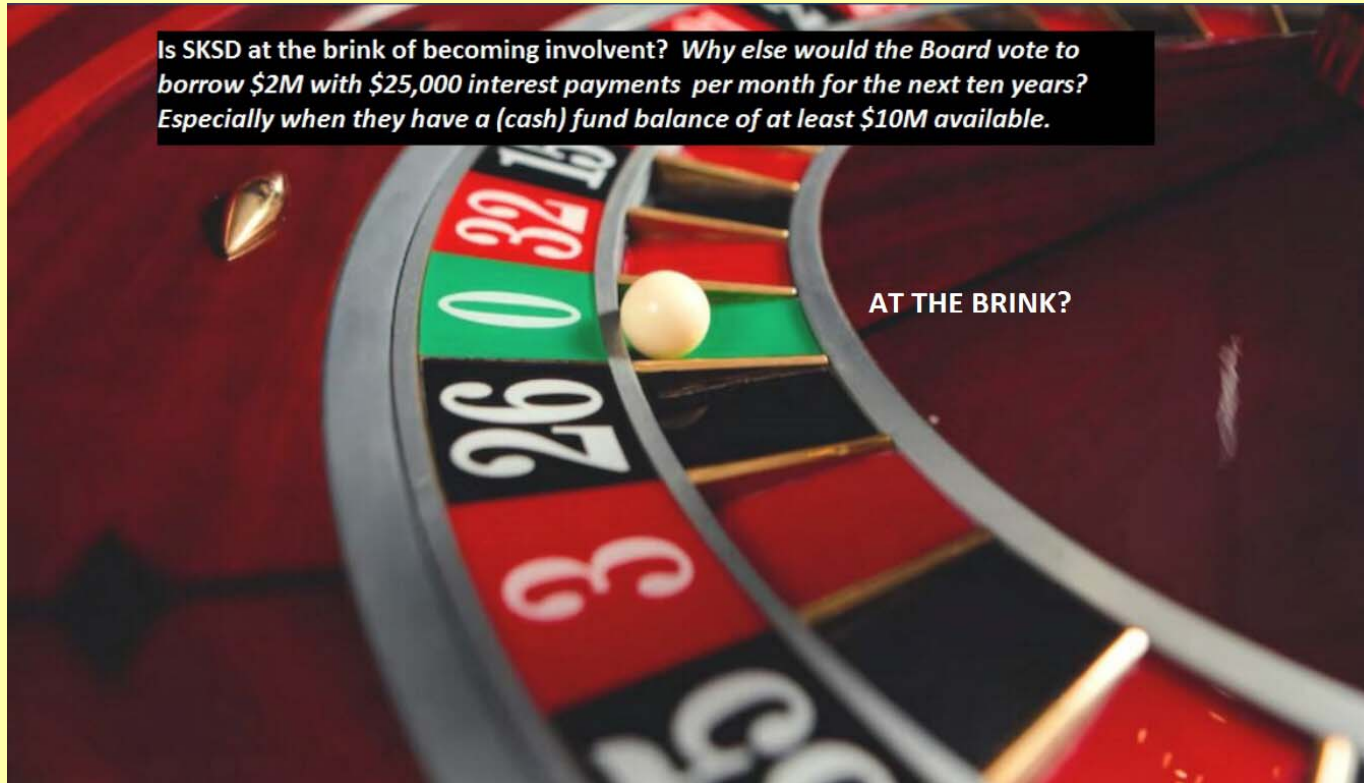


# IS THE SKSD AT THE BRINK OF FINANCIAL INSOLVENCY?

*(SO LET'S BORROW \$2,000,000 AT A HIGHER INTEREST RATE THAN OUR FUND BALANCE IS EARNING)*

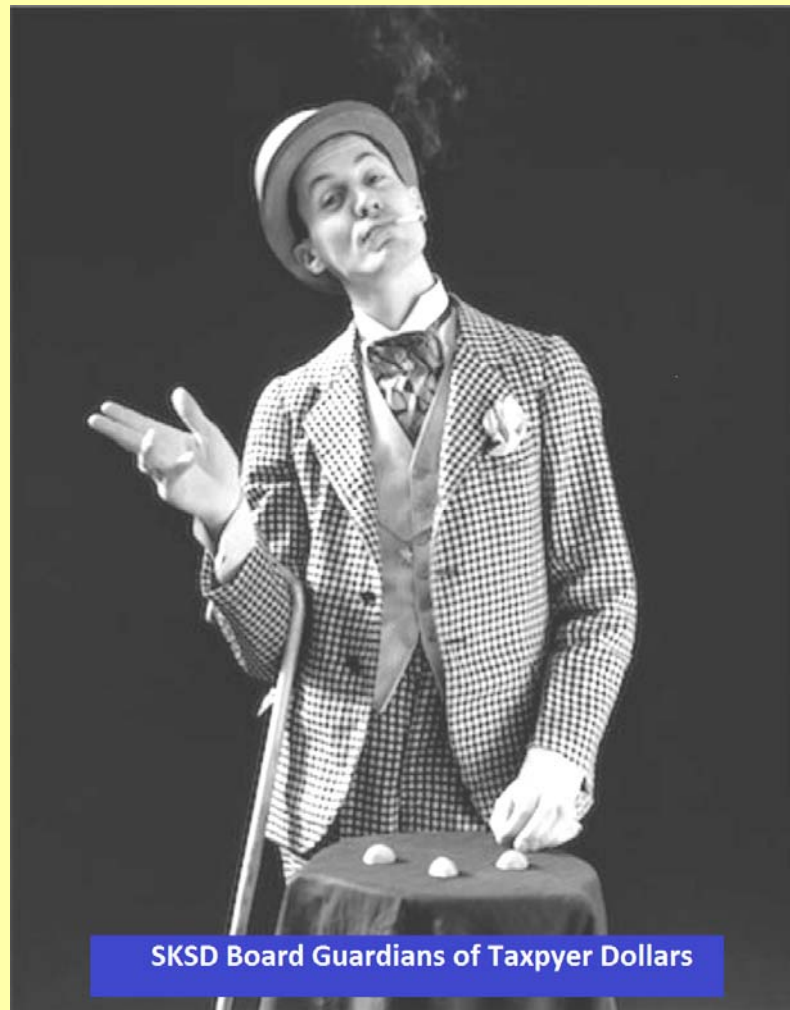


God favors the disabled and destitute - and apparently SKSD Board (minus one) who now are wearing their very own badges of denial on their collective chests. But what the heck, it's not the Board's money! Rest assured that at the end of the day it will be the board members who passed that resolution tonight that tightened the insolvency noose a wee bit tighter for SKSD. Just think of the pecuniary aspects of your collective decision.

I'm finding it both baffling and concerning that the SKSD Board "rammed through" a resolution to borrow money based on a hope, a wish, and a prayer that was essentially delivered by Mr. John Berg. How silly of us to believe this matter would be set aside for the next board meeting. What a horrible way to gamble with taxpayers dollars hoping that future interest rates will work to the District's advantage. What an example to set for the students!

As it has been predicted for at least two years, , all of that "discretionary spending" (above and beyond what the State pays the District) for more employees, more pay raises beyond what the District can actually afford, and beyond what the State contributes is finally coming home to roost. Not to mention so, so many bloated contracts that always seem to be running over budget. Which begs the most obvious question, will the board ever sober and stop spending money like drunken sailors? When will they fess up and admit that insolvency is a real possibility, that it could be just around the corner?

