

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #133 (2002-2003)

December 9, 2002

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: 2003 GENERAL OBLIGATION BOND RECOMMENDATIONS

RECOMMENDATION:

It is the Administration's recommendation that the School Board approve a Bond proposal package totaling \$209,326,000, comprised of Proposition 1 - Major Maintenance, Equipment, Land Acquisition in the amount of \$41,786,000; Proposition 2 - Administrative and Training Facility in the amount of \$42,000,000; and Proposition 3 - School Renovations/Additions/Replacement in the amount of \$125,540,000. These propositions are summarized below:

Proposition 1 - Major Maintenance, Equipment, and Land Acquisition

Districtwide Major Maintenance

Districtwide Mechanical Upgrades	\$3,990,000
Districtwide Code/Hazmat/ADA Projects	\$2,365,000
Districtwide Electrical Projects	\$5,257,000
Districtwide Roof Replacement and Repairs	\$3,499,000
Districtwide Minor Building Renewal Projects	\$5,674,000
Districtwide Restroom Upgrades	\$2,083,000
Districtwide Traffic Safety/Site Upgrades	\$4,128,000
Security Upgrades - Locks: Phase 1	\$750,000
Districtwide Major Maintenance Subtotal	\$27,746,000
Emergency Preparedness	\$3,200,000 ¹
Student Transportation (10 Replacement School Buses)	\$840,000 ²
School Site Acquisition	\$10,000,000
Proposition 1 Total	\$41,786,000

¹ Bond amount reduced to \$3,200,000 from the \$3,700,000 the CRAC recommended due to reduction of supplies, which is not bondable.

² Bond amount reduced to \$840,000 from the \$900,000 the CRAC recommended due to updated bus cost estimate.

Proposition 2 - Administrative and Training Facility **\$42,000,000**

Proposition 3 - School Renovations/Additions/Replacement

Bartlett High School

Phase 2 Construction \$26,940,000

Chester Valley Elementary School

Design Funding \$750,000

Chugach Optional School

Construction Funding \$7,000,000³

New Eagle River Area High School

Construction Funding \$51,000,000⁴

East High School

Phase 3 Construction and Phase 4 Design Funding \$18,200,000

Polaris K-12 School

Construction Funding \$18,600,000

Sand Lake Elementary School

Design Funding \$750,000

Service High School

Phase 2A Deferred Inflation, Phase 2B Design, Phases 3 and 4 Preliminary Design Funding \$2,300,000

Proposition 3 Total **\$125,540,000**

PERTINENT FACTS:

Since 1993, the Anchorage School District has received voter approval for a total of \$677 million in school construction and renovation bonds. Of this amount, approximately \$409 million has received up to 70 percent State reimbursement through grant funds or the debt reimbursement program.

In 1999, the District began a major undertaking of phased renovations of its high schools. Prior to 1999, with the exception of West High School, all school construction projects in 1990's had been directed toward elementary and middle schools. The 1999 Bond issue included funding for a replacement school for Dimond High, a new high school in South Anchorage, upgrades at Chugiak High School, and planning for new Eagle River secondary and Muldoon middle schools. The 2000 and 2002 Bond proposals included funding for continuing the secondary school renovations. This bond proposal includes continuation of the high school renovation projects.

³ Bond amount increased to \$7,000,000 from the \$5,900,000 CRAC recommendation due to increase in cost estimate following completion of the Schematic Design phase.

⁴ Bond amount increased to \$51,000,000 from the \$49,500,000 CRAC recommendation due to increased costs for Hiland Road intersection upgrades and Emergency Preparedness.

In addition to the high school projects, this bond proposal continues to meet the ongoing needs for Major Maintenance work throughout the schools. It includes funding for a centralized Administrative and Training Facility, which will allow for consolidation of administrative spaces currently housed in seven locations, five of which are leased. It also includes design funding for two elementary schools; the initial phase of preparing schools as emergency shelters; site acquisition funds for future school sites; and ten new school buses.

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 50,000 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. Other than the replacement Dimond High School, opening in the fall of 2003, the District's newest high school is 30 years old.

Building components wear out. Facility systems only last so long. Roofs deteriorate and leak; heating and plumbing systems wear out and no longer provide good air quality; structural systems give way. Various code changes require updating electrical systems, ADA access, asbestos removal, sprinkler and fire safety upgrades.

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 a continual need to update the electrical distribution systems in the schools to accommodate current technology. Older schools have outdated science rooms that also limit curriculum options. Current educational concepts dictate physical layouts that are often different from those of 30-40 years ago. Without renovation, these schools do not provide our students the same quality educational environment as our newer schools.

