

**SCHOOL CITY OF HOBART
BOARD OF SCHOOL TRUSTEES
WORK SESSION MEETING
January 18, 2024**

The Board of School Trustees of the School City of Hobart met in a work session on January 11, 2024, in the Board Room at Hobart High School, 2211 East Tenth Street, Hobart, Indiana.

ROLL CALL: Terry Butler asked Board Members to log in. The following Board Members and Administrators were present or absent as noted:

Board Members Present:

Terry D. Butler
Rikki A. Guthrie
Sandra J. Hillan
Frank Porras
Karen J. Robbins
Donald H. Rogers
Stuart B. Schultz

Administrators Present:

Peggy Buffington
Bob Glover
Christopher N. King
William J. Longer
Jonathan Mock
Tim Krieg

EXECUTIVE SESSION: No executive session meeting was scheduled.

CALL TO ORDER: President Butler called the meeting to order around 5:00 p.m.

AUDIENCE: The following were present in the audience:

Bradley Keehn, Joan Martin School and Hobart Middle School parent
James Thompson, Gibraltar Design
Audience present via Zoom:
James Elizondo and Lucas Bruggeman, Stifel
Jacob McClellan, Bose McKinney & Evans

PLEDGE OF ALLEGIANCE: President Butler deferred the Pledge of Allegiance to the regular session meeting.

LONG RANGE PLANNING FOR THE SCHOOL DISTRICT: Superintendent Peggy Buffington welcomed the Zoom guests to the meeting. She indicated the purpose of the work session was to receive updated data from the School City of Hobart financial planner for long-range planning of operations and capital improvements in our schools.

Dr. Buffington noted that Jim Thompson from Gibraltar Design was present and indicated that she had asked him to do a summary consideration for a new intermediate school for grades 5 and 6 and a new middle school for grades 7 and 8. The student capacity for both schools was 900. The square footage for the intermediate school was 107,000 and 195,000 for the middle school. The intermediate school was one story and the middle school was two stories with two gyms, auditorium, STEM rooms for related arts. Construction was scheduled to start in 2026 and open in August of 2028 for either project. Gibraltar's projected total hard and soft costs for the intermediate school was \$51,493,750 and \$108,656,000 for the middle school.

Jim Elizondo from Stifel reviewed potential referendum scenarios with the Board, as follows:

- Key Terms and Discussion Points:
 - **Exempt Debt Service** – Bonds that were passed via capital referendum.
Bonds are not subject to circuit breaker loss.
Outside of 1% property tax cap for homeowners
Levies in exempt property tax funds collect the assessed value of TIF districts
 - **Non-Exempt Debt Service** – Bonds that were NOT passed via capital referendum.
Bonds are subject to circuit breaker loss.
Included in 1% property tax cap for homeowners
Does not include the assessed values of TIF Districts.
 - **Controlled Project** – project is subject to taxpayer opposition. Depending on the size of the project, bonds would be subject to a petition-remonstrance race or referendum
HEA 1499 in 2023 states that Schools which have a debt service rate over \$0.80 must put all borrowings on a referendum ballot. As it is currently written, the \$0.80 threshold includes exempt debt service, non-exempt debt service, and pension bond. In 2024,

School City of Hobart's combined debt service rate is over \$0.80. Therefore any borrowing would have to go to a referendum ballot until the School's rate is below \$0.80. There is speculation that the General Assembly will change that rule to only include non-exempt debt service. If that change happens, School City of Hobart's non-exempt debt service rate is projected to be under \$0.80 by 2028.

