MUNICIPALITY OF ANCHORAGE

ORDINANCE No. 2019-145


Prepared by

K&L GATES LLP
MUNICIPALITY OF ANCHORAGE
ORDINANCE No. 2019-145

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* This Table of Contents and the cover page are for convenience of reference and are not intended to be a part of this ordinance.
MUNICIPALITY OF ANCHORAGE, ALASKA
ORDINANCE No. 2019-145


WHEREAS, the existing educational facilities serving the Municipality of Anchorage, Alaska (the “Municipality”) are in need of building systems renewal, and replacements, planning and design, renovations, earthquake recovery and construction projects; and

WHEREAS, the Assembly of the Municipality and School Board have identified necessary construction, renovations, replacements, upgrades, planning and design and improvements to school facilities; and

WHEREAS, in order to provide funds to perform the necessary construction, renovations, replacements, upgrades, planning and design and improvements as further described in Section 1 of this ordinance (the “Projects”), it is deemed necessary and advisable that the Municipality issue and sell its general obligation bonds in the principal amount of not to exceed $82,833,000 (the “Bonds”); now, therefore,

THE ANCHORAGE ASSEMBLY ORDAINS:

Section 1. Purpose. The Assembly hereby determines that the education facilities and building systems are in need of construction, renewal, replacement, planning, design, renovation and earthquake recovery (the “Projects”). Specifically, the Projects include design funding to replace Inlet View Elementary School, design and construction funding for infrastructure capital improvements at Aquarian Charter School, design and construction of building wide earthquake damage repairs, seismic upgrades and building improvements at Bartlett, East, King Tech, Chugiak, Eagle River, and Dimond High Schools, Mirror Lake and Central Middle Schools, Fire Lake, Chugiak, and Bear Valley Elementary Schools and Whaley School, design and construction of building wide earthquake damage
repairs, seismic upgrades, building, security and educational improvements at Gruening Middle School and Eagle River Elementary School, and planning and design projects for 2022 deferred capital requirement projects.

The Projects are described in more detail in the Assembly Memorandum accompanying this ordinance. The cost of all necessary planning, acquisition of property for, site preparation, construction, installing and equipping of the Projects, architectural, engineering, design, and other consulting services, inspection and testing, administrative and relocation expenses, costs of issuance of the Bonds (hereinafter defined) and other costs incurred in connection with the Projects shall be deemed to be costs of the approved Projects. The approved Projects may be completed with all necessary equipment and appurtenances. The District is currently working with the State of Alaska Division of Homeland Security and Emergency Management and the Federal Emergency Management Agency (FEMA) on potential reimbursement of earthquake damages for the Projects, as well as other District facilities. Any reimbursement is subject to FEMA approval.

The School District shall determine the application of available money as between the various Projects set forth above so as to accomplish, as nearly as may be, all of the Projects described or provided for in this section.

If the School District shall determine that it has become impractical to accomplish any portion of the approved Projects by reason of changed conditions or needs, incompatible development or costs substantially in excess of those estimated, the School District shall not be required to accomplish such portions and shall apply Bond proceeds as set forth in this section.

If the approved Projects have been completed in whole or in part, or their completion duly provided for, or their completion found to be impractical, the School District may apply Bond proceeds or any portion thereof to other School District capital improvements as the School Board in its discretion shall determine and, if otherwise, then solely to payment of principal or interest on the Bonds, as provided in the Home Rule Charter. In the event that the proceeds of sale of the Bonds, plus any other money of the School District legally available, are insufficient to accomplish the approved Projects, the School District shall use the available funds for paying the cost of those portions of the approved Projects for which the Bonds were approved deemed by the School Board most necessary and in the best interest of the School Board. No Bond proceeds shall be used by the Municipality for any purpose other than a capital improvement of the Municipality.

For the purpose of providing funds for the undertaking of the Projects, which are hereby found to be a public purpose and in the public interest, the Municipality hereby proposes to issue general obligation bonded indebtedness in an amount not to exceed Eighty-Two Million Eight Hundred Thirty-Three Thousand Dollars ($82,833,000) (the “Bonds”).
Section 2. Details of Bonds. The Bonds shall be sold in such amounts and at such time or times as deemed necessary and advisable by the Assembly and as permitted by law and shall mature over a period of not to exceed 20 years from date of issue. The Bonds shall be issued in an aggregate principal amount of not to exceed $82,833,000. The Bonds shall bear interest to be fixed at the time of sale or sales thereof. The exact form, terms, conditions, contents, security, options of redemption, and such other matters relating to the issuance and sale of said Bonds as are deemed necessary and advisable by the Assembly shall be as hereinafter determined and/or delegated by ordinance and/or resolution of the Assembly.

The full faith and credit of the Municipality is pledged for the payment of the principal of and interest on the Bonds, and ad valorem taxes upon all taxable property in the Municipality shall be levied without limitation as to rate or amount to pay the principal and interest on the Bonds when due.

Section 3. Ballot Proposition. The Assembly hereby submits to the qualified voters of the Municipality the proposition of whether or not the Municipality should issue the Bonds for the purpose of financing the costs of the approved Projects at the regular municipal election to be held on April 7, 2020.

