



CITY of NORFOLK

Office of the Mayor

Paul D. Fraim
Mayor

March 20, 2013

Honorable Members of City Council and School Board:

Throughout my tenure on Council, I have stressed the value of having a world-class education system for our children. As Mayor, I have visited every public school in Norfolk. All four of my children were educated in this City's public schools. I know where our children learn and I understand the physical condition of the buildings.

Where our kids learn is critical to their success. We can agree that the "who" and the "what" of our education system is important, but also important is the "where." Our children need schools that strengthen and compliment the learning process. They need schools that are equipped with modern technology. Sadly, that is not always the case with our present system of school buildings. Many of them need our attention now.

In December 2006, the Norfolk Public Schools began a process to develop a long-range facilities master plan. The plan was intended to provide a roadway for the next ten years to address the aging school infrastructure. In August 2007, the analysis concluded. The study advocated that over \$800 million was needed to address the Division's needs. The plan also recommended the consolidation of facilities that would result in operational savings.

Aging school infrastructure is not a problem unique to Norfolk. The recently released "2013 State of Our Schools" Report, from the Center for Green Schools at the U.S. Green Building Council, found that the nation will need to spend more than \$500 billion over the next ten years to modernize current pre-kindergarten through twelfth grade infrastructure.

In my 2010 State of the City address, I stated my support for constructing or renovating five schools over the next six years. Over the years, the City has set aside funding for schools in the Five-Year Capital Improvement Plans (CIP) totaling almost \$78 million in support. This was in addition to the \$3 million budgeted annually for maintenance of existing school buildings.

In FY 2011, the City experienced its first unprecedented decrease in residential real estate taxes; this decrease severely impacted our operating and capital budgets. We have lost over \$15 million in revenue the last three years. Still, the City continued to support school construction as evidenced by the newly opened Crossroads Elementary (K-8). To this end the FY 2013 budget includes \$39 million for the construction of the second and third schools and design for the fourth and fifth schools. More will be needed.

Since 2010, the priorities of which schools to build and what grades the schools will serve have changed. This has resulted in some cost increases. Changes in school leadership have understandably slowed the decision making process. All of this has made planning for future school construction difficult and time consuming.

Still, I believe now is the time to move forward. The buildings continue to age and technology needs have advanced. The cost of borrowing money is at historically low rates. Construction costs are very favorable.

So far in FY 2013, six localities have submitted construction costs for elementary schools to the Department of Education. On average, these schools will serve 617 students and the average construction cost is \$13.2 million, or \$21,788 per student. The City has budgeted \$14.8 million for each elementary school constructed. Design, technology and additional costs add up to a total of \$22 million for total construction and build out.

At the City Council's annual retreat in September, I proposed a two penny tax increase to build two additional elementary schools. As I mentioned two weeks ago, each penny increase on the real estate tax will cost the average homeowner approximately \$20 over the course of a year. Each penny increase raises about \$1.7 million a year. With a cash stream of \$1.7 million at today's interest rates the City can borrow \$22 million and pay the debt off in 20 years. As noted above, we can build a new elementary school for roughly \$22 million. For two pennies on the tax rate you can build two schools.

This tax increase is not intended to supplant the City's school construction efforts, but to provide additional funding to construct two additional schools. The infrastructure needs of NPS are significant. By addressing these schools now we will be able to move forward on other projects more quickly.

The school system just produced a document detailing millions of dollars in technology needs. The planning for replacing Tidewater Park Elementary should begin. The federal government has proposed contributing 80 percent of the costs to build a new Camp Allen Elementary if we can pay the balance. An exciting study moving forward through the school system is the desire to create a comprehensive vocational high school which has had transformational impacts in other communities. The cost of this is not yet known, but in the coming months the City will need to address this serious proposal in the budget process. We will have to prioritize these initiatives and be as frugal as we can.

Moving forward now has additional benefits. Homeowners appreciate quality school facilities which often improve residential value. In a tough real estate market this can be a positive influence. Construction jobs will be created in a still recovering economy. The four schools now identified for construction are Campostella Elementary (K-8), a new Broad Creek elementary (K-5), Ocean View Elementary (K-5) and Larchmont Elementary (K-5). Larchmont was originally constructed in 1929. Ocean View was built in 1939. They are both beyond repair and must be replaced. Building several schools at once will also allow for economies of scale savings. For instance, we can buy computers for four schools cheaper.

Additionally, these four schools are located in various corners of the City. New schools in these locations will benefit all sides of our community.

As stated, the Council has already planned enough money to build two new schools. Funds are ready to be spent to design and to begin construction.

Of important note is that each of the last three schools built has come in over budget as initially submitted by the school division. With the heavy task of building several schools within a short time period, a reasonable conclusion is that the school system does not currently have the capacity to manage multiple school construction along with major maintenance projects. This is understandable. However, the City employs engineers, architects and project managers who are experts in the construction field. The Council discussed this during its March 5 work session and the clear consensus was that the City should take over school construction. This will further serve to expedite the building of the schools. It will also allow the School Board to focus on the needs within the classroom. This change would create efficiencies for the billing and funding of the projects, with the City directly paying and monitoring expenses.

Accordingly, I recommend that the City be responsible and accountable for school construction going forward.

To alleviate any concerns that these funds will be used for items other than school construction, technology and maintenance, I urge the City Council to direct the City Manager to create a program in the budget to track every dollar accumulated. The Manager should issue periodic reports to the School Board and the community about the status of the program.

In return for this rate increase the taxpayer should expect that dollars intended for schools will be wisely spent. This will require the School Board to make tough decisions. Enrollment has decreased by approximately 4,000 students over the last 10 years and is projected to decrease by an additional 1,000 students by FY 2017, but operational budgets continue to climb.

Additionally, the enrollment per school varies significantly through the division; elementary student enrollment ranges from 219 to 816 students, middle school student enrollment ranges from 688 students to 1,234 students and high school student enrollment ranges from 1,277 students to 1,949 students. The School Board should thoroughly analyze the current school enrollment zones, consolidate and close schools with underutilized capacity. Each school closed, according to the school division, saves at least \$800,000 in operating costs.

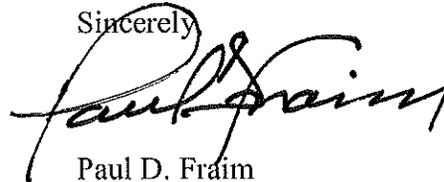
In 2008 the City Council last reduced the real estate tax rate from \$1.27 to \$1.11. I was part of that effort. Over my nearly 29 years on the Council, when the times and circumstances required, I have been part of both cutting and raising taxes. Today is no different. The times and circumstances now dictate that we increase our real estate taxes to meet school needs.

With the recent real estate value declines the average homeowner is paying \$317 less in taxes than they were in 2010. An increase in the tax rate to benefit our children in practical terms means that we will still be paying less in real estate taxes than we were just three years ago.

This rather lengthy letter presents a modest proposal for the good of our children. Building four schools at once would be unprecedented and a cause for celebration. This is the right moment to move forward. We can do this. We should do this now.

Thank you.

Sincerely

A handwritten signature in black ink, appearing to read "Paul D. Fráim". The signature is written in a cursive style with a large, looping initial "P".

Paul D. Fráim
Mayor

cc: Marcus Jones, Norfolk City Manager
Samuel T. King, NPS Superintendent