

MUHLENBERG SCHOOL DISTRICT
Act 34 Hearing Minutes
June 12, 2024
Lecture Hall, Muhlenberg High School
www.muhsdk12.org

Call to Order

The Act 34 Hearing of the Board of Education of the Muhlenberg School District commenced on Wednesday, June 12, 2024 at 6:00 PM.

Members Present

President – Mr. Garrett E. Hyneman
Vice President – Mrs. Kristyna Eagle
Treasurer - Mr. Miguel Vasquez
Secretary – Mrs. Cindy L. Mengle
Assistant Secretary – Ms. Janet Howard
Member – Mr. Andrew L. Eaton, Sr.
Member – Mr. Ronald J. Haas, Sr.
Member – Mr. S. Wayne Hardy
Member – Mr. Otto W. Voit, III
Solicitor – Mr. Brian J. Boland, Esq.
Solicitor - Ms. Julia T. Adams, Esq.
Recording Secretary – Mrs. Tara L. Flowers

Members Absent

Administration Present

Superintendent – Dr. Joseph E. Macharola
Assistant Superintendent - Dr. Alan S. Futrick
Business Manager - Mr. Shane M. Mathias, CPA
Assistant Business Manager - Mrs. Susan Hawkins
Director of Physical Plant – Mr. Ken Patterson
Director of Special Education - Ms. Nicole Huntbach
Supervisor of Special Education - Dr. Janet Heilman
Supervisor of Special Education - Ms. Lori Morris
Director of Clinical Services - Mr. Zachariah Milch
Director of Technology - Mr. Daniel Houck
Director of Food Services - Mr. Carey Kline
Director of Human Resources - Dr. Jessica Heffner
Director of Curriculum & Instruction K-12 - Mr. Kyle Crater
Athletic Director - Dr. Timothy Moyer
High School Principal - Mr. Haniff Skeete
Junior High School Principal - Mr. Steve Baylor
Junior High School Assistant Principal - Ms. Jennifer Doyle
C.E. Cole Intermediate Assistant Principal - Mr. Joseph Scoboria
Elementary Principal - Ms. Ginny Hornberger
Elementary Assistant Principal - Ms. Leila McGill

Visitors

Dr. Joseph Yarworth	Sandra Cacciacarne
Diane Benson	Melissa Carroll
Linda Roebuck	Sarah Kiebach
Lori Hain	Kim Nelson
Jolyn Casper	Dolores Johnson
Alison Wallace	Richard Hoffmaster
Chief Alex Lupco	Official Court Reporter - Ms. Jolene Remus

Act 34 Hearing Business

Welcome

1. President of the Board - Mr. Garrett Hyneman

Opening Remarks

1. Purpose of the Hearing - Mr. Brian J. Boland, Esq.

Mr. Boland reported:

Act 34 of June 1973, now Section 24 P. S. 701.1 of the Pennsylvania Public School Code, requires that a public hearing be held regarding either the construction of new school buildings or substantial additions to existing school buildings.

The purpose of this Act 34 Hearing is to present the proposed project for the New Grades 5-6 Middle School to the residents and employees of the Muhlenberg School District and provide them with a Public Forum to express their opinions regarding this Project.

If the maximum building construction cost adopted by Board resolution on the 8th of May, 2024 is exceeded by eight (8) percent, a second hearing will be required.

The hearing is not a public debate. It is an opportunity for the Public to learn about the proposed project at the New Grades 5-6 Middle School and for the Board to receive and record documents and observations regarding the project.

2. Procedures for Public Comment - Mr. Brian J. Boland, Esq.

Mr. Boland reported:

The Muhlenberg School District is interested in receiving comments from residents who wish to express their opinions about the proposed project. In order for the hearing to be of the greatest value and use to the Board, the following Procedures have been established for Public Comment:

A. Verbal Presentations at the Hearing:

Verbal Presentations will be limited to three (3) minutes per individual. To ensure that time is scheduled on the agenda for an individual presentation, the presenter should sign their name on the register available at the beginning of the hearing.

B. Written Testimony for the Hearing:

Any resident, taxpayer, or employee may submit written testimony regarding the proposed project no later than June 6th, 2024, at 4:30 PM. Such written request or testimony shall include the name and address of the resident, taxpayer, or employee and be delivered to:

Cindy L. Mengle, Board Secretary
Muhlenberg School District
801 Bellevue Avenue
Reading, PA 19605

Written Testimony should include a description of the support or objection to the project. To be of benefit to the Board, any written or verbal statements of objections should be followed by a viable alternate solution.

C. Testimony from the Floor:

The hearing has been scheduled to end by 6:30 PM but will extend until all testimony has been heard, whichever comes first. Comments from the floor shall be allowed after all who have requested a place on the agenda have completed their testimony. Comments from the floor shall be subject to a three (3) minute limit. No person shall be allowed to speak a second time until all parties testifying the first time have been heard.

D. Items to Address during Verbal Presentation and Testimony from the Floor:

Individuals should identify themselves by name, address, resident, taxpayer, or employee and present their comments or questions. If objections are raised, it would be beneficial if the individual proposed what should be done to change the problem being addressed and how the Board might accomplish the suggested change.

E. Written Comments following the Hearing:

For a period of thirty (30) days following the hearing, residents, taxpayers, and employees who wish to have their written comments regarding the project included in the material forwarded to the Pennsylvania Department of Education should mail or deliver such statements to:

Cindy L. Mengle, Board Secretary
Muhlenberg School District
801 Bellevue Avenue
Reading, PA 19605

Any such comments must be submitted no later than 4:30 PM, July 12th, 2024. All written comments should include the name and address of the person submitting the comments, identification of the sender as a resident or employee and a description of the support or objection of the project.

