

Bond Election Recommendation

I. Identify the issue from the perspective of involved stakeholders.

Issue: Should a recommendation be made to the WESD Governing Board to call for a bond election to take place in November 2016?

In November 2010, voters authorized the Washington Elementary School District (WESD) to sell up to \$65 million in school improvement bonds. To date, the District has received \$35.5 million in bond proceeds from the 2010 authorization; the remaining \$25.5 million in bonds will be sold in 2016, with proceeds used to complete the planned bond projects by 2018. Bond funds have been spent and will continue to be spent for the purposes that were identified in the 2010 voter information pamphlet:

- Renovation and construction of school buildings
- Site improvements at schools
- Pupil transportation vehicles
- Repair and replacement of roofing, and repair and sealing of parking lot at administrative facilities

While the 2010 bond authorization has enabled WESD to address many important capital projects, additional needs continue to be identified. In fact, \$150 million in capital necessities are projected through 2021, with no reliable source of capital funding expected from the state of Arizona.

Involved Stakeholders:

During February/March 2016, a task force was convened for the purpose of offering a consensus recommendation to the Superintendent and Governing Board regarding a call for a school improvement bond election in November 2016.

Task force members included representatives from various stakeholder groups and from locations throughout the District:

Parents	Community Members	School Staff	Administrative Center Staff
Jolene Madrid	Alyssa Glauber	Jordan Blair	Bert Herzog
Sandy Mendez Benson	Daniel Glauber	Crystal Bustamante	Jill Hicks
Shawna Robles	Pat MacArthur	Penny Hughes	Mike Kramer
	Sanah Miller	Philip Liles	Chris Lieurance
	Stephen Miller	Lynn Smith	Sue Pierce
	Troy Williams	Susie Smith	Cathy Thompson

II. Identify the options or alternatives that address the issue, including an option to maintain the status quo, utilizing the efficient and sufficient use of research and data. For each option, identify advantages and disadvantages.

Research/Data:

The 2016 Bond Task Force used an interest-based approach in conducting research and analyzing data. Members began by sharing *story*, i.e., a detailed explanation of the issue from participants' point of view. The majority of financial and technical story was supplied by WESD Director of Business Services Cathy Thompson.

• **Sources of Capital Needs**

○ ***Buildings***

- The average age of WESD buildings is 40 years.
- Seventeen schools are more than 40 years of age, and nine additional schools are over 30 years old.
- Many buildings will require extensive maintenance, renovation, system upgrades or rebuilding in the near future.
- Portable buildings that are on some campuses need to be replaced with permanent structures or newer facilities.

○ ***Technology and Infrastructure***

- Network cabling is more than 15 years old and won't support modern infrastructure equipment.
- Ports and switches are also more than 15 years old and cannot be serviced.
- Intercom systems and sound/presentation systems at a majority of schools need to be replaced; because of their advanced age, replacement parts are not available to maintain these systems.
- Although a replacement plan was developed in 2006 to upgrade classroom technology for teachers and students, funding reductions have made plan implementation impossible.

○ ***Large Equipment and Vehicles to Transport Students***

- Limited funding has prevented the District from adhering to its replacement plans for large equipment and vehicles, despite having met age and condition standards for replacement.
- Replacement parts are unavailable for many of WESD's older buses. The District has purchased old, "retired" buses at minimal cost from which replacement parts are being harvested.
- In order to ensure safety and operational efficiency, WESD has leased some buses in lieu of purchasing them.

• **Determination of Capital Needs**

- Schools and departments have submitted site improvement requests as part of the District's annual budget process.
- The building condition of each structure on WESD campuses is consistently monitored and periodically assessed by the District's Capital Projects and Maintenance Department and consultants to evaluate structural and safety needs.

