

Marysville School District
Citizens Advisory Committee

Meeting Date: June 2, 2015

I. Welcome and Overview of the Committee Process

Facilitator Dick Withycombe welcomed people, and the committee adopted the minutes of the May 19 meeting as submitted. Dick then provided an overview of the remaining meetings.

- Tonight, in addition to the tour of Marysville Pilchuck High School (MPHS), the committee will learn about capital project funding.
- On June 9, they will tour Marysville Getchell High School and review the district's recently completed safety and security report. The committee will also begin discussions that will identify priority facility needs and possible bond scenarios.
- Over the summer, the technical team will develop cost estimates for those priorities and scenarios.
- The committee will review those estimates when they reconvene on September 15, at Liberty Elementary School. At this meeting and the next two (September 22 and October 6), the committee will develop two bond scenarios.
- After the October 6 meeting, thoughtexchange will solicit community feedback about those scenarios.
- The committee will review their proposed bond scenarios in light of those findings on November 17 and adopt final recommendations.
- The committee may choose to add a meeting to review their final report.

Dick told the committee they will consider five primary elements as they develop their recommendations:

- the nature of the district's facility needs, based on the school tours and summary data provided by Facilities Supervisor Greg Dennis;
- the resources that may be available from the state's School Construction Assistance Program;
- an understanding of how school districts fund capital projects;
- the committee's collective judgment about priorities; and
- consideration of community values and priorities.

II. Capital Project Funding

Jon Gores, managing director at D.A. Davidson, a capital investment firm that has served the Marysville School District for several years, provided an overview of capital project funding. Committee members received copies of his PowerPoint presentation. Excerpts and supplemental information appear below.

- Washington school districts typically fund capital projects through voter-approved Unlimited Tax General Obligation Bonds (UTGO). These must be approved by 60% of the voters and turnout must be at least 40% of that in the previous general election. Bond debt is limited to 5% of the assessed value (AV) of all property in the district, currently \$305,696,017. The district has outstanding bond debt of \$81,970,000, so its available debt capacity is \$223,726,017. *(slide 7)*
- Very few school districts use non-voted Limited General Obligation Bonds (LGO) to fund major projects. They must be repaid through existing revenue (e.g., the general fund, impact fees, timber funds); may not be used for new construction; and are limited to 3/8 of 1.0% of AV. *(slide 7)*
- There are other funding options. Relatively uncommon, Qualified Zone Academy Bonds are federally subsidized private/public partnerships. More common are capital projects levies, which are approved by a simple majority of voters, yield revenue over two to six years, and don't involve interest cost. Districts use these for technology and smaller construction projects. *(slide 8)*
- The district has four outstanding general obligation bonds. Voters approved bond measures in 2006 and 2007. In 2013 and 2015, the district refinanced these to take advantage of lower interest rates, saving more than \$5 million. All of this outstanding debt will be repaid on or before 2025. *(slide 9)*
- The tax rate is expressed as the amount a taxpayer would pay per year per \$1,000 of assessed value. It is affected not only by the addition of new debt, but also by growth in the district's AV. Because the district can collect only the amount voters approved, AV growth reduces the cost per \$1,000. Since 2000, the district's AV has grown from approximately \$2.7 billion to approximately \$6.1 billion. *(slide 9)*
- *If a homeowner's tax rate isn't a percentage of the home's value, how is it set?** It is an amount per \$1,000 of the home's assessed value. All property owners in the district share responsibility for repaying the debt. An individual's tax bill will depend on the value of the home and may vary from year to year, depending on changes in the value of that home but also on changes in the total value of all property in the district.
- Once passed by voters, Limited General Obligation Bonds (LGO) allow the district to tax at whatever rate is necessary to repay the approved debt. However, school districts make significant efforts to estimate the resulting tax rate and to communicate that accurately to voters. The estimated tax rate is based on assumptions about interest rates, the district's bond rating, the district's AV, and bond structure. *(slide 11)*
- Lower interest rates result in lower tax rates. Interest rates are set when bonds are actually sold. DA Davidson's assumption is that interest rates will increase from 3.5% to 5.0%. *(slide 12)*
- A district's bond rating is like an individual's credit rating. The district's bond rating affects the interest rate it must pay investors, so districts work to attain the highest ratings they can. Marysville's pending bond rating is Aa3 (#4 on Moody's 10-point scale); and the district benefits from the state's guarantee (Aa1). *(slide 13)*

* The comments of committee members appear in italic print, those of the facilitator, presenters, and technical team members in regular print. Unless enclosed in quotation marks, comments have been edited for brevity and clarity.

