

DE SMET SCHOOL DISTRICT #38-2
BOARD OF EDUCATION
SPECIAL MEETING

The School Board of the De Smet School District #38-2 of Kingsbury County, SD convened pursuant to due notice at 6:35 PM on April 21, 2022 for a special meeting and public presentation of the proposed LIW Building Project. The meeting was held in the LIW Amory. Those in attendance were Pres. Shane Roth, Vice-Pres. Barb Asleson, Jared Tolzin and Evan Buckmiller along with Supt. Abi Van Regenmorter, Facilities Manager Terry Holland and Bus. Mgr. Susan Purintun. Donita Garry was absent. Guests assisting with the presentation were Co-op Architect Inc. Jason Kann, Levi Pfeil, Travis Sichmeller and Tom Oster; Jerry Spethman of DA Davidson and Co. (Bonding/underwriting Firm). Mike Siefker of the *Kingsbury Journal* was present along with approximately 65 in person attendees that included members from the canvassing committees and school staff. There were 59 individuals listed on the social media live venue.

Tours of the building were conducted prior to the start of the meeting and presentation.

On motion by B. Asleson, seconded by J. Tolzin to adopt the agenda as presented. All voting “aye”, motion carried.

Supt. Abi Van Regenmorter began the presentation with an overview of the current building that was built in 1963, classes that are offered and current enrollment numbers. She moved through a power point of pictures of the major issues of the plumbing faults and disrepair of the restrooms and kitchen areas, ADA compliance issues, HVAC temperature controls (lack of)/air quality, along with limited electrical outlets for technology. The administrative office locations need to be moved to the entrance area of the building for security and surveillance. The option of renovation of the current facility that the board had researched were looked at first. A buildings and grounds committee started working with Co-op Architecture 3 years ago this coming summer. The original renovation plan was put on hold when the Pandemic hit. During those years costs have risen from \$185 per square foot to an estimate of \$300 per square foot and continue to rise. Due to the cost increases, the committee and architects began looking at putting the entire district complex under one site, moving the elementary and connecting it to the MS/HS building. The largest advantage to this plan is the ability to share the cafeteria, library, music rooms, technology, gym space, staff, and over-all efficiency. It would also impact student culture, mentoring experiences, and other exciting options of all being under one roof.

Co-op Architects Jason Kann and Levi Pfeil were the design team that drew up several plans and have worked through countless issues that have arisen through this process over the past couple of years. They went through the current design’s efficiency and how they incorporated the Laura Ingalls Wilder prairie style into both the interior and exterior of the building. They have worked to make the building style unique and fun for elementary students, but also practical and easily maintained. The design also compliments the existing buildings connected with the new facility. The playground area was reviewed with the plan being to move the new playground equipment to the south side and add play equipment such as basketball hoops for the student’s recess times. There will be a green, grassy area to the west end of the grounds of the lot that is in the process of being purchased. Parking areas being displaced by the building are tentatively being planned to be replaced by the lot across the street that is owned by the district along with possible cut out parking in front of the building along 3rd Street.

Travis Sichmeller of Sichmeller Engineering took this time to review the HVAC plans for the new building. During the design process, the architects and engineers were made aware of the pride of the initial installation of the geo-thermal system. When the MS/HS building was constructed in 1997, geo-thermal was state of the art and considered to be the most efficient means of heating and cooling and that

it was hoped to utilize the system for the addition. Mr. Kann had noted that they had looked and designed different locations for the new building to tie into the geo-thermal system. The current design of connecting to the west end of the existing building was the best for lay out and the lowest costs. There were hopes to be able to build over the wells but unfortunately, while doing surveying, the structural engineers determined that it would not be cost effective to construct the footings and foundation and it would be prudent to abandon the geo-wells. There are blue-prints available of the location of the wells but they found they are not as mapped and the risk of piercing them and causing major damage would be likely, if not certain. Mr. Sichmeller explained that in the 25 years since the geo-thermal was installed many updates have been made to conventional HVAC systems to make the traditional heat pumps high efficiency along with cost savings in utilities and maintenance. At this time, he has worked on a couple of hundred schools and there are only 5 are on geo-thermal systems. He stated that geo-thermal is the best option when natural gas and electricity is not readily available. In De Smet, that is not the case.

