

## BUDGET

The budget breakdown submitted to Rural Development for the entire project is attached in the Preliminary Architectural Report. The total construction budget is \$28,000,000. This construction budget is broken down as follows:

Site Work	\$ 2,663,000
Demolition	\$ 10,000
Equipment (Kitchen	\$ 600,000
Athletic Facilities	\$ 827,000
Building and Grounds	<u>\$23,900,000</u>
	\$28,000,000

The site work figure was projected by the civil engineer based on the existing topography of the property. The equipment estimated is based on figures from the Boones Creek School. The athletic facilities cost projection was based on some recent projects, and only includes two ballfields; one softball and one baseball. This cost figure does include the football/soccer field. This cost figure does not include grading costs which are under the sitework category projection. That leaves \$23,900,000 to construct the school building, grounds and parking lots/drives.

Rural Development Financing Update – The County's lease payment is based on a project cost of \$38,750,000, the maximum amount approved by the County Commission. The entire school project financing is based on a 3% interest rate. This rate, once the loan application is approved by Rural Development, is fixed for the entire project. This rate does not change regardless of the term of the RD loan to the Town. That is not the case with a traditional bond, because the interest rate goes up the longer the term.

In January, the rate for a Rural Development Loan dropped to 2.75%. The interest rates have continued to trend down, and it appears that the interest rate may drop to between 2.5% - 2.65% on April 1<sup>st</sup>. This benefits Washington County in particular because the Town will pay less for the debt service payment and thus the County will pay less for the lease payment. With the amount of money being borrowed, the amount of payment reduction is significant. The drop in the rate does not impact the Town as much because we will still be borrowing \$32,750,000.

Continued Information Collection – Addressing the relationship needs of the different components in the new school is a real design challenge. Accomplishing this in a cost-effective manner is also a design challenge. Important components in a good learning environment include natural light and artistically interesting and inspiring walls and floors. A dynamic environment enhances a learning atmosphere.

There will continue to be an on-going effort to get important feedback on good classroom design and programming relationships. Conceptual drawings will be reviewed by School System staff for feedback. This process may take a little more time to complete, but it is important to get it right. We want to avoid comments like "I could have told you that wouldn't work". People will be given the opportunity to provide that kind of feedback well before the design is complete. If we do not get input, it will not be because people were not asked.

Sequencing With Design Committee – Every effort will be made to obtain feedback from key School System staff and any consultant to develop more detailed design development drawings for different areas inside and outside the school building before the Design Committee is asked to take formal action on what has been developed to-date. Of course, Design Committee members may pass on design related comments or questions anywhere in the process.

general contractor is totally aware of design and performance expectations. The CM-A's on-going presence beyond the periodic inspections by the Architect's Contract Administrator will ensure the project is executed as designed and with the quality expected.

## Cost Estimate

The total project costs are expected to be \$32,750,000, which is the funding obligation by the County through the Lease Agreement. The agreement stipulates that the project amount cannot exceed the original approved amount without approval of the Town, County Commission, and the School board, which essentially locks in the above amount. Legal fees are projected at \$300,000 based on the costs already incurred in creating numerous documents associated with the lease to the County and partnership authorization with the Washington County School Board. The legal fees also include a projected cost of Bond Counsel to prepare documents near the end of the project.

### Budget Information

<b>COST CLASSIFICATION</b>	<b>TOTAL COST (\$)</b>
Administrative and Legal	300,000.00
Land, Structures, Rights-of-Way	2,200,000.00
Relocation	0.00
Architect/ Engineering	1,400,000.00
Misc. Design Fees	0.00
Project Inspection Fees	280,000.00
Site Work	2,663,000.00
Demolition and Removal	10,000.00
Construction	23,900,000.00
Equipment	600,000.00
Miscellaneous (Athletic Fields)	827,000.00
<b>SUBTOTAL</b>	<b>32,180,000.00</b>
Contingency	570,000.00
Project Income	0.00
Federal Funding	100%
<b>TOTAL PROJECT COSTS</b>	<b>\$32,750,000.00</b>

Architectural fees include standard consultant engineering expenses, civil design fees, and an inspection component. Those fees are capped at 5% of construction costs, which equals \$1,400,000.

Interest for interim financing during construction is being projected by Raymond James. The only equipment included in the project is equipment associated with the kitchen in the new school. The estimated cost of the kitchen equipment is \$600,000 which is based on the equipment recently purchased for the Boones Creek K-8 School which opened in the fall of 2019.



Contingencies are budgeted at \$570,000. While there is a need for a contingency set-aside, the fact is that there will be a guaranteed maximum price for the construction and value engineering throughout the process and there will be an expectation of no change orders and cost increases. The amount of reserve funding needed for the project as a result of the construction management process should be much less than normal. The contractor and architect will work out all of the construction details and costs in advance of the guaranteed maximum price. There should be no major surprises.

There is a Construction Management – Advisor and that cost will be 1% of the construction cost, or \$280,000 which is documented in the project budget under Project inspection fees.

The total cost of construction is based on \$28,000,000. This cost includes site work at \$2,663,000, demolition at \$10,000, equipment at \$600,000, athletic facilities at \$827,000 and building and grounds at \$23,900,000.

## **Annual Operating Budget**

The proposed finance plan for the new school is funding through a USDA Rural Development Community Facilities Direct Loan to the Town of Jonesborough. The loan will be a General Obligation of the Town of Jonesborough that is further evidenced by a General Obligation lease with Washington County. The school building and associated outside facilities including parking areas, athletic facilities, open space and park areas will be leased to the County with the lease payment amount based on the debt service on the construction of the capital improvements.

The Washington County School System operates the public school system in the County as required by state law. The building and maintenance repair will be funded through an operation and maintenance allocation provided to Washington County School System through the County budget. This funding is from the Operating Fund of the County School System, and not the Washington County Capital Improvement Fund that will be used to make the lease payments.

This proposed new school will replace two existing schools for which the school district is already funding operations. Overall, cost savings are expected from slightly reduced staffing requirements of a single building and lower energy costs from operating a modern structure. These operations are memorialized in the lease agreement between the Town of Jonesborough and Washington County, which further directs the County and School System to maintain the facility in accordance with the requirements of state law for school buildings. The Town of Jonesborough will not have direct input on the day-to-day operating expenses of the school other than what is required in the lease agreement.