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.

Effective use of operation and maintenance funding is critical to keeping Anchorage schools in good condition. The District uses a computerized preventative maintenance program; continually reviews the maintenance program to implement better ways of doing business; has regionalized maintenance teams to provide better service and

reduce travel time; has implemented an apprenticeship program at no cost to the District to improve worker skills and productivity.

Capital Request Advisory Committee

The District's Capital Request Advisory Committee (CRAC) met on November 12, 2002 and again on November 21, 2002 to review options and develop recommendations for a spring 2003 Bond. Minutes of these two meetings are included with this memorandum as Attachments E and F. The Committee recommended two bond packages totaling \$207,286,000. The Administration has carefully reviewed this recommendation and studied the timing of delivery of the various construction projects included in it. Based on this analysis, the Administration concurs with the recommendations of the CRAC and is bringing these recommendations to the School Board, with the exception of minor changes in funding due to developing budget information. The bond packaging recommendations in this memorandum match those of the CRAC, with the exception of breaking out the Administrative and Training Facility as its own bond proposition.

Project Descriptions for each of the Districtwide Major Maintenance projects are provided in Attachment B. Project Descriptions for all other projects on the proposed bond package are provided in Attachment C.

The projects approved by the School Board in the 2002-2008 Six-Year Capital Improvement Plan (CIP) are included as Attachment D - Tables 1 and 2 CIP Recommendations and Project Schedule, 2002-2008.

Discussion of Debt Retirement Funding From HB 2003

HB 2003, passed in May 2002, provides for 60 percent or 70 percent debt reimbursement on school construction projects that have received local voter approval between June 30, 1999 and December 31, 2004. The implementation of this bill was dependent on the positive vote on Proposition C in the November 2002 State election. The District is currently preparing to submit approximately \$90,000,000 in debt reimbursement applications for projects from the April 2000 and April 2002 bond propositions. Most of these projects should be eligible for 70 percent reimbursement. For the projects included in this recommended 2003 bond proposal, approximately \$78,000,000 should be eligible for 70 percent reimbursement, and \$131,000,000 at 60 percent reimbursement. The school buses will not be eligible for this debt reimbursement program; however, the buses will be reimbursed through the ongoing State support of student transportation. The site acquisition items from this recommendation may be reimbursed in the future, depending upon when the land is purchased and when schools are constructed on these sites. Please refer to Attachment A for a preliminary estimate of projects qualifying for EED Debt reimbursement.

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 1, 2003 Municipal Ballot.

Cost of Potential Bond Proposals to the Local Taxpayers

The approximate amount of annual taxes on \$100,000 assessed valuation to retire the proposed debt of \$209,326,000 is \$33.76 based on an estimated 5.5 percent weighted interest rate for twenty years. This amount is based on the assumption that the District will receive State reimbursement for the cost of the buses, 70 percent State debt reimbursement on \$77,586,000 of projects, and 60 percent reimbursement on \$130,900,000 of projects. The debt reimbursement projects have not been reviewed or approved by the State, so the 60 percent and 70 percent reimbursement rates have not been confirmed at this date.

In addition, the following projects will have increased annual operations and maintenance cost related to the proposed educational capital improvements that will increase the tax cap for every \$100,000 of assessed value by \$15.85:

	Estimated Increase in Annual Operations & Maintenance Costs	Estimated Annual Increase in Tax Cap for Every \$100,000 of Property Value
Administrative and Training Facility	\$558,600	\$2.98
Bartlett High School Phase 2 Construction	70,300	0.37
Chugach Optional School Construction Funding	49,625	0.26
New Eagle River Area High School Construction Funding	2,129,575	11.36
Polaris K-12 School Construction Funding	164,900	0.88
	<u>\$ 2,973,000</u>	<u>\$ 15.85</u>

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 Assembly will finalize the bond propositions through an ordinance that is introduced in mid-January 2003 and adopted in early February 2003. Revisions can be made up to the point of Municipal Assembly action.

CC/GV/JS/RA/MP/MF/RB/sl

Attachments:

- A. Recommended 2003 Bond Projects
- B. Project Descriptions- Districtwide Major Maintenance Projects
- C. Project Descriptions - Capital Projects and Other Projects
- D. Six Year CIP 2002-2008 (Tables 1 and 2)
- E. Capital Request Committee Meeting Minutes-November 12, 2002
- F. Capital Request Committee Meeting Minutes-November 21, 2002

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