

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #145 (2000-2001)

December 11, 2000

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: 2001 GENERAL OBLIGATION BOND RECOMMENDATIONS

RECOMMENDATION:

It is the Administration's recommendation that the School Board approve a bond proposal package for capital construction totaling \$73,729,000. This incorporates the following projects:

Districtwide Major Maintenance:		\$11,987,000
Minor Building Renewal Projects	\$3,210,000	
Electrical Projects	1,553,000	
Maintenance Equipment	734,000	
Mechanical Projects	4,540,000	
Roof Replacement and Repairs	1,275,000	
Traffic Safety Upgrades	675,000	
Evaluation Studies:		860,000
Energy Conservation Study Phase 1	\$375,000	
Whaley School Planning	75,000	
Earthquake Shelter Evaluation	200,000	
Polaris K-12 Planning	100,000	
5-School Traffic Safety Planning	110,000	
Wendler MS Phase 2a		13,500,000
King Career Center Code Renovation		3,000,000
Service HS Phase 2a		15,340,000
East HS Phases 2 & 3		13,752,000
Bartlett HS Phase 2a		11,790,000
Ptarmigan Classroom and MPR Addition		<u>3,500,000</u>
	TOTAL	<u>\$73,729,000</u>

PERTINENT FACTS:

Since 1993, the Anchorage School District has received voter approval for a total of \$580 million in school construction and renovation bonds. Various projects totaling \$350.8 million received up to 70 percent State reimbursement through grant funds or the debt reimbursement program. The District's student population has increased by more than 7,000 students since 1990. In the current school year, student population increased overall from the 1999-2000 levels, with increases in the secondary grades exceeding reductions in the primary grades.

Beginning last year, the District began a major undertaking of phased renovations of its older high schools. Prior to 1999, with the exception of West High School, all school construction projects in the 1990's had been directed toward elementary and middle schools. The 1999 Bond Proposition included funding for a replacement school for Dimond High, a new high school in South Anchorage, upgrades at Chugiak High School, planning for new Eagle River secondary and Muldoon middle schools. The 2000 Bond includes funding for additional secondary school renovations. Future bond requests will incorporate the phases needed to conclude the secondary school renovations.

The 2000 Bond Proposition funded projects totaling \$77.9 million. After the bonds passed, the Legislature enacted HB 281, which provided funding for debt reimbursement of 70 percent of \$77,897,000 in bond funded projects. However, this reimbursement is not currently available for these projects, with one exception. This issue will be discussed in more detail in the Discussion portion of this memorandum.

Documentation of Need:

The District operates and maintains the largest physical plant of any public entity in the state, with over 7 million square feet of facilities. The replacement value of District buildings exceeds \$1.2 billion. The District has 94 facilities, housing in excess of 49,000 students and 5,000 staff members. Anchorage educates 37 percent of the total student population of the State. It has more students than the total of the next four largest districts. Not only is the inventory large, it is aging. Sixty-three schools are 20 to 50 years old. Eight are over 40 years old. The District's newest high school is 28 years old.

Building components wear out. Facility systems only last so long. Roofs deteriorate and leak, heating and plumbing systems wear out and fail, ceiling systems give way. Various code changes require updating electrical systems, ADA access, asbestos removal, sprinkler and fire safety upgrades. The best way to

quantify the extent of the problem is through facility condition audits. These audits cover subsystems in a school facility, providing general plans and detailed cost estimates for proposed improvements.

Functional obsolescence is another fact of life for older schools. Over the life of a school, programmatic changes take place that demand updating. The emergence of technology is one obvious example. Other examples of functional obsolescence are outdated science rooms that limit curriculum options. There are schools without adequate electrical capacity to support the operation of computers that are an integral part of the District's educational program. Without renovation, these schools do not provide our students the same quality educational environment as our newer schools.

The District takes its responsibility seriously in planning for renovations, additions or other projects to keep its physical plant in top shape. The retrofit study in 1992 was a comprehensive review of the overall functionality of each school. This study was used to develop a priority listing of schools for renewal projects and formed the basis for much of the Six-Year Capital Improvement Program plan that is now in place.

