

Superintendent's February 2012 Bond Recommendation

Background:

In February of 2006 the community approved a construction Bond for \$241.87 million with a [passage rate of 67.87%](#). The major projects in the 2006 bond package are the replacement of Issaquah High School, expansion of Skyline High School, the addition of a 15th elementary (Creekside), the replacement of Briarwood, and large remodels at Maywood and Liberty High School. ([Full Details and a listing of projects online](#)). All of the major projects are scheduled to be complete by September of 2013 and will exhaust the proceeds provided by the voters in 2006. The District had tentative plans to seek additional capital funding in the spring of 2010, but due to the economic climate and delayed construction schedule, we determined with the Board of Directors to revisit the issue in the future.

The District is annually and legally required to conduct ongoing long term facility/capital planning to provide the appropriate facility needs for educational program(s), protect the assets of the District taxpayers, and be eligible to collect impact fees. This obligation is reflected in numerous arenas, including the Board's Executive Limitations. Specifically, [Executive Limitation 6 Asset Protection](#) states, "The Superintendent shall not cause or allow the Districts assets to be unprotected, inadequately maintained, inappropriately used or unnecessarily risked." The community/Board value is also expressly conveyed in greater detail in [Executive Limitation 13, Facilities](#). These governance policies require the Superintendent to, "assure that physical facilities support the accomplishment on the Board's Ends polices and are safe and properly maintained." Furthermore, the EL states that the Superintendent may not:

Fail to develop a plan and establish priorities for construction, renovation and maintenance projects. In setting priorities the Superintendent shall not fail to:

- ***Assign highest priority to the correction of unsafe conditions;***
- ***Include maintenance costs as necessary to enable facilities to reach their intended life cycles;***
- ***Plan for and schedule preventive maintenance;***
- ***Plan for and schedule system replacement when new schools open, schools are renovated or systems replaced;***
- ***Disclose assumptions on which the plan is based, including growth patterns and the financial and human capital impact individual projects will have on other parts of the organization.***

Given the previously expressed Community/Board values and the operational needs (which we will describe in further detail below), the Superintendent decided (with the Board's support) to convene a [Bond Feasibility Development Committee](#) in the spring of 2011. This committee was [chartered](#) to advise the Superintendent for preparation to make a recommendation (feasibility and content) to the Board of Directors for a potential bond issue in February of 2012.

Committee Overview:

The committee consisted of [46 community and District representatives](#). The committee's [operating limitations and parameters](#) was as follows:

Parameters

The Committee shall ensure the Issaquah School District has all the resources possible to:

- *Meet its mission and Ends student learning goals;*
- *Safely and efficiently maintain facilities and property according to state and District use standards and schedules.*

Limitations

The Committee shall not determine:

- *Facility and program location.*
- *School closures.*
- *Portable use or placement.*

In addition to the operations and limitations, each committee member signed and was held to specific [roles and responsibilities](#) that required a commitment to the charter, attendance, active participation, seeking of understanding, and also providing information to stakeholders. As well as the face-to-face linkage provided by this 46-member committee, the District also ensured avenues for additional input via email—bond2012@issaquah.wednet.edu--or attendance at the actual committee meetings via written comments. The District also provided all committee information, including materials and minutes, [online](#) and sent several District eNews regarding the committee's work and progress. Local newspapers also covered the committee's progress.

The committee had six meetings in total through the months of March and April; on the final meeting on April 26, the committee unanimously recommended a [\\$228.63 million bond package](#) to the Superintendent for his consideration. During the process, the committee debated need, feasibility, scope, and tax impact. The members' were specifically concerned with the issues of safety, equity, and the learning environment. The District also conducted an [exit survey](#) of the committee members on their experience and there perceived feasibility of the proposed package. There were 33 respondents and all reported they had a positive experience and 100% felt the constituents will support the committee-approve package if it goes before voters in February of 2012.

The Needs/Priorities:

The Superintendent received the committee's recommendation and felt that the members' priorities aligned strongly with his own, especially after hearing the debate during each meeting. He began his

evaluation of the committee's final package based on the previously outlined Executive Limitations as well as the belief that stable and consistent maintenance/replacement of facilities via capital dollars are essential to continued financial solvency (given Issaquah School District's [rank in per pupil funding—](#) 277/295 in total revenue per student, and 290/295 in state revenue per student).

