

Knox County Schools



MEMORANDUM

TO: Chair and Members
Knox County Board of Education

FROM: Dr. James P. McIntyre, Jr.
Superintendent

A handwritten signature in black ink that reads "James P. McIntyre, Jr." with a long horizontal line extending to the right.

DATE: January 22, 2009

RE: Capital Budget and Plan

The Knox County Schools capital plan plays a critical role in enabling and supporting the education of our students. The goal of the capital plan is to provide long-term resources to help ensure that we have a safe, healthy, inviting learning environment in each of our schools, so that our students may be successful in their academic endeavors.

Over the past several weeks, in anticipation of developing a capital budget recommendation to the Board of Education, I have researched the context and recent history of our capital planning efforts. I offer the follow observations regarding the capital budget:

1) **Our available funding for capital projects is quite limited.** Over the past decade or more, several specific decisions and other dynamics have put us in a difficult fiscal situation with regard to capital. Decisions to shift revenue sources away from the capital fund to offset challenges in the operating fund, coupled with expenditure commitments exceeding our financial capacity, as well as significantly growing debt hamper our ability today to take on major capital projects easily. Even without significant additional capital commitments, our debt

service obligation in the general fund will increase by more than \$1 million a year in each of the next several years. Unfortunately, decisions have been made in the past that have, to some extent, mortgaged the future.

2) We must make some short-term decisions, while building capacity for the long-term. In the coming weeks and months, several potential sources of revenue for capital projects could become available. Examples include the federal government's potential infrastructure spending package, and the state's green building fund. There has even been some discussion here in Knox County regarding taking advantage of the remaining sales tax capacity available under the law and committing part of it to education. The operating assumption being that in these difficult fiscal times, the state is likely to capture that revenue to help balance its own budget shortfalls if we don't do so locally.

Therefore it would be prudent to identify some of our capital budget priorities in the short-term, recognizing that in order to make sound capital decisions in the future, we will need to enhance our capacity for facilities and enrollment data collection, reporting and analysis. Working with the Metropolitan Planning Council, and building upon the foundation of the Partnership for Education Facilities Assessment (PEFA) structure, the Knox County Schools must have improved ability to forecast and analyze enrollment trends, identify specific facilities needs with a cost estimate attached, and develop an objective, reliable Building Condition Index (BCI) to be used in prioritization of capital resources.

3) Many capital projects have been approved in recent years, but plans sometimes lacked continuity. So many of the projects that Board Members have individually expressed interest in (a Southwest elementary school, Carter Elementary, New Hopewell, Gibbs Middle, and Adrian Burnett, to name a few examples) have been approved by the Board of Education in prior year capital plans. Rather than incremental adjustments from year to year, however, capital plans often appear to undergo substantial, sometimes radical, changes annually. Acknowledging and building upon the prior year's capital plan, unless important new information comes to light, will be beneficial to the Knox County Schools.

4) **Our capital planning should be objective, systemic, professional, and rational.** Ideally, the capital plan should grow out of an established set of priorities, be based on objective data analysis and expert professional judgment, and remain insulated from regional pressures and political influence. The capital budget should address the greatest facilities needs in the school district first, irrespective of geographical district or political implication.

5) **Utilization¹ and building condition should be our two primary criteria for capital decisions.** Utilization reflects the capacity of the school building with regard to student enrollment (current and/or future growth). Building condition simply defines the physical state of the school structure in terms of needed repair, or on a defined scale. In addition to these two areas, the Board of Education has also identified Economics, Functionality, and Zoning Implications as additional factors to be carefully considered.

6) **Our buildings are largely in good condition, in part due to investments in Physical Plant Upgrades (PPUs) and Roof / HVAC maintenance.** The targeted funding of \$5 million for PPUs and \$5 million in roofs and HVAC maintenance in each of the past several capital budgets has led to a marked improvement in the physical conditions of our school buildings. For a period of three years, Knox County assumed the debt obligation on this spending. Even as County debt retirement resources are no longer available to us, these are necessary and prudent investments, which should both continue in the short-term, and be structured into our capital planning long into the future.

7) **Modular classrooms are adequate and flexible educational spaces, but we should attempt to diminish our reliance on them over time.** Modular classrooms allow for great flexibility to address short-term enrollment challenges, providing additional educational space quickly and in a cost effective manner. If the enrollment crisis passes, they can be moved and used elsewhere. However, the Knox County Schools reliance on modular classrooms is pervasive. With 250 portable classrooms in 44 of our schools, we rely on this less than optimal resource in just over half of our schools. One of the long-term goals of our capital plan should be to minimize our dependence on modular classrooms.

¹ Utilization is the proportion of available space in a school used by current or expected enrollment. It combines two of the criteria set forth explicitly by the Board in developing a capital plan: growth and capacity.

