

**Minutes of the Meeting of the  
Capital Funding Protection Committee  
of the Washoe County School District Board of Trustees**

October 17, 2018

**1 OPENING ITEMS**

**1.01 Call to Order**

The meeting of the Capital Funding Protection Committee of the Board of Trustees was called to order at 4:00 P.M. at the Washoe County School District Administration Building, 425 East Ninth Street, Reno, Nevada

**1.02 Roll Call**

David Bobzien, Paul McKenzie, Carlene Bybee, Kristopher Dahir, Bob Lucey, Mike Cate, Tim Rowe, Ben Hutchins and Dave Solaro were present for roll call. Jeanne Herman and Scott Evans were absent.

**1.03 Public Comment**

Jeff Church, provided public comment. Mr. Church objects to the policy on public comment that restricts him from speaking on item 2.02 because he may have to leave for a meeting. Says there is no compelling reason someone can't speak at public comment on any item that affects this committee. Stated there would be no new staffing for the three schools opening in 2019, no reduction in class size, and the class size will increase. Mr. Church also submitted written comments to the Committee, see attached.

David Drake from the United States Department of Forestry. Stated he is the one responsible for coordinating the land transfer for Arrowcreek MS. Currently the USFS is reviewing the Deed and hopes to have it transferred over to WCSD by the end of the month.

**1.04 Action to Adopt the Agenda**

Ben Hutchins requested item 2.03 go after 2.07

On motion by Paul McKenzie, seconded by Ben Hutchinson, **the Capital Funding Protection committee approved the agenda as presented.** (Yea: David Bobzien, Paul McKenzie, Carlene Bybee, Kristopher Dahir, Bob Lucey, Mike Cate, Tim Rowe, Ben Hutchins and Dave Solaro). Final Resolution: Motion Carries 9-0

## **2 Discussion, Presentation, and Action Items**

### **2.01 Discussion and Possible Approval of the Minutes from the July 19, 2018 Capital Funding Protection Committee meeting (For Possible Action)**

Ben Hutchins proposed a change on page 6 to the minutes. Item 2.07, change the name from David Bobzien to Ben Hutchins on the comment.

On motion by Ben Hutchins and seconded by Charlene Bybee, **the Capital Funding Protection Committee approved the minutes of the July 19, 2018 meeting.** (Yea: David Bobzien, Paul McKenzie, Charlene Bybee, Kristopher Dahir, Bob Lucey, Mike Cate, Tim Rowe, Ben Hutchins and Dave Solaro). Final Resolution: Motion Carries 9-0

### **2.02 Discussion and Possible Action to Recommend to the Board of Trustees the Funding of a Construction Internal Auditor Position to work under the Direction of the Chief Internal Auditor or to Recommend to the Board of Trustees the Funding of a Professional Services Contract with an External Auditing Firm to provide Construction Auditing Services. This Agenda Item was previously discussed at the July 19, 2018 Capital Funding Protection Committee meeting and was originally requested by the Board of Trustees at its April 10, 2018 Meeting. (For Possible Action)**

Pete Etchart WCSD Chief Operating Officer, joined by Katy Simon Holland, WCSD Board President and WCSD Chief Financial Officer, Mark Mathers. This item is a continuation from the last CFPC Meeting where the District's Chief Auditor, Paula Ward, presented an item in regards to a Board recommendation for the funding of a Construction Bond Auditor position, to work under the authority of the Chief Internal Auditor as requested by the Board of Trustees at their April 18<sup>th</sup>, 2018 meeting.

Based on the discussion at the last meeting, that focused on having this function provided by an external audit firm, Paula Ward reached out to three National Auditing Firms that special in public sector construction auditing. WCSD received two responses that are included in your agenda packet. Both proposals provide the firms qualifications, a detailed scope of work and proposed costs. Based on the scope provided to them by the Chief Auditor both of these proposals dealt with performing a full audit on one of WCSD's current school construction projects, namely the Sky Ranch MS project in Spanish Springs. The costs for the two audit proposals were \$52,500.00 and \$81,900.00. Since the last CFPC meeting, WCSD's Chief Auditor has retired and WCSD is in the process right now of refilling that position. With this item WCSD is looking for direction and a possible funding recommendation for potentially providing these audit services. Later this afternoon under agenda item 2.08, we have included a

budget funding request of \$100,000.00 to be recommended to the Board of Trustees for this service.

