



## City of Harrisonburg, Virginia

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Kurt D. Hodgen  
City Manager

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### MEMORANDUM

TO: Mayor Jones and City Council Members  
FROM: Kurt D. Hodgen, City Manager *KDH*  
DATE: February 10, 2015  
RE: Recommended Funding for School Construction Projects

Harrisonburg City Public Schools has determined that a new elementary school is needed in order to meet growing student enrollment. A 750-student elementary school is being proposed along with a second building, a pre-K facility that would serve 250 children who are currently housed in several of the existing elementary schools.

At a December, 2014, joint meeting of City Council and the School Board, Council expressed concerns about the construction cost estimates and was subsequently asked by the School Board to provide them with a funding amount that Council "could live with".

City staff was directed to prepare a proposed funding amount to be presented to Council for its consideration. The **number being presented tonight is \$30,360,000**. Three exhibits are attached to this memo that help explain the rationale behind the \$30,360,000.

Exhibit 1 is a "benchmark" comparison between the proposed new Elementary School and the three most recent and comparable-in-size, new elementary schools in Virginia. The information for the other three schools comes from the Virginia Department of Education website. Staff is by no means suggesting that the other three schools are completely and specifically "apples to apples" comparisons, as every construction project has differences. That being said, they are reasonable benchmarks. The fifth column of Exhibit 1 indicates the average of what the benchmark communities have built or are building and was used to develop a proposed funding amount for the elementary school and a pre-K facility for 250 students. The construction number being used for the elementary school is the one in parenthesis, \$21,730,206. It was rounded up to \$22 million for purposes of the funding recommendation. The sixth column of Exhibit 1 is for the pre-K facility which if included with the elementary school results in a **construction funding recommendation of \$5.6 million for a total of \$27.6 million for the two fa-**

**cilities**. Several of the notes at the bottom of the exhibit are to indicate that there are other, additional costs associated with the opening of the new facilities but some of those amounts would not be intended for inclusion in the bond issue that will be required for construction.

Exhibit 2 includes a breakout of those costs that would be recommended for bond funding (shaded in gray) and those that would not be. You will note that added to the construction bonding amounts are architectural and engineering fee estimates of 10% of construction costs (**\$2.76 million**). It is customary for these amounts to be included in bond issues.

Exhibit 2 also indicates the estimated amounts that will be needed for the furnishings fixtures and equipment (FFE) for both facilities. **These are items that are not part of the construction project** and include items such as desks, chairs, kitchen equipment, phones, computers, etc. They total **\$4.3 million**. This amount should be set aside over the next several fiscal years before the new facilities open.

Exhibit 3 shows various borrowing scenarios, based on amount borrowed, time financed and estimated interest rate, and what the tax rate implications would be. In addition, three different "annual operating cost" scenarios are included that indicate what their tax rate implications would be.

At this time staff would recommend a **funding amount of \$30,360,000**, which includes construction funding as well as architectural and engineering fees.

If you have any questions or need additional information, please let me know.

ELEMENTARY SCHOOL NEW CONSTRUCTION COMPARISONS

	Harrisonburg Elementary	Newport News Elementary	Winchester Elementary	Prince William Elementary	Avg of the comparables (excluding H'burg)	Pre-K estimate
Student capacity	900	916	853	905	891	250
blgd sq. footage	118,000	97,612	94,000	107,273	99,628	28000
sq. ft./student	131.11	106.56	110.20	118.53	112	112
Bldg Cost	25,771,790	22,815,999	16,595,000	20,286,000	19,899,000	5,600,000
Cost/sq. ft.	218.41	233.74	176.54	189.11	200	200

1 - this number is based on bid date of 2016 (Architects 2014 construction cost estimate was \$23,600,000, excluding "project costs" -A/E, FFE, etc.). Architect assumes an annual increase in construction costs of 4.5% for 2015 and 2016.

2 - actual bid amount from July, 2014 bid award

3 - actual bid amount from April, 2014 bid award

4- actual bid amount from Dec. 2013 bid award

Numbers above do not include "project costs" - A/E, Furniture, Fixtures and Equipment.

HPCS has provided FFE estimate of \$4.7M for both schools; A/E cost should run around 10% of const. costs, so add \$2.76M based on their cost estimate above for 2 schools. Brings total cost for school const. and A/E to around \$30,400,000. PLUS \$4.7 for FFE. (ES was rounded up to \$22M plus \$5.6M for Pre-K.)

NOTE: Bldg would likely be financed over 20 or 25 years. Do not want to finance FFE for that period of time.

It is reasonable to assume that the cost of staffing, operations, buses, drivers, etc. will be in the \$1M to \$1.5M range.

**BONDING AMOUNTS - SCHOOL PROJECT**

Elementary School	\$22,000,000	for construction	=	\$24,200,000	cap for bonding purposes
	\$2,200,000	for A/E			
	\$3,300,000	for FFE			
	\$27,500,000	Total			
Pre-K (250 capacity)	\$5,600,000	for construction	=	\$6,160,000	cap for bonding purposes
	\$560,000	for A/E			
	\$1,000,000	for FFE			
	\$7,160,000	Total		\$30,360,000	Bonded amount

(FFE should not be bonded debt)

**City of Harrisonburg  
Borrowing Scenarios and Tax Rate Implications**

**Interest Rate Assumptions:**

20 year	3.50%
25 year	3.75%
30 year	4.00%

**New School Construction Cost**

Amount	20 years	tax rate	25 years	tax rate	30 years	tax rate
	3.50%	impact	3.75%	impact	4.00%	impact
\$30 Million	2,139,100	5.46	1,895,000	4.83	1,758,100	4.48
\$35 Million	2,492,600	6.36	2,208,200	5.63	2,048,700	5.23
\$40 Million	2,846,200	7.26	2,521,400	6.43	2,339,300	5.97
\$48.1 Million	3,419,000	8.72	3,028,800	7.73	2,810,100	7.17

**Annual Operations Cost of the new buildings**

	tax rate impact
\$1 million	2.55
\$1.5 million	3.83
\$2 million	5.10

tax rate impact = pennies added to existing tax rate, i.e. 5.46 = \$0.0546 tax increase.