

# Meeting Minutes

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## Smithville ISD Community Facility Committee Meeting #3

May 24, 2016 / 7 p.m.

Smithville ISD Administration Building

### Tour of Main Campus Facilities

Committee members began the meeting with a tour of the Main Campus, including the elementary school and annex. Dr. McNulty, Smithville ISD superintendent, and Jarrod Sterzinger, AIA, a principal with O'Connell Robertson who is serving as the project manager, highlighted some of the items identified in the recent TASB facilities assessment. This included portables on the campus, entries that are not secure, issues with accessibility, and inadequate gym facilities.

### Welcome & Introductions

After returning to the Administration Building, Dr. McNulty again thanked Committee members for their attendance and introduced the board members in attendance: Tay Campbell and Alan Hemphill.

### Parking Lot Items Follow Up

Dr. McNulty and Jarrod reviewed responses to the questions and comments submitted on the "parking lot" page by Committee members during the previous meeting. The responses also will be posted on the District's website Committee Facilities Committee page.

### Virtual Tour of SISD Facilities

Jarrod led the Committee through slides illustrating some of the facility issues identified in the TASB report which the committee did not walk through and at other campuses. Some of the things noted in the images included:

**Junior High** – Corridors are insufficient for the numbers of students, there is not a secure main entrance, 6<sup>th</sup> grade students in the Annex have challenges with coming in and out of the main building, the band hall has sound isolation issues, the gym space is inadequate for players and fans, the bus loop presents hazards. Dr. McNulty noted that there are between 115 and 140 students per grade level, and the limited space in the hallways and between buildings, such as the cafeteria, present challenges when students at multi-grade levels are transitioning between classes and lunch time.

**Tiger Stadium** – The field is not crowned or leveled so there are drainage issues, the 4-lane track does not support UIL meets or practice, and there are accessibility and capacity issues with the grandstands, restrooms, and press box.

**Tiger Academy/DAEP** – The classroom and multipurpose room are not educationally appropriate, the entrance is not secure, and the entrance and drive are not ADA accessible. Committee members had the following questions related to this facility:

Q: What was this building originally used for?

A: This building originally was a sawmill. The District bought it approximately 15 years ago.

Q: Are there skylights in the ceiling? What other lights are there? It looks dark.

A: Yes, there are skylights. The lighting is similar to wood or workshop lighting.

### **Potential Construction Costs and Schedule**

Jarrold provided an overview of current costs associated with facility projects similar to what the district is considering. He explained that all costs associated with bond-funded facilities fall into four categories: site costs (costs associated with purchasing land for a building site); building costs (costs associated with construction); interior elements (the furniture, fixture, equipment and technology used inside the building); and development costs (which also include design fees and moving costs). It is important to include all applicable components in developing the estimated costs for bond projects.

When determining construction costs, there are general percentages per construction division (such as sitework, masonry, equipment) that are used to help estimate the costs. Costs are impacted by the type and quality of materials used by a school district.

Looking at the costs associated with constructing other school facilities in the area in recent years, including how costs have changed over the years, helps in projecting what new facilities will cost. In 2016, the anticipated cost of a new high school is \$261/SF, a new middle school is approximately \$223/SF, and a new elementary school is projected to cost approximately \$203/SF. High schools have more specialized spaces, such as science labs and CTE classrooms, that cost more to build and equip, which accounts for the higher cost per square foot for those facilities.

Committee members had the following questions and comments:

Q: Any idea how much costs will increase if we wait 5 years?

A: Industry standards in our region are currently estimated at 6% inflation per year.

Q: Have you factored in the impact of moving students as new facilities open?

A: Once we know which projects SISD wants to pursue, we will work with District and campus administrators to develop a phasing plan to minimize the disruptions to students and staff. For example, we try to schedule construction projects in the summer when school is out whenever possible.

Jarrold then presented a typical project schedule for new school facilities. In general, the design phase for a new school ranges from 8 to 12 months, the bidding and negotiation phase takes about 2 months, and construction takes approximately 10 to 12 months. The size and complexity of the project affect the time required in the design and construction phases. As an example, a new junior high would take approximately 1 year and 8 months to open from the time design begins.

For renovation projects, which could include new finishes, enhanced educational environments, and limited MEP and restroom improvements, costs are currently estimated at about \$25/SF for construction.

Applying current costs to representative projects, Jarrold presented estimated total costs for possible bond projects that had previously been identified as needs by Smithville ISD staff or community members:

- **Classroom Addition Building** – new 11,000 SF building with 10 classrooms and support spaces to replace portables: estimated \$4 million
- **Junior High School Building** – a new 60,000 to 80,000 SF building to serve grades 6-8 or 7-8: estimated \$18 to \$23.5 million
- **High School Gym** – new 25,000 SF facility with a gymnasium, seating for 600 and four locker rooms to support all sports: estimated \$9 million
- **Track & Field Stadium** – new football/soccer stadium with artificial turf, 8-lane track, pressbox, seating for 4,500, and associated lighting, sound system and scoreboard: estimated \$5.5 million  
Dr. McNulty noted that the current stadium has seating for 4,000 and they often have to turn people away at graduation. They also cannot seat all the students attending football games.
- **Field House** – a new 23,000 SF building to support all athletes with 9 locker rooms, a weight room, classroom, training and laundry facilities, concessions, and coaches' offices: estimated \$9 million

- **Performing Arts Center** – a new 24,900 SF facility with an 800-seat auditorium, black box theatre, control booths, uniform and instrument storage, practice rooms and other support spaces: estimated \$11 million
- **Transportation Facility** – new 6,000 SF facility with parking for approximately 25 buses, 10 district vehicles, and 35 employees and two vehicular work bays: estimated \$2.5 million

Dr. McNulty stated that he anticipates some community members will ask why the District can't build cheaper facilities using something like Mueller Building Systems. He explained that SISD must comply with today's building and energy codes and Texas Education Agency (TEA) recommendations for educationally appropriate environments, including minimum quality and square footage standards.

