

- EMERGENCY MEETING -

Rockport Select Board

Meeting Minutes

Tuesday, June 5, 2018

10:00 a.m.

Geoffrey C. Parker Community Meeting Room, Rockport Opera House

Streamed at <http://livestream.com/Rockportmaine>.

Present: Chair Kenneth McKinley, Vice-Chair Owen Casas, Douglas Cole and Mark Kelley. Also present: Richard C Bates, Town Manager, and members of the School Board and Public

I. Call Meeting to Order

The meeting was called to order at 10:00 a.m. by Ken McKinley, Chair

Ken - We have called it a "Emergency Meeting" due to the short notice.

Article 1 Section 5 from the Charter – Ken read this out loud

School Administration

Rockport voters elect, by secret ballot, representatives to serve on the SAD 28 and Five Town CSD School Boards. Although these elected School Board members serve in accordance to State law and the by-laws of the aforementioned boards, they are elected to represent the interests, concerns and public education-oriented ambitions of Rockport residents, and as such should be responsive to concerns and requests for information and dialog with Rockport's Select Board, committees and boards, and the citizenry in general.

Ken feels the School Board has been very responsive to the Select Board.

Article 2 – Section 7 from the Charter – Ken read this out loud

Powers and Duties

The Select Board (and all other municipal officials, either elected or appointed by the Select Board) represent the executive branch of the municipal government, of which the Select Board members are the chief executive officers. The duty of the Select Board is to execute the will of the people, to manage Town affairs, and to provide leadership and oversight on issues of importance to the Town.

The Select Board shall act as a unit settling all questions by formal vote in authorized meetings. Members must not act individually unless specific authority related to a particular duty has been delegated to them by the Board. A formal minority report may be issued by Board members voting in the minority.

The Select Board does not have oversight of the School Board.

Owen – I am not opposed to the new middle school, I feel strongly that the school made a good compelling argument, with a new construction making the most sense. My primary concern is the additional spending due to the rising construction costs and interest rates. Education is very important to me. I also enjoy being able to live in this Town, it is very important. I do not think the bulk of the citizens understand the tax impact. I do appreciate the School Board explaining the bond to everyone.

II. Discuss whether or not to issue a statement on the MSAD 28 Middle School Project in time for publication in this week's newspapers

Ken – Thank you all for coming. We are here to decide whether or not to issue a statement, or not make a statement at all. I am not in favor of issuing a statement. The School Board has done a good job explaining everything to the public.

Doug – At this point, I am in favor of issuing a statement to the paper. I do not believe there is any oversight. Select Board does have oversight issues reflecting the Town.
3 things expected from Town government: Public Safety, Infrastructure and Good education.
The school expenses are sucking the energy out of other projects that we might want to do. As a stick to the original amount that the tax payers have approved. Have the voters make the final decision.

Mark – Concerned regarding the increase in cost, and not keen how things are getting to that point. Looking out for the best interest of our tax payers, and those that are struggling to make ends meet.

Carole Gartley – At what point does the public get to participate in the conversation?

Ken – Anytime now.

Marcia Dietrich – consider moving forward. There is no future path that this school board less expensive in the long term.

Carole Gartley – I represent the School Board do not appreciate the special meeting. This isolates the people that work and doesn't allow participation for those who work.
I appreciate your point of views, you have every right to express your concern, but no one has reached out to any one of us, and the is not ok. We all had to scramble together today to get here. I hope we have a chance to explain.

We will never be able to build this building at this cost again. We have been talking together as community members. We feel the Select Board is coming against the School Board.

Owen – Have any of you read the document?

Public – The letter makes us feel that the public will not to vote for this project.

Carole – Your letter is clearly going to change the voters to vote against the middle school project. There are a lot of misconceptions and inaccuracy in the letter.

Owen – I feel like everyone has been scrambling, it's only been 19 days or so that we all learned that we are 26% over budget.

Anastasia Fisher – I am on the building committee and was as surprised as everyone when base came in higher, knowing that we can't afford tax increase. I was walked thru and explained, and then understood.

Katy Urey – A parent and Rockport resident, I am concerned, we don't feel the Select Board needs to issue a statement. Maria Libby's letter explains everything. I believe we are above budget because the project was pushed off and the economy changes. If we issue a statement I feel that is adding more fear to the residents. I don't feel this is necessary in this case. The residents do not need to hear from the Select Board. We need a new middle school. This letter is going to put us in a bad position.

Owen – I was the driving force behind this letter. I want to make it clear the different components that there will be. I wanted everyone to be clear of what the impact will be on the tax payers.

