

ASHLAND PUBLIC SCHOOLS

JACKSON COUNTY SCHOOL DISTRICT #5

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Superintendent



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Bond Oversight Committee

Ashland School District Office Boardroom
885 Siskiyou Boulevard
Ashland, Oregon 97520
September 11, 2019 4:00 – 5:30 pm

Attendance:

Curtis Bacon

Jill Franko

Shane Hunter

Kathleen Kane

~~Chris McKay, HMK~~

David McKay, HMK

Steve Mitzel, ASD

Kelly Raymond, ASD

Ryan Schnobrich

~~Alana Valencia, ASD~~

~~Dustin Way~~

Jim Westrick

Jon Witherspoon, HMK

District Staff: Kristi Nelson

Introductions:

Round table introductions of committee members, HMK and District staff.

David recapped the roles and responsibilities of HMK and the Bond Oversight Committee from the last meeting. In short, HMK's role is to manage the Bond Program and the Bond Oversight Committee is responsible to ensure that the "Bond Promise" (SEL 803) is being met by the District. This meeting is being held to answer committee member questions regarding the information given at the first meeting, however, David encouraged members to continue to bring questions to any meeting.

Questions:

How detailed are we going to get on what is spent in the budget, i.e. construction budget?

Budgets will follow the format of that in the Program Implementation Plan (PIP), showing hard costs and soft costs. There is a sheet for each project with four columns: original budget, paid to date, remaining balance, budget revisions. This is the level that is reported out, and David would like to continue to use this as a budget standard to the committee, additional detail can be provided as requested.

Who monitors expenditures to ensure they are appropriate and in line with current costs?

HMK will be the one to scrutinize expenses. In regards to change orders, there is a very stringent process and contract language that is used to detail labor rates, mark ups, etc., for contractors and material quotes must be provided. All of this information is required to be assembled into a change order package that is then reviewed by HMK. Schedule, change orders, budget, all are handled by HMK. There are four major projects: AMS, Helman, Walker, and AHS. All projects are Construction Manager/General Contractor (CM/GC) delivery method, which is very transparent. HMK gets a copy of every invoice, and each contractor's employee payroll.

Concerns about scope creep, scope change?

Using the CM/GC process, the first contract is the umbrella contract with all the terms and conditions, this ties the GC to contract, but there isn't a price yet for the work. David informed the School Board there could be four guaranteed maximum price (GMP) amendments to a contract, specific to a scope of work. The first GMP amendment would be a site package, which allows the contractor to use the summer months and good weather for excavation and to build a building pad. Vertical structure amendment allows work to continue on in wet weather. Building completion package amendment allows for finishes, dry wall, doors and windows, mechanical equipment, electrical equipment, etc. Potential fourth amendment would be demolition of the buildings. HMK uses a cost estimating process, as does the Architect and CM/GC, which are then compared to be sure each phase is aligning to the budget. Example: Phoenix-Talent High School used similar CM/GC process, and came in approximately \$7 MM under budget. Once the project is bid, the budget contains a 5% Construction Contingency, this is for errors and omissions, unforeseen conditions. Contingency is needed for risk, and risk is currently high because the scope is not well defined yet.

Can added alternates be priced or bid along the way, so we don't have to start all over again if we know we can add projects to the budget?

Yes, the design firms will design additional contingency alternates (one increasing 5% to the project costs, and one decreasing 5% to the project costs).

As HMK is paramount to the orchestration of the Bond, how many staff are in the company's information pool in the event of something unforeseen?

HMK staffs 16 people. Chris McKay is the primary manager for the ASD Bond. David reports to School board, Steve Mitzel, the Bond Program Executive, and to this committee. All staff have access to the files, and an understanding of the processes, to be able to cross over projects if the need arises.

Understanding the big picture: approximately 15% contingency plus 20% Bond Premium?

Example – AMS \$20 MM project budget. HMK does not design to budget, but to a program. As the project progresses through the different phases, the contingency can be used for needs that come in at costs higher than expected. The School Board makes decisions about using the contingency budget.

Bond Premium and Grants Received:

Bond Premium: HMK's recommendation to the School Board, do not allocate any of the bond premium or interest to the project at this point.

