



Bond Advisory Committee

Meeting Minutes

Meeting 3: Feb. 27, 2024

The following is a record of the Bond Advisory Committee's understanding of the comments made during this committee meeting. Clarifications and corrections should be directed to TurneyM@issaquah.wednet.edu or EngelsL@issaquah.wednet.edu before the next committee meeting on March 12, 2024.

- I. Welcome and Land Acknowledgement
- II. Opening and Outcomes
 - A. Agenda shift
 - 1. Accountability audit released last week on Tuesday 2/20 so that will be the main focus of today's meeting
 - 2. Share enrollment data for the district
 - 3. Objectives
 - a. Understand code legislation – Clean Buildings Act
 - b. Understand financial history for Capital Projects
 - 4. Upcoming meeting 3/12 will focus on school programs
 - B. State bond results from February 2024 Special Elections
 - 1. Share some of the results from neighboring districts
 - 2. Tacoma & Edmonds school districts (larger, more similar to ISD) – both bonds passed
 - a. Committee member question: Is there information available on the size of these districts, when they ran their last bond, and how large that bond was?
 - o Question will be addressed as a follow up
 - 3. 1/3 of the bonds passed statewide; half of the money requested passed
 - a. Question: What were the primary focuses of the bonds that passed vs. failed? What was more or less successful in the asks?
 - o Question will be addressed as a follow up
 - b. How does this compare to other bond cycles in recent history?
 - o Prepare a trend analysis on the data from the last couple of cycles
 - C. Exit ticket follow-up information
 - 1. Upcoming school tour: Wednesday, March 13th @ 1-4pm
 - a. Different ages of building, different levels, spread throughout district
 - o Issaquah High School

- o Challenger Elementary School
 - o Cougar Mountain Middle School
 - 2. Student voice panel – committee reception
 - a. Word cloud highlights: impact, empowerment, engagement, collaboration
 - b. Importance of social & emotional learning in addition to academic opportunities
 - c. Importance of collaboration & feeling like you have a place at school
 - 3. Meeting minutes – approved without modifications
- III. Code Updates and Implications: Clean Buildings Act presentation by Brian Cawley of Hargis Engineers
- A. Background
- 1. Administration goal to create legislation focusing on reducing grid emissions and the consumption of buildings on that grid
 - 2. 2019: House Bill (HB 1257) created the Clean Building Performance Standard
 - a. Focus on large buildings (over 50,000sf)
 - b. Most buildings in Issaquah School District are larger than 50,000sf
 - 3. 2022: Senate Bill SB 5722 augmented the bill, creating another tier of compliance
 - a. Tier 2 buildings: greater than 20,000sf
- B. Compliance required by 2026 based on size/Tier of building
- 1. By 2028 almost all the buildings in Issaquah School District will need to comply
 - 2. Compliance on a 5 year cycle
 - a. Anticipated that the energy efficiency standards will continue to improve
 - 3. EUI: “energy use intensity” – a metric used to measure energy use
 - a. Will likely need to improve these usages in 5 or 10 years
- C. Timeline
- 1. Issaquah School District buildings may not currently comply with these EUI benchmarks, so the district needs to plan for these improvements; “start yesterday”
 - a. Benchmark buildings & create a plan for improving the buildings
 - o Energy Star Portfolio Manager to track energy performance by uploading energy bills
 - 2. 22-32 month process
 - a. Data collection period
 - b. Analysis period: building profile (how the building is used), professional energy audit (walkthrough building and assess places for improvement)
 - c. Remedy: project scoping, fee/solicitation, implement
 - d. Verify: measurement & verification
 - e. Compliance: Clean Buildings Statute Report
 - 3. Typical compliance path options
 - a. EUI target path
 - o EUI adjusted by the hours that the building is used