The Clerk shall prepare the ballot proposition to be submitted to the voters as provided by this ordinance and the Municipal Code and shall perform all necessary steps in accordance with law to place this proposition before the voters at the regular election. The proposition must receive a majority vote of those in the Municipality voting on the question to be approved. The proposition shall be substantially in the following form:

PROPOSITION NO. _____

CAPITAL IMPROVEMENTS FOR THE ANCHORAGE SCHOOL DISTRICT BONDS

For the purpose of providing educational capital improvements, construction, upgrades, design, planning, renovation and earthquake recovery of school facilities and educational facility building life extension projects within Anchorage, as provided in AO 2019-145, shall Anchorage borrow money and issue up to $82,833,000 in principal amount of general obligation bonds?

The general obligation bond proceeds will be used to pay costs of constructing, renovating, installing, designing, planning, acquiring and equipping educational capital improvement projects including, but not limited to, design
funding to replace Inlet View Elementary School, design and construction funding for infrastructure capital improvements at Aquarian Charter School, designing and constructing building wide earthquake damage repairs, seismic upgrades and building improvements at Bartlett, East, King Tech, Chugiak, Eagle River, and Dimond High Schools, Mirror Lake and Central Middle Schools, Fire Lake, Chugiak, and Bear Valley Elementary Schools and Whaley School, designing and constructing building wide earthquake damage repairs, seismic upgrades, building, security and educational improvements at Gruening Middle School and Eagle River Elementary School, and planning and design projects for 2022 deferred capital requirement projects.

Voter approval of this bond proposition authorizes for each $100,000 of assessed taxable property value (based on the estimated 2020 assessed valuation) an annual increase in taxes of approximately $18.45 to retire the proposed bonds.

The debt will be paid from real and personal property taxes levied and collected areawide in Anchorage. Anchorage will also pledge its full faith and credit for payment of the bonds.

Section 4. Effective Dates. Section 2 of this ordinance shall become effective only if the proposition described in Section 3 is approved by a majority of the qualified voters voting on the proposition at the regular election held on April 7, 2020. The remaining sections of this ordinance shall become effective upon passage and approval by the Assembly.

PASSED AND APPROVED by the Assembly of the Municipality of Anchorage, this 14th day of January, 2020.

By

Chair of the Assembly

ATTEST:

Municipal Clerk
MUNICIPALITY OF ANCHORAGE
ASSEMBLY MEMORANDUM
No. AM 778-2019
Meeting Date: December 17, 2019

From: ANCHORAGE SCHOOL DISTRICT
Subject: AO 2019-145 One Ballot Proposition to Provide For the Issuance of General Obligation Bonds for Educational Capital Improvements

The ordinance will place a general obligation bond proposition for the Anchorage School District on the ballot for the regular Municipal election to be held on April 7, 2020.

The Anchorage School Board approved one ballot proposition to provide for the issuance of general obligation bonds for education-related capital projects on November 19, 2019: ASD Memorandum #039 (2019-2020) AMENDED, Approval of April 2020 Bond Proposal. This recommendation includes proposed Capital Improvement Projects in the amount of $82,833,000.

The School Board requests the Anchorage Assembly place one proposition, as stated on AO 2019-145 on the April 7, 2020 ballot for consideration by qualified voters of the Municipality of Anchorage. The proposition will pay the cost of capital improvement projects for the Anchorage School District, including, but not limited to, the following:

<table>
<thead>
<tr>
<th>Projects</th>
<th>Estimated Cost</th>
<th>Estimated Annual Operating and Maintenance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inlet View Elementary School Replacement Design</td>
<td>$3,346,000</td>
<td></td>
</tr>
<tr>
<td>Aquarian Charter School Capital Improvements</td>
<td>$6,800,000</td>
<td></td>
</tr>
<tr>
<td>12 School Earthquake Recovery Projects</td>
<td>$26,926,000</td>
<td></td>
</tr>
<tr>
<td>Gruening Middle School and Eagle River Elementary Earthquake Recovery &amp; Capital Improvements</td>
<td>$42,510,000</td>
<td></td>
</tr>
<tr>
<td>Planning &amp; Design Projects for 2020 Deferred Requirements Projects</td>
<td>$3,251,000</td>
<td></td>
</tr>
<tr>
<td>Proposition Total</td>
<td>$82,833,000</td>
<td>$0</td>
</tr>
</tbody>
</table>

This proposal provides for capital improvement earthquake recovery, security improvements, seismic resilience and mitigation, and planning and design projects. The approximate annual amount of taxes on $100,000 of assessed real and personal property
value (based on the estimated 2019 assessed valuation) to retire the proposed debt is $18.45.

Voters will not be asked to approve an increase in annual operating costs.

The District is currently working with the State of Alaska Division of Homeland Security and Emergency Management and the Federal Emergency Management Agency (FEMA) on potential reimbursement of earthquake damages for the schools identified in the AO, as well as other District facilities. Any reimbursement is subject to FEMA approval, and potentially could reduce project costs to the taxpayers.

The projects are described in more detail per ASD Memorandum #039 (2019-2020), Attachment A.

**DOCUMENTATION OF NEED:**

The District operates and maintains the largest physical plant of any public entity in the state, with approximately 7.8 million square feet of facilities. The replacement value of District buildings exceeds $2 billion. The District is responsible for 91 facilities, housing approximately 46,200 students (more students than the total of the next four largest Alaska districts), and over 6,000 staff members. Anchorage educates nearly 36 percent of the State's total student population. Not only is the facility inventory large, it is aging. The average age of district facilities is 35 years. Approximately 28% of the facilities are over 50 years old, including 9 facilities that are 60 years or older.

