



Long Range Planning Committee Meeting Notes

Meeting 7: Tuesday, January 10, 2017

- **Welcome**

Tim McClure, District Architect & Planner, opened the meeting with welcoming the committee members back and reviewing the committee charge and agenda for the evening. After tonight, the committee will have one more meeting. Tonight the committee will get to hear from Jeff Robert who has been our financial advisor for fifteen years. Mr. McClure will review how we build total project budgets and review with the committee the results of their prioritization. The meeting will end with some group discussion. Mr. McClure reminded the committee to not lose sight that this is a long-range plan and though everything may not get done right now, the work of this committee is setting the district up for success for the next 10 years.

- **Meeting 6 Review**

Mr. McClure reviewed the items covered in meeting 6 including the results of the community survey. In the initial ballot about 50 percent of respondents said they would vote "For" the bond – a great place to start. The survey tested three amounts and even the highest amount of \$325 million was favorable when read first. All elements tested were very positive with well over majority in support. Regression analysis tells us which elements correlates the most with support of the bond. At the end of the survey, 68 percent of the respondents said they would vote in favor of a \$275 million bond. Also in meeting 6 the committee completed the prioritization exercise.

- **Bonding Capacity & Tax Impact Scenarios – Jeff Robert**

Jeff Robert with First Southwest discussed the basics of Texas ISD school debt finance. Interest rates for school bonds are very favorable. Mr. Robert explained that they make projections on tax base to run their analysis, which are very lean and conservative. He reviewed historical interest rates and the district's historical tax base and tax rate. Mr. Robert noted that in the scenarios he developed, he is assuming a 7.5 percent growth in the tax base for the first five years, then it decreases from there. He is using increasing interest rate assumptions for each year, and 25-year terms with about 10 percent for technology that would be amortized in the first five years.

Mr. Robert showed four different bond amount scenarios. The first, a bond amount of \$160 million would equate to no increase on the tax rate. The second, a bond amount of \$225 million, would equate to a 1.43 cent I&S tax rate increase. The third, a bond amount of \$275 million, would equate to a 2.65 cent I&S tax rate increase. The last, a bond amount of \$325 million, would equate to a 3.86 cent increase to the I&S tax rate. This would take the I&S tax rate to a maximum amount of 45 cents.

Mr. Graswich, Associate Superintendent of Business and Operations, noted that the district has been building a million dollars a week for the past twenty years. Keeping the tax rate around 45 cents and leaving 5 cent capacity would put us in a good position for the future without hamstringing the district next time they need to call a bond.

Question: Are you saying you would you recommend less than \$325 million?

Answer: No, that's a fine amount.

Question: How much debt is falling off?

Answer: We are still paying off existing debt and we would be building this new bond around that debt. We are structuring it so the annual debt amount paid stays level and therefore the tax rate can stay as level as possible.

Mr. Graswich added that the district issues bonds as we need them to match construction schedules.

Question: So with the \$160 million scenario, that has no tax increase because we are paying off existing debt and we can fill in with that amount without increasing the tax rate?

Answer: That is part of it, but it is also from the ability to use I&S fund balance and because of growth in the tax base.

Question: How much was the 2012 bond?

Answer: \$255 million.

Question: So if we propose a bond amount of \$325 million, what happens if that does not pass?

Answer: We would have to come back and reevaluate for another bond.

- **Building Total Project Budgets, Construction Cost Overview**

Mr. McClure then reviewed with the committee an overview of school construction costs. He shared some data from the Association for Learning Environments on the last three years of construction cost in our region. He noted that major spikes in cost are due to general inflation, pent up demand following the recession and spikes in the oil industry which took away quality workforce. Escalation in costs averaged about 6-8% per year.

To build total project budgets, Mr. McClure explained that you start with current construction cost (what it would cost to build it today), and then account for escalation between today and the time we will build it. Then we add soft costs, including permits, surveys, design and engineering fees and project management. Next there is an amount for furniture, fixtures and equipment, anything not fixed to the building, and technology. Lastly, the budgets account for contingency to cover anything unforeseen or cover an unexpected spike in costs. All that together provides us with a total project budget. Mr. McClure explained that costs shared this evening are total project budgets and include everything just discussed.