Introduction to the Project

1. Need for Project - Dr. Joseph E. Macharola

Dr. Macharola reported:

School Facilities, District-Wide

The District-Wide School Facilities include two (2) buildings that serve elementary age students, one (1) building that serves junior high students, and one (1) building that serves high school students. The New Grades 5-6 Middle School will serve all fifth and sixth grade students in the District.

The New Middle School will be located along Sharp Avenue, between Muhlenberg High School (MHS) and Muhlenberg Elementary Center (MEC).

Condition of School Facilities, District-Wide

Overall, the District's facilities are in good condition. All the District's buildings were surveyed and evaluated prior to commencing this project to determine each facility's condition and occupancy levels. The building's conditions were evaluated and rated by an architect, as well as Structural and MEP engineers. Community input was sought, and the needs and challenges related to each building were reviewed in detail. The 2022 Facilities and Feasibility Study showed that all of the District's schools are currently operating at or above recommended (student) capacity.

As part of the District-wide Facilities and Feasibility Study, the Architect and consultant team completed enrollment projections that indicated a 15% growth in student population over the next (10) years. This equates to nearly (800) additional students on the District campus.

Actual enrollment numbers are outpacing those projected in the study, and the District has already placed modular classrooms at C.E. Cole Intermediate School to temporarily house one full grade level of students.

The District Administration and School Board made it a priority to address the needs of the youngest students first. Since two of the existing buildings (MEC and

C.E. Cole) are already designed for earlier grade levels, it was appropriate to build additional capacity for Grades 5-6.

Target (best practice) occupancy for this age group is (25) students per classroom, which equates to (15) new classrooms for 5th Grade and (16) new classrooms for 6th Grade. The total number of expected students for the building is (775).

2. Alternative Considered - Dr. Joseph E. Macharola

Dr. Macharola reported:

Multiple options were explored as part of the District-Wide Facilities Study, to include:

- Option 1 Construct a new school for two (2) elementary grade levels.
- Option 2 Construct a new school for Grades K-4.
- Option 3 Expand the existing MEC and C.E. Cole buildings to accommodate anticipated enrollment growth.

Following a community input process, the Board elected to proceed with Option 1.

Presentation of the Project

1. Project Description - Mr. Don Main, Marotta/Main Architects

Mr. Main reported:

The project includes the construction of a new three-story school building totaling 127,640 square feet. The school building will be constructed with steel frame construction and masonry infill walls. The exterior of the building is proposed to be brick masonry to limit future maintenance. Many areas of the roof are sloped to allow for housing mechanical equipment in the attic spaces. The proposed roof material is metal. The building design includes large exterior windows to introduce natural light into all the learning spaces within the building.

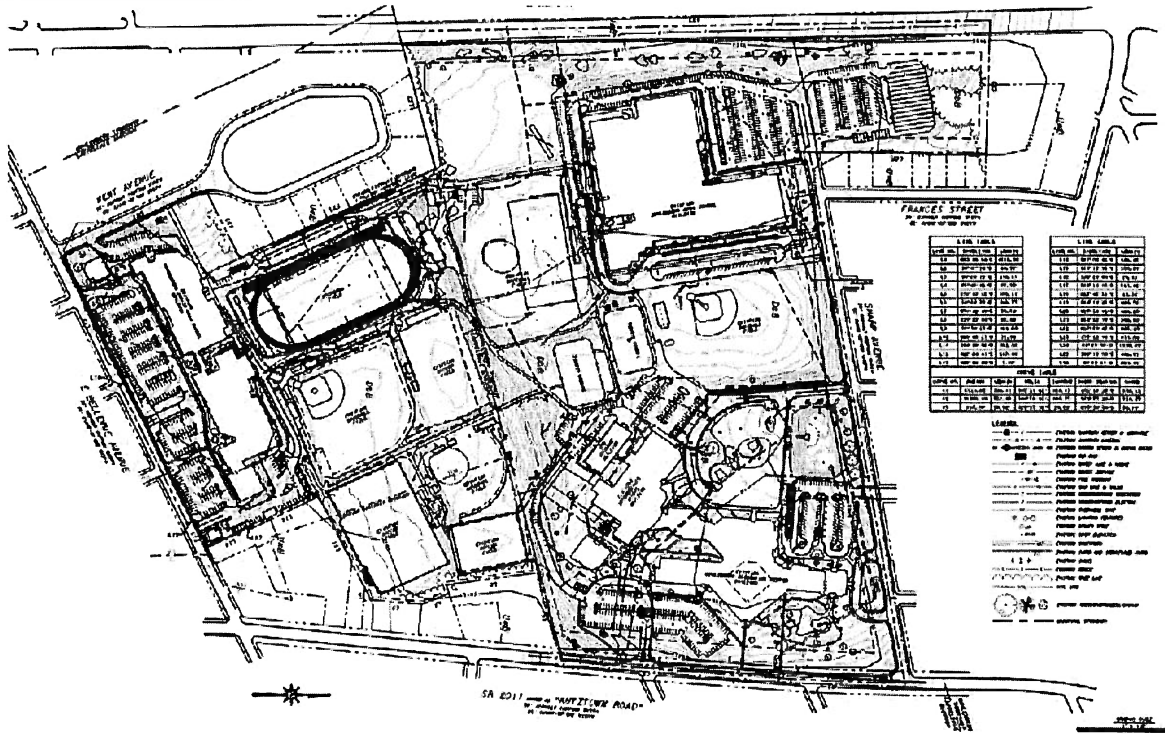
High efficiency mechanical, electrical, and plumbing systems will be installed in the new building to meet today's code requirements. The building will also be fully sprinklered to meet life safety requirements.