- Non-Controlled Project – Project is subject to only board approval and not taxpayer opposition. Based on the current statute, a School Corporation's combined debt service rate must be under \$0.40. If School City of Hobart's rate falls under \$0.40, then any project under \$6,350,000 would be non-controlled.
- Current Total Tax Rates for the years 2023 to 2047 for the Operations Fund, Operating Referendum, Existing Debt Service, and Exempt Debt Service with the current total tax rate being \$1.8468 and assumes 1) NAV Growth of 2% in Exempt; MLGQ Growth through 2028; 3) Does not account for circuit breaker impact, and 4) Operating Referendum is continually renewed at current \$0.2460.
- Current Debt Service Rates for the years 2023 to 2038 (Current combined Debt Service Tax Rate is \$1.1898, Exempt DS Rate = \$0.1640 and Non-Exempt DS Rate = \$1.0258). Tax Rate make-up shifts from non-exempt to exempt in 2030-2036, and assumes 1) NAV Growth of 2% in Exempt and Non-Exempt Property Tax Funds through 2029; MLGQ Growth through 2028; 3) Does not account for circuit breaker impact, and 4) Operating Referendum is continually renewed at current \$0.2460.
- Option 1 – New Intermediate School + Facility Improvements in 2025
May 2025 Referendum – New Intermediate School + Facility Improvement Projects
Assumes all bonds issued in 2025 would be issued as a referendum. 2029 Bonds are assumed to be issued as non-exempt. Assumes HEA 1499 changes to only include non-exempt debt service rate. Total tax rates for the years 2023 to 2048 including the Operations Fund, Operating Referendum, Existing Debt Service, Exempt Debt Service, 2025 Bonds – New IS - \$51.49MM, 2025 Bonds – Facility Improvements - \$10MM, and 2029 Bonds – Future Capacity - \$55.1 MM, and assumes 1) NAV Growth of 2% in Exempt and Non-Exempt Property Tax Fund through 2028; MLGQ Growth through 2028; 3) Does not account for circuit breaker impact, 4) Operating Referendum is continually renewed at current \$0.2460 rate, and 5% Interest Rate.
- Financing Breakdown – Intermediate School
2025 Referendum Project – Intermediate School Sources and Uses Breakdown
Estimated Closing Date – 8/15/2025 and Estimated First Lease Payment – June 30, 2028
Par Amount \$59,685,000; Construction Costs \$51,493,750; Capitalized Interest \$7,211,938; and Cost of Issuance \$979,313
2025 Facility Improvements – Estimated Closing Date – 12/15/2025 and Estimated First Lease Payment – 6/30/2026
Par Amount \$10,235,000; Construction Costs \$10,000,000; Capitalized Interest \$0.00; Cost of Issuance \$235,000
Total of Intermediate School and Facility Improvements
Par Amount \$69,920,000; Construction Costs \$61,493,750; Capitalized Interest \$7,211,938; and Cost of Issuance \$1,214,313
- Option 2 – New Middle School + Facility Improvements in 2025
May 2025 Referendum – New Middle School + Facility Improvement Projects
Assumes 1) NAV Growth of 2% in Exempt and Non-Exempt Property Tax Funds through 2028; MLGQ Growth through 2028; 3) Does not account for circuit breaker impact, 4) Operating Referendum is continually renewed at current \$0.2460.; and 5% Interest Rate
Total tax rate increases to \$2.2000 and includes 2029 facility improvements
Total tax rates for years 2023 through 2028 including the Operations Fund, Operating Referendum, Existing Debt Service, Exempt Debt Service, 2025 Bonds – New MS - \$108.6MM, 2025 Bonds – Facility Improvements - \$10MM, and 2029 Bonds – Future Capacity - \$55.1 MM
- Financing Breakdown – New Middle School
2025 Referendum Project – Middle School Sources and Uses Breakdown
Estimated Closing Date – 8/15/2025 and Estimated First Lease Payment – June 30, 2028
Par Amount \$125,300,000; Construction Costs \$108,656,000; Capitalized Interest \$15,140,417; Cost of Issuance \$1,503,583
2025 Facility Improvements – Estimated Closing Date – 12/15/2025 and Estimated First Lease Payment – 6/30/2026
Par Amount \$10,235,000; Construction Costs \$10,000,000; Capitalized Interest \$0.00; Cost of Issuance \$235,000

Total of Middle School and Facility Improvements

Par Amount \$135,535,000; Construction Costs \$118,656,000; Capitalized Interest \$15,140,417; and Cost of Issuance \$1,738,583

Dr. Buffington recognized Jacob McClellan from Bose McKinney & Evans who noted that there were deadlines that needed to be followed for the referendum process, and he indicated that he had share this information with Dr. Buffington. Dr. Buffington indicated she would be sharing that information with the Board in the near future.

There was discussion along with the presentations and some of the items mentioned are as follows:

- With the district's enrollment in the area of 4,000 students, the schools do not have much extra classroom space.
- With the opening of Veterans School, the west side housing costs have risen exponentially and houses that used to sell for around \$75,000, now sell for over \$200,000.
- Noted that taking the alternate for four extra classrooms at Veterans was a good decision because those rooms are now occupied.
- With the Merrillville Schools withdrawing from the Northwest Indiana Special Education Cooperative, the extra rooms at Joan Martin School are being used for special needs classes.
- Currently, there are several housing developments that have started construction. One of them is the Cressmoor development between Wisconsin Street and Lake Park Avenue with the potential of over 400 homes.
- Building an intermediate school for grades 5 and 6 would reduce class sizes at the elementary schools and the middle school. The elementary schools would house grades 1-4, and the middle school would be for grades 7 and 8.
- Thought a referendum could appeal to taxpayers because a new school could be built and their tax rate would decrease.
- In accordance with the latest legislation, if a school district has a debt service rate \$0.80 or more, all borrowings have to be put on a referendum ballot. Since the school district's combined debt service rate is over \$0.80, any borrowing until the rate is under \$0.80 has to go to a referendum.
- If the rate falls below, \$0.80, then the school district could do facility upkeep projects as were done before with small notes on a petition-remonstrance basis.
- The Operating Referendum needed to be renewed to cover the cost of student bus transportation. The title of it will be "Renew Referendum to Ride."
- Infrastructure costs to build on the property south of the high school would be at least \$600,000.
- Since this was a work session, the Board could not take any action. Because of the financial circumstances, a thought consensus was an intermediate school was the option to be considered, but school should not be located on property the district owns adjacent to the high school. Several Board members commented they really would prefer a middle school

ADJOURNMENT: There being no other business designated for the work session, President Butler adjourned the meeting around 6:30 p.m.

BOARD OF SCHOOL TRUSTEES
SCHOOL CITY OF HOBART

Terry D. Butler, President

ATTEST:

Sandra J. Hillan, Secretary

Submitted for Approval: February 1, 2024