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Bond Oversight Committee Quarterly Report

4th Report January – April 2020

INTRODUCTION

On May 21st, 2019, the officially formed, voter approved, Bond Oversight Committee (BOC) adopted governing bylaws which covers 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, each with long career experiences in construction management, project management, government finance & budgeting:

- Riley Cornelsen, co-chair
- Mark Harting
- Sandi McMillan
- Dan Cornelsen
- Alternate: Corey Bullard
- Anya Milton, co-chair
- Brian Lynch
- Cathy Raymond
- Alternate: vacant

OVERVIEW

The BOC met three times since the last report, the scheduled March meeting was cancelled by the School District due to the pandemic. The Committee appointed one alternate member and is recruiting for the vacant alternate position. These few months we spent much time focused on our role in overseeing and advising on our key functions & responsibilities. Key items of note include: Communication with stakeholders, Review of contracts, Review of the Design Process & Construction Plan, Review of Construction Funds, Financing, and Evaluate Cost Saving Measures.

KEY FUNCTIONS UPDATES

- **Communication with Stakeholders**

The BOC requested dashboards be created, and published on the District webpage, to continue to visually track bond progress in the following areas: High School, Critical Needs Projects and Security Upgrades.

As the high school project continues to proceed the BOC recommends improving and developing additional ‘dashboard’ functions to communicate further details with the public.

The BOC continues to receive questions from the public, answers those directly which are then published onto the website, via a Q & A feature.
- **Review of Contracts**

The BOC participates in review of all contracts, most notably this quarter was the review of the Dykeman Architects contract, \$6.395 million. WA State law sets the maximum % that an architect can charge in a school construction project (6.25% of construction cost) Dykeman’s contract is currently set at 5.65% of anticipated construction cost. The architects had attended a BOC meeting to give coordination updates from the Design Committee.

The BOC reviews budget shifts such as the need for more soil testing and sampling.

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- **Construction Plans / Design Review**

Site location: The site location was decided through a cost analysis comparing at least three different sites. Option 3, the final site, has a prominent clear front entry, opportunities for future expansion less impact to neighbors and better staging for construction. A few of the concerns will be this is the deepest bearing soils with the highest water table concerns.

Prefab Buildings: The BOC had previously introduced the concept of prefab metal buildings to the District and they had incorporated the CTE building as prefab metal. After further cost analysis & review, the plans will now include the gym/athletics building as a prefab metal building as well.

Value Engineering: The BOC has reviewed the Value Engineering ideas to date. The District has taken advantage of many of those and reduced the building costs by approximately \$13M to align with the budget. The major cost cutting measures have included moving some scope to “ALTERNATE” bid items which will allow the district more flexibility to decide at the time of bid whether to proceed with the alternate items if they fit within the budgeted project value. The BOC also discussed reviewing GPON capabilities and the District looked at a cost benefit for using a different network architecture that might save on square footage, but it was determined that it wasn’t feasible. All team members will continue to monitor cost saving & value adding options as we move through design development.

Timeline and Schedule: At a recent BOC meeting Cornerstone Construction participated in giving the BOC updates on GCCM coordination and timeline, there has been a longer than expected design phase, but schedule is still to break ground in 2021.

Cost escalators to build the High School are 6% (3%/year). Reminding citizens this is a great unknown as supply chains are changing. That 6% could be much different during and after the pandemic.

School Construction Assistance Program (SCAP): The BOC receives regular updates on the District’s progress to gain matching funds (reimbursement after the project). We review a quarterly budget to actual one-page report that includes SCAP anticipated match funding.

- **Construction Funding review**

Most of our BOC meetings include the concern that the FSD doesn’t have a debt policy. In general, a debt policy is an agreement based on best practices, that is held between the elected school board members and the community on how capital debt will be planned, who is involved in a bond sale to gain the best interest rates, the credit rating that the community wants to see achieved, minimize overlapping repayments, coordinate infrastructure improvements across the generations of tax base, etc.

Often debt is structured to satisfy the wants of investors. Debt is sometimes issued to get

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the lower interest rates at possibly a heavier burden of shorter repayment schedules which eliminates the future generations paying that debt for school facilities they will enjoy. At a recent BOC meeting we discussed with the District a few concepts that they could employ:

- a. All capital bond sales should include a Municipal Financial Advisor. That entity is a 3rd party to give advice to the District. This is a national best practice for local governments (GFOA). It's not legal to get financial advice such as timing during market volatility or how to structure a sale from Bond Underwriters or Bond Counsel.
- b. A Financial Advisor could be helpful if the District receives a credit downgrade due to the operational levy failure.

The District needs to create a long-term facilities master plan that will minimize overlap of bond repayment whenever possible and address deferred asset management that historically was an issue.

As part of our continued engagement with the Ferndale community, we believe many citizens seem ready to give feedback to the District on how they want their community schools improved in the future and this debt policy would include their input in a public setting where discussions and data can be reviewed.

- **Evaluate Cost Saving Measures**

- The School Board adopted a policy regarding corporate sponsorship upon the suggestion of the BOC.
- BOC pressed the importance of building relationships now with Corporations/Businesses/Community, so that there is a natural progression when the District has an official ask. The Board reviewed and adopted a policy.
- Value Engineering has created many cost savings
- Use of Bid Alternates is a great concept to allow competition from contractors on pieces of the build that the SD may or may not proceed with (we can add to the bids if we have the budget)
- Several different 3rd party cost estimators have been used by the District and by the consultants, giving a higher degree of confidence in the budgeted line items
- The District is managing some of the Critical Projects itself, for example: hot water tank replacements are currently being completed by District staff and heat valve installations will be done in the summer by District maintenance staff rather than vendors.
- There was overlap on management services of construction projects between Dykeman Architects, CSG, and the District staff; and the BOC felt the District management staff and maintenance staff could complete select projects. We were disappointed to hear the District attorney declined that direction for projects to be accomplished by the District.

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CONCERNS

The BOC expressed concern for the proposed location and size of the new CTE facility. The concerns we presented are presently being addressed. This has led to productive interaction between the CTE teachers, school district administration and BOC members. Though to date not all concerns of the BOC have been resolved. There was great deal of conversation amongst the school board members and faculty about Ferndale having one of the best CTE programs in the state. The question is if the planned square footage allows that to continue and allow for room to growth in the future?

CONCLUSION

In summary, there have been successes and challenges as we work together to achieve the best possible outcome for our community, the School District, and the local taxpayers. We are at the one-year mark now and have spent over \$1M of bond funds. The BOC continues to be both encouraged by the transparency and wiliness of all parties to work together, while still pursuing more information from the District. We look forward to continuing to improve our process and provide value to the overall process and projects.

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