Katy Simon Holland, WCSD Board of Trustees President: I hardly endorse the concept of having an external firm to look at our construction auditing because WCSD absolutely believes that it is critical for the public to have an independent seal of approval. WCSD is anxious to have this funded and really want to make sure that the work begins. WCSD is in the process of hiring a new Chief Internal Auditor and will have to sequence those things. Wishes to move forward with this and shares the goal of having a fully independent and through review.

Dave Solaro: In reviewing the scope of work for both firms, stated that it appears this might be a duplication of efforts that are already happening within consultants that are working on these projects. This looks really more like a review of construction documents, pay applications, prevailing wage, and all the things that WCSD has a company on board for. We want to see that the money coming in the door is being spent in the proper locations, not necessarily on the project itself. Wants to make sure nothing is being duplicated with the scopes. The scope doesn't hit the nail on what we are trying to find out, which is the money is coming in the door, the tax payers were told it was going to be spent for Construction and those things necessary for Construction, but this looks at one specific project. I think we might be missing the mark just a little bit.

Pete Etchart: I also believe there is a duplication of effort in the scope of work provided by the audit firms and what our current construction management firms already provide WCSD. I think we would have to go through those proposals and say what we are already doing. This information could be provided to the audit firm and they could verify and include it in their final audit report. When I read through these proposals, I think there is a lot of valuable information that the District could gain. I agree with you, this is a scope our Chief Internal Auditor put together with these consultants. I also wouldn't mind having an audit either in addition to this audit or as a substitute to this audit that is more comprehensive as far as where all the money is going, making sure we are spending all the money in a more general sense toward Capital Projects.

Mark Mathers, Chief Financial Officer: I can't speak for the Chief Internal Auditor because she developed the scope. If the Committee desires a wider scope that is a conversation appropriate to have with the Chief Internal Auditor once that position is filled. I don't think we can speak to what that Internal Auditor will want, require, or think is appropriate. I want to preserve the independence of the process and the independence of the selection of the firm. It is a great question and I think we would support that notion but until there is a Chief Internal Auditor it is difficult to make those changes because the company would report to that Chief Internal Auditor and preserve the independence of that audit or the review of the agreed upon procedures.

Mike Cate: The way I am looking at it is you are waiting to get the Auditor onboard before we move forward with some conversation on how this will pan out as far as this committee is concerned. Am I correct on that?

Katy Simon Holland: The Boards intention when we originally talked about this during our budget discussions last April was that we would have an Audit function for Construction. Not just a single audit of a single project. I think this is a starting place and we can learn a lot from doing one project and we can establish a platform for how that will go forward. Hiring an Auditing Firm externally to audit every single construction expenditure for our program will be a big ticket. The School Boards hope is that we have a function that will have an ongoing basis, an ongoing presence in our construction auditing. This is just our first step.

Paul McKenzie: The concern is we should be looking at the broad auditing of the entire function of overall projects and these were much narrower and more specific to an individual project. The other thing, can't we find an Auditor within the State of Nevada, if not locally that has the ability to do this type of thing? We have two out of state, long distance auditors and that will add costs to the process in itself. They have to hire an individual to come in and do the work or they have to have someone travel here to do the work and you don't have the oversight. McKenzie believes WCSD should move forward and work with the new auditor on the scope of work.

