

FREQUENTLY ASKED QUESTIONS

1. What are the primary objectives of the bond?

An \$850,000 20-year Town Hall renovation and accessibility bond is the most economical way to ensure that Fairlee has appropriate space for official town business. Bringing the building up to fire and safety codes, ensuring ADA (Americans Disability Act) compliance, and addressing deferred maintenance – that is, taking care of one of the Town’s key assets – is less expensive than not taking care of it. **The bond is less expensive than any of the alternatives.**

2. Specifically, what will be the outcome of an approved bond?

Utility and Usefulness of Building

- Utilization of the entire building
- Necessary structural upgrades
- Cement slab in basement leading to improved (required) storage space
- Use of the entire facility while spreading and sharing cost with future users

Public Access to Second Floor

- Emergency shelter
- Future location for Town Meeting
- Alternative location for board, committee, and commission meetings

ADA and Code Compliance

- ADA compliant bathroom
- Elevator to the second floor and basement for handicap accessibility
- Renovation to match 2017 fire safety codes

Energy and Systems Efficiency

- Upgrades to electrical system, plumbing, and sprinkler system
- Furnace replacement

- Second floor insulation
- Window replacement leading to better ventilation throughout Town Hall
- Upgraded information technology wiring

3. What is the estimated cost of the accessibility and renovation project?

Based on most recent bids, the estimated cost is \$913,000, including demolition, building systems, interior installation and finish, structural upgrades, elevator, ADA compliant restroom, excavation, and foundation work.

To date, 413 individuals have made contributions totaling \$170,000. As a result, the maximum cost to be borne by taxpayers – not including bond interest expenses – is \$743,000. Including bond interest expenses, the maximum cost to be borne by taxpayers is \$1.1 million (not taking into account future grants).

| | |
|---|---------------------|
| Total Estimated Cost | \$ 913,000 |
| Minus Donations/Pledges | <u>(\$ 170,000)</u> |
| Sub-Total | \$743,000 |
| Plus Contingency | <u>\$ 107,000</u> |
| Bond Principal | \$ 850,000 |
| Plus Potential Interest Expenses | <u>\$ 254,363</u> |
| Maximum Potential Expense to Taxpayers <i>(not taking into account future grants)</i> | \$1,104,363 |

4. Who prepared the cost estimate(s)?

The Town of Fairlee initially contracted for estimates with Tim Barden, a professional construction cost estimator, after which construction manager Leet Ware, pro-bono, went through several rounds of value engineering.

5. Are the estimates available for taxpayers to view?

Mr. Ware’s estimate will be available Monday Jan 23rd in the Town Hall.

6. What is the anticipated time frame for the accessibility and renovation work?

The accessibility and renovation work would begin in April 2017 and be completed during the fall of 2017.

7. Has the project been put up for competitive bidding?

Yes. This is the responsibility of construction manager Leet Ware, who is oriented to local sub-contractors.

8. If the current cost estimates fall short, how is it anticipated that needed additional funds would be raised?

Mr. Ware is guaranteeing his quote as long as the construction is built as proposed (that is, no change orders or very limited change orders). Additionally, the size of the bond indicates a \$107,000 contingency, 12.6% of the accessibility and construction cost. (See Question 2)

9. What is the anticipated interest rate on the bonds and what is the total projected interest cost for the 20-year period?

We will not know the actual interest rate and the total projected interest expenses until the bond is approved and application is made. The best interest rate proposed on a 20-year \$850,000 bond is 2.85%.

| <u>Institution</u> | <u>Interest Rate</u> | <u>20-Year Interest Expense</u> |
|---------------------------|----------------------|---------------------------------|
| Merchants Bank Scenario 1 | 2.85% | \$254,362.50 |
| Merchants Bank Scenario 2 | 3.00% | \$267,750.00 |
| VT Municipal Bond Bank | 3.148% | \$289,099.78 |
| Merchants Bank Scenario 3 | 3.15% | \$281,137.00 |

When the bond is approved and we have a construction start date, we will be eligible for grants totaling \$125,000 or more. The grants will be used to pay down debt earlier, in turn reducing 20-year total interest expense.

10. Are there any other costs (legal, notary, filing fees. etc.) that may be incurred?

There are no other anticipated costs.

