

October 10, 2017

MANHEIM TOWNSHIP SCHOOL DISTRICT

Act 34 Hearing

QUESTION & ANSWERS



**General Questions**

**1. Why is the Board not going to a referendum vote on the project?**

*Response:* According to the Pennsylvania Department of Education, Act 34 of 1973 requires that a public hearing be held on all new construction. A second Act 34 hearing is required if the maximum building construction cost based on bids is equal to or greater than the maximum building construction costs based on estimates plus eight percent. If this occurs, a second public hearing will be required before entering into any contracts and starting construction on any planned work. A required referendum must be held if and only if certain costs exceed a project building's calculated referendum limit and/or an increase in debt expenses causes the district to exceed its Act 1 index. In the case of the middle school construction project, the costs will not exceed the building's calculated referendum limit, nor is the district anticipating having to exceed its Act 1 index.

**2. How many schools go to a referendum [for a construction project] instead of an Act 34 hearing?**

*Response:* No schools go to a referendum instead of an Act 34 Hearing. As shared in the response to Question #1, Act 34 of 1973 requires school districts to facilitate a public hearing for the construction of new buildings, which provides an opportunity for the public to speak about the project. It is not an option under the law to go to referendum instead of an Act 34 Hearing. The Act requires a second Act 34 Hearing only if bid costs exceed by eight percent or more than the estimated costs presented at the first hearing. A referendum is held if and only if certain costs for a new building exceed the calculated referendum limit for that project. The requirements of Act 34 apply whether or not a project ultimately receives school construction funding from the Commonwealth. There is currently uncertainty in the future funding of school construction projects due to the moratorium and state budget impasse; however, the district is proceeding as if funding will become available as to not miss any reimbursement opportunities.

**3. Why did the PlanCon sheets [in the Act 34 booklet] have an expired due date?**

*Response:* The Pennsylvania Department of Education has not updated the PlanCon forms since July 1, 2010 (as noted at the bottom of the form). This is the most updated PlanCon Part A form available at this time, despite the phrase “Form expires 6-30-12” also listed at the bottom of the document.

### **Finance-Related Questions**

**4. How do financial agents from RBC Capital Markets and PFM get paid for their work for the school district? How does this process work?**

*Response:* RBC is the District’s Bond Underwriter or Placement Agent depending on the financial structure utilized. In each role, RBC is only paid a fee when/if a financing occurs. RBC works on behalf of the District, in conjunction with our independent Financial Advisor (PFM), in preparing analyses on financing methods to be considered for new capital project or debt refinancing. RBC attends meetings, completes the necessary work required by the State, works with the bond rating companies, and ultimately prices the financing in the marketplace using the financing structure that best meets the District’s objectives. When bonds are sold, the fee paid is called an “Underwriting Discount” and negotiated between the District and PFM. The Underwriting Discount is used to pay the salespeople to sell the bonds, pay regulatory expenses and provide a management fee to RBC for their work. The Underwriting Discount and other professional fees required for issuing bonds, combined with the interest rates on the bonds, result in the final debt amortization for the District and is like a mortgage schedule. If bonds are not used and the debt financing is directly placed/negotiated with a financial institution, RBC serves as a Placement Agent of the debt. In this instance, they are paid a Placement Agent fee, also negotiated between the District and PFM.

PFM typically charges a flat fee per transaction that is also only paid if the transaction successfully closes. The payment is made from the proceeds of the bond/loan closing. The flat fee is based on many factors including but not limited to complexity of transaction, types of analyses provided and hours involved.

It is imperative for the district to use reputable well-known firms to sell bonds. Large, well-established firms have greater access to the market and can sell the bonds at the lowest possible costs, which results in lower yields for the school district. RBC is the fifth largest investment-banking firm in the U.S. and the world.

Their Pennsylvania offices have been ranked as the #1 school district underwriter every year for the past 30 years, and are currently serving over 250 school districts and municipalities. PFM, the largest municipal advisor in Pennsylvania and the nation, also consistently ranks #1 in the state and in the nation, and is currently serving over 400 districts and municipalities throughout the Commonwealth. Together, the expertise of both firms has provided significant value to Manheim Township School District over the past two decades.