Borrowing money to pay bills to 'preserve' a \$10,000,000 fund balance and paying approximately \$20,000 per month in interest for the \$2M loan makes sense math wise. Ten years at \$20K per month on interest? How long is the process to get the credit approval, John? This is all too much like a proverbial shell game at the Fair.





## **RESOLUTION NO. 1354**

### **Authorization for the execution of a financing contract and related documentation relating to the financing of said equipment and related services necessary to complete the Chiller project at South Kitsap High School**

**WHEREAS,** South Kitsap School District (the "Local Agency") has executed a Notice of Intent to the Office of State Treasurer, in the form of Exhibit A (the "NOI") to the form of Local Agency Financing Contract attached hereto (the "Local Agency Financing Contract"), in relation to the acquisition of and the financing of the acquisition of the Property, as defined below, under the provisions of RCW ch 39.94; and

**WHEREAS,** it is deemed necessary and advisable by the Board of Directors of the Local Agency that the Local Agency acquire the equipment and/or personal property identified in the NOI (the "Property"); and

**WHEREAS,** it is deemed necessary and advisable by the Board of Directors of the Local Agency that the Local Agency enter into the Local Agency Financing Contract with the Office of the State Treasurer in an amount not to exceed \$2,069,877, plus related financing costs, in order to acquire the Property and finance the acquisition of the Property; and

