

## Explanation of Direct Costs

The total cost of the New Berwick Elementary School project has been estimated to be **\$23,478,721** and represents the "Maximum Project Cost". Forms D02 and D03 itemize all these costs. The project costs include the cost of construction (structure), architect's fees, construction manager's fees, moveable fixtures and equipment (desks, chairs, computers, etc.), site costs, construction supervision, document printing, miscellaneous professional fees and permits, contingency fund and financing costs.

Act 34 places certain limitations on the cost of new buildings and substantial additions. For purposes of Act 34, the "Maximum Building Construction Cost" on this project has been estimated to be **\$18,629,023**. Details of these cost estimates have been set forth on the Department of Education PlanCon forms (specifically Forms D02, D03, D04 and D20) which follow.

Act 34 also requires the calculation of an "Aggregate Building Expenditure Standard" based on national composite construction cost indices. In the event, and only in the event, that construction costs exceeded such standard, the School District would be unable to award contracts for the construction of the project without electorate approval at a referendum. (This is not to say, of course, that the School District may not alter the scope of the project based on comments received at the public hearing.)

The "Aggregate Building Expenditure Standard" for this project has been calculated to be \$19,137,240 (Form D23) and is to be compared to the "Maximum Building Construction Cost" of **\$18,629,023**. Therefore, the Act 34 costs of the project are **\$508,217** less than the Act 34 Expenditure Standard.

### **CONSTRUCTION MANAGER FEE FROM BASD** **PENDING BASD FINANCIAL CONSULTANT INPUT**

What are you looking for from us? We typically don't comment on Construction Manager Fees

## Description of Financing Alternatives

We have analyzed four alternative methods of financing the proposed planning, designing, renovating, constructing, furnishing and equipping of the Berwick Area School District New Elementary School Project (the "Project"). We also estimated the direct costs of financing as required by the Department of Education regulations issued November 4, 1978.

---

## **Analysis of Alternatives**

The four alternatives of financing that we examined are:

1. Cash or a short-term loan.
2. An uninsured General Obligation bond issue.
3. An insured General Obligation bond issue.
4. Bank Loan.

Analysis of the School District's financial statements for recent years, and of the financing projections prepared in connection with this Project, and discussions with the School District's Administration regarding future increases in expenses indicated that a full cash financing is not feasible. The School District does not have the funds necessary to pay cash for its share of the entire Project, nor does it feel that it is in the School District's best interest to fund the entire project out of cash.

We then analyzed in detail the three alternatives which would require the School District to incur long-term debt. For each alternative, we estimated a borrowing size and calculated the average annual debt service requirements. We then constructed a repayment schedule assuming the new debt is "wrapped" around the district's existing debt to achieve level annual payments over 15 years at current interest rates for the insured General Obligation Bonds, uninsured General Obligation Bonds, and General Obligation Note (bank loan). Financing costs for a Capital Market transaction (the insured General Obligation Bonds and uninsured General Obligation Bonds) are higher than a bank loan, which result in a larger borrowing. Typically, the higher Cost of Issuance ("COI") for a Capital Markets transaction is mitigated by the lower interest rates received in the Capital Market.

We also requested bids from various lenders to provide a fixed rate bank loan. As with the Capital Market transaction we then constructed a repayment schedule assuming the bank loan is "wrapped" around the District's existing debt. After comparing the three alternatives the bank loan offers the School District the advantage of lower overall cost and more favorable refunding provisions. Based on these analyses and past performance, the least costly alternative for financing the Project is a combination of cash from the District and a General Obligation Bank Note.

---



COMPARISON OF LONG TERM FINANCING METHODS & SOURCES AND USES

Berwick Area School District 2014 Estimated Sources and Uses					
			Bank Loan	Uninsured Bonds	Insured Bonds
Estimated Sources:					
Proceeds			9,500,000.00	9,650,000.00	9,705,000.00
Premium/(Discount)			-	(65,472.70)	(95,042.90)
			9,500,000.00	9,584,527.30	9,609,957.10
Cash Contribution			13,978,721.00	13,978,721.00	13,978,721.00
<b>Total Sources:</b>			<b>23,478,721.00</b>	<b>23,563,248.30</b>	<b>23,588,678.10</b>
Estimated Uses:					
Project:					
Construction & Related Costs			22,592,482.00	22,592,482.00	22,592,482.00
Supervision and Contingency			846,739.00	846,739.00	846,739.00
			23,439,221.00	23,439,221.00	23,439,221.00
Cost of Issuance:					
Rating			-	10,000.00	10,000.00
Printer			-	3,500.00	3,500.00
Solicitor			8,000.00	8,000.00	8,000.00
Financial Advisor			15,000.00	15,000.00	15,000.00
Bond Counsel			16,500.00	16,500.00	16,500.00
			39,500.00	53,000.00	53,000.00
Underwriter's Discount:					
Underwriter's Discount			-	67,550.00	67,935.00
Other Estimated Delivery Date Expenses:					
Bond Insurance			-	-	26,310.54
Other Uses of Funds:					
Additional Proceeds			-	3,477.30	2,211.56
<b>Total Estimated Uses:</b>			<b>23,478,721.00</b>	<b>23,563,248.30</b>	<b>23,588,678.10</b>

