



City of Harrisonburg, Virginia

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Kurt D. Hodgen
City Manager

MEMORANDUM

TO: Mayor Jones and City Council Members

FROM: Kurt D. Hodgen, City Manager *KDH*

DATE: October 18, 2016

RE: Preliminary Report on Financial Implications of High School Addition

Background:

The past several weeks have brought about a number of media reports about the need for expansion of Harrisonburg High School. Given the costs associated with that project, I felt it would be appropriate to present you with a preliminary report of the financial implications of the possible projects.

It is acknowledged that there is a need for more classroom and support space at Harrisonburg High School. Perhaps the most important issue that will need to be resolved is the timing of construction desired by the Superintendent and School Board versus the feasibility of the project for the City within the HCPS desired time frame from the perspective of cost, taxes and other financial implications.

Key Issues Summary:

As this is a "Preliminary Report on Financial Implications of High School Addition", the key issue is the impact that the projects could have on the City's budget, tax rate and financial standing.

The attached document, entitled, "**HHS Addition - Financial Impacts**", lists the preliminary costs estimates associated with the construction project, its projected debt service and the impact of the debt service on the tax rate. The costs listed for the HHS Addition are those quoted by both the Superintendent and the Project Architect in various news reports with approximately \$5M being added to each proposed cost for required architectural and engineering fees. Also included on the attachment are cost projections associated with the possible acquisition of property as well as a preliminary estimate on staffing and operations costs for the new addition.

Environmental Impact:

Not considered as part of this report.

Fiscal Impact:

As noted on attached "HHS Addition - Financial Impacts".

Alternatives:

Not applicable at this time as this is a preliminary report. Approval for the project has not yet been requested.

(a)

(b)

(c)

Community Engagement:

Not applicable at this time as this is a preliminary report. Approval for the project has not yet been requested.

Recommendation:

No final recommendations are necessary at this time.

Attachments:

1. HHS Addition - Financial Impacts

City of Harrisonburg
HHS Addition - Financial Impacts

REVISED 10-24-16

Loan Amount ¹	Term	Rate ²	Debt Service		Full Year Real Estate Tax Rate Impact ⁴
			1st Year ³	Therafter	
School Construction					
\$50,000,000	25 Years	3.75%	\$948,000	\$3,150,000	\$0.079
\$50,000,000	30 Years	4.00%	\$1,012,000	\$2,920,000	\$0.073
\$55,000,000	25 Years	3.75%	\$1,043,000	\$3,470,000	\$0.087
\$55,000,000	30 Years	4.00%	\$1,110,000	\$3,220,000	\$0.081
Property Acquisition					
\$4,000,000	25 Years	3.75%	\$75,000	\$249,000	\$0.006

¹Loan amount includes \$5M for architect/engineering services

²Assumed borrowing rates for planning purposes only.

³Assumes timing of bond issue such that there is an initial six-month debt service payment in FY 2018.

⁴\$0.01 on the real estate tax equals approximately \$400,000.

NOTE: The above amounts DO NOT include funds for furniture, fixtures or equipment (FfEs) for the addition.

HHS Addition - Staffing and Operations

\$1,500,000	this is an estimate of annual operations costs for the addition	\$0.0375
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Potential impact on city real estate tax rate

REVISED 10-24-16

<u>Current rate - FY 16-17</u>	<u>0.78</u>		
Projected inc - FY17-18	0.07 - 0.08*	Projected inc - FY 18-19	0.11 - 0.13**
<u>Projected RE rate FY17-18</u>	<u>0.85 - 0.86</u>	<u>Projected RE rate FY 18-19</u>	<u>0.97 - 0.99</u>

*these amounts include three cents for additional debt service of ES/Pre-K and four cents for new staffing and operations costs of both schools that was not accounted for in the agenda item issued last week.

**amounts include approx 8-9 cents for additional debt service of Addition and approx 3-4 cents for new staffing and operations cost of the addition.