



KENAI PENINSULA BOROUGH

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MEMORANDUM

JOHN J. WILLIAMS
MAYOR

TO: Ron Long, Assembly President
Members of the Kenai Peninsula Borough Assembly

THRU: John J. Williams, Borough Mayor

FROM: *cc: chp* Craig Chapman, Finance Director
ct Colette Thompson, Borough Attorney
bg Bonnie Golden, Grants Coordinator

DATE: August 1, 2006

SUBJECT: Proposed Amendment to Ordinance No. 2006-29, Providing for Submission to the Voters the Question of Whether to Issue Up To \$2,588,000 of General Obligation Bonds to Pay Costs of Numerous Educational Capital Improvements.

Agenda Item N.2.
Committee PLP
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After consultation with bond counsel, and learning that the Department of Education and Early Development has not yet approved the proposed construction projects for reimbursement, the administration requests that the assembly amend the above-described ordinance as follows, with new text shown in **bold and underlined**, and deleted text in [~~bold, brackets, and stricken out~~]:

- Amend the first whereas clause as follows:

WHEREAS, the State of Alaska has enacted Chapter 7 FSSLA 2005 (**SB7573**) which provides for school debt reimbursement **authorized by the qualified voters** after June 30, 1999, **but before** [~~AND UNTIL~~] October 31, 2006; and

- Amend the fourth whereas clause as follows:

WHEREAS, **the capital projects must be approved by** the Alaska Department of Education and Early Development ("**DEED**") **in order to be eligible for reimbursement under the program and DEED** [~~has~~] **is expected to** approve[~~d~~] the capital projects; and

- Amend the fifth whereas clause as follows:

WHEREAS, the [~~approved~~] school capital projects **proposed for approval** have been completed, or will be completed in the near future, and **are will be** eligible for a 70% cost reimbursement under the bonding program **upon DEED approval**; and

- Amend the seventh and eighth whereas clauses as follows:

WHEREAS, the total debt service [estimated project cost], including principal and interest, is estimated to be \$3,243,005;

WHEREAS, issuance of bonds that are eligible for 70% reimbursement [will] is expected to result in savings to the Borough of approximately \$1,031,959, which is the difference between the previous appropriations of \$2,004,860 and \$972,901, the borough's portion of the estimated debt service;

- Amend the first paragraph of section 1 as follows:

SECTION 1. It is hereby determined to be for a public purpose and in the public interest of the Kenai Peninsula Borough (the "Borough") to incur general obligation bonded indebtedness in an amount not to exceed Two Million Five Hundred Eighty-Eight Thousand Dollars (\$2,588,000), for the purpose of paying the costs of planning, designing, site preparation, constructing, acquiring, renovating, installing and equipping educational capital improvement projects within the Borough. The educational capital improvement projects may include all of the following projects to the extent they are ~~as~~ approved by the Alaska State Department of Education and Early Development. The Borough will not issue bonds in a principal amount greater than the total estimated cost of projects approved for reimbursement by the Department of Education and Early Development.

- Amend section 2 as follows:

SECTION 2. The sum of not to exceed Two Million Five Hundred Eighty-Eight Thousand Dollars (\$2,588,000) shall be borrowed by, for and on behalf of the Borough for the aforesaid educational capital improvements and shall be evidenced by the issuance of general obligation bonds of the Borough only if, and to the extent that, the DEED approves the projects. The bond proceeds shall be used only for capital improvements and costs of issuance of the bonds. The full faith and credit of the Borough is pledged for the payment of the principal of and interest on the bonds, and ad valorem taxes upon all taxable property in the Borough shall be levied without limitation (except as may be imposed by State law) as to rate or amount to pay the principal of and interest on the bonds when due.

- Amend the question in the proposition in Section 3 as follows:

Shall the Kenai Peninsula Borough borrow up to \$2,588,000 through the issuance of general obligation bonds for school capital improvement projects?

Your consideration of these amendments would be appreciated.

Introduced by: Mayor
Date: June 20, 2006
Hearing: August 1, 2006
Action:
Vote:

**KENAI PENINSULA BOROUGH
ORDINANCE 2006-29
WITH PROPOSED AMENDMENTS IN AUGUST 1, 2006, MEMO**

AN ORDINANCE PROVIDING FOR THE SUBMISSION TO THE QUALIFIED VOTERS OF KENAI PENINSULA BOROUGH, ALASKA, AT AN ELECTION IN AND FOR THE KENAI PENINSULA BOROUGH ON OCTOBER 3, 2006, THE QUESTION OF THE ISSUANCE OF NOT TO EXCEED TWO MILLION FIVE HUNDRED EIGHTY-EIGHT THOUSAND DOLLARS (\$2,588,000) OF GENERAL OBLIGATION BONDS OF THE KENAI PENINSULA BOROUGH TO PAY COSTS OF EDUCATIONAL CAPITAL IMPROVEMENTS IN THE KENAI PENINSULA BOROUGH

WHEREAS, the State of Alaska has enacted Chapter 7 FSSLA 2005 (SB735) which provides for school debt reimbursement authorized by the qualified voters after June 30, 1999, and until but before October 31, 2006; and

WHEREAS, the school debt reimbursement allocation for the Kenai Peninsula Borough has been set at \$2,588,000 by Chapter 7 FSSLA 2005; and

WHEREAS, there has been identified in the Kenai Peninsula Borough a substantial and immediate need for educational capital improvements as evidenced in the Kenai Peninsula Borough School District's capital improvement plan; and

WHEREAS, the capital projects must be approved by the Alaska Department of Education and Early Development ("DEED") in order to be eligible for reimbursement under the program and DEED has is expected to approved the capital projects; and