- o K-12 building targets
 - a) 48 Btu/ft²/year for High Schools
 - b) 49 Btu/ft²/year for Elementary & Middle Schools
 - o Targets are not necessarily reflective of what a new building would use today; based on historical data (new buildings must comply with a lower EUI)
 - b. Financial investment criteria path
 - o If building doesn't comply with EUI path, perform an energy audit and implement energy efficiency measures
 - o Allows owners to only implement the measures that financially pay off over the life of that measure
 - a) Examples: LED lighting, improved HVAC efficiency, DOAS & energy recovery, energy conservation by adjusting HVAC schedules, improved building envelope
 - c. Exemption path – demonstrate you cannot afford the measures
 - d. Non-compliance path = penalties
 - o Maximum penalty for a 200,000sf building could be up to \$305,000 without a mitigation plan within the first 90 days following the deadline
- D. How does this legislation impact Issaquah School District facilities and planning?
1. Most of the Issaquah School District facilities are not currently complying – will need to improve energy efficiency for most buildings in the district
 - a. Cougar Ridge Elementary is in compliance currently, potentially the only facility (a full data set is not yet available for Cougar Mountain Middle School)
 - b. Many low-lift ways to improve energy use at these sites
 - o Adjust set points, run commissioning cycles on mechanical systems, replace faulty sensors
 2. Schools are typically modernized every 30 years (major electrical/mechanical system upgrade) – many Issaquah School District facilities are approximately 30 years old
- E. Committee Member Questions
1. Where is Issaquah School District on the timeline of the Clean Buildings Act?
 - a. Tom Mullins: Issaquah School District's High Schools are Tier 1 (200,000sf), Middle Schools are Tier 2 (90,000sf), Elementary Schools are Tier 3 (50,000sf), a few facilities are below 50,000sf
 - o High Schools are currently under energy audit with consultants to determine compliance pathways with final reports expected in April
 - o Don't have funds available to assess the Middle and Elementary Schools
 2. Has there been any adjustments to those compliance timelines since those bills have been passed?
 - a. No compliance adjustments; just some clarifications
 - b. Cannot comply as a portfolio (i.e. entire school district complies as a group)

- c. “California campus” type schools would not be aggregated for the purposes of determining building size/tier
- 3. Are there any considerations for the timeline since there are so many buildings needing to comply at once? i.e. Supply, cost of labor, etc?
 - a. If the project is funded or if project is started, it is likely that compliance won’t be required until completion of construction.
- 4. Any chance this is repealed under a new administration?
 - a. Unknown
- 5. Efficiency improvements will improve operating costs. Could this be amortized over time to help pay for the investment?
 - a. Martin Turney: This is something considered during the energy audit, in a life cycle analysis. Capital Projects team will work with the consultants on this issue. These are separate pots of money: capital projects funding pays for the improvements and the surplus of operation funds would be able to directly fund the students.

IV. Information from Recent Audit by Martin Turney

A. Timeline

- 1. August/September 2022: administration and finance team change, review financial condition and status of major capital projects
- 2. Fall 2022: preliminary internal work indicates some 2016 bond funds were used on projects outside scope of bond. Financial consultant hired to review use of bond funds
- 3. January 2023: consultant review indicates noncompliance, district proactively notifies state auditor of probable noncompliance, disclosure to the community via a news release
- 4. February 2024: WA State Auditor’s Office issues audit report with findings

B. Audit Finding

- 1. District used \$4,872,908 of 2012 bond funds for 3 capital projects outside the scope of the bond resolution
 - a. 2012 bond Resolution 997 – reference point of the audit
 - b. Projects out of scope
 - o Older approved bond projects from prior resolutions
 - o Other project beyond scope
- 2. 2012 bond proceeds were \$1,309,740 more than total capital project payments tracked by district
 - a. Bond amounts accrued interest which was not tracked by the State auditor’s office; no funds are missing
- 3. District used \$46,258,909 of 2016 bond proceeds for 22 capital projects outside the scope of the bond resolution
 - a. 2016 bond Resolution 1063 – reference point of the audit
 - o Scope of bond was more strict than in previous bond cycles
 - b. Resolution 1093: Request for repurposing of bond funds to purchase central administration building
 - c. Projects out of scope of bond

- o Critical repairs levy projects, unfinished bond projects, jointly funded projects for early learning programs, creek bank erosion mitigation
 - o These projects benefitted the School District and its students but weren't specifically listed in the bond resolution
- C. District Improvements
 - 1. Staffing changes
 - a. Adding a controller & Capital projects accountant
 - o Provide oversight over expenditures & help track spending
 - 2. Enhanced reporting
 - a. Each project has more information available on Capital Projects website, including financial condition of the project
 - b. Monthly memo to the Superintendent to track progress of each project
 - 3. Checks & balances
 - a. Shared responsibilities; more staff to flag potential issues and more layers of oversight
 - 4. Ongoing training
 - a. Professional development to ensure staff maintain skills and knowledge, understand any changes in legislation
 - 5. Future bond oversight committee
 - a. Include community members, financial experts, architects and other experts, to periodically review each project progress
 - b. Share these results publicly
- D. Pair & Share – table discussions
- V. Break
- VI. 2016 Bond Status
 - A. Timeline
 - 1. 9 of 11 projects have been completed
 - 2. September 2015: Superintendent's recommended bond amount of \$533,500,000
 - 3. April 2016: after bond passed, district began selling bonds and started on the projects
 - 4. February 2022: last of the bond funds were exhausted
 - a. Some funds were used on levy projects (incorrect budget bucket)
 - b. Work continued on some remaining projects, Levy funding was used
 - c. District currently has \$90 million that is allowed to be used on the new high school; however, it is not technically bond money
 - B. Compliant payments per auditor
 - 1. Found \$52.2 million in bond payments were compliant with applicable bond resolution though not explicitly listed on original project list of the Superintendent's recommendation
 - C. Noncompliant payments per auditor
 - 1. Found \$46.3 million in bond payments that were noncompliant, outside of the scope of the resolutions & repurpose

