


SCHOOL BOARD COMMUNICATION

Title:	Issuance of Debt for Capital Improvement Project		
Date:	June 19, 2013	Item Number:	Worksession
Administrator:	Steve Atwater, Ph.D. Superintendent of Schools		
Attachments:			

Action Needed
 For Discussion
 Information
 Other: _____

BACKGROUND INFORMATION

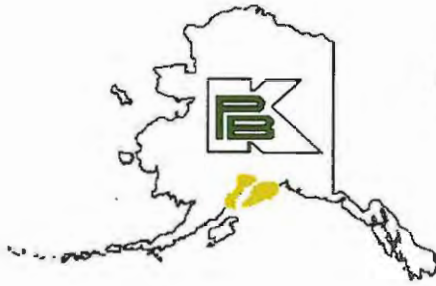
The Kenai Peninsula Borough is proposing a \$22,987,000 bond proposition for the October 1, 2013 election. The purpose of this bonded money is to complete Phase II of the roof replacement schedule and to also upgrade the Homer High School playing field with turf.

The purpose of this worksession is to provide you with an opportunity to review the process for bond issuance and to ask questions. A member of the Borough's Capital Projects Department will attend the worksession.

You will be asked to approve this bond issuance during your business meeting later that evening.

ADMINISTRATIVE RECOMMENDATION

N/A



KENAI PENINSULA BOROUGH

144 North Binkley Street • Soldotna, Alaska 99669-7520

Toll-free within the Borough: 1-800-478-4441

PHONE: (907) 262-4441 • FAX: (907) 262-1892

www.borough.kenai.ak.us

MIKE NAVARRE
BOROUGH MAYOR

MEMORANDUM

TO: Linda Murphy, Assembly President
Members, Kenai Peninsula Borough Assembly

THRU: Mike Navarre, Mayor *MN*

FROM: Craig Chapman, Director of Finance *C Chapman*
Kevin Lyon, Capital Projects Director *KL*

COPY: Dave Jones, KPBSD Assistant Superintendent
Dave Tressler, KPBSD Director, Planning and Operations

DATE: June 20, 2013

SUBJECT: Ordinance 2013-___, issuance of debt for School Capital Improvement Projects

The attached ordinance requests approval to place a \$22,987,000 bond proposition before borough voters as part of the October 1, 2013 election.

In a report from Klauder Company Architects dated April 23, 2010, a number of school roofs (some of which are more than 40 years old) were noted as being near the end of their useful lives and in need of replacement. Roof replacements were scheduled to be completed in two phases.

After receiving voter approval at the October 5, 2010 borough election, school bonds for Phase I in the amount of \$16,865,000 were issued in December 2010. Roof replacements included K-Beach Elementary, the district-wide warehouse, Kenai Elementary, Soldotna High School, Kenai Central High School, Ninilchik High School, Nikiski Middle/High School, Seward Elementary, Chapman School, Homer Middle School, and McNeil Canyon Elementary School. Projects funded by Phase I are substantially complete and the borough is ready to issue bonds for Phase II.

Roof replacements funded as part of Phase II would include: Tustumena Elementary School, Skyview School, Soldotna Middle School, Homer Junior High School, Paul Banks, Kenai Central High School, Soldotna High School, Kenai Middle School - 10 Year, Kenai Alternative School, Ninilchik (97). In addition, Phase II would include funds for the Homer High School turf upgrade.

Below is a schedule of the roofs that were completed as part of Phase I and the roof projects scheduled as part of Phase II.

