

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #161(2010-2011) AMENDED

December 13, 2010

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: RECOMMENDATION FOR APRIL 2011 BONDS

ASD Goal: ASD will manage effectively and efficiently all financial and human resources. All ASD Departments will support the mission of the District with good customer service, both internally and externally.

RECOMMENDATION:

It is the Administration's recommendation that the School Board approve the bond proposals in the amount not-to-exceed \$80,997,000, comprised of Proposition 1 - School Addition/Renewal in the amount of \$47,132,000; Proposition 2 - Design Projects, and Districtwide Building Life Extension Projects in the amount of \$16,865,000; and Proposition 3 - Career, Technical and Vocational Upgrades in the amount of \$17,000,000.

The propositions are summarized below:

Proposition 1- School Addition/Renewal Project: Redirection of 2007 and 2008 previously authorized but unsold bonds not-to-exceed \$10,000,000 and approval of additional bond funding in an amount not-to-exceed \$37,132,000, as required to complete:

Service High School Addition and Renewal	<u>\$47,132,000</u>
Proposition 1 Total	\$47,132,000

Proposition 2- Design Projects and Districtwide Building Life Extension Projects:

Design Projects	\$ 5,100,000
Districtwide Building Life Extension Projects	<u>11,765,000</u>
Proposition 2 Total	\$16,865,000

Proposition 3- Career, Technical and Vocational Education Upgrades:

Career & Technical Education Upgrades	<u>\$17,000,000</u>
Proposition 3 Total	\$17,000,000

It is recommended by the Board, as a Board directive that the funds not required to complete identified CTVE projects may be redirected by the board for other CTVE projects¹.

It is further recommended that the Board approve and authorize redirection of Capital Projects Fund Bond Authorization in an amount of approximately \$4,000,000 for Building Life Extension projects identified in this memorandum to immediately fund the highest priority building life extension projects as identified by the Capital Request Advisory Committee (CRAC).

PERTINENT FACTS:

Superintendent's Comments

After much discussion, analysis of the Dittman Research Survey results, and listening to the public testimony and the School Board discussion last Monday night, I am in full support of the administration's recommendations for proposed school bonds for the April 2011 election. We have well-documented needs in our Ten Year Capital Improvement Plan, and I believe that we must continue to move forward with finishing the renovations to our comprehensive high schools, and to many of our middle, elementary, and alternative schools.

Our community has a large investment in our facilities, and it is incumbent upon the Board and administration to bring these renovation requests forward on a regular basis; this is also true when a new facility is justified by increasing enrollment or a cost benefit analysis shows that total replacement is a better investment than complex renovation. We must institute a regular education program to the citizens of Anchorage about our aging infrastructure and the need for annual bond proposals as long as the funding of new schools and life extension renewals (state category: major maintenance) requires voter-approved bonds in order to qualify for state-funded debt reimbursement.

In trying to decide which aspects of the recommendations of the Capital Request Advisory Committee's to keep, and which to eliminate or modify, I have leaned heavily on my staff who have the best knowledge of the timing of projects, and the availability of funds. I believe that we have a very responsible proposal for

¹ The intent is to limit redirection of unused funds stemming from Proposition – 3 Career, Technical and Vocational Education by the board to Career, Technical and Vocational Education projects only.

the School Board to consider. I also had to consider what I feel comfortable recommending to the voters for their consideration in April; we need these bonds to succeed so we can move forward with our needed renovations.

I believe that in order to capture the \$21 million grant opportunity for the **Service project** we must have a \$9 million match; in addition, I support construction of the full project to include the auditorium as essential in order to provide a comprehensive facility for Service, and for all of south Anchorage students and staff. The testimony of the Service students and staff and parents last week made a very strong case for the need for an auditorium which will clearly provide a much needed venue for the south Anchorage schools, all of which have large and outstanding fine arts, music, and drama programs. It is not satisfactory for Service, South, and Dimond as well as Hanshew, Goldenview, and Mears to have to fight for performance space for their productions; no other part of the school district and municipality is without an auditorium. I believe that our recommendation, which utilizes varied funding sources is the best approach to present to the voters.

