

# Article 42: Design Funds for New Willard School

**A**rticle 42, Design Funds for a New Willard School, is a borrowing authorization for up to \$1,840,000 in design funds for a new Willard Elementary School building. This article is contingent upon voter approval of a Proposition 2 1/2 debt exclusion question at the Town Election March 28, 2006, which occurred after this report went to press. If that question was approved, Article 42 will be presented to voters at the 2006 Annual Town Meeting.

If the Willard design funds question did not prevail at the polls March 28, Article 42 will not be moved. Instead, the Concord School Committee will move Article 43, Willard Renovations.

The Finance Committee unanimously recommends affirmative action on Article 42, Design Funds for a New Willard School. Should Article 42 not be moved, or should it fail to gain approval at the 2006 Annual Town Meeting, the Finance Committee unanimously recommends affirmative action on Article 43. The Finance Committee's full recommendation follows.

## **Finance Committee Recommendation**

**A**t its March 2, 2006 meeting, the Finance Committee voted 13 to 0 to support Town Meeting 2006 Warrant Article 42, Design Funds for Willard School. The Committee based its support on very strong financial and educational arguments

as well as safety concerns.

After nearly 50 years, the Willard School building is at the end of its life and needs to be addressed. The School Committee and the Leadership for School Building Initiatives group have made compelling financial arguments in favor of building a new school building now and the Finance Committee agrees that this action provides the best value to Concord citizens.

Continuing to repair the Willard School building is a wasteful use of limited financial resources. Proponents maintain that repairing the building reduces the taxpayer burden. However, a look at the effects of long and short-term debt prove this assumption to be false. Paying a conservatively estimated \$6.6 million in a series of annual debt exclusions to address immediate space issues and short-term repairs (estimated only through 2011), and adding long-term borrowing for construction of a new school at a later date would have a much larger financial impact on taxpayers than building a new school now. Because the short-term expenditures would be funded over a shorter time period, higher principal payments would likely increase property taxes beyond the amount required to fund a new school. These tax increases would be followed shortly thereafter by others necessary to support borrowing for a new school.

Sustaining the current Willard building would require a substantial infusion of capital investment in the short term. Immediate and identified needs through 2011 are estimated at \$6.6 million, including a new roof, upgrades to the heating controls and the electrical system, masonry pointing, compliance with the Americans with Disabilities Act, modular classrooms, data wiring, new safety glass in the window wall in the hallway near the gymnasium, and replacement of plumbing fixtures and more. Other than two modular classrooms, this estimate does not include funding for additional space required by the State Department of Education. The building has already been cited in a Special Education audit in 2001 for serious non-compliance. Even with this significant capital infusion to sustain the building, such issues will not be addressed.

**I**n addition, spending money now on short-term repairs to Willard would impair the Town's ability to maintain other school buildings, in particular the Concord Middle School. In order to ensure that the Town gets the best value and longest possible lives from the Middle School buildings, it must follow a regular maintenance and improvement plan. If Willard were rebuilt now, all three elementary schools would require minimal capital investment over the next 10 years. This would free up portions

of the Town's annual Capital Improvement Plan to sustain and extend the lives of the Peabody and Sanborn (Concord Middle School) buildings.

The School Committee and the Leadership for School Building Initiatives group have made compelling arguments regarding safety and the need to keep pace with changes in teaching methods over the past decades. Classrooms today are busy with multiple teachers and group activities. The Willard classrooms are substantially smaller than required under Massachusetts Department of Education guidelines, are not structured to support teaching and learning via contemporary approaches, and there is little space available for special instruction. Rebuilding now would be the most cost-effective way to address the current shortcomings in the educational program for Willard students: inferior technology, lack of small group instructional space, inadequate space for specialists working with students needing special services, and lack of storage. Rebuilding Willard now would also address serious safety and security issues: lack of egress, lack of a sprinkler system, poor lighting, and dangerous school bus/car traffic patterns.

The Facilities Planning Committee 2003 report recommends that to adequately sustain its school buildings, the Town should annually invest an average of 2.75% to 4.0% of the

replacement cost of its buildings. Assuming a replacement cost of approximately \$40 million for Willard by 2011, the Town would need to invest at least \$1.2 million each year in a very old building that still does not meet the educational needs of the elementary school population. These costs would increase if major systems failed.

In the event that design funds are not approved by the voters this year, the Town will be faced with spending tax dollars to repair and maintain a building that does not meet today's educational standards and mandates. But, as repairs alone will not be sufficient to meet these standards and mandates, large investments for improvements will also be necessary. Should design funds fail this year, it is expected that the school committee will revisit this issue and recommend a

similar article for a new school in some future year.