WHEREAS, the approved-school capital projects proposed for approval have been completed, or will be completed in the near future, and are will be eligible for a 70% cost reimbursement under the bonding program upon DEED approval; and

WHEREAS, the Borough has previously appropriated \$2,004,860 for Areawide Arsenic remediation, Nikolaevsk School roofing, and Soldotna Elementary Window replacement projects; and

WHEREAS, the total debt service, estimated project cost-including principal and interest, is estimated to be \$3,243,005;

WHEREAS, issuance of bonds that are eligible for 70% reimbursement will is expected to result in savings to the Borough of approximately \$1,031,959, which is the

difference between the previous appropriations of \$2,004,860 and \$972,901, the borough's portion of the estimated debt service;

WHEREAS, such reimbursement requires the issuance of general obligation bonds for educational capital improvements approved by the qualified voters of the Kenai Peninsula Borough; and

WHEREAS, under provisions of AS 29.47.190 a municipality may incur general obligation debt only after a bond authorization ordinance is approved by a majority of those voting on the questions at a regular or special election; and

WHEREAS, the Kenai Peninsula Borough views the educational capital improvements authorized herein as necessary and beneficial to the community;

NOW, THEREFORE, BE IT ORDAINED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. It is hereby determined to be for a public purpose and in the public interest of the Kenai Peninsula Borough (the "Borough") to incur general obligation bonded indebtedness in an amount not to exceed Two Million Five Hundred Eighty-Eight Thousand Dollars (\$2,588,000), for the purpose of paying the costs of planning, designing, site preparation, constructing, acquiring, renovating, installing and equipping educational capital improvement projects within the Borough. The educational capital improvement projects may include all of the following projects to the extent they are ~~as~~ approved by the Alaska State Department of Education and Early Development. The Borough will not issue bonds in a principal amount greater than the total estimated cost of projects approved for reimbursement by the Department of Education and Early Development.

Upon completion of the projects, any unexpended bond proceeds, including interest income generated through investment of the bond funds, may be used to fund any other educational capital improvement projects chosen by the Borough and approved by the Department of Education and Early Development.

Projects proposed for school bond debt reimbursement are as follows:

<u>Project</u>	<u>Cost</u>
Areawide Arsenic Remediation	\$1,029,860
Nikolaevsk School Roofing	675,000
Soldotna Elementary Windows	300,000
McNeil Canyon Roofing	<u>583,140</u>
TOTAL COST	\$2,588,000

SECTION 2. The sum of not to exceed Two Million Five Hundred Eighty-Eight Thousand Dollars (\$2,588,000) shall be borrowed by, for and on behalf of the Borough for

the aforesaid educational capital improvements and shall be evidenced by the issuance of general obligation bonds of the Borough only if, and to the extent that, the DEED approves the projects. The bond proceeds shall be used only for capital improvements and costs of issuance of the bonds. The full faith and credit of the Borough is pledged for the payment of the principal of and interest on the bonds, and ad valorem taxes upon all taxable property in the Borough shall be levied without limitation (except as may be imposed by State law) as to rate or amount to pay the principal of and interest on the bonds when due.

SECTION 3. An election is to be held on October 3, 2006, in and for the Borough for the purpose of submitting a general obligation bond proposition to the qualified voters of the Borough for approval or rejection. The proposition must receive a majority vote of those in the Borough voting on the question to be approved. The proposition shall be substantially in the following form:

PROPOSITION NO. -

EDUCATIONAL CAPITAL IMPROVEMENT BONDS

Shall the Kenai Peninsula Borough borrow up to \$2,588,000 through the issuance of general obligation bonds for school capital improvement projects?

The general obligation bond proceeds will be used to pay costs of planning, designing, site preparation, constructing, acquiring, renovating, installing and equipping educational capital improvement projects within the Kenai Peninsula Borough. The educational capital improvement projects may include all of the following projects as approved by the Alaska State Department of Education and Early Development. The Borough will not issue bonds in a principal amount greater than the total estimated cost of projects approved for reimbursement by the Department of Education and Early Development. Upon completion of the projects, any unexpended bond proceeds, including interest income generated through investment of the bond funds, may be used to fund any other educational capital improvement projects chosen by the Borough and approved by the Department of Education and Early Development.

<u>Project</u>	<u>Cost</u>
Areawide Arsenic Remediation	\$1,029,860
Nikolaevsk School Roofing	675,000
Soldotna Elementary Windows	300,000
McNeil Canyon Roofing	<u>583,140</u>

TOTAL COST \$2,588,000

The bonds shall be paid from property (general ad valorem) taxes and be secured by a pledge of the full faith and credit of the Borough. The approximate annual amount of taxes on \$100,000 of assessed real and personal property value (based on 2006 assessed valuation) to retire the total debt is \$2.01 per year (assuming 70 percent debt service reimbursement from the State of Alaska which is subject to appropriation each year).

Estimated Cost	Estimated Interest	Estimated Debt Service Paid by State of Alaska	Estimated Debt Service Paid by Borough	Estimated Annual Operating and Maintenance Cost
\$2,588,000	\$655,005	\$2,270,104	\$972,901	\$0

SECTION 4. The proposition, both for paper ballots and machine ballots, shall be printed on a ballot which may set forth other general obligation bond propositions, and the following words shall be added as appropriate and next to a square provided for marking the ballot or voting by a machine:

PROPOSITION NO. ____ Yes ()

No ()

SECTION 5. Section 2 of this Ordinance shall become effective only if the proposition described in Section 3 is approved by a majority of the qualified voters voting on the proposition at the regular Borough election on October 3, 2006. The remaining sections of this Ordinance shall become effective upon enactment.

ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS ____ DAY OF _____ 2006.

Ron Long, Assembly President

ATTEST:

Sherry Biggs, Borough Clerk