Mr. Sichmeller also provided detailed information on the available energy source options and costs comparisons. Mr. Sichmeller noted the current geothermal wellfield will not be salvageable to support the existing HS heat pump system, but the boilers needed for the new addition could be sized to handle both the new elementary addition heat pump system and existing H.S heat pump system (current H.S. geothermal heat pumps will just operate as conventional heat pumps). Utilizing high efficiency natural gas boilers to inject heat and a fluid cooler to reject heat, the heat pump system will allow energy transfer throughout and thus providing superior energy efficiency and provides consistency for maintenance/service personnel. Using actual utility billing use & costs obtained, natural gas costs are more attractive than the current geothermal. Natural gas at \$.469 per therm and 85% efficient equipment cost \$5.29 to produce one million BTU's of heat in comparison to \$7.52 per million BTU's for Geothermal at 300% efficient at \$0.077 per kwhr. With the school locking in very favorable natural gas rates with Northwestern Energy for the last several years, this has helped with cost savings. For the existing HS portion, 2/3 of the heat will now be produced with the new high efficiency natural gas boilers for the conventional heat pump system; however, noted was the efficiency improvements in elementary square footage by adding on to the high school along with the unit cost savings for electricity by adding onto the high school is estimated in the 20% savings range from the elementary due to the current electric use on the existing electric rate structures.

The next section of the presentation dealt with the preliminary cost of the building and funding. The most current estimates put the cost at \$7,879,805 with an additional \$893,925 for fixtures, equipment and needed furniture. Because of the volatile construction market, it has been prudent to round off to the \$9,000,000 for the funding of the facility. The board had originally considered that they would use capital outlay certificates when the costs were below four million. As the costs have risen in this era of uncertainty of construction and borrowing, it was decided to explore using bonds to fund the project. Mr. Jerry Spethman of DA Davidson and Co. presented how general obligation bonds work and the laws governing them. The authority for issuance lies with the approval of the taxpayer in an election with a super majority of 60%. The amount can be no more than 10% of the school's assessed valuation, \$57,111,514. Mr. Spethman used August 10th as a closing date with the projected borrowing amount of \$9,000,000. The current projected bond interest rate is 4%. At this time, on a 25-year general obligation bond, the assumed average annual levy starting in 2024-25 would be \$.90 per \$1000 valuation. Once the bonds are issued the payments cannot increase because the interest rates are fixed at that time. If lower interest rates would occur in the future, refinancing would be an option, and would reduce the levy rate. With the MS/HS building bond passed in 1996, the school was able to refinance at least twice which helped to pay off the bond at an earlier date. A chart was introduced for rates per valuation. A few examples given for annual tax rates: \$100,000 valuation at 90 cents would increase property taxes \$90 per year. On agricultural land, which the current schools current average per the equalization office is \$1,892 per acre. The annual cost per acre would be \$1.70 or per quarter section (160 acres) \$272.45 per year. On commercial property valued at \$1,000,000 the annual tax increase would be \$900 per year. To calculate a tax increase to support the building project, use the taxable valuation on the individual property tax statement and multiply that number by .00090. It is important to note that taxes are passed

on taxable valuation as assigned by the County Equalization office and the Department of Revenue, not saleable value.

