

Minutes

Lincoln Finance Committee

Joint Meeting with Capital Planning Committee on “Understanding Costs of Campus Projects”

Hartwell Pod B, April 30, 2018, 7:30 pm

Attending:

FinCom: Jim Hutchinson (chair), Eric Harris (emeritus), Elisa Sartori, Gina Halsted, Andy Payne, Jeff Birchby, Tom Sander (minutes)

CapCom: Audrey Kalmus (chair), Al Schmertzler, Jacquelin Apsler, Maria Hylton, Jim Henderson, Pete Montero, Robyn Dunbar

Also in attendance: Tim Higgins, Town Administrator, Colleen Wilkins, Town Finance Director, and various members of the School Building Committee (SBC), Community Center Planning and Preliminary Design Committee (PPDC), and their design teams.

FinCom and CapCom had submitted 35 questions in advance to SBC and to PPDC. Questions and responses are posted at: <https://lincolnsbc.org/wp-content/uploads/2018/04/4-25-18-Answers-to-Questions-from-FinCom-and-CapCom-Final.pdf>.

In tonight’s meeting FinCom and CapCom first posed questions to PPDC and SBC and their architects, and then opened questions to non-committee members in attendance.

FinCom quickly considered **PPDC questions**, since PPDC declared their intention to not proceed with bonding and construction of a community center until after the school building project had been completed. PPDC noted that their charge was always to pursue their project after the School Building project even though this may not have been clear to FinCom, CapCom, or others in the community.

FinCom explored whether there were any **cost savings from pursuing both projects together?** Earlier presentation that evening had said no and SBC said there were only minor savings from doing projects concurrently and some possible benefit from delay since PPDC could use Hartwell swing space built for school building project. The main disincentive to waiting was that the cost of community center would rise due to cost escalation in construction costs. Higgins noted that the architects in talking to cost estimator said scope of two projects were so different that, while they could be bid together, they were unlikely to attract same builder and thus any economies of scale would be lost. The site would also limit what could be done simultaneously. They concluded there were not benefits to doing projects at same time. Christenfeld confirmed there would not be staging space for the community center if projects

done at same time since school will likely use Reed parking lot for staging area and Brooks field for temporary buildings with some classrooms at Pods; community center could thus not raze or renovate these pods while construction going on.

FinCom asked **when town could proceed with community center?** Answer was that it may depend on property valuations in town and cost escalation on community center and how fast debt is retired (existing projects and school). Tim Higgins and Colleen Wilkins were comfortable saying we could fit \$16m escalated at prevailing construction inflation at end of school building project, i.e., 2023) into our existing debt ceiling. But saying that town could do the project does not presume whether town voters will approve it.

There was discussion of the **state borrowing limit for towns**. Jim Hutchinson remarked that if we approve \$95m school project we will be close to cap since we have \$97 m available, but we probably will not bond all at once. Have not discussed bond anticipation notices (BANs), but not clear in what amounts and with what timing. When headroom will come available in town will depend on when debt on old projects and school was retired.

Sara Mattes: need to know what we can afford over next 5-10 years; we can't leave it loose and make people comfortable voting for a \$95 m project. There is a variety of constituency groups that we need to bring together. Hutchinson noted that FinCom has list from CapCom of known cap expenditures over next 5 years, but doesn't include unknown expenses and needed buffering. FinCom has ensured we could fund if we bonded it all at once (worst case scenario), but likely if we spread out the costs, the impact would be softened and smoothed out.

Payne discussed **what we can afford as a town**. Town could bond close to \$100m without jeopardizing bond rating but that is not necessarily the same as what town willing to spend. We have 95% residential tax load, so 95% of expenses fall on residents. What are residents willing to invest in? It is hard to tell without taking vote. Hutchinson observed that FinCom has not yet said what they think town should do, but would be discussing that on May 3.

Chris Klem: asked whether state borrowing limit takes into account interest rates. FinCom replied that it doesn't and interest rates will affect overall costs to town and what is affordable.

FinCom turned to School Building Committee and school project.

Hutchinson and FinCom first focused on the **size of the building** (since that and cost per square foot drive the total cost)

FinCom discussed **drivers of size**, starting with enrollment projections. Hutchinson noted that the building is designed to hold up to 660 students, including pre-K and asked if pre-K is a state mandate? Buck Creel's answer: Lincoln provides an Integrated pre-school and it is the way

town delivers required services to students with special needs, which are required to get services starting at 2 years 9 months. There is no state requirement for pre-school for general population. Hanscom has paid for pre-school for their students in their contract because they believe in value of preschool education. Beck McFall noted that typically developing students are also in pre-school but numbers depend on numbers of special needs students.

