




Kenai Peninsula Borough

Purchasing & Contracting Department

MEMORANDUM

TO: Brent Johnson, Assembly President
Members, Kenai Peninsula Borough Assembly

THRU: Charlie Pierce, Mayor 

FROM: John Hedges, Purchasing & Contracting Director 
Brandi Harbaugh, Finance Director 

DATE: May 26, 2022

RE: Ordinance 2022-20, Providing for the Submission to the Qualified Voters of the Kenai Peninsula Borough the Question of the Issuance of Not-To-Exceed Sixty-Five Million Five Hundred Fifty Thousand Dollars (\$65,550,000) of General Obligation Bonds of the Kenai Peninsula Borough to Pay the Costs of Educational Capital Improvements in the Borough on October 4, 2022 (Mayor)

The School District staff and administration met with Borough staff and administration to develop the list of School Capital Projects for the purpose of requesting voter approval in the October 4, 2022 election.

Over the past 18 months, the Kenai Peninsula Borough has enlisted the help of a consulting firm that specializes in facilities management to complete an operational and organization assessment study of Borough facility assets. As part of that study, a focus on preventative maintenance practices, collaborative capital planning, and a performance measurement approach to continued improvement of assets was recommended.

Evident as part of the operational and organization assessment study, major maintenance, capital improvements, and facility replacement are a critical part of value added facilities management

The Borough and the School District have completed an in-depth facility asset inspection and review. Based on existing projects and needs identified in that review a project list has been created totaling an estimated \$225 million in capital improvements and major maintenance project needs.

A joint steering committee of both Borough and School District representatives recommended twelve school projects as priority and critical to maintaining and improving key infrastructure for both community and educational needs. Continued major maintenance and replacement of Borough and School District Facilities is critical to the effectiveness of both, the Borough's Maintenance

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Program and the School Operations they support.

As described in the Ordinance, the total amount of \$65,550,000 will be used to pay for the cost of planning, design, site preparation, construction, procurement, installation, and equipping educational capital improvement projects.

The estimated costs of the projects submitted to the State of Alaska Department of Education are as follows:

Soldotna Elementary Reconstruction	\$21,500,000.00
Soldotna Preparatory Renovation (School District Administration)	\$18,500,000
School Student Drop-off improvements (Area Wide)	\$5,500,000
Seward and Nikiski High School Track and Field	\$4,500,000.00
KPB/KPBSD Maintenance Shop.....	\$5,000,000.00
Various School Roof Replacements.....	\$4,800,000.00
Kenai Middle School safety/Security renovation.....	\$2,500,000.00
Kenai High School Field Restroom and Concession.....	\$500,000.00
Homer High School Front Entrance Improvements	\$750,000.00
Soldotna High School Siding repair	\$2,000,000.00

Financial Impact

The issuance of \$65,550,000 of general obligation bonds for the above projects is expected to have annual debt service requirements of approximately \$4,560,000. Assuming a 50%-70% reimbursement rate from the State of Alaska, the net annual cost to the borough taxpayers would be \$1,825,000. The resulting impact on the annual tax levy would be approximately \$25 per \$100,000 of assessed taxable property value (based on the total FY2023 assessed valuation, a 3.5% average rate of interest, a 20-year payback period, and 50-70% reimbursement from the State of Alaska). Without State debt reimbursement, the resulting impact on the annual tax levy would be approximately \$45 per \$100,000 of assessed taxable property value. Completion of the projects is expected to result in lower operating and maintenance costs in the school maintenance fund in addition to reduction in energy consumption.

Placing a 2023 Educational Capital Improvement Bond on the Ballot and seeking voter approval is in the best interest of the Borough and the School District.

Your consideration of this ordinance is appreciated.