

MUHLENBERG SCHOOL DISTRICT
Committee of the Whole Meeting Minutes
March 1, 2023
Lecture Hall, Muhlenberg High School
www.muhsdk12.org

Call to Order

The Committee of the Whole Meeting of the Board of Education of the Muhlenberg School District was called to order on Wednesday, March 1, 2023 at 6:31 PM by Board President, Mr. Garrett E. Hyneman. Mr. Otto W. Voit, III arrived to the meeting at 6:38 PM.

Members Present

President – Mr. Garrett E. Hyneman
Vice President – Mr. Otto W. Voit, III
Treasurer - Mr. Richard E. Hoffmaster
Secretary – Mrs. Cindy L. Mengle
Assistant Secretary – Ms. Janet Howard
Member – Mrs. Kristyna Eagle
Member – Mr. J. Tony Lupia, Jr.
Member – Mr. Mark J. Nelson
Member – Mr. Miguel Vasquez
Solicitor – Mr. Brian F. Boland, Esq.
Recording Secretary – Ms. Tara L. Flowers

Members Absent

Administration Present

Superintendent – Dr. Joseph E. Macharola
Assistant Superintendent – Dr. Alan S. Futrick
Business Manager- Shane M. Mathias, CPA
Director of Physical Plant - Mr. Ken Patterson
Director of Special Education - Dr. Shawn Rutt
Supervisor of Special Education - Ms. Lori Morris
Licensed Behavior Specialist – Mr. Zachariah Milch
Director of Human Resources - Dr. Jessica Heffner
Director of Technology - Mr. Daniel Houck
Director of Federal Programs - Dr. Cathy Shappell
Director of Pupil Services - Mr. Michael Mish
Data Administrator – Mr. Kevin Vanino
Athletic Director – Dr. Tim Moyer
High School Principal – Dr. Jeffery Ebert
High School Assistant Principal - Ms. Julianna Ciccarelli
Junior High School Assistant Principal - Ms. Jennifer Doyle
Junior High School Assistant Principal - Mr. Daniel Kramer
C. E. Cole Intermediate Principal - Mr. Haniff Skeete
C. E. Cole Intermediate Assistant Principal - Ms. Jaclyn Bellanca

Elementary Assistant Principal - Ms. Ginny Hornberger
Social Worker - Ms. Lauren Heydt
Social Worker - Ms. Liliana Moore
Social Worker - Ms. Emily Carmichael

Visitors

Jolyn Casper
Joseph Collins
Don Main- Marotta/Main Architects
Scott Eldridge- Marotta/Main Architects
Scott Kramer - Raymond James Financial
Allie Malachi - Raymond James Financial

Educational Presentations

A. Building Projects - Marotta/ Main Architects and Raymond James Financial

Dr. Macharola discussed continuing to focus solely on the building projects with the two presentations this evening with a financial overview and updates from the architects. Dr. Macharola took a moment to thank the Board and then introduced Marotta/ Main Architects and Raymond James Public Finance.

Marotta/ Main Architects presented:

Updated Enrollment Projections:

GRADE	2031/32 PROJECTED ENROLLMENT	TARGET OCCUPANCY (BEST PRACTICE)	TARGET UTILIZATION (BEST PRACTICE)	# OF REQUIRED CLASSROOMS
K	305	18		17
1	325	21		16
2	345	21		17
3	340	23		15
4	355	25		15
5	370	25		15
6	390	25		16

GRADE	2031/32 PROJECTED ENROLLMENT	TARGET OCCUPANCY (BEST PRACTICE)	TARGET UTILIZATION (BEST PRACTICE)	# OF REQUIRED CLASSROOMS
7	400	25	85%	19
8	435	25	85%	21
9	415	25	85%	20
10	441	25	85%	21
11	439	25	85%	21
12	440	25	85%	21

TOTAL	5000
--------------	-------------

- For planning purposes, this presentation takes into consideration the increased current enrollment and reflects a 2031/32 enrollment projection of 5,000 students.
- As the foundation for our potential project options, M/M evaluated the projected enrollment data against best practice target occupancy and classroom utilization rates.

Architectural & MEP Feasibility Study

Current Scope/ Revised Design Options

MEC/COLE Option 1: Existing MEC converted to house K-2 population; new school built to house 3-4; C.E. Cole converted back to grades 5-6.

- Existing MEC Converted to K-2 (975 students expected)
- Build New School for Grades 3-4 Adjacent to MHS (695 students expected)
- C. E. Cole to be converted back to Grades 5-6 (760 students expected)

MEC/COLE Option 2: (2) Elementary schools to house K-4 population; C.E. Cole converted back To grades 5-6.