Site	Sections Completed Phase 1	Phase II
Chapman	A, B, E, and F	
Cooper Landing	All	
District wide warehouse	All	
KBeach Elementary	All	
Kaleidoscope / Sears Elementary	A and C	
KCHS	A, F, G and R and part of B	C-E; H-Q; S-V and remainder of B
Kenai Elementary/ Aurora Borealis / Kenai Alternative	B, C, D and E	A
McNeil Canyon	C and D	
Moose Pass	A, E, F and G	
Nikiski Middle/ High School	All	
Paul Banks	A and C	B and D
Seward Elementary	All	
Seward High School	All	
Soldotna High School	A and I	B through H
Soldotna Elementary School	A-E and H-J and M	
Sterling Elementary School	A, B, E and F	
Soldotna Middle School		All
Ninilchik	E-J	N and O
Homer Junior High School	B	A and C
Skyview School		All
Kenai Middle School		All
Tustumena Elementary School		All

The estimated costs of the Phase II roof projects and the Homer Field project submitted to the State of Alaska Department of Education are as follows:

Homer Field	\$1,991,736
Tustumena Elementary Roof	2,023,679
Skyview School Roof	3,777,473
Soldotna Middle School Roof	3,345,209
Homer Junior High School Roof	1,549,084
Paul Banks Roof	542,509
Kenai Central High School Roof	4,580,266
Soldotna High School Roof	2,880,255
Kenai Middle School Roof- 10 Year	1,225,465
Kenai Alternative School Roof	528,871
Ninilchik Roof	<u>542,471</u>
Total	\$22,987,018

The requested approval would be contingent upon the bonds becoming eligible for at least 70% debt reimbursement from the State of Alaska.

Financial Impact

The issuance of \$22,987,000 of general obligation bonds for Phase II is expected to have annual debt service requirement of approximately \$1,574,500. Assuming a 70% reimbursement rate from the State of Alaska, the net annual cost to borough taxpayers would be \$472,350. The resulting impact on the annual tax levy would be approximately \$6.77 per \$100,000 of assessed taxable property value (based on the total FY2014 assessed valuation, a 3.5% average rate of interest, a 20-year payback period, and a 70% reimbursement from the State of Alaska). Repair of these roofs is expected to result in lower operating and maintenance costs in the school maintenance fund in addition to a reduction in energy consumption.

Introduced by: Mayor
Date: 07/02/13
Hearing: 08/06/13
Action:
Vote:

KENAI PENINSULA BOROUGH

ORDINANCE 2013-

AN ORDINANCE PROVIDING FOR THE SUBMISSION TO THE QUALIFIED VOTERS OF THE KENAI PENINSULA BOROUGH THE QUESTION OF THE ISSUANCE OF NOT TO EXCEED TWENTY-TWO MILLION NINE HUNDRED EIGHTY-SEVEN THOUSAND DOLLARS (\$22,987,000) OF GENERAL OBLIGATION BONDS OF THE KENAI PENINSULA BOROUGH TO PAY THE COSTS OF EDUCATIONAL CAPITAL IMPROVEMENTS IN THE BOROUGH AT AN ELECTION IN AND FOR THE KENAI PENINSULA BOROUGH ON OCTOBER 1, 2013

WHEREAS, the Kenai Peninsula Borough hired Klauder Company Architects to conduct an engineering study for the borough schools resulting in a report dated April 23, 2010, which determined that a number of roofs are nearing the end of their useful lives and are in need of replacement; and

WHEREAS, some of the roofs on borough school structure are more than 40 years old; and

WHEREAS, the roofs on the following schools in the Kenai Peninsula Borough are nearing the end of their useful lives and are in need of replacement: Tustumena Elementary, Skyview, Soldotna Middle, Homer Junior High, Paul Banks, Kenai Central High, Soldotna High, Kenai Middle, Kenai Alternative, and Ninilchik; and

WHEREAS, it is expected that replacing these roofs would extend the life of the school, buildings and result in a reduction in energy consumption; and

WHEREAS, upgrading the Homer High School field would reduce required maintenance, and improve the functionality and use of that field; and

WHEREAS, it is expected that the estimated cost of these capital improvements will not exceed \$22,987,000; and

WHEREAS, the Kenai Peninsula Borough Board of Education at its _____, 2013, meeting recommended the borough issue debt for the replacement of roofs at various schools located in the borough and for field replacement at Homer High School; and

WHEREAS, the use of bond proceeds to finance the costs of education capital improvements will occur only if, and to the extent that, such project qualifies for at least 70

percent debt reimbursement under Alaska Statute 14.11.100;