Should Article 42 not pass at Town Meeting, Article 43 requests funds of \$1,357,500 for capital improvements to Willard in FY07 as the first step of a five-year CPS capital improvement plan totaling \$6.6 million from 2007-2011.

**Design Funds for a New Willard Elementary School**

Willard School was built in 1957, with renovations in the 1960's and 1994. It currently houses 389 students in grades K-5 in a 52,000 square foot building. The continued deterioration of the Willard School building and the significant cost of repairing it is of great concern to the school administration, the School

<b>Willard School:</b>	
<b>Basic and Additional Design services:</b>	
Architectural Services before construction begins:	\$1,256,000
(About 80% of the anticipated basic architectural fee)	
Reimbursable expenses:	\$ 50,000
Special consultants:	\$ 125,000
Furnishings and equipment:	\$ 13,500
Ten percent contingency:	\$ 144,450
Total	\$1,558,950
<b>Anticipated MSBA Requirements:</b>	
Project management services:	\$ 100,000
Sustainable design consultant:	\$ 100,000
Commissioning agent:	\$ 50,000
Total	\$ 250,000
<b>Appropriation request for Article 42</b>	<b>\$1,838,950</b>

Committee, and Concord residents. In March 2006, the Massachusetts School Building Assistance (MSBA) agency classified the Willard School building as being "in Poor Condition, possible candidate for replacement" assigning Willard the lowest rating of "1" on the MSBA scale of 1-4 for assessing school building conditions across the State.

Article 42 requests up to \$1.84 million to design a new building to replace the current Willard building. This figure includes \$1,558,950 for Basic and Additional Design services plus \$250,000 for MSBA (Massachusetts School Building Administration) requirements.

Approval of Design funds at Town Meeting 2006 will result in a complete design that can be used to obtain accurate construction cost

estimates. Based on the experience of Alcott and Thoreau, and escalation of construction expenses, costs for a new Willard School are estimated at \$24 million, assuming NO reimbursement from MSBA. While it is very unlikely that reimbursement will be obtained for a new Willard, it is intended that the design conform to all MSBA requirements for reimbursement, which will be requested when the state moratorium on school building grant applications is lifted in July 2007.

**Affordability and Property Tax Impact**

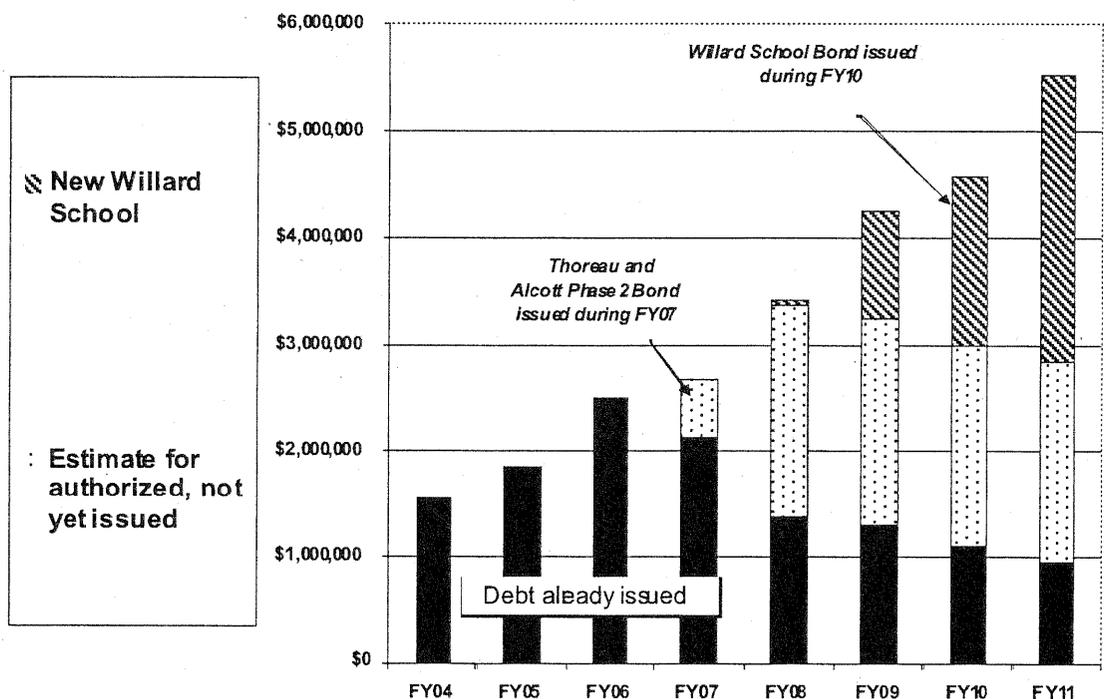
Voters rightly question whether the Town can afford to rebuild three elementary schools within a seven-year period. The impact on the property tax levy is large enough to engender a serious debate in Town.