Ben Hutchins: There are concerns about Independence and making sure the Auditor reports to the right entity. Recognizing the school district does have an audit committee that appears to be pretty independent as far the members on the audit committee are concerned. Perhaps that function would report to the audit committee and this committee could give some input as far as developing what that scope is. Then the report could come back to this committee for consideration and review and address with the Board of Trustees. We want to make sure it is independent in fact and appearance. As far as the scope that we have, there are some duplication of efforts. If the budget of \$100,000.00 annually was approved for an audit function it seems that using over half of that money for this one small engagement may not get us the best bang for the buck. I know there has been comments and public comment in the past regarding fraud, waste, and abuse. If that is where we want to focus, we need to hire a forensic auditor. Or do we want a compliance audit looking at misappropriation of funds, waste, and compliance? Do we want a compliance audit to evaluate if we are following all the laws, state and local laws? Is our goal to try to save money? Ultimately that would be one of our goals. I think first of all we need to decide what is it we are looking for as a committee before we determine what that scope looks like.

Katy Simon Holland: Great discussion and points. I think the agenda item today was to give us guidance as to whether this is an internal position or whether it is an external contacted position. Certainly it's my position as one trustee that it does need to be an

external position. It does need to have a link both to the Audit Committee and this Committee. I envision it just as you have said, reporting to both Committees. For an Administrative and day to day operation guidance, the contract administrator would be the Chief Internal Auditor. I agree with what has been said about what the scope needs to be and we welcome those suggestions about what you all feel is most important for the transparency and independence of this review. We want to make sure we are fulfilling the public's expectation of how these monies will be spent. I appreciate the suggestions and our hope is that you all give us direction whether it is your recommendation that it be an internal or external position and then when we have our Chief Internal Auditor to have that conversation about what the scope needs to be. I will say in response to Mr. McKenzie's point that in addition to making sure it has external and independent eyes that it also has the best eyes on it. It was the opinion of our Chief Internal Auditors that we wanted to get the absolute best expertise we could. Now there may be folks once we determine the scope within the state that could meet that scope.

Mike Cate: This agenda item is about the funding and not the scope of work. The job of this Committee is to follow the dollars and the dollars are the concern. It sounds like the District wants to hire a full time auditor and that process usually comes under general fund money and we are not looking at general fund money here. So we need to be very careful on not crossing the line if we are to pay for an audit strictly for the facilities department or that type of thing. I think that is where most of us are leaning, not so much towards the general fund.

David Bobzien: I am comfortable with moving ahead for the funding piece of this. I think regarding the questions of scope, everyone understands we will have much more conversation on this issue. I would see coming back to us with a scope agenda item at some point in the future that really goes through the original discussion, the charge for this committee, and out of that discussion the questions as to what type of auditing function were going to be engaging in.

Charlene Bybee: I agree with a lot of what has been said and her focus is really on priority. An external auditor for her is right because the priority most of us have is to make sure there is transparency and independence. Our job and responsibility is to protect the tax payer dollars from a bond that was passed. Make sure every dollar is spent the way it is supposed to be, priorities that she feels from this group as they led to this auditor discussion was really about how do we make sure that those dollars are going where they are supposed to, that is our number one job. Biggest bang for our buck, the money is spent where it is supposed to be spent and we are accountable for that because we are accountable representing the tax payers. I think really determining scope and our priorities and direction is of the utmost importance and obviously today isn't something we can do but moving forward with funding and you've got a position to fill and then we will have a lot more questions.

**Public Comment:** Jeff Church: As stated your job is to protect the taxpayer. Not just to look at Sky Ranch, who picked that? We need a Capital Projects, WC-1 Auditor to represent the interest of the taxpayer. That, likely because of costs, has to be in house. They should report directly to the Board of Trustees, not to some Committee that meets once every quarter. The Auditor, or watchdog, or Inspector General, whatever you want to call them needs to be unrestrained in what they can look at in the Capital Projects Budget. The entire City Management was arrested for Fraud so it can happen. Washoe County, Paul Orphan, recently took millions of dollars in taxpayer money. We need an unrestrained auditor and \$123,000. will get you a pretty good in-house auditor. Admittedly we can't afford and outside one. WC-1 brings in about \$200 million annually. That's not counting the other Capital Project Funds. Somebody has to look over that, not just Sky Ranch. Then the Audit Committee, it's like the right hand doesn't know what the left hand is doing. The Audit Committee wants an Auditor. Not an audit of Sky Ranch. They want an auditor to look at this. You have the Audit Committee saying something entirely different. For the record, Paula Ward said she wanted an in-house auditor. I also remind you there has been no audit whether it's forensic or whatever you want to call it, there has never been an audit of the Capital Funding Project money. Stated Damonte Ranch addition costs were \$800 a square foot and wants to know why the addition isn't being audited. If we are going to do an audit, how about that one?

