MEETING NOTES

MEETING: Bond Oversight Committee Meeting
2012 HISD Facilities Capital (Bond) Program

LOCATION: Hattie Mae White Educational Support Center
4400 West 18th Street
Houston TX

DATE: 31 January 2017  TIME: 8:30 A.M.

PRESENT: Bond Oversight Committee (BOC)
Mr. Gary J. White
Mr. Michael G. Davis
Mr. D.V. “Sonny” Flores
Mr. Robert M. Eury
Mr. Craig Johnson
Mrs. Phoebe Tudor

ABSENT: Mr. David Quan
Ms. Jessica Diaz (resigned)
Mr. Martin Debrovner (resigned)

Houston Independent School District (HISD)
Mr. Derrick Sanders, CS
Mr. Dan Bankhead, CS
Mr. Andreas Peeples, CS
Ms. Alexis Licata, Business Assistance
Ms. Sherrie Robinson, Controller
Ms. Tonya Savoie, Controller’s office
Ms. Sylvia Wood, Communications
Ms. Christine Manrique, CS
Ms. Holly Huffman, Bond Communications
Ms. Rebecca Kiest, Bond Communications
Mr. Dennis Frazier, Internal Audit

The general purpose of the meeting was to brief the Bond Oversight Committee on the current status of the new construction and renovation projects funded through the 2012 Facilities Capital Program. Related issues, questions and activities were also discussed:

Item 1  Welcome
Construction Services Officer Derrick Sanders welcomed Bond Oversight Committee members and other attending guests at 8:38 a.m. The meeting was held in the third floor of the Hattie Mae White Educational Support Center in the Superintendent’s large conference room.

Item 2  Oversight Committee Meeting Minutes — Oct. 25, 2016
Mr. Sanders asked if there were any issues with the minutes. There being none noted, the committee approved the minutes as presented.

Item 3  Fourth Quarter Progress
Before beginning the Fourth Quarter Progress Report, Mr. Sanders introduced HISD’s new Chief Operating Officer Brian Busby, whose responsibilities include oversight of the district bond program, as well as facilities services, transportation, business assistance, and food services. Mr. Sanders told the group that Mr. Busby had been with the district for 18 years, most recently serving as facilities services officer. He noted that he was excited to have Mr. Busby on board.
Mr. Busby told the panel he was looking forward to working with them. He noted that he was very interested in supporting the bond program and its staff and considered himself a district stakeholder. More than just an employee, Mr. Busby said he also carries the title of former student and product of HISD, parent of current HISD students, and husband to an HISD principal.

After the introduction, Mr. Sanders turned the presentation over to Communications General Manager Sylvia Wood, who started the Fourth Quarter Progress Report with a video showcasing the first day of class in the new Sterling Aviation High School, which opened to students on Jan. 4.

Ms. Wood noted that Sterling had moved into the new facility over winter break and administrators reported a smooth transition and great first day of school.

Committee Member Craig Johnson described the new facility as a shining star in the community. He noted that the biggest challenge now was to ensure the community bought into the shining star. Mr. Johnson said the construction process was nerve-wracking and there were hiccups along the way, but it was exciting to see a finished product. He offered kudos to Mr. Sanders and his team and said he expected to see great things come out of the new Sterling Aviation High School.

Committee Member Phoebe Tudor asked about the make-up of Sterling students and if they all were enrolled in the aviation magnet program. Ms. Wood replied that only some were part of the program, as Sterling also served as a neighborhood high school. Mr. Johnson explained that the school had two or three career paths, but all were focused on the aviation industry, from mechanic to ticket clerk to pilot. The program helps expose kids who are uncertain about their future to an entire industry.

Ms. Wood then showed the panel time-lapse videos showcasing the construction progress being made at Wilson Montessori School and HSPVA. Ms. Wood noted that the cameras and footage had been provided by Rice & Gardner, one of the district’s project management firms. Ms. Wood said she expected the use of time-lapse cameras to be expanded to other projects. She also noted that the communications team would promote the videos as a way to showcase the progress being made at the two schools.

