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# Bond Oversight Committee Quarterly Report

5<sup>th</sup> Report May – September 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 (resigned)
- Anya Milton, co-chair
- Brian Lynch
- Cathy Raymond
- Alternate: Joe Lupo

## OVERVIEW

The BOC has met four times virtually, since the last report. The Committee appointed one alternate member, Joe Lupo, and lost one member due to personal circumstances. The few months were spent focused primarily on our role in reviewing the design process as well as continually addressing our other tasks & responsibilities. Additional responsibilities of note include communication with stakeholders, review of contracts, review of construction funds, financing, and evaluate cost saving measures.

In the process of reviewing and recommending all aspects of the Bond Project, the BOC found several concerning themes that are outside the functional remit of our committee, but were concerning as stakeholders, citizens and taxpayers. One such item was the implementation of a debt policy and the employ of a financial advisor for future bond sales. This topic is discussed below. The BOC brought the concerns to the School Board and have begun dialog with Board President Andrew McLaurin who also serves as liaison to the BOC. We begin the discussion of addressing the issues in October, which will include the discussion of long-term maintenance planning for the non-high school bond projects. All in all, it has been a positive learning process in forging communications with District Staff, School Board Members and the Design Team.

Discussion of the Performing Arts Center was brought to our attention as significant seismic upgrades, due to the 2000 Nisqually Earthquake, are needed prior to moving forward with the planned PAC upgrades. This puts the project cost approximately \$1 million overbudget. The BOC was disappointed to learn this and anticipating the District's plan to resolve this issue.

One other item of note was the request for the BOC to recommend reuse of the current CTE Building for classroom space for the Golden Eagle Academy. The opportunity was presented in June by Principal Vincent. The BOC weighed heavily the student need for space and the previous recommendation to not use the current CTE Building. After much deliberation and discussion, the BOC's recommendation was conditional, in that the District find the funding to use the space and bring it up to equitable education standards, which include heat, lighting, and finishes that meet today's industry standards.

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## KEY FUNCTIONS UPDATES

### A. Communication with Stakeholders

The BOC designed dashboards, on the District webpage, 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 which may include, but are not limited to, cash flow projections, more detailed schedules, and schematic renderings of the future school.

The BOC also continues to receive questions from the public, answers those directly and then puts those Q&As onto the website. We have not received any direct questions for the past three months.

### B. Review of Contracts

The BOC participates in review of all contracts. Major item reviewed was contract for the secure vestibule's to Tiger Construction. Bid value allowed the district to accept the alternates that were proposed in the request for bid, for a contract value of \$741K.

The BOC reviews budget shifts. No major budget shifts were made this quarter.

### C. Construction Plans / Design Review

**100% Design Development Drawings:** Design Development drawings were released on 7/31 for BOC review as well as continued review by the executive steering committee, CSG, and Cornerstone. This package of drawings was far more comprehensive than the previous version and has provided a significant amount of additional detail to review and understand. The major theme from the BOC is to try to focus more on getting a best value out of our bond dollars rather than simply trying to stay within a budget. With that in mind there were several key takeaways from the BOC's review and subsequent discussion with the school district and design team.

- 1) Water Table and Storm Water treatment:** Due to the gross size of the site, flatness of the property and the high-water table, the containment and treatment of stormwater is a major issue. The current design, while functional, is a significant cost driver of the project. The BOC as well as members of CSG and Cornerstone have recommended reviewing & pricing alternative options with the goal to save cost while still providing a functional, gravity fed system.
- 2) Daylighting / Shading / Passive heating & cooling:** There are large portions of the new building that will be 'window walls' as well as larger areas of the 'classroom wing' that will be glazed. With glazing there are significant benefits to students through daylighting as well as passive cooling with operable windows, however, there are also drawbacks with the need for shading, heat gains/losses, and downstream scope impacts, that add costs vs. a typical wall section. It has been the BOC's recommendation that this component of the design continued to be reviewed to balance the benefits and costs.

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- 3) **Architectural Opulence:** There are many small items that were reviewed in the Design Development drawings that were fairly minimal in the large scale of the project budget, but should continue to be reviewed and value engineered to help not only save the school district and the tax payers on cost, but more importantly attempt to redirect these costs into improving the functionality and use of the building for the end users. Items that fall under this list include but are not limited to; column covers, ceiling/wall cover materials, floor coverings, door & relites, glazing systems, fixture types, simplification of details, etc.
  
- 4) **Future Planning:** Continued care should be taken when looking at future planning of both programs as well building expansion. Areas are noted on the plans for future expansion of the 'classroom wing' and plans should be made for the event that the 'alternates' are not able to be taken. Furthermore, current program should be accounted for and designed around so that we are not creating a separate problem by solving an existing. ( Example: Placing light poles in the middle of the existing student parking to end the band's ability to use it as a critical rehearsal space.)

**Security Projects:** Secure vestibules should be complete at time of this report submission, in time for the limited reopening of campuses. Contract was for \$741K, appears to be ~\$35K in changes (4.7%) leaving total value of \$776K + design & management fees. Final costs look to be within 1-2% of bond allocated value (\$1M).

**Timeline and Schedule:** BOC continues to be updated on GCCM coordination and timeline; schedule is still to break ground in 2021.

**School Construction Aid 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.

#### **D. 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 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 times, debt is structured to satisfy the wants of particular investors, to get 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:

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- All capital bond sales should include a municipal Financial Advisor. That entity is a 3<sup>rd</sup> 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.
- 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, BOC Member, Sandi McMillan offered her professional review of the implementation of a financial advisor for the second bond sale and submitted her Letter to the Editor at My Ferndale News. We have also attached it to this report. The BOC believes that 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.

#### **E. Evaluate Cost Saving Measures**

- Corporate/Business/Community sponsorship was reviewed by the BOC and the District adopted. The BOC continues to implore the District to plan for exploration of sponsorship opportunities with community businesses and stakeholders.
- The BOC continues to advocate for additional Value Engineering efforts to provide continued cost savings as well as maximizing the value of the dollars being spent.
- Two separate cost estimators have been used by the District and CSG, giving a higher degree of confidence in the budgeted through 100% DD docs. Estimates came in very close (less than 3%) to each other, which give an added degree of confidence in their accuracy.
- The District has been managing and performing (completing) some of the Critical Projects itself. We feel this was a good choice and not only allows for cost savings but adds additional familiarity to the systems within the internal maintenance staff.
- 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.

#### **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 roughly 18 months into the bond process now and have spent over \$5M of the bond dollars to date, the BOC continues to be encouraged by the willingness to work toward greater transparency and all parties

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seem to be working towards the same end goal. The District does need to continue to work harder at ensuring that access to accurate Zoom meetings and recordings of those meetings are available to the public. We look forward to continuing to improve our work together for the students and the community taxpayers and provide value to the process and projects.

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