Portland Public School District 1st Reading

DATE: April 9, 2019

Public Comment for the following:
Policy 8.70.044-P, Capital Asset Renewal Funds and Plans

The Portland Public School District is providing Notice of Proposed Policy Amendment to offer interested parties reasonable opportunity to submit data or comments on the proposed policies noted below.

Public comment may be submitted in writing directly to the district or through the district website noted below. Written comments must be submitted by 5:00pm on the Last Date for Comment listed below.

1st Reading by: Rita Moore, Chair
Portland Public School Board
Summary: Capital Asset Renewal Funds and Plans

Draft Policy Web Site: https://www.pps.net/Page/11911

Recommended for 1st Reading by: Board of Education
Policy Contact: Rosanne Powell, Board Office Manager
Last Date for Comment: April 30, 2019
Address: P.O. Box 3107, Portland, OR 97208-3107
Telephone: 503-916-3741
E-mail: schoolboard@pps.net

Last Date for Comment: April 30, 2019

Board of Education

Staff Analysis and Report to the Board

Board Work Session Date: 3/14/19

District Priority: 4

Board Meeting Date (if action item): 4/9/19

Executive Leadership Lead: Claire Hertz

Department: Facilities & Asset Management

Staff Lead: Dan Jung, Chief Operating Officer

SUBJECT: Capital Asset Renewal Funds and Plans 8.70.044-P

I. BACKGROUND

The Oregon Legislature passed Senate Bill 1036 in 2007 authorizing school districts to impose construction excise taxes. In 2008, the PPS Board approved to utilize the Construction Excise Tax (CET) fund for capital improvements for school facilities.

On average PPS receives $6.5M per year in construction excise taxes; this amount varies depending on the scale of construction occurring in Portland. The district's CET fund (404) is currently allocated for unrestricted and restricted purposes as follows:

1. **Unrestricted:** This portion can be spent on capital improvements for all school facilities.

2. **Restricted:** In 2012, the PPS Board established a 20-year Capital Asset Renewal (CAR) Plan through Board resolution No. 4539. The restricted portion of the CET fund and the CAR fund are revenue sources for the CAR Plan to fund life cycle renewal of major building components the District has invested in recent years. The goal of this strategy was to extend the useful life of district facilities, ensure public capital investments are properly preserved and minimize deferred maintenance costs.

II. RELATED POLICIES/BEST PRACTICES

Board policy 8.70.044 Capital Asset Renewal Funds and Plans identifies the need for a CAR Plan. CET fund (404) and CAR fund (445) support CAR Plan eligible projects.

III. ANALYSIS OF SITUATION

The District's capital improvement needs far exceed available resources to meet those needs. A memo to the Board of Education from the then Interim Chief Operating Officer (dated January 24, 2017), estimated the total cost of repairs of only 11 identified scopes of work at approximately $1.6 billion. See **Attachment A**. Far beyond the ability of the general fund and other available resources to rectify.

Restricting available capital funds to a select few buildings further exacerbates the need to resource deficient. Building systems in older schools require much more attention to keep operational, thus the District's capital improvement needs for buildings not eligible for the restricted CET or CAR funds far exceed the needs of those buildings that do qualify.

A presentation made to the Board of Education on April 10, 2018 illustrates the disparity between the CET revenue and CET applicable projects, estimating a shortage of revenue starting in approximately 2027, exceeding a negative deficient of $10M by the end of 2029 and $30M deficit by 2030. See **Attachment B, page 9**.

Amending the current policy to unrestrict the CET funds would help address deteriorating building systems in older facilities such as storm water drainage and paving repair at Rieke, foundation and floor settlement at Stephenson, bleacher repairs/replacements across the district, cafeteria floor replacement at Lane, and foundation repair and storm water mitigation at Gray. Among many other projects.

IV. FISCAL IMPACT

The amendments to the current policy would allow the district to use CET and CAR funds to address capital improvement issues in any improvement that meets the definition of "capital improvement" as outline in SB1036. This provides greater flexibility to address the needs of our aging systems and buildings that have not received any previous improvements, and help alleviate the general fund budget cuts proposed for FY2019/20.

Total funds to be un-restricted in Fiscal Year 2019-20 will provide approximately $4.8M for additional work across the district in Fiscal Year 2019-20. Future year revenues of ~$6.5M would also be available for needed upgrades and fixes across the district.

V. COMMUNITY ENGAGEMENT (IF APPLICABLE)

Community engagement has not occurred specific to this item.

VI. TIMELINE FOR IMPLEMENTATION/EVALUATION

Once the amendments to the policy are approved by the Board, we can move forward with additional projects anytime. The sooner the funds become available for use, the sooner projects can be completed.

VII. BOARD OPTIONS WITH ANALYSIS

The updated policy will remove the restriction that the building must have already been improved to be eligible for CAR Plan funding, originally outlined in resolution 4539. If this is not authorized, it leaves the buildings that do not meet the CAR Plan definition with un-addressed work. We have mechanical systems, structural work, emergency declarations and energy related improvements that are currently impacting the general fund or on hold due to the restriction on the Construction Excise Tax fund 404 and Capital Asset Renewal fund 445.