**5. Regarding wrap-around financing, most districts that use this approach put themselves in a predicament. Why are you using wrap-around financing instead of traditional financing?**

Response: The comment that "most districts put themselves in a predicament" is unfounded. As reviewed at a public board meeting on June 8, 2017, during a Question & Answer period, there was extensive discussion on financing options/structures that the District could use for a building project. During that discussion, the District reviewed the limits on Pennsylvania school districts due to the Act 1 Index. PFM and RBC did a study at the request of the District on how new building projects were being financed in Pennsylvania, especially since Act 1. In a review of over 491 school financings during the past 7 years, 76% of all financings in the State, Lancaster County and even Manheim Township School District, utilized the wrap-around debt structure. During the June 8 public meeting, the options of both level and wrap were vetted and analyzed. A level debt structure would require approximately 2.5 mills versus a wrap-around structure of approximately 0.5 mills. Under Act 1 limitations, 76% of schools go with the wrap structure to reduce the millage impact to the taxpayer and then utilize existing Capital project mills in the future when they are no longer needed for older debt issues. The board, and its financial advisors, will continue to explore all options for building a new middle school.

**6. We do need a new building, but does it have to be top of the line, state of the art? Can we cut it down to something more affordable?**

Response: The proposed middle school floor plans are designed to be efficient, cost-effective, and flexible to meet the growing student population and budget demands. The floor plans are fiscally appropriate while also meeting the curricular needs for the 21<sup>st</sup> century learning.

**7. If renovations (Options #1 & #2 from the February 2017 Meetings) end up being done [instead of building a new school], what additional costs 5 & 10 years after completion do you anticipate would be needed (i.e. not only financial costs but inadequacies in the day to day operation of the school)?**

Response: This question is somewhat challenging to answer due to predicting future impact/costs, but there are significant issues/challenges with both Options #1 & #2:

Option #1 - Renovation

- a. Construction would be phased with students in the building:
  - Longer construction time;
  - Temporary classroom trailers required during construction;
  - Loss of north athletic fields during construction as this area will be used for construction laydown and classroom trailers;
  - Disruption to educational program during construction;
  - Design challenges to meet accessibility requirements (elevator, ramps).
- b. Would not address current site problems:
  - Bus and Vehicular traffic concerns;
  - No campus connectivity- Oregon, Valley & Lititz Pike.
- c. Potential unforeseen conditions resulting in change orders:
  - Hidden conditions between walls;
  - Hazardous materials- i.e.-asbestos;
  - Limited building envelope (wall insulation) improvements leading to a less energy efficient facility compared to new construction.
- d. Does not meet demands of the current and projected Middle School programs (need for an additional 40,000 sq. ft. of instruction space). A renovation without an addition will reduce the current usable square footage due to increased space needs for sprinkler systems, elevator and other code required spaces and systems:
  - Teachers will remain teaching from carts;
  - Inability to address special needs students;
    - Multiple disability students will remain at Landis Run Intermediate School or be moved up to the high school; students are not educated with age-appropriate peers and without opportunities for appropriate inclusion.
    - Life skills classrooms do not meet current needs.

- Building does not accommodate current curriculum needs or planned future curriculum;
- Building does not support team teaching;
- One science lab does not address instructional needs;
- Inadequate office, guidance, health and student support;
- No areas for STEAM (Science, Technology, Engineering, Arts, Mathematics).

*Overall Opinion: This option would cause a major disturbance to the educational process during construction and would only defer the requirement for additional instructional space and result in a need for another project in the near future at a greater cost with a less interrelated and cohesive design.*

#### Option #2 - Renovation and Addition

- a. Construction would be phased with students in the building:
  - Longer construction time;
  - Temporary classroom trailers required during construction;
  - Loss of north athletic fields during construction as this area will be used for construction laydown and classroom trailers;
  - Disruption to educational program during construction;
  - Design challenges to meet accessibility requirements (elevator, ramps).
- b. Would not address current site problems:
  - Bus and Vehicular traffic concerns;
  - No campus connectivity - Oregon, Valley & Lititz Pike.
- c. Potential unforeseen conditions resulting in change orders:
  - Hidden conditions between walls;
  - Hazardous materials - i.e.-asbestos;
  - Limited building envelope (wall insulation) improvements leading to a less energy efficient facility compared to new construction.
- d. This is not a viable option as it will result in:
  - Increase to impervious coverage would require a variance and increased storm water measures;
  - Relocation of softball and multipurpose field to accommodate new additions. There are very limited options for additional fields on the current campus and the cost would be significant.