Carole – Went thru the projected project timeline presentation - **see below.**

Carole Gartley - walked us thru the Warrant Article with chart and additional funding sources. - **see below.**

Ken – It is important for the voters to know if this doesn't go thru that the costs will go up even more over the years and the longer we wait.

III. Determine the content of any statement on the MSAD 28 Middle School Project

Reviewed DRAFT letter that Owen wrote – **see track changes attached.**

Owen motioned to submit the revised document to the local media from the Select Board. **See final letter attached.**

Doug seconded the motion

Ken voted against the motion. Ken feels this discussion has been very helpful.

3 in Favor - 1 Opposed

IV. Adjournment

Douglas Cole moved to adjourn the meeting at 1:00 p.m., Owen Casas seconded the motion.
VOTE: 5 for – 0 Opposed

Respectfully submitted,

Diane Hamilton
Executive Assistant as Recording Secretary

Projected Project Timeline

- May 16, 2018 Construction Bid opening – **unfortunately bid amount till after June 11 district vote.**
- June 14, 2018 Bond Bid Opening
- July, 2018 Ground Breaking - **July**
- Summer, 2018 Phase I Demo
- May 29, 2020 Substantial Completion - Building
- June 22, 2020 Turn current building over to contractor
- August 21, 2020 Site Work complete
- Sept 8, 2020 Grand Opening

Key Information

- Expected project cost: \$26.3m
 - \$25.2m from bond **68% of the voters approved**
 - \$1.1m from Capital Reserve
- Expected **construction costs**: \$21.4m w/\$1.1m bid contingency
 - \$22.3 available for construction
- Low Bid was \$28.1m
 - \$5.8m over budget
- Market has shifted in past 4 months
 - Construction boom in Maine, particularly Portland area
 - Limited contractors bidding
 - Difficulty finding subcontractors
 - Caribou over by 25%, a week before us
- Bond bid opening is June 14.

- We have spent \$1.137m on this project to date. - **5% contingency** - **only had 2 contractors build on this project** – may move on to other schools. **The longer we wait, the further it sets us behind.**
- **We can't hold on to bond proceeds.**

Path Forward

Given the situation, to intelligently and rationally accomplish the objective passed by voters (68%) – to build the new school - within reasonable financial parameters.

- Combination of value engineering and additional revenue sources
 - Value Engineering – up to \$2.8m
 - Bond Premium/Add'l bonds – up to \$3m
 - Defer first principal payment - \$1.3m
 - Money from gym floor - \$60,500
 - Unassigned Fund Balance – up to \$100,000
 - Add'l Capital Reserve funds - \$400,000
 - Interest income - \$450,000

Value Engineering

- Painful, but possible to cut up to 10%
- Contractor and Architect have begun identifying areas to cut
- Ultimately, we will balance the degree of cuts with availability and cost of the bond premium
- The Building committee will recommend cuts to the board and the Board will make final decisions on June 20.

Bond Premium/Additional Bonds

- It is additional money from the lender that is financed with the loan.
- It is common for school districts to take a bond premium. MCST and RSU 13 did so within the past year.
- This is a financing decision the board can unilaterally make, as other districts have, but our board has decided to include this as part of the warrant article on June 11.

- If the board does not get bond premiums, they can issue bonds instead (up to 1%). **(of the town valuation)** This is also included in the warrant article for June 11.

Defer First Bond Payment

- It is also common to defer principal payments during the construction period of a loan and pay interest only.
- We were not originally planning to do this, but it is a way for us to get some needed revenue in order to help fund this project.
- We would use the amount budgeted as a principal payment in 2018-19 to go directly toward construction costs (approx. \$1.3m).
- We need voter approval at a district meeting to do this. It takes two steps. One step happened on May 22. The next district meeting will happen on June 11. **(authorized to spend that money)**

Other Revenues

- **Gym Floor** – The district has \$60,500 from an insurance claim a couple years ago.
- **Capital Reserve** – The district can “afford” to take additional money from the Capital Reserve. The 18-19 budget places an additional \$275,000 into that fund.
- **Fund Balance** – The district can also “afford” to take up to \$100,000 from the fund balance (this is like our savings account) and still have a very healthy balance. ***(previously amount was \$75,000)***
- **Interest Income** - The district will make approx. \$450,000 in interest income from the \$25.2m bond in the two years during construction.

Why is this money being moved around and why is there a meeting on June 11?