**WHEREAS,** the Local Agency will undertake to acquire the Property on behalf of and as agent of the Washington Finance Officers Association (the "Corporation") pursuant to the terms of the Local Agency Financing Contract, and in accordance with all applicable purchasing statutes and regulations applicable to the Local Agency; and

**WHEREAS,** the Local Agency desires to appoint the individuals set forth in Exhibit C to the form of Local Agency Financing Contract as the representatives of the Local Agency in connection with the acquisition of the Property and execution of the Local Agency Financing Contract (each an "Authorized Agency Representative");

**NOW, THEREFORE, BE IT RESOLVED,** by the Board of Directors of the South Kitsap School District as follows:

**Section 1.** The individuals holding the offices or positions set forth in Exhibit C to the form of Local Agency Financing Contract are each hereby appointed as a representative of the Local Agency in connection with the acquisition of the Property and execution of the Local Agency Financing Contract and all other related

documents. A minimum of one Authorized Agency Representatives shall be required to execute any one document in order for it to be considered duly executed on behalf of the Local Agency.

**Section 2.** The form of the Local Agency Financing Contract attached hereto is hereby approved and the Authorized Agency Representatives are hereby authorized and directed to execute and deliver the Local Agency Financing Contract, in an amount not to exceed \$2,069,877, plus related financing costs, and in substantially the form attached hereto with such changes as may be approved by the Authorized Representatives, for the acquisition of the Property and financing of the acquisition of the Property.

**Section 3.** The Local Agency hereby authorizes the acquisition of the Property as agent of the Corporation in accordance with the terms and provisions of the Local Agency Financing Contract.

**Section 4.** The Authorized Representatives are hereby authorized to execute and deliver to the Office of State Treasurer all other documents, agreements and certificates, and to take all other action, which they deem necessary or appropriate in connection with the financing of the Property, including, but not limited to, any amendment to the NOI and agreements relating to initial and ongoing disclosure in connection with the offering of securities related to the financing.

**Section 5.** This resolution shall become effective immediately upon its adoption.

**ADOPTED** by the Board of Directors of South Kitsap School District No. 402, Kitsap County, Washington, at a regular meeting thereof, held on the 7<sup>th</sup> day of September 2022.

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Dr. Jeffrey (Jefé) Wilson, President

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Brian Pickard, Vice President

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Kate Espy, Director

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John Berg, Director

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Jeff Daily, Director

**ATTEST:**

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Tim Winter  
Superintendent/Secretary to the Board



**State of Washington**  
**STATE FINANCE COMMITTEE**

**MIKE PELLICCIOTTI**, *Chair*  
State Treasurer

**JAY R. INSLEE**  
Governor

**DENNY HECK**  
Lieutenant Governor

August 02, 2022

Andrea Nokell, Director of Business Services  
South Kitsap School District 402  
2689 Hoover Ave SE  
Port Orchard, WA 98366

Dear Andrea Nokell:

RE: Credit Approval

The School District has been approved to finance a chiller replacement. The financing, with total proceeds not to exceed \$2,069,877.00, and a final maturity not to exceed 10 years, will be included in an upcoming State of Washington Equipment Series Certificate of Participation.

Funding is contingent on the following:

- No material changes in the financial condition of the School District
- Completion of all items on the checklist

We look forward to working on your behalf.

Sincerely,

Mike Pellicciotti  
Washington State Treasurer

DocuSigned by:  
A handwritten signature in black ink, appearing to read "Jason Richter".  
4C1AFB974557498...

Jason Richter  
Deputy State Treasurer

cc: Becky Stack, Financial Analyst, Kitsap County



## Notice of Intent

### State of Washington LOCAL PROGRAM

#### Local Agency Information

Legal Name: South Kitsap School District

County: Kitsap

Address: 2689 Hoover Avenue SE Port Orchard, WA

Contact Person: Andrea Nokell

Phone: 360-874-7015

E-mail: nokell@skschools.org

MCAG No.:

Zip: 98366

Title: Director of Business Services

Fax:

#### Property (Real Estate or Equipment)

Property description (include quantity, if applicable): South Kitsap High School Chiller Replacement

Purpose of property (Please be specific and include dept. of use):

New chilled water system at South Kitsap High School consisting of two new 135-ton air cooled chillers, new pumps and associated controls.