Additional capacity to house the constantly growing student population is the third component of capital requirements. Anchorage is the largest district in the State and its overall enrollment has been steadily climbing. To meet short-term capacity needs, the Anchorage School District uses over 133 relocatable units. In recent years, Anchorage has constructed new elementary capacity. Now, the high schools are experiencing significant growth. Both the South Anchorage and Eagle River area need additional high school space. South Anchorage's needs will be addressed with the completion of the new South Anchorage High School presently funded and the Eagle River area with the eventual construction of a secondary school, which is funded for design.

Effective use of our operation and maintenance funding is critical to keeping our schools in good condition. The District has a computerized preventative maintenance program. We continually review our maintenance program to implement better ways of doing business. We have regionalized maintenance teams to provide better service and reduce travel time. We are implementing an apprenticeship program at no cost to the District that will improve worker skills and productivity.

Capital Request Committee:

The District's Capital Request Committee met November 21, 2000 to review options for a Spring 2001 Bond. It recommended two bond packages totaling \$144,963,000.

The Administration has carefully reviewed this recommendation, and while it finds that all of the recommended projects are important, it believes that the amount of the proposed bond package, in aggregate, is too high. In an effort to keep the cost of taxes as low as possible, the Administration is recommending that certain projects and phases of projects be carried over to later bond propositions. The differences between the Administration and Capital Request Committee proposals are summarized below.

	Administration Recommendation	Capital Request Committee Recommendation	Difference
Asbestos Projects	\$ 0	\$ 615,000	(\$ 615,000)
Minor Building Renewal Projects	3,210,000	890,000	2,320,000
Electrical Projects	1,553,000	1,553,000	0
Maintenance Equipment	734,000	984,000	(250,000)
Mechanical Projects	4,540,000	4,540,000	0
Roof Replacement and Repairs	1,275,000	1,275,000	0
Traffic Safety Upgrades	675,000	785,000	(110,000)
Energy Conservation Study Phase 1	375,000	375,000	0
Whaley School Planning	75,000	0	75,000
Earthquake Shelter Evaluation	200,000	200,000	0
Polaris K-12 Planning	100,000	0	100,000
5-School Traffic Safety Planning	110,000	0	110,000
Wendler MS Phase 2	13,500,000	20,200,000	(6,700,000)
King Career Center Code Renovation	3,000,000	3,000,000	0
Service HS Phase 3	0	8,400,000	(8,400,000)
Service HS Phase 2a	15,340,000	24,121,000	(8,781,000)
East HS Phases 2 & 3	13,752,000	13,752,000	0
Bartlett HS Phase 2a	11,790,000	17,071,000	(5,281,000)
Ptarmigan Classroom and MPR Addition	3,500,000	3,500,000	0
New Chugiak/Eagle River Secondary	0	40,200,000	(40,200,000)
Polaris Gym Addition	0	3,500,000	(3,500,000)
TOTAL	\$73,729,000	\$144,963,000	(\$71,232,000)

The rationale or thinking behind each of these revisions to the Capital Request Committee recommendations is given below.

Asbestos Projects: Alternate funding is available from the Johns-Manville asbestos settlement.

Minor Building Renewal: The revised list eliminates several smaller maintenance projects that could be funded from the General Fund and projects affecting elementary schools that are scheduled for renewal in the next few years. It also incorporates several larger projects that would be too large for General Fund funding.

Maintenance Equipment: Reduces the equipment list down to those items that are critical at this time, and defers other needed replacement equipment to a later bond proposition.

Traffic Safety Upgrades: Planning at five schools (Birchwood, Gladys Wood, Sand Lake, Willow Crest and Whaley) is taken out of the upgrades project and combined into a planning project.

Whaley School Planning: Initiates a review of program space requirements at this school.

Polaris K-12: Planning funds are included in lieu of construction funds. Additional detailed planning is required to establish a current scope and budget for the proposed upgrades to the school.

