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# Bond Oversight Committee Quarterly Report

7<sup>th</sup> Report April 2021 – August 2021

## 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
- ~~Anya Milton, co-chair~~
- Brian Lynch
- Joe Lupo
- Mike Contezac - ALT
- Tristen Byers - ALT

## OVERVIEW

The BOC has met five times since the last report. The Committee brought on two alternate members, Mike Contezac & Tristen Byers, and lost Anya Milton due to her appointment to another committee within the community. The committee currently has one open, positions that we would like to fill with members of the public that have a vested interest in the bond projects.

The past few months were spent focused on our designated tasks & responsibilities including, but not limited to: Communication with stakeholders, Review of contracts, Construction Design Review, Review of Construction Funds, Financing, and Evaluate Cost Saving Measures. Additional time was also spent reviewing ‘bond adjacent’ items related to long term maintenance and capital planning.

## FOLLOW UP ON PREVIOUS REPORT

- Continued emphasis on “best value” practices beyond just staying in budget. Look for most efficient and economical product(s)
- Worked on and discussed various sponsorship opportunities for the district to pursue with regards to funding through corporate or community engagement. (Top Ten List)

## KEY FUNCTIONS UPDATES

### A. Communication with Stakeholders

The BOC spearheaded dashboards, on the District webpage, continue to visually track bond progress in the following areas: High School, Critical Needs Projects and Security Upgrades. They continue to be updated monthly, or as critical dates are met. A cash flow dashboard has also been developed and will be released when final GMP is set. It has been noted that the dashboards can be found in various locations and are not always updated in all locations on a monthly basis.

The BOC is still recommending improving and developing additional ‘dashboard’ functions to communicate further details with the public in a clear and direct way. This could include

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milestone or detailed schedules, visual phasing & traffic flow plans, a log of progress photos as well as schematic renderings of the future school.

The “Bond Updates” continue to be an informative way to convey information to the community and the addition of weekly progress photos have been a welcomed standard to the report. We encourage the district to continue to push out the bond update and encourage community members to subscribe.

The BOC also continues to be open to receiving questions from the public, answering those directly, and then puts those Q&As onto the website. We have not received any direct questions as of late but continue to discuss topics of conversation that we are aware of in the community. With the restart of in-person meetings community involvement has improved.

**B. Review of Contracts & FHS bid package buy-out**

The BOC has taken part in the sub-contractor bidding & buy out process for the new high school over the past few months and are happy to report that there has generally been good scope coverage, which in turn leads to a higher degree of confidence that the numbers received are accurate and competitive. There have been scopes that have come in higher and lower than early budget estimates, but overall the process has returned an initial net positive for the district with regards to the budget for the high school project.

The BOC also reviews budget shifts and adjustments month to month as they occur. At of the writing of this report there are no major budget shift to note.

**C. Construction Plans / Design Review**

**FINAL CONSTRUCTION DRAWINGS:** The final ‘for construction’ drawings were made available to the BOC for review along with the rest of the district, CSG, and other necessary parties. Another round of value engineering was performed, and some options were disregarded while others were kept on the table to review and price further. The BOC, again, recommends that this process continues through construction to ensure the district, community, and tax payers receive the best value for their dollar.

**Timeline and Schedule:** BOC continues to be updated on GCCM coordination and timeline. Ceremonial groundbreaking occurred in April and physical work started on site shortly thereafter. A milestone schedule was presented by Cornerstone to the BOC in June and we will continue to monitor any major schedule shifts and adjustments as they occur on site.

**School Construction Aid Program (SCAP):** The BOC receives regular updates on the District’s progress to gain matching funds (reimbursement after the project). We were recently updated that the state match will be in excess of what originally anticipated. There are a few additional stages to proceed through before finalization, but the originally budgeted \$20,392,317 appears to be more that \$1M less than the newly projected value of \$21,438,620.

