



Bond Advisory Committee

Meeting Minutes

Meeting 5: March 26, 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 April 2, 2024.

- I. Welcome and Land Acknowledgement
- II. Opening and Outcomes
 - A. Exit ticket follow-up information
 - 1. Past School Tour on March 13
 - a. Challenger Elementary, Cougar Mountain Middle School, Issaquah High School
 - b. If Bond Committee members are interested in learning from tour attendees, reach out to Lesha Engels to connect to those individuals.
 - 2. FAQ is in progress, submitted questions are continuing to be added to the database.
 - B. Meeting minutes from March 12 – Approved without changes
 - C. Objectives
 - 1. Understand connection between facilities & districtwide initiatives, tax implications of bonds, construction costs, and the condition of our schools.
 - D. Ongoing community engagement
 - 1. Bond Advisory Committee
 - 2. Presentations at PTSA, Family Engagement, School Board meeting
 - 3. Upcoming: Thought Exchange on Secondary Innovation
- III. Districtwide Initiative: Equity, Belonging & Family Partnership
 - A. Presentation by Executive Director Alaina Sivadasan
 - B. Department
 - 1. Equity
 - 2. K-12 Comprehensive School Counseling Program
 - 3. VOICE Mentor Program
 - 4. Family Partnerships
 - C. Executive Limitations 16
 - 1. School Board's Equity Policy which guides the work of the Department and the district as a whole.

2. The Board believes that each student has the potential to achieve, and it is our responsibility to provide all students the opportunity and support needed to meet their highest capability in a safe and welcoming environment. We acknowledge that systemic and institutional inequities and bias exist, creating barriers for student achievement and well-being. We are committed to raising the achievement of all learners regardless of race, status, varied ability, mental health, English language fluency, gender, gender identity, sexual orientation, religion, trauma impact, and geography. Our culture should promote the identification and removal of barriers causing predictability and disproportionality of the highest and lowest achieving groups.
- D. Strategic Plan Alignment
1. Equity infused throughout Strategic Plan
 2. Student Well-Being
 - a. Feel safe and have a sense of belonging, meeting basic needs, social-emotional and mental health needs.
 3. Academic Opportunities
 - a. Increase student achievement, equitable access to resources and pathways.
- E. Department by the Numbers
1. Equity
 - a. Executive Director, Teacher on Special Assignment as Equity Specialist
 - b. Staff professional development, building equity leads, support district programs, create equity frameworks in the district, recruitment and retention efforts, support buildings and building leaders.
 2. Family Partnership
 - a. Family Engagement Teacher on Special Assignment and Family Partnership Liaison
 - b. Staff professional development around cultural competency, parent professional development (primarily for families new to US or the school system), Family Partnership Advisory Group, support district programs, support buildings and building leaders.
 3. Counseling
 - a. Director and Assistant Director of Student Well-Being
 - b. Oversee K-12 Counseling program, staff professional development, support unhoused students in McKinney Vento and Foster Care, support students in 504 plans, Home Hospital, Swedish Metal Health school-based counselors, Care Solace.
 4. VOICE:
 - a. 2 Mentor Program specialists
 - b. Oversee VOICE mentor program serving 520 students with 375 mentors, support building-based VOICE coordinators, recruit VOICE mentors, match mentees, recognition events.
 5. Community Partnerships
 - a. Swedish, Issaquah Schools Foundation, City of Issaquah, Issaquah Nourishing Network, The Circle, Care Solace, PTSA, The Garage, Sea Mar, Issaquah Community Services, Issaquah Food & Clothing Bank.