On November 30, 2018, a 7.1 magnitude earthquake caused extensive damage to Anchorage, Eagle River and Chugiak area schools and District facilities. Specifically, Eagle River Elementary and Gruening Middle Schools were closed and the students moved to other buildings in preparation for damage repair and renewal. All schools and facilities were assessed for damage. This proposition includes damage repair for Eagle River Elementary, Gruening Middle and 12 additional schools that require damage repair, mitigation, and recovery work as a result of the earthquake.

Facility systems have an expected life span and the extreme conditions of Alaska only shorten their life expectancy. Roofs (20-25 years) deteriorate and leak; boilers (25-30 years), plumbing and ventilation systems wear out; and other systems like fire alarms, security systems, intercoms, etc., (10-15 years) age to the point where they are no longer supported. Various code changes over the years and in some situations, legal compliance requires facilities to be updated. Moreover, roof replacements and other upgrades often require seismic structural upgrades to meet more stringent building codes.

Functional obsolescence is another challenge facing older schools. LED lighting is quickly replacing florescent lighting to capture energy savings. Over the life of a school, programmatic changes take place that require updating the facility. For example, there is continual need to update electrical distribution systems in schools to accommodate current technology. Additionally, current educational delivery methods require physical layouts that are often different and more flexible than those of 30 to 40 years ago.

Capital Planning Management

Since 2009, the District has implemented a Facility Condition Assessment Program (FCAP) in order to identify and prioritize facility capital requirements more strategically based on quantitative data. The District has integrated the use of VFA software to assist in assessing
facility conditions, maintain the facility condition database and analyze the information to
determine and forecast capital planning needs.

The FCAP centralizes information on facilities' component and system conditions as well as
remaining life expectancy. This information is collected during facility condition
assessments utilizing a systematic and consistent methodology. The collected information
serves as a basis for identifying, prioritizing and estimating costs of the District's capital
needs and is used for both short term and long term planning purposes.

Facility Condition Assessments
The District contracts annually with VFA (a nationally recognized firm) to maintain the
FCAP. From 2009 to 2013, all District-owned facilities were assessed by a team of engineers
and architects. Currently, the District performs facility condition assessments internally
throughout the year.

The facility condition assessment process is a field assessment where building system
components are evaluated based on condition and age of the system. Results of the initial
assessment identified aging system requirements, in addition to recommended replacement
year and estimated cost. This data is maintained in the FCAP database and validated
annually by District staff that provides quality control and incorporates institutional
knowledge on the collected information.

Based on the facility condition assessment, a Facility Condition Index (FCI) is calculated to
determine its relative condition and estimated investment cost versus like replacement cost.
All District facilities have an individual FCI and a Districtwide FCI can also be determined
to measure the condition of the physical plant. According to the national standard, an FCI
less than .05 is considered Excellent, .05-.10 is considered Good and .10-.1.0 ranges from Fair
to Poor. With an estimated ~$2 billion Current Replacement Value (CRV) and a ~$667 M
deferred requirements backlog, the District's current FCI is ~0.32.

According to the National Council of School Facilities "2016 State of Our Schools Report", best
practice within the facility management industry is to re-invest 3% of the CRV annually for
Minor Repair/Preventive Maintenance. This amount covers annual maintenance and
operations, typically funded through the General Fund. Additionally, 4% of the CRV is
recommended to include renewals, alterations and reduce deferred capital requirements,
normally funded through Capital Funds. Capital funding includes 2% for key component
renewals (roofs, boilers, etc...); 1% for alterations to meet programmatic changes and
technological developments, and 1% for the systematic reduction of deferred requirements.
For the District, this would equate to ~$60M/year for Minor Repair/Preventive
Maintenance, $40M for key component renewals (roofs, boilers, etc...), $20M for alterations
to meet programmatic changes and technological developments, and $20M for systematic
reduction of deferred requirements.

Educational Adequacy Assessments
Educational program requirements are defined by districtwide educational specifications
for elementary, middle and high school levels, which were approved by the School Board
on September 6, 2012. The Educational Adequacy Index (EAI) reflects the ability of a school
to meet their educational program requirements by evaluating the quantity, configuration,
size, and existence of spaces defined by educational specifications. For example, a school
would have a higher EAI if they did not have enough classrooms to offer health classes, or a
gymnasium in addition to a multi-purpose room in order to allow for concurrent lunches and physical activity.

To date, all district-owned school sites have been assessed for educational adequacy except for the King Technical High School. In 2010-11, sixteen locations were assessed, nineteen sites were assessed in 2011, 50 sites were assessed in 2012, and Aquarian Charter School was assessed in 2015.

Much like the FCI, an EAI is the ratio of the cost to correct educational specification deficiencies divided the replacement cost of the facility. Unlike the FCI, an industry standard does not exist for an EAI. However, a high EAI reflects greater challenges with education program delivery compared to a school with a smaller EAI. Addressing EAI deficiencies often requires extensive renovations.

**CITIZEN’S REVIEW PROCESS**

**Capital Improvement Advisory Committee**

The CIAC held meetings in June and July 2019 to review options and develop recommendations for the 2020-2025 Capital Improvement Plan and 2020 bond proposal. The CIAC co-chair prepared a summary of the committee’s recommendation (ASD Memorandum #039 (2019-2020) AMENDED, Attachment B). The committee generally supports the Capital Improvement Plan and recognizes the significant advantages in going to a multi-year bond cycle. The CIAC support the April 2020 bond proposal devoted to earthquake recovery projects eligible for reimbursement by the Federal Emergency Management Agency (FEMA), and roughly matched to anticipated debt retirement.