We are recommending many of the **design projects** which we believe are our highest priorities: Girdwood (option 3 which will take us through construction documents), Inlet View, Gladys Wood (both of which will be taken to the schematic design), and Airport Heights (planning and design). We are not recommending moving forward with the Whaley, Turnagain, or West/Romig designs at this time. We believe that we should fund the facility assessments from the general fund when we can identify the funding source. There is no dispute that Turnagain needs to be renovated, but the other school projects rise to a higher priority for this year. We need to have a great deal more discussion about the Whaley project before we continue with our planning. I do not want to move the \$3 million West/Romig design project as presented by the CRAC forward at this time since we still need to receive Assembly approval of the master plan, and we need to then determine if the community as a whole truly supports this master plan and renovation and its anticipated costs. The administration has a modified C&TE proposal as described below.

I also support removing the **turf fields** for all of the schools from this recommendation. I believe that we should place these turf fields, which I fully support for all high schools and middle schools for safety and maintenance savings reasons, in our various schools' legislative requests package. I know that various legislators support these new playing surfaces, and I believe that we can make a solid case for the need for more of these turf fields which not only benefit our students, but our whole community, and even the state for state tournaments.

Finally, I strongly support the recommended **Career and Technical Education (C&TE)/vocational education projects**. I was gratified to see the strong support on both the Dittman Research survey, and also from the Capital Request Advisory Committee. Education in the 21st century is moving ahead and the need for real knowledge of technology and how it is applied in every career field is essential for our students. Our facilities need to be able to support these programs, and the high school and middle school principals and their staff have identified a good approach to begin this work. Separately, the administration has added \$600,000 for design of a combined C&TE space for the West/Romig campus located between the West science pod and the Romig science classrooms, which would enhance their C&TE educational offerings, and would be combined in a larger renovation project if the West/Romig master plan moves forward to phased construction.

Bond Proposals Recommendation

On December 6, 2010, the District submitted Board Memorandum #160 (2010-11) to the School Board to begin discussion on a potential April 2011 bond recommendation. The memorandum provided information regarding the CRAC recommendation. The goal of the discussion was to gather the Board's concerns and objectives related to the potential 2011 school bonds.

The District's highest priority school addition, renewal, design, and building life extension needs have been included in this bond recommendation, and there remain many other high priority facility needs within the District that are not included in this recommendation. In an attempt to reduce the total amount requested for the 2011 Bond, alternative funding sources from unsold bond authorizations are identified and are included in this memorandum.

Information provided in this memorandum with attachments should assist the School Board in making decisions about items that might be considered in the next bond election. Major decisions facing the School Board are recommending:

1. if there is to be a bond proposition on April 5, 2011's municipal ballot,
2. total cost of any bond proposition(s),
3. projects to be included, and
4. packaging of bond projects.

The approved Ten-Year Capital Improvement Plan (CIP), Facilities Department Building Life Extension master list of unfunded facility infrastructure needs, and the District's Facility Management Priorities are utilized to identify these critical needs and develop project priorities. The development and maintenance of the Facilities Department's master list of unfunded needs is an ongoing process whereby needs are identified by building users, Maintenance and Facilities

departments, and the public. These needs are investigated, validated, prioritized, cost estimates developed and placed on the master list. Highest priority needs are submitted to the Department of Education and Early Development for Capital Grants. These projects then form the basis of developing a CRAC recommendation for bond requests. Capital improvement projects approved by the School Board in the 2010-2020 Ten-Year Capital Improvement Plan (CIP) are included in Attachment A - CIP Recommendations by Year, 2010-2020, Table 1.

The School Board has expressed interest in Career and Technology Education (CTE) programs and how they can provide more opportunities for students to participate in these programs. An evaluation of middle and high school CTE programs was accomplished by the District's Instructional Division and the Facilities Department. This effort identified potential CTE projects and ranked them in priority of benefit to the programs. This information was presented to the CRAC for discussion and potential inclusion in a bond recommendation. The Administration presented an update to the School Board on CTE possibilities on November 8, 2010 (Memorandum #147 (2010-2011)).