- F. Considerations for Flexible Spaces
 - 1. Confidential Counseling spaces
 - 2. Space for 504 Accommodation (such as extended time testing)
 - 3. Gender inclusive restrooms
 - 4. Modular and moveable furniture
 - 5. Flexible seating options
 - 6. Quiet and calming spaces
 - 7. Alternative lunch areas
 - 8. Religious spaces to allow for fasting and prayer
- G. Considerations for Community Partnership Spaces
 - 1. Family partnership room: allow families to meet with service providers (such as legal aid services or rent assistance)
 - 2. Storage to support Food Bank, Angel Closet, & supplies
 - 3. Space for before/after school community programs
 - 4. Health clinic (immunizations, sports physicals, well child visits)
 - 5. Laundry station
- H. Considerations for Intentional Design
 - 1. Intentional partnership space with school administrators, counselors, nurses, deans, mental health partners, school psychologists.
 - 2. Gender inclusive restrooms
 - 3. Large and small group instruction
 - 4. Inclusive play zones
 - 5. Accessible routes
- I. Questions
 - 1. When you discuss gender inclusive restrooms, are these additional restrooms or transforming all of the existing restrooms? Do we need to build additional restrooms or just allow access to existing facilities?
 - a. We need more conversations in the district but generally this means having more restrooms open to all people. One option is to build more of them.
 - 2. Everyone thinks these ideas are great. How much would it cost to do all these things? Do you have an idea of what this would cost?
 - a. Gender inclusive restrooms likely entails converting some restrooms to be inclusive. Regarding other spaces, we're working on costing these out. Not all these ideas have specific cost items associated with them currently, but these are potential considerations.
 - 3. We have talked about the new High School and implementing these ideas in our existing schools. Is it a higher priority to get these spaces into all schools or to use the new High School as a pilot or shared space for these programs?
 - a. As we're looking at all the facilities, we will consider how to implement some of these strategies within all these projects. We are looking at implementing these into the schools and our existing spaces. A new High School would free up space at other high schools

4. In the European school model, school is open extended hours for community use. Is that being considered, to bring in additional people and partners?
 - a. Our buildings are currently being used after hours and we want to continue to encourage this and make our buildings welcoming so folks can take advantage of these spaces and programs.
 - b. Families feel a sense of safety and connection at their local school so bringing programs and services into that space makes it more accessible.

IV. Understanding Tax Impacts

- A. Ryan Swanson of Piper Sandler Co. Investment Banking
- B. Issaquah School District Tax Rate History from 2003 to present
 1. 4 types of Levies in Washington
 - a. Most common is EP&O levy (Educational Programs and Operations): provides approximately 15-25% of daily operating budget for most districts.
 - b. Bond Levy: to build large projects. Bonds are sold to investors nationally, with a long period of repayment (often 20 years).
 - c. Capital Projects Levy: typically for smaller projects like technology or a roof repair. These are shorter in term (up to 6 years).
 - d. Transportation levy: specifically for purchasing buses.
 2. Tax rates are determined each year based on total assessed valuation within the district.
 3. High of \$5.00/\$1000 in 2012, slight uptick in 2024
 - a. Robust assessed value growth vs. a set tax amount to be collected.
- C. Washington School Bond Election Results
 1. 2021: no requests across the states for bonds
 2. 2023: 20 requests, 2 passed
 3. 2024: 21 requests in February election, 7 passed (more similar to a long-term average)
- D. Issaquah School District Comparable tax rates 2024
 1. Issaquah School District's tax rate is appx. in the middle of King County school districts
 2. Appx. in the middle of King & Pierce County school districts
 3. Appx. in the middle of School districts with largest tax base (like Tacoma and Renton)
- E. Outstanding Voted Debt Profile
 1. Total outstanding debt of \$636,855,000 with a final maturity of December 2033
 2. UTGO: Unlimited Tax General Obligation and Refunding Bonds
 - a. Brought a combined taxpayer savings of \$20 million
 - b. Refunding is similar to a refinancing a home mortgage where the district took advantage of a lower borrowing rate which led to a tax rate decrease.
 - c. Call Date: make a promise to investors that the district won't refinance typically for the first 10 years. After that period, can refinance.
 - o Some bonds are available to refinance next year
 3. Questions?
 - a. Is it possible to view the data per median home valuation assessment?

