice from them. Only a fiduciary has the best interest of the district in mind.

Mr. McLaurin asked Ms. Weed to weigh in on this point. He said he doesn't think there is a requirement for the district to have a financial advisor or that one was even available to take this matter.

Ms. Weed said she recognizes what Ms. McMillan is referring to—the national guidelines and that it's in the best interest for someone who is a fiduciary to provide independent advice in respect to bonds. She said she is a lawyer. And, she is a fiduciary for the district but is not a registered financial advisor.

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She is the district's bond counsel. She has been doing this work for over the last 40 plus years in the state of Washington. She said practices in Washington are different than they are in other states. She said that technically the district's bond underwriter is a contractor. The district should feel they are doing a good job. In that respect, She suggested that part of this has to do with the degree of comfort with the contractor the district deals with, as it is with any contractor of the district.

She said there are two ways a district enters the bond market. First, is by competitive sale and the second, starting in mid 1980s, is a negotiated sale process. Ferndale in the mid 1980s transitioned to a negotiated sale process. In the 1980s almost all districts used this process. Some large districts bring in financial advisors to provide additional comfort to the district and its board.

Anya Milton asked about the climate and demographic change of the community. She said Ms. McMillan wants to bring in the additional component for the community. Ms. Weed said if the district wants more overall transparency then working with a financial advisor will provide an independent review—it will provide extra validation. It may give you more credentials with community and be worth the extra money.

Ms. Weed said the Deputy State Treasurer used to be a financial advisor and she was sure he would be willing to talk with the board and committee about his views on the matter. Further, she said if she thought the district's sale process could be improved, she would have an obligation to tell the district. She said she has no connection with the bond underwriter.

Mr. McLaurin said that when the board discussed this, it said they had confidence in Cynthia as a fiduciary as well as our legal counsel. He didn't recall any concern about having a financial advisor on board. It was only a concern from the committee. He wasn't sure how this would play in the community. No one has raised it as an issue, other than we did well on first bond issue.

Ms. Milton said she didn't think the BOC wants to make recommendation to move to competitive sale. We advocate for community who are voting for these bonds and for future bond/levies. It's in our best interest to follow best practices brought forth by Sandi McMillan. She thanked Ms. Weed for her explanation. Milton feels strongly to have a formal recommendation that the board considers a debt policy. In the packet is a sample four paragraphs long. It's a sign of transparency—acknowledgement to the community. BOC represents the community. It's worth the board to consider moving forward with having a policy. We want people to build confidence in the district.

Mr. McLaurin said the Board wants to be open to your recommendations and will be. He didn't think there would be pushback on having a debt policy other than if we don't need to spend extra dollars because we have this in place.

Brian Lynch said the district has legal counsel, but it does not have a financial advisor. Mr. McLaurin said Cynthia Weed is a fiduciary for the district. Ms. Milton said Ms. Weed is an attorney, but not a CPA.

Ms. McMillan said she has talked to state treasurer's office who runs the bond program for state of WA. She said that even if the board doesn't adopt a debt policy, that the board should have a statement that creates public engagement.

Ms. Weed clarified that she is not a financial advisor. She is an attorney who does legal work for the district. She has the duty to look at the overall best interest of the district. Ms. Weed said there are basically three entities in the state that can provide financial advisor expertise for the district.

Anya Milton moved to forward to the school board the debt policy drafted by Sandi McMillan as the official recommendation from the committee.

Anya Milton said this draft is more obtuse than the other policy that was presented to the board a couple meetings ago.

Brian Lynch seconded the motion. There was one dissenting vote by Sandi McMillan. Motion carried.

The board will receive the committee's recommendation at its June 30 meeting.

3.04 Reviewed Quarterly Report for the School Board

Committee members reviewed and discussed the draft quarterly report that will be presented to the school board. Several suggested changes were made to the report. Ms. Milton will incorporate the changes and send an updated report to meeting recorder Ms. Bengen for posting on the school board's June 30 meeting.

3.05 Reviewed and Made Recommendation about Changes to the Proposed Ferndale High School CTE Area

Mr. McLaurin said the board heard the proposal at its last meeting. The board has asked that the committee review and make recommendation about the

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use of the current Ferndale High School CTE building to house the Golden Eagle Academy and Ferndale Virtual Academy Programs.

Anya Milton said she appreciated the report that Jeremy Vincent put together, as suggested by the committee.

Mr. Lynch asked that even if this was accepted would the old CTE building get utilized for learning. Mr. Vincent said no, the current master schedule fits in the new proposed building.

Riley Cornelsen said in the original discussions about the building, that the building was deemed as one of the worse in the district and that it was not worth keeping.

Ms. Milton asked how, in the planning, did the district miss providing for this group of students. Mr. Vincent said that when the district put together the original numeric program, it had the ceramics and fine arts (2D and 3D) moving to the new building. As planning went along, it was determined that we needed to keep the 2D and 3D art in its original program space.

