

To: Board of Directors
From: Robert J. O'Donnell & Donna Watson
Date: July 25, 2016
Re: State High Project Financials (review)

The intent of the below information is to help clarify questions the Board and district has received during the past two days. To understand the total cost, as well as breakdown of total cost, we are including a reflection of our Board's approvals from November 2015.

In November of 2015, the State College Area School District Board of School Directors awarded construction base bids and bid alternates for the State High Project.

- The seven low base bids — general contractor, sitework, mechanical, plumbing, electrical, fire protection and food service equipment — totalled \$117,023,100.
- The Board voted to award \$3,479,000 of bid alternate options, rejecting \$15,066,800 worth of others.
- Accepted bid alternates included air conditioning and locker room renovations in the existing North Building gym, a North Building solar array, a district satellite kitchen, a roof greenhouse and stage panel lights.
- The Board voted to reject the vegetated roof and Innovation Center bid alternate options. But in each case, it approved a motion to direct the district administration to research “best-value options” for a substitute project in the future.
- With base bids, alternate bids and projected soft costs(\$19,072,675), the project's total cost to the district will be \$137,249,182. This reflects the district receiving two LEED grants of about \$4 million for the project.
- As part of all facility projects, the above project soft costs includes a budgeted contingency fund (currently stands at \$4,343,413).

The journey of the project from the pre-design estimate of \$115,000,000 includes the following key changes:

- On May 11, 2015, the Board accepted the 60% program design. This included the inclusion of the Delta middle level program within the North facility. This increased the project cost by approximately \$5,786,970.
- On July 27, 2015, the Board accepted the 90% program design. This included increases in program space for both performing arts and physical education/athletics. This increased the project cost by approximately \$5,250,415. The 90% design estimate included enhancements to the auditorium, PennDot traffic modifications, contingencies and fees of \$818,838.
- On November 30, 2015, the Board approved \$3,476,100 worth of bid alternates.
- During Board meetings in February and March of 2016, the Board approved \$1,856,626 in project reductions.

Additionally, the final project bids were higher than final bid estimates.

During the past two years, our board, business administrators and external financial consultants (legally mandated municipal advisors: NW Financial in Pottstown) have planned for the project's financing. The below information is a breakdown of the planned project financing:

Total Estimated District Cost ⁽¹⁾	\$ 140,000,000
Referendum Financing ⁽²⁾	\$ 85,000,000 Bond Financing completed 3/2015
Capital Reserve	\$ 10,000,000
Future Financing	\$ 45,000,000 Within capacity for debt service

Attached is the most recent detailed 10-year projection for facility planning (revenues, expenditures, and fund balance).

The district maintains a detailed project web site that includes all of the timelines for decisions and documents. <http://www.scasd.org/Page/20967>

Notes:

(1) To develop a sound financing plan, we've projected an estimated district cost higher than the \$137,249,182. Due to the scope of the project, including the 3-year construction period, we've developed a conservative plan by using \$140,000,000 total projected district cost.

(2) Debt service is funding through a tax increase in 2015-16 and 2016-17. Debt service due on referendum borrowing for years 2017-18 through maturity will remain at the 2016-17 level. The average taxpayer, with an assessed value of approximately \$71,985, will pay \$157 in referendum tax in 2016-17. This tax will fluctuate annually based on the change in total assessed value of properties in the district.