

**2016 CAPITAL BOND FEASIBILITY & DEVELOPMENT COMMITTEE
OFFICIAL MINUTES
4/15/2015**

The meeting was called to order at 6:05 p.m.

ATTENDANCE

In attendance: Josh Almy, Connor Applegate, Tricia Barry, Tim Baynes, Paul Bialek, Martin Buckley, Marta Burnet, Stacy Cho, Kim Clarke, Betsy Cohen, Carla Cohen, Daniel Crowner, Laura D'Arcy, Amanda Dorey, John Gorow, Jonathan Grudin, Kim Hand, Donna Hood, Delaney Huesgen, Kerri Jensen, Doug Jones, Mark Jonson, Jonathan Koshar, Erik Landahl, Christie Malchow, Andrea McCormick, Jaimi Messmer, Daniel Miller, Kimberly Montague, Matt Monte, Jason Morse, Jody Mull, Andrew Pedersen, Dawn Peschek, Dana Rundle, Ashwani Sirohi, Shawn Skogstad, Erica Stephens, Mitch Tallman, Drew Terry, Lee Thacker, Alicia Veevaert, Madison Willis, Paul Winterstein

Not in attendance: Lance Gytoku, Leslie Lederman, Susanna Stratford

OPENING

Mr. Kuper called the meeting to order and asked members to review the Unofficial Minutes and provide any changes or corrections. A motion was made to accept the minutes as written and seconded.

Motion to approve the minutes as presented - By a vote of hands the minutes were approved.

Mr. Kuper directed the Committee to a letter from a community member regarding boundary reviews. This is not part of this Committee's charter but input may shape some future processes.

Mr. Kuper reminded the Committee that materials were provided by email, posted on the web and in hard copy form at the meeting. Mr. Kuper noted that Mr. Burton was not in attendance as he was recruiting teachers in Michigan, adding Washington State which has a shortage of teachers.

SPRINGBOARD PROPOSAL – OPTION #1 & OPTION #2

Mr. Kuper directed the Committee to the Springboard Proposal which he noted was much shorter in the number of items than previous bond proposals but had larger values. The preferred option by Administration is Option 1 but Option 2 is also provided for consideration. The Committee would look at the details of each option and review the process to amend and/or approve the Springboard Proposal.

Mr. Kuper noted the Option 1 proposal totals \$518,500,000 and provides building capacity for the next 5-7 year period. He said the District does not try to project further because it does not want to overbuild as some districts have and near term projections are more accurate. Typically, capital processes run every 6 years. The build-out of this proposal would take approximately 6-7 years. Mr. Kuper noted that Option 1 includes a 4th comprehensive high school built for approximately 1500 students. For reference, Mr. Kuper noted that Issaquah HS was built during the recession for just under \$100M for 2000 students. This will be a different bid climate and in terms of construction it will be difficult to know the impact of inflation on construction figures. Construction inflation is built into most of the proposed projects and a contingency is also included. The assumption is that the 4th high school will be built for 1500 students, open Sept 2019 on the shortest schedule with 2020 a more likely schedule. Ultimately this would depend on land acquisition and the design process.

Mr. Kuper explained the difference between this bond and the last. This bond is almost double the 2012 bond which came at the tail-end of the recession. At that time, the decision was made to push back the rebuild of PLMS (a \$75M

swing) to a later date. He commented the District was not in a place financially or enrollment-wise to purchase a significant amount of property which is a swing of about \$175M from the last bond issue. Property acquisition is one of the biggest drivers in the timeline of this proposal; it has already been noted that scarcity of property, expense, escalation, and land-use policies that do not allow us to build outside the urban growth boundary are impacting the District. Mr. Kuper explained in the past the District could purchase a site adjacent to the UGA for \$3-4M; an equivalent site today could cost \$40-\$50M. Anything within the UGA will be \$750,000-\$2M an acre to acquire with zoning driving costs.

A Committee member asked if the District sees this trend continuing and if it would be prudent to purchase more land in this bond? Mr. Kuper confirmed that the trend would continue; Mr. Crawford responded that depending on the direction the Committee took with the Springboard Proposal it could purchase extra land for future use; it is a consideration as land becomes scarcer and more expensive. Mr. Kuper added that based on research, this would be the District's last significant land acquisition option without large scale condemnation. Our sales are historically friendly and we have not had to move into eminent domain or condemnation proceedings. Given the scarcity of land it is only a matter of time before we will be condemning homes which is not a place we want to be as a school system. It is contrary to our mission to condemn subdivisions to build schools. He said with large developers chasing parcels, we need to get into game and acquire properties.