- o It is possible to put together data like this. Median values are rather disparate and in a larger district there is a large spread so it may be less meaningful.
 - b. What is the impact of the bond rating on refinancing or on passing the next bond?
 - o When debt is issued, the district reaches out to a credit rating agency. S&P or Moody's are the most common specializing in Washington State schools. When investors are looking to purchase bonds, there are approximately \$10 Billion in bonds across the US sold this week. This helps investors choose an investment based on their comfort with credit risk. AAA is the highest level (the ideal bond), then AA category, then A category. ISD has AA+ rating which is one of the highest possible. The State's rating is also attached to these bonds. Washington state's rating is AAA. A higher credit rating hopefully results in a lower tax rate. Much work goes into maintaining these ratings, including strong management of School District finances.
 - c. On the Tax Rate History slide, a lot of the projects are capital projects, but it makes a big difference in the tax rates whether it's a bond levy or capital projects levy. Do we have to determine that for this Bond?
 - o Capital projects levies are for smaller amounts. They have a shorter term which yields a higher repayment on the build with a lower tax rate. If we try to do a bond issue for \$700 million in 6 years it would yield very high rates. A Bond is for larger projects like a new high school, for example.
 - o Other levy types require a simple majority vote + 1. Some districts are pursuing this method to pass levies more easily, but this typically only works in larger districts. Districts with a large tax base can raise large sums in a year. Seattle recently had a \$1 billion authorization which sounds large, but they have so many facilities and the tax impact is dispersed among a larger group of people.
- F. Calculation of Statutory Debt Capacity
1. Assessed valuation of all properties in the district x 5% is maximum allowed capacity
 2. District could borrow up to \$1.8 Billion for capital projects, but that is not recommended
 3. Non-voted limit is 0.375% - this is for items that are emergencies
- G. Assessed Value history
1. High growth period in early 2000s, up again in late 2010s
 2. Review the historical compound annual growth rate which has been consistent in Issaquah School District at approximately 6-8% growth over time
 3. This helps forecast what the tax impact to residents will be. We want to be conservative, so we use 5% growth which is lower than the historical growth periods
 4. New construction is a benefit for the tax bill: as new entities add to the tax base, they disperse the burden on those who are already in the district
- H. Interest Rates analysis
1. Bond Buyer Index gives idea of what a generic bond might cost over time

2. Generally, rates have tended to go down in the last 25 years, reaching a low point in early 2020. Have climbed up a bit recently but still very reasonable in the long term.
- I. Tax Impact analysis
1. Approximately \$1 million average assessed value for a home in the district, yielding approximately \$4000 annual tax payment if the district doesn't add any new bond. 2033 is when all the debt would be paid off, which lowers the annual tax payment.
- J. Comparison to Tacoma & Edmonds, Projected Results:
1. \$600 million authorization (similar to Edmonds)
 - a. Tax rates increase from \$3.13 to \$3.40/\$1000
 - b. Tax bills would increase by about \$440 the first year and by about \$200 for each of the following years compared the current year over year increases of \$220 in the first year and \$170 for the following years if no new bond authorization.
 2. \$650 million authorization (similar to Tacoma)
 - a. Tax rates increase from \$3.13 to \$3.43/\$1000 in 2025
 - b. Nearly identical to \$600 million projection
 3. Issaquah School District's last bond in 2016 was for \$533.5 million, which is \$862.2 million escalated to today per the Mortenson escalation index.
- K. Questions
1. Is this analysis based on the assumption that EP&O stays consistent and the transportation levy happens every 4 years?
 - a. Yes.
 2. How does the McCleary v. Washington decision affect our overall tax?
 - a. The McCleary lawsuit was decided in 2017 and implemented in 2019. Historically, the state had pushed its burden of maintaining schools onto local levies. The lawsuit argued it was the state's duty to fund education. The State was required to revise their funding model. In most districts it was approximately a wash in terms of tax impacts on residents.
 - b. This does not include any assumptions about fire districts, and others that affect the tax rate.
 3. Can you provide some clarification on the 5% assessed value growth? Some of the tax base is new construction as opposed to a change in value of existing construction.
 - a. This represents the average change of the district as a whole. If your home changes on average at this rate, you will pay proportionally about the same for the tax bill. New construction will offset some of the burden but it's only about 1% of the total value in the district so it may not make a huge difference in the total tax bill.
 4. Is it possible for us to see these numbers in relation to other tax districts like the County to determine the total rate? Is that helpful to our work in this Committee?
 - a. I'm not sure how helpful that will be with your work. You would need more knowledge about what those other tax districts are planning in the future. King County has worked on making their website more robust so you can look up assessments for all properties and businesses. Depending on where you live in Issaquah School District, you may have different tax rates.

5. Would there be a benefit to pulling funding from the Non-Voted General Obligation fund to reduce the amount of the bond? Would it make it easier to pass a bond? There is \$182 million available there.
 - a. If you take on non-voted debt, the most common source of repayment is the general fund, while a bond issue creates a dedicated service to repayment. It would have serious ramifications on the programs and services the district could offer and there are restrictions on what this could be used for. You cannot use this funding for new construction, for instance.