Documentation of Need:

The District operates and maintains the largest physical plant of any public entity in the state, with approximately 7.5 million square feet of facilities. The replacement value of District buildings exceeds \$2 billion. The District is responsible for 93 facilities, housing approximately 50,000 students (more students than the total of the next five largest Alaska districts), and over 6,500 staff members. Anchorage educates nearly 40 percent of the state's total student population. Not only is the facility inventory large, it is aging. Fifty-one schools are over 20 years old. Of these schools, 22 have had no significant renewal and 29 have had partial renewals since 1990. Of the 12 schools over 50 years old, 6 have had no significant renewal and 6 have had partial renewals since 1990.

Building components wear out. Facility systems only last so long. Roofs deteriorate and leak; heating, plumbing, and ventilation systems wear out; and structural systems age. Various code changes require updating electrical and mechanical systems; providing access for persons with physical disabilities; removing hazardous materials; and renewing various building system components. Moreover, significant renewals often require structural upgrades to meet more stringent seismic codes.

Functional obsolescence is another fact of life for older schools. Over the life of a school, programmatic changes take place that demand updating the facility infrastructure. There is continual need to update the electrical distribution

systems in the schools to accommodate current technology. Current educational delivery methods require physical layouts that are often different and more flexible than those of 30 to 40 years ago. Without renewal, these schools do not provide our students the same educational opportunities through parity of program and facilities across our school system.

Additional capacity to house the constantly shifting student population is the third component of capital requirements. Anchorage is the largest district in the state, and, while its overall enrollment has been steady in recent years, the geographic distribution of students continues to shift due to the high mobility of Anchorage’s population. The District has over 130 relocatable classrooms available to meet short-term capacity needs in affected schools.

Effective operation and maintenance programs are a critical component to extending the life of buildings, sites, systems and equipment, and for maintaining and providing a quality building environment for the instructional programs. The Maintenance Department’s well-trained staff use a computerized maintenance management program that effectively accomplishes preventive and corrective maintenance tasks necessary to maintain and extend the life of District facilities. The Operations Department utilizes a Custodial Guide and ongoing staff training to maintain facilities in a safe, clean and orderly condition.

Capital Request Advisory Committee

The District’s CRAC met on October 6, October 20, and November 10, 2010 to review options and develop recommendations for a 2011 bond. The committee recommended two bond propositions totaling \$101,115,000. The recommendations are summarized below:

Proposed Bond 1:

Service High School Addition and Renewal	\$38,000,000
Districtwide Turf Fields	12,750,000
Total Proposed Bond 1	\$50,750,000

Proposed Bond 2:

Career & Technical Education Upgrades	\$17,000,000
Design Projects	8,500,000
Building Life Extension Projects	24,865,000
Total Proposed Bond 2	\$50,365,000
Total Proposed Bonds 1 and 2	\$101,115,000

The Administration thanks the CRAC for their many hours of effort and the quality of analysis of the District's facility needs that led to these recommendations. These recommendations have been carefully reviewed by Administration. Although all projects included in the CRAC recommendation are important to address the District's infrastructure and program needs, the Administration evaluated alternative funding opportunities to accomplish some projects in the recommendation. In addition, some projects were recommended to be deferred.

Based upon this analysis, the Administration concurs with the recommendation of the CRAC except for the adjustments as shown below:

Proposed Bond 1:	CRAC	Administration	Board
Service High School Addition and Renewal	\$38,000,000	\$47,132,000 ¹	\$47,132,000
Districtwide Turf Fields	12,750,000	0 ²	0
Total Proposed Bond 1	\$50,750,000	\$47,132,000	\$47,132,000

Proposed Bond 2:	CRAC	Administration	Board
Career & Technical Education Upgrades	\$17,000,000	\$17,000,000	0
Design Projects	8,500,000	4,500,000 ³	5,100,000
Building Life Extension Projects	24,865,000	11,765,000 ⁴	11,765,000
Total Proposed Bond 2	\$50,365,000	\$33,265,000	\$16,865,000