The layout of the building includes Related Arts, Cafeteria, and other common spaces on the First Floor, while each of the Second and Third Floors will be dedicated to a full grade level of classrooms. The design also features several LGI / Shared Learning Spaces which are intended to serve small groups between classes and promote collaborative learning. The gymnasium and public areas of the building are in a separate wing, allowing for off-hour use for school community activities.

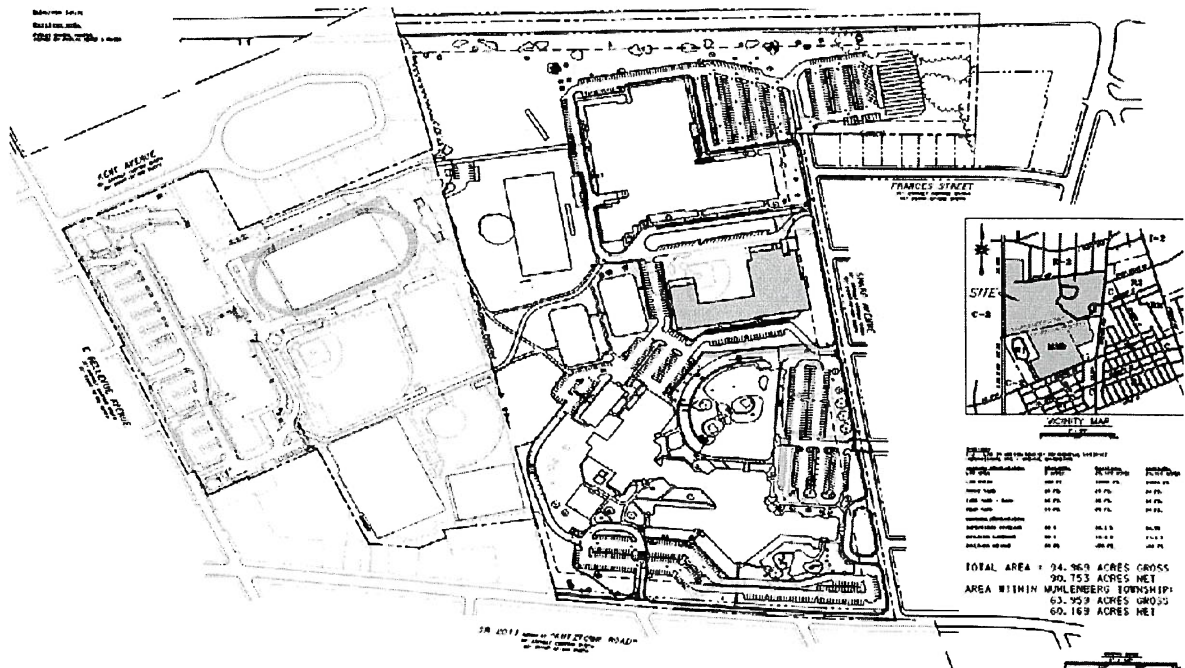
2. Site Plan, Floor Plans - Mr. Don Main, Marotta/Main Architects

Mr. Main presented:

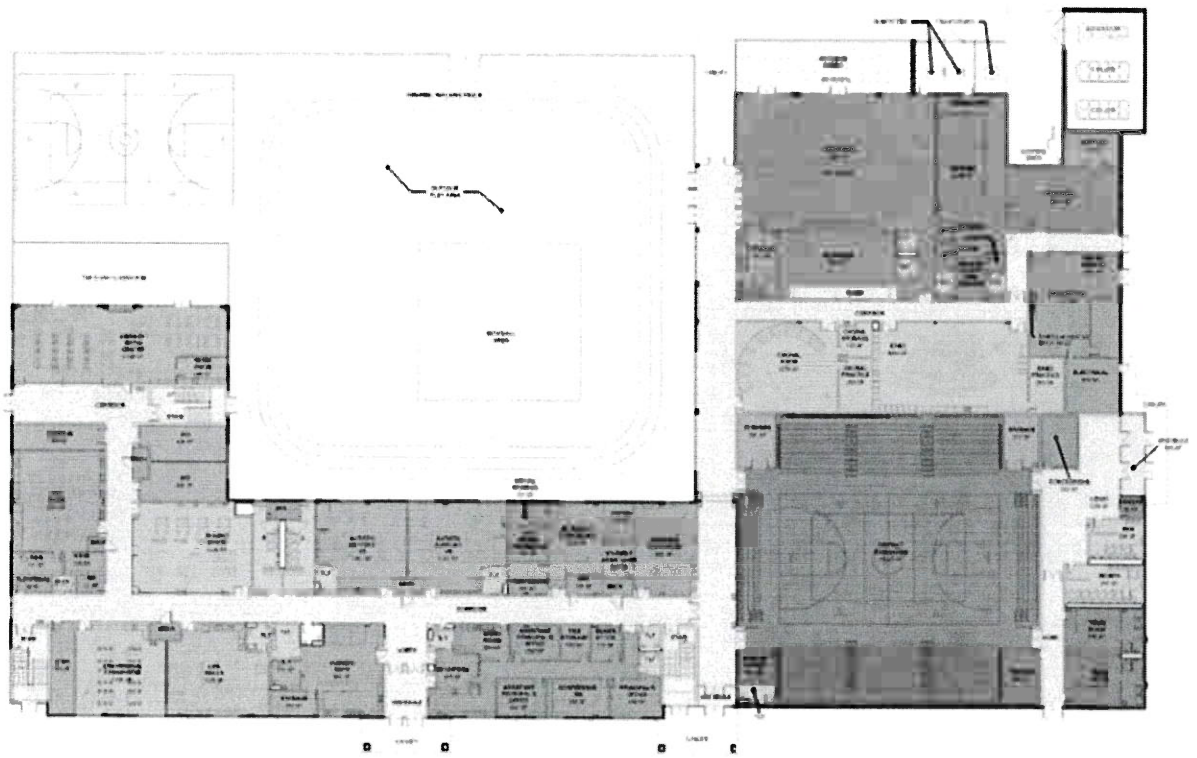
Existing Site Plan



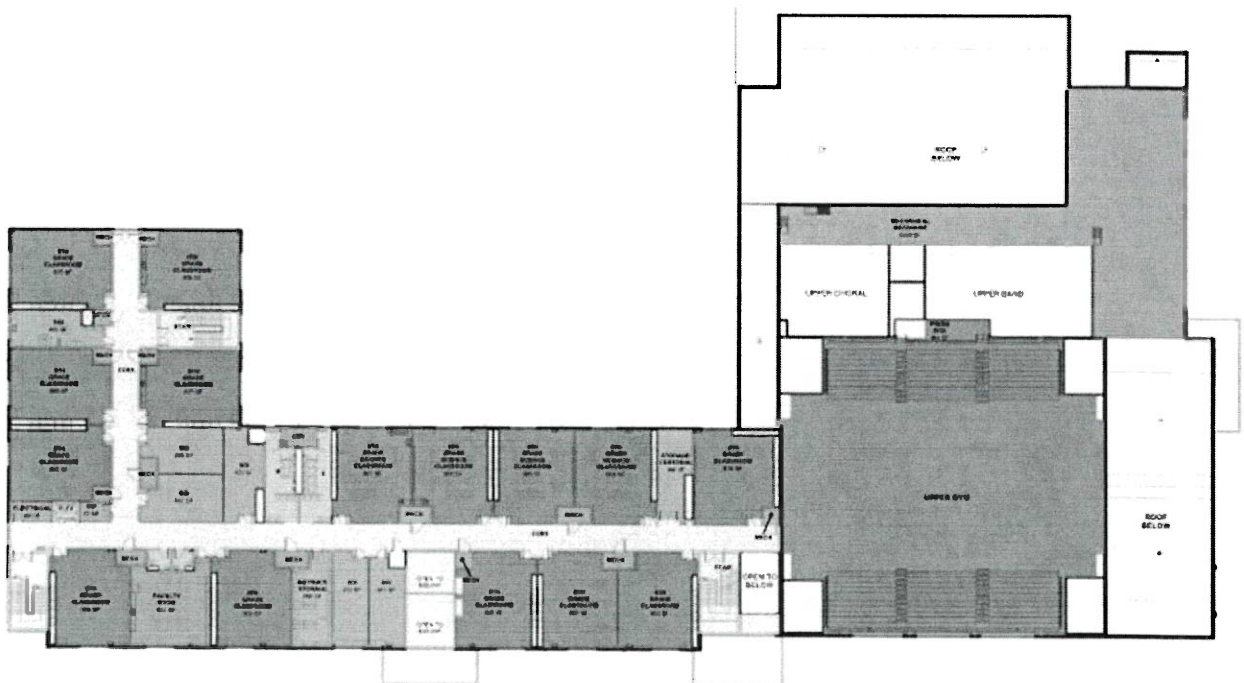
Proposed Site Plan



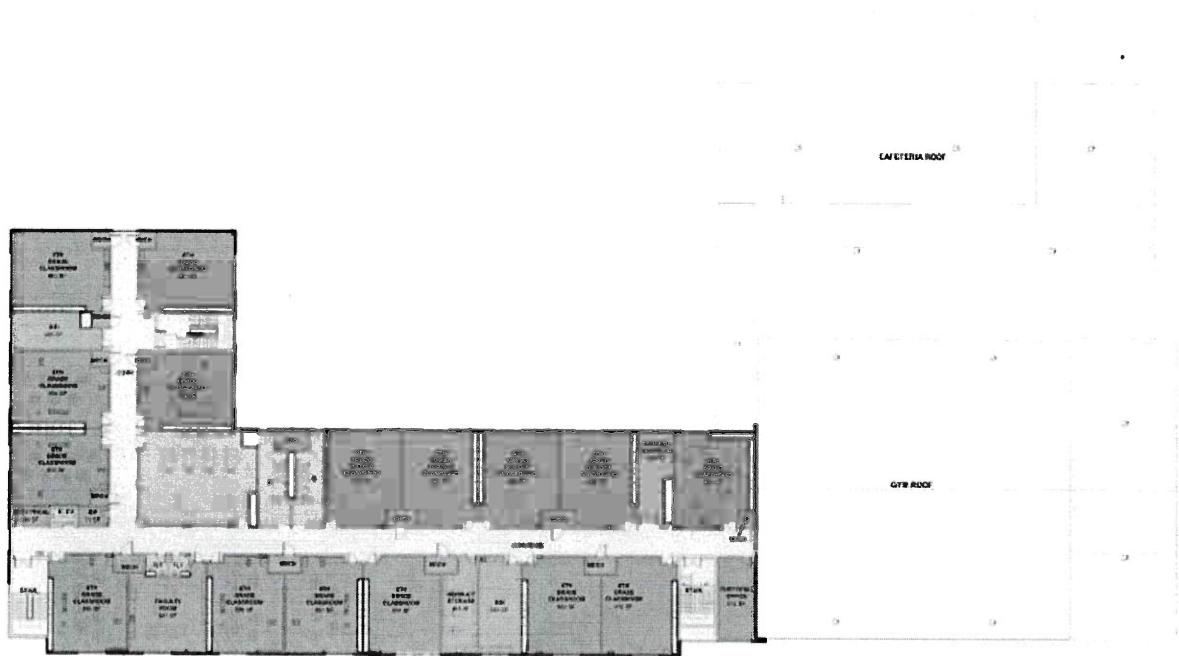
Floor Plan-First Floor