Neil Rombardo, WCSD Chief Legal Counsel: Let me just point out for the committees education that in the school district, the internal auditor is one of only two direct reports to the Board of Trustees. The other being the Superintendent. I think that is material here.

On motion by David Bobzien and seconded by Kristopher Dahir, **Recommend to the Board of Trustees the funding for Construction Auditing Services with the exact scope of work to be brought back to the Capital Funding Protection Committee for consideration at a future meeting.** (Yea: David Bobzien, Paul McKenzie, Carlene Bybee, Kristopher Dahir, Bob Lucey, Mike Cate, Tim Rowe, Ben Hutchins and Dave Solaro). Final Resolution: Motion Carries 9-0

### **2.03 Discussion and Possible Action to recommend that the Board of Trustees Approve completion of the full design of the Arrowcreek Middle School located at the Northwest corner of Arrowcreek Parkway and Thomas Creek Road. (For Possible Action)**

Tabled to be discussed after 2.07

### **2.04 Presentation and Discussion on the Rising Costs of Construction and the Impact on Washoe County. (For Information and Discussion Only)**

Frank Fernandez and Ryan Zelki from Cumming Construction Management, gave a presentation on the Reno/Sparks area construction costs outlook. Please refer to the Power Point attached.

Regional economic conditions, credit markets, labor trends, international demand, commodities and material prices, energy costs and construction activity are all factors that are impacting the costs of construction in our area. The 2018 construction costs escalation is forecast to be 8.5%, the 2019 construction costs forecast is to be 6.5%, and the 2020 construction costs escalation is forecast to be 5%.

### **2.05 Presentation and Discussion on the development of the Capital Projects Funding Model and the current status of the sources of revenue & bonding including property tax, sales tax, and interest rates. (For Information and Discussion Only)**

Mark Mathers, WCSD Chief Financial Officer, gave a presentation on revenue. Sales taxes have been strong, reflecting a robust economy. The last three months have seen double digit growth in sales tax revenues. It helps to offset construction inflation. Our other major source for general obligation bonds is property tax revenues. We have seen growth in property tax between 4-5% per year. Roughly 2 to 2.5% a year is due to new development. The other side of the ledger is our costs and part of our costs when we bond our interest costs. The feds have raised interest rates over 8 times in the last year and a half so this is a concern and they have telegraphed they will continue to raise rates. Debt financing vs pay as you go, or cash funded projects is something the finance department looks at. Our plan, if you approve the project for Arrowcreek MS, would be to debt finance it. However, we will likely pay for Kiley Ranch ES on a cash basis. It is always more efficient to pay for facilities on a cash basis, you don't incur any interest's costs. At this point that is our plan but it is dependent on incoming WC-1 sales tax revenues and a number of other factors. Just to clarify, WC-1 sales tax revenues are being collected at a pace of roughly \$4,000,000 a month or \$48,000,000 a year, not \$200,000,000 a year.

### **2.06 Presentation and Discussion regarding a Major Projects Construction and Land Acquisition Update of Current, Planned, and Proposed Projects including Existing Schools throughout the Truckee Meadows, Elementary Schools in the proposed areas of Northwest Reno, Southeast Reno, North Valleys/Cold Springs, and Spanish Springs; Middle Schools in the proposed areas of Sun Valley, Spanish Springs, and Arrowcreek; High Schools in the proposed areas of Butler Ranch, Wildcreek Golf Course, Central Sparks, and Cold Springs; and Support Services in locations still to be determined. (For Information and Discussion Only)**

Adam Searcy, WCSD Chief Facilities Management, presented the following updates along with a power point to follow along with:

**Expansion/addition to Damonte Ranch High School** - has been completed.

**Nick Poulakidas ES** – the construction is on schedule and under budget, looking for a 2019 open date.

**Sun Valley MS** – on schedule for an open date of August 2019 and is going well.

**Sky Ranch MS** – the middle school is under construction and scheduled to open August 2019.

**Expansion of Nutrition Services Center** – phase 1 dry storage expansion is nearly complete and going well. Phase II is scheduled to go out to bid in the coming months. Plan to move into construction the second quarter of 2019.