Ms. Milton asked what the longterm projection is for this program is; how's the district preparing to accommodate the needs of these students. This is a bandaid for the 2020-21 and 2021-2022 school years. What's the longterm goal? Mr. Vincent said the program has grown ever year. Last year it doubled because we were able to hire an additional math teacher. Mr. Deebach said from a physical standpoint, the district would need to look at the next bond and the possibility the building becomes eligible for state match dollars. The current building is not a longterm solution.

There was discussion about what would need to be upgraded to the building in order to make it an equitable learning space for students. These included addressing heating, water/flooding issues, upgrades to classrooms and restrooms.

Concerns were expressed by committee members about what the community would think about the reversal in the decision from not using the existing CTE building to now making parts of it an educational space.

Sandi McMillan said she would like to see a capital plan put together by the district for the next ten years. Anya Milton agreed there needs to be an outline of a plan so that the district is prepared to address the growth in this program.

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Brian Lynch asked what the benefit is to CTE if we make this shift. Mr. Vincent said the need was for more space for media programs. The need is greater than what was originally thought. It will allow for greater flexibility for these programs.

Mark Harting said there would be 425 s.f. if the programs were moved to the PAC. Mr. Vincent said nothing is moving to the PAC.

Riley Cornelsen said the high school is not going to fully open until 2023. If the trajectory continues with these program, in three years from now they could have 150 kids. If art it kept where it is at, what other options are their for placement of the program. He cited the Mountain View facility. He said he supports the new idea if the district is going to bring the space up to an equitable status. From a construction perspective, the district could run it as an alternate if it is a financial burden or deductive alternate.

Mr. Bullard asked if there are any funds for the CTE building. Mr. Deebach said the district decided not to tear down the building due to demo cost. He said he doesn't see how the district can pull money away from the budget for the voter approved projects.

Again, Ms. McMillan said there is lack of capital planning. The district has known about these students. The district needs a plan that addresses all of its buildings, who are in them and how they will provide for programs such as these.

From the board's standpoint, Mr. McLaurin said we know that in the planning/drawing that space got squeezed. CTE felt they didn't have enough space. And, now we have come up with an option. It's not a lack of planning. We were not aware of it a year ago when we were planning square footage of the building. It was not in the forefront when we went to the community with the idea of tearing the building down. Things have changed. We want to be upfront with the community and have support with what we do with the space.

Riley Cornelsen asked where the two programs would be located if not in the CTE building. Mr. Vincent said they would remain in the PAC.

Anya Milton referred to the committee's bylaws ad charge. She said this matter needs greater thought by the entire team of the board of directors to form a larger plan.

Riley Cornelsen said that if we place students back in an unimproved space that what we said to the community is not true. Anya Milton said that if

significant improvements were made to the building, then it may be viable. Riley suggested addressing the heating, lighting, plumbing and finishes which would run about \$100-\$120 s.f. in order to make the space equitable.

Mark Harting suggested the recommendation to the board that BOC supports the use of the current CTE building for the Golden Eagle Academy and Virtual Learning Academy based on the school district upgrading those parts of the building as needed to make it an equitable learning environment for students, including mechanical electrical plumbing and finishing upgrades as necessary.

Committee members discussed the importance of this space being equitable in regard to learning standards for these programs.

Anya Milton moved to recommend to the board that the Bond Oversight Committee supports the use of the current CTE building for the Golden Eagle Academy and Virtual Learning Academy based on the school district upgrading those parts of the building as needed to make it an equitable learning environment for students, including mechanical, electrical, plumbing and finishing upgrades as necessary. Mark Harting seconded the motion. Motion carried.

The committee will present its recommendation to the school board at the boards' June 30 meeting.

4. NEW BUSINESS

- 4.01 District Comments/Input
 - a. Review Bond Related Spending for May 2020
 - b. Review Cashflow Plan
 - c. Receive an Update on Items Related to the Bond from Ferndale School District and Construction Services Group
 - d. District Director of Maintenance to share database for deferred maintenance projects

The Committee reviewed financial documents for May. Tex Ladish reported that no bills were paid during the month of May.

Mr. Ladish provided a report to the committee regarding the safety and security projects that are part of the bond package. He said the district awarded the bid for the vestibule projects to Tiger Construction. Committee members reviewed the bid documents. It is planned that this work will be completed during the upcoming summer months.

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Also, Mr. Ladish said the district received bids on the CTE pre-engineered metal building. They came in somewhat lower during the second round of bidding than the first.

Mr. Ladish said the district has a pre-application meeting with the city scheduled for next week. Mr. Lynch asked if the city hires consultants to advise them on these large projects. Mr. Ladish said that so far the district has met only with city staff.

5. ADJOURNMENT

The meeting adjourned at 9:13 p.m.

The next meeting of the committee is scheduled for July 21, 2020. The agenda and materials for the meeting will be available to the committee for review one week in advance of the meeting.