- Existing MEC converted to K-4
- Build new, second K-4 school adjacent to MHS
- Both elementary buildings to accommodate Grades K-4 (1,670 total students expected)
- C. E. Cole to be converted back to Grades 5-6 (760 students expected)

Jr. High School Option 1: Addition/Renovation to MJHS.

- Existing auditorium and gymnasium wing to be renovated
- Existing classrooms to be replaced with new, three-story classroom wings
- Building will accommodate expected enrolment of 1,250 students
- Option to build playdeck with athletic surface(s) and parking below

High School Option 2: Add (11) classrooms and relocate Tech. Ed. spaces; option to renovate/expand existing pool area; build new gymnasium addition.

- Add eleven (11) standard classrooms, plus three (3) relocated Tech. Ed. and FCS classrooms
- Renovate existing pool and add new spectator seating area
- Construct new gymnasium with seating capacity of 1,400

Site Circulation

Parking Structure/ Playdeck: a playdeck combines secure, covered parking with playing fields or courts above. This solution is ideal for constrained or landlocked urban sites.

Opinion of Probable Costs

MEC/Cole Option 1 - New 3-4 Building	Lower Enrollment	5,000 Enrollment
• Total Construction Cost:	\$41,811,996	\$44,910,780
• Total Project Cost:	\$51,010,636	\$54,791,152
MEC/Cole Option 2 - New K-4 Building	Lower Enrollment	5,000 Enrollment
• Total Construction Cost:	\$43,044,808	\$46,374,175
• Total Project Cost:	\$52,514,665	\$56,576,494
Mech./Finish Upgrades - MEC	Lower Enrollment	5,000 Enrollment
• Total Construction Cost:	\$3,259,229	\$43,259,229

• Total Project Cost:	\$3,976,260	\$3,976,260
MJHS Option 1 - Renovations/Addition	Lower Enrollment	5,000 Enrollment
• Total Construction Cost:	\$66,391,069	\$63,229,589
• Total Project Cost:	\$80,997,104	\$77,140,099
MJHS Option 2 - Renovations/Addition	Lower Enrollment	5,000 Enrollment
• Total Construction Cost:	\$26,469,725	\$26,702,412
• Total Project Cost:	\$32,293,064	\$32,576,943
Mech. Upgrades - MHS	Lower Enrollment	5,000 Enrollment
• Total Construction Cost:	\$521,640	\$521,640
• Total Project Cost:	\$636,401	\$636,401
New Administration Building	Lower Enrollment	5,000 Enrollment
• Total Construction Cost:	\$4,978,697	\$4,978,697
• Total Project Cost:	\$6,074,010	\$6,074,010
New Through-Campus Bus Connection	Lower Enrollment	5,000 Enrollment
• Total Construction Cost:	\$545,463	\$545,643
• Total Project Cost:	\$665,464	\$665,464
Playdeck	Lower Enrollment	5,000 Enrollment
• Total Construction Cost:		\$8,100,000
• Total Project Cost:		\$9,882,000

Anticipated Drawdown Schedules

Option 3:

- Project #1 - New K-4 Building- Project Start: May 2023 / Project Complete: June 2026
- Project #2 - Roadway: Project Start: May 2023 / Project Complete: September 2024
- Project #3 - Mech/Finish Upgrades MEC: Project Start: February 2024 / Project Complete: September 2024
- Project #4 - Mech Upgrades - MHS: Project Start: February 2023 / Project Complete: August 2024
- Project #5 - MJHS Renovation: Project Start: January 2024 / Project Complete: February 2027
- Project #6 - New Admin Building: Project Start: January 2024 / Project Complete: February 2026
- Project #7 - MHS Renovation & Addition: Project Start: January 2025 / Project Complete: June 2027

Questions/Comments/Concerns:

Dr. Macharola spoke about the new junior high building and the enrollment. He wanted to point out the need for the new auditorium and gymnasium as they presently can't handle the increase in enrollment; so there will need to be adjustments there. Dr. Macharola advised from an educational standpoint, the PreK, 1, 2 building by itself and the grades 3-4, grades 5-6 and then the junior high for student building transitions. Mr. Main agreed and advised that each student would then have that same experience when moving grades and all be going through the same buildings.

Mr. Nelson questioned the building of the administration building being last in the project drawdown and the 10 million dollar playdeck; he advised that he is a "no" on the playdeck. He explained that this money can be used on a different project and would be taking away another field with the building of another building.