**Arrowcreek MS** – will talk about it in more detail in the next agenda item. It is one of the next schools on our major projects schedule.

**Wildcreek HS** – we are at schematic design, the site has moved to the north due to significant input from the community. We anticipate to break ground in early 2020 and open the school August 2022. We will give a more detailed update at the next CFPC meeting.

**Hug HS** – will be remodeled and become the new Career and Technical Academy upon completion of Wildcreek HS.

**CORE School Improvements** – we have been developing new educational specifications, this element of this program is intended to allow us to go back to our existing schools and take some of the newer elements that we are building into our new schools, go back and attempt to renovate and integrate some of those elements into our existing schools. We have added scoping and feasibility studies to evaluate alternatives to add classrooms, add core improvements to the schools, to modernize and modify the existing core elements of that school to provide for the additional capacity. What we are requesting tonight is a funding allocation to allow for us to proceed in to design with it through a CMAR delivery method. We would be hiring an architect as well as a general contractor to guide us through that design process through the CMAR delivery method.

Swope MS, constrained site built in the 1960's actually has 7 elementary schools feed their enrollment. Current middle school ed spec and current academic model is to house middle school for 6, 7 and 8 graders. Due to the constraints at Swope MS currently and the high number of elementary school feeders it is not large enough to house 6, 7 and 8, presenting an academic inequity. We have initiated scoping and feasibility studies to evaluate alternatives to add classrooms to add core improvements to Swope MS and to modernize and modify existing core elements to provide for the additional capacity. Revitalize and provide for that education equity. We are requesting is a funding allocation to allow for us to proceed into design through a CMAR delivery method.

McQueen HS, currently scoping through an in depth feasibility study the opportunities to expand and modernize, get rid of all of the 14 portable units, increase the available parking space, increase the safety and security and improve the academic equity. We are requesting funding allocation for design services and CMAR preconstruction services for this CORE school investment.

Elementary School at Sky Vista, proposed subdivision between US 395 and Sky Vista Pkwy. This is a property we were able to acquire through a land swap at no additional cost to the school district. We will be coming back at our next meeting to request design funding for this Elementary School and hope to have it open for August 2021.

Cold Springs Area currently has one Elementary School, Nancy Gomes which is severely over crowded and one Middle School, Cold Spring MS which houses 5<sup>th</sup> graders in addition to 6-8. We have been working with the home owners association and Washoe County some options to potentially acquire property and develop an Elementary School near Cold Springs MS. We have developed some concepts and we will be hosting a public meeting on October 30, 2018 at Cold Springs MS at 6:00 pm to share all the alternatives. More discussion to come in the coming weeks.

This is the highlights of what we are actively working on right now. The CORE school investments are items we are requesting action on from you on items that are in progress and imminent. This is the high level update of the major project program and of course a little more detail on our proposed CORE school investments.

## **2.07 Presentation and Discussion on the Updated Budgeted Costs for a Middle School in the Arrowcreek area and an Elementary School in the Spanish Springs area (For Information and Discussion Only)**