A Committee member asked about the property the District owns in the south end which is located outside the UGA; if we could build on that property is it big enough for a high school? Mr. Kuper responded that the Winterbrook property, purchased in 2006, is 80 acres, with 40 buildable; it could house an elementary school and a middle school, but not a high school due to its location. He added that King County changed the land use policies and that Winterbrook is no longer viable as a school site. Another Committee member asked if the District was working with legislators to get a variance so the District could build on this property; otherwise what could the District do with the land? Mr. Kuper replied that the District would sell the property to the highest bidder – state, County, or private developer. Mr. Crawford added that the property is 80 acres and under current County zoning it could support 16-17 home sites. Mr. Kuper added that it is unlikely the District will ever be able to build on the property. Superintendent Thiele said that there is a bill to study the issue but it will be a long process adding the District is not ready to give up on the property but looking at the politics it does not look like it will move in our favor in the near future. A question was asked if the property could be sold. Mr. Kuper answered that the 80 acre property was purchased for approximately \$3.3M with a current value estimated by the District to be above \$4M and the school board would need to authorize the sale of District property. Mr. Kuper noted the value of the property is not nearly enough to cover any property we could purchase located within the urban growth boundary.

Returning to the Springboard Proposal, Mr. Kuper said \$97M for land purchase was based on real estate market analysis and would allow us to purchase multiple sites to build 2 elementary schools, 1 middle school and 1 high school. Mr. Kuper feels the current market estimate of \$97M should be adequate to finish the acquisition of the properties and site these schools.

A Committee member had asked what would happen if the District waited to purchase land. Mr. Kuper confirmed the District would move into condemnation processes. Also the escalation of land values would eat away at resources and taxpayer money. The best use of taxpayer money, in his opinion, is to purchase property as soon as possible.

A Committee member asked what would be the size of the lots we would purchase. Mr. Kuper responded that 8-10 acres are required for an elementary school, 20-25 acres are necessary for a middle school, and 40 are needed for a high school. As an example, Pacific Cascade is located on approximately 20 acres. In essence, the District would be looking at

purchasing roughly 100 acres of land. Mr. Kuper again noted that land acquisition is the major difference between this bond and the 2012 bond. The District has not asked for money for property acquisition since the 2006 bond when it purchased land for Creekside ES and the Winterbrook site.

Mr. Kuper noted \$1M is in the Springboard Proposal for land to expand the current Transportation Center site for additional parking. The current Transportation site on 2nd Ave. is landlocked and confined. As the District grows our need for buses grows and the District will need additional space to park them. He added that we cannot park additional buses at the Satellite Transportation Center on the plateau due to permitting; it is already full.

Mr. Kuper moved onto the 2 middle schools on Option #1 which includes the rebuild of Pine Lake MS (\$71M) and a new middle school (\$74M). Pine Lake is the oldest building in the District that has not had any recent work. Mr. Kuper noted while it is a “tank of a building” it is inefficient in comparison to others. The current site would allow us to do a complete rebuild with students staying on site during construction (similar to construction at Briarwood). The difference in costs between the middle schools represents savings on the field at Pine Lake which we would not need to rebuild. For comparison, the new Issaquah Middle School has a construction budget of \$60M, and Issaquah HS was built for just under \$100M. A Committee member asked what it would have cost to rebuild Pine Lake if it had not been pushed out of the 2012 bond. Mr. Kuper estimated that it would have cost roughly \$62M. He added that due to construction inflation of 3-5%, it doesn’t take long for construction costs to escalate 3-4 years out.

On Option #1 and Option #2, Beaver Lake would receive cosmetic upgrades (\$8.5M). Mr. Kuper noted that at its highest, BLMS had over 1100 students. It opened in 1994 and has had no significant work in 20 years. \$8.5M would provide for interior upgrades, façade work, and improvement to the HVAC system (a new HVAC system could run \$3-4M alone according to Mr. Crawford).