- **Potential Projects by Rating Score with Cost Analysis**

Next, Mr. McClure shared with the committee the results of their prioritization exercise last meeting.

Question: Why isn't the Byron Nelson Ag expansion, culinary arts project included with the Byron Nelson expansion?

Answer: We kept it separate for the prioritization process to keep the list consistent with what you all heard from our executive committee, but you will see that we have grouped that for costing purposes.

Mr. McClure reviewed with the committee the solution for growth projects as previously discussed, calling it Growth Option A. After costing the project budgets for Growth Option A, the district found that it totaled over \$550 million. Therefore, the administration reviewed the demographic information and explored another option to consider. Mr. McClure explained that they looked at existing facilities first and how to build out the feeder patterns to gain the capacity needed over the next 5 years. If we expand Eaton High School to the full 3,200-student model, like proposed for Byron Nelson, we can delay High School #4 until at least 2023-24. Similar to that, if we add on to Medlin Middle School and Tidwell Middle School to achieve the 1,200-student model, we can delay Middle School #7 until at least 2023-24.

Mr. McClure explained that the district was also able to fine-tune the elementary level demographics based on updates by the demographer, and decided to delay one of the elementary schools and build just one new elementary a year for a total of three new elementary schools, plus a Haslet replacement, in the next 5 years. This solution totals \$277 million. This enables the committee to prioritize other needs in this bond program. Mr. McClure also noted that this solution is best for the impact on the maintenance and operations budget. Delaying the opening of those three new schools saves the districts a lot of money in new staff. Even though new teachers will be hired for the expansions, the district won't have to hire additional campus administration, counselors, nurses, coaches, etc.

Question: Is the cost for High School #4 in Option A built for the full 3,100?

Answer: That budget is for a new high school with a 3,100 core and a 2,500-student capacity, which can easily be expanded when the full enrollment is needed.

Question: The amount for land purchase seems low.

Answer: We think this is an appropriate amount for the next 4-5 years. We are currently in the process of purchasing three elementary, one middle and one high school site.

Question: The budgets shown for Medlin and Tidwell expansions are just to add 100 more kids?

Answer: In addition to the classroom space for the additional students, there are support spaces needed and expansion of core spaces that are already undersized for the enrollment there today.

- **Large Group Discussion & Revisions to Prioritization**

Mr. McClure then shared the project budgets for the entire prioritization list, which was distributed to the committee members. Committee members spent time reviewing the list and discussing at their tables. Mr. McClure reconvened the group to wrap up the discussion.

Comment: It seems that we've already reduced the amount for the growth projects as much as we can and we have to do those. If the growth totals \$277 million and we are looking at a total of \$325 million, then that leaves \$48-\$50 million for us to include from the list of everything else.

Dr. Warren added that there is nothing magical about the \$325 million amount. The district chose three amounts to test in the survey to see what the community would support knowing we did not want to handicap the tax rate for the future. However, the committee has some flexibility.

Question: If we postpone the opening of High School #4, then do we need to do the second district stadium now?

Answer: No. That could come off the list. Our current model is for 3-4 high schools to share a district stadium. We could get by fine with the three high schools we have now and even delay it until we have varsity at the new High School #4.

Question: Should we be looking at the deficiencies as critical items that need to be done first?

Answer: Everything on this list is a need; it is really up to the committee. These items are the maintenance items that are big ticket and really beyond our regular maintenance budget. We've already taken one pass at prioritizing this list to the must-do items, but we can go back and provide some more scrutiny on those.

Question: Can we be provided the number of students impacted by each project?

Answer: Yes, we can have that next meeting.

Question: Can we also make sure to group any items that may be tied together? For example, Adam noted that part of the technology budget in item #23 is tied to the renovation of the existing Haslet elementary for an administration annex.

Answer: Yes. We'll make any of those revisions for next meeting.

- **Closing**

Mr. McClure told the committee that they would be sent the prioritization list electronically so that they can continue to study before next meeting. Committee members were encouraged to develop their own thoughts for a recommended bond package and be prepared to discuss next meeting. The administration will also look at developing some scenarios for group discussion next meeting.

The committee's last meeting is scheduled a week from today, Tuesday, January 17, which will be held back at the administration building.

Next Meeting: Tuesday, January 17, 2017 at 6:00 p.m.