In last 10 years Lincoln **school enrollment** has been around 600. MSBA uses 5-10 year estimate. FinCom asked if Lincoln should also stick with a smaller more recent estimate. Becky McFall noted that in many towns like Arlington/Wellesley/etc. they built schools and new people moved into town and within 5 years they needed new schools. The 2012 MSBA project for Lincoln was for 660 students K-8 (without pre-school). So this new project is smaller since it provides 660 capacity with pre-school. Becky McFall noted that she feels a bit anxious about missing 3 classrooms from optimal size. She said we may not need all classrooms initially, but thinks we will within life of school. She thinks a better estimate of how many classrooms we might need is the project's scenario for "optimal classrooms." Henderson asked whether designs permit easy and modular expansion. SBC replied that compact design is best for this.

Payne asked whether pre-K is a buffer? If we build a 640 school without pre-K, can we move the pre-K somewhere else if not enough space. Buck Creel said that moving pre-K into building can free up space in Hartwell; in turn school can move IT to Hartwell. If school enrollment rises, town could displace IT in Hartwell and fill with pre-K rather than adding new classrooms. Tim Christenfeld noted that there are compelling educational benefits to house together with K-8, but we have moved them around the campus over our history. Becky McFall said that if new school does not house pre-K we won't have this adequate buffer.

Hutchinson noted that when SBC was asked whether there were any assumptions that would lead to **smaller building with options for expansion later**, SBC had answered no. Henderson asked if there were ways to accommodate for unknowns? Becky remarked that hubs allow for a bit of unknowns; the hub space itself can become a teaching space if numbers rise and you can "flex" in and out of hub and classroom to teach more kids. She said that hubs are not a classroom but classrooms are smaller because presumption is that not all kids are in there at once. Architect noted that hubs involve more efficient use of space. Christenfeld noted that SBC wondered about creating more flexibility in the L shaped option through hubs, but doing that increases the cost (taking out walls, putting in partitions, etc.). This required heavy renovation which can be more expensive than new construction per square foot.

Eric Harris asked if using **hubs affects the class size policy**? Christenfeld commented that School Committee recently had a presentation on new models of education. Jennifer Glass summed up this presentation by saying that the more teaching tied to rooms, the more a class size policy is necessary and it becomes less necessary as you move to a "neighborhood teaching policy".

FinCom discussed **assumptions behind costs per square foot**: SBC noted that square footage cost assumptions based on spreadsheet that will be made available.

Square footage assumptions: K and 1st grade classes larger than other years. Auditorium spaces and gyms are what they are. MSBA used an estimate of 660 square feet for Dining commons. MSBA assumptions have one gymnasium and no auditorium since you use common space. Collaboration space not in their estimate. SPED gets negotiated. Media center larger than what MSBA would currently allow. MSBA would generally provide fewer classrooms and push you into larger class size. But Buck Creel noted that in 2012, MSBA respected Lincoln class size, physical education policy. Becky McFall noted that class size policy is the third rail for Lincoln parents; they will not accept larger classes. 2012 project: preserved the auditorium but MSBA would only do HVAC and roof, not pay for interior fittings. Lincoln program did not require Smith Gym so 2012 MSBA project would have added third teaching space next to Reed Gym. But MSBA didn't have K-8 spreadsheet in 2012 that listed how many square feet would be provided for what in K-8 schools.

Dining commons has 2 seatings and MSBA usually assumes 3 shorter seatings. Becky McFall thinks that this may be option for value engineering but they would have to look at schedule. Using the dining commons for fewer seatings provides more hours when it can be used as flexible learning space for presentations or group work. McFall noted that compact design may enable town to get by with 2 dining seatings rather than 3 since there is less transit time for students to get lunch.

FinCom asked about **average gross size of school per student**. Average of MSBA projects is 175 sq ft/student. The proposed schools are 230+ gross square feet per student. Becky McFall noted that other communities usually have multiple schools and the town HS has a large gym and auditorium that serves community. Lincoln doesn't don't have another community option for a gym or auditorium. Jennifer Glass noted that the auditorium was built as a community auditorium and that 20% of use of school space is for community use. FinCom responded that the SBC should back out the grossed up square footage of auditorium and gym and present the cost and base school size without these community aspects; such a base case should be right in line with MSBA schools. FinCom also recommended that SBC detail what the marginal costs are for town benefits like having a large auditorium. The SBC should enumerate what the longer community uses are for school beyond town meeting and voting, Girl Scouts, Recreation Dept. use of gym, etc. and present these benefits against the added cost for these spaces like auditorium and gym (with the latter grossed up for storage, lockers, etc.).

