

# BALLOT PROPOSITION VOTER INFORMATION

Prepared and paid for by the Ketchikan Gateway Borough, 344 Front Street, Ketchikan, AK 99901

## INTRODUCTION

On October 5, 2004, voters will elect two Assembly persons and three school board members. They will also vote on two ballot propositions. This flyer contains information to assist voters in understanding the history leading up to these propositions being placed on the ballot and the expected actions which would result from either approval or disapproval of each proposition.

## THE PROPOSITIONS

### PROPOSITION NO. 1

\$4,000,000 GENERAL OBLIGATION BONDS  
SCHOENBAR MIDDLE SCHOOL

Shall Ketchikan Gateway Borough issue general obligation bonds (payable also from sales and use tax revenues) in the principal amount of not to exceed \$4,000,000, maturing within a maximum of 20 years, to pay the costs of completing major renovations and systems upgrades to Schoenbar Middle School, and shall Ordinance No. 1323 of the Borough authorizing the issuance of the bonds for such purpose be approved?

YES

NO

### PROPOSITION NO. 2

\$3,900,000 GENERAL OBLIGATION BONDS  
FAWN MOUNTAIN ELEMENTARY SCHOOL

Shall Ketchikan Gateway Borough issue general obligation bonds (payable also from sales and use tax revenues) in the principal amount of not to exceed \$3,900,000, maturing within a maximum of 20 years, to pay the increased costs of constructing and equipping the new Fawn Mountain Elementary School (which will replace White Cliff Elementary School), and shall Ordinance No. 1324 of the Borough authorizing the issuance of the bonds for such purpose be approved?

YES

NO

## BASIC QUESTIONS AND ANSWERS REGARDING PROPOSITIONS 1 AND 2

**Q:** *If either of these bonds passes will my property taxes increase in order to pay the bonds?*

**A:** No. As stated in the narrative on the next page, the temporary ½% sales tax approved June 8, 2004, will be used to pay the bonds.

**Q:** *What happens if one or both of the bonds do not pass?*

**A:** If one of the bonds passes and one of the bonds fails then the most likely remedy would be to use reserves from the Land Trust Fund to fund the additional cost of the second project. If both bonds fail there is not enough money in the Land Trust Fund to cover the increased costs of both projects. The Land Trust fund would most likely be used to complete Schoenbar and an alternate source of funding would need to be identified before commencing additional work on Fawn Mountain.

**Q:** *If the bonds do not pass and the Borough decides to use Land Trust funds will the Borough still be able to receive 70/30 matching funds from the State for the increased amount?*

**A:** No. The bonds need to pass in order for the Borough to apply for the additional 70/30 matching funds from the State.

## NARRATIVE

The Ketchikan Gateway Borough is currently pursuing two major school construction projects. One of the projects is a major reconstruction and remodel of Schoenbar Middle School. The other is construction of Fawn Mountain Elementary School, a replacement for White Cliff Elementary School.

The Schoenbar Middle School remodel project was initially estimated to cost \$9.454 million. Bonds for this purpose were approved by the voters in October of 2002 and sold in February 2003. When bids for the project came in the low bid was \$2.1 million over the funds available. Efforts were made to reduce costs, but a shortfall remained. As the project continued several issues, including previously unknown defects in the existing Schoenbar structure, caused additional increased costs. The impact of required changes, resulting delays and other factors have resulted in an estimated total cost to complete the construction of \$13.7 million. The short fall is estimated to be \$4.1 million.

On the Fawn Mountain Elementary School project, the initial construction cost estimate was based on 1997 figures used for the Bond authorization at that time. The project was delayed several years while approval was obtained from the state Department of Education and Early Development for the construction of a new elementary school of a size suitable to replace the current White Cliff School. More recently the State Fire Marshal, and the limited ability to insure the structure, have caused closure of the existing White Cliff building.

The most recent cost estimate to complete construction of the Fawn Mountain Elementary School is \$13.2 million. These costs include general inflation since the initial estimate in 1997 and the recent significant increases in the cost of steel. The shortfall is estimated to be \$3.9 million.

In the Spring of 2004 the Assembly was advised that additional funds would be required to complete both projects. One option to provide funds would be to use Borough funds held in the Land Trust fund. The current balance of this fund which could be used for one or both of these projects is \$4.5 million. Alternatively, the Borough could issue bonds for one or both projects. If the bonds are accepted for state matching funds, the local taxpayers would be responsible to pay only that portion of the bonds not paid by state matching funds. The existing bonds for both the Schoenbar and the Fawn Mountain projects were approved for a 70/30 match with the state paying 70% and local funds paying 30%. While a state match for the bonds is not guaranteed, if Land Trust funds are used rather than bonds, no matching is possible.

In an effort to reduce the burden on local property taxes and utilize some of the seasonal sales tax revenues from sales to visitors, the Assembly placed a ballot proposition before the voters on June 8<sup>th</sup>, 2004, authorizing a temporary ½% sales tax dedicated to debt service, insurance and capital projects relating to educational facilities. The intention of that proposal was to use sales tax revenues generated by the ½ % sales tax (rather than from property tax levies) to pay existing school bonds and the bonds on the October 5, 2004, election.

Existing school bond debt payments total \$650,000 per year. The ½ % sales tax for education capital projects is anticipated to generate \$ 1.1 million per year. The proposed bonds to complete the Fawn Mountain Elementary School would require a payment of \$82,500 per year if a 70/30 state match is obtained and \$275,000 per year if no state match is approved. The Schoenbar completion bonds would require a payment of \$82,500 per year if the state match is approved at a 70/30 rate and \$275,000 per year if no state match is approved. The total debt service if the additional state match is approved and if both bond propositions are approved would be \$815,000. Any surplus in the school capital projects sales tax revenues would be restricted to school capital expenses and insurance on the buildings. It is anticipated that the proceeds from the ½ % sales tax would be sufficient to satisfy the debt service requirements.