**BERWICK AREA SCHOOL DISTRICT**  
COLUMBIA AND LUZERNE COUNTIES, PENNSYLVANIA

**GENERAL OBLIGATION NOTE, SERIES OF 2014, 15 YEAR AMORTIZATION  
BANK PROPOSAL**

OUTSTANDING DEBT SERVICE REQUIREMENTS

DATE	PRINCIPAL	RATE	INTEREST	DEBT SERVICE	DEBT SERVICE
15-Apr-14	-		-	-	-
1-Oct-14	-		124,407.78	124,407.78	-
1-Apr-15	203,632.72	2.84%	134,900.00	338,532.72	462,940.50
1-Oct-15	-		132,008.42	132,008.42	-
1-Apr-16	203,024.32	2.84%	132,008.42	335,032.74	467,041.16
1-Oct-16	-		129,125.47	129,125.47	-
1-Apr-17	161,026.66	2.84%	129,125.47	290,152.13	419,277.60
1-Oct-17	-		126,838.89	126,838.89	-
1-Apr-18	150,594.74	2.84%	126,838.89	277,433.63	404,272.52
1-Oct-18	-		124,700.45	124,700.45	-
1-Apr-19	339,049.81	2.84%	124,700.45	463,750.26	588,450.71
1-Oct-19	-		119,885.94	119,885.94	-
1-Apr-20	342,253.72	2.84%	119,885.94	462,139.66	582,025.60
1-Oct-20	-		115,025.94	115,025.94	-
1-Apr-21	1,079,805.59	2.84%	115,025.94	1,194,831.53	1,309,857.47
1-Oct-21	-		99,692.70	99,692.70	-
1-Apr-22	549,854.57	2.84%	99,692.70	649,547.27	749,239.97
1-Oct-22	-		91,884.76	91,884.76	-
1-Apr-23	343,232.51	2.84%	91,884.76	435,117.27	527,002.03
1-Oct-23	-		87,010.86	87,010.86	-
1-Apr-24	353,393.82	2.84%	87,010.86	440,404.68	527,415.54
1-Oct-24	-		170,336.88	170,336.88	-
1-Apr-25	183,654.06	5.90%	170,336.88	353,990.94	524,327.82
1-Oct-25	-		164,919.09	164,919.09	-
1-Apr-26	942,558.61	5.90%	164,919.09	1,107,477.70	1,272,396.79
1-Oct-26	-		137,113.61	137,113.61	-
1-Apr-27	1,461,388.66	5.90%	137,113.61	1,598,502.27	1,735,615.88
1-Oct-27	-		94,002.64	94,002.64	-
1-Apr-28	1,547,610.59	5.90%	94,002.64	1,641,613.23	1,735,615.87
1-Oct-28	-		48,348.13	48,348.13	-
1-Apr-29	1,638,919.62	5.90%	48,348.13	1,687,267.75	1,735,615.88
	<b>9,500,000.00</b>		<b>3,541,095.34</b>	<b>13,041,095.34</b>	<b>13,041,095.34</b>