Floor Plan-Second Floor



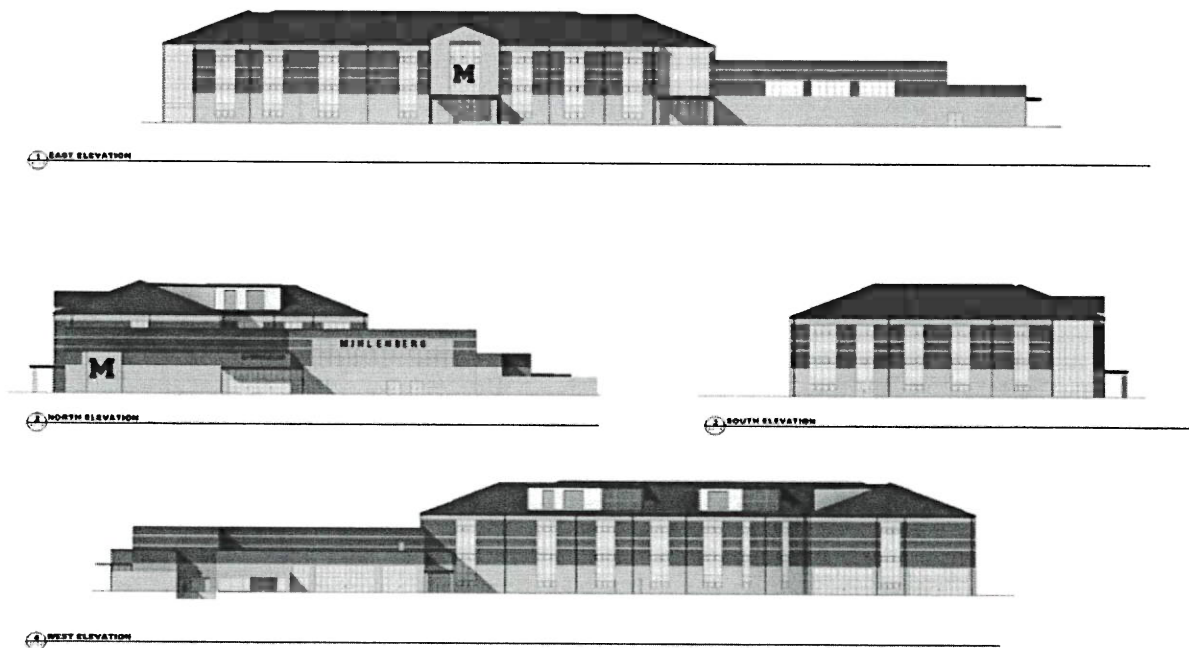
Floor Plan-Third Floor

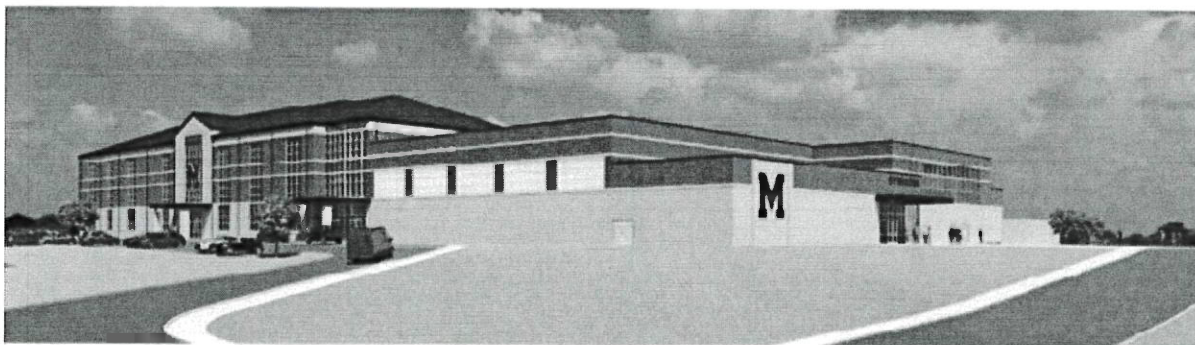
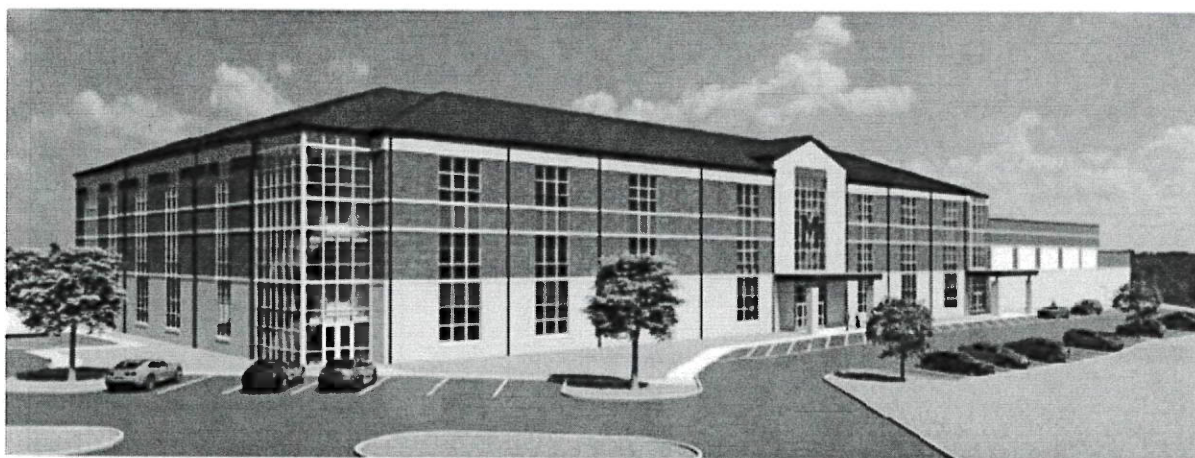
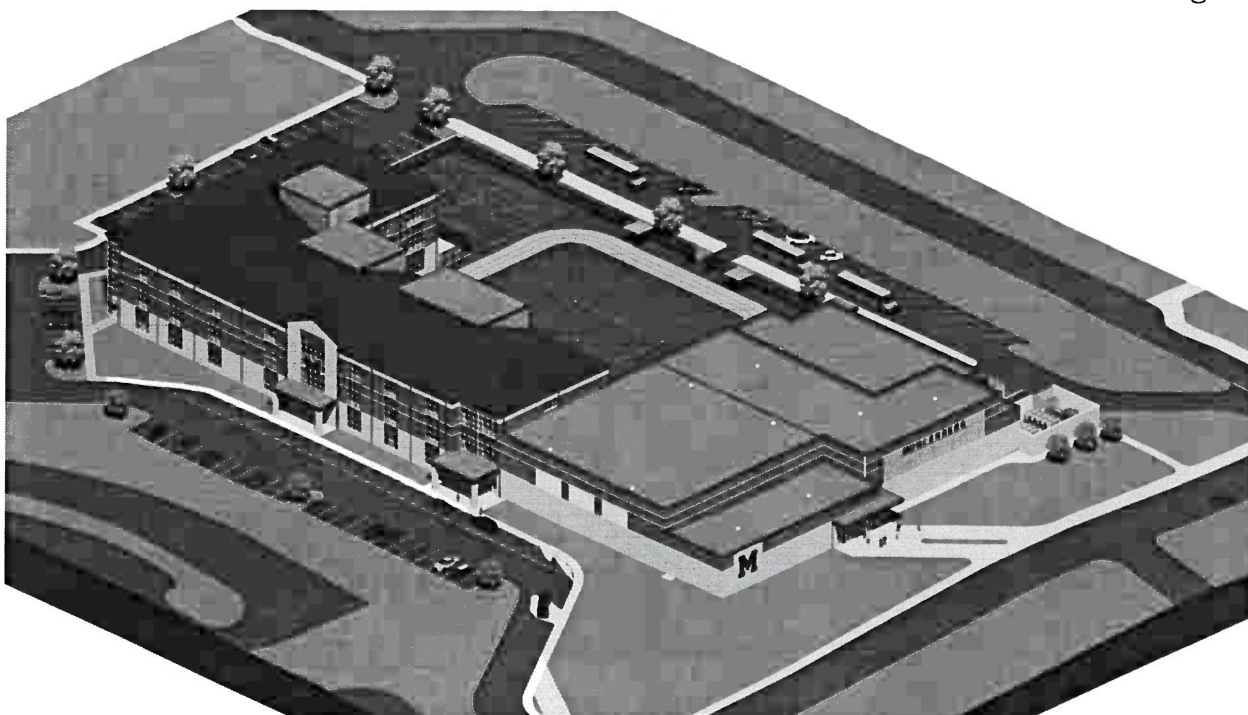