Total Project/Property Cost \$2,069,877

Finance term: 10 Years

Local Funds \$ (0 )

Useful life: Greater than 10 years

Grants/Other \$ (0 )

Desired financing date: ASAP

LOCAL Financing Request: \$ 2,069,877

If **real estate**, the Real Estate Worksheet: ☐ Is attached ☐ Will be provided by (date):

Expected date of closing or executed Construction Contract:

If **equipment**, expected property delivery date:

Select how the property purchase price will be paid:

☒ Reimbursement to Local Agency. *If expenditures are made prior to the COP closing date, a Reimbursement Resolution will be required with your financing documents. To comply with IRS requirements, expenditures made more than 60 days prior to the date of the resolution cannot be reimbursed.*

☐ Direct payment to vendor. *Confirm the vendor is registered in the Statewide Vendor System at <https://ofm.wa.gov/it-systems/statewide-vendorpayee-services> or call 360.407.8180.*

#### Security Pledge

☐ Voted general obligation of local government ☒ Non-voted general obligation of local government

#### Other Information

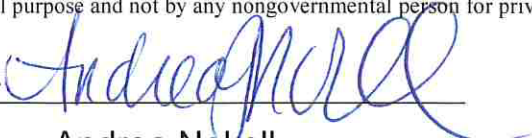
If any of the following apply, please provide a complete discussion on a separate page:

☐ Yes ☒ No Is the local agency a party to significant litigation?

☐ Yes ☒ No Has the agency received a bond rating in the last two years? If yes, bond rating(s): N/A  
(attach rating agency letter)

The Local Agency reasonably expects to be reimbursed for original expenditures made to acquire the personal/real property from sale proceeds of certificates of participation in a Personal/Real Property Financing Lease with the State Treasurer in the maximum amount expected to be financed as identified above. The Local Agency reasonably expects that the personal/real property will be used for its governmental purpose and not by any nongovernmental person for private business use.

Signature:



Date: 07/19/2022

Printed Name: Andrea Nokell

Title: Director of Business Services

## Credit Application

### State of Washington LOCAL PROGRAM

*Please provide the following information with the agency's Notice of Intent to finance through the LOCAL PROGRAM.*

#### General

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Local Agency Name: South Kitsap School District

Located in the unincorporated community of: Port Orchard

Population served: Approximately 66,000

Please provide a brief background on the agency: when it was formed, recent changes in service area or tax base related to annexations or mergers.

Public School District, established over 100 years ago, no recent changes in service area or tax base.

Are you aware of any proposed changes to the tax base of the agency such as plans to annex/merge/dissolve portions of a district/county/city)? If so, how would this affect the agency's size and operations?

No changes known at the time of application.

Provide the number of agency employees in each of the past three years. Do unions represent employees or bargaining groups? If yes, when do the associated contracts expire? Are labor relations considered satisfactory?

2019-20: 1438, 2020-21: 1402, 2021-22: 1505. Yes, the majority of our employees are represented by Unions. SKEA Expires 08/31/23, SEIU expires 8/31/24, PSE expires 8/31/25, SKAP (Principals) expires 8/31/23, SKCA (Coaches) expires 08/31/22. All labor relations are considered satisfactory.

Discuss any major changes to significant employers or taxpayers in the area. Are you aware of pending closures or changes in employment levels?

No major changes.

Special Purpose Districts only: List facilities and major equipment operated by the district.

N/A

#### Litigation

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Please accept or modify as appropriate, the following:

There is not now pending or, to the best of knowledge, threatened, any litigation restraining or enjoining the execution of the Local Agency Financing Agreement or the levy and collection of taxes to pay the payments thereunder. The District is party to routine legal proceedings and claims, and the collective impact of these legal proceedings and claims is not likely to have a material impact on revenues of the entity.

## Assessed Valuation

Please complete the table below on assessed value, noting the source materials. Explain any unique or unusual valuation numbers (e.g. revaluation year).

Year of tax collection (include last 5 years)	Total assessed value for regular levy	Reduced assessed value for excess or bond levy
Current year	\$11,429,548,116	
2021	\$10,140,523,703	
2020	\$9,371,260,232	
2019	\$8,551,537,457	
2018	\$7,585,032,208	

## Tax Levy and Rate

Provide the levy rate per \$1,000 assessed to taxpayers for the last five years, and the dollar amount of regular levy.

