

Facility and Growth Committee Meeting Summary April 16, 2019

1. Welcome and Introductions

Dr. Shough welcomed the committee and introduced Mike LaVallee from Stifel. Mr. LaVallee will share with us information regarding our district's bonding capacity and the tax rate impacts. The committee's work will be to consider the impact to voters as we prioritize the needs of the district within bonding capacity amounts. It will be important to consider needs that are truly needs that would not otherwise be able to be funded through capital allocations and also to consider the value our community would place on the prioritized needs.

2. Bond Capacity and Tax Rates

Mr. LaVallee reviewed the historical assessed valuation of the Liberty Elementary School District. The 10-year historical growth includes a sharp drop in value between SY2010 and SY2012. From SY2012 on, the district has had steady growth. The decrease in value in the early years of the 10-year period negatively affects the district. The bonding capacity is based on the Net Full Cash Assessed Value (FCAV), (blue bars in slide), and the tax rate is based on the Net Limited Assessed Property Value (LAPV) (red bars in slide). The five-year average of the FCAV is 14.01%, which is very strong. However, the capacity is based on a 10-year average of the FCAV, which is 1.61%. If the district grew at a conservative estimation of 5%, the district would be able to sell bonds sooner than projected at the 1.61%. This means that the bond election would present a plan for selling bonds over a 10-year period, but the district in actuality would likely be able to sell the bonds sooner within that 10-year period because bond capacity would be increased in early years due to greater growth in valuation.

Over the years, the district's secondary tax rate for bonds has fluctuated between about \$.78 and \$.98. The district passed a 10% override to the maintenance and operations budget in an election on November 8, 2016. The district is currently in Year 2, and the last year is SY2024. The district has not had a bond election for six years.

The statutory bonding capacity for the district is estimated to be \$22,255,235 as of September 1, 2019. The bonding capacity grows every July 1st because principal payments are made. Annually on the third Monday of August, assessed values become final.

Three scenarios with two options each were shared with the committee. The first scenario was \$45m. Option A calculates the 1.61% for an actual estimated tax rate of \$.96. However, the voter pamphlet will need to show an estimated maximum tax rate of \$1.25. Option B calculates the 5% with an estimated average annual tax rate of \$.66 and an estimated maximum tax rate of \$.98.

Scenario 2 was based on a \$55m bond. Option A at 1.61%; estimated annual tax rate of \$1.08 and maximum rate of \$1.31. Option B at 5%; estimated annual tax rate of \$.74 and maximum tax rate of \$1.05.

Scenario 3 was based on a \$65m bond. Option A at 1.61% estimated annual tax rate of \$1.28 and maximum tax rate of \$1.50. Option B at 5%, estimated average annual tax

rate of \$.85 and maximum tax rate of \$1.15.

The most challenging part of the bond election will be to build understanding of the maximum tax rate listed in the bond pamphlet and the likelihood of a far reduced actual tax rate due to the continuous growth in valuation of the district. The district has experienced a 14% increase in valuation in the last five years, and the voter pamphlet will advertise rates based on 1.61% increase in valuation.

The Governing Board is required to approve a decision to go out for an election no later than June 8th, 2019.

3. **Prioritization of Possible Bond Expenditures**

Over the past several months, the committee has reviewed a master list of capital needs due to both deferred maintenance, building improvements, and programmatic requests. That list was prioritized this past fall by the committee. Priority was given to safety and security needs. Additional items have been added. The district is currently working with a firm to evaluate our buildings and their findings will be shared with the Governing Board on April 29th. We estimate that there is approximately \$10m in deferred maintenance and building improvement needs all together. That amount may grow after we receive the evaluation.

Kelley Baysinger shared the history of capital funds in the state of Arizona. During the time the district capital budgets were cut, the district did not receive about \$12m. This means that the replacement cycles for maintaining buildings, replacing textbooks, furniture, and equipment were placed on hold. So, if a 10-year old equipment item had been due for replacement, the district has waited an additional 10 years for capital budgets to be restored. Since that time all of the replacement cycles with 10 years or less have come due. It is not possible to replace all of them. This means that it will take the district several years to get back on track with a replacement cycle. Additionally, the state will not finish restoring district additional assistance (capital) funds for three more years. This next year, we expect to be restored to the 50% level of the 2008 budget. That is why there is a budget line in the bond priorities for a portion of the \$10m needs.