Wendler, Service, Bartlett: The phasing of the renovation work at these schools was reviewed, and a determination was made that the phases as presented to the Capital Request Committee could be broken down further, without adversely affecting the progress in renovating these schools. Attachment "G" illustrates the scheduling of these projects. One schedule reflects the phasing included in the Capital Request Committee recommendations, and the other schedule reflects the phasing as presented in the Administration recommendations. Breaking out these additional phases reduces the bond request total for 2001, but it does increase by approximately 6 percent the total project costs. This is due to built-in inefficiencies related to design, startup, and construction of additional phases.

New Chugiak/Eagle River Secondary: This construction project is not ready for funding in 2001. The site will be selected this spring. Design is funded at the \$3 million level and is scheduled for completion in 2003. Construction is schedule to begin in the spring of 2004.

The list of projects in Attachment A, which were reviewed by the Committee, is comprised of projects from several sources. This includes projects contained within the District's current Six-Year Capital Improvement Plan 2000-2006 (Attachment B); schools noted in the TRIMCO roofing report that require immediate attention; high priority major maintenance projects; the next schools from the Retrofit Study list; renovation work at King Career Center resulting from code upgrades mandated by the Municipality; and studies relating to earthquake preparedness and energy conservation.

Project Descriptions for each of the projects identified in Attachment A are provided in Attachments C, D and E. On Attachments D and E, the Project Descriptions of Districtwide Major Maintenance Projects and Traffic Safety Upgrades, included in the Administration's recommendation, are identified by bold type.

Discussion of Debt Retirement Funding From HB 281:

HB 281, passed in May 2000, provides funding for debt reimbursement for \$77,897,000 of ASD construction projects. HB 281 states that the reimbursement is eligible only for projects that received DEED approval prior to the bond elections. Therefore, the 2000 Bond Proposition, in the amount of \$77.9 million, is currently ineligible for debt reimbursement. The only exception is the Wendler Middle School renovation project in the amount of \$6,045,000, which did receive a FY01 DEED grant approval and could be eligible for debt reimbursement.

The District will ask for legislative assistance to revise the wording of HB 281 to permit the use of debt reimbursement for the 2000 Bond projects. According to Bond Counsel, the District is obligated to pursue reimbursement for the 2000 bond projects, due to the language that was presented to the voters on the ballot. To receive reimbursement for these projects will require a change in the enabling legislation and DEED approval of the projects.

Regarding DEED approval of the projects, the District was notified this summer that DEED staff will not be able to begin review of reimbursement requests until approximately December 15, and that review should be complete within a month following that. Initial discussions with DEED indicate that some portion of the 2000 projects will be eligible for debt reimbursement, and that some portion may or may not be eligible, depending on DEED interpretation of project scopes and square footage or population allowances. At this time, a majority of the 2000 Bond projects

would be eligible for debt reimbursement. Approximately \$5.3 million would be remaining in debt reimbursement to support 2001 projects.

Information provided in this memorandum with attachments should assist the School Board in making decisions about items that should or should not be included in the next bond election. Major decisions facing the School Board are the total cost of the bond proposition and the projects to be included on the April 3, 2001 Municipal Ballot.

Cost of potential bond proposals to the local taxpayers:

The approximate amount of taxes on \$100,000 assessed valuation to retire the proposed debt of \$73,729,000 is \$41.10 based on an estimated 5.8 percent net interest rate for 20 years. This amount of taxes will be less if the District were to receive State debt reimbursement on all or a portion of these projects.

When the School Board finalizes the approved list of projects, the Administration will work with the Bond Counsel to complete the actual bond proposition wording. The Assembly must present the finalized Ordinance to the Municipal Clerk early January 2001 for approval. Revisions can be made up to the point of Assembly action.

CC/GV/RA/MB/sl

Attachments

A: Projects Not Yet Funded

B: Projects by Attendance Area and Priority Projects

C: Project Description – Capital Projects

D: Project Description – Districtwide Major Maintenance Projects

E: Traffic Safety Upgrades

F: Capital Request Committee Meeting Minutes

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