L-shaped design: FinCom noted that the L-shaped design has 50,000 square feet of hall space out of 138,000 square feet, and 25,000 more square feet of hall space than the compact design. FinCom noted that community expressed preference for L-shape before impact on current

costs was known. FinCom recommended that SBC detail all the extra hall space in the L-shaped design grossed up and what the cost was of all this extra hall space. The community needs this information to make a decision about whether the design benefits outweigh the added cost. FinCom asked SBC whether those hallways could be reduced in L-shape. Becky McFall noted that if we keep Smith Gym, Reed Field House and auditorium, we will have a long space with lots of hallways. She said that some hall and corridor space can be converted into hub space and neighborhoods, into learning spaces that reduce transition time and gain learning time. In some cases slightly more square footage was needed to convert hallways into hubs. FinCom recommended detailing how much of hallway space was being converted to hubs. Henderson asked whether we could cut one gym free to limit the hallway space. Becky commented that some building concepts do this. FinCom recommended (without a vote) that SBC include these extra preferred costs (like auditorium, extra gym, etc.) separated out in presentation to the town with the rationale for why these additional costs and items are important.

FinCom discussed drivers of cost per square foot and construction cost inflation numbers:

SBC said cost per square foot figures were based on standard estimators of the cost of these types of work (light, modest and heavy renovation, or new construction) multiplied by the assessment of the type of work needed for each section. When FinCom asked how much pushing had been done on these numbers, Christenfeld said that SBC had also had sticker shock with initial estimates in the Fall. He explained that the current repair option implied a 7% construction cost escalation per year from the Dore & Whitier report. He said that two of the last three years have seen construction costs increase by 10%+ in one year although the most recently yearly increase was 5%. He said the cost escalation between now and the project's estimated start date is based on the last year's increase projected into the future. Some MSBA projects are looking ahead to future projects which helps. He said he hopes that the school building cost comes out lower but this is conservative. Christenfeld said they know Massachusetts construction costs are rising faster than other states due to Seaport construction, Kendall Square and other construction and that rates are higher than other states, but this is not relevant since the school has to be in Lincoln, MA. Gina Halsted shared figures from a cost estimator who lives in Lincoln showing hourly labor increases for each of trades since 2012 (electricians, plumbers, etc.) that average 30%. SBC has not done sensitivity analysis to higher or lower construction cost inflation estimates since the impact on the cost is linear – a 6% increase versus a 5% increases the cost by 1.2.

FinCom asked about **differences between McGuire report and current repair project?**

Christenfeld noted that the McGuire report did not contain phasing costs (\$1.5m) or site costs (\$2.5m?) including fixing the Reed parking lot, roadways, drainage, field replacement, bioswales, etc. since big construction machines will be ripping up the terrain.

McGuire estimates like the current repair project included soft costs.

FinCom asked about **contingency costs** and whether those were too high. SBC noted that they were in line with other projects and were high at this point since there are so many unknowns about the project and these will decrease when there are fewer unknowns about the project and the cost estimates are firmer.

FinCom asked why there were 24% **soft costs**. The project manager noted all the different items that compromised these soft costs, with the largest being architect fees (10%), OPM fees (3-4%), Furniture & Equipment (1-2%, depends on whether new technology is being purchased). FinCom noted these were fixed and could be 16%. FinCom asked if the other 8% could be value engineered out of the project? Buck Creel said that value engineering was possible but would make more sense when a bit further along. In the 2012 Lincoln MSBA project, soft costs were around 20%, but MSBA arbitrarily caps site costs since their model is based on an urban small school with smaller lots and paved areas; our site costs will be much higher and these will entail greater soft costs.

FinCom and CapCom asked about the **determination of how much space was necessary** for literacy, math, office space and what the educational impact of this was. Becky McFall noted that in reducing from optimal to essential, they literally taped off space and considered smaller spaces and whether teachers could teach effectively in that space which led to a 18% reduction in size from optimal to essential.

Expected life of project. SBC responded that renovation and repair options have shorter life – estimated to be 20-25 years. L2 has single boiler pump which should increase life. The architect noted that the skins (exterior of buildings) have already used up a lot of their lives and if we are not replacing them in an option, it would lower the useful life.

Maintenance costs of various options: Buck Creel noted basic maintenance costs not going away because of new project but are quite small relative to the size of the Lincoln school budget (~1%). Buck: school budget is \$11m a year; maintenance is \$100-150k. 87% of budget is people. Hutchinson noted that there is likely a greater degree of noise in cost estimates than that. Buck noted that new school may enable maintenance costs to decline by \$50,000 per year, but still have to maintain Hartwell. He noted that there is not a huge decrease in maintenance from more compact building, since you have to maintain an elevator. It reduces energy costs but probably will shift from one form of repair to another.