Elementary 16 (\$36.5M) and Elementary 17 (\$38M) as proposed in both options, would be built at 28-32 classrooms depending on the bid climate. The District believes this would be enough money to fund buildings with 32 classrooms. While the District cannot make promises, Mr. Kuper believes with these buildings and the proposed expansion of existing elementary schools on the Springboard Proposal the District should be able to house full day Kindergarten. However it is doubtful the District could add enough rooms to meet the 17:1 ratio requirement for K-3.

A Committee member asked what happens if District cannot accommodate the requirements of the legislation for FDK or the 17:1 ratio? Mr. Kuper replied we would not be able to accept all of the funding that may be provided for those requirements. He noted currently, FDK is voluntary. In some districts, buildings considered “high poverty” receive funding for FDK from state. This results in a “patchwork” in some districts, where not all buildings receive FDK funds. Mr. Kuper commented it would be interesting if we messaged that some buildings could receive funding for FDK and others could not, based upon their poverty level. Also, since it’s still voluntary, the District would need to determine how to house half-day students for parents who did not want FDK. These students would potentially be bused to a central half-day program.

Mr. Kuper noted that while we should be able to add capacity within this bond cycle we don’t know what potential growth could be in 10 years. A Committee member asked if it takes 6 years to build-out this bond are we building for 5-6 year’s capacity. Mr. Kuper confirmed that once we have the property, from design to build we could open an elementary school within 24 months, a middle school within 36-40 months and a high school within 40-48 mos. It was noted that we are still building capacity from the 2012 bond.

A question was asked if there was anything keeping us from moving forward with more construction in the 2012 bond. Mr. Kuper replied that there are 4 project managers overseeing construction approved in the 2012 bond which include the rebuild of Sunny Hills and Issaquah MS, and finishing the Liberty HS project. He added there are several reasons we do not run more projects at the same time; for example, IMS is phased with Clark which cannot begin until the middle school is finished. Sunny Hills is a stand-alone project. Cash flow also affects when we can build; we sell debt in “bunches”; as we pay back principal and interest sooner, it becomes more difficult to keep a level tax rate. Part is construction cash flow, internal capacity, re-boundary and the schedule for opening buildings moving forward.

Mr. Kuper noted that we do not know where the 2 new elementary schools on the proposal would be sited, and there are no discussions on district re-boundary. A Committee member asked why there is a difference in cost between E16 and E17? Mr. Kuper said that this has to do with time and inflation; it is assumed we would build one as soon as possible with an 18-24 month lag before we would build the other.

A Committee member asked what the projected open date would be for a new elementary school. Mr. Kuper answered that if we were to acquire property in May 2016 (after the bond vote), we could open in an elementary in 2018 at the earliest. Mr. Crawford added that there are several factors that are considered in the building timeline including the impact of opening buildings, cash flow out of the general fund and the effect on other buildings and teachers. Opening 3-4 schools in one year would be a huge endeavor. A Committee member commented that students going through a rebuild at Sunny Hills could also go through a similar rebuild at PLMS. Mr. Kuper acknowledged that this was what happened for students at Maywood and Liberty.

A Committee member asked if possible, could we start construction on an elementary, middle school and high school all at same time? Mr. Kuper answered that constructability and duration of construction would force us to stage each project. An elementary school would come along sooner because it takes only 24-30 months, however we would be in design on multiple projects. Mr. Crawford added that permitting timelines would vary for each project and impact construction schedules as well.

Mr. Kuper noted the proposed Expansion/Remodel on both options for the following buildings: Discovery (\$9M), Endeavour (\$9M), Cougar Ridge (\$9M), Sunset, (\$7M), and Maple Hills (\$7M). He noted that most of the buildings were built in the 1990’s with Sunset being remodeled in 2002. The buildings are in need of a facelift and with expansion of 6-8 classrooms depending on the building. Maple Hills would add 4-6 classrooms due to the site and the current layout of the building. A Committee member asked if the remodels would include technology upgrades to networking and wireless. Mr. Kuper said that there would be new technology in the new classrooms but we would not retrofit the entire building. However, the District is constantly working to improve wireless in each building as well as upgrading fiber, IDF, MDF and infrastructure.

Mr. Kuper noted that expansion/remodel projects not only provide interior upgrades but they add capacity without land acquisition. Potentially the District could add 36-40 classrooms (equivalent to an “elementary and a half”). He added that during expansion projects, the District tries to improve core facilities such as the Commons or cafeteria, adding capacity to these spaces as well.