- In order to keep systems in good working condition and to prolong the life of buildings, routine painting, roofing, HVAC, asphalt and flooring needs are addressed via a maintenance schedule.
 - Technology infrastructure needs are evaluated by WESD's Management Information Systems Department.
 - Large equipment and bus needs are monitored by the District's Transportation Department.
 - The Business Services Department oversees the development of WESD's Capital Improvement Plan.
- **Prioritization of Capital Needs**
 - WESD's capital needs are prioritized based on the following factors:
 - Student safety
 - Code compliance
 - Age and condition of building systems and equipment
 - Availability of parts and ability to maintain equipment using internal resources
 - Alignment of needs with sites' continuous improvement plans and the District's strategic plan
 - Additionally, all data related to capital assets, including completion dates and information about site and building improvements and equipment replacement, is recorded in a capital planning software program. The program serves as another tool for prioritizing WESD's capital needs and projects.
- **Funding Sources to Address Major Capital Needs**
 - ***School Improvement Bonds***
 - Funds generated through local voter-approved initiative, with proceeds earmarked for specific purposes
 - Enable school district to incur debt to finance capital needs, with bond principal and interest repaid over time through secondary property taxes
 - To be placed on ballot, initiative must be called for by district's governing board
 - Allowable expenditures
 - Acquisition or lease of sites
 - Construction or renovation of school buildings
 - Improving school grounds
 - Purchasing pupil transportation vehicles
 - Purchasing furniture, fixtures and equipment – *if paid for within five years*
 - WESD voters passed \$65 million bond election in November 2010; most recent bond election prior to that was \$64 million bond election passed by voters in November 2001
 - ***District Additional Assistance*** (previously referred to as unrestricted capital)
 - Capital funding that school districts are allocated by the state of Arizona based on a statute-driven, per-pupil formula
 - Allowable expenditures

- Classroom technology, textbooks, instructional aids
- Vehicles
- Furniture, fixtures, equipment
- Construction or renovation of school buildings
- Improving school grounds
- Acquisition or lease of sites
- Amount received by districts has been reduced each year since 2009
- Since 2009, funding to WESD has been reduced by over \$41 million.
- In 2015-2016, WESD received \$70 to \$80 per student – enough to pay for one textbook per student.
- ***AZ School Facilities Board – Students FIRST***
 - Established in 1998, in response to a lawsuit, for the purpose of setting uniform standards for physical facilities of school districts and allocating funds from state’s general fund for programs to address three areas of capital finance need for school districts:
 - Deficiencies Corrections
 - State funds to districts to correct emergency structural and spatial deficiencies in existing school facilities
 - WESD received this funding from 1999 to 2002.
 - Building Renewal
 - State funds allocated annually to districts to maintain existing school facilities and keep them in maximum working condition
 - Legislature fully funded Building Renewal for only one year, partially funded it during other years and discontinued it completely in fiscal year 2014
 - During these years, \$27 million of Building Renewal funds that were allocated to WESD were not received by the District.
 - New School Construction
 - State funds for building new schools in districts with significant enrollment increases
 - WESD did not qualify for these funds.
 - Building Renewal Grants
 - Funds for which districts can apply when equipment or systems fail
 - \$15 million *statewide* available annually
 - To date during 2015-2016, WESD has applied for and received approximately \$158,000 from these grants.
- ***Leasing***
 - Typically more costly than outright purchase or bonding
 - Short-term leases used by WESD for copiers and school buses to meet immediate needs
 - Long-term leases used by WESD for energy-efficient equipment
 - Funded through M&O (maintenance & operations) monies, thereby reducing funds available for student programs and services, and employee salaries
- ***Grants/Donations***
 - Not a consistent/dependable source of revenue
 - Long-term requirements sometimes affixed