Adam Searcy: The US Forest Service was here to clarify the land acquisition status for Arrowcreek MS. We have nearly completed the full acquisition of this property and are pleased about the preliminary design to move into construction. The building is essentially the same MS that we are currently constructing in Sun Valley and Spanish Springs. We have engaged a third party engineering firm to initiate a quality control review of the plans. This site in scope and scale compares similar to the Desert Skis MS in Sun Valley. A very comparable amount of mass grading to complete, a similar amount of retaining walls and the significant storm water detention basin, all similar to what is required by county code. A lot of lessons learned from Sun Valley and very comparable kind of budget when it comes to the site conditions. There are some documented fault lines on this site. The requirement is that the building not be located on those fault lines. We have accommodated that with our preliminary design. We expect to have preliminary field results within a couple of weeks. From a design standpoint, the seismic considerations require a structural coefficient of a higher nature be implemented in the design of this school. That coefficient goes into a lot of the different structural calculations that feed certain elements of the building. Some of the walls get a little bit thicker, some of the masonry gets a little larger, some of the rebar

gets a little larger and some of the other structural members require slightly more bracing. We estimate that impact to be approximately \$400,000,000 and has been explore in detail and we are confident it is something we can mitigate. This project is intended to be issued through a single bid. This is an aggressive schedule it is something we have taken a step back multiple times as a design team and consulted with other partners and local contractors for advice as to if this is achievable. Consensus remains this is an aggressive but responsible and achievable schedule, we feel we can achieve an opening date of August 2020. We are requesting constructing the school, associated site facilities and furnishing the school.

David Bobzien: The costs escalations and projections you are laying out seem very reasonable. Could you please talk a little more on the FFE and why the difference between the \$5.5 million and the \$7.1 million?

Adam Searcy: The increase is primarily material escalation as we are finding some of our original estimates on desks, tables and chairs that we are looking to acquire have increased by 10-20% in many instances. Some decisions that we are making to create a "one to one" academic environment for these students where they have a fully wireless school system where they are issued wireless devices is included, similar to how books would have been included in past schools.

Adam Searcy: I am referring to this next item as Kiley Ranch ES, there is a naming committee, public discussion on what this school will ultimately be called. It is the fastest growing area from a student enrollment standpoint in the school district. The graphic being presented is our proposed and approved new enrollment zones. With the opening of the new middle school it allows us to bring many of the 6<sup>th</sup> graders up into middle school. Just the relief from the middle school alone is not enough, it still leaves three existing elementary schools that will continue to be over capacity in the 2019 and 2020 school year until relief from this elementary school. This is the same prototype as the Nick Poulakidas site. We are confident this school will be delivered successfully. The site is slightly bigger than Poulakidas so it requires more fencing, more acres of DG on the playground and all this adds up cost fees. There are some minor but material differences between this site and the Poulakidas site such as the bus drop off that is over an acre in pavement. We are slightly ahead with our bidding and award schedule proposed for this school than we were with Poulakidas. We are confident Poulakidas is going well and will complete on schedule so we are setting ourselves up to be in an even better situation on this Elementary School. Ultimately it will go out to the public and be publicly bid competitively awarded, hopefully resulting in an under budget final number. Adam presented a side by side breakdown.

Kristopher Dahir, wanted to confirm what Adam Searcy said regarding the growth in that area.

Pete Etchart: One thing that Adam touched on with the forecasted schools is the need to complete land acquisition for all these future schools. Even though schools maybe 2-7 years out, we want to make sure all the land is acquired now so that we don't have to

scramble to find land. The team has done a fantastic job of finding and acquiring the proper land, putting us in good shape for the future.

**2.03 Discussion and Possible Action to recommend that the Board of Trustees Approve completion of the full design of the Arrowcreek Middle School located at the Northwest corner of Arrowcreek Parkway and Thomas Creek Road. (For Possible Action)**

Mike Cate, reminded the Committee that CFPC had authorized the funds but had Capital Projects hold off until the land acquisition was guaranteed.

Adam Searcy: We were here in December 2017 and requested allocation for the full design contract through construction administration of Arrowcreek MS. At that time we were authorized with the condition we not proceed beyond schematic design. We came back in March 2018 requesting full authorization of the entire contract and were approved to proceed through the end of design development. There is still work to be completed before we can submit for a permit and begin the bidding process, with the written assurance from the US Forest Service and verbal confirmation we heard earlier this evening, we are here to request this committee allow us to proceed through the entirety of that previously allocated design contract. It is approximately \$3,700,000 comparatively the design contract similar to Desert Skis in Sun Valley was almost \$3,600,000.