*Overall Opinion: This option would cause a major disruption to the students and staff during construction similar to option #1. Although the additions would address the required instructional space needs, the flow and efficiency of the design would be limited due to working around existing conditions. Additionally, the cost to relocate the athletic fields would be costly.*

**8. For fixed income folks, could the school board look at reducing or offsetting costs for this project through a cost-savings/rebate program?**

Response: As per the Pennsylvania Department of Revenue, the *Pennsylvania Property Tax/Rent Rebate* program benefits eligible Pennsylvanians age 65 and older; widows and widowers age 50 and older; and people with disabilities age 18 and older. The income limit is \$35,000 a year for homeowners and \$15,000 annually for renters, and half of Social Security income is excluded. Spouses, personal representatives or estates may also file rebate claims on behalf of claimants who lived at least one day in 2016 and meet all other eligibility criteria. The maximum standard rebate is \$650, but supplemental rebates for qualifying homeowners can boost rebates to \$975.

**9. Is there any way to cut down expenses while increasing the energy efficiency of the building through innovative technology?**

Response: The goal of the design is to deliver a building with the lowest possible first-time cost that will incorporate building components that are durable, easy to maintain, energy efficient, and incorporate U.S. Green Building principals when economically sound.

**10. The benefit of Option #8 would have been more meaningful if the amounts for the other eight Options were listed, respecting that some residents would not have known about the website prior to last night's meeting [Act 34 Hearing].**

Response: During several Board Meetings in February 2017, the Remington, Vernick, and Beach (RVB) engineers presented nine (9) different options and cost estimates for consideration. Below is a listing of the (9) different options and cost estimates considered by the School Board (in February) to address the significant infrastructure deficiencies and the educational program deficiencies of the existing middle school. These cost estimates were provided prior to any schematic design or design development.

- Option #1 (Conduct renovations only, with no program modifications): estimated range of \$42-45 million

- Option #2 (Conduct renovations and additions, with program modifications): estimated range of \$54-59 million
- Option #3 (Convert Landis Run Intermediate School to a middle school for grades 7 & 8, and renovate the middle school to allow for grades 5 & 6): estimated range of \$52-57 million
- Option #4 (Create an addition onto the high school to accommodate middle school students – 3-story building): estimated range of \$64-69 million
- Option #5 (Create an addition onto the high school to accommodate middle school students – 4-story building): estimated range of \$67-72 million
- Option #6 (Create a new middle school on North athletic field – 3-story): estimated range of \$63-68 million
- Option #7 (Create a new middle school on North athletic field – 4-story): estimated range of \$64-69 million
- Option #8 (Create a new middle school on West property line – 2-story): estimated range of \$63-68 million
- Option #9 (Create a new middle school on West property line – 2-story): estimated range of \$64-69 million

**11. I did notice some inconsistency in the figures that were presented [during the Act 34 Hearing]. Paragraph 1 on Page 29 lists the maximum project cost of \$64,910,000 while on Page 22, it is shown as \$64,971,000, and on the slide Dr. Felty presented as \$74,000,000. As to the maximum building construction cost it is shown as \$52,961,109 on Page 29, \$52,460,219 on Page 16 (line A9), and \$58,000,000 on Dr. Felty's slide.**

Response:

Maximum Project Cost:

- Paragraph 1 on Page 29 lists it as \$64,910,000 - this is the correct maximum project cost.
- On Page 22 it is shown as \$64,971,000 - Page 22 reviews various methods of financing, all with different totals due to the varying financing costs. You will see that based on the type of financing, the "Total Requirements" line changes. The \$64,971,030 (not \$64,971,000 as asked in the above question) represents what the project cost would be if the district chose "SPSBA" (State Public School Building Authority) financing. Please note that the "Costs of Construction" (first line) is the same with all three financing methods. The district chose the least expensive financing method, utilizing General Obligation Bonds.

- Dr. Felty's slide, it is shown as \$74,000,000 - this figure represents the estimated maximum project cost discussed during the February 2017 Board Meetings. This figure was provided prior to any schematic design or design development.

Maximum Building Construction Cost:

- On Page 29 it is shown as \$52,961,109 - this is the correct maximum building construction cost.
- On Page 16 (line A9) it is shown as \$52,460,219 - this number does not represent the maximum building cost; instead it represents the total structure costs. The total structure costs only include the prime contracts. The prime contract costs include costs for the following contracts: general, heating/ventilation, plumbing, and electrical.
- On Dr. Felty's slide it is shown as \$58,000,000 - this figure represents the estimated maximum construction cost discussed during the February 2017 Board Meetings. This figure was provided prior to any schematic design or design development.

## Facility-Related Questions

### 12. Please address the "green" aspects of the building.

Response: The Middle School construction project is not a LEED (Leadership in Energy and Environmental Design) project, but we will follow many LEED and Green Building Design principles when they provide energy efficiency and are cost effective.