In such a funding situation, it is among the Superintendent's top obligation to ensure that as many operating dollars as possible are going directly to the classroom and toward achieving the District's Ends. To do so, the District both streamlines its non-classroom operations (with the [lowest administrative overhead in King County](#), funneling more than \$4.2 million more than the county average towards our classrooms); and it relies on [local funding measures](#), including maintenance-and-operations, capital, and technology levies. Bonds are a critical component to keep us financially solvent because without such funds, all repairs and modernizations would come directly from the operations fund. For example, it recently cost the District (in 2006 bond dollars):

- \$500,000 to replace a boiler at Sunset Elementary
- \$3.2 million to maintain HVAC systems over a five-year period
- \$1.5 million to replace a roof

To put these amounts in perspective, the recent K-5 Science curriculum adoption will have a total cost of \$1.1 million and the high school language arts adoption will be nearly \$600,000. The District estimates that on the average, we are protecting the general fund by \$1.5 to \$2 million annually if we have sufficient capital funding. These estimates *exclude* amounts provided by the Capital/Technology Levy and saved by direct capital investment, for example lower utility cost, decreased maintenance, and other operational efficiencies.

With the Superintendent's recommendation, the District will continue with its historic goal of using capital/bond projects to decrease operating costs, increase safety and security, meet demographic/enrollment needs (currently 84 portable classrooms at the elementary level), protect community assets (\$1 to 1.2 **billion** in value), and provide equity or enhancement of educational program.

In summary, the Superintendent considered these priorities when reviewing the committee's recommendation:

- Ensuring a safe learning environment (Executive Limitation).
- Securing funds for preventative and emergency maintenance of facilities to preserve the District's operations budget (Executive Limitation).
- Leveraging capital funds for increased operational advantages and planning for maximum long-term facility use.
- Preserving the community's \$1.2-billion in capital-facility assets.
- Providing equity when possible across facilities and programs.
- Ensuring a learning environment and resources capable of supporting the District's Mission Statement and Ends.

- Balancing financial timing to respect the economic climate for taxpayers and complete projects in a favorable building environment (i.e., it will cost more to do these projects later as our facility conditions deteriorate and construction costs rise).

The Recommendation:

Unfortunately, we live in a state that funds a very small portion of capital needs (2.1 percent or \$5.1 million of our last \$241.87 million construction costs). The duty of funding school construction and modernization therefore rests with the local community. Our Issaquah School District community has been historically very supportive of education and has placed a high value/expectation on the program offerings as well as the facilities their students use on a daily basis.

The Superintendent recommends the Board place on the February 14, 2012, ballot a Capital Bond in the amount of \$227,665,500 to address capital needs of the District from 2012-2020. Over this eight-year period, the proposed bond equates to approximately \$28.5 million annually or about 2.38 percent of total asset value (\$1.2 billion). (Not adjusted for inflation or the time value of money.)

The District's long-term facilities plan relies on 2006 bond funds through 2012, at which point all bond-funding will be exhausted and a new measure will be necessary to maintain our facility standards. However, the Superintendent is also very aware of the economic climate and the potential burden to taxpayers; his proposal, therefore, intentionally is structured to NOT increase the average resident's school taxes. The proposed bond package will save the average homeowner (\$500,000 assessed valuation) about \$205 annually. It is structured to decrease the per-thousand rate from \$4.85/\$1000 to \$4.44/\$1000, a change of \$0.41/\$1000. (See graph below.) Of course, residents would clearly lower their taxes by not approving *any* bonds or levies for local schools. With no bond measure on the ballot, taxpayers would see a drop of about \$0.80/\$1000. Given this, the Superintendent considers the proposal a compromise to the voters—a commitment to maintain facility assets while paying about half the difference of the bond measure currently set to expire.

The Projects

The projects included in this proposed Bond package are summarized by amount and location in the table below.

Building/Location	Project Totals
Apollo	\$ 8,185,000
Beaver Lake	\$ 3,907,000
Cascade Ridge	\$ 12,500
Challenger	\$ 521,500
Clark	\$ 19,500,000
Cougar Ridge	\$ 3,014,000
Discovery	\$ 2,703,000
District Admin	\$ 515,000
District-Wide	\$ 20,842,500
Endeavour	\$ 890,000
Grand Ridge	\$ 18,000
Issaquah High	\$ 3,425,000
Issaquah Middle	\$ 62,500,000
Issaquah Valley	\$ 8,570,000
Liberty	\$ 44,585,000
Maple Hills	\$ 982,000
Maywood	\$ 3,856,000
Newcastle	\$ 17,000
Pacific Cascade	\$ 1,315,000
Pine Lake	\$ 2,090,000
Skyline	\$ 6,855,000
Sunny Hills	\$ 27,110,000
Sunset	\$ 202,000
Tiger Mountain	\$ 3,925,000
Transportation	\$ 2,125,000
Grand Total	\$ 227,665,500

The major financial components of this proposal are the replacement of our [aging facilities](#). It is not a coincidence that Issaquah Middle School (Built in 1955), Sunny Hills Elementary (Built in 1962), and Clark Elementary (Built in 1950) comprise \$109.11 million or 47.93 percent of the total capital package. The age and [inefficiency](#) of these facilities places them as a top priority, for example it now costs 27.43 percent more to heat Issaquah Middle School than it does to heat Pacific Cascade Middle School, which has a direct impact to the Districts operating budget.