D. Bond reconciliation

1. Five years of sales of bonds with some interest received yielded total funds available of \$543,177,601
2. Total bond funds spent was also \$543,177,601
 - a. \$444,717,367 spent on 2016 bond projects through February 2022
 - b. \$52,201,325 spent on compliant projects
 - c. \$46,258,909 spent on noncompliant projects

E. Committee Member Questions

1. Any financial penalty from the Auditor's Office?
 - a. No fiscal penalty at this point
2. How can interest be used?
 - a. RCW spells it out: must be used on the purpose of the bond but can be used for some general purposes as well
3. Do we have the money for the projects that were on the resolutions that were not completed?
 - a. Funding is not available for the new High School
 - b. A few other projects are still being completed. The district has the funds for those projects set aside and they will be completed.

F. New high school status

1. History
 - a. April 2016 to January 2022: acquisition and land use delays resulted in escalation of project costs from \$120M original estimate to \$198M updated estimate
 - b. April 2022: District asks voters for \$44M as a capital construction levy to complete the project
 - c. Summer 2022: new administration and finance team determined \$198M updated estimate and project contingency amount were inaccurate (should have been at least \$253M as of July 2022). Capital Projects fund balance and anticipated future resources were inadequate to complete the project
 - d. Fall 2022 to January 2023: District aware of likely noncompliance, notifies auditors
 - e. September 2023: school board asks district staff to provide background and timeline for a bond measure
 - f. February 2024: auditors conclude work. Allows for reconciliation of 2016 bond funds and confirms available resources for project
2. Enrollment
 - a. District-level projections: expected to decline slightly in near term but begin to increase in 5-10 year range. Cautiously optimistic about enrollment trend which allows for more consistent planning
 - b. Based on birth data: helps with Kindergarten numbers, appear to support a consistent trend
 - o Committee member question: Does residential zoning affect enrollment trends?

- a) If the line of enrollment vs. birthrates is higher, that might indicate new families who moved in to the district
 - c. Elementary enrollment projections
 - o A few years of drop but likely to level off or increase a bit
 - o 10 year projections have many unknowns but this appears to be the trend
 - d. Middle School enrollment projections
 - o Subject to fluctuation a bit more because it is only 3 years of classes
 - o Similar trend to elementary school
 - e. High School enrollment projections
 - o Continues to trend upward since 2014, when the district started the discussion for another High School
 - a) 5200 students in 2014; have grown to 5500 this year
 - o 10 year projections: expect a slight decline before an increase. Even with a slight projected decrease, the enrollment doesn't appear to decrease back down to 5200.
 - o High School size comparison
 - a) Issaquah High School is 4th in WA state in terms of size
 - b) Skyline High School is 12th in WA state in terms of size
 - o Portables
 - a) Issaquah High School has 10 portable classrooms
 - b) Skyline High School has 15 portable classrooms
 - c) The capacity at these two schools would be relieved by the new high school
 - d) Have 700 students capacity in portables at those two schools
- 3. New High School project cost estimate
 - a. Preconstruction costs to date: \$20,185,144 spent as of 2/18/24
 - b. Remaining project cost estimates
 - o Construction cost estimates \$202M
 - o Soft costs estimates \$70.7M (35% of construction cost), including consultant fees, permit fees, furniture, contingency
 - o Total project cost estimate: \$272.7M, assuming work begins in Spring 2025
 - o Funds available: \$90M which does not include \$44M from the capital levy
 - o Need additional \$182.7M
 - c. Rebecca Baibak: Construction costs tend to increase over time; challenges with labor shortages and materials. Escalation is likely to continue.
- 4. Permits
 - a. Land use permits expire on April 19, 2025, with a possible 1-year extension

- b. Building permit has been extended through April 27, 2025
 - c. If this project is included on the November 2024 bond and approved, project would be able to take advantage of these original permits
5. Capital Levy
- a. 2022 capital levy has 2 years remaining; \$44M is earmarked for the new high school project
 - b. March 26th Bond Committee Meeting will review the relationship between capital levy funds and potential bond proposal. An expert from Piper Sandler & Co will provide an overview of currently outstanding bond debt

