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Wednesday, 12 September 2012 17:52

Officials set cap at $2.4 million, but projects are expected to cost less

The Port Washington-Saukville School Board on Monday approved borrowing as much as $2.4 million to pay for a number of energy-efficiency projects.

By a unanimous vote, the board approved a borrowing plan that would typically require voter approval in a referendum. A state law, however, allows school boards to borrow more than $1 million without a referendums if the money is used to finance improvements that result in energy savings.

The district's plan is to undertake a series of projects that range from upgrading and replacing boilers in schools and installing high-tech heating and ventilation controls to using energy "misers" on vending machines.

Administrators said the district will probably not have to borrow the full $2.4 million authorized by the board, but they want flexibility in case the cost of some projects is unexpectedly high. A more accurate, although conservatively high, cost estimate is $2.27 million, Director of Business Services Jim Froemming said.

That estimate includes a 7% commission for McKinstry, an energy-savings performance contractor hired by the district to design and oversee the projects.

"These estimates are based on initial quotes, not bids," Froemming told the School Board. "It's like a flyover at 5,000 feet. These are not hard numbers, but they are conservative numbers."

School officials said the district is ideally positioned to undertake an energy-saving capital improvement project now, noting that in addition to addressing needs like aging heating systems, the improvements are expected to save more than $100,000 in annual utility costs.

Earlier this year, the district made its last $485,000 payment on its referendum loan. The new debt is expected to cost the district $240,000 in principal and interest annually, less than half the previous payment, Froemming said.

Supt. Michael Weber said the scope of the energy savings project was determined with the goal of keeping this year's tax rate, which is set in October, flat.

In addition, the district's AA bond rating and low interest rates have made borrowing money more affordable than it has been in years. Froemming said he expects the district to be able to borrow as much as $2.4 million at an interest rate of between 1.2% and 1.8%. The district would borrow the money for 10 years, which is the expected payback period for the projects.

Also factoring into the board's decision to undertake the projects now is the district's robust fund balance, which essentially serves as a savings account. The district ended the 2011-12 school year with a surplus of $795,497, which brings the fund balance to $5.2 million.

The board will have to decide whether it wants to borrow the full amount of the projected cost, or delay borrowing and finance part of the initiative with money from the fund balance. The risk of delaying the borrowing is that interest rates could rise, and each 1/10 of a point increase will cost the district an additional $10,000, Froemming said.

The district plans to seek bids early next year for work that could begin as soon as the heating season ends.

Among the planned projects, the upgrade and replacement of boilers at the high school and Dunwiddie and Saukville elementary schools constitute the largest portion of the initiative with an estimated cost of $1.1 million. Upgrading heating and ventilation controls at those schools and Thomas Jefferson Middle School is expected to cost $508,391.

Other projects include a “green IT” plan that will examine computer and printer use and include computer optimization software, building weatherization throughout the district and a water conservation effort that may include retrofitting toilets and installing sink aerators.

McKinstry estimates the district will initially save $185,194 in energy and operational costs and could receive $67,876 in Focus on Energy credits.

School Board President Jim Eden said it makes sense to deal with issues like aging and inefficient heating systems before they stop functioning.

“If a boiler goes down when it’s cold out, we have a problem and we won’t be in any position to bargain for the best price,” he said. “Rather than wait until things fall apart, I’d like to act now.”