In response to this presentation, committee members had the following questions and comments, with answers provided by Dr. McNulty:

Q: If we continue with the buildings that we have, are there legal ramifications if we don't do something, such as for ADA?

A: We have done a good job of maintaining 1960s era buildings but at some point we will have to address these issues. Our older buildings were not designed according to today's codes for accessibility. We have had to respond to a complaint about lack of accessibility at the stadium already. We are just now financially able to address facility issues as a community. Our kids deserve better. We can't afford to do everything we need to do, so we will have to prioritize.

Q: Is there a way to adapt some of the facilities to cut costs, such as not having a black box theatre in the PAC for example?

A: These were just examples developed in response to facilities needs and wants identified by staff. The Committee and Board will prioritize what they believe is needed and will be supported by the community. Resulting projects may not include all the components mentioned for estimated project costs.

### **Financial Information**

Chris Allen, managing director of First Southwest Securities and the District's financial advisor, presented information on bond financing and SISD's financial capacity. Chris explained that a school bond is similar to a home mortgage—a way to finance capital improvement projects. The money is borrowed for a specific time with a fixed, tax-exempt tax rate to pay for the costs of construction, acquisitions, renovations and equipment. School districts cannot issue bonds without voter approval.

Bonds are repaid by a school district with property tax revenue. A school district's property tax rate has two components: the Maintenance and Operations (M&O) rate and the Interest and Sinking (I&S) tax rate. The I&S tax rate can only be levied for repayment of bonds. Currently, SISD's tax rate of \$1.33 per \$100 of assessed valuation is comprised of \$1.17 for M&O and \$0.16 for I&S.

The payback period, or term, of a bond varies depending on the project being financed, but is usually 20-30 years (the maximum legal limit is 40 years). The term of the bond cannot be longer than the useful life of the asset being financed. For buildings, it is typical to have a 30-year term, but shorter terms are used for school buses and technology. If a bond issue includes multiple projects with different useful lives, the amortization is scheduled so that the principal is paid off according to each project's useful life.

The Texas Education Code requires that school districts demonstrate that its total annual debt payments can be made with an I&S tax rate of \$0.50 or less. Known as the \$0.50 Test, school districts must take into account the maximum annual debt service for the proposed issue of bonds as well as all previously issued bonds. Given SISD's current I&S rate of \$0.16, the maximum tax increase allowed by law for future bond issues would be \$0.34.

When structuring bond issues, the value of the current and projected tax base is considered. Assuming the tax rate remains the same, an increase in property values produces more dollars, while a decrease in property values produces fewer dollars. In considering how the tax base may change over the term of the bond, the District's current, past and projected growth rates are reviewed, with the goal of providing conservative yet realistic assumptions.

The payback terms are determined by the type of project, with consideration for the tax impact and payments. Shorter terms result in lower interest rates but higher annual payments, which require higher tax rates; longer terms result in higher interest rates but lower tax rates and annual payments.

Determining the maximum amount a school district can issue takes into account the taxable assessed value, the projected growth in taxable assessed values, the district's tax collection rate, and the estimated interest rate for the bond financing. Given SISD's current assessed values of \$630,361,861, with a projected 0 percent growth in values, a tax collection rate of 97% and an interest rate of 4%, the maximum bond amount the District could issue within the \$0.50 I&S tax ceiling would be \$45,070,000 with a 30-year term. However, it was stressed that there is no plan for SISD to pursue bonds that would put the District at the legal maximum.

Chris then presented three scenarios for potential bond elections: \$25 million, \$30 million and \$35 million at 20, 25 and 30 year terms to illustrate the possible tax rates that would result. He made conservative assumptions, using an assessed value growth rate and tax collection rate that is lower than SISD's historical rates, so the actual tax impact could be less. The scenarios were intended to provide Committee members with a general idea of the tax rates needed to finance various bond amounts.

Assuming a 30-year term, Chris showed what the estimated monthly and annual tax impact would be for the owner of a \$100,000 home with bond issues of \$25 million, \$30 million and \$35 million. Bonds would not be issued all at once, so the tax rate would go up incrementally per year as bonds are sold.

Committee members asked the following questions:

Q: Hypothetically, what if we got a new hotel and restaurants in the District that increased the tax values—could you lower the tax rate?

A: Yes. As values go up, you don't need the same rate to service the debt. These estimates are based on conservative assumptions.

Q: Is 30 years normal for financing buildings?

A: Yes. The useful life of a building is usually more than 30 years and you want to maximize the funding available with a lower tax rate.

Q: How do we manage future growth so we don't max out our bonding capacity now?

A: We will use structuring techniques to help mitigate the tax rate so we can have taxing capacity in the future. We have restructured current bonds in the past to lower the tax rate when possible.

### **Prioritization Activity**

Recognizing that SISD will not be able to issue bonds to cover all of the facility wants and needs that have been identified, the Committee will be asked to help prioritize projects to include in the next bond election. To begin that discussion, each Committee member was given three stickers to place on paper sheets with the name of a potential project on each. They were told to place their green sticker on the project that was their highest priority, an orange sticker on the project that has high priority, and a pink sticker on a project that is a priority for them. The stickers will be counted and weighted according to the level of priority, and reported back to the Committee at the next meeting for further discussion.

**Next Meeting**

Committee members will meet at Brown Primary Campus on June 14 at 7 p.m. They will tour that facility, see a virtual tour of the high school, review a draft of the Facilities Long Range Plan, and begin discussing the initial bond program scope.