

# Bond Oversight Committee Quarterly Report

October 2019 – December 31, 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 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, and community connection:

- Riley Cornelsen, co-chair
- Anya Milton, co-chair
- Mark Harting
- Brian Lynch
- Sandi McMillan
- Dan Cornelsen (*brought on as voting member in November*)
- Cathy Raymond (*selected as alternate in October, brought on a voting member in November*)
- ~~Adam Rustad~~ – RESIGNED in October (other commitments)
- ~~Bo Smith~~ – RESIGNED in November (moving)

## OVERVIEW

The BOC has met in its official capacity three additional times since our last report in October. Cathy Raymond was brought on as an alternate member in October, and both her and Dan Cornelsen were elevated into 'voting member' roles after the resignation of Adam Rustad and Bo Smith. The Committee is recruiting two alternate candidates and has advertised in numerous places.

These few months we spent more time focused on our role in overseeing and advising on our key functions & responsibilities.

Updates on Key Functions covered:

- Communication with stakeholders,
- Review of contracts,
- Review of the Design Process & Construction Plan,
- Review of Construction Funds,
- Evaluate Cost Saving Measures

## **KEY FUNCTIONS UPDATES**

### **A. Communication with Stakeholders**

The BOC had 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. We are happy to report that these dashboards are now live on the district and bond websites and updated monthly. The BOC will continue to look to develop the user interface to better help the community stakeholders stay up to speed on both the cost and schedules of all bond related activities. The BOC is still discussing additional options/opportunities to try to directly communicate with the public as well.

### **B. Review of Contracts**

The BOC participated and voted unanimously to support the selection of Cornerstone Construction as the GCCM for the Ferndale High School Project. Knowing that Cornerstone will be one of the major players through the duration of the high school construction, we have requested a representative be present at BOC meetings as necessary and pertinent in the future. Time has also been devoted over the past three months to reviewing current contracts the district has in place and ensuring that deliverables are in fact received in the timeline given/proposed. At each BOC meeting the Construction Services Group (CSG), the contractor hired to provide construction oversight services, presents many project related items also.

### **C. Construction Plans / Design Review**

The major development over the last three months was the varying options for site placement of the new high school. The three locations are;

- At the current Gym location and north third of the existing football field
- On the existing student parking lot West of the PAC
- On the existing football field and existing school site

The Executive steering committee, CSG, and Dykeman, have developed the three options with the input of the DAC. The BOC has provided an additional layer of review to determine not only the best location for the new school, but also ensuring commitments made to the district stakeholders are upheld.

Back in June 2019, JMB Consulting estimated a sq. ft. cost based on many assumptions and if FHS was built similar to the Meridian HS, but bigger, nicknamed the "Meridian Plus" model. That sq. ft. cost estimate, at that point, is now comparable to the sq. ft. estimates given by Cornerstone Construction, which is reassuring that construction estimates have been reconciled by a third party.

## Other items discussed with regards to Design:

- **Prefab Buildings:** The current plan is for a detached prefabricated steel building to house CTE. Buildings like these costs less (\$205 vs \$290) per square foot and allow for much easier expansion.
  - It had been discussed and recommended by the BOC that the CTE building be located on the site in a location that allows easy expansion should addition funds become available through alternate means, such as corporate partnerships or other private funding.
- **Classrooms / Teachers:** We understand the new Ferndale High School will follow 'shared classroom' model for general learning areas. What this means is teachers will have office space with teachers in their departments and will share classroom or educational space with other teachers. While not sacrificing on student learning opportunities and achievements, this has two major advantages:
  - Teachers could better collaborate amongst each other by having shared office space rather than having less collaboration through being confined to their classrooms.
  - More efficient way to utilize classroom space. With planning time, teachers do not teach all day and by having shared classrooms that valuable square footage can be utilized throughout the day without sitting idle.
- **Timeline and Schedule:** Early planning schedules for the Design Advisory Committee visioning and Education Specs process had originally showed completion by end of 2019. The alternate site locations appear to have delayed finalizing this process and currently there is some concern about the overall schedule. Understanding that the success of the high school project is largely due to the time and resources invested on the front end, it is not of major concern at this time, but worth noting and the BOC will continue to monitor as the process progresses.

### D. Construction Funding review

In our first report, we indicated the FSD doesn't have a debt policy since that report we have mentioned the need for a debt policy at every BOC meeting and given the FSD many samples and ideas regarding the debt policy but haven't seen a draft 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, etc.

Often times, debt is structured to satisfy the wants of particular investors, to get the lower interest rates at the cost of shorter repayment schedules which eliminates the future generations paying that debt for school facilities they enjoy.

- The FSD Proposition 2019-2 indicated the bonds could be repaid over a period of up to 22 years but the actual first bond sale has is repaid over 18 years. A shift of repayment occurred to burden the current taxpayers more. A debt policy could be the point that the community can tell the school board how they want to plan for future capital bond debt repayment.
- A debt policy could outline the credit rating expectations so that taxpayers can get the best interest repayments.

- There could be clarity in separating the Capital Fund and the General Fund and making policy decisions with the Ferndale community on how operations efficiencies and savings don't fund capital projects.
- Although a bond election is the community's decision to ratify the decision by the elected school board and to issue the capital debt, it seems the community currently has no voice in how that debt is structured, who is hired to issue the debt and how that debt is repaid over how many years. For example, the citizens know the Capital Bond was for \$112 million, but do they know the interest on that bond will probably exceed \$150 million? The total debt service repayment may be over \$260 million? Do the citizens know the bond repayment was shortened to 18 years rather than the longer term mentioned in the proposition? It is clear that the current management of the FSD has done an incredible job of securing the highest credit rating but should citizens know that a policy around credit ratings could ensure that future management of the District is held to the same level?
- 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.

The Ferndale community seems 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.

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

- Corporate/Business/Community sponsorship has been an ongoing discussion item of the BOC. We understand that the district is working through a process with the school board to come up with a policy for achieving this objective. Considering the state of the budget and anticipated market cost for the high school project the BOC strongly advocates making this a priority of the school board as a means to procure additional funds for the high school project. We have recommended reaching out to the Boys and Girls Club as a baseline for structuring agreements that benefit both local supporters and the school district.
- 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 maintenance staff could complete select projects and we are now seeing those cost efficiencies.

## **CONCLUSION**

In summary, the BOC and the district are now fully involved with the work of the major components of the bond projects. 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 tax payers. As we move closer to the one-year mark since the bond was passed, as well as the first \$1M of bond dollars spent 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 these important projects.