

# **SCHOOL DISTRICT BUILDING RENOVATION**

## **2016 Opportunity**

### **Questions and Answers**

#### **WHAT IS THE ISSUE?**

Last year our School Board entered into a full-scale study of our educational facilities conducted by the Ohio School Facilities Commission (OSFC). The Commission determined our existing buildings were well designed, constructed, and maintained. They recognized, however, the ongoing need to modernize the buildings and to extend their useful lives for future generations and make them safer, healthier, more efficient, and technologically superior to our present facilities.

The Board desired to be led by the community and asked 35 district residents to serve on a Facilities Planning Committee to learn about the results of the study and engage the community. This committee met several times last spring and last fall and hosted two community meetings to seek community input. Far and away, the choice of our community was to renovate the Middle School/High School and to address any structural or system deficiencies at the elementary or the Ag building. The Board agreed the sensible plan was to take care of what we have and make our school facilities ready for future generations of Anna students. You will have the opportunity to vote for this renovation March 15th.

#### **GIVE ME SOME HISTORY**

The first Anna school, built in 1869, was a wooden frame structure on the southeast corner of Main and Dixie Highway built at a cost of \$800 with an addition costing \$658 added in 1875.

The first brick high school was built in 1883 - cost \$7,513 - and was condemned in 1926.

The building which followed - the "white" school house - was built in 1926 - cost \$55,000 and was sized to incorporate the 12 one-room schools that had been recently combined into the Anna School District. It was destroyed in the earthquake of 1937.

Our current building, which serves as our Middle/High School, was built in 1938. It was 47,000 square feet and cost \$152,500. Additions were made in 1963 (9,500 square feet costing \$250,000), 1973 (28,500 square feet costing \$925,000), and 1999 (41,000 square feet costing \$4,520,000).

Additionally, the 66,000 square foot elementary building was constructed to replace the buildings in McCartyville and Kettlersville and to facilitate the combining of our elementaries. It cost \$6,000,000 and was completed in 1993.

Other facilities and additions of note include the Vocational Agriculture building constructed with donated money from the agriculture community and later expanded by the general public. The Grange building was donated to the school. Outside athletic facilities were constructed in large measure with private money on donated land and are maintained by the school board. Our district has taken advantage of opportunities to acquire parcels of land proximate to our buildings to increase parking and to allow for future growth.

## WHY NOW?

**State Share.** The state will share the cost of construction or renovation with any district. The percentage the state contributes is based on a formula. At one time, the state formula showed the state was willing to pay 12% to help. That number has increased over the years and last year was 53%. The Board believes the percentage has topped out and next year the percentage from the state is 52%. Renovating now leads to what we believe to be the highest state share. Additionally, state money is not unlimited. Our project approval has been delayed 6 months because the state has already committed all the money available for the current year.

**Interest rates.** We will borrow and repay over 10 million dollars plus the interest on the 10 million. Interest rates are low and our estimates are based on 3.1%. Renovating now gets us what we believe to be historically low rates requiring historically low taxes to pay off.

**There are no emergencies.** Our facilities have been excellently maintained for generations. The roofs on all but the 1999 addition at the Middle School/High School are approximately 30 years old and while they still have some life left, will need replaced in the foreseeable future. The electrical systems have been patched and repaired many times, however, it may be time to bring them up to code while state shares the cost. The HVAC system in the elementary is 23 years old - as is much of the technology. Having no emergencies allows us to control priorities and much of the construction cycle.

## WHY RENOVATE AND NOT BUILD NEW?

### Among the reasons

- **Cost.** A new Middle/High School building with the same space as we currently occupy, demolition of the Middle/High School, plus updates to the elementary building would cost \$35,000,000. The state would contribute approximately \$9,500,000 and increase our local cost to over \$25,000,000. It would take two and one half times as much tax to build new.
- **Utility.** The state projects a new building to be serviceable for 40 years and they project a fully renovated building to be serviceable for the same 40 years.
- **Propriety.** The facilities advisory committee did not recommend a new building simply for the sake of having a new building. They considered the current location relative to our other facilities, as well as the historical importance to the community if we lost spaces like the Milliette Performing Arts area, and, in addition to other considerations, thought about the hole that would be left in the Village of Anna and the community costs to reclaim the area for some other purposes. The committee did not mind being one of the few districts to choose renovation, low taxes, and a quick payoff.