- There are no regular budget articles that allow spending for school construction.
- Other than approved debt service, the only other “place” to spend money for construction is from our Capital Reserve Fund.
- Transferring money to the Capital Reserve Fund and spending it both require voter approval. (We have a warrant article every year to do both things.)
- In this situation, we need to move all the additional revenue sources into the Capital Reserve Fund and get voter approval to spend it. That is why we need the June 11 District Meeting.

- *These moves do not impact the 2018-19 budget vote on June 12 in any way, as it is not additional taxpayer money (the money has already been “raised”).*
 - *Owen - I believe (the above statement) is what the folks are referring to as the shell game, this leaves the funds in an unhealthy place.*

The Prognosis

- *There will be no change in the 18 – 19 tax assessments to Camden and Rockport due to any of the above changes.*
- *There will be little to no change in future expected annual tax assessments for the next 20 years.*
- *The financial impact to taxpayers will be in 2038-39. We will have a payment that year that we didn’t originally anticipate.*
 - *Extra financial impact on voters*

Path Forward Review

- **Combination of value engineering and additional revenue sources to build new school**
 - **Value Engineering** – up to 2.8m
 - **Bond Premium/Add’l Bond** – up to 3m
 - **Defer first principal payment** - \$1.3m
 - **Money from gym floor** - \$60,500
 - **Unassigned Fund Balance** – up to \$100,000
 - **Add’l Capital Reserve funds** - \$400,000
 - **Interest income** - \$450,000

**WARRANT TO CALL
MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
DISTRICT MEETING
[20-A M.R.S. § 1491 and § 1490(7)(A)]**

TO: Cathy Murphy, a resident of Maine School Administrative District No. 28 (the “District”) composed of the Towns of Camden and Rockport, State of Maine.

In the name of the State of Maine, you are hereby required to notify the voters of each of the municipalities within the District, namely, the Towns of Camden and Rockport, that a District Meeting will be held at Camden Rockport Middle School Gymnasium, 34 Knowlton Street, Camden, Maine at 6:00 PM on June 11, 2018 for the purpose of determining the District Meeting Articles set forth below.

ARTICLE 1A: To elect a moderator to preside at the meeting.

ARTICLE 1: In addition to the Current Funding Sources for the New Camden Rockport Middle School Project (the “Project”) identified below, shall the District:

- (a) Appropriate \$400,000 from Capital Reserve Fund balances for the Project; and
- (b) Authorize the School Board to make additional fund transfers of up to \$1,484,248 to the Capital Reserve Fund for the Project as described below, and appropriate those transferred funds for the Project; and
- (c) Authorize the School Board to accept and use bond premium in the amount of up to \$3,000,000 for Project construction costs (in addition to premium for issuance costs described below) and, to the extent the Board does not accept or receive such \$3,000,000 bond premium, to issue additional Project bonds, and appropriate those bond premiums and/or additional bond proceeds for the Project?

Current Funding Sources	Amount
School Construction Bonds (referendum on June 13, 2017)	\$25,200,000
Capital Reserve Fund (budget meeting on May 22, 2018)	\$1,100,000
Bond premium to pay issuance costs (estimated)	\$120,000
Investment earnings on Bond proceeds (estimated)	\$450,000
Total of Current Funding Sources	\$26,870,000
Additional Funding Sources if this Article is Approved	Amount
Capital Reserve Fund balances	\$400,000
Fund Transfers to the Capital Reserve Fund, as follows: \$1,323,748 from 2018-2019 operating budget allocation \$60,500 from the Gym Floor Account (insurance proceeds) Up to \$100,000 from unallocated balances	\$1,484,248

Bond Premium for Construction Costs (and/or Additional Bonds)	\$3,000,000
Total of Additional Funding Sources, if Approved	\$4,884,248

Given under our hand this day, May 30, 2018 at _____, Maine.

A majority of the School Board of Maine School Administrative District No. 28

A true copy of the Warrant, attest: _____

Cathy Murphy, Resident
Maine School Administrative District No. 28

RETURN

Knox County, ss.

State of Maine

TO: The School Board of Maine School Administrative District No. 28

I certify that I have notified the voters of Maine School Administrative District No. 28 (the "District") of the time and place of the District meeting by posting an attested copy of the within warrant as follows:

	TIME(S)	DATE(S)	LOCATION(S)
Town of Camden			
Town of Rockport			

being at least seven days prior to the District meeting and being public and conspicuous places in each of said municipalities.

Dated: _____, 2018

Cathy Murphy, Resident of
Maine School Administrative District No. 28