- Donations were received by WESD to fund a small solar project pilot.
 - A grant was received by WESD to help support a door project for student safety.
- **Overview of Capital Projects That Would be Addressed in a 2016 WESD Proposed Bond Plan** (*For a recap of projects by school/location, please refer to Attachment A.*)
 - **Safety projects**
 - School office renovations
 - Security and surveillance systems
 - School intercom systems
 - Playgrounds and shade structures
 - **Technology**
 - Infrastructure, such as cabling, servers and switches
 - Classroom interactive technology
 - Video distribution
 - Classroom computers
 - **Building system upgrades and replacements**
 - HVAC
 - Roofing
 - Flooring
 - Sound and presentation systems
 - Stage curtains and lighting
 - **Site upgrades**
 - Concrete upgrades
 - Asphalt upgrades
 - **New construction**
 - Replacing portable buildings with permanent structures
 - Rebuilding one school
 - **Pupil transportation**
 - Replacing aging buses
- **Estimated Tax Impact of a Possible 2016 WESD Bond Authorization**
 - WESD Governing Board Policy DIBA, Special Levies and Debt Management, states that the “Governing Board is committed to responsibly managing the District’s debt issuance activities on behalf of taxpayers...The District...will monitor the assessed value and financial impact on taxpayers within the District to determine capability to finance long term capital requirements.”
 - The estimated secondary tax rate impact of a future school improvement bond authorization is provided as **Attachment B**.

Subsequent to the discussion of story, task force members identified interests related to a possible bond election recommendation. ***Interests*** are defined as the participants’ needs, concerns and desires related to the issue; they are the reasons why participants care about the issue and are motivated to resolve it. The following interests were identified:

- Marketability of schools

- Academic success of students
- Safety of students and staff
- Preparing students for the world and the future
- Enabling students to be competitive
- Accessibility and appeal of classrooms
- Attracting and retaining teachers
- Fiscal responsibility
- Allowing voters to have a voice, if government won't provide for education
- Gaining the approval of parents

Next, task force members established criteria, i.e., non-negotiable, objective considerations that must be taken into account when options are evaluated:

- Timely
- Legal
- Efficient
- Fiscally responsible
- Greatest chance of success
- Flexible
- Beneficial to both District and taxpayers
- Community support

The following attachments provide additional information regarding a potential WESD bond election:

- **Attachment C**, Frequently Asked Questions Related to a Possible 2016 Bond Election
- **Attachment D**, Talking Points Related to a Possible 2016 Bond Election

Options:

Task force members brainstormed six possible options to address the identified issue, and they considered the pros and cons of each.

Option #1: Recommend that a \$98 million bond election be held in 11/2016.

<i>Advantages</i>	<i>Disadvantages</i>
• Can sell as continuation	• Is it enough?
• There is a proven need.	• Will it garner community support?
• To maintain quality schools, facilities	• Coming in on heels of Prop. 123
• There is a cost associated with doing nothing.	• Don't know how presidential turnout will impact vote
• Addresses safety	• Can we adequately get message out?
• Improves technology	
• Considers/maintains tax burden	
• Puts it to voters to decide	

• Student retention	
• Teacher retention	
• Addresses state funding deficits	
• Supports additional bonding capacity	

Option #2: Recommend that a \$112 million bond election be held in 11/2016. (The extra \$14 million would pay for additional HVAC replacements.)

<i>Advantages</i>	<i>Disadvantages</i>
• Can sell as continuation	• Keeps tax rate level, but doesn't account for increases in assessed valuation
• There is a proven need.	• Over the \$100 million mark – psychological impact
• To maintain quality schools, facilities	• Limits options for future bonding capacity
• There is a cost associated with doing nothing.	• Still short of meeting needs
• Addresses safety	• Can't spend all \$112 million right away
• Improves technology	
• Considers/maintains tax burden	
• Puts it to voters to decide	
• Student retention	
• Teacher retention	
• Addresses state funding deficits	
• Supports some additional bonding capacity	
• Would pay for more projects to get done	

Option #3: Recommend that a capital override election be held in 11/2016.

<i>Advantages</i>	<i>Disadvantages</i>
• Projects could be covered in capital override	• Two failed capital override elections
	• Few districts pass capital override when it is a new tax
	• Maximum of about \$10 million over 7 years (\$70 million total)
	• People typically don't see correlation with property values
	• Could impact future continuation of M&O override

Option #4: Recommend that both a bond election and a capital override election be held in 11/2016.