On November 19, the School Board approved a revised, total bond amount of $82.833 million. This represents an 8.94% increase from the $76.033 million recommended by the Administration. The School Board amended the District’s recommendation by adding $6.8 million for Aquarian Charter School Capital Improvements.

**OVERALL DEBT SERVICE**

As of June 30, 2019, the District had $509.2 million of outstanding bonds, down $249 million from the same time 10 years ago. In the last five fiscal years, ASD has paid off $286.3 million of debt. During that time, the District received voter authorization to incur approximately $227.5 million of new debt to fund capital improvements; an overall debt reduction of $58.8 million.

The District works closely with the municipal administrators and financial advisors to engage the market to reduce the debt and interest rates regularly. Over the past four years, the District refunded $205.3 million in existing debt at an improved rate, reducing the overall debt service by nearly $15.1 million. This includes $11.5 million that was refunded in October 2019, which resulted in an additional $1.2 million in savings.

In the next five years, the District anticipates paying off approximately $243.3 million in principal, averaging about $48.66 million each year.

**STATE DEBT REIMBURSEMENT**

Since 1970, the State of Alaska has provided school districts up to 70 percent debt reimbursement for qualified, voter-approved capital improvement school bonds. Senate Bill 237, passed by the Legislature in July 2010, provided 60 percent or 70 percent debt
reimbursement on school construction projects that have received local voter approval after October 1, 2006. School construction projects that do not include additional square footage are typically eligible for 70 percent reimbursement.

Of the $509.2 million bonds outstanding as of June 30, 2019, the State debt reimbursement program is expected to cover 48.2 percent. This, however, is subject to appropriation and is susceptible to governor’s vetoes or legislative action.

Senate Bill 64, approved into law in April 2015, enacted a sunset of Alaska statutes related to the state debt reimbursement program effective January 1, 2015 through July 1, 2020. After five years, if the legislature does not take further action on these statutes, reimbursement rates of 50% for major maintenance and 40% for school construction would be reinstated for eligible projects under AS 14.11.100.

It is the District’s hope that the information provided in this memorandum assists the Assembly in making a decision regarding the placement of the District’s recommended bond proposition on the ballot for the April 7, 2020 Municipal Election.

Respectfully submitted

Dr. Deena Bishop
Superintendent

Attachments
Agenda Item Details

Meeting               Nov 19, 2019 - School Board Meeting - AMENDED
Category              G. Action Items
Subject               4. ASD Memorandum #039 - Approval of April 2020 Bond Proposal AS AMENDED
Type                  Action

Recommended Action    To approve the following bond proposal: Proposition I – Districtwide Earthquake Recovery, Security Improvements, and Planning & Design, including seismic resilience and mitigation, and planning and design in the amount of $82.833 million.

12/6/19: There was an administrative change to this memo, reflecting a $.03 change to estimated cost per $100,000, due to updated assessed property values from the Municipality of Anchorage. The MOA’s updated information was received after this memo was approved by the school board.

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #039 (2019-2020) AMENDED November 19, 2019

TO:               SCHOOL BOARD
FROM:           DR. DEENA BISHOP, SUPERINTENDENT
SUBJECT:       APPROVAL OF APRIL 2020 BOND PROPOSAL

ASD Core Value: The District will be open, transparent & accountable to the public.

RECOMMENDATION:

It is the Administration’s recommendation that the Anchorage School Board approve the following bond proposal:

Proposition I – Districtwide Earthquake Recovery, Security Improvements, and Planning & Design, including seismic resilience and mitigation, and planning and design in the amount of $82.833 million.

The bond proposition is summarized below:

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inlet View Elementary School Replacement School Design</td>
<td>$3,346,000</td>
</tr>
<tr>
<td>Aquarian Charter School Capital Improvements</td>
<td>$6,800,000</td>
</tr>
<tr>
<td>Earthquake Recovery Projects: Bartlett, East, King Tech, Fire Lake, Chugiak Elementary, Bear Valley, Chugiak High, Eagle River High, Mirror Lake, Dimond, Central, and Whaley.</td>
<td>$26,926,000</td>
</tr>
<tr>
<td>Earthquake Recovery and Educational Improvement Projects: Gruening and Eagle River Elementary</td>
<td>$42,510,000</td>
</tr>
<tr>
<td>Planning &amp; Design Projects – 2022 Deferred Requirements Projects</td>
<td>$3,251,000</td>
</tr>
<tr>
<td>Proposition I Total</td>
<td>$82,833,000</td>
</tr>
</tbody>
</table>

Individual project descriptions are provided in Attachment A.
PERTINENT FACTS:

The Capital Planning & Construction (CP&C) staff prepared a prioritized list of unfunded, emergent requirements utilizing the District’s Facility Condition Assessment Program. This consolidated list was prioritized into one, two and three-five year requirements by CP&C and Maintenance & Operations staff.

The District’s Capital Planning Committee (CPC) met to discuss unfunded facility requirements, proposed Courses of Action, and discuss strategies for a recommendation for a 2020 bond proposal. The CPC supported a single bond proposal.

The Capital Improvement Advisory Committee (CIAC) supports the 2020 bond primarily to earthquake recovery projects. The CIAC met on several occasions to discuss unfunded facility requirements and develop a recommendation for a 2020 bond proposal (Attachment B). The projects identified are the highest priority and focus on safety and protection of district facilities. The CIAC supports the Capital Improvement Plan and multi-year bond cycle.