NOW, THEREFORE, BE IT ORDAINED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. It is hereby determined to be for a public purpose and in the public interest of the Kenai Peninsula Borough, Alaska (the "Borough") to incur general obligation bonded indebtedness in an amount not to exceed Twenty-two million nine hundred eighty-seven thousand dollars (\$22,987,000), for the purpose of paying the costs of planning, designing, site preparation, constructing, acquiring, renovating, installing, and equipping educational capital improvement projects consisting of a new Homer High School field and roof replacements on the Tustumena Elementary School, Skyview School, Soldotna Middle School, Homer Junior High School, Paul Banks School, Kenai Central High School, Soldotna High School, Kenai Middle School, Kenai Alternative School, and Ninilchik School, and similar education capital improvements in the Borough. The Borough will not issue bonds in a principal amount greater than the total estimated cost of projects approved for reimbursement by the State of Alaska Department of Education and Early Development. The use of proceeds of the bonds to finance the costs of education capital improvements will occur only if, and to the extent that, such project qualifies for at least 70 percent debt service reimbursement under Alaska Statute 14.11.100, as the same may be amended from time to time. Upon completion of the projects, any unexpended bond proceeds, including interest income generated through investment of the bond funds, may be used to fund any other educational capital improvement projects chosen by the borough and approved by the Department of Education and Early Development.

SECTION 2. The sum of not to exceed twenty-two million nine hundred eighty-seven thousand dollars (\$22,987,000) shall be borrowed by, for and on behalf of the Borough for the education capital improvements described above and shall be evidenced by the issuance of general obligation bonds of the Borough. The bond proceeds shall be used only for capital improvements and costs of issuance of the bonds. The full faith and credit of the Borough is pledged for the payment of the principal of and interest on the bonds, and ad valorem taxes upon all taxable property in the Borough shall be levied without limitation as to rate or amount to pay the principal of and interest on the bonds when due.

SECTION 3. An election is to be held on October 1, 2013, in and for the Kenai Peninsula Borough, for the purpose of submitting a general obligation bond proposition to the qualified voters of the Borough for approval or rejection. The proposition must receive a majority vote of those in the Borough voting on the question to be approved. The proposition shall be substantially in the following form:

PROPOSITION NO. _____

**EDUCATIONAL CAPITAL IMPROVEMENT
GENERAL OBLIGATION BONDS**

Shall the Kenai Peninsula Borough borrow up to \$22,987,000 through the issuance of general obligation bonds?

The general obligation bond proceeds will be used to pay costs of planning, designing, site preparation, constructing, acquiring, renovating, installing and equipping educational capital improvement projects consisting of a new Homer High School field and roof replacements at Tustumena Elementary School, Skyview School, Soldotna Middle School, Homer Junior High School, Paul Banks School, Kenai Central High School, Soldotna High School, Kenai Middle School, Kenai Alternative School, and Ninilchik School, and similar education capital improvements in the Borough.

The debt will be paid from ad valorem taxes on all taxable property levied and collected areawide in the Borough. The Borough will also pledge its full faith and credit for payment of the debt. The approximate annual amount of taxes on \$100,000 of assessed real or personal property value (based on the Borough's FY2014 taxable assessed valuation) to retire the debt is \$6.77, assuming 70 percent debt service reimbursement from the State of Alaska

No bonds will be issued, unless and until the project qualifies for at least 70 percent debt service reimbursement from the State of Alaska under existing or new legislation. Receipt of State reimbursement is subject to legislative appropriations.

(Ordinance No. 2013-__)

SECTION 4. The proposition, both for paper ballots and machine ballots, shall be printed on a ballot which may set forth other general obligation bond propositions, and the following words shall be added as appropriate and next to a square provided for marking the ballot or voting by a machine:

PROPOSITION NO. _____ Yes
No

SECTION 5. 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 on October 1, 2013. The remaining sections of this Ordinance shall become effective upon passage and approval.

**ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS *
DAY OF * 2013.**

Linda Murphy, President

ATTEST:

Johni Blankenship, Borough Clerk