	<p><i>Task force members made a consensus decision to eliminate this option prior to discussing pros and cons.</i></p>	
--	--	--

Option #5: Do nothing.

<i>Advantages</i>	<i>Disadvantages</i>
• No election costs	• Facilities conditions would slip from fair to critical
• Might have better election results by waiting	• Teacher/student flight
• Might make government do something	• Tax rate would go down, but would go back up if later approved
• Less voter fatigue	• Total cost of ownership would go up.
• Levy decreases	• Safety hazards
• Less election noise when we do go out	• Technology would backslide even more.
	• Student achievement might be impacted.
	• Could impact educational programs if need to use money for capital projects

Option #6: Hold off on making a recommendation until a community survey is done.

<i>Advantages</i>	<i>Disadvantages</i>
• Would know what public is thinking	• Takes about 8 weeks to do
• Could save cost of election	• Cost to District would be approximately \$20,000
• Could glean some information that would be helpful in gaining support	• Recent surveys of our community have already been done.
	• Could lose momentum of public support for education
	• We don't have a choice to try – even if survey shows lack of support
	• Difficult to get valid results

Task force members further evaluated the options.

- By consensus, eliminated Options #3, #4, #5 and #6
- Considered Option #1 and Option #2 in light of established interests and criteria
- Made 100% consensus decision to recommend Option #1 to the Governing Board

III. Prepare a cost-benefit analysis/cost assessment of each option.

- Option #1: Recommend that a \$98 million bond election be held in 11/2016.
Cost Analysis: If a November 2016 bond election is successful, approximately \$98 million in funds will become available for the District's capital project needs during the next 7 to 10 years. If the election is not successful, WESD will have virtually no budget for capital project needs.
- Option #2: Recommend that a \$112 million bond election be held in 11/2016.
Cost Analysis: If a November 2016 bond election is successful, approximately \$112 million in funds will become available for the District's capital project needs during the next 7 to 10

years. If the election is not successful, WESD will have virtually no budget for capital project needs.

- Option #3: Recommend that a capital override election be held in 11/2016.
Cost Analysis: If a November 2016 capital override election is successful, approximately \$10 million per year for seven years will become available for the District's capital needs. If the election is not successful, WESD will have virtually no budget for capital needs.
- Option #4: Recommend that both a bond election and a capital override election be held in 11/2016.
Cost Analysis:

Task force members made a consensus decision to eliminate this option prior to conducting further analysis.

- Option #5: Do nothing.
Cost Analysis: Given the very minimal capital funding that WESD may receive from the State in upcoming years, WESD will have virtually no budget for capital project needs if bond funding is not available.
- Option #6: Hold off on making a recommendation until a community survey is done.
Cost Analysis: The cost to the District of conducting a survey would be approximately \$20,000. The process could take up to eight weeks to complete, and the deadline to notify the Maricopa County Elections Department of a district's intent to call for a bond election is 6/11/2016.

IV. Seeking stakeholder feedback when relevant and/or necessary.

The 2016 WESD Bond Task Force, which included representatives from a variety of stakeholder groups, provided input and feedback throughout the meeting process. Additionally, some sought informal feedback from constituents.

V. Use conclusion(s) to develop a rationale and prepare recommendation(s) to present to the Governing Board for action.

Conclusions:

- The WESD community entrusts the District to responsibly manage its fiscal resources; the District's effective management of prior bond authorization expenditures reflects its commitment to the task.
- In order to protect facilities and maximize their utility, WESD must conscientiously maintain and renovate its buildings and sites.

- Facility project needs throughout the District have been identified and prioritized, with critical attention paid to issues of safety, code compliance and building system failure.
- WESD's technology needs are significant, and meeting those needs is vital to providing educational opportunities that prepare "all students to become responsible, successful contributors to our diverse society."
- Because state funding is not sufficient to meet their capital needs, districts typically seek capital funding through voter-approved school improvement bonds.

Recommendation:

Members of the 2016 WESD Bond Task Force arrived at a full consensus decision to recommend Option #1, as presented.