On October 15, and November 5, the Administration briefed the Superintendent who approved the aforementioned recommendation to the Anchorage School Board.

On November 19, the School Board approved a revised, total bond amount of $82.833 million by including $6.8 million for Aquarian Charter School Capital Improvements. This represents an approximate increase of 8.94% increase from the $76.033 million recommended by the Administration.

Overall Debt Service

As of June 30, 2019, the District had $509.2 million of outstanding bonds, down $249 million from the same time 10 years ago. In the last five fiscal years, ASD has paid off $286.3 million of debt. During that time, the District received voter authorization to incur approximately $227.5 million of new debt to fund capital improvements; an overall debt reduction of $58.8 million.

The District works closely with the municipal administrators and financial advisors to engage the market to reduce the debt and interest rates regularly. Over the past four years, the District refunded $205.3 million in existing debt at an improved rate, reducing the overall debt service by nearly $15.1 million. This includes $11.5 million that was refunded in October 2019, which resulted in an additional $1.2 million in savings.

In the next five years, the District anticipates paying off approximately $243.3 million in principal, averaging about $48.66 million each year.

In October of 2019, the District sold voter-approved bonds for $41 million to cover cash flow requirements as described below:

- $300,000 for projects approved by the 2013 ballot proposition
- $1 million for projects approved by the 2014 ballot proposition
- $1.1 million for projects approved by the 2015 ballot proposition:
  - Mountain View Renewal
  - Rabbit Creek BLE
  - Turnagain Renewal
  - Gladys Wood Addition/Renovation
  - East Bus Driveway
- $16.8 million for projects approved by the 2017 ballot proposition:
  - Student Nutrition Roof
  - Muldoon Roof
  - Northwood ABC Roof
  - Nunaka Valley Roof
- King Career Center Roof
- West Roof
- Rogers Park Roof & HVAC
- Willow Crest Roof & HVAC
- West Gym/Auditorium HVAC
- West/Romig IMC

$14.1 million for projects approved by the 2018 ballot proposition:
- Birchwood Roof
- Bowman Roof Improvements
- Homestead Roof
- Kasuun Roof Improvements
- North Star Partial Roof
- Ptarmigan Partial Roof
- Russian Jack Roof Improvement
- Mears Roof Replacement
- East Gym Safety Improvements
- Service Fire Suppression

$7.7 Million for projects approved by the 2019 ballot proposition
- Orion Elementary Roof Replacement
- Eagle River Elementary School Roof Replacement
- Government Hill Elementary School Roof Replacement
- Bear Valley Elementary School Domestic Water Improvements
- O’Malley Elementary School Safety Improvements
- Homestead Elementary School Safety Improvements
- Taku Elementary School Roof Replacement & Restoration
- Chugiak High School Planning & Design Roof Replacement
- Bayshore Elementary School Boiler Replacement
- Prioritized Elementary Schools Security Projects
- Earthquake Recovery Eagle River and Chugiak Area

**State Debt Reimbursement**

Of the $509.2 million bonds outstanding as of June 30, 2019, the State debt reimbursement program is expected to cover 48.2 percent. This, however, is subject to appropriation and is susceptible to governor’s vetoes or legislative action.

Senate Bill 64, approved into law in April 2015, enacted a sunset of Alaska statutes related to the state debt reimbursement program effective January 1, 2015 through July 1, 2020. After five years, if the legislature does not take further action on these statutes, reimbursement rates of 50% for major maintenance and 40% for school construction would be reinstated for eligible projects under AS 14.11.100.

**Cost of $82.833 Million Bond Proposal to the Local Taxpayers**

The approximate amount of annual taxes on $100,000 of assessed property valuation to retire the proposed debt of $82.833 million is $18.45. The calculation of estimated taxes is based on an estimated 4.5 percent weighted interest rate for twenty years, as shown in attachment C.

The amount of annual taxes on $100,000 of assessed property valuation reduced due to bond debt retirement in FY 2019-20 of $55.745 million is $5.79. The difference between what is proposed and what will be retired is $12.65 per $100,000 of assessed valuation, or an increase of about 11.85%, if this proposition was sold at one time. However, most bond authorizations are sold over a three to five year period.

**Attachments:**

- April 2020 Proposed Bond Projects
Motion & Voting


Motion by Dave Donley, second by Deena Mitchell.
Final Resolution: Motion Fails
Yea: Andy Holleman, Dave Donley, Deena Mitchell
Nay: Starr Marsett, Elisa Vakalis, Alisha Hilde, Margo Bellamy

Substitution to amendment #1: Allocate $2.8 million dollars for the Aquarian roof replacement from reserve funds to replace amendment #1 to include $6.8 million for Aquarian capital improvements on the bond.

Motion by Dave Donley, second by Alisha Hilde.
Motion Fails
Yea: Elisa Vakalis, Dave Donley, Alisha Hilde
Nay: Andy Holleman, Starr Marsett, Deena Mitchell, Margo Bellamy

Amendment #1: I move to add up to $6.8 million dollars for Aquarian capital improvements.

Motion by Andy Holleman, second by Margo Bellamy.
Motion Passes
Yea: Andy Holleman, Dave Donley, Deena Mitchell, Margo Bellamy
Nay: Starr Marsett, Elisa Vakalis, Alisha Hilde

Amendment#2: I move to add Abbott Loop Elementary School design for replacement to the bond for an amount up to $4.3 million dollars.

