

**The Commissioner of the Department of Education
Review and Comment on the School Construction
Proposal of Duluth Public School District, ISD #0709-01**

A review and comment must be provided on a school district construction project proposal before the district conducts a referendum, solicits bids, or issues bonds for the project. A project proposal has been submitted for review and comment according to requirements set forth in Minnesota Statutes, section 123B.71, subdivisions 9 and 10, and Minnesota Statutes, section 123B.72. The district provides the following information:

1. The geographic area and population to be served:
 - a. preschool through grade 12 student enrollment for the past five years, and
 - b. student enrollment projections for the next five years.
2. A list of existing school facilities:
 - a. by year constructed,
 - b. their uses, and
 - c. an assessment of the extent to which alternate facilities are available within school district boundaries and in adjacent school districts.
3. A list of specific deficiencies of the facility:
 - a. demonstrating the need for a new or renovated facility to be provided,
 - b. the process used to determine the deficiencies,
 - c. a list of those deficiencies that will and will not be addressed by the proposed projects,
 - d. a list of specific benefits that the new or renovated facility will provide to students, teachers, and community users served by the facility.
4. A description of the project, including:
 - a. specifications of site and outdoor space acreage,
 - b. square footage allocations for classrooms, laboratories and support spaces,
 - c. estimated expenditures for major portions of the project,
 - d. estimated changes in facility operating costs, and
 - e. dates the project will begin and be completed.
5. A specification of the source of project financing, including:
 - a. applicable statutory citations,
 - b. the scheduled date for a bond issue or school board action,
 - c. a schedule of payments, including debt service equalization aid, and
 - d. the effect of a bond issue on local property taxes by property class and valuation.
6. Documentation obligating the school district and contractors to comply with the following items:
 - a. Minnesota Statutes, section 471.345 governing municipal contracts,
 - b. sustainable design,
 - c. school facility commissioning under Minnesota Statutes, section 123B.72, certifying the plans and designs for heating, ventilating, air conditioning and air filtration for an extensively renovated or new facility meet or exceed current code standards, including ASHRAE air filtration Standard 52.1,
 - d. American National Standards Institute (ANSI) acoustical performance criteria, design requirements and guidelines for schools on maximum background noise levels and reverberation times,
 - e. state fire code,
 - f. chapter 326B governing building codes, and
 - g. consultation with affected government units about the impact of the project on utilities, roads, sewers, sidewalks, retention ponds, school bus and automobile traffic, access to mass transit and safe access for pedestrians and cyclists.

Description of Proposed School Construction Project

Duluth Public School District, ISD #0709-01, is proposing a \$31.5 million bond issue to fund new facilities and improvements on a small portion of the New Central site. Proposed projects include: new administrative offices, a new transportation building and renovations to the existing facilities department building. Other proposed projects involve the demolition of New Central high school and site improvements to facilitate both the proposed new construction and the sale of a large portion of the New Central site.

Proposed projects would be scheduled for completion in the 2021-2022 calendar years. Cost estimates by project type are as follows:

<u>Administrative Offices</u>		<u>Other Project Costs</u>	
New Construction	\$7,375,900	Demolish New Central High School	\$2,000,000
Technology	\$300,000	Site / Off Site Improvements	\$4,200,000
FF&E	\$450,000	Fees, Permits & Testing	\$4,662,380
	\$8,125,900	Moving Expenses	\$120,000
<u>Transportation Building</u>		Temporary Space Rental	\$400,000
New Construction	\$5,160,000	Bond Issuance	\$468,650
Technology	\$160,000	Contingencies	\$3,000,000
FF&E	\$270,000		\$14,851,030
	\$5,590,000		
<u>Facilities Department</u>		TOTAL PROJECT COSTS	
Renovations	\$2,416,000		\$31,442,930
Technology	\$160,000		
FF&E	\$300,000		
	\$2,876,000		

The proposed bond issuance does not require voter approval since Duluth Public Schools obtained special legislation in 2020 to issue bonds without going to the voters. The special legislation (5th Special Session in 2020, chapter 3, Article 8, Section 4) requires the school district to: develop a plan to sell the old central high school, submit a plan to be approved by the Commissioner of Education that shows the plan will “yield financial, student and staff efficiencies” and requires the district to document the expected maintenance costs savings from the sale of the Old Central facility. It also requires the Education Commissioner to ensure that the district’s long term facilities maintenance (LTFM) plan reflects the savings from not having to maintain the Old Central Facility due to its sale. With the caveats explored below regarding the performance of buyers for both the Old Central facility and the large portion of the New Central site, the school district’s plan appears to meet the requirements of the special legislation. The table below shows the LTFM projects that had been planned by the district for the Old Central Facility over the next 20 years:

Projected 20-Year Estimated LTFM Projects			
<u>Fiscal Year</u>	<u>Health and Safety</u>	<u>Deferred Maintenance</u>	<u>Total</u>
2020 - 2030	\$ 2,517,116	\$ 47,867,091	\$ 50,384,207
Average/Year	\$ 19,738	\$ 4,351,554	
<u>Fiscal Year</u>	<u>Health and Safety</u>	<u>Deferred Maintenance</u>	<u>Total</u>
2031 - 2041	\$ 220,000	\$ 2,122,500	\$ 2,342,500
Average/Year	\$ 20,000	\$ 192,955	

The school district has experienced a significant enrollment decline over the last twenty years in which total enrollment has decreased from over 12,000 students in 2000 to just over 8,000 students in the current school year. In addition to the downward trend in enrollment, the district is also losing a concerning number of students to neighboring school districts through open enrollment and to area charter schools. In the 2020-2021 school year, 171 students open enrolled into the school district and 829 students open enrolled out of the district; a net loss of 658 student. In 2019-2020, 1,535 resident students opted to attend a charter school.

The proposed bond issue and associated revenue from the sale of both the Old Central building and the New Central building site, after demolition and site upgrades are made, will certainly help the school district's general fund position in the short term. However, though purchase agreements for the properties have been negotiated, with contingencies the possibility of a potential buyer failing to perform still exists.

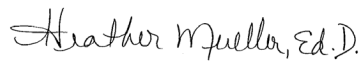
The proposed projects appear to be in the best short-term interest of the school district. If the district's declining enrollment projections between FY2021 and FY2026 continue beyond FY2026 and they maintain their current net loss of students due to open enrollment, the school district will have more building space than needed and the school board may need to consider closure of one of the high schools and/or other school sites to address likely future district financial challenges.

Review and Comment Statement

Based on the department's analysis of the school district's required documentation and other pertinent information from sources of the Minnesota Department of Education, the Commissioner of Education provides a positive review and comment.

Additional Information is Available

Persons desiring additional information regarding this proposal should contact the school district superintendent's office.



Heather Mueller, Ed.D.
Commissioner

June 24, 2021