Mr. Voit spoke about from the very beginning, the numbers did not make sense to him and asked how the architects estimated the cost of these projects. Mr. Main talked about it being at this early planning stage, the use of square foot costs (cost per square foot). The costs included in the presentation are based on recent past projects with similar construction types which are hard data points; bid numbers that happen in this region on other educational projects with similar construction. Mr. Main explained what has been going on over the past two to three years in terms of the escalation (ie. coming out of the pandemic and supply chain issues) and they have applied escalators to those numbers that were bid prior to the pandemic or at various stages of the pandemic. He advised based on what they are seeing in the construction cost index world. Mr. Main talked about one firm that published a nationwide index called the Turner Construction Cost Index and everyone is able to go onto the website and see what inflation is doing in the construction industry. He explained those have been applied to those hard bid square footage numbers; they also try to look at inflation from the time of the estimate to the time the district would be putting the project out to bid. Mr. Main talked about the district not putting a project out to bid until 12 months later once approved, making the number also adjusted for the point in time when the project would be bid and also the fact that a contractor knows they are going to be buying a project out over a period of time. He explained that it is all based on the industry, what the bid dates are, and trying to make sure they are being conservative from a planning standpoint.

Mr. Nelson questioned what is the method for estimating the enrollment projections. Mr. Main discussed that during the feasibility study, they hired an enrollment specialist who was out in the community, talking to municipalities, talking to realtors, looking at the trends of the enrollment, and they were looking at what the house turnovers were. He advised through all of this research, that's where their projections are put together. Mr. Nelson discussed the original projection was a little low compared to what the district has seen, but in looking at the current classrooms and the expectation for a lot of people moving into the district; however it feels at some point this will be leveling out and unsure with the millions of dollars going to be spent. Mr. Main spoke about another way to look at each project design, the district can design the building where it can easily accept another 8 classrooms or those types of additions. He explained in this manner all of the core spaces are properly sized, however the district would not need to build the classrooms until they are absolutely needed and they can look at those kinds of options. Mr. Main discussed making sure all the mechanical systems are sized and configured so that those are the most cost effective approaches; this all can be part of the design process. He also encouraged the district to look at bid alternates when the district gets to this point as well.

Raymond James Public Finance presented:

Key Structuring Considerations: Capital Projects

- For flexibility and rating purposes it is important to maintain fund balance and capital reserves.
 - The District is currently rated Aa2 by Moody's.
- The Fed has continued to raise interest rates through the end of 2022/beginning of 2023 and is expected to continue future increases through at least summer of 2023.
 - As the Fed increases short term rates borrowed funds are earning greater returns.
- Debt service can be phased in over several years using any combination of interest earnings, capitalized interest, and reserves.
 - Breaking the borrowing into pieces over several years allows for a longer debt service phase-in.
- The District can use its capital reserves to phase-in millage over a longer period of time or to downsize the final borrowing once the scope of the projects is known.
- The District may be able to restructure a portion of its existing debt if needed to help phase in new debt service.
- Pre-planning, adding additional mills to the debt service budget or any growth in the value of the mill over the next few fiscal years can potentially allow for a lesser or shorter millage phase-in.
- The District should consider passing a reimbursement resolution prior to May 2023 (expected start of projected related draws) so it may reimburse itself from tax-exempt bond proceeds for any funds expended on projects prior to settlement on the first bond issue.

Questions/Comments/Concerns:

Mr. Voit thanked them for their presentation and spoke about the taxes. He questioned at what point do the income taxes go up that it becomes a diminishing return in the community. He emphasized that the District needs this, there is a way to pay for it, but ultimately of this magnitude what does it do for our community. He questioned how the long term project is going to affect the community. Mr. Kramer explained that part of the rating process speaks to a lot of those metrics; and the fact that the district has an Aa2 rating coming into this is a factor of the assessed and market value of real estate in the district. He advised it is a factor of the district's debt profile and how much is in the budget for the debt service annually. He advised it is a function of the ten largest taxpayers and in terms of the metrics that the rating agencies use and that his company uses for what constitutes credit quality. He discussed again the district is at a very high rating quality because relative to the district's peers, the district's debt profile is very very low. They look at how much debt they have, how quickly the debt is paid back over a ten year period of time, can the tax base handle it, how has the district raised taxes over the last ten years so the burden on the taxpayer really is born out of

those metrics. Mr. Voit asked if there was a way to take the plan to the bond rating agency ahead of time to understand the impact before the district gets into it, so the district is not breaking the community. Mr. Kramer responded absolutely and advised before they issue the first set of bonds they are going to see big projects laid over a number of years where they had very low debt going into, laid out the million dollar projects; however the hard part in their eyes is how the district will do it under Act 1. He explained Act 1 changed the game in a lot of ways for districts in Pennsylvania. The millage study shows them under Act 1 where the district would choose the 7 year option or 10 year option or anything in between, without jeopardizing the fund balance; they want the district to be able to live in within the confines of Act 1, pay for the new debt service, but also not jeopardize all the things the district needs to do to "keep the lights on." He advised the bond rating agency is going to see that metric and there is nothing that would cause any pause in doing so; and no concern that would cause the bond rating to downgrade the district's rating. Mr. Voit discussed when providing this plan to the agency, understanding there will be some kind of change, is there any other concern. Mr. Kramer advised there would not, and explained that there would be a pause to the plan if the district along the way would not stick to the plan. He advised going in they will see this is a good plan, makes sense the district would be phasing in mills, there is a plan for how the district will pay for it, but the second they see if the district starts spending the district's reserves, that in their mind is not making a hard decision and spending cash. Mr. Voit reiterated how they will take in account the community's ability to pay and Mr. Kramer responded absolutely. Mr. Voit spoke about navigating all the moving parts with the help of Mr. Mathias for the budget.