Seismic Grant: \$2.5 MM grant received for Walker Elementary. This was awarded in August and is being added to the project budget (it's not currently showing in the budget). HMK is currently working on applications for additional seismic grants for AMS and AHS.

OSSIM Grant: \$1.03 MM grant received, this will use the Helman project for matching funds.

Question about Bond committees?

The Pre-Bond Committee was created prior to submitting the measure to the voters, and the Facilities Committee preceded that. These committees contained some of the same members, and were dissolved once the work was completed. This group is the current Bond Committee and is an advisory group to the Superintendent, Kelly Raymond, and also provides an annual report to the School Board. The primary responsibility of the Bond Oversight Committee is to hold true to the Bond Promise for the voters, fulfilling the commitment to the community.

What happens to unused monies allocated in original budget?

Since the major bond projects are staggered, the School Board can begin to assess and decide whether part of the monies can be allocated to another project. *Trust the Process.*

Structural question: was the money borrowed all at once?

Yes, since we cannot predict the bond market, and interest rates were low the money was borrowed all at one time. We have also scheduled to spend down 85% of Bond funds in 36 months.

Is the money sitting in an account? Is it invested and how is it invested?

Alana Valencia, Director of Finance, is a member of this committee but was unable to attend today due to a scheduling conflict. She can answer financial questions pertaining to the Bond. Jim responded that the money is very safe and it's getting the best return for where it's at. The state has very stringent guidelines on where the money can be invested. The investment company is responsible to make sure the District doesn't get into arbitrage.

How is HMK paid, monthly or performance based?

HMK is paid monthly on a fixed fee agreement. David will provide a copy of the contract for committee members.

Has anything been heard from voters about the Bond Premium?

Jim had only heard concerns prior to the Bond Measure going to vote: "my taxes are not going to go up, right?" We need to be proactive, having the conversation with the voters that the Bond will need to be repaid no matter what that looks like. There is no guarantee what that will be.

Should we set aside the bond premium for an early pay down?

Jim responded, not at this point. Alana may be able to respond better to this once she has the Jackson County Report on where we stand with that. David commented that in 25 years, he has never seen a bond come in over what was forecasted tax payers would repay.

Are there projects that are happening district wide, aside from the four major projects?

Yes. Safety and security, restrooms, HVAC, ADA accessibility, technology upgrades are all District wide projects detailed in the Bond Measure.

Are the contractors doing the District wide work the same ones working on AMS and Helman projects?

Unknown. Example: district restrooms. A restroom project would be created to “spread the wealth” to local contractors on district areas not touched by the major project work. We won’t know until the projects go to bid.

Would district wide projects be a separate budget?

Yes, example: restrooms. Restrooms affected by major projects will be taken care of during that project with the contractor. Restrooms that aren’t touched by the major work would be budgeted into the district wide restroom project budget.

Concerns regarding coordination of SOU Bond projects running concurrently with our projects?

Large contractors can handle multiple projects. The District is trying to keep it local, sub-contractors are the concern as they are in high demand.

Shane Hunter will start work for S+B James Construction next week, is it a conflict of interest to remain on this committee?

Conflict of interest vs. perceived conflict of interest from the voter’s perspective. Shane would not take part in the selection or management of contractors for the bond projects. David recommended the committee should discuss this further and make a decision.

Is the School Board looking to the Bond Oversight Committee for legal counsel recommendation?

No, HMK would recommend any legal counsel that is needed.

Committees at each site project have strong opinions, are they are making recommendations to suit today and not the future? Anyone pushing back on design?

Jon responded that they are always reminding people that they are not designing for needs of today but the future. HMK structures the design phase with 3 groups; decision making group, input group, feedback group. Decisions ultimately belong to the School Board.

Are all major project committees already formed?

AMS and Helman Elementary are already formed. The next new committees to be created will be design selection for AHS and Walker Elementary.

How does the committee want to access Bond documents? Physical notebook of committee documents at the meeting or electronic drop box?

The group decided to access documents through an electronic drop box. David suggested creating a general file, and a monthly meeting file to contain Bond related documents.

Next Meeting:

The next Bond Oversight Committee will be on Wednesday, November 13, 2019. The group agreed to move the Bond Oversight Committee meetings to the Bond Room at Lincoln Elementary. Kristi will schedule the change in meeting location and send those updates to the committee.