



Cape Elizabeth School District

School Bond Proposal

November 12, 2013



Capital Improvement Projects (CIP) Planning Process Review

- October 2011-Buildings and Grounds Committee Formed
- March 2012-School Board Budget Workshop CIP Review (reviewed annual CIP budget and long-term needs)
- June 2012-Buildings and Grounds Committee Meeting
- September 2012- Buildings and Grounds Committee Meeting
- October 2012 School Board Finance Workshop (reviewed external engineering study analysis)
- November 2012-Buildings and Grounds Committee Meeting
- January 2013-Joint School Board and Town Council Workshop (discussed CIP planning strategy and joint coordination)
- January 2013-Buildings and Grounds Committee Meeting
- February 2013-Buildings and Grounds Committee Meeting
- February 2013-School Board Adopts Goal to Develop 5-10 year Capital Improvement Plan
- March 2013-School Board Budget Workshop CIP (reviewed annual CIP budget)
- March 2013-School Board Budget Workshop CIP (reviewed long-term needs and discussed next steps)
- April 2013-Buildings and Grounds Committee Meeting
- May 2013-Buildings and Grounds Committee Meeting
- June 2013-Buildings and Grounds Committee Meeting
- June 2013-School Board Meeting-Building and Grounds Committee Update
- June 2013-School Board Workshop (B&G Committee presented “School and Community Services Capital Projects Overview” Report)
- August 2013-B&G Committee distributed “10 Year Capital Stewardship Plan for School, Community Services, Pool” Report including bond funding recommendations to stakeholders and School Board for comments and feedback
- September 2013-School Board Meeting (B&G Committee presented 10 Year “Capital Stewardship Plan for School, Community Services, Pool” Report including bond funding recommendations and addressed community and School Board feedback)
- September 2013-Joint Town Council/SB Workshop (Joint Finance Chairs presented “Combined CIP Summary” report which included bond funding recommendations and discussed next steps)
- November 2013-Buildings and Grounds Committee Meeting
- November 2013-School Board Meeting (B&G Committee presented “School Bond Proposal” Report)

Capital Investment Projects (CIP) Long-term Summary

- \$53 million estimated replacement value for School facilities (source: Cape Elizabeth Combined CIP Summary Report, September 25, 2013)
- \$1.2 million in projected annual CIP investments for schools over next 10 years (source: CESD 10 Year Capital Stewardship Plan Report)
- Projected annual investment rate implies useful life of Cape Elizabeth school facilities of 46 years
- Implied useful life of 46 years is consistent with engineering useful life and IRS useful life depreciation estimates for school facilities of 39-45 years (source: Cape Elizabeth Combined CIP Summary Report, September 25, 2013)

Conclusions:

- 1) Sustained investments are required to maintain quality and functionality of facilities
- 3) Scheduled asset maintenance and capital investments must keep up with depreciation

Capital Investment Projects (CIP) Near-term Summary

- Increased near-term (2015-2017) CIP needs for must have investments (roof replacement, HVAC equipment, electrical systems)
- \$4.5 million in recommended CIP investments over next three years (source: CESD 10 Year Capital Stewardship Plan Report)
- Multiple, large individual projects (12 projects over \$100,000, 7 over \$200,000, 4 over \$300,000, 2 over \$500,000, 1 over \$700,000)
- Difficult to fund large projects through annual operating budget due to potential budget and tax volatility

Bond Funding Rationale

- **Must Have Capital Investment Projects**
 - bonds would fund roof replacement, HVAC/roof equipment and electrical systems; no expansionary nor new build projects being funded
 - reduces risk of project deferral of required capital investment projects (projects do not become less expensive in the future, inflation factors)
- **Long-life Assets (avg. capital investment project has 25-30 year estimated life)**
 - promotes prudent stewardship sharing of investment costs between current taxpayers and future taxpayers
- **Promotes Asset and Liability Matching**
 - aligning asset life and asset funding promotes disciplined and scheduled asset maintenance
 - 2016 pro-forma school bonds outstanding would approximate current bonds outstanding due to scheduled bond retirements; consistent with asset and liability matching principle
- **Multiple large dollar project needs over next three years (12 projects over \$100,000, 7 over \$200,000, 4 over \$300,000, 2 over \$500,000, 1 over \$700,000)**
 - recognizes difficulty in funding large dollar projects through the annual school CIP budget
 - bonds funding provides path to meet required investment needs and reduce annual budget volatility
- **Provides opportunity to minimize annual tax impact for school CIP projects (annual CIP budget and CIP related debt service represents approx. 8% of total school expenditures)**
 - 2016 estimated tax impact with no bond funding- +2.74%
 - 2016 estimated tax impact with bond funding- -0.13%
 - refer to CESD 10 Year Capital Stewardship Plan Report for tax implications and assumptions

2016 Bond Related Projects

Projects	Cost	Age in 2016	Useful Life (years)
High School Roof Replacement	\$ 800,000	29 years	25-30 years
Middle School Roof Replacement	\$ 175,000	32 years	25-30 years
Pond Cove Roof Replacement	\$ 175,000	31 years	25-30 years
Middle School Roof Top Heating Recovery Unit	\$ 325,000	23 years	20-25 years
Electrical HS Primary Service Entrance	\$ 275,000	48 years	40-50 years
Bond Projects	\$ 1,750,000		

Categories Summary	Total	% of Total
Roof Replacement	\$ 1,150,000	65%
Roof/HVAC Equipment	\$ 325,000	19%
Electrical Systems	\$ 275,000	16%
Total	\$ 1,750,000	100%

- Average age of asset being replaced is 33 years
- Bond funding supports required capital investments at all three schools
- Projects are must haves; no expansionary nor new construction projects
- 84% of projects are roof replacement and roof equipment

Next Steps

- Request Town Council to seek the issuance of bonds for \$1.75 million for School capital improvement projects for the 2015-2016 school year
- If a referendum vote is required, request the vote to be held in the first half of 2014 to allow adequate budget preparation time for the 2015-2016 budget
- Continue to communicate to stakeholders the District's capital investment project needs and rationale for proposed bond funding
- Continue to work closely with Town Council to coordinate bond funding process and promote One Town Concept