Motion by Starr Marsett, second by Margo Bellamy.
Motion Fails
Yea: Starr Marsett, Deena Mitchell, Margo Bellamy
Nay: Andy Holleman, Elisa Vakalis, Dave Donley, Alisha Hilde
Amendment #3: I move to Amend language for Inlet View Elementary School project to replace: “Replacement Design” with “Remodel Design” AND replace project description with: “Design funding to remodel Inlet View Elementary School on the existing site.”

Motion by Dave Donley, second by Deena Mitchell.
Motion Fails
Yea: Dave Donley, Margo Bellamy
Nay: Andy Holleman, Starr Marsett, Elisa Vakalis, Alisha Hilde, Deena Mitchell

Amendment #4: I move to add Language to whatever Bond has earthquake projects:

With the exception of replacing funds used from District savings for earthquake related expenses; all and any reimbursement from the Federal Government to the Anchorage School District for Earthquake Recovery capital projects funded by bonds authorized by this bond package shall be applied to reduce outstanding Anchorage School District bond debt.

Motion by Dave Donley, second by Alisha Hilde.
Motion Fails
Yea: Dave Donley
Nay: Andy Holleman, Starr Marsett, Elisa Vakalis, Alisha Hilde, Deena Mitchell, Margo Bellamy

Main motion, as amended: To approve the following bond proposal: Proposition I – Districtwide Earthquake Recovery, Security Improvements, and Planning & Design, including seismic resilience and mitigation, and planning and design in the amount of $82.833 million.

Motion by Alisha Hilde, second by Andy Holleman.
Motion Passes
Yea: Andy Holleman, Starr Marsett, Deena Mitchell, Margo Bellamy
Nay: Elisa Vakalis, Dave Donley, Alisha Hilde
### ASD 2020 School Bond Proposal

## Capital Improvement Projects

<table>
<thead>
<tr>
<th>School Name</th>
<th>Project Description</th>
<th>Estimated Project Amount</th>
<th>Cumulative Project Amount</th>
<th>Projected Life Expectancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inlet View Elementary School Replacement Design</td>
<td>Design funding to replace Inlet View Elementary School including the demolition of the existing building and the construction of a new building on the existing site. This work will include new building, site circulation, and site improvements.</td>
<td>$3,346,000</td>
<td>$3,346,000</td>
<td>50 + years</td>
</tr>
<tr>
<td>Aquarian Charter School Capital Improvements</td>
<td>Design and Construction funding for capital improvements to address infrastructure deficiencies throughout the building.</td>
<td>$6,800,000</td>
<td>$10,146,000</td>
<td>25+ years</td>
</tr>
</tbody>
</table>

## Earthquake Recovery Projects (Planning, Design & Construction)

<table>
<thead>
<tr>
<th>School Name</th>
<th>Project Description</th>
<th>Estimated Project Amount</th>
<th>Cumulative Project Amount</th>
<th>Projected Life Expectancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bartlett High School Earthquake Recovery</td>
<td>Design and Construction funding for building wide earthquake damage repairs, seismic upgrades and building improvements.</td>
<td>$2,813,000</td>
<td>$12,959,000</td>
<td>25+ years</td>
</tr>
<tr>
<td>East High School Earthquake Recovery</td>
<td>Design and Construction funding for building wide earthquake damage repairs, seismic upgrades and building improvements.</td>
<td>$11,266,000</td>
<td>$24,225,000</td>
<td>25+ years</td>
</tr>
<tr>
<td>King Tech High School Earthquake Recovery</td>
<td>Design and Construction funding for building wide earthquake damage repairs, seismic upgrades and building improvements.</td>
<td>$380,000</td>
<td>$24,605,000</td>
<td>25+ years</td>
</tr>
<tr>
<td>Fire Lake Elementary School Earthquake Recovery</td>
<td>Design and Construction funding for building wide earthquake damage repairs, seismic upgrades and building improvements.</td>
<td>$435,000</td>
<td>$25,040,000</td>
<td>25+ years</td>
</tr>
<tr>
<td>Chugiak Elementary School Earthquake Recovery</td>
<td>Design and Construction funding for building wide earthquake damage repairs, seismic upgrades and building improvements.</td>
<td>$832,000</td>
<td>$25,872,000</td>
<td>25+ years</td>
</tr>
<tr>
<td>Bear Valley Elementary School Earthquake Recovery</td>
<td>Design and Construction funding for building wide earthquake damage repairs, seismic upgrades and building improvements.</td>
<td>$685,000</td>
<td>$32,557,000</td>
<td>25+ years</td>
</tr>
<tr>
<td>Chugiak High School Earthquake Recovery</td>
<td>Design and Construction funding for building wide earthquake damage repairs, seismic upgrades and building improvements.</td>
<td>$1,097,000</td>
<td>$36,232,000</td>
<td>25+ years</td>
</tr>
<tr>
<td>Eagle River High School Earthquake Recovery</td>
<td>Design and Construction funding for building wide earthquake damage repairs, seismic upgrades and building improvements.</td>
<td>$4,501,000</td>
<td>$36,864,000</td>
<td>25+ years</td>
</tr>
<tr>
<td>Mirror Lake Middle School Earthquake Recovery</td>
<td>Design and Construction funding for building wide earthquake damage repairs, seismic upgrades and building improvements.</td>
<td>$725,000</td>
<td>$36,232,000</td>
<td>25+ years</td>
</tr>
<tr>
<td>Dimond High School Earthquake Recovery</td>
<td>Design and Construction funding for building wide earthquake damage repairs, seismic upgrades and building improvements.</td>
<td>$3,352,000</td>
<td>$36,232,000</td>
<td>25+ years</td>
</tr>
<tr>
<td>Central Middle School Earthquake Recovery</td>
<td>Design and Construction funding for building wide earthquake damage repairs, seismic upgrades and building improvements.</td>
<td>$632,000</td>
<td>$36,864,000</td>
<td>25+ years</td>
</tr>
<tr>
<td>School Name</td>
<td>Project Description</td>
<td>Estimated Project Amount</td>
<td>Cumulative Project Amount</td>
<td>Projected Life Expectancy</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------</td>
<td>--------------------------</td>
<td>---------------------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td>Whaley School Earthquake Recovery</td>
<td>Design and Construction funding for building wide earthquake damage repairs, seismic upgrades and building improvements.</td>
<td>$208,000</td>
<td>$37,072,000</td>
<td>25+ years</td>
</tr>
<tr>
<td></td>
<td><strong>Subtotal - Earthquake Recovery Projects</strong></td>
<td></td>
<td><strong>$26,926,000</strong></td>
<td></td>
</tr>
<tr>
<td>Gruening Middle School Earthquake Recovery and Educational Improvements</td>
<td>Design and construction funding for building wide earthquake damage repairs, seismic upgrades, building improvements, security improvements, and educational improvements.</td>
<td>$39,300,000</td>
<td>$76,372,000</td>
<td>25+ years</td>
</tr>
<tr>
<td></td>
<td><strong>Subtotal - Earthquake Recover &amp; Education Improvement Projects</strong></td>
<td></td>
<td><strong>$42,510,000</strong></td>
<td></td>
</tr>
<tr>
<td>Planning &amp; Design for 2022 Deferred Requirement Projects</td>
<td>Funding for planning and design for deferred requirement projects in 2022.</td>
<td>$3,251,000</td>
<td>$82,833,000</td>
<td>TBD; based on planning effort</td>
</tr>
<tr>
<td></td>
<td><strong>Subtotal - Safety &amp; Code Upgrades</strong></td>
<td></td>
<td><strong>$3,251,000</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total Proposition I</strong></td>
<td></td>
<td><strong>$82,833,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
Date: July 30, 2019
To: Dr. Deena Bishop, Superintendent
Thru: Tom Roth, Chief Operating Officer
From: John Bulkow, Co-chair, Capital Improvement Advisory Committee
       Lisa (Prince) Lansdale, Co-chair, Capital Improvement Advisory Committee