VIII. STAFF RECOMMENDATION

Staff recommends the board amend 8.70.044-P to remove the requirement that the District has already invested in the building or system in recent years in order to qualify for CAR Plan funding. Staff introduced the revised policy to the Policy and Governance Committee on March 14, 2019 where it was approved for a first reading at the next Board Meeting.

IX. I have reviewed this staff report and concur with the recommendation to the Board.

Guadalupe Guerrero
Superintendent
Portland Public Schools

Date

ATTACHMENTS
A – Memo: Environmental Health & Safety Improvements (1/24/17)
B – CET Revenue Forecast Graph
C – Example 20-Year Capital Asset Renewal Plan

PPS District Priorities FY 2018-19

1. *Set a clear Vision and Strategic Plan*
2. *Create equitable opportunities and outcomes for all students*
3. *Ensure systems and structures for performance*
4. ***4.*** *Allocation of budget, funding and resources to achieve desired outcomes*

RESOLUTION No. TBD

Unrestricting Capital Asset Renewal Plan

RECITALS

A. Board Resolution 4539 (January 23, 2012) approved a Board of Education Policy 8.70.044 directing the establishment of a Capital Asset Review (CAR) fund, directing the use of revenues for the fund, and directing the development of a CAR Plan for the life-cycle renewal of major building components.

B. Board Resolution 4539 specified the CAR Plan would provide for life-cycle renewal of major building components the District has invested in over the last several years including Rosa Parks and Forest Park as well as for any newly modernized or renovated building in the future.

C. Board Resolution 4765 (June 3, 2013) modified the Board of Education Policy 8.70.044 to allow for excess in the CAR funds needed to fund the CAR Plan to be used for other District capital construction projects. Effectively creating a split between restricted and unrestricted CAR funds.

D. District's current capital needs far exceed available resources to address the needs. Restricting capital funds to a select few schools further exacerbates the deficient between capital improvement needs and capital improvement resources available.

E. The Superintendent recommends the Board authorize the amendment of Board of Education Policy 8.70.044 to allow CAR funds to be spent on <u>any</u> improvement as long as it meets the definition of "capital improvement" outlined in SB1036.

RESOLUTION

1. The Board amends Board of Education Policy 8.70.044 to allow the Superintendent or his designee to utilize the funds available in the CAR Plan to address any improvement that meets the definition of "capital improvement" as outline in SB1036.

	BOARD POLICY **Capital Asset Renewal Funds and Plans**	**8.70.044-P**

8.70.44 Capital Asset Renewal Funds and Plans

The Board of Education believes that all students deserve a quality learning environment. Consequently, the District should have a plan governing how all physical facilities that house and support the education programs of the District can be continuously maintained, regularly revitalized, and constructed using current best practices and methods that promote student learning. Such a plan should reflect actual funding capacity while supporting the goal of adequate funding to meet this policy goal.

~~The following policy provides the foundation for the implementation of a strategy designed~~ The District ~~to~~ should extend the useful life of District facilities, ensure public capital investments are properly preserved, and reduce deferred maintenance costs by:~~.~~

~~Therefore, it is Board Policy that:~~

1) ~~The Superintendent shall d~~Developing a 20-year Capital Asset Renewal Plan (CAR Plan) for Board approval ~~in FY 11-12,~~ [EL1]with CAR Plan and funding updates at subsequent five-year intervals~~, to provide for life-cycle renewal of major building components~~. CAR Plan funds are available to address any improvement that meets the definition of "capital improvement" as defined in ~~SB1036~~ORS 320.183(3). [JB2][EL3]~~the District has invested in over the last several years including Rosa Parks and Forest Park as well as for any newly modernized or renovated buildings in the future. Major building components include, but are not limited to, items like roof replacements, athletic field replacements, boiler upgrades, and major mechanical, electrical and plumbing upgrades.~~

2) The District shall establish funding for the Capital Asset Renewal (CAR) Plan that shall include, but not be limited to, the following components:

   a. Fund 404: Construction Excise Tax (CET) Revenues (net of approved expenses and charges). ~~For FY11-12 through FY15-16, Fund 404 shall maintain a minimum annual set aside of $1.5M for the CAR Plan. Fund 404 balances in excess of the minimum annual set aside for each respective year may be used to fund other district capital projects.~~

   b. A ~~new~~ Capital Asset Renewal (CAR) Fund comprised of~~:~~:

      i. ~~Subsequent to~~ Following debt ~~r~~retirement ~~e~~estimated ~~t~~to ~~b~~begin ~~i~~in ~~F~~FY 2021/22, redirection of the Recovery Zone Bond debt service.

      ii. Lease revenues and surplus property sales. At a minimum,

lease revenue shall be base-lined at the FY 2011/12 present day value to hold the General Fund stable.[EL4][JB5][EL6]

iii. Revenue generated from renting/leasing District athletic fields will be~~. Revenue generated from renting/leasing athletic fields will be~~ tracked through the Civic Use of Buildings office.

c. Interest earned ~~by funds~~ in any of the above Funds.

3) Capital asset renewal projects identified in the CAR Plan and the use of funds from the CAR Fund and the CET Fund (Fund 404) will be proposed by the Superintendent in the District's annual budget process and are subject to annual Board of Education approval.