Mr. Tom Oster of Co-op Architectures also addressed the cost of the levies and the history of past referendums of the school. In 1963, the current Laura Ingalls Wilder Elementary building was passed 408-53 for the bonded referendum of \$178,000. In 1996, the MS/HS building was passed 589-340 for \$2.5 million. The levy for the MS/HS building beginning in 1997 was \$2.80 and ended in 2014 at \$.78. Valuation increased from \$78,620,703 in 1997 to \$273,121,691 in 2014. Levies were adjusted by the Dept. of Revenue as valuations changed along with refinancing to allow for the decrease in levies. The district would expect to see the same situation if the bond for this project were to be passed. Ag valuation is based on rolling productivity ability over an 8-year average with the lowest and highest thrown out. Pastureland is valued at less. As to the individual levies for Ag, Residential and Commercial, those levies are decided every year by the legislature for the purpose of general fund taxation. Mr. Oster reviewed the property comparison chart of area school districts, De Smet is in the middle of the 8 schools compared. He said that SD has an anomaly where school districts with large land masses are able to have lower taxes because of the state tax system. This is why neighboring districts may be able to have lower levies and not have to utilize opt outs, as 5 of the 8 District's do. Boards needing capital outlay fund levies are limited by law with schools required to take the lower of either enrollment number times \$3400 OR \$3.00 per thousand. Capital Outlay funds are used for such things as renovations, equipment such as technology, school buses and transfers to assist in general fund operation. Special Education levy is also limited to a maximum by the legislature but each district taxes as per it's need. The final piece Mr. Oster addressed is a statistics comparison of 2012-2013 versus 2020-2021 with a decrease of enrollment from 312 to 298. In those 9 years, enrollment has dropped as far as 283 but have steadily climbed back up. Levy and valuation comparisons were also reviewed, with his noting that the Board had been good stewards of the taxes available and not maxing out unless necessary to meet the needs of the students.

Supt. Abi and Pres. Roth rounded out the presentation with a timeline of the last year. The Design team met with elementary teachers and asked for their wants and needs. It was stressed that while there were many items on their wish lists, there many cuts to make the cost feasible. Members of the building committee also met with City Council Representatives and Attorney Todd Wilkinson on the plans and gain their approval of where the structure would be placed. The land was surveyed to make sure it would meet all requirements and for the architects and engineers to deal with any areas of issue. Dependent on public feedback, if the Board moves forward with passing the resolution at the regular May meeting, a vote for the bond would take place on June 21st. Passage of the bond would allow the District to start the bid process in July and hopefully to begin ground work yet this fall.

Questions and Faqs:

1. In the event the bond does not pass? The district would put the money that they are able to raise toward repairs/renovations/addition to bring the building to code with those items being prioritized to meet the finances available to do so.
2. The bond passes, what would happen to the current building? That is undecided at this time but most likely the gym space would be kept. A dream of renovation of the building to build a Career and Technical Education facility that could be funded through grants and other revenue sources to help with training students in such areas as carpentry, electrical, plumbing and technology. There have also been suggestions of turning it into housing or a mini-mall. Many ideas but all dependent on the bond outcome.
3. Public questions and discussion addressed drainage issues, student drop off/pick up, student capacity, locker rooms/restroom and keeping the gym.

Pres. Roth strongly noted that while renovations and repairs would need to be made, the amount of a \$7.5 million total renovation at this time is not doable under the current state law and how the school is utilizing those funds. Priorities would need to be made to make it useable and safe. The building was built in the 1960's and while it has been maintained well, the reality of the build design at that time of cement encased sewer lines and water pipes along with very outdated, unfixable heating fixtures, puts the

school in a situation of doing what they can to get by until options are available. On behalf of the board, he stressed that their goal is to always have the best staff and school for our community and to make it inviting to families to send their children to school here.

Supt Abi finished with this quote from a letter to the school board on October 22, 1996, in regards to the bond referendum for the MS/HS building: "Someone paid taxes to educate me and my kids, it is now my turn ot help educate someone else's kids."

The public is encouraged to contact school board members as to their thoughts and ideas on the building proposal so that they can know the direction their constituents are wanting to go. Those in attendance were invited to walk around the building, visit with staff and review the plans with the architects and engineers and the school board.

There being no further business at this time, on motion by B. Asleson, seconded by J. Tolzin. All voting "aye", motion carried. (8:09 PM)

Pres. Shane Roth
Susan L. Purintun, Business Manager

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