Mr. Nelson talked about being from a budget standpoint, the District needs to staff the building whether it is any of the building scenarios. He discussed moving staff into the new building, adding minimum staff and then phasing in staff over time to accommodate the District's needs. Mr. Nelson also spoke about from a budget standpoint putting money away for PSERS, that hasn't been used. He explained with PSERS being down this year, this could be replaced with debt service. Mr. Nelson spoke about the District not raising taxes over the course of time to the Act 1 limit, however that time may be over despite being good up to that point. Mr. Nelson expressed that the need to raise taxes is at an integral part, maybe not as high as the index, however it will be necessary over the next few years. Mr. Kramer discussed catching a break regarding PSERS and hopefully that number will go down, allowing the District to use it for debt service. He advised he had spoken with Mr. Mathias about every year when building the budget. He talked about starting a good place and taking a hard look at how the budget is built; and having all those conversations amongst Mr. Mathias, the board, and financial team will make the District in place to be successful. He explained going in, the rating agency will see the plan and there will be bumps along the way in terms of how to build the budget; however he has no reservation that the District can't get there from here.

Mr Hoffmaster asked Mr. Mathias about the projection in the upcoming budget and monies received from the state. Mr. Mathias spoke about working on some projections, also not knowing the state budget, if the board determines to go at a higher level raising to 1.5 or 1.75 mil every year (forget about what the state is going to do), the District cannot count on what the state is going to do. Mr. Mathias explained he started looking

at some historical numbers for subsidies. Prior to the pandemic, the District received an average of \$299,000 a year, since the pandemic the district received 1.2 million dollars and 1.7 million in one year, more than the last six to seven years combined. He advised the District cannot count on this as he could go back to previous years, it's unknown. Mr. Mathias advised if the board, and future board, is willing to go up to the index over the next five to six years the District would be at a better place compared to starting too low. Mr. Kramer advised one of things that will be helpful as they continue to refine those millage studies, they will advise the board what the average has been for Act 1 for the index; the board will be able to see not only the dollar impact they are projectioning in the budget but the percentage of the budget which hopefully will assist in understanding when planning.

Mr. Hyneman asked about when adding the classrooms, this will require more teachers and is this factored in the financial portion. Mr. Kramer advised this would be a question for the architects regarding the indirect costs going up or down, the new buildings and staffing moves, staffing size going up or down since gaining efficiencies, etc. Mr. Hyneman advised that all of the buildings are over capacity and even with staffing moves it's not going to be an even exchange. Mr. Nelson spoke about C. E. Cole where there are more students than there should be, by taking a third of them out the other two-thirds are given more space for the air to expand into, not necessarily needing to staff those classrooms on day one. He spoke about taking about twenty-five percent of the students out of MEC and putting them in a new building, and now the remaining seventy-five percent have more "walking around room" while phasing in the teachers. He discussed from a budgeting standpoint, the budgeting is quite simple; he gave the example of raising the taxes 1.8 or 1.9 mil, of that .8 or .6 is for debt service. He explained that this almost simplifies the budget process, whatever is left over can go to staffing and whatever is needed. Mr. Kramer talked about putting those higher mills in first will allow the staffing and other things that may come in down the road; starting earlier and often with millage increases is what helps the plan immensely.

Dr. Macharola thanked everyone for the phenomenal discussions, great presentations and showed his appreciation. Dr. Macharola spoke about the District being in a great position academically in the schools and where the District is philosophically to tackle this project on.


Hearing of Visitors - Muhlenberg School District taxpayers and residents have an opportunity, at this time, to comment on matters of concern, official action, or deliberation which are or may be before the Muhlenberg School Board. ***This period of time is for comments only; it is not a time to engage in a question and answer or debate with the board. Comments from the Board are at the option of the Board.*** The Board retains the option to accept all public comment at this time. Presentations **will** be limited to two minutes per person. In the event that the Board determines that there is not sufficient time for residents or taxpayers of the School District to comment, the Board may defer the comment period to the next regular meeting.

There were none.

Adjourn Meeting

Moved by Mrs. Eagle and Mr. Voit, that there being no further business to come before the Board, the meeting be adjourned. Meeting adjourned at 7:41 PM.

Attest:


Cindy L. Mengle
Secretary