The proposed Expansion of the Central Administration Building (\$7.5M) is included on both options. The site houses 6 portables which could be eliminated with the addition of 5000 sf of office space. Mr. Kuper commented that the building was last remodeled in 2000-01 when the District had less staff and fewer students. He noted that the District has the lowest overhead in King County as the District puts as much money as possible into classrooms not overhead. The Admin/IVE site is roughly 15-16 acres and includes everything south of Holly running from the Issaquah Creek to

Newport. This includes the ball fields. In response to the question, Mr. Kuper said the expansion does not include plans to house ISF. He noted that the building has been “chopped up” up as much as it can be and needs additional capacity for support staff.

Noting the proposal for additional portable classrooms (\$6M) on both options, Mr. Kuper said the District would still need portable classrooms throughout its building process as there are still pockets of growth. The proposed amount includes the cost to add or relocate portables. A new portable, which provides 2 classrooms, costs approximately \$250,000.

The amount specified for Project Management (\$6M) covers the salaries and benefits for Capital Projects staff. This is an existing expense, cost out separately and not included within individual construction projects. Some Districts contract out for project management, but Mr. Kuper said that the District has a good solid team in place and the department is bond funded.

Mr. Kuper noted that there is \$12M for Future Projects Reserve/Contingency set aside in each option, with inflation built into the amount. It represents 2.3% of the total package and is conservative. A contingency is necessary because remodel projects have unforeseen issues and other add-ons that may come out of this reserve. We also have a Capital Levy for smaller items that runs thru 2018. We will have another Levy to run beginning in 2019.

A Committee member asked with the proposed expansions, rebuilds and new portables on the proposal, how many portables could the District “shed”? Mr. Kuper said that portables are often left after remodels due to the expense of relocation and they can be used for other programs such as SAGE, PTSA, or school age care. The goal is to always have students located in the core facility, but portables allow for flexibility. For example, with the recent remodel at IVE, classrooms are all located in the main building and the portables are used for pull-out programs. Mr. Kuper noted that FDK and K-3 class size requirements will be a driver in how many portables can ultimately be removed. Mr. Kuper allocated \$6M for both new and relocated portables. Mr. Crawford noted that while relocating a portable is less than half the cost of a new portable, it is expensive to re-site or add utilities. A Committee member commented that additional classrooms at the elementary schools would create a natural draw down of portables as you add capacity. Mr. Kuper added that depending on the footprint of the additions some portables would be removed or relocated on the site. He reiterated however, they still are an asset for pull-out, storage, or special programs and don’t need to be used for classroom space.

A Committee member commenting on the timeframe for the bond, asked if there was a means to compare what we may save the taxpayer if we move forward on construction now or wait another 10 years for some of the items on the proposal. Assuming the District will need to come back in 5 years for another bond that will most likely cost more, is there a difference between a business need and the political reality of what we can ask for? In other words, should we be asking for more?

Mr. Kuper responded that it is true, “a dollar today is worth more than a dollar tomorrow”. The Springboard Proposal is predicated on enrollment growth, land use decisions, and statutory changes to class sizes. The Bellevue School District is a similar-sized district and has passed consecutive bond measures of \$540M and \$450M. As our community grows, our assets grow as well (we currently have an estimated \$1.2 to \$1.6B in assets) and there is a cost to maintaining them. Our community has high standards. Mr. Kuper noted that \$100-\$200M may be needed every 6 years just to maintain our facilities. In his opinion, it is prudent to put capital to work now because inflation will only go higher.

Mr. Kuper commented that as far as political reality, it is hard to know whether an amount is too much or too little. That is why keeping a level tax rate is better for voters in the near term is important. The District does not want to make investments we will have to change; if we are wrong 10 years out, we would have to have public hearings to repurpose funds. To be clear and transparent we feel this is about as long as we can go out.

A Committee member commented that there are community members who feel previous bonds have been promoted based on projects, but in actuality the money was not spent as expected. He asked for clarification on the parameters of a bond and how changes could be made to the Springboard Proposal by the Board or Administration.