Pete Etchart: The funding has already been allocated so we aren't looking for any funding tonight, it is just an authorization to continue on and finalize the design of the school.

**Public Comment** – Jessica Patterson, has students at Hunsberger ES and her children will go to this new Middle School. She is also the PTA President and wanted to express the sentiments of the parents at the school. She expressed that the parents who she represents are united for this school to open on time. Our students need this school and are excited for this school. To go to a school closer to the community where they live and not spend 2-hours on a bus every day. Regarding the costs increases, she believes if there is a delay it will just increase the amount needed to build the school. She urges the committee to spend the money the way it should be and would like to say thank you if the committee is willing to move forward and approve.

Paul McKenzie motioned to approve and Kristopher Dahir seconded the motion to recommend that the Board of Trustees Approve completion of the full design of the Arrowcreek Middle School located at the Northwest corner of Arrowcreek Parkway and Thomas Creek Road.

On motion by Paul McKenzie and seconded by Kristopher Dahir, **the Capital Funding Protection Committee to recommend that the Board of Trustees Approve completion of the full design of the Arrowcreek Middle School located at the Northwest corner of Arrowcreek Parkway and Thomas Creek Road.** (Yea:

David Bobzien, Paul McKenzie, Carlene Bybee, Kristopher Dahir, Bob Lucey, Mike Cate, Tim Rowe, Ben Hutchins and Dave Solaro). Final Resolution: Motion Carries 9-0

**2.08 Presentation, Discussion, and Possible Action to Approve the Allocation of \$123,000,000 to the 2018/2019 'B' Major Projects Program (see Attachment A) and Recommend Approval to the Board of Trustees. (For Possible Action)**

Pete Etchart: This is the table format you are familiar with. The list of the 2016 WC-1 projects is on the left, in the middle green column is what we are asking for authorization for funding tonight, and on the right in a purple color is the total that has been allocated since 2016 when we started this process. You can see the total now is up to approximately \$450,000,000. including tonight's proposed allocation. The 2018/2019 'B' Major Projects Program includes four different elements, the capital audit component, Arrowcreek MS, Spanish Springs area/Kiley North ES, and to start the design of the two core school investment projects. The total is \$123,000,000.

Paul McKenzie, given the two proposals we got for external audit and the option of possibly hiring a fulltime employee for doing external audit is \$100,000,000 enough money to allocate for that function regardless of which way we proceed with it?

Pete Etchart: One thing we could recommend from a staff perspective is that we start with an external auditor and at least start the process whether it is something broad or something more narrow in scope. Then as we go forward, you as a committee could recommend if this should be brought in-house and hire someone to do that on a full-time basis. Does an internal person have the expertise to do all the functions that we are looking for? Again that is something for the committee to discuss and for us to discuss with the new Chief Auditor. The recommendation right now for \$100,000 budget item is to get the audit process started. We will be bringing this back to you when the new Chief Auditor is in place.

Ben Hutchins, agrees with Pete's comments in the sense that just because the committee is recommending at this point in time to have an external auditor do a more focused approach on determining first of all what the scope is going to be. To answer the question, we need to know what our scope is going to be first. If our scope is narrow based upon the set of criteria we put out the funding might be enough and it might not be enough. It is too preliminary to know what the answer to that question is. Second of all if we decide later that we need to, at the scope we have, we need more funding or an internal auditor would be more appropriate, we can always change our mind and recommend that at a future date because the funding has already been set aside. Assuming this is a funding that will be in the budget from year to year. The concern with hiring an internal auditor is the appearance of independence and as to what the cost of that person would be. The expertise of what a \$65,000 person would have is not going to be really significant in any particular area. If we have a specific

narrow focus on what we are looking for as far as the scope goes, we can hire a firm to focus on the area we want. Believes it is too preliminary to make a recommendation for an internal auditor.

Mike Cate, suggested moving this to the next agenda to have everyone think about the type of scopes they are looking at.