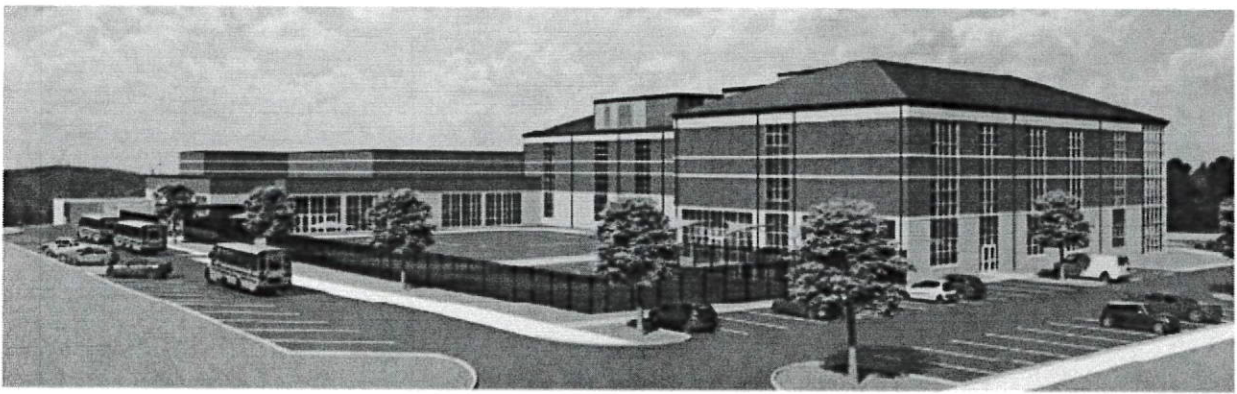
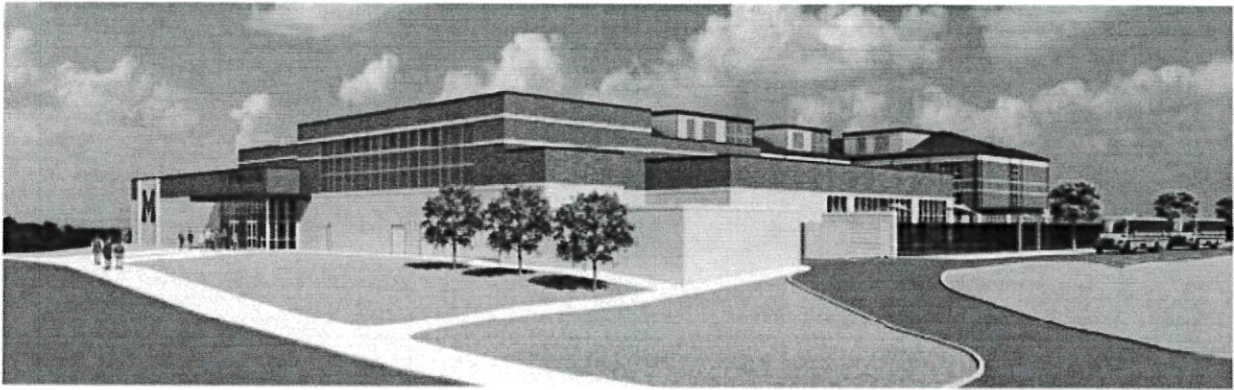
3. Building Elevations - Mr. Don Main, Marotta/Main Architects