Mr. Kuper answered that there are both legal and political realities. From a legal standpoint, whatever is in the **voters'** ballot language is what the District is legally bound to construct unless the Board repurposes the funds. Public hearings are held before the Board can make a decision to repurpose voter-approved funds. This is what occurred with Pacific Cascade; the District decided to expand IHS and SHS and bring back the 9th graders from Pacific Cascade. The legal reality we are bound to is what is in the bond election ballot measure.

Mr. Kuper stated the political reality is that the District is bound to keep its promises adding if we say we will build an elementary school that is what we plan to do. Should the District find the need to change that, we will inform the public and go through the process to make this change. Previous bonds have included smaller items such as carpeting or HVAC work that may not have been completed as expected. Perhaps the HVAC only required system repair instead of replacement. That is an example of something in a bond that was not required to be completed to the letter.

A Committee member asked where additional money would come from if the approved amounts for land acquisition or construction are not enough. Mr. Kuper answered that it would come from the \$12M contingency although the District has the flexibility to narrow scope (for example, plan for 32 classrooms but build 28 if construction costs are too high). If a site comes in over budget then it's not in our budget. Mr. Kuper did note that the District is allowed to purchase portions of a site; for example, the District may purchase only 10 acres of an available 25 acre parcel if that is all it needs.

A Committee member noted that 5 years ago in 2010, the District projected X but we are at Y today. Is it possible to take that variance and apply it to the model we are running today; in other words, if that gap exists again, would the District stay with its current plan or throw the model out and build differently?

Mr. Kuper explained why Option 1 of the Springboard Proposal was the Administration's preferred option. Option 2 expands the existing high schools, includes land acquisition, but does not include construction of a 4th comprehensive high school. Option 1 allows more scalability and flexibility as it provides a higher number of facilities to expand or remodel. With a 4th comprehensive high school opening with an estimated 1500 students, both SHS and IHS go from 2550 each to 1800 students. This allows more flexibility to expand the high schools should growth continue; in the long term there is more flexibility at the secondary level having 4 high schools. The same thing would apply at both the elementary and middle school levels; there are more buildings to expand and remodel. Option #2 has expansion of existing middle schools but does not include a 6th middle school. Option #1 allows more expansion and flexibility to add capacity depending on growth which we don't have in Option #2. While we have enough capacity for the near term, Mr. Kuper does not believe the District has the right number of buildings to meet growth going forward.

Mr. Kuper was asked to note the commonalities in the two Springboard Proposal options. He responded that property acquisition is in both proposals for the same amount (\$97M). Land is not multiplying or becoming cheaper. In his opinion, if the Committee chooses not to acquire land for a 4th HS or 6th MS, the District would be unable to construct these buildings at a later date – in other words, if we don't purchase the land now you can't do it later. The

Administration is hedging that there will be a need to build in future making land one of the most important items on the proposal.

A Committee member asked based on comprehensive plans for Sammamish and Issaquah is it possible that any land we purchase may be outside the development area in the future. Mr. Kuper responded that the District does not believe the UGA will contract any further nor is it likely to expand. Given the urban growth cities must take, with development becoming denser, and developers needing available land, we do not believe contraction of the UGA is a political reality. Mr. Kuper said UGA and district maps would be provided to Committee members.

A Committee member asked why Option 2 includes the purchase of the same amount of land as Option 1 even though it did not include a 4th comprehensive high school? Mr. Kuper responded that if the Committee did not bond construction of the building, Administration feels it should still bond the property acquisition. Without land, the District would be forced to condemnation proceedings for future land acquisition.

A Committee member asked about costs to maintain property. Mr. Kuper answered that given appreciation of the land if it were acquired there would be little or no holding costs. Mr. Kuper said that maintaining property depends on the parcel; for example the Winterbrook site costs \$10,000-\$15000 a year to mow the fields and fix fences. Rental properties on parcels can help cover some maintenance costs. The District is also tax exempt for property taxes.

Returning to the commonalities on both options, Mr. Kuper noted both include the rebuild PLMS. Option 2 would require Skyline and Issaquah High to run at 2500 students; middle Schools would run at 1100-1200 each without a 6th middle school. Mr. Crawford added that under Option 2, the five existing middle schools would run at 985 core capacity and require enhancements to support the population. For example, core facilities such as Commons or cafeterias are impacted by the additional growth.

