

CBOC Annual Report

For Calendar Year 2020

FEBRUARY 2021

Background

In May 2018, voters in Salem and Keizer approved a \$619.7 million bond to fund school expansions and renovations. The bond will help relieve overcrowding and prepare schools for future enrollment growth, expand career-technical and science education opportunities, increase safety and security including seismic safety, and protect the public's investment by improving existing buildings.

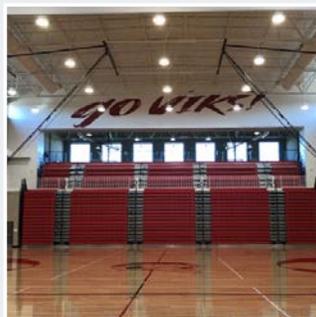
Overview of the Committee

The Community Bond Oversight Committee was formed in the fall of 2018 and tasked with monitoring the progress of the 2018 bond program, including construction projects and budget, and providing an annual report to the School Board. CBOC consists of 11 volunteers, including:

- Lisa Harnisch, Co-chair
- Mark Shipman, Co-chair
- Nancy MacMorris-Adix, Co-chair
- Adriana Miranda, Boundary Review Task Force Co-chair
- Aniceto Jay Taisacan Mundo, Community representative, McKay area
- Chelsea Anderson, Fiscal Analyst, Oregon Health Authority
- Chuck Woodard, Senior Construction Project Manager
- Debbie Gregg, Budget Manager, Marion County
- Michelle Vlach-Ing, Lawyer
- Danielle Bethell, Community representative, Keizer
- Tom Hoffert, Executive Director, Salem Area Chamber of Commerce
- Board members Marty Heyen and Jesse Lippold serve as liaisons to the Board
- McKay High School student Leanette Mabinton serves as the representative from the Student Equity Committee



New south addition entrance at McNary High School



North Salem High School's replacement main gym



Judson Middle School's new multipurpose fitness space



The new classroom addition at Waldo Middle School



EXPAND CTE & SCIENCE

Expand career-technical (vocational) and science education opportunities



RELIEVE OVERCROWDING

Add space to relieve overcrowding, prepare for future enrollment and expand core areas



INCREASE SAFETY & SECURITY

Secure school entries and upgrade electronic badge access systems; increase seismic safety



PROTECT PUBLIC INVESTMENT

Improve existing buildings to ensure longevity of past and present public investments

Bond Program Update

In June of 2020, the district released its second and final bond issue of about \$236.5 million. The district received high ratings from credit rating agencies Moody's Investor Service and S&P Global Ratings, indicating the district has a strong capacity to meet its financial commitments. In the second issue, the district earned approximately \$51.5 million in premiums, bringing total premium earnings for the two bond issues to \$116.5 million.

Allocated additional funds including market premiums, earnings on bond proceeds, grants and reimbursements, bring the total approved bond program to nearly \$701 million. The additional funds provide a buffer against escalating costs and provide the opportunity for more work to be accomplished without affecting the taxpayer's levy rate.

The 2020 allocations of additional funds total approximately \$23 million and address costs related to market conditions including the Corporate Activity Tax (CAT), the cost of specialized work, and jurisdictional requirements.

Additional Allocations in 2020:

- Eyre Elementary School, \$1.3 million for CAT and jurisdiction
- South Salem High School, \$18 million for CAT, seismic work and jurisdiction
- McKay High School, \$4 million for CAT and jurisdiction

Approximately \$89 million of additional funds remain uncommitted as the program enters the last three years of scheduled work.

As of the date of this report, approximately 60 percent of program funds are encumbered as the majority of schools in the program are in either design or construction phases.

This is projected to increase to close to 75 percent over the next few months as more schools enter construction in the summer.

The amount paid in the bond program to date is more than \$266 million and comes at a time when the economy needs the support.



Progress on the new performing arts center at South Salem High School



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Program Successes and Challenges

The program saw many successes in 2020, including the completion of construction at 12 schools. As of January 2021, a total of 13 schools have reached substantial completion.

The following schools completed bond work in 2019 and 2020:

- Gubser Elementary
- Clear Lake Elementary
- Cummings Elementary
- Highland Elementary
- Hoover Elementary
- Miller Elementary
- Weddle Elementary
- Claggett Creek Middle
- Judson Middle
- Waldo Middle
- Whiteaker Middle
- McNary High
- North Salem High

The following schools began construction during 2020 and are still in progress:

- Auburn Elementary
- Englewood Elementary
- Eyre Elementary
- Grant Community
- Hayesville Elementary
- Scott Elementary
- McKay High
- South Salem High

A total of 16 schools started work in 2020, half of which were completed in less than 12 months. During 2020, a total of twenty schools were in active construction.

2020 brought significant and unforeseen challenges. In March, Governor Brown enacted a Stay-At-Home Order to limit the spread of COVID-19 and closed all schools to in-person instruction. Schools and district departments quickly pivoted to virtual learning. Schools were largely empty as most staff worked from home and engaged students in virtual lessons.

Construction activity was not affected by the Stay-At-Home Order or by the business closures the governor introduced in the fall. The district required contractors to implement COVID safety protocols and construction was able to move forward. Many projects took advantage of the mostly empty school buildings and moved some scheduled work forward that could be quickly resolved, should the space need to be occupied on short notice.

The ability to start work early had a significant and positive impact on the seismic improvement work at South Salem High School. The original schedule for this work was very tight and aggressive. Pulling a large section of the seismic work forward will relieve pressure on the site during the coming summer and places this portion of the South Salem project well ahead of schedule.

The wildfires and resulting smoke and poor air quality that besieged the state in September brought work to a halt at many projects in the district. Most contractors lost nine days of productivity while waiting for air quality to improve to OSHA-approved levels. Sites made up for the lost time with overtime and changes to the scheduled completion date if necessary.

Other challenges presented in 2020 were the introduction of the Corporate Activity Tax and its effects on firms under established contracts, stringent permitting conditions, and disruption to neighborhoods caused by construction. Despite the multiple obstacles encountered in 2020, the 2018 bond program is meeting its promises to deliver the work of the program on a very aggressive schedule.

Future Outlook

2021 will see more activity at more schools than any year in the program. A total of 41 schools will be in active construction or design and planning at some point during the year. A handful of district department buildings will begin construction or planning as well. In summer 2021, close to 75 percent of program funds will be encumbered.