V. Break

VI. What's in a Construction Budget?

- A. Rebecca Baibak, Architect at Integrus Architecture specializing in educational projects
 1. Presentation includes data from independent cost estimators working in the area
- B. Approaches to similar recently passed bonds
 1. Tacoma School District bond scope
 - a. General investments; "basic improvements across the districts"
 2. Edmonds School District bond scope
 - a. Listed specific projects on the bond
 3. In upcoming meetings, we will discuss how do we tell our story and best articulate the information for the community.
- C. Funding options – recap from Piper Sandler presentation
 1. Capital levy
 2. Capital bond
 3. Maintenance & operations levy
 4. State matching funds
 - a. New in lieu or modernization projects
 - b. Issaquah School District is minimally eligible for new construction, but it does exist
 - c. Study and survey required submitted to OSPI
 - d. Reimbursement process
- D. Understanding total project costs
 1. Construction costs include
 - a. Direct costs: directly attributable for labor, materials, equipment including subcontractor overhead and profit.
 - b. Design & estimating contingency: covers unforeseen risks or changes that may occur during project execution. The amount decreases as more information is known throughout the process.
 - c. General conditions/ General requirements: General Contractor's indirect expenses, such as staffing and overhead.
 - d. Escalation: labor changes and material costs that on larger projects significantly impact the price.
 - e. General Contractor's fee, bonds and insurance: include General Contractor's profit, and bonds and insurance required by the contract

2. Soft costs include
 - a. WA State Sales Tax, which is applied to the total construction cost
 - b. Design, engineering, and other consultant fees
 - c. Owner consultant fees
 - d. Testing, inspection, permit fees
 - e. Construction contingency: kept as part of the planning process to cover changes during construction (change orders)
 - f. Builder's risk insurance: paid by the owner
 - g. Construction Management services
 - h. Fixtures, Furniture and Equipment (can be brought to another building)
 - i. Management Reserve/Project Contingency
3. Together, these are the total project costs
 - a. Budget needs to address risk including escalation, changes in construction, unknown condition often below ground, or unanticipated regulatory requirements
 - b. Large range of 35-55% for soft costs. Modernization projects generally have higher soft costs than new buildings. Projects without new building area like a new field generally have lower soft costs than new buildings
 - c. Generally, it costs more to build in the future than today. Escalation changes based on the forecast of climate for future construction.
 - o RC Cost Group has advised 4.5% escalation looking beyond 2024
 - o Regulations and expectations change over time. The cost of these changes are addressed through contingencies.

E. Context of cost escalation

1. Variety of sources that track escalation throughout the region: nationally, Seattle market, and average. Mortenson Seattle Index is the most accurate for this region.
 - a. 1.33% escalation was during the early pandemic in 2019-2020
 - b. Very high escalation in pandemic of 21.73% in 2021-2022

F. Revisiting the Potential New HS timeline

1. Mortenson Seattle Average escalation has been mapped alongside the steps of the process of the New High School and the changes in cost estimates.
2. The design of the project progressed over time which allowed updates to the project estimate. Many people have asked why the project cost changed dramatically. Part of that is due to escalation.
 - a. After 2021 where there was a huge escalation jump, the projected cost increased significantly.
 - b. \$292.7 million project cost includes the amount that has been spent to date.
3. Questions
 - a. Does the total project cost for the High School include for example the city requiring a traffic light or road improvements?
 - o It includes everything known to date, including increased frontage requirements, underground vaults, and a parking garage for example.

- b. How much have we spent to date on the new High School? Does that include litigation fees?
 - o The district has spent just under \$20 million in design and permitting to date. Unsure how much it has spent for litigation. That comes from a different category of funding.
 - o \$292.7 million includes the total cost of the project and does not include what will be asked for in the bond.
- c. Does the district obtain multiple bids for construction? I'm assuming we have done due diligence.
 - o This project will be done under the Progressive Design/Build project delivery method, one of three allowed delivery methods. It is a rigorous process of interviews and cost estimating where the architect and contractor team up. This team is Skanska and Basetti Architects. The process allows them to tighten up the design and focus on constructability. The Contractor manages the bidding process to get the best cost. They reach out to subcontractors to create their cost estimates, which is why the cost estimates change over time. Most subcontractors haven't been chosen. Some of the large ones like mechanical and electrical have been chosen but there will also be bids for items like earthwork and siding, among others.
- d. Who is the mechanical contractor?
 - o We can follow up on this question.
- e. The new High School is a significant piece of the bond. Are we going to find out more about the rest of the bond items and their costs so we can figure out the totality?
 - o The next agenda item is to start looking at the needs of the facilities. The new High School is one item you may choose to prioritize.
- f. \$292.7 million is the project cost if construction begins fall 2024. With escalation, won't that increase substantially? Do we need to add that?
 - o The \$292.7 million assumes construction begins in April 2025 and does escalate to the midpoint of construction, which is typical for construction projects. If the bond does not pass this year, it will continue to escalate based on when you have resources to build the project.