Looking at the similarities in both options, Mr. Kuper noted that they include the same amount for contingency (\$12M) because remodel projects have a greater likelihood of unforeseen conditions and costs. New builds are much more predictable as far as cost than a remodel. Project management costs also remains the same on both options as do portable classrooms and the expansion/remodel projects.

In summary, the major differences between the 2 options: Option #2 has 2 additions to the 2 largest high schools and no 4th comprehensive high school; Option #2 has additions to 4 middle schools and no 6th middle school.

PROJECTED TAX RATES FOR 2016 BOND ISSUE

Mr. Kuper then turned the discussion to the Projected Tax Rates for 2016 Bond Issue. He explained that he tries to keep tax rates as level as possible as he restructures debt to come in at or under promised tax rates. Option 1 would come in at \$4.14 per thousand of assessed value; Option 2 would come in at \$4.04 per thousand of assessed value or a dime less. Both figures are down from the previous tax rate of \$4.59 per thousand in 2014. The economy can have an effect on the tax rates, lowering them in a booming economy (\$240M bond promised \$3.96 but came in at \$3.78 per thousand in 2006). The 2015 levy promised \$4.83 per thousand but came in at \$4.14 in 2015 mostly due to our 20% assessed valuation growth.

Mr. Kuper said that assessed value (AV) assumptions and debt structure drive these rates. He explained that school districts levy aggregate amounts; in other words we levy an amount spread over the entire tax base. Levy rates are set in November, but the final AV numbers come from the assessor in February; this is a handicap for us to determine tax rate. Historically the District projects 5% AV growth; however next year we are projecting 9%, 7% for two years, and

then 5% thereafter. If AV lags there are items that we have rollback on. The M&O Levy is projected 5 years out and we attempt to collect full levy authority. In 2016 our levy authority will be \$46M and that may take a dime off the tax rate. To keep rates stable we may change debt structure as well to keep a level rate. There are times, for example 2003, where projections were stable. We want AV to outpace projections to keep the tax rate lower. Part of AV growth comes from increase in home values which affects taxes. AV growth is also impacted by construction; for example \$400M of AV growth was due to construction and the rest to appreciation. This amount can vary year to year depending on the timing of development.

Significant new construction of apartments and hotels can add up to \$1B for example. Mr. Kuper noted that there is a step-off (lowering) in tax rate in 2021. That may be when we come back and ask for more capital funding. If we know there is a drop we know we will potentially be asking for more levy dollars.

In summary, if we were to do all of Option 1 the tax rate would be \$4.14 per \$1000 of AV. A \$518.5M bond would show a step-off in 2021. This is the same tax rate we have in 2015. The rate for the M&O Levy is more likely to change as the state phases in new revenue, which changes our levy authority. The rate presented assumes full levy authority but this is set to roll off in 2018 reflecting about \$10M-\$14M.

The model for the \$432.5M Option 2 proposal was presented with the difference of a dime spread over same duration and same debt structure in the 2 options. Option 1 is approximately \$86M more than Option 2, with both reflecting a step-off in 2021 for additional capital offerings.

Mr. Kuper commented that one way to lower taxes is to have no bond. This was reflected in a chart comparing the projected tax rates for \$518.5M, \$432.5M or no bond and also shows what happens when debt rolls off and there are no more capital offerings. The delta between each option is the difference in tax rate.

A Committee member asked when taxes would be levied if the bond passes in April 2016. Mr. Kuper said that taxes would be levied in November 2016 and effective calendar year 2017. He added that the District could sell bonds right away to potentially get into the property market sooner. In other words The District is able to purchase property before it has to levy the taxes since it does not pay principal or interest until 2017.

Another Committee member asked historically how have there been peaks and troughs in tax rates related to bonds. Mr. Kuper noted that the amount in 1998 was \$4.96 per \$1000 again affected by assessed valuation. The tax rate again went up in 2010-11 due to a 15% drop in AV which historically had never happened before in a single year.

A Committee member asked what would happen if this bond were not to pass. Mr. Kuper replied that the state of WA funds a minimal amount of construction costs; we have had \$600M in construction and received approximately \$10M from the state (barely enough to cover sales tax). He noted that the state construction program doesn't come close to meeting District needs. The District would need to site portables until capital money ran out making boundary adjustments where possible. There would potentially be multi-track or double shift schedules and increased class sizes.