Fortunately, the new Alcott building was determined eligible for SBA reimbursement under the old regulations, so the Town is responsible for only about 60% of the final cost of that building. The debt service for Alcott Phase 1 (construction) added about 1.4% to the tax levy in FY06 and will decline thereafter. While the Town is eligible to apply for SBA reimbursement for the new Thoreau building, and will apply in July 2007, reimbursement is unlikely.

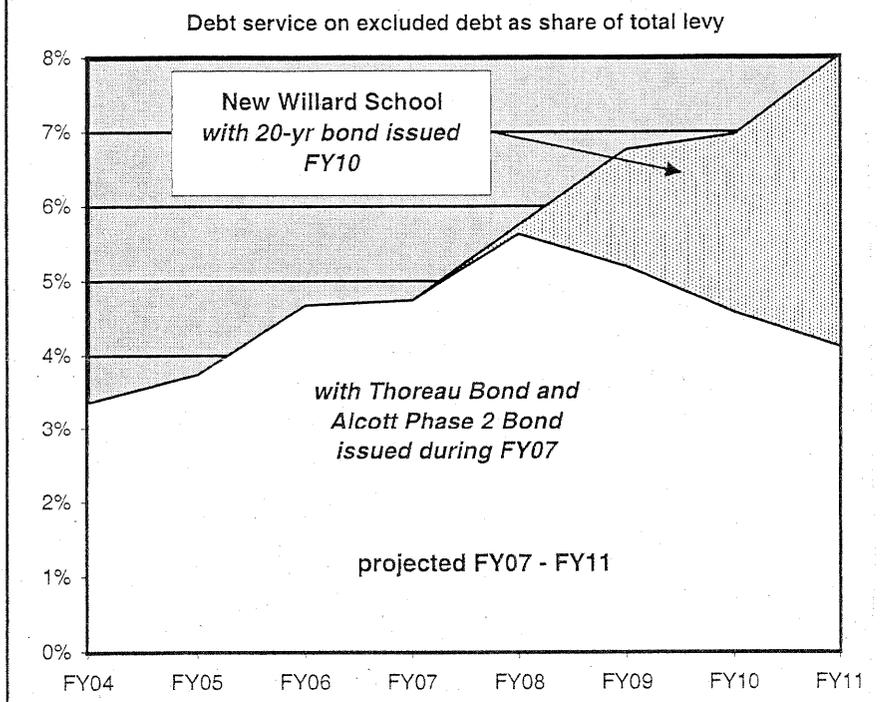
Exhibit 1 (below) shows the annual debt service cost of excluded debt principal and interest for debt already issued, authorized but not yet issued, and proposed for Willard School. Debt service for debt already issued combined with debt authorized but not yet issued is expected to peak in FY08 at \$3.4 million. If Willard School design

Exhibit 1

Annual Debt Service Cost of Excluded Debt



**Exhibit 2**



and construction funding are approved, debt service is projected to peak again in FY11 at \$5.5 million.

The impact of the Thoreau School debt on the property tax levy will peak in FY08 at just less than 3% of the total property tax levy, and then decline. Exhibit 2 (above) shows the projected impact of Willard, with its peak at just under 4% of the total levy in 2011. The total debt service related to the Alcott and Thoreau Schools and a voter approved Willard School would represent 8% of the property tax levy in 2011.

The annual percentage increase in the property tax levy caused by the increases in total debt service should construction of a new Willard be approved is displayed in Exhibit 3 (to the right).