Recommendation

Based on all of these factors, I believe we should begin the process of long-term capital planning immediately, and adopt a modest capital budget for FY10. The budget will include Physical Plant Upgrades (\$3 million), resources for portable classrooms (\$1 million), some foundation stabilization work (\$1 million), critical roof projects and needed HVAC maintenance and replacement (\$5 million). Attached is a recommendation for approximately \$10 million worth of such priority work. Since our operating budget assumptions have been predicated on a \$15 million capital plan, this will allow us to either mitigate our increase in debt service in the general fund, or identify a high-priority project in the near future. This approach will also give us flexibility in case potential federal funding comes with a “matching” requirement.

In addition, I recommend that the Board approve a very small list of priority project concepts in order to be prepared in case capital revenue streams do become available. This list will identify project concepts that will not be tied to a specific fiscal period, but will allow for flexibility when and if funding is appropriated, and enable planning to begin in earnest in the short-term. The list of recommended “priority projects” has been developed based on a variety of factors, including calculations made using the PEFA data structure, prior year capital plans, utilizing the expertise and professional judgment of our staff, and the potential parameters of possible funding sources.

Recommended priorities include:

- Growth Project: Southwest Knox County Elementary School
- Green Project: Belle Morris Elementary
- Urban Project: Magnet Technology High School
- School Condition Project: Chilhowee Intermediate School
- Additional Consideration: Carter Middle School Gym Project

The details and rationale for each of these conceptual projects are outlined below:

Southwest Knox County Elementary Solution

Clearly, enrollment growth in the southwestern section of Knox County is poised to reach a crisis point if not dealt with in the next few years. Based on preliminary enrollment projections,

we are likely to need to increase our capacity to accommodate at least 500 additional students in the southwest area in the next five years. Potential solutions include additions and/or renovations to several existing school sites, or more ideally, building a new elementary school facility. The obvious challenge in seeking to build a new school would be appropriate property acquisition.

Belle Morris “Green” Addition

Enrollment projections at Belle Morris have fluctuated somewhat with its becoming a choice school under the federal No Child Left Behind Act regulations, but its central location and strong school community make it likely that anticipated growth will be realized over time. The attractiveness of this project, specifically and exclusively if the state’s green building fund is approved and funded, is that a concept and schematics have already been developed at the behest of the school community, accelerating the timeline and condensing the planning and community process needed.

Magnet Technology High School

In December, I offered a vision for the future of the Knox County Schools, in which I suggested that we explore the possibility of a high quality, stand alone magnet technology high school. I believe this bold and exciting concept could become a reality given our rich regional expertise and interest in technology, science and mathematics. If potential federal infrastructure dollars come with a focus on urban educational infrastructure, identifying a site for the technology high school in the city, perhaps even within Knoxville’s empowerment zone, could be an attractive option for funding.

Chilhowee Intermediate School

The PEFA process led to assessments of each school building and a condition score being assigned to each. Chilhowee was in the upper quintile of priorities on that list, but as our Maintenance Supervisor has made his own personal assessment of the conditions of all our buildings, Mr. French sees Chilhowee as the school building with the greatest facilities

challenges in our school system. I recommend a project to upgrade this school facility and make it a more inviting and supportive learning environment.

Other Considerations

While the projects listed above would be my primary recommendations, depending on how potential sources of funds play out, I would also like to acknowledge that much attention has been given in prior capital discussions to four other projects: Carter Elementary, Gibbs Middle, New Hopewell and Adrian Burnett.

I do not recommend new school buildings for New Hopewell and Adrian Burnett at this time, as the existing structures, while not ideal, are adequate for the time being to house an effective educational program. We may wish to consider modest upgrades to the interior of Adrian Burnett as part of the PPU budget. The Gibbs community is served well, despite inconvenient travel requirements, by a beautiful Holston Middle School facility which offers an excellent education. I do not recommend construction of a new Gibbs Middle School at this time.

There has also been considerable discussion around the potential of a new Carter Elementary School. After some analysis and a first-hand inspection of the facility, I do not believe demolishing the existing structure and building a new Carter Elementary School is necessary at this time. The physical structure, while older, is solid and functional, if somewhat inefficient as currently organized. I would suggest that the Board of Education consider a project at the Carter campus that would provide a new gymnasium for the Middle School, allow the elementary school to utilize the current Middle School gym, and then relocate administrative offices in Carter Elementary to the current playroom, thus freeing up additional classroom space. While this project would not be my highest priority, it is a reasonable solution, and is among those I recommend to the Board for approval among the “priority project” concepts.

Conclusion

I respectfully request that the Board of Education approve the capital recommendations contained in this memorandum. In future years, I believe the Knox County Schools will have built the capacity to identify, develop and prioritize capital projects in a detailed, objective and transparent manner. I also believe that by next year the Knox County Schools will be well positioned to resume developing three to five year capital plans. When we do, I will recommend that the Board begin the capital planning process each year by working from the existing capital plan, rather than starting with a blank slate. This continuity will allow for more optimal planning and a much needed long-term focus as we seek to ensure a safe, healthy and attractive learning environment for all our children.