Proposed Bond 3:

Career Technical and Vocational Education Upgrades	\$0	\$0	\$17,000,000
Total Proposed Bond 3	\$0	\$0	\$17,000,000
Total Proposed Bonds 1, 2 and 3	\$101,115,000	\$80,397,000	\$80,997,000

1. Amount increased from CRAC recommendation due to including the \$9,132,000, which is the participating share requirement for acceptance of the DEED Major Maintenance Grant that the CRAC included within the Building Life Extension Projects. The state's participating share is \$21,307,000 for a total amount of \$30,439,000.
2. Amount removed from the CRAC recommendation, funding to be pursued through alternative funding options.
3. Amount reduced \$4,000,000 from the CRAC recommendation due to reduction of project scope.

- a. Alternative funding will be pursued to accomplish Facility Assessments.
 - b. The renewal of West High and Romig Middle schools is an important facility need as identified by its completed master plan. However, prior to funding its schematic design and advancing its priority over other facility needs as identified in the current 10-Year CIP, the annual review and revision of the CIP should be completed which will provide the priority of facility needs throughout the District. In addition, the Administration added \$600,000 for design of Career and Technical Education upgrades at West High School and Romig Middle School.
 - c. The Whaley School upgrade and renewal is a unique and complex project that requires great involvement of the larger community, ASD, local, state, private and public agencies. Much progress has been made. The educational specifications are nearing completion and a preliminary fit analysis of the existing facility is done. However, because the project involves multiple public and private partners, further development of roles and responsibilities is needed before the project can be fully defined as a basis for design.
 - d. Turnagain Elementary School's master plan, completed in 2003, identified program and infrastructure needs at the school. The master plan does need to be further developed with a schematic design effort. However, the other three elementary schools, Inlet View, Airport Heights, and Gladys Woods, have higher program and infrastructure needs. The District must proceed with projects of highest need first. Otherwise, there can be unintended expectations that design stage funding will immediately follow master planning without consideration of other projects' priorities.
4. Amount reduced \$13,100,000 from CRAC recommendation due to the \$9,132,000 participating share requirement for acceptance of the DEED Major Maintenance Grant moved to the Service High School Addition and Renewal project, and removal of \$4,000,000 of projects funded through redirection of existing bond authorization.

Project descriptions for each proposed bond, meeting minutes and information provided to the CRAC to help them formulate their recommendations are also provided as attachments C through H.

Use of Alternative Funding

The Administration has reviewed capital project fund balances and has determined through project cost savings and iterations of fund source transfers, it is estimated that approximately \$14,000,000 of unsold bond authorization could be re-purposed as part of this recommendation. This amount largely remains available due to the redirections of bond proceeds from the change in bond counsel opinion in 2009 and the subsequent school board action on ASD Memorandums #123 (2009-2010), #366 (2009-2010) and #152 (2010-2011). These memorandums redirected funds accrued from bond proceeds and interest (proceeds) since approximately 1997. Through the redirection of these unspent proceeds, the district was able to complete the full scope of the projects approved in the 2007 and 2008 bond propositions without the use of the entire proposed dollar amounts.

The Administration proposes to ask voters to re-purpose \$10,000,000 of unsold bond authorization for the Service High School Addition and Renewal project, which is the approximate amount of current unsold proceeds that remain from the 2007 and 2008 renewal projects.

The District also recommends redirection of approximately \$4,000,000 for new Building Life Extension projects as recommended by the CRAC, further described in Attachment I. As before, this is the approximate amount of unsold proceeds that remain available from building life extension projects from 2007 and 2008 bond propositions. This action ultimately reduces the District's overall bond request and makes the best use of voter authorized bonds.

Debt Retirement Funding From Senate Bill 237

Senate Bill 237, passed by the Legislature in July 2010, provides for 60 percent or 70 percent debt reimbursement on school construction projects that have received local voter approval after October 1, 2006, and provides no expiration date on the debt reimbursement program. School projects that add space have been eligible for 60 percent reimbursement, and those projects that do not add space have been eligible for 70 percent reimbursement. The School renewal/addition/design, and Career and Technical Education Upgrades projects should be eligible for 60 percent reimbursement and all of the Building Life Extension projects should be eligible for 70 percent reimbursement. The Service High School participating share of \$9,132,000 is not reimbursable.