Subject: CIAC Recommendation for 2020-2024 School Bond/CIP

The Capital Improvement Advisory Committee (CIAC) met in June and July to discuss the upcoming Bond/CIP for the District. Much discussion was also conducted via email. With the understanding that there are still ongoing legislative considerations at the time of this memo, the Committee makes the following recommendations:

- The CIAC supports the proposal to devote the upcoming 2020 bond primarily to earthquake recovery projects, with the expectation that most of the funds will eventually be reimbursed by FEMA. The need for immediate funding of these essential repairs necessitates the unfortunate delay of all upcoming planned projects by a year in the proposed CIP.

- ASD staff prepared a second CIP proposing a $120 million 2020 bond to upgrade the earthquake preparedness of the schools in question beyond the amount eligible for FEMA reimbursement. In an ideal world, the CIAC would support this second option. We live in earthquake country, and it would be money well spent. In the real world, with the current political climate, the CIAC recommends sticking with the bond mostly eligible for FEMA reimbursement and roughly matched to the anticipated debt retirement. The CIAC encourages the ASD to maximize use of FEMA mitigation grants to get as much additional seismic improvements to our schools as possible and lauds the efforts ASD staff has already done toward this end.

- Last year’s CIP envisioned bonding for more than anticipated retired debt in 2023, with the hope of state debt reimbursement returning. The proposed CIP abandons this hope, and returns to only bonding for the anticipated debt retirement. Given the current political climate in the state, the CIAC agrees with this plan to keep future bonds close to anticipated debt retirement.

- The proposed CIP continues with the plan to move to a two-year bond cycle starting in 2021. The CIAC continues to support this plan.

While the CIAC supports the proposed Bond/CIP under the current conditions, members of the committee are very concerned about the continuing growth of deferred maintenance backlog. As has been mentioned in the CIP over the last couple of years, the ASD should be investing around $80 million every year in deferred maintenance projects to keep from falling behind. With the policy of keeping bond proposals below retired debt, even if we plow every bond dollar into deferred maintenance we’ll continue to fall behind. As a result, we have schools that are beginning to have alarming FCI numbers. According to the FCI figures, we are projected to have schools in such bad shape in 4 to 6 years that just
repairing them would cost three fourths as much as replacing them. The CIAC offers the following observations and suggestions:

- The Alaska constitution requires the state government to fund public schools. In the past, the state has done this through transportation funding, a per student funding formula for operating schools, and school bond debt reimbursement for capital projects like new schools and large-scale deferred maintenance.