David Bobzien, agreed with Ben Hutchins' comments and thinks it is important that they have a recommendation come forward that is grounded with their original mission. What are the actual risks and liabilities and the things that they need to dial in.

Charlene Bybee, is comfortable with the recommendation today for the \$100,000 as a starting point and does agree with Ben Hutchins and David Bobzien on where we need to dial down and what the priorities are and she would like to see that as a future agenda item on the exact scope. On this particular agenda item for the funding, the school presentations explain where we are and she is fine with the numbers and the plans. Appreciates the core schools allocation.

On motion by Charlene Bybee and seconded by David Solaro, **to Approve the Allocation of \$123,000,000 to the 2018/2019 'B' Major Projects Program (see Attachment A) and Recommend Approval to the Board of Trustees.** (Yea: David Bobzien, Paul McKenzie, Carlene Bybee, Kristopher Dahir, Bob Lucey, Mike Cate, Tim Rowe, Ben Hutchins and Dave Solaro). Final Resolution: Motion Carries 9-0

### **3 CLOSING ITEMS**

#### **3.01 Announcement of Next Meeting:**

Thursday, December 6, 2018, 4:00pm at the Admin Board Room.

#### **3.02 Public Comment**

#### **3.03 Adjourn Meeting**

There being no more business, the meeting was adjourned at 5:55 pm

---

Mike Cate, Chair

NEW SCHOOLS IN 2019: Sky Ranch Middle School - Spanish Springs -  
Desert Skies Middle School - Sun Valley, Nick Poulakidas Elementary School- South  
Meadows Area - THEN FUTURE: 8 New Elementary Schools, Middle School -  
(Arrowcreek) South Reno- : , High School - Donner Springs area, High School - Cold  
Springs area

Where will the funding for new teachers come from? Now we know the truth. It won't.  
Not a single new teacher. Class size will NOT be reduced.

“When those schools open, the students will be relocated from other schools, so the  
teachers—who are already budgeted—will transfer with them. The new costs will only  
be for a new principal and assistant principal, custodian, etc., as well as additional  
utilities. If there are new, additional students, we will receive additional per pupil  
revenues for them and would hire additional teachers if needed using those per pupil  
revenues.”

District staff has worked to ...to reduce the \$40 million deficit down to \$30 million.  
However, this use of savings to offset ongoing expenditures will result in the deficit  
continuing in the subsequent fiscal year. The major factors causing the deficit are: the  
depletion of savings or fund balance (\$28 million); FY17 projected enrollment not  
materializing\* along with a decrease to FY17 per pupil funding and Average Daily  
Enrollment (ADE) adjustments (\$4.4 million); carryforward of prior year negotiated costs  
(\$3.6 million); and a reduction of vacancy savings (\$4 million).”

\*During WC1 campaign we showed that the enrollment projections were wrong.  
It seems the depletion of the saving fund \$28M was a one time trick pony and now  
exasperates the problem.

Also we need a Capital Projects/ WC1 Auditor- likely in house- that is unrestrained in what they  
can look at in the CP budget. A committee that meets for two hours every quarter cannot do this  
alone. Please do not place any limits of the auditors authority to look for: Waste Fraud Abuse and  
Cost Savings!

*The cost of schools, is there no limit? High School: Damonte \$35 million, Projected by WCSD  
in 2016: 110 Million\*, then \$135 Million, now \$220 million and growing? When do we say no?*

“We estimate that costs will be \$23 million for an elementary school, \$55 million for a middle  
school, and \$110 million for a high school.” “Our estimates cover the entire cost of the entire  
process from when it becomes clear that a new school is needed all the way through to having  
students in class. This all-inclusive nature is different than cost estimates (or actual cost)  
numbers that other districts use, which may only include the cost of construction itself. WCSD  
believes our estimate to be the most honest and transparent, as it encompasses the entirety of the  
project, including land cost and water rights, planning and design by District project managers,  
architect fees, and permitting, all the way through to the purchase of supplies like lunch tables  
and books.”

<http://www.wcsdbuilding.com/how-much-do-new-schools-cost/>