Since 1993, the District has received voter approval for approximately \$1.1 billion in school construction and renovation bonds. Of this amount, approximately

\$811 million has received up to 70 percent state reimbursement through debt reimbursement programs.

The last successful bond election was April 2008.

Fiscal Year	Estimated Amount of Bond Indebtedness Retired through April 2011
FY2007-08	\$44 million
FY2008-09	\$47 million
FY2009-10	\$50 million
FY2010-11	\$49 million (estimate through April 2011)
Total Retired	\$190 million

A total of approximately \$148 million will have been retired since the last successful bond election in 2008 and the upcoming April 2011 election. Over the next five years, the District will be paying off between \$52 million and \$58 million of bonds each year, of which the state will pay approximately 52 percent. As of December 2010, the District will have \$749 million of bonds outstanding. Of this amount, the State will pay approximately 55 percent.

Cost of Potential Bond Proposals to the Local Taxpayers

The approximate amount of annual taxes on \$100,000 of assessed valuation to retire the proposed debt of \$80,997,000 is \$9.37. \$70,997,000 of this amount will be derived from new authorizations with an impact of \$8.35. In addition, \$10,000,000 of the proposed \$80,997,000 will be the result of re-purposing from earlier unsold authorizations and will have an impact of \$1.02. It should be noted that this amount of impact was previously voter approved, but did not take effect since bonds remain unsold. The calculation of estimated taxes is based on an estimated 5 percent weighted interest rate for twenty years, as shown on Attachment J.

This calculation is based on the assumption that the District will receive 70 percent State debt reimbursement on \$11,765,000 of projects, and 60 percent reimbursement on \$60,100,000 of projects. As previously stated, \$9,132,000 participating share necessary for the DEED Major Maintenance Grant for Service High School is not eligible for debt reimbursement. The debt reimbursement projects have not been reviewed or approved by the DEED, so the 60 percent and 70 percent reimbursement rates have not been confirmed as of this date. The District will submit these projects for debt reimbursement to the State no later than January 7, 2011, prior to final Assembly Action.

In addition, the Service High School Renewal project will not incur any significant increase in annual operations and maintenance costs; therefore, the Administration has elected not to request an increase in the municipal tax cap.

Timeline for Assembly Approval

When the School Board finalizes the approved list of projects, the Administration will work with the Municipal Bond Counsel to complete the actual bond proposition language. The municipal clerk's office clarified the timeline for submission of bond and/or ballot propositions. Assembly ordinances and memoranda must be submitted to the clerk's office no later than noon, January 7, 2011 for introduction at the January 18, 2011 Assembly meeting. The last date for public hearings and final action on bond and ballot propositions is February 1, 2011. Revisions can be made up to the point of Assembly action.

CC/MA/RML/MP/ML/SH/CS/jb

Attachments:

- A. CIP Recommendation by Year, 2010-2020 – Table 1
- B. Board Memorandum #147 (2010-2011) – High School CTE Possibilities
- C. Capital Request Advisory Committee Bond Recommendation Project List
- D. Capital Request Advisory Committee Distribution Materials for October 6 Meeting
- E. Capital Request Advisory Committee Distribution Materials for October 20 Meeting
- F. Capital Request Advisory Committee Distribution Materials for November 10 Meeting
- G. Draft Capital Request Advisory Committee Meeting Minutes, November 10
- H. CRAC and Administration Bond Recommendation Comparison and Project Descriptions
- I. Redirected Project Descriptions
- J. 2011 Bond Reimbursement Rate and Taxes

Prepared by: Rachel Molina Lodoen, Project Support Analyst
Mike Price, Construction Manager
Marie Laule, Budget Director
Susan Hood, Controller
Chad Stiteler, Chief Financial Officer

Approved by: Michael K. Abbott, Assistant Superintendent of Support Services