- A quick bit of internet spelunking shows the ASD operates well within the cost per student range of a sampling of comparably sized school districts:

<table>
<thead>
<tr>
<th>School District</th>
<th># of Students (rounded)</th>
<th>Budget (millions)</th>
<th>$/student (rounded)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brownsville (TX) Independent School Dist.</td>
<td>45,600</td>
<td>$511</td>
<td>$11,200</td>
</tr>
<tr>
<td>Sacramento City Unified Schools</td>
<td>47,900</td>
<td>$548</td>
<td>$11,400</td>
</tr>
<tr>
<td>Jordan School District (UT)</td>
<td>52,300</td>
<td>$607</td>
<td>$11,600</td>
</tr>
<tr>
<td>Tucson Unified</td>
<td>47,300</td>
<td>$566</td>
<td>$12,000</td>
</tr>
<tr>
<td><strong>Anchorage School District</strong></td>
<td><strong>46,800</strong></td>
<td><strong>$565</strong></td>
<td><strong>$12,100</strong></td>
</tr>
<tr>
<td>Columbus (OH) City Schools</td>
<td>49,200</td>
<td>$648</td>
<td>$13,200</td>
</tr>
<tr>
<td>Portland Public Schools</td>
<td>49,500</td>
<td>$655</td>
<td>$13,200</td>
</tr>
<tr>
<td>Seattle Public Schools</td>
<td>53,900</td>
<td>$753</td>
<td>$14,000</td>
</tr>
</tbody>
</table>

- Since the ASD operates well within the expected cost range, it will not be possible to find cost reductions on the scale needed to fund deferred maintenance through the regular operating budget.

- The hiatus in state school bond debt reimbursement that began in 2015 was damaging but not catastrophic to school facilities. Permanently eliminating school bond debt reimbursement leaves ASD, and the other districts in the state, with no viable means of funding deferred maintenance capital projects. The FCI figures demonstrate how catastrophic this will be.

- The State of Alaska limits the amount Anchorage (and other communities) can supplement the state-provided school funds through local taxes. Anchorage is currently up against that limit.

- Past bond debt reimbursement from the state for deferred maintenance projects was 70%. Perhaps this crisis in bond debt reimbursement would be a good time to stop funding deferred maintenance through bonds. 70% of $80 million is $56 million. If the state government funded $56 million per year and allowed Anchorage to increase local school taxes by $24 million per year, we can correct the slow-moving disaster happening to our school facilities. This proposal has several selling points:

  - The public has never liked funding deferred maintenance through bonds. It’s a known recurring expense that seems like it should just be budgeted for. It was only the state’s bond reimbursement program that locked ASD, and all the other districts, into this method of funding.
• It makes the amount actually spent on deferred maintenance a known yearly cost. Both the state and ASD will be able to plan without having to guess how much the voters will approve in bond funding.

• In the long run, this could be the least expensive option because it takes care of the existing facilities. The current trend will leave no logical option other than replacing schools as they develop too many major system failures.

• It eliminates the interest expense paid out on bonds.

ASD could help its position with the public and state administration by showing it is doing everything it can to reduce capital costs. Some members of the CIAC, and many from the community at large, believe it would be good to take a hard look at possibly closing or repurposing another school. From the Western Demographics report, it looks like Central Middle School might be the most likely candidate for closure or repurposing. All of us recognize that until the state changes the funding formula, however, there is a financial incentive for districts to preserve smaller school communities which could deter ASD from re-zoning or closing schools. With this in mind, the efforts of ASD combining PAIDEA and Central Middle School, in example, are applauded as it saves rent for PAIDEA, increases the capacity of a school with extra room and still qualifies for additional funding from the state due to small school size. Are there any additional opportunities for the district to move more charter schools into under-utilized neighborhood schools?

In summary, the CIAC Membership overwhelmingly believes that in failing to meet the capital project needs for public schools, the State of Alaska is failing to meet its constitutional obligations. If the governor’s administration feels the state does not have enough revenue to meet its constitutional obligations, then the administration needs to find additional revenue. The CIAC encourages ASD to pursue every avenue to make the State of Alaska fulfill its obligations to public schools.

John Bulkow & Lisa (Prince) Lansdale
Capital Improvement Advisory Committee Co-Chairs
<table>
<thead>
<tr>
<th>Term</th>
<th>Bond Proposition Amount</th>
<th>Est. State Debt Reimb. By Project</th>
<th>[1] Annual Debt Prin. &amp; Int. 4.50%</th>
<th>[2] Per $100,000 Assessed Val. $34,520,498,880</th>
<th>State Debt Reimb. Per $100,000</th>
<th>Property Taxes Per $100,000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>$34,520,498,880</td>
<td>$100,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Proposition I - Districtwide Building Life Extension Projects**

- **Inlet View Elementary School Replacement**  
  20 years  
  $3,346,000  
  0%  
  $257,228  
  0.75  
  $  
  0.75  

- **Aquarian Charter School Capital Improvements**  
  20 years  
  $6,800,000  
  0%  
  $522,758  
  1.51  
  $  
  1.51  

- **Earthquake Recovery Projects: Bartlett, King Tech, Fire Lake, Chugiak Elementary, Bear Valley, Chugiak High, Eagle River High, Mirror Lake, Dimond, Central, and Whaley.**  
  20 years  
  $26,926,000  
  0%  
  $2,069,967  
  6.00  
  $  
  6.00  

- **Earthquake Recovery and Educational Improvement Projects: Gruening and Eagle River Elementary**  
  20 years  
  $42,510,000  
  0%  
  $3,268,005  
  9.47  
  $  
  9.47  

- **Planning & Design Projects – 2022 Deferred Requirements Projects**  
  20 years  
  $3,251,000  
  0%  
  $249,924  
  0.72  
  $  
  0.72  

**Proposition 1 Total**  

| $82,833,000 | 0% | $6,367,882 | 18.45 | $ | 18.45 |

[1] Estimate of Bond Sale  
[2] Estimate as of December 2019