- The district's Aa3 bond rating is good. It's trying to improve its rating, but some factors are outside its control (e.g., the size and diversity of the local economy). Very few school districts have Aaa ratings. "Governmental factors" include the pattern of voter support for M&O levies, and "financial performance" includes the size of the district's fund balance (reserve). *(slide 14)*
- AV growth reduces the tax rate because the district can collect only the amount voters approve. DA Davidson's assumption is that the district's AV will grow at 4.0% per year between 2016 and 2039. *(slide 17)*
- Bonds must be structured to provide for immediate needs and also to leave room for future bond measures. One way to do this is to plan a stepped level tax rate. *(slide 18)*
- Bonds must be sold over time because federal law requires districts to expend 85% of the proceeds within three years. If Marysville passes a bond measure in February 2016, it might sell bonds in June 2016 and then in December of 2017, 2018, and 2019. In this scenario, the impact of the 2016 bond on the tax rate would appear in 2017. For example, a \$125 million bond would be expected to increase the tax rate by 78 cents/\$1,000 in 2017 (based on the assumptions above). This table illustrates four alternative scenarios, at different authorization amounts and different numbers of bond sales. "Actual 2015" is the current tax rate (\$1.24/\$1,000); after 2025, the tax rate would drop because this existing debt would be paid off. *(slide 19)*
- The next four tables display estimated initial costs to taxpayers of these four scenarios, based on property value and taxable income. *(slides 20-23)*
- The following charts present detailed, comprehensive information about the estimated impact of these four scenarios through 2039. *(slides 24-27)*
- The district's current combined tax rate is \$6.0184, the third highest in Snohomish County. This includes M&O and capital projects levies as well as bond debt. *(slide 28)*

III. Tour of Marysville Pilchuck High School

Greg and Interim Co-principal Rob Lowry provided background information before the school tour. MPHS enrolls approximately 1,200 students. Before the second high school opened, it housed about 2,700 students, which required many portable classrooms. In his site survey, Greg identified issues related to the fire alarm system, intercom system, and mechanical system (an inadequate boiler).

MPHS was built in 1970 and added onto several times: a physical science building in 1993, a gym and weight room in the late 1990s, and the 500 and 600 buildings in 2000 when the ninth grade moved up to the high school.

In response to committee questions, Rob told the committee that the size of the school and its "community college" layout present a security challenge, not just with respect to potential intruders but also in terms of keeping track of students. Instructionally, once in the classrooms, the school is "not that much different." He said that he was not aware of any significant structural issues and that access to technology is less an issue now that the district has implemented wireless internet access and battery-operated devices. The school has two lunch periods, which works well; if there were three, one would split a class period.

Questions and Discussion

- *I liked the campus layout; and I liked the spacious classrooms.*
- *The campus is too big; it's not conducive to learning. There seems to be a lot of wasted space. The community college feel is good for a community college, but not for a high school.*
- *For me, it's good for kids in high school to have this type of setting so when they get to college the setting is not a complete shock.*
- *As a student, I like how big this campus is for the amount of students we have. Getchell has small hallways with lots of students, which isn't convenient. A bigger campus where kids are more spread out is better. One problem is that the ground is difficult to walk on because there's so much erosion.*
- *When I graduated in 1999, there were a lot more students; but it didn't feel like the school was too big. It has to do with the way the staff and students treat the school: a sense of school pride, of feeling close to the school and to the community. The buildings are really dilapidated. The walkways, the painting — everything seems to be falling apart. The spaces are okay, but the uses of the spaces are not conducive to creating a current or future learning environment.*
- *The school is very dated. Kudos to Comcast Care Days for choosing our school because it looks a lot better, and I'm sure it made the kids feel really good. There's a complete lack of technology. Some vintage furniture is cool, but I'm guessing we can do better. We have a wonderful staff here, and there's a lot of pride in our school — but there's a lot of room for improvement on the facilities side. I agree that a big campus is nice, but things are different now. It seems almost devoid of people. When my older child was here, there were lots of kids and lots of activity. Now it's: where is everybody?*
- *Those really large classrooms seem devoid of personality because there's so much space. In smaller classrooms, I noticed things on the walls. There seemed to be more personality.*
- *I have concerns about intruders because the school's so spread out; but it's evident the staff has great pride, and everybody who went here loved it. My kids went here, and I have friends who teach here; so I know how people love this place. But it needs to be updated and more secure. I think the staff will feel the same in a modern, secure facility that has technology.*
- *We've faced that at every school. People get attached to their schools. People in Marysville are so emotionally attached to their community. We form really intimate connections here.*
- *My main concern would be the loss of things like the auto shop, things that are so integral to this school that won't translate into a new building. Not all kids go on to college; and there are options here that have been lost at other high schools.*
- *One of the staff concerns is whether, when a new school is built, some of the programs we've lost will be brought back — things like agriculture, welding, and manufacturing.*
- *Even though the campus seems very large, kids connect with what they're involved in, like Decca or the music programs. The big building may raise security issues, but kids gravitate to programs. My boys like the opportunity to walk outside between classes, even in the winter. That breath of fresh air revives you.*