RELATED POLICIES:

- Preservation, Maintenance, and Disposition of District Real Property 8.70.040-P

History: Adopted 1/23/12; Amd. 6/3/13

	BOARD POLICY **Capital Asset Renewal Funds and Plans**	**8.70.044-P**

8.70.44 Capital Asset Renewal Funds and Plans

The Board of Education believes that all students deserve a quality learning environment. Consequently, the District should have a plan governing how all physical facilities that house and support the education programs of the District can be continuously maintained, regularly revitalized, and constructed using current best practices and methods that promote student learning. Such a plan should reflect actual funding capacity while supporting the goal of adequate funding to meet this policy goal.

The District should extend the useful life of District facilities, ensure public capital investments are properly preserved, and reduce deferred maintenance costs by:

1) Developing a 20-year Capital Asset Renewal Plan (CAR Plan) for Board approval with CAR Plan and funding updates at subsequent five-year intervals. CAR Plan funds are available to address any improvement that meets the definition of "capital improvement" as defined in ORS 320.183(3).
2) The District shall establish funding for the Capital Asset Renewal (CAR) Plan that shall include, but not be limited to, the following components:
    a. Fund 404: Construction Excise Tax (CET) Revenues (net of approved expenses and charges).
    b. A Capital Asset Renewal (CAR) Fund comprised of:
        i. Following debt retirement estimated to begin in FY 2021/22, redirection of the Recovery Zone Bond debt service.
        ii. Lease revenues and surplus property sales. At a minimum, lease revenue shall be base-lined at the FY 2011/12 present day value to hold the General Fund stable.

iii. Revenue generated from renting/leasing District athletic fields will be tracked through the Civic Use of Buildings office.

c. Interest earned in any of the above Funds.

3) Capital asset renewal projects identified in the CAR Plan and the use of funds from the CAR Fund and the CET Fund (Fund 404) will be proposed by the Superintendent in the District's annual budget process and are subject to annual Board of Education approval.

RELATED POLICIES:

- Preservation, Maintenance, and Disposition of District Real Property 8.70.040-P

History: Adopted 1/23/12; Amd. 6/3/13; Amd. 3/19

Board of Education Informational Report

MEMORANDUM

Date: **January 24, 2017**

To: Members of the Board of Education

From: Courtney Wilton, Interim Chief Operating Officer

Subject: Environmental Health and Safety Facility Improvements

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This Memorandum provides a brief explanation of the process used by PPS staff to quantify the estimated cost of the district's most pressing environmental health and safety facility needs and also prioritize these needs for inclusion into a future general obligation bond request. For context, PPS has a large number of schools spread across Portland. This analysis includes ninety separate locations and approximately 10m square feet (See **Appendix A**). These locations included all existing schools except those that have or will be renovated by the 2012 bond (Franklin, Roosevelt, Grant and Faubion), those planned to be included for renovation in the 2017 bond request (Benson, Lincoln, Madison and Kellogg) and Blanchard administrative facility. It also included a number of leased or currently vacant sites which may in the future revert back to PPS operation. It should be noted the vast majority of these buildings are older with an average age of 76 years (See **Appendix B**). Maintenance of these facilities has been deferred to a large extent over many years and their overall condition is considered fair to poor. The vast majority of these structures were also constructed at a time when building standards were much less demanding than the current code. Total safety needs are very significant as a result.

Eleven separate health and safety areas were identified and considered highest risk based on an analysis factoring in estimated hazard severity, frequency and also feedback from the PPS board. The cost of fully mitigating this risk for all locations was then calculated using a variety of methods and information sources including estimates provided directly by professional consultants (lead in water and paint), prior comprehensive reviews (seismic, ADA, Roofing) and the PPS internal facility database. A professional cost estimator was also used to help update prior year costs, calculate contingencies, and estimate inflation. The total cost to mitigate all risks was then calculated and is estimated at approximately $1.6 billion. See **Appendix C** for detail by area and overall total.

Once total needs were calculated staff went through a number of prioritization exercises to size the total requirements to available bond resources, estimated at $100m, $150m and $200m, respectively. All of these safety needs are obviously very important and there exists no perfect way to prioritize. Methods used to prioritize included reducing need across the board, allocating resources based solely on risk, focusing dollars based on public awareness or by resulting operational savings, clustering improvements based on construction economies of scale or efficiencies, and finally prioritizing those improvements that are readily achievable and implemented in the near future. Ultimately what's being recommended by staff is a hybrid of these approaches, one that prioritizes several risk areas in their entirely (Radon and lead in water and paint), acknowledges the high risk posed by the district's current

fire life safety system, makes very meaningful progress in abating asbestos, devotes significant dollars towards pending roof replacement at twenty six buildings and at $150m establishes a placeholder for ADA and school security improvements. At $200m additional amounts are allocated for ADA and seismic improvements. No dollars were allocated towards stage safety and playground upgrades in any scenario; some, though not substantial, progress can be made on these fronts via grants and the district's annual capital budget. It's also important to note that the bond's modernization budget includes a very significant portion – in the range of 30% or around $175m - of its budget devoted towards health and safety including sizable seismic and ADA components. These type improvements are also generally most efficiently made when part of a larger renovation – like a full scale modernization – vs. piecemeal. **Appendix D** details proposed safety allocations under the three scenarios.