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**D. Construction Funding Review**

The last quarterly report indicated that all our meetings included a review of bond related spending on a “master budget” report which Construction Services Group created to track budget and anticipated state match against expenditures. That master budget is then reconciled to a detailed general ledger transaction report which shows all the invoices paid by the school district. To back up a little bit, the BOC is also given copies of the Purchase Orders executed by the District when it initiates a purchase with a vendor, so that the scope of work on services and construction is known at the point of procurement, well before any expenditures are incurred. This gives the BOC the opportunity to weigh in on services and construction.

Cornerstone Construction has also completed a cash flow plan that is modeled with large input from the BOC. This will help track both forward tracking of cost against revenue as well as maintain some control & oversight of the monthly billings associated with the high school project.

In November the BOC was given a presentation on the historical capital planning for the district. It centered around bond initiatives and there was conversation that future capital planning could explore capital levies as possible funding mechanisms. Engaging a small group of citizens to discuss long term financing of capital could be productive to inform the district for future initiatives.

During the beginning of the Capital Bond there was an estimated schedule of three bond sales and the third “final” bond sale was tentatively scheduled for some time in July. We understand as of the July BOC meeting that the last bond sale will be delayed to August or September. We were informed that the District will once again contract with NW Municipal Advisors to act as the District’s financial advisor. Their responsibility again will be to review the interest rates and yields on the bonds and compare the next sale to other bond sales of similar sizes and structure recently sold nationally and in the region. They will also compare the fees charged by D.A. Davidson to make sure the fees charged to the District by the underwriter were appropriate for the amount of time and effort the firm committed to the District. You may recall these fees for an independent review are only approximately 1% of the bond related fees and give the community an independent reassurance that the price was right.

So far, two of the three bond sales have occurred. The first sale in 2019 had a total interest cost of 2.8% and the most recent 2020 sale had a total interest cost of 1.6%. Those are very low, in part, because the District earned one of the highest bond credit ratings due to clean audits and good fiscal management as cited by the independent rating agency. This is something to be acknowledged, as it positively affects taxpayers by minimizing the amount of interest paid. With the final bond sale coming in the next month it is conceivable that the total interest cost for that will also be very low similar to the first two sales. Building on that thought, it is highly conceivable that the property tax rate associated with the Capital Bond Initiative will be LOWER than originally estimated. The BOC looks forward to learning what the final bond sale comes in at and what that means for the tax payers of the district over the duration of the amortization.

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**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 attempt to solicit support, as time allows, for corporate sponsorship. The BOC helped provide a plan and strategy to procure support and funding outside of the bond dollars and continues to encourage to school district to pursue that heavily while construction is still on going at FHS.
- The District has a perpetual “Budget Option” Log that they are tracking varying additive and deductive pricing options on. The BOC was pleased to see this process and encourages it to continue through the duration of the project.
- The district requested input from the BOC about the scoreboard that was in the budget. The request centered around whether the district should purchase and install a video scoreboard or a traditional scoreboard. The BOC’s recommendation was to purchase the video scoreboards because of the versatility that would be afforded to the many different sports and activities that will use the facilities, as well as providing a potential revenue stream for the district and varying clubs through advertisement opportunities. We concluded that purchasing and utilizing a video scoreboard best fit a high school built in and for the 21st century.

**CONCLUSION**

In summary, with the high school project now fully up and running, the district and tax payers are beginning to see the physical representation of the larger portion of their bond dollars. We are also nearing completion of all the ancillary bond projects (safety, security, critical maintenance) and are happy to report back on the success both physically and financially on those small projects. With the high school project now the primary focus and through the ‘planning & design’ phase and into construction the focus shifts towards contractor & scope management. The BOC would like to reemphasize the on going relationship that they have built with the district and contracting parties associated with the bond projects. We continue to be encouraged with the transparency the district has brought to the table while still looking for ways to improve our process and provide value to the partnership.

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