Year of Tax Collection	Regular Levy Rate per \$1,000	Regular Levy Total \$\$ Levied	Other Levy Rate per \$1,000	Bond Levy Rate per \$1,000	Levy Lid Lift Included? (Y/N) If Y, provide amount
Current Year	2.369036	\$27,077,020	N/A	N/A	N
2021	2.50	\$25,351,310	N/A	N/A	N
2020	2.499999	\$23,428,150	N/A	N/A	N
2019	1.50	\$12,827,307	N/A	N/A	N
2018	3.212170	\$24,364,419	N/A	N/A	N

Does the agency currently have authority to impose any voter-approved levy lid lifts in the future? If so, please describe the term(s) and authorized amount(s) of such lid lifts.

No.

Has the levy rate been reduced in recent years because of other taxing district levies?

No.

Are you aware of any potential or impending constraints or reductions associated with the agency's levy rates? If yes, please explain.

No.



## Financial Operations

### Statement of Revenues and Expenditures and Fund Balance Report

Basis of accounting: ☐ Cash ☒ Accrual

Please attach copies of the Statement of Revenues and Expenditures and Fund Balance Report for the General or Operating Fund, for the past five years. Clearly indicate whether each year has been audited. If financial statements are not available for the most recent year, please provide preliminary numbers. Please provide details to explain any unusual activity such as one-time expenditures or revenues.

☒ The past 5 years of financial reports are attached

### Budget – General/Operating Fund (2 years)

Please attach the budget summary for the General or Operating fund for the current and past year. Be sure it includes summary information on revenues and expenditures – do not send the entire budget.

☒ Budget reports are attached

Please discuss any ending fund balance policies. Is there an expectation that the ending fund balance will be drawn down to a pre-determined level in the future? If so, why and when?

There is no expectation that the ending fund balance will be drawn down to a certain level. There is a minimum fund +

### Service Contracts

Briefly describe any service contracts (terms, length, dollar value, etc), including contracts with cities, counties or special purpose districts within the applicant's boundaries, if any. If such contracts constitute more than 10% of your agencies annual operating revenues or expenditures, please provide a history of the specific revenue/expenditures associated with the contract(s) and the remaining term of the contract(s). An example of such a contract might include a fire district that receives revenue from another entity for purposes of fire protection services outside of that fire district's natural boundaries.

None.

## Debt

### Outstanding Long-term Debt

Provide the following information on all outstanding debt. Include general obligation debt and other types of debt that are payable from the agency's general or operating fund, as well as any outstanding state loans. Use an additional page or attachment if necessary.

	Debt No. 1	Debt No. 2	Debt No. 3
Description of debt	2012 LGO Bond - Land	2015 LGO Bond - Turf	N/A
First payment date	12/01/2012	12/01/2015	N/A
Last payment date	12/01/2022	06/01/2025	N/A
Voted or non-voted pledge	Non-voted	Non-voted	Non-voted
Amount originally borrowed	\$2,385,043.17	\$1,000,000	N/A
Amount currently outstanding	\$264,561.78	\$300,000	N/A
Annual payments due	\$264,561.78	\$100,000	N/A
Fund responsible for repayment	Capital Projects Fund	Capital Projects Fund	N/A

**Short-term Obligations**

Provide information on any short-term obligations including interfund loans or loans from the County Treasurer, noting the amount of the loan, the purpose, the repayment schedule and the fund source for repayment.

None.

**Additional Financing Plans**

Discuss additional financing plans that are in process or anticipated over the next 18 to 24 months.

None.

**Expected payment source for COP lease payments**

Does the agency anticipate making the COP lease payments from a source other than the agency's general or operating fund? If so please describe this alternative source of funds, provide a 5-year history and any other claims on this source of funds.

No.

**Reserves**

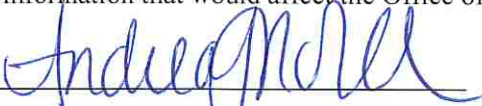
Does the agency maintain any financial reserves outside of its general or operating fund? Please describe these reserves, provide a 5-year history and any expected expenditure of these reserve funds in the near future.

No.

Provide any additional information that would be helpful for the review of the LOCAL PROGRAM credit application.

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The information provided above is complete and accurate to the best of my knowledge. I am not aware of any additional information that would affect the Office of the State Treasurer's review of the agency.

Signature: 

Date: 07/19/2022

Printed Name: Andrea Nokell

Title: Director of Business Services

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Forward this application to the LOCAL Program  
LOCALPROGRAM@tre.wa.gov  
Office of the State Treasurer, Legislative Building, PO Box  
40200, Olympia, WA 98504-0200  
(360) 902-9022