

Camden Rockport Middle School Information Sheet and Talking Points



Board goal:

Given the situation, to intelligently and rationally accomplish the objective passed by voters - to build the new school - within reasonable financial parameters.

Facts:

1. The original expected cost was \$26.3m. That was going to be paid with a \$25.2m bond and \$1.1m from the district's Capital Reserve Fund.
2. The maximum amount estimated for construction costs was \$22,321,850, which includes a \$1,069,850 bid contingency. The additional amount in the bond is for "soft costs" such as architectural, legal, and a 5% construction contingency.
3. Ledgewood was the low bid (construction only) at \$28,147,700.
4. The bid was over budget by \$5,825,850.
5. The district budgeted \$2,107,748 as the first estimated bond payment on the \$25.2m bond for the 2018-19 school year.
6. Of that bond payment, \$1,323,748 is the amount of principal, and \$784,000 is the amount of interest based on a 3.5% interest on a 20-year bond
7. \$25.2m was the amount in the warrant article for the bond
8. Bond sale changed from May 30 to June 14.
9. The district has spent over \$1.1m on this project to date.

Likely Reasons why bids came in high:

1. Contractors are less interested in competitive bids right now - it is more profitable to do Construction Management (CM) jobs. We would normally expect 5-6 bids on a project like ours and only had 2. A week before us, the \$50m Caribou school project came in at \$10-\$12m over budget.
2. Development is booming in Maine, especially around the Portland area. There are not enough skilled workers to meet the need.
3. Costs of materials have risen.
4. Two years passed since the budget projection and the bid opening. Time between was spent informing the community, then waiting for the regular 2017 June vote.

Pathway forward that the School Board is pursuing:

The following represents the various ideas that will work together to enable the district and communities to move forward with a new middle school.

1. Value Engineering. The contractor estimates the district can cut up to 10% of the cost, but will require some painful cuts. This could account for \$2.8m of the shortfall. These cuts will be weighed and balanced with the bond premium. Bond Premium - The board expects to take a bond premium, which is a common financial tool to procure additional funds. The board could consider up to a \$3m premium, but will balance that with cuts. **Update: If a bond premium is not available, the board will secure add'l bonds instead as allowed by law.* The totality of cuts and premium needs to yield a net gain of \$3.8m.
2. Extend the loan period by 1 year and delay the first principal payment. Use the \$1.3 principal payment budgeted for 2018-19 toward construction costs. It is common to pay interest only during a construction loan.
3. Capital Reserve Fund - The board plans to use an additional \$400,000 from the Capital Reserve Fund. That is money that the district already has but would need voter approval to spend.
4. Fund Balance - The board plans to use at least \$67,000 (**Update: \$100,000*) from the district's Fund Balance.
5. Gym Floor - The district will use the \$60,500 from the insurance payout due to gym floor damage a couple of years ago.
6. **Update: Interest Income - The board will use \$450,000 in interest income earned during construction.*

A combination of these options will cover the \$5.8m shortfall. There will be minimal impact to taxpayers, other than extending the loan payments by one year. The additional cost could be up to \$4.75m, but that cost come in the form of an additional loan payment and slightly higher annual costs (\$5-\$7/\$100,000 value). Until we get the bond bids, we don't know the interest rates. The cost increase could be lower as we budgeted for a 3.5% interest rate. Next year's tax impact would not change at all. Other years may not change from what we projected. We know there would be an additional year of loan repayment. None of these actions will change our overall budget for next year, being voted on June 12 at the polls.

Process to make this happen:

1. We need to move the \$1.3m principal payment from the debt service line to the Capital Reserve Fund, and we need voter approval to enable that to happen. It takes two steps.
 - a. At the May 22 town meeting vote, voters approved moving the \$1.3m amount from our debt service line to another warrant article.
 - b. We will have another district meeting on June 11 seeking voter approval to move the \$1.3m from that warrant article into the Capital Reserve Fund with approval to spend it on construction.
 - c. Also at that June 11 meeting, we will seek approval to "move" the gym floor money and the money from the fund balance into the Capital Reserve Fund with approval to spend that money, plus another \$400,000 that is already in there, on construction.

2. The board will work to balance value engineering with a bond premium. Neither of those two things require voter approval. **Update: The board decided to get voter approval for the bond premium (or add'l bond if a premium is not available to us) in an effort to be as transparent as possible.*

Meetings:

The MSAD 28 School Board has/had 2 additional Board meetings that are needed steps to carry out their solution to the high bids for the CRMS building project

Special Board Meeting

May 30, 2018

5:30-6:00 P.M.

Bus Barn Conference Room

Board Approval of warrant to call a district meeting for June 11

Special District Meeting

June 11, 2018

6:00-6:45 P.M.

CRMS Gym

Town meeting vote on addressing ways to finance the building project

Please note the regular board meeting previously scheduled for June 13 has been changed to June 11, 2018. It will begin at 7:00 P.M., following the special district meeting, and will be held in the CRMS cafeteria.

If you have further questions, contact: Superintendent Maria Libby or Business Manager Cathy Murphy at 236-3358 via phone or maria.libby@fivetowns.net or cathy.murphy@fivetowns.net via email.

5/31/18