VII. Closing

A. Committee Member Questions

1. Some projects in the 2016 bond have gone over their initial cost estimates. Did this contribute to the audit?
 - a. This relationship is separate. These approved projects went over but that is a separate budget bucket
2. What is the status of Elementary school #17? This was on the original resolution from 2016.
 - a. Elementary schools in the district are at a good spot in terms of enrollment. The district doesn't see a current need for a new elementary school. This wouldn't be something to pursue in the next bond. The pandemic affected the enrollment projections.
3. How are we using a levy to build something? Aren't "levies for learning"?
 - a. Educational programs & operations levy is the main type of levy referred to ("levies are for learning"); but there are other types of levies
 - b. Capital levy: includes critical repairs, technology
 - c. Transportation levy for buses
4. Will the land purchased for the Elementary School be used for the High School?
 - a. A portion of this could be used for the High School if that was desired.
5. What is on the approved list of 2016 projects that weren't completed?
 - a. Martin Turney: we will create a list of original project estimate, what was actually spent, what is still ongoing and what is expected to cost, and the projects that never were completed and share it at a future meeting
6. What happens when you decide not to complete a project that was on a bond resolution?
 - a. You can ask the Board to repurpose the resolution to another Capital purpose.
7. Is the high school "shovel ready" if the bond passes in November?
 - a. Yes
8. Can you provide information such as graduation rates to demonstrate student success in relation to enrollment numbers? Does reducing the size of the school increase graduation rates, student success metrics?
 - a. This needs to be looked into more
9. For the new High School, there was an initial ask of \$120M in the 2016 bond and a \$44M ask in the capital levy so far. The district has spent \$18M so far on the project. If

they keep the levy money, the district would need to ask for another \$142M to build a High School that hasn't yet been started. Is it possible to make forward progress with the \$90M that the district currently has before asking for additional money?

- a. Tom Mullins: No, the district must certify that they have all the funds to build the project before they start
10. Many of the 2016 projects went over budget. If the High School also goes over budget, what happens?
 - a. Martin: the team has done a lot of work to create a reasonable cost projection so we don't encounter that situation again. However, if that still happens, there is some flexibility in the bond resolution. The district would need to be honest with the community. The Board would need to repurpose funding but could decide to do so in order to finish the project.
11. Is there a way to prioritize the High School so it gets done? There is community frustration towards the project.
 - a. Currently working on an overall list of all the potential bond requests which will be a prioritized list. If the bond passes, the district will focus on priority 1 and 2 projects before they move on to lower priority items.
 - b. Have there not been internal or external priority lists in the past?
 - o Martin Turney: not familiar with the history at Issaquah School District but he has done this in the past at other districts.
 - o Tom Mullins: in the past, district would start with capacity projects first. Overcrowding was a major problem in the district for a long time. The intent was to start the new High School in 2017 but they encountered 4 years of delays in starting the permits. The Board had articulated the new high school was their top priority. Two more years were spent in permitting, and the pandemic also contributed to significant cost escalations.
 - o Committee member: we need to be ambassadors to the community and articulate that the delay was out of the control of the district and that it was their top priority.
12. How long will construction of the new High School take?
 - a. If construction begins in March 2025, the project would be completed 2 years later in March 2027. It could be open for the 2027-2028 school year.
13. If the bond doesn't pass, could you use the money that the district already has to build a smaller facility or to add onto the existing high schools? Potentially convert portables to an addition?
 - a. The district would need to go through a different process, with new permits and redesign to build a smaller facility. The district could use funds to add on to existing high schools but they would need to discuss this with the board.
 - b. If we kept adding to the high schools, they would get even larger, potentially up to #2 in the state.
 - c. Issaquah High School is very difficult to add onto due to its site. Would need to work with the city to assess the feasibility of this.
14. Elementary school #17 – is it pad ready?
 - a. The design would need to be upgraded to meet current code
15. Approximately \$18M has been spent on the High School so far. What has this money been spent on?

- a. Permitting, design, and consultant fees.
 - b. Where does the litigation fee come out of, of the bond funding or somewhere else?
 - o Need to follow up on this
- 16. The committee members are concerned about public support for the new high school. The 2022 levy barely passed. Is it possible to separate the high school bond from the rest of the bond items?
 - a. The Committee should explore this idea as a group discussion. This is a scenario that the group can explore and potentially recommend to the board.
- 17. Issaquah School District student: How will construction of new high school impact the existing schools and alleviate their congestion?
 - a. When the new high school would open, for the 2027-2028 school year.
- 18. We would like to understand how these discussions would impact taxes.
 - a. This will be covered in the future meeting on March 27th
- B. Exit Ticket – Lesha will send out an exit ticket QR code as a follow up