As to impact of options on downstream capital maintenance costs, Buck Creel noted that Lincoln tends to operate as long as we can, stretching the life of a room by patching it, for example. FinCom members recommended including metrics for repair costs going away because of less external paintings from metal services. And FinCom members (also without a

vote) recommended using some benchmarks for how having a smaller external surface of the building (in the Compact option) would translate into lower capital costs downstream (fewer external walls to fix or repair, less square footage of roofs to replace). This would be helpful so we can compare apples to apples in total lifetime costs. Buck agreed that we will save money on capital warrants from new building, and certainly would not need the \$75,000 warrant we have had each year for fixing or replacing school equipment.

Incremental Energy Costs for each of options [Question 24]: SBC agreeing to use net zero energy costs as baseline since it complies with town guidelines, protects town against energy price spikes and long-term savings offset the costs over 30 years if one assumes the solar does not need to be replaced in the 30 years. Hutchinson confirmed that Green Energy Committee hasn't looked at whether to purchase the equipment or whether to have a private power producer buy the equipment to get the tax break and lease to school. Architect noted that some developers install solar at day one and get free energy usage for swing space while the building is being built. FinCom members asked if SBC can report the energy savings alongside when the costs of solar are reported in way that is accessible and easily understood? Christenfeld noted that SBC was not planning to present stretch code costs/energy benefits at Special Town Meeting since doesn't meet town guidelines, they were just planning on presenting a net zero cost. Buck Creel noted that all school projects will use more energy than current since they will include air conditioning (for any summer use), and all spaces (under all projects) will have air handling and temperature control, which we don't have in the current school. Some FinCom members recommended a slide showing the costs and benefits of a better indoor school environment. Jeff Birchby asked if we know how the operating costs would vary with the different options and whether we could present this.

Should we be reconsidering whether to apply to MSBA again: Becky McFall noted that MSBA has discouraged Lincoln in their hopes for MSBA funding in the foreseeable future. Hutchinson noted that there are 250 Massachusetts schools rated by MSBA at Lincoln's level or lower and they only fund 10 schools a year and more schools come onto the list over time.

Community feedback SBC has received: Andy Payne noted that SBC process is very design driven with the concept in bold, and expenses in smaller type. He noted that he feels they have lost some opportunity for feedback on budget since polling of attendees for their preferred option did not ask "why". For example, if a person chooses option L2 over L3, we don't know if it is because L2 is cheaper or because they don't believe that the added features merit the additional price or are needed. Options are now costing 2-3 times what we would have paid with MSBA; Lincolnites this time around when are paying full freight could be more budget-driven and less design-driven than they were in the MSBA process where MSBA was picking up a good chunk of the costs.

Elisa Sartori asked if there were any analysis of whether construction and thereafter will affect other budgets (Parks and Recs, DPW, Police, etc.)? SBC noted that this may lower cost of insurance to school from having a sprinkler system and may reduce false alarms to Fire Department. Estimates do include cost of police detail needed for large deliveries that would interrupt traffic.

Community questions/comments:

Sara Mattes: thanked FinCom for kicking the tires of the school building project and pushing for simpler comparison charts. Feedback on SBC meetings was design-centric, with small samples, and public (with people feeling that they couldn't say we can't afford something). She noted the benefit of anonymous feedback.

Jim Hutchinson noted that people who come to meeting may be more supportive of school in general; how do we engage the naysayers? Chris Klem: numbers help bring people out – price discovery.

What if town says no? What is Plan B? Buck Creel noted that this had been considered but it was not possible to do in bite size pieces, for example, if you change HVAC, you have to do for whole building at a time and one couldn't simply do over the summer. Such an approach to fixing the school would take 10 years and a whole generation of children would have to wait to be in a repaired school with no educational benefits.

Eric Harris asked **will people have chance to vote for \$49m project; need a repair-only option.** If we don't have that, he thinks there will be backlash. First round will have more options. Eric thinks that the repair only option in November also has repair. Starting in June they are working on one bondable design that has to be confirmed in November. If it fails, there has to be quick regrouping and then a different vote.

Is there an economic impact of school building? Al Schmertzler remarked that people look around at neighborhoods to decide where to move and if you give them a worse school, they won't come and this will be reflected in property values. FinCom noted that academic studies they could find look at poor communities that receive state aid, limiting their applicability to Lincoln's case, and therefore FinCom was reluctant to state any proven relationship, even though it seemed intuitively plausible. Chris Klem observed that it looks like there is a strong relationship between property values and school building projects.

Enrollment. One person commented that we need something harder on which to base estimates. Jennifer Glass: Ruth Ann Henderson tried to predict enrollment in 10 years in sophisticated way when she was on School Committee and they were completely off. Buck Creel noted that it is hard to project since Lincoln population numbers are misleading because

housing numbers include Hanscom and a new big housing project which affected the official town population.

Andy Payne moved that FinCom adjourn, Jim Hutchinson seconded. This was unanimously approved. Audrey Kalmus moved that CapCom adjourn, Jim Henderson seconded. This was unanimously approved.