At a recent Governing Board meeting, our transportation audit revealed needs to restore the replacement cycle for buses and to build a transportation facility. The bond prioritization list includes budget to support less than half of the buses needed to maintain the replacement cycle for our buses that are 10 years or older or have more than 150,000 miles logged.

Dr. Shough shared a slide from a previous Facility and Growth Committee meeting detailing the projected enrollment and the years some of the schools will exceed their facility capacities. Liberty Elementary is expected to exceed its capacity in SY2025. If a bond is passed and the AZ School Facilities Board approves a new school, the combined funding from the bond and SFB will be available in time to build a new school. It is possible for the school to be open to students in time for SY2025 (fall of 2024). Additionally, Estrella Mountain and Westar are expected to exceed their capacity by SY2028. The lower table on the slide shows the changed capacity at schools if a new school is built, and Westar and Estrella Mountain add additional classroom wings. All growth needs will be accommodated through SY2028.

An initial list was made of possible bond expenditures. This list totaled \$85+ and only

included a reduced amount for buses, technology, and building improvements/deferred maintenance.

Three more options were shared for illustrative purposes only to visualize what a \$45m, \$55m, and \$65m bond could support. The committee worked in groups of two and three to discuss and prioritize to determine their recommendations to the larger group. Each group shared out. Together, as a whole group ideas were presented about what could be cut. The group held to the guiding principle that we should only put forth significant needs for growth, and that there should be something for each school community even if it was a small expenditure by comparison.

The committee recommended that the district seek just under \$60m in bond funding to support their newly-created option, which is now Option 2 in the slide. The slide was reworked during the meeting to aid the consensus decision making.

Three members agreed to participate in the upcoming Governing Board Meeting to represent the committee and its recommendations to the Board. Dr. Shough shared that Paul Ulan will be conducting phone surveys to gather market research. Dr. Shough will be sending out electronic surveys by email to parents and employees in the district. All information will be shared at the upcoming Governing Board Meeting.

4. **Closure**

This meeting will conclude the Facilities and Growth Committee work. An optional meeting will be held next week that will be open to all community members.

A decorative graphic on the left side of the slide, consisting of a network of light blue lines and small circles, resembling a circuit board or a data network. The lines are vertical and horizontal, with some diagonal connections, and the circles are placed at various points along these lines.

CAPITAL PLANNING

State
Funding

District
Needs

State-provided capital
has been cut year
over year – over \$12
mil past 10 years

Plans to restore by
2023 – still reductions
resulted in \$millions
in deferred
maintenance

- Technology, furniture, & equipment
- Pupil transportation

- New school construction
 - Rebuild of Liberty
 - Building Improvements

- Site improvements
- Safety & security

Projects exceed \$100 million – refined list to align with potential funding

Board Approved BOUNDARY OPTION 1 with Added Classroom Capacity at Las Brisas, Estrella, & Westar

Without Added Classrooms

School	SY2019	SY2020	SY2021	SY2022	SY2023	SY2024	SY2025	SY2026	SY2027	SY2028	Capacity		
											Capacity	Ratio SY2024	Open Seats SY2024
Freedom	713	682	648	620	597	541	523	486	467	442	834	65%	293
Las Brisas	238	283	336	394	501	578	626	654	656	655	692	84%	114
Liberty	599	719	838	950	1089	1188	1250	1304	1348	1377	1196	99%	8
Estrella	435	426	449	490	522	550	593	624	681	739	716	77%	166
Rainbow Valley	602	591	591	570	525	503	471	469	488	490	796	63%	293
Westar	667	672	684	695	687	718	747	789	819	866	828	87%	110
Blue Horizon	na	na	na	na	na	na	na	na	na	na	950	na	na
Regional Total	3254	3372	3547	3719	3920	4077	4210	4327	4459	4569	5862	70%	1785

With Added Classrooms:

School	Current SY2019	SY2020	SY2021	SY2022	SY2023	SY2024	SY2025	SY2026	SY2027	SY2028	Capacity		
											Added Classroom Capacity	Ratio SY2024	Open Seats SY2024
Freedom	713	682	648	620	597	541	523	486	467	442	834	65%	293
Las Brisas	238	283	336	394	501	578	626	654	656	655	804	72%	226
Liberty	599	719	838	950	1089	1188	1250	1304	1348	1377	1196	99%	8
Estrella	435	426	449	490	522	550	593	624	681	739	828	66%	278
Rainbow Valley	602	591	591	570	525	503	471	469	488	490	796	63%	293
Westar	667	672	684	695	687	718	747	789	819	866	996	72%	278
Blue Horizon	na	na	na	na	na	na	na	na	na	na	950	na	na
Regional Total	3254	3372	3547	3719	3920	4077	4210	4327	4459	4569	6254	65%	2177

