

**Item Title:** Wake County Public School System Capital Improvement Program Reallocations and Appropriation (Second Reading)

**Specific Action Requested:**

**That the Board of Commissioners approve the following requests from the Board of Education:**

- 1. Reallocate \$10,000,000 from CIP 2013 Life Cycle Replacements to the Seven-Year CIP for early construction funding at Parkside Elementary (E-50);**
- 2. Reallocate \$2,000,000 from Program Contingency in the Seven-Year CIP for early construction funding at Parkside Elementary (E-50); and**
- 3. Appropriate \$12,000,000 for early construction funding at Parkside Elementary (E-50).**

**Item Summary:**

**Overview**

The Board of Education is requesting that funds be reallocated as follows:

CAPITAL IMPROVEMENT PROGRAM 2013 (CIP 2013)						
CIP 2013 Project	Total Budget	Appropriations to Date	Proposed Reallocation	Proposed Budget	Proposed Appropriations	Balance to be Appropriated
Existing School Projects						
Life Cycle Replacements	65,523,580	65,523,580	(10,000,000)	55,523,580	(10,000,000)	-
<b>CIP 2013 Subtotal</b>	<b>65,523,580</b>	<b>65,523,580</b>	<b>(10,000,000)</b>	<b>55,523,580</b>	<b>(10,000,000)</b>	<b>-</b>
SEVEN-YEAR CAPITAL IMPROVEMENT PROGRAM						
Seven Year CIP Project	Total Budget	Appropriations to Date	Proposed Reallocation	Proposed Budget	Proposed Appropriations	Balance to be Appropriated
New Schools						
E-50 Parkside Elementary School: Morrisville (2019)*	33,052,854	2,000,000	12,000,000	33,052,854	12,000,000	19,052,854
Ongoing Program Support						
Program Contingency	9,388,111	-	(2,000,000)	7,388,111	-	7,388,111
<b>Seven-Year CIP Subtotal</b>	<b>42,440,965</b>	<b>2,000,000</b>	<b>10,000,000</b>	<b>40,440,965</b>	<b>12,000,000</b>	<b>26,440,965</b>
<b>Total</b>	<b>107,964,545</b>	<b>67,523,580</b>	<b>-</b>	<b>95,964,545</b>	<b>2,000,000</b>	<b>26,440,965</b>

\*Note: The budget for this project is not technically increasing. It just moves available funds from other projects to accelerate construction for E-50 because that project's construction funding will not be available until August 2018. Once that funding is available, there will be a reallocation to replenish the \$10 million in life cycle funding that is being used for Parkside's early construction if this item is approved.

**Background**

During the annual update for the WCPSS Seven Year CIP last spring, it was anticipated that there would be a May 2018 bond referendum. The schedule for Parkside Elementary construction required funding in March 2018 and August 2018, splitting a May 2018 referendum. County staff asked WCPSS to shuffle appropriations if possible to avoid splitting projects across the bond. To do this, WCPSS agreed to self-fund the initial constructing funding required in March 2018, estimated at \$2.0 million, with savings it expected from projects bidding in summer 2017. This would bridge the gap between the

initial construction funding needed and the full construction appropriation scheduled for August 2018.

### **Reallocations**

The anticipated savings did not materialize. Any savings that did occur were reallocated to projects that bid over budget. Additionally, updated estimates for the early construction funding are \$4.0-5.0 million compared to the original estimate of \$2.0 million.

A second, compounding factor is an accelerated timeline for the project. Moving forward, WCPSS intends to complete all future projects early enough for them to open either as a traditional or year-round school. To make year-round an option for Parkside Elementary, it needs to be completed two months earlier and construction will have to begin two months earlier. This increases the amount of early funding that will be required to an estimated total of \$12.0 million. WCPSS does not have savings available to bridge this gap.

To cover the gap, WCPSS is requesting two reallocations:

1. Reallocation of \$2.0 million of Program Contingency in the Seven-Year CIP to Parkside Elementary.
2. A reallocation of \$10.0 million of previously appropriated Life Cycle Replacement funding in CIP 2013 to Parkside Elementary.