Mr. Main presented:

Exterior Views







4. Room Schedules - Mr. Don Main, Marotta/Main Architects

5. Direct Costs - Mr. Don Main, Marotta/Main Architects

Mr. Main presented:

Analysis of Financing Alternatives and Budget Impact

1. Project Accounting Based on Estimates - Ms. Allie Macchi, Raymond James Public Finance

Ms. Macchi reported:

We have analyzed four alternative methods of financing the proposed construction of a New Grades 5-6 Middle School (the "Project"). We also estimated the direct costs of financing as required by the Department of Education regulations issued November 4, 1978.

ANALYSIS OF ALTERNATIVES

The four alternatives of financing that we examined are:

1. Cash or a short-term loan.
2. General obligation bond issue.
3. A local authority issue.

4. A financing through the State Public School Building Authority (SPSBA).

Analysis of the School District's financial statements for recent years, and of the financing projections prepared in connection with this Project, discussions with the School District's Administration indicated that financing the entire project with cash is not feasible. The School District does not have the funds necessary to pay enough cash for its share of the Project, nor does it appear that the School District would be able to raise the required amounts from its anticipated cash flow to meet the proposed construction schedule.

We then analyzed in detail the three alternatives which would require the School District to incur long-term debt. For each alternative we estimated a bond issue size and calculated the average annual debt service requirements. We then constructed a repayment schedule taking into consideration the District's current outstanding debt. Financing costs for the local authority and SPSBA were slightly higher, which resulted in a larger bond issue and higher average annual payments. Bonds issued through either a local authority or the SPSBA would be classified as revenue bonds instead of general obligation bonds. Interest rates on revenue bonds are slightly higher than interest rates that would be received on general obligation bonds. This would result in higher annual debt service payments for the School District. The General Obligation alternative offers the School District the advantage of lower interest rates, more favorable refunding provisions and maintains more control with the local school board. Based on these analyses and past performance, the least costly alternative for financing the Project is the General Obligation Bond Issue.

STATE REIMBURSEMENT

The District anticipates no Pennsylvania State Reimbursement for this issue due to the PlanCon moratorium that is currently in place.

TABLE I
Muhlenberg School District
Comparison of Long-Term Financing Methods
New Grades 5-6 School

<u>COSTS</u>	<u>GENERAL OBLIGATION</u>	<u>LOCAL AUTHORITY*</u>	<u>SPSBA</u>
Costs of Construction New Construction ⁽¹⁾	\$52,571,751	\$52,571,751	\$52,571,751
Financing Costs: ⁽²⁾			
Bond Discount	513,400	550,000	550,000
Legal Fees	142,000	180,000	175,000
Printing	18,750	35,000	30,000
Rating & CUSIP	73,940	125,000	125,000
Compliance/PDE Filing	8,200	8,200	8,200
Paying Agent/Trustee	2,500	12,000	12,000
Bond Insurance	0	0	0
TOTAL REQUIREMENTS	53,350,560	53,481,951	53,471,951
Less:			
Interest Earned ⁽³⁾	\$2,407,960	\$2,495,000	\$2,495,000
Original Issue Premium ⁽³⁾	1,062,600	862,600	962,600
Size of Bond Issue(s)	49,800,000	50,124,351 ⁽⁴⁾	50,014,351 ⁽⁴⁾

- (1) Includes total Project Costs for Project appearing on PLANCON D-02, Line F; Contingency Fund Allowances and funds for Project Management occurring on PLANCON D-03, Line G-9.
- (2) Financing Costs are estimates based upon recent averages and fees realized from bond issues sold in the municipal market.
- (3) Interest earnings on construction funds being available from investments based upon approximate payout schedule. Original Issue Premium are funds available to the District based on the estimated financing structure.
- (4) A local authority or SPSBA could have annual administrative expenses which have not been included in these calculations. Authority issues will have higher issuance costs and higher interest rates due to revenue bond issue structure.

Debt Service and Total Millage Impact

Table IIA is a summary of the projected debt service and approximate millage impact anticipated by the completion of the Project. The School District is funding the Project with the Series of 2023 general obligation bond issue and a portion of the proposed Series of 2024 general obligation bond issue.

It is anticipated that the required funds for the School District's share of the debt service requirements will be derived from using existing debt related mills currently in the budget which become available as previous bond issues are retired and use of existing school district reserves as illustrated on Table IIB.

Table IIB depicts the bond amortization schedules and anticipated millage funding illustration required to fund the Project

Based upon the estimated value of 1 collected mill being \$1,291,400 in 2023/24, a summary millage impact and debt service analysis is shown on Tables IIA.

Table IIA

Average Annual Debt Service (1)	Net Debt Service After State Reimbursement (2)	Mill Equivalents for Direct Debt and Indirect Debt	Total Mills Required for Direct and Indirect Costs
\$3,416,464	\$3,416,464	2.65 Mills 0.00 Mills (3)	3.68Mills (4) 1.03 Mills (4)

- A. Average annual debt service from Column 6 totals on attached Table IIB starting in fiscal year ending June 30, 2024. Columns 6 debt service totals assume the modified wrap-around structures. (The Project will require 100% of the Series of 2023 Bonds and 70% of the proposed Series of 2024 Bonds in the aggregate amount of \$50,000,00. The debt service schedules included are pro-rated for this project.
- B. Assumes a zero project reimbursement for the Bonds.
- C. Table IIB attached shows that there is no millage impact of the wrap-around debt structure for the Series 2023 Bonds and proposed Series of 2024 Bonds taking into account using existing mills from existing debt service as it falls off (Column 2) and annual school district cash contributions to phase in the new project debt (Column 5).
- D. The breakdown of Indirect Costs follows the discussion on the Direct Costs. Indirect Cost millage equialates to a total of 1.03 mills which the District will fund upon completion of the Project in the general fund budget.