We welcome questions and further review.

Appendix A – List of School Sites Included in Evaluation

FACILITY	Current Use	Year Constructed	SF Floor Area	Number of Stories
Abernethy	Elementary	1925	65,897	3
Ainsworth	Elementary	1912	85,070	3
Ainsworth Annex	Elementary	1921	8,202	1
Alameda	Elementary	1954	103,809	2
Applegate	Elementary	1929	26,101	1
Arleta	Elementary	1949	138,609	2
Astor	Elementary	1952	94,552	1
Atkinson	Elementary	1928	96,738	1
Beach	Elementary	1926	71,299	3
Beaumont	Middle	1926	130,027	2
Boise-Eliot	Elementary	1951	69,097	2
Bridger	Elementary	1958	84,602	1
Bridlemile	Elementary	1921	107,810	1
Buckman	Elementary	1917	126,861	3
Capitol Hill	Elementary	1923	102,247	2
Chapman	Elementary	1928	103,945	3
Chavez	Middle	1949	132,590	2
Chief Joseph	Elementary	1970	86,650	1
Clarendon	Pre-K	1928	47,063	1
Clark / Creative Science School	Elementary	1937	88,906	1
Cleveland	High	1955	351,185	3
Columbia	Tenant	1948	48,306	2
Creston	Elementary	1953	131,931	1
Creston Annex	Elementary	1926	10,175	1
Duniway	Elementary	1933	145,731	2
East Sylvan / Odyssey	Elementary	1911	24,986	2
Fernwood / Beverly Cleary	Middle	1998	124,441	3
Forest Park	Elementary	1950	71,242	1
George	Middle	1923	162,187	1
Glencoe	Elementary	1952	98,859	2
Gray	Middle	1986	129,941	1
Green Thumb	Special Education	1927	32,767	1
Grout	Elementary	1949	114,314	3
Harrison Park	Elementary	1954	207,101	1
Hayhurst	Elementary	1972	93,585	1
Holladay Center	Special Education	1958	60,393	1
Hollyrood	Elementary	1925	30,195	1
Hosford	Middle	1959	127,915	3

Humboldt	Elementary	1932	82,245	1
Irvington	Elementary	1966	93,816	2
Jackson	Middle	1929	326,155	2
James John	Elementary	1909	63,725	2
Jefferson	High	1952	300,955	4
Kelly	Elementary	1969	152,653	1
Kelly Learning Center	Special School	1913	14,651	
Kenton	Tenant	1925	52,363	3
King	Elementary	1927	192,551	2
Lane	Middle	1923	94,866	2
Laurelhurst	Elementary	1953	90,292	2
Lee	Elementary	1949	111,104	1
Lent	Elementary	1952	141,329	1
Lewis	Elementary	1928	85,366	1
Llewellyn	Elementary	1948	112,510	2
Maplewood	Elementary	1951	58,783	1
Markham	Elementary	1960	145,590	1
Marshall	High	1921	271,427	3
Marysville	Elementary	1953	110,227	1
Meek / Alliance	Elementary	1914	61,960	1
MLC	Special School	1928	80,635	3
Monore / Davinci Arts	Special School	1952	102,002	3
Mt. Tabor	Middle	1925	162,767	1
Ockley Green	Elementary	1952	106,806	2
Peninsula	Elementary	1908	113,193	1
Richmond	Elementary	1961	96,934	1
Rieke	Elementary	1931	52,385	1
Rigler	Elementary	2006	112,806	2
Rosa Parks	Elementary	1912	102,995	2
Rose City Park	Elementary	1923	100,877	3
Roseway Heights	Middle	1928	155,619	2
Sabin	Elementary	1952	100,611	3
Sacajawea	Pre-K	1949	18,751	1
Scott	Elementary	1914	117,296	1
Sellwood	Middle	1949	115,267	3
Sitton	Elementary	1939	109,329	1
Skyline	Elementary	1958	45,612	2
Smith	Elementary	1965	38472	
Stephenson	Elementary	1925	72,302	1
Sunnyside	Elementary	1916	97,919	2
Terwilliger	Tenant	1954	24,646	1
Tubman	Middle	1931	120,571	2

Vernon	Elementary	1929	116,436	3
Vestal	Elementary	1954	149,695	2
West Sylvan	Middle	1954	209,247	2
Whitman	Elementary	1959	109,211	1
Wilson	High	1954	365,559	3
Winterhaven	Elementary	1930	39,084	2
Woodlawn	Elementary	1926	131,805	1
Woodmere	Elementary	1954	142,748	1
Woodstock	Elementary	1910	121,287	1
Youngson	Elementary	1955	55,969	1
90			**9,786,734**	

Appendix B – Age of PPS Schools

Age of Construction	Count	Percent
0-20	2	2%
21-40	1	1%
41-60	12	13%
61-80	32	36%
81-100	33	37%
100+	10	11%
Total	90	100%