VII. Getting to Know our Schools

- A. We need to start thinking globally about the district's needs. There is a lot of information coming in the next several meetings, which is what a lot of individuals have been interested to find out about.
- B. Building Condition Assessments
 - 1. A team of engineers and architects have reviewed each facility to determine its needs today and in 6 years, 12 years, and beyond.
 - 2. This data has been combined into information sheets with columns identifying facility needs in the immediate term and future.
 - 3. Categories range from the building envelope (building exterior) to integrating Career Technology components.
 - 4. "Considerations" column will include some of the items we have talked about in the district initiatives such as inclusive restrooms and special services upgrades.

C. Learn & Share activity

1. Table groups have been given approximately 8 facilities to discuss and share their observations.
2. Middle Schools & Holly Street Early Learning Center, Pool Expansion Collaboration.
 - a. Table 1: Our discussion focused on the Middle Schools and the new vestibule at the Early Learning Center. We didn't see vestibules added to the Middle Schools. HVAC was a major issue at all these facilities. So were security systems and roofing, locksets, intercom systems. There were also some cosmetic items like window shades and paint.
 - b. Definition of locksets: A term for door hardware.
 - c. Table 7: the main question needing clarification is "immediate" – and when it says security cameras, are we enhancing or adding or both?
 - o Security cameras have a limited life. A significant portion of the district's cameras are reaching end of their life, so most facilities will need upgrades. The Access control software system is becoming dated as well. Cameras and card readers would be replaced and expanded.
3. High Schools & Other facilities including Transportation Centers
 - a. Table x: The format of this document is easy to understand. We need a Rough Order of Magnitude of cost to help our discussions. We need to understand the rationale about how or why they determined the time frame of near term versus longer term. Is there a risk analysis to score these projects in order to prioritize them? If one of the schools needs HVAC more critically than the others, how would we know this?
 - o Timeline groupings are based on performance and life expectancy, determined by the engineers and architects that assessed the facilities. The same group looked at all the facilities, so they were consistent within their relative timelines.
 - o Cost information will be provided at the next meeting. We wanted you to look at the data without getting mired down in the numbers.
 - b. HVAC: Is that due to end of life versus a Clean Building Act requirement?
 - o The district would prioritize the HVAC systems that are not performing well currently, then the ones that are reaching the end of life.
 - c. Elementary School 17: if the district is not building this facility, is there an idea to sell the land to make some revenue to fund the new High School?
 - o With the Growth Management Act, there is little land available in the district for purchase. The district will be growing and eventually will need another elementary school. It is better off owning that land.
4. Elementary Schools
 - a. A-C schools. Common themes were HVAC, security enhancements, roofing. There was a wide variety and percentages of portables versus permanent classrooms across these schools. We did not see any proposal to increase the square footage of the building to create more permanent classrooms.
 - o These condition assessments are meant to assess the existing facilities but don't include everything you may want to do to them.
 - o Elementary facilities are right-sized, not overcrowded.

- o It would be helpful to understand if the portables are used or not.
 - o The district has 200 portable classrooms.
 - b. A-C, Table 10: appreciate breakdown of each of the schools but sometimes it is easier to think about them categorically. We would like to take the immediate and near-term items and understand how much money those categories will cost for the entire district
 - c. D-S elementary schools: a lot of need for HVAC, roofing. There were many older facilities with technical needs coming in the long term. We discussed vestibules and the need for those. Is there a policy conversation to be had over which types of fields are best for elementary schools? Sand vs. grass, etc.?
 - o HVAC upgrades are driven by the age of the systems and the Clean Buildings Act. A lot of HVAC work will be required. We are not throwing out good equipment, but it will need upgrading.

VIII. Closing

A. Exit Ticket

1. Facility assessments are available on the Teams site so you can review those ahead of the next meeting.

B. Next meeting will be in one week, April 2.