11. What is the bonding process?

The bond is voted upon by Fairlee residents on February 14. If approved by the majority of voters, the Town submits applications to banks, including the Vermont Municipal Bond Bank, for an \$850,000 20-year bond. We select the proposal with the

lowest interest rate and the lowest total interest expense. The bank first provides funds through a construction loan, and upon completion of construction, the remainder is transformed into a bond, upon which we make payments one time per year, beginning in 2018.

11. Is the bonding process competitive?

Yes, as indicated above, we will approach a number of banks.

12. Who will determine that the individual projects have been completed satisfactorily?

Construction manager Leet Ware, Town Administrator Brian Hanson, and structural engineer Tim Schaal will determine the satisfactory completion of the project.

13. If the bond is approved, when and where are the funds deposited and who would be authorized to draw on the funds to pay for completed projects?

Funds are retained by the lending bank until they are requested by Town Treasurer Lisa Hinsley, who is authorized by the Selectboard to pay invoices. After construction and beginning in 2018, bond payments are once per year.

14. Has any of the \$150,000 approved and allocated in the capital budget for these projects been spent?

In the 2015 capital budget, voters approved \$75,000 for structural roof repair (deferred maintenance). In the 2016 capital budget, voters approved \$75,000 for replacement of the Town Hall's original, 102-year-old slate roof. All of the \$150,000 has been spent.

15. What amount of money has been raised from private donations? Has any of this been spent?

The total raised in private contributions is \$170,000. 126 individuals have contributed and 42 individuals have contributed more than once. The monies are in an account overseen by the Fairlee Historical Society.

With the permission of a donor, we have spent \$13,142.50 on structural engineering plans as well as removing the theatre curtain, drapes, and hardware so that they are protected during renovations.

16. How is it anticipated the Town will raise the money to pay for any additional annual expenses that may be incurred for these projects such as:

(a) utilities and maintenance (cleaning, heat, electricity)?

Utilities and maintenance expenses that can be offset by rental income. In fact, the Town Hall will be more energy efficient. By insulating the second floor and updating the infrastructure, we will reduce heat loss by at least one-third.

(b) administration of the facility (scheduling of events, advertisements, mailing costs)?

In the first couple of years at least, event scheduling will continue to be managed by members of the Town Hall staff. Expenses will be paid for by renters. Upon completion of the accessibility project, we will be eligible for cultural grants from a broader range of sources.

(c) insurance?

Without exact information at this time, we anticipate negligible insurance changes. There is strong potential for decreased premiums once we would be at 2017 codes.

17. What is the projected town budget for the coming year in comparison to the last few years?

| <u>Year</u> | <u>Municipal Taxes to Be Raised</u> | <u>Tax Rate</u> |
|-------------|-------------------------------------|----------------------|
| 2017 | \$1,088,610 | \$0.5238 (estimated) |
| 2016 | \$1,106,285 | \$0.5350 (actual) |
| 2015 | \$962,824 | \$0.4870 (actual) |
| 2014 | \$827,381 | \$0.4220 (actual) |
| 2013 | \$869,875 | \$0.4246 (actual) |

Should the bond vote fail, we would seek to add \$7,750 to the Town Hall and Parks operating budget (to ensure baseline investment in the structure) and \$75,000 to the

Capital Budget (to save toward renovating once total funds have been accumulated). These additions would add nearly 6 cents to the tax rate, raising it to \$0.5723.

18. (Should the bond fail, why would the Town's only alternative be) postponing repairs and renovations until funds have been accumulated equal to the total cost of the project?

Based on the direction provided over past years by voters and taxpayers (see question 20), the Selectboard and municipal staff have focused solely on completing the fire safety and accessibility project all at once, either next year due to approval of the bond, or at the point in time in the future when we have adequate savings in the capital budget.

We have parsed out work over the last few years (sprinklers, roof structural work, new slate roof, etc.). Leet Ware has advised that future piecemeal work is nearly impossible because of the challenges sequencing the work, and at the very least it is ill-advised because of the extensive breadth of remaining renovations and the likelihood that construction costs will increase in the future.

20. Could we build a new Town Hall instead of renovating the current one?

Building a new Town Hall would require at least 4,500 square feet to ensure space for offices, the vault, and regular municipal meetings. Using current engineering and construction standards, the construction cost per square foot would be approximately \$200, suggesting a total construction cost of over \$1 million.

21. Should the bond fail, what happens to the funds that have been raised for the accessibility project?

One option would be to have private contributions remain in a reserve fund until additional monies were available to complete the project. A second would be to return contributions to the donors.