Average Age: 76 Years

Appendix C – Hazard Area / Cost Analysis / Cost Data Source

EHS Capital Planning Program Cost Analysis

Summary of Program Costs 2017-2023 Rev. 8

Project Area	Project Costs	Possible Number of Schools Funded*	Cost Data Source
Improve building foundations and ventilation to mitigate radon levels	$ 1,126,125	30	ACC Cost Estimate 11/2016, based on 2016 PPS Risk Management Database.
Repair unsafe auditorium stages	$ 6,177,133	37	Auditorium Stage Safety- ACC Cost Estimate 11/2016, based on 2008-13 PPS FAM Inspection Reports and Needs Assessments.
Remove or encapsulate exposed lead paint	$ 16,623,936	88	PBS Environmental Report and Cost Estimate 12/2016.
Remove or encapsulate exposed asbestos	$ 21,297,466	88	ACC Cost Estimate 12/2016, based on 2016 PPS Risk Management Database.
Replace old pipes and fixtures to reduce lead and improve water quality	$ 28,492,000	90	CH2M Report and Cost Estimate 12/2016.
Improve playground safety and accessibility	$ 37,243,490	73	ACC Cost Estimate 12/2016, based on 2016 Faubion Modernization Playground Costs.
Improve ADA accessibility	$ 100,680,717	90	ACC Cost Estimate 11/2016, based on 2013 Akrom Moisan Architects ADA Assessment with Cost Estimate.
Updated fire safety alarms and sprinkler system	$ 131,459,611	84	ACC Cost Estimate 12/2016, based on 2016 PPS FAM Inventory of Existing Conditions.
Strengthen school safety and security	$ 54,254,027	90	Triad Consulting Cost Estimate 12/2016 and ACC Cost Estimate 11/2016, based on PPS Security Specifications.
Fix leaky and deteriorating roofs, exterior walls, or windows	$ 311,485,127	90	ACC Cost Estimate 11/2016, based 2014 on PPS FAM Existing Conditions Assessment and 2008-13 Professional Roof Consultants, Inc. Assessments (Roofs) and ACC Cost Estimate 12/2016 based on 2016 PPS FAM Inventory (Building Envelopes).
Make seismic upgrades	$ 934,959,273	90	ACC Cost Estimate 11/2016, based on 2009 KPFF Consulting Engineers Seismic Assessment and Approximate Cost Data Extrapolated for All Facilities.
Total	$ 1,643,798,906		

*Number of sites based on identified need.

NOTES:

1. Total cost includes cost of work, soft costs, contingencies for estimating, program and design, and construction, and escalation due to inflation and market conditions.

2. Contingencies based on cost of work in 2017 dollars.

3. Assumes 90 school sites.

4. Assumes 6 year bond program 2017-2023.

Appendix D – EHS Capital Projects Program Cost and Proposed Allocation

EHS Capital Planning Program Cost Analysis

Staff Recommendation

Rev. 8

Project Area	Assumed Project Costs	$100M	Number of Schools Funded	$150M	Number of Schools Funded	$200M	Number of Schools Funded
Improve building foundations and ventilation to mitigate radon levels	$ 1,126,125	$ 1,126,125	Up to 30	$ 1,126,125	Up to 30	$ 1,126,125	Up to 30
Repair unsafe auditorium stages	$ 6,177,133	$ -	..	$ -	...	$ -	...
Remove or encapsulate exposed lead paint	$ 16,623,936	$ 16,623,936	Up to 88	$ 16,623,936	Up to 88	$ 16,623,936	Up to 88
Remove or encapsulate asbestos	$ 21,297,466	$ 9,000,000	Up to 37	$ 12,000,000	Up to 48	$ 14,000,000	Up to 58
Replace old pipes and fixtures to reduce lead and improve water quality	$ 28,492,000	$ 28,492,000	Up to 90	$ 28,492,000	Up to 90	$ 28,492,000	Up to 90
Improve playground safety and accessibility	$ 37,243,490	$ -	...	$ -	...	$ -	...
Improve ADA accessibility*	$ 100,680,717	$ 5,000,000	Up to 4*	$ 10,000,000	Up to 9*	$ 15,000,000	Up to 13*
Updated fire safety alarms and sprinkler system	$ 131,459,611	$ 19,757,939	Up to 13	$ 25,849,990	Up to 16	$ 31,757,939	Up to 20
Strengthen school safety and security	$ 54,254,027	$ -	...	$ 5,000,000	Up to 11	$ 8,000,000	Up to 13
Fix leaky and deteriorating roofs, exterior walls, or windows	$ 311,485,127	$ 20,000,000	Up to 5	$ 50,907,949	Up to 14	$ 80,000,000	Up to 23
Make seismic upgrades	$ 934,959,273	$ -	...	$ -	...	$ 5,000,000	Up to 2
Total	$ 1,643,798,906	$ 100,000,000		$ 150,000,000		$ 200,000,000	

*Locations funded may be greater if less extensive improvements implemented.

