



Board Memo

Empowered • Dynamic • Engaged

Building Project Update

Date: March 15, 2022
From: John Munch, Superintendent
Katie Hannigan, Director of Finance and Operations/CSBO
Policy Reference: 4:10 Fiscal and Business Management

Introduction/Background Information:

We have been engaging in regular conversations with our architect and construction manager in an effort to refine the design of our new addition and achieve a more detailed cost projection. Our goal and intention was to bring these updates to the Board at the March 2022 Board meeting, but given the current market and some other key pieces of information we are waiting on, we have concluded that it would be prudent to wait one more month.

Connection to Strategic Plan/District Goals/Priorities:

Strategic Plan Goal #4: Make effective and efficient use of resources to advance the educational success and well-being of our students now and into the future.

Discussion/Highlights:

The cost of materials and labor is on the rise and availability has become somewhat unpredictable. For this reason, the cost projections typically used for a project of our type have the potential to be less accurate than usual. Given our desire to be good stewards of the District's resources and a limit on the amount of money we can borrow without going to referendum, we are engaging in a process to achieve detailed cost projections. Over the course of the next month, Nicholas and Associates will be presenting our design drawings to contractors in order to receive informed cost estimates.

We are still waiting on assessments of our building site related to soil samples and water management. The results of these assessments, which should be available next month, will determine how much money needs to be set aside for site preparation and water retention.

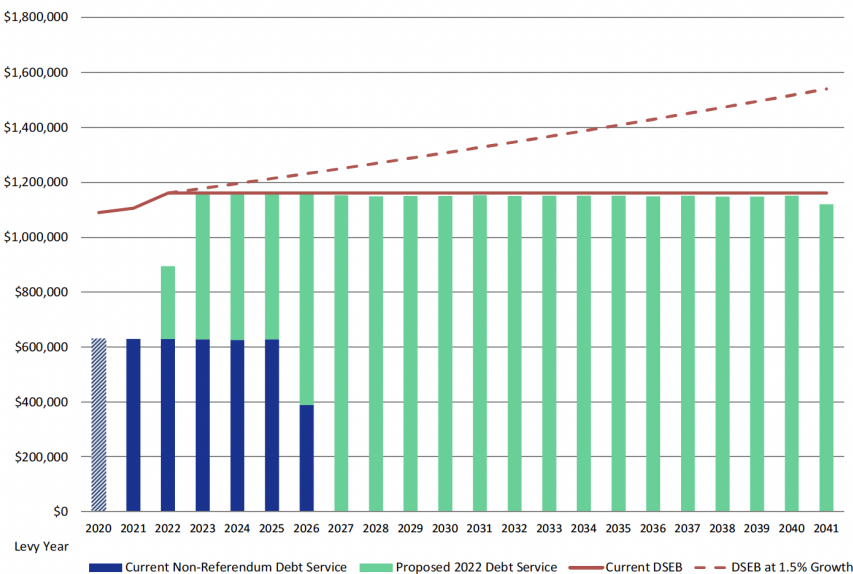
Given the current market conditions and early indications from Arcon and Nicholas, it is likely that our project will cost more than initially anticipated. We will have three primary ways to address this potential increase:

- 1. Scale back the scope of the project.
- 2. Increase the amount of our bond sale.
- 3. Increase the amount we pay out of our reserves.

It is possible that our recommended solution will be a combination of the first two options. We are currently working with Arcon and Nicholas to develop bid alternates that can be used to reduce costs. The type of finishes, number of classrooms, elimination of the outdoor classroom, and scope of LRC renovations are just a few examples of the variables that can be explored in the event we need to reduce costs.

Based on our current EAV and the bonds we sold last year, we have the capacity to sell another \$13.5M in bonds and remain under our DSEB limit. If the District chose to borrow the full \$13.5M, our capacity to borrow money for the next twenty years without passing a referendum would be limited. Given the work the District has recently completed on our 10-year capital improvements plan and the way this building addition will address our anticipated future enrollment growth, we don't foresee any major building-related expenses that would create the need to borrow a large amount of money. That being said, understanding how borrowing the full amount at this moment in time would impact our future borrowing capacity is an important consideration. An illustration of a \$13.5M bond sale, future borrowing capacity, and how our DSEB limit might grow due to CPI is below.

Scenario 1: \$13.5 Million Project Proceeds (Stair-Step)



Based on our current fund balances, board policy, and anticipated increase in operating expenses due to enrollment increases, funding this project with \$4M from our reserves would keep the District in a strong and sustainable financial position. At the January 18, 2022 Board meeting, Katie Hannigan presented a 5-year financial projection which demonstrated that the District's strong financial position is maintained if \$4M from reserves is used on this project.