## TELL ME ABOUT THE FINANCING

The entire project is to cost approximately \$20,000,000 with the state to pay approximately \$9,500,000 and our local taxpayers paying the rest. Our share will come from two sources.

1. We will borrow \$5,914,000 and repay it over 18 years with a real estate tax levy estimated to be 2.66 mills.
2. We will borrow approximately \$4,570,000 and repay over 18 years with a 0.25% income tax.

### **WHY THIS COMBINATION?**

- The facilities advisory committee strongly recommended a combination of real estate tax and income tax. This combination spreads the tax burden as broadly as possible. Renters not directly paying real estate taxes and businesses not directly paying income taxes will both contribute.
- We recognize the recent significant increase in agricultural land values.
- If incomes in the district rise by more than 1%, real estate taxes can be reduced.
- Repaying over 18 years instead of 30 years or more lowers the interest rate we will need to pay, greatly reduces the total interest paid for the project, and preserves options for the future.

### **WHAT ASSUMPTIONS ARE IN THIS FINANCING?**

- Our total tax valuations remain \$168,000,000 and does not increase over the 18 years. That assumption means no property will be worth any more than it is worth now and it means there will be no new homes built in the district for 18 years. If our district valuation goes up because homes are worth more or if our district valuation goes up because new homes have been built, either the tax each individual pays will go down or our district's debt will be paid off sooner.
- The interest rate at which we borrow the money will average 3.1%. Current rates are less which would mean the millage we need could be less.
- The total income in the district will grow 1% per year. If incomes grow quicker than 1% per year, we can reduce real estate taxes or pay off debt more quickly.

### **WHAT DOES THIS MEAN TO ME PERSONALLY?**

Let's assume you have a home with the market value of \$100,000. The auditor takes the \$100,000 times 35% (the 35% is set in law) to yield \$35,000. The \$35,000 is then multiplied by the millage (2.66) to generate the annual tax due. In this example, \$35,000 times 2.66 equals \$93.10 and \$93.10 would be the additional annual tax due. If your home is worth more or less than \$100,000, you'll have to adjust the numbers accordingly. Business (including farm ground) has additional factors involved so please contact the County Auditor at 498-7202 with your specific situation.

In addition to the real estate tax, we will all pay an additional 0.25% for school income tax. Your amount can be calculated by taking line 3 of your Ohio taxable income and multiplying it by 0.25%. Again using \$100,000 as an example, if you have \$100,000 Ohio taxable income, your additional tax would be \$250.00. And again, if your income is more or less than \$100,000, you will need to adjust accordingly.

**WHY \$20,000,000? WHY NOT \$19,000,000? WHY NOT JUST USE THE \$9,500,000 FROM THE STATE?**

There are conditions imposed by the state if it shares in the cost. One condition is that everything be totally renovated to a “like new” standard that is to last 30 to 40 years. We cannot pick and choose what gets renovated if we use any state money. Since total renovation based on Ohio Facility Commission cost estimates is approximately \$19,000,000, that is the total amount which must be spent to get the \$9,500,000 from the state. We have an additional \$1,000,000 in the project for items we will pay for on our own.

**WHAT ARE SOME ITEMS WE WILL GET FOR THIS \$20,000,000?**

**Recall the project is about modernizing our buildings as well as adding to their useful life. The OSFC takes a “like new” approach to renovation and has a 30 to 40 year standard with improvements.**

**A few line item estimates are as follows:**

- \$3,400,000 to replace HVAC in entire Middle/High School
- \$ 690,000 to replace roof in Middle/High School
- \$ 290,000 to replace domestic water supplies
- \$1,400,000 to replace electrical system in 1937 and 1973 sections of MS/HS
- \$1,700,000 to replace floorings, ceilings, casework, and lockers
- \$ 230,000 to replace kitchen equipment
- \$ 428,000 to replace lights in 1937 and 1973 sections
- \$ 356,000 to replace and create security systems in both buildings
- \$ 191,000 to replace doors
- \$ 417,000 to remove asbestos floor tile, pipe insulations, and ballasts
- \$ 905,000 to replace technology systems, servers, wireless, and sound in the MS/HS
- \$ 768,000 to replace technology systems at the elementary
- \$ 97,000 to replace the greenhouse
- \$2,200,000 for general finishes (carpeting, painting, trim, casework, etc.)
- Other items to be addressed include a new main entrance to the Middle/High School, cleanup of the Grange building area, replacement of toilet fixtures, and protective treatment to bricks. All major educational areas in the Middle/High School will be affected including career tech vocational areas, Milliette Auditorium, and music rooms. There is no money to be spent on any outside athletic facilities.