CAPITAL CONSTRUCTION FINANCIAL OVERVIEW

April 10, 2018

CURRENT BOND FINANCIAL STATUS

In millions

2017 -18 Activity	
Beginning balance from 2012 Bond	$117
Bond issue from 2012 ballot	62
2017 Bond Issue	347
Premium/income	13
	539
Spending projection	(63)
Ending balance 6/30/18	476
2018-19 Activity	
Income	3
Spending projection	(185)
Ending balance 6/30/19	294
Remaining issuance authority	443
Total available to finish program	$737

- Beginning of eight year plan
- Not a cash problem

2012 BOND

Nearing completion - remaining projects:

- Finish Grant HS
- Maker Space at Roosevelt

Schools larger than original specifications

- Increased capacity
- More classrooms for full time classload

Roosevelt Maker Space added to project ($5 million for space)

Currently forecast to cost $0-$10 million over funds available from 2012 authority

MIDDLE SCHOOL
IMPLEMENTATION/TRANSITION

REVISED UNFUNDED COSTS
(millions)

Tubman	$5.8
Roseway Heights	0.2
Rose City Park	1.9
Holladay/Youngson	0.7
Contingency	2.5
Design/soft costs to date	0.8
Total construction	11.9
Owner costs	1.4
	13.3
Fundable from bond Health & Safety	-1.9
Total unfunded costs	$11.4

*****Does not include any costs of transitioning ACCESS

2017 BOND

in millions

	PROJECTED COSTS		
	Original scope		Local School
	For ballot	Current	Reconciliation
Middle School			
Kellogg (Fall 21)	45	58	47
High Schools			
Madison (Fall 21)	146	186	172
Lincoln (Fall 22)	187	218	196
Benson (Fall 23)	202	254	254
Total Buildings	580	716	669
Total Health & Safety	at least 150	150	150
Program Contingency	20	20	20
Management	40	40	40
TOTAL	790	926	879
Needed reconciliation		(136)	(89)

BUILDING PROCESS STATUS

KELLOGG

- Board approved master plan at original scope.
- Later analysis showed costs were much higher
- Internal group including educational leader reduced scope to get cost down
  - Some efficiencies
  - Smaller classrooms, no breakout rooms
  - Removed small fourth floor
- Must bring revised master plan back for board approval

MADISON

- Internal group met and reduced costs to "bare minimum" $172 million
  - Removes all field improvements
  - Removes 4 classrooms, 2 labs, 4 collaboration spaces
  - Smaller classrooms, science labs
- Waiting for direction on budget. Will then submit master plan to Board
- Can meet Fall 21 opening date if decision made by mid-May and scope changes not too large

LINCOLN

- Internal group met and reduced costs to $196 million
- Still working on reductions.
- Decision needed by mid-May

BENSON

- No group meeting as yet

OPTIONS

MIDDLE SCHOOL IMPLEMENTATION/TRANSITION

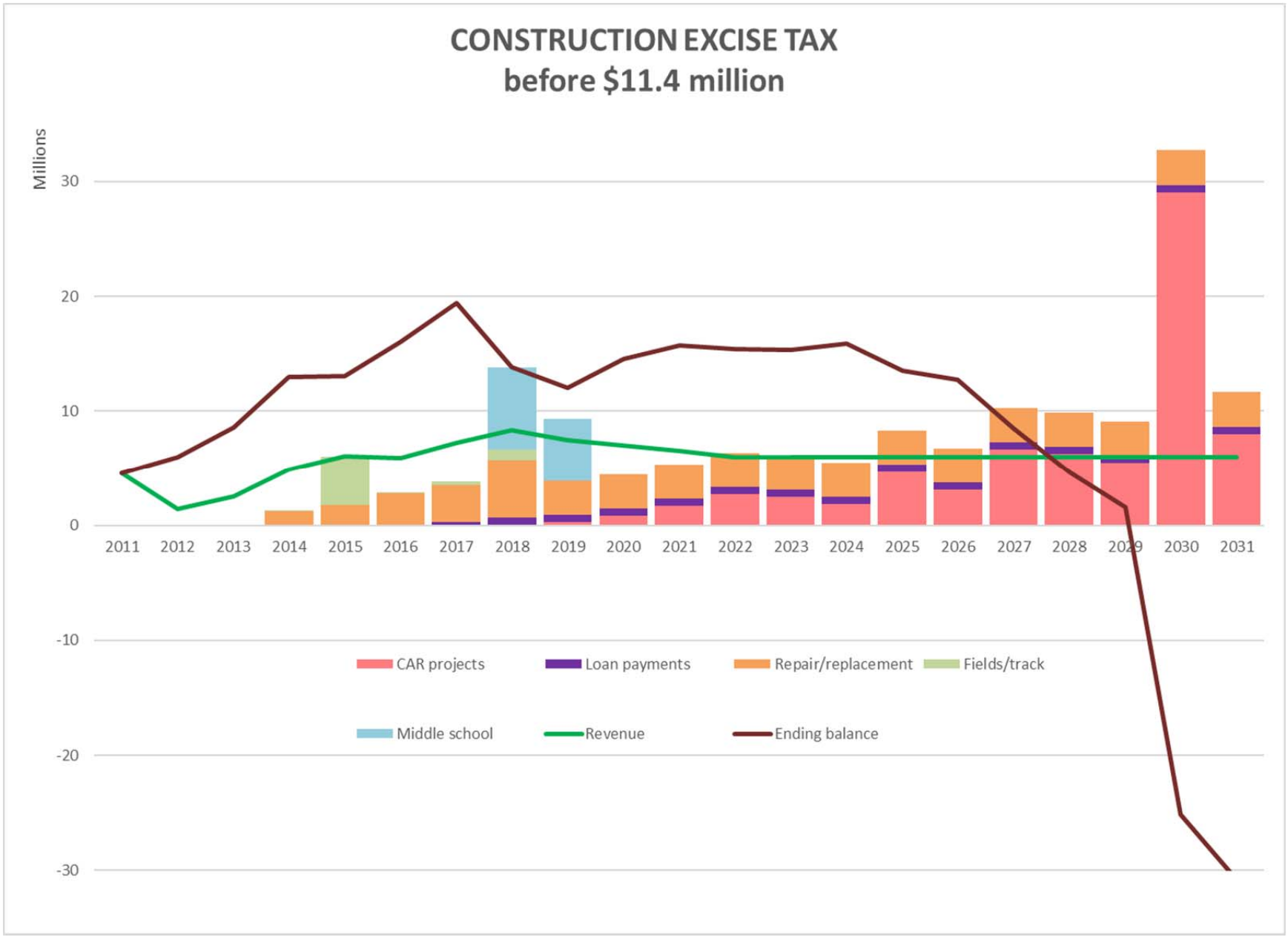
- Include all unfunded construction costs in bond funding.
- Charge non-bond funded items to construction excise tax
    - Barely fits – can handle about $12 million
    - Allows $3 million per year for rest of schools in addition to Health and Safety bond and $1 million General Fund transfer
    - Requires postponing/repealing dedication to capital asset renewal
- Borrow money and repay from General Fund
    - Debt service about $1 million per year on 15 year loan @4%.
    - Could declare intent to refund from next voter approval