For reference, the tax-payer impact of potential borrowing scenarios at current interest rates is shown below. The first table shows the new B&I tax payments for each scenario, and the bottom table shows the B&I payment increase for each scenario. For example, if the full amount is borrowed, the annual cost for these bonds for the median home (\$400K) will be \$82 in year 1 and \$165 in years 2-20.

			\$13,500,000 Scenario		\$12,000,000 Scenario		\$10,000,000 Scenario		\$8,000,000 Scenario		
			No Change	Year 1	Year 2 and after	Year 1	Year 2 and after	Year 1	Year 2 and after	Year 1	Year 2 and after
Actual/Est. B&I Rate in LY 2020/2021.			\$0.136	\$0.193	\$0.250	\$0.186	\$0.225	\$0.176	\$0.205	\$0.166	\$0.186
Estimated B&I Tax Payments (1)			Levy / Tax Collection Year								
\$300,000 Home		2020 / 2021	\$111.97	\$159.10	\$206.35	\$153.64	\$186.17	\$145.05	\$169.59	\$136.83	\$153.94
\$401,200 Median Value Home		2020 / 2021	\$154.31	\$219.27	\$284.38	\$211.75	\$256.57	\$199.91	\$233.73	\$188.58	\$212.15
\$500,000 Home		2020 / 2021	\$195.65	\$278.01	\$360.57	\$268.48	\$325.31	\$253.46	\$296.35	\$239.10	\$268.99
\$700,000 Home		2020 / 2021	\$279.33	\$396.92	\$514.79	\$383.31	\$464.45	\$361.87	\$423.10	\$341.37	\$384.04
(1) Actual tax rates and payments may vary based on any property tax rate initiatives and other factors. Reflects \$10,000 homeowner exemption.											
Annual Taxpayer Impact			No Change	\$13.5M Scenario		\$12M Scenario		\$10M Scenario		\$8M Scenario	
Home Value				Y1	Y2+	Y1	Y2+	Y1	Y2+	Y1	Y2+
\$300K			\$112	\$47	\$94	\$42	\$74	\$33	\$58	\$25	\$42
\$400K			\$154	\$65	\$130	\$57	\$102	\$46	\$79	\$34	\$58
\$500K			\$196	\$82	\$165	\$73	\$130	\$58	\$101	\$43	\$73
\$700K			\$279	\$118	\$235	\$104	\$185	\$83	\$144	\$62	\$105

Timeline:

In the coming weeks, Arcon and Nicholas will be presenting us with updated cost estimates and the anticipated savings based on some identified design alternates. Based on the amount of money the Board is willing to borrow, the design will be modified as needed to stay within our financial means. The modified design and cost projections will be brought to the Board in April for approval, which will allow us to stay on schedule.



Building Project Update



Progress Update

Given the current market and some key pieces of information we are waiting on, we have concluded that it would be prudent to wait one more month before presenting cost estimates and recommending a final design.

- The cost of materials and labor is on the rise and availability has become somewhat unpredictable.
- In light of this, we are engaging in a process with Arcon and Nicholas to achieve detailed cost projections rather than relying on the typical estimation process.
- We should receive soil sample and water management information in the coming weeks which should also refine our anticipated costs.

Given the current market conditions and early indications from Arcon and Nicholas, it is likely that our project will cost more than initially anticipated. We will have three primary ways to address this potential increase:

1. Scale back the scope of the project.
2. Increase the amount of our bond sale.
3. Increase the amount we pay out of our reserves.



Progress Update

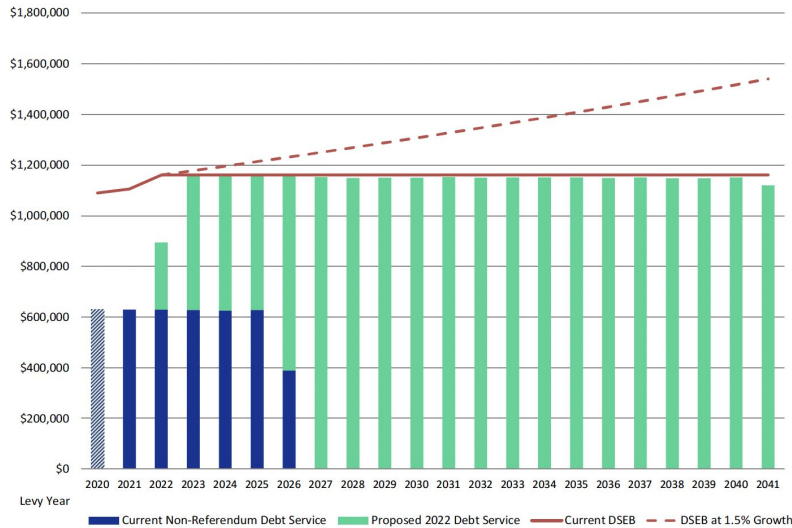
Our recommendation will likely be a combination of the scaling back the scope of the project and increasing the amount of our bond sale. We are currently working with Arcon and Nicholas to develop bid alternates that can be used to reduce costs. The type of finishes, number of classrooms, elimination of the outdoor classroom, and scope of LRC renovations are just a few examples of the variables that can be explored in the event we need to reduce costs.