Several committee members said they were impressed with the progress being made and hadn’t realized how quickly the buildings were coming along. Ms. Tudor asked how often pictures in the time-lapse video were taken. Ms. Wood explained that photos were taken multiple times each day. Mr. Sanders added that the time-lapse had been popular and he expected all project management firms would contract with Ox Blue, the company who provides the camera and link to the time-lapse photos, before the 2012 Bond Program was complete.

After the discussion on the time-lapse videos concluded, Mr. Sanders began his fourth quarter update, noting the tremendous progress that had been made in the fourth quarter of 2016. All total, the district has completed and opened seven schools, two athletic facilities, and two major campus renovation projects: Sterling Aviation High School, North Houston and South early college high schools, Condit and Mark White elementary schools, Mandarin
Immersion Magnet School, (non-bond) Fonwood Early Childhood Center, Worthing High School Phase 1, Tanglewood Middle School, and Butler and Barnett Stadiums. In the fourth quarter of 2016, five construction contracts were approved. Additionally, seven more projects are scheduled for completion in the first and second quarters of 2017.

Committee Member Sonny Flores asked about projects that didn’t have executed contracts, inquiring specifically about Bellaire HS and its delays. Mr. Sanders explained that all but one project — Austin HS — had executed construction contracts and noted that the contract for Austin was set to go before the HISD Board of Education in February. Mr. Sanders further noted that though the Bellaire HS project has been delayed and remains in the design phase, they do have a Construction Manager at Risk contract already established with Turner Construction. The contract is based on the original scope and budget as outlined to voters, which is the standard process for projects in HISD. Mr. Flores asked about specific plans for the project, including if the project and its parking area would be multilevel.

Facilities Design General Manager Dan Bankhead explained that the contractor was part of the team that is working together with architects and the community to develop the plans for the building. He added that it was too soon in the process to know exactly what it would ultimately look like, but said it was likely both the building and parking lot would need multiple levels and noted that some of those decisions would depend on the City of Bellaire and what they approved. Committee Member Gary White summarized the discussion, confirming that the district knew the site location and budget, knew the project scope, and knew that it would have parking. He added that it’s part of the contractor’s job to help develop a school that fits within the outlined constraints. Mr. Flores said he was concerned about the cost of the building, and Mr. Bankhead noted that the project would be expensive. Ms. Tudor asked if an architect already was on board, and Mr. Bankhead replied that PBK, one of the largest educational architecture firms in the state and country, was on board.

Mr. Johnson asked about the average cost of construction per square foot and whether the figure was going up or down. Mr. Sanders said costs hadn’t gone down, but had leveled off, making him more comfortable with the market. He noted that he was apprehensive about a potential peak because of an increase in construction activity in neighboring Cy-Fair and Spring school districts. But he noted that it should only affect the Bellaire project because construction on all other projects will be underway by the time the peak occurs. Mr. Johnson explained that once the contracts were locked in, the project was protected from potential cost increases. Ms. Tudor asked if the relationship between HISD and neighbors who live near Bellaire was improving. Mr. Sanders said things had been tough, but were improving, noting that the architect recently received the go-ahead to begin working on design of the new school. He said the team received renderings last week that looked promising. The next hurdle, he added, will be getting the new design approved by the City of Bellaire. Mr. Bankhead noted that he was meeting with the team that afternoon for a design progress report. Ms. Tudor asked if the Bellaire Project Advisory Team (PAT) had been involved in the discussions. Mr. Sanders confirmed that they had and noted that a meeting would be held in February to present the new designs. Ms. Wood noted that Bellaire has one of the district’s most well-attended PATs. Mr. Sanders noted that he was hopeful about the project and determined to get it completed.

After concluding the discussion on Bellaire, Mr. Sanders continued his presentation on fourth quarter progress, noting that the district had hosted four groundbreakings (Eastwood
Academy, High School for Law and Justice, Wilson Montessori and non-bond Energy Institute High School) and four grand openings (South Early College High School, Mandarin Immersion Magnet School, and Mark White and Condit elementary schools) in the fourth quarter of 2016. Mr. Sanders said the events were wonderful and it was awesome to see the large community turnout at each of them.