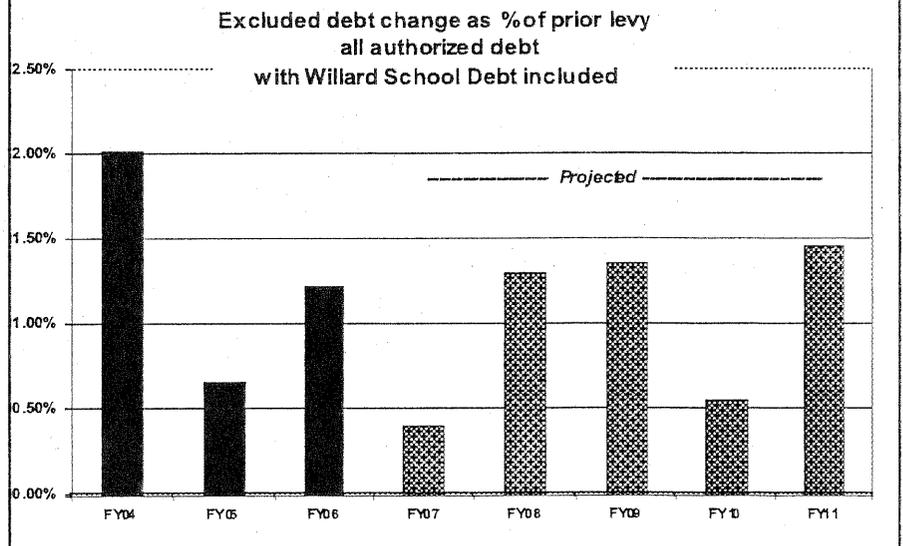
Overall debt capacity has been the subject of much discussion. Concord has been able to maintain the highest debt rating (Moody's *Aaa*) since 1987, enabling the Town to obtain the most favorable interest rates for its bonds. In FY07, excluded debt service is projected at 4.7% of the tax levy and is expected to peak

at 5.6% in FY08 due to already approved projects. The total tax-supported debt of the Town as of June 30, 2005, was \$19,515,000. This total is expected to rise to about \$39.6 million by June 30, 2007. The Willard debt would bring this to about \$60.8 million by June 30, 2010.

**Background**

In 2003, the School Committee voted to recommend that Alcott, Thoreau, and Willard be rebuilt one at a time and that the Middle School project be postponed for 10 years. Voters approved the design and construction of a new Alcott School building, which opened in Sept. 2004, and the design and construction of a new Thoreau School building which is scheduled to open in Sept. 2006. While design funds for a third new elementary school (Willard School) were approved at Town Meeting 2005, the subsequent

**Exhibit 3**



June 2005 ballot vote failed by a margin of 42 votes.

In the past 18 months, the Concord Public School Committee and the Concord Carlisle Regional School District Committee have studied the needs of the Concord Public Schools and Concord Carlisle Regional High School buildings and grounds and have recommended the following timeline:

*Town Meeting 2006*

Design funds for a new Willard School

*Town Meeting 2007*

Construction funds for Willard

*Town Meeting 2008*

Design funds for a new CCHS

*Town Meeting 2009*

Construction funds for CCHS

*September 2009*

New Willard School opens

*September 2012*

New CCHS opens

*Town Meeting 2016*

Design funds for Concord Middle School (Peabody and Sanborn)

The condition of each school was reviewed and analyzed in four primary categories: program needs; building system needs; safety and security concerns; and

environmental and aesthetic concerns. The cost to sustain each building over the next five years in the absence of major reconstruction was also considered. As a result of these studies, the Concord Public Schools and Concord Carlisle Regional School Districts school committees recommended that annual capital maintenance funds within the Levy Limit be used for the Middle School buildings and the Ripley School building for at least 10 years, and that plans be developed for replacing the Willard School and Concord Carlisle High School.

**Concord Carlisle Regional High School**

It has been suggested that the Concord-Carlisle Regional High School (CCHS) has critical needs that should be addressed before those of the Willard School. The Finance Committee strongly disagrees, and believes that the Willard project should occur before the CCHS project. There are practical as well as financial reasons for this opinion. The Willard project is necessary, well-defined, and manageable. The high school project is large and not yet fully explored. It will also be a joint venture between Concord and Carlisle, and the readiness of both towns to fund a large building project must be considered. According to various measures of debt capacity, Concord is very healthy today. The Finance Committee believes that

additional debt to support a project the size of Willard can be accommodated without risk to the Town's valuable Aaa Moody's credit rating. However, a project the size of that being considered at CCHS could lower our credit rating because of the impact on total outstanding debt. A rating downgrade would result in higher interest rates impacting all of the Town's future short and long-term borrowing, including that required to fund a new Willard School if it occurred after a new high school. Moving forward first on Willard will allow the Town to borrow at the lowest possible interest rates.

**Conclusion**

In conclusion, the Finance Committee recommends affirmative action on Article 42, Design Funds for a New Willard School, in the amount of \$1.84 million, as the most cost effective solution. It is fiscally prudent to move forward now, rather than investing substantial sums in capital maintenance for a building at the end of its life. Avoiding these interim costs will reduce the long-term impact on taxpayers and will address significant safety and security concerns as well as educational program issues.

Should Article 42 not be moved, or should it fail to gain approval at the 2006 Annual Town Meeting, the Finance Committee unanimously recommends affirmative action on Article 43, Willard Renovations.