**HOW DOES OUR PROJECT COMPARE WITH OUR NEIGHBORS?**

District	Resident Students	Project Costs	Taxes	State Share
Anna	1159	\$20,000,000	2.66 for 18 years plus 0.25 income tax	52%
Botkins	400	\$24,428,360	7.99 mills for 35 years plus 0.5 mills for 23 years	75%
Jackson	492	\$17,185,000	8.80 mills for 28 years	51%
Houston	901	\$23,000,000	6.55 mills for 28 years	60%
Fairlawn	377	\$21,070,000	10.34 mills + \$17,500 from income tax for 28 years	85%

## **WILL WE NEED AN ADDITIONAL LEVY TO OPERATE?**

We are in a very strong cash position and continue to operate below our means. While we expect some additional operating costs for air conditioning, we anticipate savings through increased efficiency in our heating and electrical systems. After the levy passes, we will still have the lowest real estate taxes in the area and do not anticipate asking for additional operating money.

## **WILL WE HAVE ENOUGH SPACE WHEN WE'RE DONE?**

The state (who is paying \$9,500,000 and therefore gets substantial input) believes we have too much space both now and in the future. They are unwilling to contribute money for additional space of any kind. In 1985, we had 888 students. Now we have 1260 students including open enrollment. We have been able to absorb these increases by appropriately sizing the elementary in 1993 and with the additional classrooms added to the High School in 1999. An increasing number of our students gain at least part of their education in other facilities such as the Career Center (JVS) or attend classes at one of the local Community Colleges like Edison State and that frees up space. In addition, 10% of our students currently come to us as open enrollment students living in other school districts. This number could be reduced if space becomes an issue.

## **WHAT HAPPENS AFTER THE LEVY PASSES?**

- We prepare documents to borrow money in late fall.
- In cooperation with the State, we interview and select an architect.
- We incorporate community and staff involvement in concepts and designs.
- Construction in a serious way would start in 2017 and take two to three years.

## **ARE THERE OTHER THINGS I SHOULD KNOW?**

### **Construction Related**

The project will take several years to complete. Students and staff will be disrupted for part of that time. Modular classrooms are anticipated (and in the budget) but we are creatively working to minimize the number and the cost.

### **Finance Related**

There are some parts of the project the state will not share in the cost. These are called Locally Funded Initiatives. Examples include work inside Milliette Auditorium and even the roof over it and the heating and air systems allocated to it. We have \$1,000,000 in our budget to cover these spaces and to choose among projects such as removing the Grange, increasing parking, and constructing a more pronounced and apparent entryway to the Middle/High School.

We have one-half mill (0.5) scheduled to go off of our taxes in 6 years. That will help lower your tax bill a little.

We currently have over \$1,000,000 in our bond retirement account (money that can only be used to pay off debt) that will be used to cover any shortfall in income tax collections should we have a few bad years. It can also be used to pay off all of our debt sooner than 18 years if a future Board thinks it is the best use of the money.

All construction costs at this point can only be estimates but should be reasonable.

### **MORE INFORMATION**

- If you would like to tour any of our facilities, contact Diane Bornhorst at 937-394-2011 (ext. 106) or [dbornhorst@anna.k12.oh.us](mailto:dbornhorst@anna.k12.oh.us)
- If you want to speak directly to the Superintendent, contact Andy Bixler at 937-394-2011 (ext. 5) or [abixler@anna.k12.oh.us](mailto:abixler@anna.k12.oh.us)
- If you want to speak directly to the Treasurer, contact Denny Raberding at 937-394-2011 (ext. 109) or [draberding@anna.k12.oh.us](mailto:draberding@anna.k12.oh.us)
- If you want to see supporting information including the complete OSFC study, visit “Anna Building Renovation Opportunity 2016” @ [www.anna.k12.oh.us](http://www.anna.k12.oh.us)