The FY 2018 plan includes \$9.3 million in Program Contingency. To date, none has been appropriated. The Life Cycle funding is a temporary reallocation of existing funds to bridge the gap between the construction start in late-February and the full, planned construction appropriation for Parkside Elementary in August 2018. When that appropriation occurs, the funds will be reallocated to CIP 2013 Life Cycle to restore the funding to that project.

### **Wake County Staff Comments**

Staff recommends approval of the reallocations and appropriation as requested. The original budget for Parkside Elementary is not changing, but the construction timeline has accelerated. This item just makes use of existing funds to bridge the gap between early construction and the scheduled construction appropriation in August 2018.

### **History of Seven-Year Capital Improvement Program**

Beginning with the FY 2017-2023 CIP, the Board of Education and the Board of Commissioners approved a shift in the planning approach for the school system's capital needs by adopting a seven-year, rolling capital improvement program to be updated annually based on the most recent data for enrollment, crowding, market trends and other factors impacting the system's capital needs. This seven-year plan mirrors the approach taken with the County's larger Capital Improvement Program. Prior to this change, school capital projects were funded primarily through large multi-year capital programs that were approved at once and financed primarily with general obligation bonds approved through a single, large bond referendum.

The FY 2018 CIP totals \$258.1 million. To date, \$201.4 million has been appropriated and \$56.7 million remains to be appropriated.

### **History of CIP 2013**

On October 8, 2013, Wake County citizens approved the authorization of \$810 million of general obligation bonds for the Wake County Public School System 2013 Capital Improvement Program. On October 21, 2013, the Board adopted the resolution declaring the results of the October 8, 2013 bond referendum. These bonds, plus cash appropriations, fund the WCPSS CIP 2013 Building Program. On November 18, 2013, the Board of Commissioners was asked to approve the original CIP 2013 Plan of Record, which consisted of \$43,800,000 from existing County funding, and \$939,954,793 in future funding for a total program amount of \$983,754,793.

On June 16, 2014, the Board approved a Plan of Record increase in the amount of \$6,799,974 as a result of proceeds of the sale of the 3600 Wake Forest Road Site. On July 6, 2015, the Board approved a \$775,000 increase to the Plan of Record to reflect a reallocation of \$775,000 in CIP 2006 savings to CIP 2013. The Board approved a \$2.6 million increase to the Plan of Record on October 19, 2015 as part of another reallocation of savings from CIP 2006 to CIP 2013. On February 15, 2016, the Board increased the Plan of Record by \$4,454,720 to reflect proceeds from the sale of the original H-6 site (CIP 2006). On March 6, 2017, the Board approved the reallocation of \$3,073,534 in CIP 2006 Savings to CIP 2013, bringing the current Plan of Record total to \$1,001,458,021.

The Capital Improvement Program contemplates commitments through fiscal year 2017. It provides for construction of fifteen new schools: ten new elementary schools, three middle schools and two high schools. Additionally, the plan includes funds for five major renovations, start-up construction costs at five other schools, life cycle equipment replacement, educational equipment replacement, technology and security, land acquisition and start-up design for new schools, facilities assessments and program management and contingency. To date, \$ 997.2 million has been appropriated; eight new schools and one major renovation have been completed. Currently, seven new schools and four major renovations are in the construction phase.

CIP 2013 originally included funds for eleven new elementary schools, three new middle schools, two new high schools, six major renovations and startup renovation costs for three schools. On July 6, 2015, the Board of Commissioners approved the Board of Education's request for several changes to the program. Two projects were deferred to the next building program. The construction of a new elementary school in Holly Springs (E-46) was deferred due to site identification difficulties, and a major renovation at Vandora Springs Elementary was deferred due to swing space timing needs.

### **Attachments:**

1. Presentation from First Reading
2. Resolution
3. Seven-Year CIP Appropriation Summary as of February 19, 2018
4. CIP 2013 Appropriation Summary as of February 19, 2018
5. Board of Education Resolution