2012 BOND

- Include all unfunded construction costs in bond funding.
- Charge non-bond funded items to construction excise tax
    - Probably won't fit if this solution used for middle school implementation
- Borrow money and repay from General Fund or CET
    - Could declare intent to refund from next voter approval

BOND OPTIONS

- Kellogg - consider revised master plan when it is ready
- High schools
    - Set timelines for high school building master plan approval
    - Continue the local process of analyzing/removing costs based on the timelines
    - Establish district reconciliation process to ensure equity across all high schools
    - Budget options
        - Go forward with reduced costs/scope
        - Do buildings in phases, fund second phase from next voter approval
        - Raise more money - some will come from structure of next bond issue and interest earnings
        - Borrow to complete projects, refund with next voter approval


CONSTRUCTION EXCISE TAX
before $11.4 million
Millions
30
20
10
0
-10
-20
-30
2011
2012
2013
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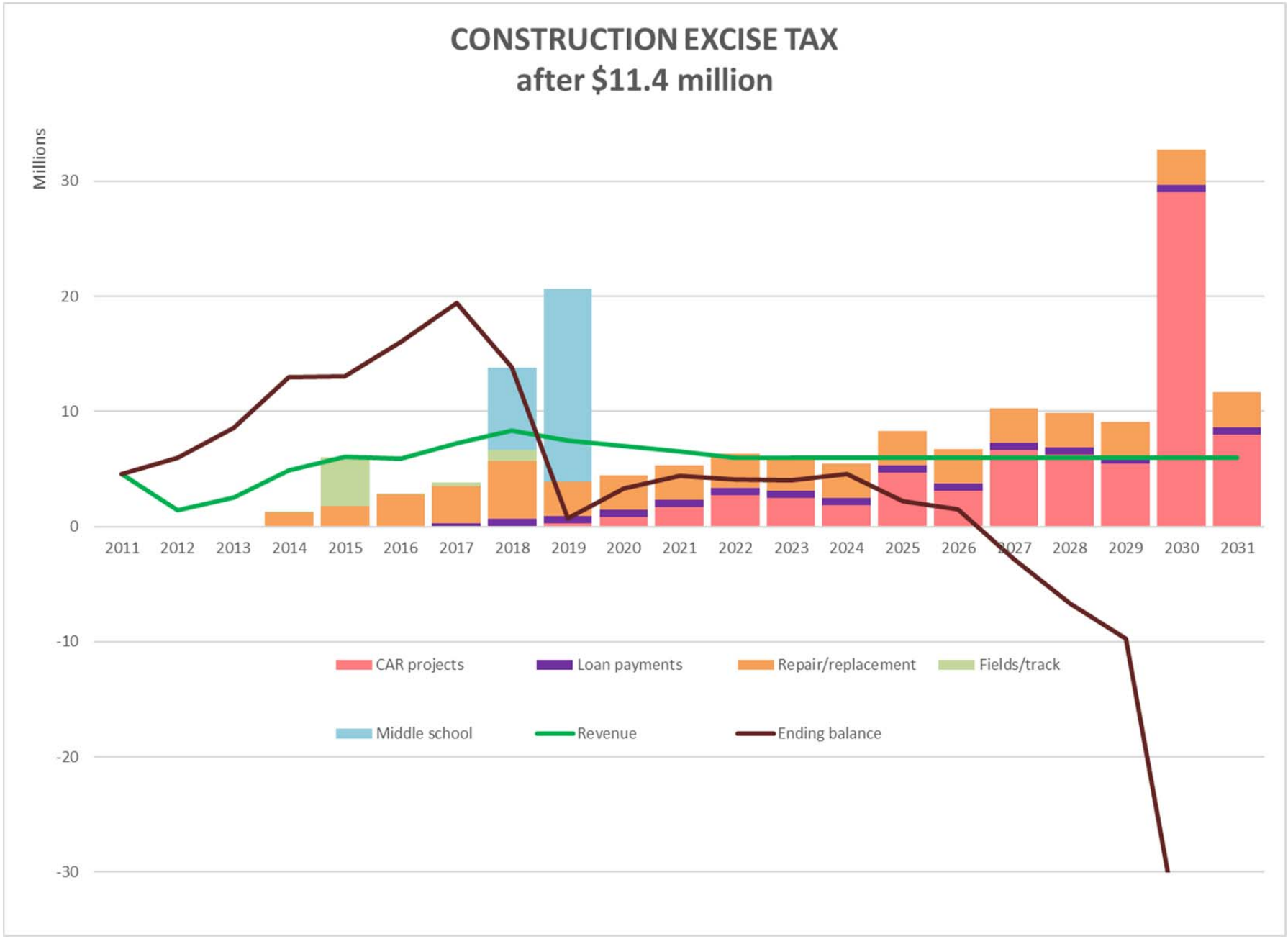
2031
CAR projects
Loan payments
Repair/replacement
Fields/track
Middle school
Revenue
Ending balance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REPRESENTATIVE EXAMPLE