The Mechanical, Electrical and Plumbing Design will utilize:

- Energy recovery units for the ventilation systems to reduce system sizes and provide operational savings
- Bipolar ionization units to reduce ventilation loads, equipment size and provide operational savings
- Ventilation system controls and methods to reduce the operational costs (i.e.- CO2 sensors and Occupancy sensors)
- VAV system that will allow for reheat capabilities and good humidity control
- High efficiency boilers and chillers
- Variable frequency drives to reduce operational costs
- Low flow plumbing fixtures to reduce water consumption
- High efficiency and point of use water heaters for domestic water needs



- LED light fixtures for low energy consumption and lower long-term maintenance costs
- Energy saving lighting controls to including daylight and occupancy sensors

The Site Design will incorporate:

- “Best Management Practices” in the form of above and/or below ground infiltration facilities
- Storm water design that reduces peak runoff rate and infiltration
- Integrated parking lot landscaping to reduce ‘heat island effect’
- Pedestrian pathways to connect campus and surrounding neighborhoods
- Bicycle Racks

The Building Structure will utilize:

- Regionally made and manufactured products
- High efficiency design with a total building envelope meeting or exceeding International Building Code & U.S. Green Building Council guidelines
- Natural day lighting to improve the indoor environment and coupled with ambient light sensors to save energy
- Low VOC components to ensure good indoor air quality

**13. Why is the plumbing out of service? Why are things out of code? Why isn't the School Board or Administration just asking for these problems to be fixed?**

Response: The district has maintained the plumbing and fixtures of the middle school for over the past 50 years, fixing problems when needed. Routine plumbing repairs were part of the district’s maintenance/repair cycle. However, the aging pipework and system must now be replaced. Since renovations were not made to the middle school during its lifespan, many systems must be replaced; therefore, there are many costly infrastructure deficiencies that must be addressed in the existing middle school, so focusing on just the plumbing and/or several other items is not appropriate or feasible. The infrastructure deficiencies include the following:

- Entire facility needs to be brought up to current Accessibility Standards
- Sprinkler system
- New HVAC system
- New electrical system
- New roof system
- Major restroom renovations
- New kitchen plumbing

If the district focused on fixing these items only, we would still have the significant educational program deficiencies outlined below:

- Building capacity issues (a school built for 600 students now has over 900 students)
- Limited classroom space
- Lack of adequate classroom spaces
- Inappropriate educational spaces
- Lack of STEM learning environments
- Undersized physical education classroom and fitness areas
- Limited educational options for students with special needs
- Inadequate space in the administrative office & guidance counseling areas

Spending a substantial amount of money to fix the infrastructure deficiencies while ignoring the educational programming deficiencies would demonstrate negligence and disregard to the educational needs of students. The Option #1 (*Renovations Only*) was estimated in February 2017 to cost \$42-45 million, and the District would still have serious educational programming deficiencies. At this time, the middle school is not able to provide an inclusive and equitable quality education that promotes strong learning opportunities to ALL students, so Option #8 (*New Middle School on West Property Line, 2-Story*) was approved. A new middle school would address the significant educational programming deficiencies and infrastructure deficiencies.

**14. Why can't we renovate or expand in place? How are we managing to reach the needed, flexible space in the new facility while being cost efficient?**

Response: Please see the response for Question #7 and #13 for detailed information about the implications of pursuing the options of renovation and/or expansion.

Regarding the planning for the needed, flexible space in the new facility, we worked with the architects to design classrooms and educational spaces necessary to support the curriculum and facilitation of teaching for 21<sup>st</sup> century learning. The planning for fixed equipment and technologies within the classrooms and flexible learning spaces involved continuous cost estimates that promote efficiency and long-term savings. We will continue to work with the architects to conduct cost estimates while maintaining the standards of value engineering.

**15. The floor plans show classrooms that appear to have angled walls. Are they angled walls and if so, aren't they most costly?**

*Response:* The most current rendition of the floor plan has been refined since the original schematic design and eliminated the majority of angled walls. There are currently no angled walls in classrooms. The building footprint may appear angular which is driven by the constraints of existing site conditions such as the west side property line, existing school proximity and proposed realignment of School Road. The angled building footprint is a result of tapering the main corridors of the academic wings. These enlarged corridors will not only be used as circulation space but also for a Commons area for large and/or small group instruction to promote teacher and student collaboration and connectivity. If the corridors were not tapered but had a consistent width that was appropriate for the Commons area this would require an increase in building square footage.