

Building Excellence II Levy Oversight Committee
Meeting Notes, April 8, 2005
Stanford Center, Room 2765, 7:30a - 9:30a

ATTENDANCE:

Members Present

Joey Ing
Ron Jelaco
Mark Melroy
Karin Nyrop
Ed Peters
Jim Travis

District Staff

Gary Baldasari
Ron English
Don Gillmore
Julie Krick
Ben Schenck
Fred Stephens
Barry Tsoi

Heery International Staff

Mike Finnegan
Roxann Robinson
Ralph Rohwer

Visitors

Chris Jackins
Shellise Montgomery

Members Absent

David Hudd

School Board Directors

Mary Bass
Sally Soriano

APPROVAL OF MARCH 11, 2005 MEETING NOTES

The meeting notes were approved.

CAPITAL BUDGET RECONCILIATION (handout)

This presentation is a preview of materials for a capital budget work session on April 27. This is a draft and finalization depends on preliminary school closure recommendations that will be presented on April 20. School closure affects BEX II projects in a variety of ways and also affects the BTA II levy projects.

Discussion:

- The Facilities Master Plan recommends fixing every building at least once in 25 years. BEX and BTA levy programs are part of the plan to accomplish that. Our levies support 50-year buildings.
- Director Soriano inquired about using levy funds for maintenance work if some of the BEX II and BTA II projects are stopped. Staff response: Only the investment earnings from capital levies can be used for general fund operations. Additionally, the maintenance and operations levy doesn't pay for maintenance. It "maintains" a funding source that pays salaries and other general fund expenses.
- Slide 17, Hamilton; Director Soriano inquired if remodeling the entire building (Lincoln) would provide enough space to take some of the Eckstein overflow? Staff response: There is a major difference between City codes for temporary and permanent facilities. If the South wing is rehabilitated it would cost more (savings would be less).
- World School (secondary bilingual center). This program is not yet designed nor has a location been determined. It is currently on Queen Anne hill in the Old John Hay building. If other schools are closed it might make it easier to relocate this program.

Comments by various Committee members:

- There is concern that the World School is still undesignated at this stage of the BEX II program. Since it's not designed yet, should it still be considered in BEX II?
- An interim position would be to reassign the money to another project in this program, but ensure that World School is done in next program.
- Staff response: It is possible to do design work in this levy and construction in the next levy. This would apply to both World School and Hamilton.

Comments by Director Bass:

- Seventy percent (70%) of bilingual students and services are in the south end and Director Bass has no problem with moving the World School to that area.
- Slide 10: The Board needs to be aware of how projects are prioritized and how scopes are prioritized within the projects.
- Slide 17: Keep parity with surrounding schools in relation to amenities such as preschool, cafetorium, etc.
- The Board needs to know how much revenue is generated by leases and how it is used.
- The Board needs to understand the long-term uses of McDonald, Hughes and other buildings needed for interim sites. Staff response: Hughes and McDonald have already been renovated for interim site use. Selecting other sites would require another expenditure of renovations to bring them up to code.
- The Board needs to know if it is feasible to sell a building to fund BEX II projects like Hamilton.
- The Board needs to know if it would be cheaper to use other spaces rather than keeping whole buildings open. How does excess capacity tie into closure?
- Slide 24: Identify schools that need efficiency work.

LEVY REVENUES

Brian Schenck, Facilities Management Analyst, and Barry Tsoi, Senior Accounting Supervisor

Barry discussed revenue collections and investments. (handout)

- The District uses the King County (KC) investment pool that invests every dollar every day. There is no lost time and no money that is not earning.
- Staff response to question about the advantage or disadvantage of using the King County investment pool: If it was known there would be excess cash around for longer periods, i.e. longer than the roughly 2+years duration of the KC pool portfolio's average maturity, the excess could then be reallocated to longer term instruments outside of the KC investment pool and earn a higher yield. That is what happened with BEX I excess cash; it went out 3 to 4 years with some funds. However, BEX I was different in the sense that there was a much longer lead time to get construction going, it being the first construction levy approved in a long while. In the current BEX II plans, there is not significant capital project funds that the District would be holding for a long enough period of time to seek longer term investment opportunities, and opt out of the KC investment pool

Brian reviewed financial models for the capital programs, revenue levy receipts analysis, rate of decay, and Investment earnings. He also reviewed state match and the BEX II program summary. (handouts)

Following is a brief summary of his presentation:

- In practice there are four principle categories of capital revenues for the District; levy, state match, investment earnings, and others.
- Each of the capital levies is a distinct amount and has its own distinct rate of "non-receipt". Non-received levy ranges from 1% to 2% of the total levy value and needs to be considered heavily while planning and executing a levy program. In observing the post-levy collection year tail for BEX I, we were surprised at the rapid decline in actual collections; meaning we do not anticipate ultimately receiving as much of the uncollected taxes. However, "in theory" the full amount will be collected some time in the future.
- State match revenues are administered through an OSPI D-Form process that is parallel with the construction process. There are a number of variables that regulate granted funds. The bulk of the funds are linked to the construction contract (85% for our most current state match project). An important consideration when altering scope of state match funded projects is the impact to state match dollars. For instance, reducing scope for a state match project may lower actual receipts. The

most important factor regarding state matching funds is that you need to move through the process to the Form D-10 (secured funding) stage to definitively know what revenues to expect. The D-10 occurs at the end of design.

- Investment earnings are about program schedule and are best estimated with program cashflows. Often this becomes an iterative process.
- "Other" revenues are anything else and can be characterized generally as a reimbursement for a particular expense (e.g. Coe fire, and FEMA earthquake payments).
- Program cashflows are comprehensive and overlay the expense budgets along with revenue projections. All capital fund projections have updated (near-term) life-to-date historical data followed by current year plans and outyear projections. During preparation of the annual capital budget, financial models for all of the capital funds are recast with refreshed historical data and refined program assumptions. Through these models we can predict the financial status of the comprehensive capital fund through completion for all current programs.

Meeting adjourned 9:40a

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