**OPTIONAL REDEMPTION DATE:** ANYTIME

**PURPOSE OF THE ISSUE:** CAPITAL PROJECTS

**SECURITY:** NONE

**BERWICK AREA SCHOOL DISTRICT**  
COLUMBIA AND LUZERNE COUNTIES, PENNSYLVANIA

**UNINSURED GENERAL OBLIGATION BOND, SERIES OF 2014, 15 YEAR AMORTIZATION  
ESTIMATED DEBT SERVICE**

OUTSTANDING DEBT SERVICE REQUIREMENTS

DATE	PRINCIPAL	RATE	INTEREST	DEBT SERVICE	DEBT SERVICE
15-Apr-14	-		-	-	-
1-Oct-14	-		139,131.63	139,131.63	-
1-Apr-15	185,000.00	2.200%	150,865.63	335,865.63	474,997.26
1-Oct-15	-		148,830.63	148,830.63	-
1-Apr-16	180,000.00	2.200%	148,830.63	328,830.63	477,661.26
1-Oct-16	-		146,850.63	146,850.63	-
1-Apr-17	135,000.00	2.200%	146,850.63	281,850.63	428,701.26
1-Oct-17	-		145,365.63	145,365.63	-
1-Apr-18	125,000.00	2.200%	145,365.63	270,365.63	415,731.26
1-Oct-18	-		143,990.63	143,990.63	-
1-Apr-19	310,000.00	2.200%	143,990.63	453,990.63	597,981.26
1-Oct-19	-		140,580.63	140,580.63	-
1-Apr-20	310,000.00	2.200%	140,580.63	450,580.63	591,161.26
1-Oct-20	-		137,170.63	137,170.63	-
1-Apr-21	1,045,000.00	2.200%	137,170.63	1,182,170.63	1,319,341.26
1-Oct-21	-		125,675.63	125,675.63	-
1-Apr-22	505,000.00	2.450%	125,675.63	630,675.63	756,351.26
1-Oct-22	-		119,489.38	119,489.38	-
1-Apr-23	295,000.00	2.700%	119,489.38	414,489.38	533,978.76
1-Oct-23	-		115,506.88	115,506.88	-
1-Apr-24	305,000.00	2.950%	115,506.88	420,506.88	536,013.76
1-Oct-24	-		111,008.13	111,008.13	-
1-Apr-25	310,000.00	3.200%	111,008.13	421,008.13	532,016.26
1-Oct-25	-		106,048.13	106,048.13	-
1-Apr-26	1,070,000.00	3.325%	106,048.13	1,176,048.13	1,282,096.26
1-Oct-26	-		88,259.38	88,259.38	-
1-Apr-27	1,570,000.00	3.450%	88,259.38	1,658,259.38	1,746,518.76
1-Oct-27	-		61,176.88	61,176.88	-
1-Apr-28	1,625,000.00	3.575%	61,176.88	1,686,176.88	1,747,353.76
1-Oct-28	-		32,130.00	32,130.00	-
1-Apr-29	1,680,000.00	3.825%	32,130.00	1,712,130.00	1,744,260.00
	<b>9,650,000.00</b>		<b>3,534,163.64</b>	<b>13,184,163.64</b>	<b>13,184,163.64</b>
<b>OPTIONAL REDEMPTION DATE:</b>			<b>5 YEAR CALL</b>		
<b>PURPOSE OF THE ISSUE:</b>			<b>CAPITAL PROJECTS</b>		
<b>SECURITY:</b>			<b>NONE</b>		

**BERWICK AREA SCHOOL DISTRICT**  
COLUMBIA AND LUZERNE COUNTIES, PENNSYLVANIA

**INSURED GENERAL OBLIGATION BOND, SERIES OF 2014, 15 YEAR AMORTIZATION  
ESTIMATED DEBT SERVICE**

OUTSTANDING DEBT SERVICE REQUIREMENTS

DATE	PRINCIPAL	RATE	INTEREST	DEBT SERVICE	DEBT SERVICE
15-Apr-14	-		-	-	-
1-Oct-14	-		135,998.96	135,998.96	-
1-Apr-15	185,000.00	2.000%	147,468.75	332,468.75	468,467.71
1-Oct-15	-		145,618.75	145,618.75	-
1-Apr-16	185,000.00	2.000%	145,618.75	330,618.75	476,237.50
1-Oct-16	-		143,768.75	143,768.75	-
1-Apr-17	140,000.00	2.000%	143,768.75	283,768.75	427,537.50
1-Oct-17	-		142,368.75	142,368.75	-
1-Apr-18	125,000.00	2.000%	142,368.75	267,368.75	409,737.50
1-Oct-18	-		141,118.75	141,118.75	-
1-Apr-19	315,000.00	2.000%	141,118.75	456,118.75	597,237.50
1-Oct-19	-		137,968.75	137,968.75	-
1-Apr-20	315,000.00	2.000%	137,968.75	452,968.75	590,937.50
1-Oct-20	-		134,818.75	134,818.75	-
1-Apr-21	1,050,000.00	2.250%	134,818.75	1,184,818.75	1,319,637.50
1-Oct-21	-		123,006.25	123,006.25	-
1-Apr-22	510,000.00	2.500%	123,006.25	633,006.25	756,012.50
1-Oct-22	-		116,631.25	116,631.25	-
1-Apr-23	300,000.00	2.750%	116,631.25	416,631.25	533,262.50
1-Oct-23	-		112,506.25	112,506.25	-
1-Apr-24	310,000.00	3.000%	112,506.25	422,506.25	535,012.50
1-Oct-24	-		107,856.25	107,856.25	-
1-Apr-25	315,000.00	3.125%	107,856.25	422,856.25	530,712.50
1-Oct-25	-		102,934.38	102,934.38	-
1-Apr-26	1,075,000.00	3.250%	102,934.38	1,177,934.38	1,280,868.76
1-Oct-26	-		85,465.63	85,465.63	-
1-Apr-27	1,575,000.00	3.375%	85,465.63	1,660,465.63	1,745,931.26
1-Oct-27	-		58,887.50	58,887.50	-
1-Apr-28	1,625,000.00	3.500%	58,887.50	1,683,887.50	1,742,775.00
1-Oct-28	-		30,450.00	30,450.00	-
1-Apr-29	1,680,000.00	3.625%	30,450.00	1,710,450.00	1,740,900.00
	<b>9,705,000.00</b>		<b>3,450,267.73</b>	<b>13,155,267.73</b>	<b>13,155,267.73</b>
<b>OPTIONAL REDEMPTION DATE:</b>			<b>5 YEAR CALL</b>		
<b>PURPOSE OF THE ISSUE:</b>			<b>CAPITAL PROJECTS</b>		
<b>SECURITY:</b>			<b>BOND INSURANCE</b>		