The other single largest component of the project is \$39.71 million (excludes the \$4.875M for stadium improvements) focuses on the newly developed master construction plan at Liberty High School, which includes a modernization/relocation of numerous classroom areas, addition of an auxiliary gym, finishes and equipment for the culinary arts space, and a re-roofing.

The District has also placed a high level of importance on adding additional core/classroom capacity at two of our fastest growing elementary schools. Issaquah Valley and Apollo elementary each have six classroom additions proposed to mitigate continued growth and minimize use of portables. (The District currently has the equivalent of three free standing elementary schools in portable classrooms.)

In terms of safety and security, this capital package makes significant investment (\$4.805 million) in standardization of security camera systems and the installation of electronic lock and key cards for all exterior doors District wide.

The package also includes stadium facility upgrades and improvements. Skyline is provided \$6.485 million to construct new home-side stands and replace/enlarge the press area, Liberty is allocated \$4.875 million to construct new home-side stands and press box, and Issaquah High School receives \$3.425 million to increase home-side seating and renovate the press box. Beyond necessary safety fixes, these improvements will provide equitable stadium experiences for the entire District.

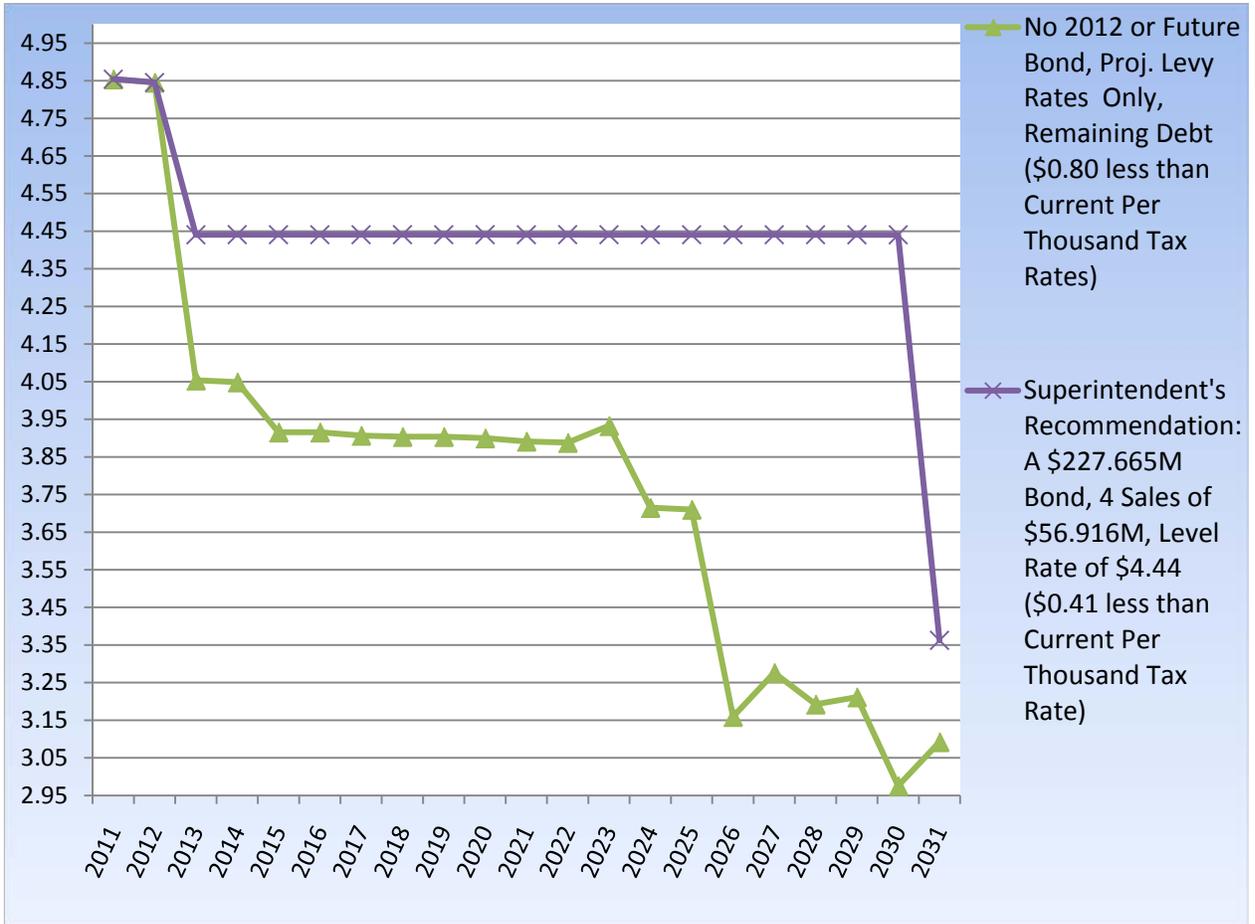
As noted earlier, the proposed capital investments will lower operating costs and provide efficiencies. For example, the installation of artificial turf at all five middle schools and at Apollo elementary will decrease [operating cost approximately \\$180,000 annually](#). The all-weather aspect also provides consistent usable PE classroom spaces, which are currently unusable, a portion of the school year. The fields will also potentially generate rental revenue of \$100,000 per year and provide enhanced community access.