A Committee member asked if the bond failed, would it be because voters thought it was too high. Mr. Kuper responded that bonds failed in the late 90's and did not pass until we made them bigger. Politics at that time were different and there was an anti-growth attitude in the community. Mr. Kuper noted that schools don't spur development – we chase development. He also said that Administration would not ask for this amount in the bond if it did not feel the entire amount was needed. It would be fool hearty, in his opinion, to say this is what we need and come back later and say we didn't need all of it after all. This sends the wrong message to your community and you could be back asking for more again at a later date. Mr. Crawford said a similar situation occurred in the Lake WA School District.

When it failed to pass a bond, it converted the bond to a levy (which is a huge cost per thousand to the taxpayer). When the levy did not pass, it came back to its community with a much reduced bond that also failed.

A Committee member noted that voters may have a full docket to consider on the ballot; for example Sound Transit 3 may be out to vote at the same time. Mr. Kuper added that with 6 municipalities in the area (Sammamish, Bellevue, Issaquah, Renton, Newcastle, and Preston) it was likely there could be other measures running at the same time for voters to consider. He hoped our track record and community support would help with their decision.

A Committee member asked if there were any legal building requirements for schools? Mr. Crawford answered that there are state statutes that require primary grades be kept at ground level and Health Department requirements to follow. It was possible to build a "Costco box with 8' walls" similar to the open concept schools of the 70's but not prudent. He added that the District builds to the WA Sustainable Schools Protocol (similar to Leed Silver) which is a method to determine energy efficiencies in school buildings – we are usually beyond qualifications for WSSP. We build efficient generational buildings.

A Committee member asked if voters look at the tax rate or the overall cost of construction; in other words does it matter if the tax rate went from \$4.14 to \$4.24. Mr. Kuper could not say if a dime difference would make a difference one way or another, but he feels it is most prudent to have a level tax rate message. He said it is also not a good idea to let debt drop off after years of continual investment in capital infrastructure. At some point, the voters could be asked to pay significantly more per thousand than they are currently paying in order to catch up on infrastructure needs.

In response to a question on how the proposed items relate to tax rates, Mr. Kuper responded that he works very hard on debt structure to have a level rate. If we can get \$500M for a dime more that would not be an obstacle to the Springboard Proposal; but his goal is to be as stable as possible. Administration and Capital Projects works to determine what our needs are first and then we set to work on debt structure, the timing of bond sales and how we sell bonds. We do not just pick a tax rate and then see "what cool stuff we can build."

A Committee member noted that there is only one south end building specifically called out in the proposal (assuming none of the new buildings would be located in the south end). Would there be a concern that south end voters would not support the bond? Mr. Kuper replied that the District had just spent \$150M in the last 6 years on south end projects: the rebuild of Briarwood, an addition at Apollo, a remodel of Maywood and a 3-phase modernization of Liberty High School. Mr. Kuper said it is hoped voters in the southend will support funding projects for the rest of the District adding "there are 150 million reasons to vote."

A Committee member asked if it was possible to show the outcomes of both options and how future enrollment demands and growth are met by these options. In other words, how did the Administration arrive at these options and know it will have the right number of new buildings to meet capacity. Mr. Kuper replied that it would be difficult without getting into a discussion on boundaries which is not the charter of this Committee. Mr. Kuper then directed the Committee to the 2015-16 capacities spreadsheets for the elementary, middle and high schools. The spreadsheets are used in the Capital Facilities Plan to drive discussions on impact fees. He noted that regardless of enrollment growth we still need more elementary buildings because of the number of portables we have. These spreadsheets show permanent capacity (what is in-building), portable capacity, and utilization percentage. It is easier to utilize every classroom all day at the elementary; it is more difficult at the secondary level because teachers have prep periods in their rooms. Mr. Kuper added that Liberty HS has 75% utilization due to its block schedule; 1 out of every 4 classrooms is prep each period. As we grow, our first decision to handle growth would be no prep in a classroom; teachers would need to share space or prep in offices or the staff lounge. The utilization figure is important for capital planning.