20-Year Captial Asset Renewal Plan for Rebuilt Schools

September 3, 2011

Year End	Buildings	Capital Expense	CET Revenue Fund 404 (Note 1)	RZB (Note 2)	Interest Earned	Lease Revenue (Note 3)	Athletic Field Revenue (Note 4)	Surplus Sales (Note 5)	Total Revenue (Note 6)	ISF Balance (Note7)
2011	2		$2,476,972		$6,083				$2,483,055	
2012	1		$1,500,000		$9,097		$125,400	$2,000,000	$3,634,497	$2,483,055
2013		(6,052)	$1,500,000		$18,176		$125,400		$1,643,576	$6,117,552
2014	2	(88,829)	$1,500,000		$22,622		$125,400		$1,648,022	$7,765,077
2015	4	(190,712)	$1,500,000		$35,746		$125,400		$1,661,146	$9,314,269
2016	1	(95,922)	$1,500,000		$41,264	$215,377	$293,175		$2,049,816	$10,784,703
2017	1	(844,418)	$1,500,000		$46,927	$221,839	$293,175		$2,061,941	$12,738,597
2018	1	(6,144)	$3,000,000		$68,655	$228,494	$293,175		$3,590,324	$13,956,120
2019		(509,469)	$3,000,000		$83,382	$235,349	$293,175		$3,811,906	$17,540,300
2020	2	(1,799,964)	$3,000,000		$95,536	$242,409	$293,175		$3,831,120	$20,642,737
2021	4	(4,095,327)	$3,000,000		$122,120	$249,681	$293,175		$3,864,976	$22,473,893
2022	1	(1,534,856)	$3,000,000		$129,250	$257,172	$293,175		$3,879,597	$22,043,542
2023	1	(2,658,371)	$3,000,000	$1,200,000	$145,766	$264,887	$293,175		$4,903,828	$24,188,283
2024	1	(2,117,247)	$3,000,000	$1,200,000	$188,612	$272,834	$293,175		$4,954,621	$26,432,740
2025		(3,187,077)	$3,000,000	$1,200,000	$207,435	$281,019	$293,175		$4,981,629	$29,270,114
2026	2	(6,930,962)	$3,500,000	$1,200,000	$218,941	$289,449	$293,175		$5,501,565	$31,064,666
2027	4	(6,835,954)	$3,500,000	$1,200,000	$249,135	$298,133	$293,175		$5,540,443	$29,635,269
2028	1	(6,472,668)	$3,500,000	$1,200,000	$231,755	$307,077	$293,175		$5,532,007	$28,339,758
2029	1	(13,215,080)	$3,500,000	$1,200,000	$204,694	$316,280	$293,175		$5,514,149	$27,399,198
2030		(20,380,810)	$3,500,000	$1,200,000	$144,062	$325,778	$293,175		$5,463,016	$19,698,267
Total	29	($70,970,763)	$52,976,972	$9,600,000	$2,269,280	$4,005,778	$4,899,225	$2,000,000	$75,751,235	$4,780,471

Cost Esimates from Archectural Cost Consultants (ACC), Rider Levett Bucknall (RLB) and District internal estimates.

Notes

1. CET: Construction Excise Tax. $1.5M years 1-7. $3M years 8-15. $3.5M years 16-20.
2. Recovery Zone Bond: Energy (Utility Bill) Savings used to pay off Recovery Zone Bond debt redirected toward Capital Maintenance Program
3. Lease Revenue: Revenue used for Capital Maintenance from the lease of District property. At a minimum, lease revenue would be base-lined at the FY 11/12 present day value to hold the General Fund
4. Future Athletic Field Lease Revenue Beginning 2012
5. Estimated Revenue from the Sale of Washington Monroe
6. Sum of CET Revenue + RZB + Interest Earned + Lease Revenue + Athletic Field Revenue + Surplus Sales
7. Internal Service Fund Balance = Total Revenue - Capital Expense

For more information, contact Facilities and Asset Management, Tony Magliano at 503-916-3401.