- *Students need to learn the core subjects, like math and English; but what keeps a lot of people in school are things like choir, band, and agriculture. That's what gets them excited about coming to school, and once they're here they'll get the core classes they need too.*
- *There are a lot of really good things about this school. The auditorium is amazing. Even though it needs renovation, the pool is great for this community. But 83 acres?! That's crazy big. A lot more than you need to get a breath of fresh air. The district could build two or even three schools on the same acreage. Inside the school, there's wasted space because the spaces are so big. Look at this library, the empty shelves.*
- *My son goes to a school that doesn't have a library or any study space. I love to see this space for students.*
- *As a student, I can tell you that, when there are two or three classes in here, we need this space. It looks different during the day when it's filled with students. I would like see more books though.*
- *I live across the street, and I see students all day leaving the campus for the park. I would like to see a more closed-in structure. On the tour, we walked for a long time and didn't see a lot, because it took forever to get places.*
- *It would be good to keep spaces that people remember from when they were in school, like the gym and the auditorium, to keep that connection with the community. The generic classrooms can be replaced as part of the rebuild.*
- *I'm all for athletics, but the fields are massive. The freshman field is not even safe; people say that mound of dirt is contaminated. There are things we could do to bring people to Marysville and provide revenue, like baseball fields. It ties with the education piece, it's all one.*
- *I agree that sports can bring in money. Let's get some tennis courts so our kids don't have to go to Totem to play. It's embarrassing for high school students to have to play at a middle school. If we had good facilities, we could rent them out and make some money from our investment.*
- *The parking lots, the gravel road, and the fence all need a lot of improvement. The sports fields: there's no water so they can't spray them down. The football field is fabulous, but the grandstands are bad, and I've heard the locker rooms are disgusting. The tennis courts. All of these things need to be addressed. As a parent, I want to feel pride in our school and our community. When our kids travel for sports or other activities, when they go to places like Glacier Peak, they walk in and say: wow! Our kids have pride in their schools, but the facilities don't reflect that. All of our facilities have huge needs.*
- *When I moved into this neighborhood, the whole community came to this track, to walk, to be with their families. When the new field went in, they put up a barbed wire fence; and it's not open to the community any more (even though they said it would be). If the community had access, people would feel more connected to the school.*
- *Some disciplines are taught only at Getchell, not because of the facility but because of the small learning environment strategy. Whatever we recommend should support the teaching strategy.*
- *The air quality in the oldest building is so bad I had to leave. Like the district's other old buildings, it probably has black mold. It should be possible to use some of these*

huge spaces for hands-on career and technical programs kids will gravitate to. This is a community that facilitates things for kids. We're proud of our kids, and it doesn't matter whose auditorium it is. The gym at Getchell is too small, and this facility has sentimental value for the whole community because this was where we brought our children when they were small. This community needs to be at the cutting edge, and our facilities need to reflect pride in our whole community. Let MP be more of a trades school that brings back together the community of kids who went to elementary and middle school together. This school could be the powerhouse of the community. Rent that stuff out, and let the community run on the track. This used to be a gathering place, a way of bringing people together after tragedy. New is good, but it doesn't have to mean getting rid of tradition. Have an amazing auto shop, an amazing science program here. We have the kids, we just don't have the equipment.

- *I feel the opposite. I love the pride of having two high schools. Kids can bus over for specific programs, but we will always have the pride of two different schools. Kids choose to come here or to go to Getchell. We can merge some programs, but we need two separate schools that are equal in opportunities for students. That's what's missing. There are limited options at some schools. Once we figure that out, this will be a great district.*

IV. Next Meeting

The next meeting will be at Getchell (in the foyer). In addition to the school tour, the agenda will include the safety and security report. Dick told committee members the technical team would provide information about the needs at schools they won't be touring, so they will have a complete picture when they get to the development of scenarios.