Overall, the projects proposed met all of the Superintendent's facility priorities set forth when reviewing the committee's recommendation.

A full line-item detail of the projects is attached at the conclusion of this report.

Taxes:

The District has planned its long term tax rate structure to be able to provide for the financing of this proposed capital bond. Given, the "step-off" in tax rate in 2013, we are able to finance the proposed \$227,665,500 for \$0.41 less per thousand than the actual 2011 and estimated 2012 total combined rate. (See graph below and attached tax rate detail.)



The District also [monitors community sentiment](#) on numerous issues on a quarterly basis. This survey is done by an independent firm is conducted randomly on about 125 residence above the age of 18.

The District asks the question: *Do you feel that the current share of tax dollars that you pay for local public education is...Too High, About Right, Too Low, or Don't Know?* A summary of the results of this polling data is provided in the table below.

	Too High	About Right	Too Low	Don't Know	Total support
2011					
Winter	14%	58%	20%	9%	78%
2010					
Winter	15%	67%	9%	9%	76%
Spring	22%	57%	13%	7%	70%
Summer	16%	52%	18%	14%	70%
Fall	16%	65%	10%	9%	75%
2009					
Winter	17%	55%	19%	10%	74%
Spring	16%	57%	13%	14%	70%
Summer	17%	62%	8%	13%	70%
Fall	11%	70%	9%	9%	79%
2008					
Winter	13%	61%	16%	10%	77%
Spring	16%	59%	13%	12%	72%
Summer	13%	62%	14%	10%	76%
Fall	17%	57%	16%	9%	73%
2007					
Winter	13%	62%	16%	9%	78%
Spring	12%	65%	14%	9%	79%
Summer	15%	66%	13%	6%	79%
Fall	11%	59%	20%	11%	79%
Average	15%	61%	14%	10%	75%
Minimum	11%	52%	8%	6%	70%
Maximum	22%	70%	20%	14%	79%

The table above illustrates a consistent pattern of local voter support with a 17 quarter average of 75 percent of residents that feel their taxes they pay for public education are “about right” or “too low.” This means that three-fourths of the District residents in our polling sample—pre and post global financial crisis—provide a supportive response to the question.

Elections:

Historically, the Issaquah community has been very supportive of District bonds and levies. In 2006, the District's proposed bond issue passed at a rate of 67.87 percent. In the most recent levy election on February 9, 2010 the District [had continued community support](#) with passage rates between 65.7 to 64.24 percent. It is important to note that a bond requires a super-majority of 60 percent to pass. In Washington over the past almost 20 years, schools have successfully passed their bonds about 40 percent of the time. The bond election picture in the King County area has seen mixed results, with failures and passages that are tracking very close to the 40 percent average. The state-wide election results for 2011 have been the lowest in quite some time, with only a 15 percent passage rate out of 33 bond issues; this was a large drop from the 47 percent rate from 2010.

District election costs have decreased significantly since their high watermark in 2006 (\$230,000). The most recent levy election had a total cost to the District of \$117,000 for all three measures on the ballot. (Please note that a successful election may be charged to capital projects fund, and not impact the operating fund.)

Conclusion:

As stated at the beginning of this document, the Superintendent and administration recommend a bond measure for the February 2012 ballot in the amount of \$227,665,500 to support the capital needs of the Issaquah School District from 2012-2020. We believe that the included projects are critical to the ongoing operational health of the District and the timing is necessary for the financial stability of the District. The deadline for filing an election resolution for the February 14, 2012, election is, December 30, 2011.