Mr. Sanders then detailed various project highlights for the group, starting with the Jan. 4th opening of the new Sterling Aviation High School — the first comprehensive high school to be built under the district’s 2012 Bond Program. At Sterling, crews are completing the punch list and soon will start abatement of the old building in preparation for demolition. Mr. White asked if Sterling’s old furniture was moved into its new school. Business Assistance General Manager Alexis Licata explained that the new school got new furniture, adding that Furniture Services worked with the school to collect an old, but salvageable item. The items not salvageable were recycled. Ms. Tudor expressed concern about the potential noise level in the new open-concept school. Mr. Bankhead noted that the noise level was on par with other high schools. He said noise levels were addressed by architects, who made sure walls were not parallel to keep the sound from bouncing back and forth. He also noted that common areas were filled with soft furniture and walls and ceilings had been treated in an attempt to further decrease sound levels.

Mr. Sanders continued his update with a presentation on Delmar Fieldhouse, which will be celebrated on Feb. 10 at a grand opening celebration that is expected to draw a big crowd. Mr. Sanders said construction crews were “polishing and shining” the facility this week, adding that he was excited to see the facility completed. Mr. Johnson asked about seating capacity and the potential for hosting state tournaments. Mr. Sanders explained that the facility could seat 5,000 people and noted that the Athletics Department is interested in hosting tournaments and special events. Mr. Bankhead noted that the department was hosting the 2017 Wounded Warrior Amputee Football Team Super Bowl Game vs. NFL Alumni.

Mr. Sanders told the group that DeBakey High School for Health Professions would soon be wrapped up, with crews working on punch list items and furniture scheduled to be delivered the next week. He said the school was set to be completed in spring, with move-in taking place in early summer. He noted that Furr High School and Sharpstown International School would both be completed in summer 2017, while Milby High School would be ready in time to host summer school this year. Mr. Bankhead noted that the marriage of old and new at Milby turned out really well. Committee Member Bob Eury said the facility looked fantastic from the street, and Ms. Wood noted that the facility was impressive in its size. Continuing his update, Mr. Sanders noted that Wisdom High School also would be completed this summer, while Mickey Leland College Preparatory Academy for Young Men would be completed by the end of May. Mr. Sanders said other schools making tremendous progress include High School for the Performing and Visual Arts, Young Women’s College Preparatory Academy, Sharpstown High School, Lawson Middle School, Wilson Montessori, and High School for Law and Justice.

Item 5  **Business Assistance (M/WBE) Report and Community Outreach**

Business Assistance General Manager Alexis Licata started her presentation by announcing that the Supplier Diversity Team won the City of Houston’s Community Partner of the Year
Award. She said the team did great work and the honor had been well-deserved. She also noted that her team continues to exceed goals set for Minority- and Women-Owned Business Enterprises (M/WBE) participation. She reported M/WBE commitments for contracts awarded to date are 53 percent for architect projects, 22 percent for construction firms, 47 percent for program management firms and 41 percent for other projects. The combined total is currently at 28 percent, which exceeds the 20 percent goal set for construction and the 25 percent goal set for professional services. Ms. Licata also said that HISD held two networking events in the fourth quarter and continued to attend outreach events such as expos and chamber breakfasts. Ms. Tudor congratulated the team for their accomplishments.

Item 6  Bond Financial Report
Controller Sherrie Robinson directed the committee to page 135 Bond Oversight Committee Quarterly Report for detailed financial information. Ms. Robinson reported that as of Dec. 31, 2017, $1,141,433,433 of the total program dollars had been committed, including $480,923,838 in encumbrances and $660,509,595 in actual expenditures. That leaves $961,016,530 available to complete the remaining projects. She said the increase was due to an increase in payments being processed, which was indicative of all the construction underway. Ms. Robinson noted her team asked the Board of Education in January to authorize the issuance of the $640 million still available to the bond program. She said she expected to sell part of that amount — $400 to $500 million — in late April or Early May. She said her team also asked trustees for authorization to sell part of the maintenance tax notes earmarked to provide supplemental funding for the bond program. The maintenance tax notes can only be spent on renovation work so the team was analyzing budgets and projects to determine where those funds should be spent. Mr. White asked if non-bond project funds were tracked separately, and Ms. Robinson confirmed that they were.