Based on our current EAV and the bonds we sold last year, we have the capacity to sell another \$13.5M in bonds and remain under our DSEB limit. Considerations in this decision should be future borrowing needs and taxpayer impact.

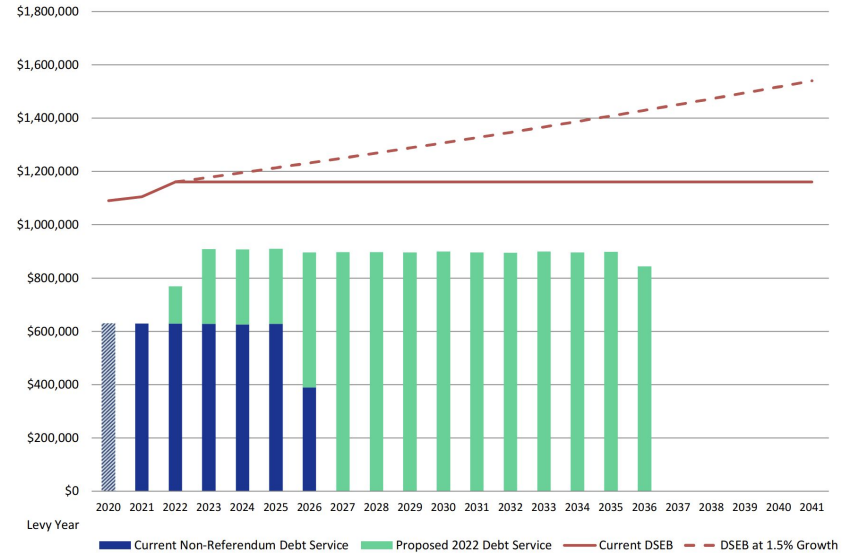
Our recommendation continues to be using \$4M from reserves to supplement the proceeds of the bond sale based on 5-year projections which show the District will be able to maintain its strong financial position.

Bond Sale Options

Scenario 1: \$13.5 Million Project Proceeds (Stair-Step)



Scenario 4: \$8 Million Project Proceeds (Stair-Step)



If the Board chooses to sell less than \$13.5M in bonds, the D106 Finance Committee would meet to consider the various ways to structure the debt.

Annual Taxpayer Impact Scenarios

			\$13,500,000 Scenario		\$12,000,000 Scenario		\$10,000,000 Scenario		\$8,000,000 Scenario	
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New B&I
Tax
Payments

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Annual Taxpayer Impact	No Change	\$13.5M Scenario		\$12M Scenario		\$10M Scenario		\$8M Scenario	
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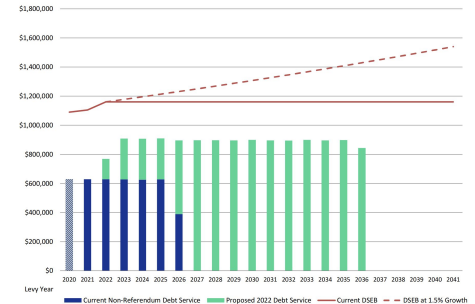
Annual
B&I
Payment
Increase

Needed Discussion



- If needed, the District could borrow up to \$13.5M without requiring a referendum. Is this something the Board is comfortable doing? If not, what is the targeted borrowing “ceiling”?
- If we establish a ceiling now, we can come back at the April BoE meeting with a recommended building plan that fits within those parameters. If the Board is uncomfortable establishing a ceiling at this meeting, we could present the refined projections, building plans, and bid alternates at the regular April meeting and make a decision on a borrowing limit after seeing the implications of the reductions. We would then need to meet with Arcon & Nicholas to make adjustments to the design.

Scenario 4: \$8 Million Project Proceeds (Stair-Step)



Scenario 1: \$13.5 Million Project Proceeds (Stair-Step)