* All figures based on resident enrollment and Updated capacity for SY2020 new programs and special education self-contained programs

All projected enrollment data provided by Applied Economics, Inc, January 2019

Campus	Original	Capacity	# Added Classrooms (@28/RM)	Added Classroom Capacity
Freedom	936	834		834
Las Brisas	692	692	4	804
Liberty	1196	1196		1196
Estrella	840	716	4	828
Rainbow Valley	796	796		796
Westar	924	828	6	996

POTENTIAL BOND AUTHORIZATIONS

\$65 million

\$55 million

\$45 million

<u>List of Projects/Needs</u>	<u>Estimated Cost</u>	<u>Option 1</u>	<u>Option 2</u>	<u>Option 3</u>	<u>Option 4</u>
Liberty - Rebuild	\$22,531,435	\$22,531,435	\$22,135,000	\$22,531,435	\$22,531,435
New School - (costs shared with AZSFB)	\$18,418,400	\$18,418,400	\$18,418,400	\$18,418,400	\$18,418,400
Transportation - Pupil transportation	\$2,967,750	\$2,564,591	\$2,564,591	\$2,564,591	\$1,510,044
Districtwide - Technology maintenance & 1:1 Chromebooks for 5th-8th grade students	\$4,585,200	\$2,807,700	\$2,475,730	\$2,475,730	\$1,275,730
School improvements/ deferred maintenance	\$10,000,000	\$3,848,739	\$2,664,391	\$2,664,391	\$1,264,391
Estrella - Classroom addition	\$1,682,817	\$1,682,817	\$1,682,817		
Rainbow Valley - Restroom enclosure	\$130,913	\$130,913	\$130,913		
Rainbow - Library modernization	\$411,129	\$411,129			
Westar - Classroom addition	\$3,130,822	\$3,130,822	\$3,130,822		
Westar - Library modernization	\$411,129	\$411,129			
Westar - Restroom enclosure	\$131,314	\$131,314			
Freedom - Library modernization	\$411,129	\$411,129	\$411,129		
Las Brisas - Theater sound system upgrades	\$36,200	\$36,200	\$36,200		
Estrella - Upgrade Music Room to Band	\$86,107	\$86,107			
Rainbow - Upgrade Music Room to Band	\$86,107	\$86,107			
Westar - Upgrade Music Room to Band	\$86,107	\$86,107			
Freedom - Upgrade Music Room to Band	\$86,107	\$86,107			
Las Brisas - Classroom addition	\$1,793,801	\$1,793,801			
Transportation - Bus Facility	\$10,602,854	\$6,345,453	\$6,345,453	\$6,345,453	
Las Brisas - Library addition	\$1,439,977				
Westar or Estrella - Gym	\$3,988,132				
Rainbow - Soccer field	\$684,530				
District Administration Expansion	\$1,761,087				
Totals	\$85,463,047	\$65,000,000	\$59,995,446	\$55,000,000	\$45,000,000

Potential Override Election 10% to 15%

10% Maintenance and Operations Override

\$1,924,933

- Increase student achievement
- Maintain class sizes
- Retain music, art, and physical education programs
- Provide competitive salaries for teachers

15% Maintenance and Operations Override

\$2,940,000

- Maintain class sizes
- Maintain music, art, and physical education programs
- Add counselors to all schools
- Add reading intervention teachers to all schools
- Add computer science and band programs

POTENTIAL OVERRIDE ELECTION 10% TO 15%

Purpose	Current 10%	Proposed 15%
Retain music, art, and physical education	\$ 1,061,387	\$ 1,100,000
Maintain class sizes	\$ 779,480	\$ 800,000
Increase student achievement	\$ 84,126	
Provide competitive salaries for teachers		
Add counselors to all schools		\$ 440,000
Add reading intervention teachers to all schools		\$ 400,000
Add computer science and band programs		\$ 200,000
Total	\$ 1,924,993	\$ 2,940,000