Mr. Eury asked if the pending detachment of property from HISD’s property tax rolls would impact the district’s ability to pay back its debt. He also asked if underwriters were concerned about the detachment process. Because HISD is considered by the state to be property rich, the district must send money back to the state either in the form of a monetary payment approved by local voters or in the form of detachment of property from the HISD property tax rolls. Ms. Robinson said the district could lose $15 billion worth of property, which would affect the amount of money the district collects for debt service. She estimated that the district was two years away from having to increase the debt services portion of the tax rate, but that could change depending on property values. She said the district recently issued a Request for Proposals for underwriters, with a recommendation set to go before the board in March. She noted that she would know more about any potential concerns as her team went through the process and spoke to underwriters and rating agencies. Mr. White asked if a potential tax increase could cause the district to owe even more money to the state. Ms. Robinson said that would not happen because the increase would only be on the debt services portion of the tax rate and not on the general maintenance and operations portion, which is used to calculate potential recapture payments. Mr. Johnson asked how the property would be selected for detachment. Ms. Robinson explained that the city’s properties would be ranked by value with the state going down the list, detaching the highest-value properties until they hit the “magic number.” She further noted that the Texas Education Agency was in contact with the Harris County Appraisal District, but there had been no
formal communication with the district about which properties would be detached.

Ms. Wood suggested the team bring in HISD Governmental Relations Director Ashlea Graves and Budget and Financial Planning General Manager Glenn Reed to provide an update on school funding and the detachment process during the next quarterly meeting in April. Ms. Robinson said that there would be no additional funding coming from the legislature this session, but noted that district officials had been to the state capitol advocating for public education in the hopes that minor changes — such as providing transportation funding to property rich districts and recognizing the homestead exemption in the current school funding formula — could be made to give the district some financial relief.

Committee Member Michael Davis asked how the Houston business community was responding to potential detachment of property. Mr. Eury noted that the business community seemed frustrated and uncertain about the actual impact to property owners' operating cost. He noted the importance of fixing the state school funding structure in a systemic way, but questioned the odds of that happening in the current legislative session. Ms. Robinson said she would know more in April.

**Item 7**  
**Bond Communications**

Ms. Wood reported that the big focus for the last quarter had been supporting principals and helping them plan and coordinate milestone events, including four groundbreakings (Eastwood Academy, High School for Law and Justice, Wilson Montessori, and Energy Institute High School) and four grand openings (South Early College High School, Mandarin Immersion Magnet School and Mark White and Condit elementary schools). She noted that several more milestone events would be held in February — Community Meetings at Jordan and Westbury high schools, groundbreakings at Westbury High School and Garden Oaks Montessori, and a Grand Opening at Delmar Fieldhouse — pointing to the schedule as proof of the program progress. Additionally, Ms. Wood noted the team had written 27 blog updates and seven press releases, posted 90 social media updates, and produced eight videos.

Ms. Wood also reported to the panel the results of a Bond Communications and Community Engagement Survey, which was launched at the request of former Committee Member Jessica Diaz. Ms. Wood said more than 700 people — mostly parents and staff — responded to the survey. She said responses trended positive, and the general consensus was that respondents want very specific information that is relevant to them, noting that the team was working on strategies to meet that demand. Ms. Wood said the team just started utilizing HISD’s School Messenger parent notification system. Typically used to distribute important notices to parents, School Messenger also can be used to send email blasts to all parents at a particular campus. The team sent two trial emails with updates for Furr and Milby high schools, and it worked nicely. Ms. Wood noted that the next step would be translating the information and providing it in both English and Spanish. Mr. Davis asked if the sample size had been large enough and noted that he had not received the survey as a parent at Lockhart Elementary School. Ms. Wood noted that the survey had only been sent to bond school communities, but that it was distributed and promoted at both the campus and district levels via website, social media, phone messages, marque messages and parents letters. She suggested the team would continue to work on distribution methods in anticipation of follow
Looking Ahead

