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To: Dr. Kevin Jauch

From: Beth Dever 

Re: Special Finance Committee Update: Facilities and Bond Issuance

The finance committee met three times in November to prioritize items on the updated life safety and facilities plan. The committee also discussed funding options for these projects. I have summarized below the recommendations that the finance committee will share with the full board at the December COW meeting.

Priorities

DLA updated our life safety and facilities report based on their building walkthroughs done both by the architects and engineers. Their most recent report is attached and is dated October 18, 2017. I was able to get the excel version of the items on the report and create a working document for the finance committee to use. There is a summary page to start and then each building (Avoca West and Marie Murphy) has three sections in the working document. The first section has three pages and sorts the items by building and then project type. The second section includes pages four through six and items are sorted by building, project type and priority numbers 1, 2, 3 or O&M. The final section includes pages seven and eight and lists the items being recommended by the finance committee. These pages also include an additional 20-35% cost to cover architect and engineer fees, contractor profit and contingencies. These pages give us a better idea of the total costs of the projects. While the report costs each item out individually, we know that we might realize lower costs by bidding several items out together. The items reflect today's dollars and will cost more if deferred for several years. Priority 1 and 2 items should be taken care of in the next five years. Priority 3 items should be taken care of in 5-10 years. O&M priorities are smaller scale items that I will take care of through the regular annual building budget over the next few years. This recommendation is based on what we know today in terms of the condition of our buildings. We would anticipate that there could be some movement in priorities over the next 5 years as our buildings continue to age. I have attached the working documents we have used for your reference. We will discuss them in further detail at the meeting.

Over the past two summers, we have completed asbestos abatement in eleven classrooms and three small offices on the north side of Avoca West. We have replaced old carpeting and cabinetry in the classrooms. The offices also have new carpeting. It is a priority to the finance committee to continue this work in the middle section of the building. This would include the kindergarten, 2nd and 3rd grade classrooms located in that hallway. Rooms 52, 53 and 54 also need the univents replaced. These are the last of the old univents in the building. Carrie, our architect, is currently checking to see if we can use remaining life safety funds from the

2015 bond issue to replace these univents like the others that were approved by ISBE. Other priority 1 items include exterior lighting, fire safety devices, technology infrastructure and outstanding life safety mechanical items. Priority 2 items at Avoca West include carpet replacement in non-asbestos areas of the building including the ITC, computer lab and the offices and classrooms on the south side of the building. Plumbing items that include pipe replacement, asbestos abatement and bathroom renovation make up the rest of priority 2.

At Marie Murphy, the priority is replacing the heating system. This would include new boilers and univents. Another high priority is replacing the existing parking lot. This would include both improvements to the pavement and also flow of traffic in the pickup/drop off area. Similar to Avoca West, the finance committee also included exterior lighting, fire safety devices, technology infrastructure and remaining life safety items under priority 1. Marie Murphy's priority 2 items include carpet and cabinetry replacement in the classrooms. Ideally these items would be addressed all at once as the heating system is being replaced. This will depend on the cost and the time needed to complete these projects over the summer.

The finance committee discussed the three types of air conditioning options that were included in DLA's report. These options include direct expansion air conditioning, pipe chilled water air conditioning and geothermal heating and cooling. The cost of pipe chilled air conditioning and geothermal heating and cooling were too high to be considered a viable option. The direct expansion air conditioning system uses univents, refrigerant piping and a condensing unit on the roof of each classroom. This is the system that the 6th grade uses. The cost to replace 25 univents at Marie Murphy with heating only systems would be \$675,000. The cost to replace those 25 univents with the direct expansion air conditioning added is \$900,000. The cost to replace the multipurpose room air handler unit with heating only is \$160,000. The cost to replace the air handling unit with cooling is \$200,000. The cost to replace 3 univents at Avoca West is \$100,000. The cost to replace 3 univents with cooling is approximately \$135,000. The total to replace 28 univents and one air handler unit with heating only is \$935,000. The cost to replace these units with air conditioning is \$1,235,000. When we add the 35% of potential additional costs, the difference in heating only and air conditioning is approximately \$400,000. The finance committee is recommending the direct expansion air conditioning in these areas. We believe the time to add air conditioning is when we are replacing the mechanical equipment. We would encourage future boards and administrators to continue this process until both buildings are fully air conditioned. We cannot however, support replacing mechanical equipment that was installed over the last 10 years until it is closer to the end of its useful life. Our annual electric costs should increase by approximately \$10,000 with the added air conditioning.

In addition to the items identified by our architects and engineers, we would like to add a category named "Other." This would include approximately \$600,000 to go towards razing Avoca Center, technology devices, kitchen equipment, classroom furniture or other capital equipment needs. We are estimating the razing of Avoca Center to cost \$500,000. If the district does not have to pay for this or pays less for razing, the finance committee recommends using the remaining funds in this category for technology devices, kitchen equipment, classroom furniture or other capital equipment needs. Similarly, if the district sells Avoca Center, the finance committee would recommend to use the funds to balance the Education Fund over the next several years, for technology devices, kitchen equipment, classroom furniture and other capital needs and for priority 3 items identified in our life safety and facilities report.

Funding

In October, Tammie Beckwith Schallmo from PMA, came out to give the board an update on the current debt outstanding and potential funding sources for the needs prioritized on the life safety and facilities report. Tammie's presentation was educational versus providing the district with actual options. She explained that since the district is subject to the tax cap, the amount of non-referendum general obligation bonds is limited by the debt service extension base (DSEB) from 1994. The original DSEB for Avoca was \$730,780. Public Act 96-0501, enacted in 2009, increases the district's DSEB by CPI and to \$840,228 for levy year 2017. Tammie shared scenarios of different debt structures that helped us to understand the potential impact to taxpayers. The finance committee recommends that the district sell non-referendum bonds and maintain the current DSEB payment of \$730,780 for a payback period of approximately 18 years. This option should generate around \$7,580,000 in funding for the life safety, facilities and other capital needs described above. Keeping the DSEB payment the same will keep the bond and interest levy the same. Another advantage of not increasing the DSEB at this time is that the additional DSEB could be accessed in the future if needed. The finance committee believes this is the best option given the overall financial position of the district.

The finance committee looks forward to discussing with the full board the prioritization of needs and funding options that have been recommended.

Please see me if you have any questions.

Thanks