It was noted that at the elementary level, the District is significantly over permanent capacity. The numbers reflect capacity now, not what it will be after Sunny Hills is rebuilt. For the short term, middle school capacity can be bridged with the use of portables. The capacity numbers take into account the recent remodel at Maywood and into the future rebuild of Pine Lake MS. Capacity at the newly rebuilt Liberty, IHS, and remodeled Skyline show a shortage of core capacity that can be bridged with portables. Teacher prep periods as well as computer lab usage, art room or CTE classrooms make utilization numbers more difficult to determine. Mr. Kuper noted that he uses 95% for calculation at the secondary level, but feels lucky to get 90% utilization out of these classrooms. Mr. Crawford commented the numbers show why we will need to add portables this summer at several buildings.

LAND ACQUISITION – GROUP DISCUSSION

Mr. Kuper then asked the Committee members to take 10-15 minutes to discuss the land acquisition piece on the Springboard Proposal. In response to the question, he answered he did not foresee any changes to the UGA. He added that if the Committee decided to make a change to this item on the Springboard Proposal, it would require approval by 75% of the members in attendance.

After the Committee reconvened, Mr. Crawford directed them to a map showing district boundaries, the UGA line and an area in green which is considered the rural area. It was noted per King County, we are unable to build in the rural area. He added Pacific Cascade, Endeavour, Maple Hills and Apollo are all located within the rural area, outside the UGA line. At one time there was no concern about building in these rural areas. However, these schools could not be built in these locations today and the District had to fight hard in the last revisions to County regulations to even upgrade existing buildings located outside the UGA line. In response to the question, the District does not believe the line will move any time soon even though we have legislators working on this on our behalf. King County sets this line; in the past there have been small incremental changes when a line ran down middle of road. PCMS was built adjacent to the line in 2004; at that time it was okay to build in rural area if it met certain condition, particularly if it was adjacent to the line. It is uncertain when King County may make any changes to the line; in Mr. Crawford's opinion only, the decision is in the hands of the County executive noting a large development in Black Diamond pushed the boundary of acceptance in the mind of the County officials.

At this point Mr. Kuper asked the Committee for discussion or action on the land component on the Springboard Proposal. A motion was made and seconded that the Committee accept \$97M for land acquisition in the bond. Upon further discussion, a Committee member felt he did not have enough information to make a decision on this item. Another asked if the Committee could consider more land acquisition and if the District had more specific information to support that discussion.

Mr. Kuper felt Option 1 is set up well for a good time period at the secondary level with a 4th comprehensive high school, a 6th middle school adding additional capacity. However, it may be too soon to know if a 16th and 17th elementary school are enough? It was possible to make an addition of land for a third elementary site, but not bond building another elementary at this time. A Committee member said that the current proposal is for about 75 acres at \$97M; to meet the needs of another elementary 6-7 years down the road you would need approximately 85-90 acres at \$120M.

Mr. Kuper noted that identification of 3 elementary sites has been difficult. A third site may force us to a by-square-foot acquisition of commercial property. In response to the question of site availability, Mr. Kuper said the District's real estate agent has identified potential parcels; we know what the market looks like and the board has already approved a "Right of First Refusal". This means the District may approach a land owner to record on their title that the District can

match any potential offers that the property owner may receive. Mr. Kuper stated the reality is, cash is king; without capital it is risky to throw taxpayer money in a non-refundable escrow to tie up any property.

A Committee member noted that there is the same amount of money is allocated for land acquisition on both options. Mr. Kuper replied that even if we did not build a 4th comprehensive high school now (Option 2), we are buying land for future construction. In other words, if we do not acquire the site it is likely we would be unable to build a high school later. A Committee member noted that perhaps the same is true for adding an additional site for a future elementary school.

A Committee member asked if adding additional land to the proposal would cause the tax rate to go up and affect the bond's ability to pass. Mr. Kuper responded that feasibility is both financial and political. Is this bond package palatable to stakeholders and community members? The biggest bond the District has run is \$241.7M; this bond would be twice the amount of what we have asked before. We ran smaller bonds for shorter durations. For example Bellevue ran \$540M bond while we ran 2 bonds of half that amount.

Mr. Kuper reminded the Committee that there was a motion on the floor to approve \$97M in land acquisition on the Springboard Proposal. A motion was moved and seconded to table that motion as there were Committee members who wanted more information. It was decided to table the motion so Committee members could be comfortable with their decision on the land acquisition proposal. He asked Committee members to email him for more information or other requests.

The meeting was adjourned at 8:33 p.m.