Mr. Sanders said the district would have three more projects completed by the end of first quarter 2017 — DeBakey High School for Health Professions, Delmar Fieldhouse, and Waltrip High School. Additionally, the program is on track to have five more schools open by the end of the second quarter of 2017 — Furr, Wisdom, and Milby high schools, as well as Sharpstown International School and Mickey Leland College Preparatory for Young Men. Mr. Sanders said construction contracts would be executed on all projects by the end of the first quarter. He also noted that 40 percent of all 2012 Bond Projects would be completed and open to students by the end of the second quarter — a huge milestone for the program that is often lost on the community. He said he is working with Ms. Wood to figure out the best ways to share the information and get the word out. Mr. White asked if all projects would be completed on time and within budget. Mr. Sanders noted that a couple projects would use all the money allotted to them, but the majority were expected to come in under budget. Mr. Johnson said the team should let people know exactly what was happening because good progress had been made as the bond was five years in and 50 percent done. Construction General Manager Andreas Peeples noted that though the bond was passed in 2012, construction didn’t start until 2014 because it took time for initial planning and design work. Mr. Busby noted that the bond was an eight-year bond, and the district was almost 50 percent complete in year four. He said such news should help the district build back trust as the community sees the new schools open and occupied. He noted that the schools should be heavily promoting the progress being made. Mr. Davis suggested the team consider using a trend line to show a typical project timeline versus actual project timelines. Mr. Eury suggested the team focus on the fact that the 2012 Bond was the largest in the country when it was passed. Mr. Busby added that it also was the first to focus on both comprehensive and specialty high schools. Mr. Bankhead noted that it also includes a focus on sustainability and 21st century learning environments. Ms. Wood noted that the communications team had consistently said that after all work was complete, HISD would have the most modern portfolio of urban high schools in the country.

Mr. Flores asked about the status of older schools that were not part of the bond program and questioned whether anyone was tracking their needs. Mr. Busby noted that the district had just completed a 10-year master plan developed following a comprehensive facilities assessment on all non-bond facilities that identified $1.4 billion in critical deferred maintenance needs. He noted HISD earmarks $15 million annually in the general fund for emergency repairs and other critical issues, which is not enough to make significant headway on the list. Mr. Flores asked if maintenance tax notes could be used to fund items on the list. Mr. White explained that those were debt service notes to be used for renovation work. Mr. Busby said the department triages requests, replacing and repairing the worst at the time. Bund Fund Accounting Senior Manager Tonya Savoie noted that deferred maintenance was a problem common to many districts. Mr. Busby noted that the deferred maintenance list would grow to $2.6 billion next year if no work was done on the current list. Mr. Davis asked if facilities crews at new bond schools were receiving additional training to ensure they could better care for new facilities, preventing potential maintenance issues down the line. Mr. Sanders said all contractors were required to provide training demonstrations for all maintenance staff. Mr. Busby added that the new buildings were under warranty for the first year, giving district staff even more time to fully learn the building before taking it over.
Ms. Tudor asked if the district had a mechanism in place for establishing a maintenance endowment. She referred to a fundraiser for Hermann Park, where 25 percent of all money raised was set aside for future maintenance. Ms. Robinson explained that bond money could not be set aside for future maintenance. Mr. White said he was concerned about future maintenance issues after the one-year warranty expired on the new buildings and asked if there was a process in place to ensure maintenance knowledge and records were maintained and not lost with retirements and resignations. Mr. Busby noted that the district uses the plant maintenance program in SAP, which keeps data on all equipment repaired by the facilities department. Mr. Bankhead noted that the comprehensive assessment also provided the team with an active database to which new schools will be added. The database will help track maintenance across the district.

Several committee members suggested it would take bond issue to make significant headway on the deferred maintenance list. Ms. Tudor asked if it was difficult to pass a bond devoted to maintenance issues. Mr. Busby noted that other districts had done it, adding that there were three primary ways to fund such issues — a bond, a maintenance bond and performance contracts, which are discouraged.

There being no further questions or discussion, the committee determined there was a need to meet in executive session, and the meeting was adjourned.

The information outlined above reflects the author’s understanding of the key discussions and decisions reached during this meeting. Should you have any additions and/or clarifications to these meeting notes, please notify the author in writing promptly. These notes will be relied upon as the approved record of the meeting, unless a written notice to the contrary is sent to the author within seven (7) days of the submission of these meeting notes.

Prepared by Communications.