Table IIB

New Grades 5-6 School							
		2023	Pro-Rata 2024	Total			
Purpose:		New Money	New Money				
Tax Status:		Tax-Exempt	Tax-Exempt				
Settlement Date:		11/29/2023	7/1/2024				
Arbitrage Yield:		4.72%	4.10%				
Rate Assumption:		FINAL	Current				

		Source: District Administration	
Value of \$ Mill:		\$	1,291,400

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Fiscal Year Ending	Total Net Debt Service BEFORE	FINAL Tax-Exempt New Money Debt Service	PROPOSED Tax-Exempt New Money Debt Service	Ind. Earnings/Reserves/CAP (1)	Total Net Debt Service AFTER	Total New Budgetary Funds Needed	Millage Equivalent
6/30/2024	4,941,867	340,355	0	(856,872)	4,425,350	0	0.00
6/30/2025	5,662,891	732,025	1,520,443	(3,490,009)	4,425,350	0	0.00
6/30/2026	4,650,131	731,775	1,742,250	(2,698,806)	4,425,350	0	0.00
6/30/2027	0	996,525	2,347,050	0	3,343,575	0	0.00
6/30/2028	0	998,025	2,347,650	0	3,345,675	0	0.00
6/30/2029	0	998,775	2,347,250	0	3,346,025	0	0.00
6/30/2030	0	998,775	2,349,250	0	3,348,025	0	0.00
6/30/2031	0	998,025	2,349,500	0	3,347,525	0	0.00
6/30/2032	0	996,525	2,348,000	0	3,344,525	0	0.00
6/30/2033	0	994,275	2,344,750	0	3,339,025	0	0.00
6/30/2034	0	996,275	2,344,750	0	3,341,025	0	0.00
6/30/2035	0	997,275	2,347,750	0	3,345,025	0	0.00
6/30/2036	0	997,275	2,348,500	0	3,345,775	0	0.00
6/30/2037	0	996,275	2,347,000	0	3,343,275	0	0.00
6/30/2038	0	994,275	2,348,250	0	3,342,525	0	0.00
6/30/2039	0	996,275	2,347,000	0	3,343,275	0	0.00
6/30/2040	0	995,813	2,348,250	0	3,344,063	0	0.00
6/30/2041	0	999,038	2,346,750	0	3,345,788	0	0.00
6/30/2042	0	995,688	2,347,500	0	3,343,188	0	0.00
6/30/2043	0	996,025	2,345,250	0	3,341,275	0	0.00
6/30/2044	0	994,788	2,345,000	0	3,339,788	0	0.00
6/30/2045	0	995,100	2,346,500	0	3,341,600	0	0.00
6/30/2046	0	991,988	2,349,500	0	3,343,488	0	0.00
6/30/2047	0	996,450	2,348,750	0	3,345,200	0	0.00
6/30/2048	0	997,250	2,349,250	0	3,346,500	0	0.00
6/30/2049	0	996,388	2,345,750	0	3,342,138	0	0.00
6/30/2050	0	998,863	2,348,250	0	3,347,113	0	0.00
6/30/2051	0	994,438	2,346,250	0	3,340,688	0	0.00
6/30/2052	0	998,350	2,349,750	0	3,348,100	0	0.00
6/30/2053	0	995,125	2,348,250	0	3,343,375	0	0.00
6/30/2054	0	0	2,346,750	0	2,346,750	0	0.00
6/30/2055	0	0	0	0	0	0	0.00
6/30/2056	0	0	0	0	0	0	0.00
TOTALS	15,254,889	28,710,030	68,991,143	(7,045,687)	105,910,374	0	0.00

NOTE: Interest rates used in this analysis are based on estimated current market conditions and are subject to change.

Indirect Costs for the Project

1. Ms. Allie Macchi, Raymond James Public Finance

Ms. Macchi reported:

As a result of the completion of this proposed Project, it is only reasonable to assume that there will be additional indirect costs associated with services to be provided to accomplish long range objectives of the School District. It is reasonable to assume that they will be needed at a cost of approximately \$1,327,000 which equates to 1.03 mills assuming a collected mill currently provides \$1,291,400.

School District officials have estimated the additional annual indirect costs associated with the Project to be as follows:

Personnel	\$1,040,000
Materials, Supplies and Equipment	76,000
Building Operation, Maintenance and Utilities	183,000
Pupil Transportation	0
Additional Insurance Premium	<u>28,000</u>
Total	\$1,327,000

Effects of Project Costs on Taxes

1. Ms. Allie Macchi, Raymond James Public Finance

Ms. Macchi reported:

Due to the wrap-around debt structure and use of existing mills from existing debt service as it falls off (Table IIB -Column 2) and annual school district cash contributions to phase in the new project debt (Table IIB - Column 5),the millage impact from the bond issues is 0.00 mills plus the indirect costs of 1.03 mills equals a total millage impact of 1.03 mills.

Questions and Comments from Public

1. Mr. Brian J. Boland, Esq.

Mr. Boland asked for any questions or comments from the public.

Ms. Sandra Cacciacarne requested a copy of the Act 34 Hearing Booklet. A copy was given to Ms. Cacciacarne.

Hearing concluded at 6:20 PM.

Attest:


Cindy L. Mengle
Secretary