

# Update Fall 2008

## Highlights:

- High School Project on Budget
- Local Portion of Tax Rate Actually Drops



**PACE**  
Plainfield Assures Continuing Excellence



## A message from the Plainfield School Board:

Four years after the School Board approved the PACE plan, students are attending the new Plainfield High School. While the students and staff are excited about their new school, local taxpayers may be slightly nervous about paying for it. We've prepared this publication to share some very good news about taxes, and to answer common questions about the project. If you have any other questions, please ask us or the administration, and we'll be happy to answer.

*The Plainfield School Board  
Scott Flood, Dave Mansfield, Lisa Roesler,  
Mark Todisco, Dana Johnson*



## About the PACE plan

In 2003, the School Board asked 13 Plainfield residents to study future school building needs. The Yellow Ribbon Task Force developed the 20-year PACE (Plainfield Assures Continuing Excellence) plan, which included the recommendation to build a new high school and configure the other schools to accommodate a growing student population. The School Board accepted the plan in March 2004. Members of the Yellow Ribbon Task Force were:

Mr. Chris Cavanaugh  
Mr. Donald Davenport  
Mr. Doug Esamann  
Mr. Bud Green  
Mr. Mitch Haase  
Ms. Cherie Heffernan  
Mr. Max Hetrick  
Mr. Bill Kirchoff  
Mr. Don Landis  
Ms. Suzanne Mohamed  
Ms. Louise Strack  
Ms. Carrie Thomas  
Ms. Darleah Winsted



## How did the actual cost of the PACE projects compare to the budget?

The cost of the original PACE projects came in below the original budget. While final numbers will not be available until next spring, we expect that the savings will be in the neighborhood of \$1 million.

The savings are the result of three primary factors. First, the total of the bids for the projects came in slightly lower than expected. Second, we were able to issue bonds (borrow money) at much lower interest rates than we had projected. Finally, we ran into fewer problems during construction than anticipated, so money that had been set aside to cover unexpected costs was not needed.

In addition, we received such favorable pricing from the municipal bond market that we were able to wrap the cost of the other elements of the PACE plan (including conversion of the existing high school to a middle school and renovations at other buildings) into one of the two bond issues for the high school. That meant we didn't need a separate bond issue, which further reduced costs.

The projected final cost for the high school alone came in just under \$101.4 million, or nearly \$1.8 million below the budgeted total cost of \$103.2 million. While the cost of utilities, security, and custodial staff before the building was occupied are normally not considered as part of the school construction costs, the School Board and administration believe that those cost should be disclosed to taxpayers. When those operating costs are added in, the total number becomes just over \$103.6 million.

## What will you do with the extra funds?

While we know that some taxpayers would like to have us distribute the money, state law doesn't allow us to do that. However, the School Board intends to use those savings to reduce the taxpayers' future burden by investing in planned capital projects.

We've kept our buildings in excellent shape by continually investing in them, and we plan our projects for several years ahead. We intend to use the extra funds and perform some of those planned repairs and improvements ahead of schedule. Because costs tend to increase over time, this should keep our future tax rate lower.

## Did the high school cost more than the state allows?

No. A recent article in the *Indianapolis Star* incorrectly computed the per-square-foot of the building as over \$200, which would have exceeded the Indiana Department of Local Government Finance's guidelines. In reality, the projected cost was closer to \$165 per square foot, well within the guidelines – even though those guidelines were adopted *after* our project was underway.

The School Board directed the architects to provide a functional, economical, durable design rather than a trendy Taj Mahal full of expensive frills. The architects responded with a Prairie style building, using simple lines and standardized materials such as Indiana limestone that reduced construction costs. They made the building remarkably energy-efficient, which will help us keep heating and cooling costs lower, and provided flexibility to accommodate future technology.

The School Board took a long-term view of materials costs, choosing those that would be more economical over the life cycle of the building. For example, the terrazzo flooring we selected for hallways is initially more costly than vinyl tile, but over time, it is far more durable and easier to maintain. Tile must be replaced every few years, where terrazzo is expected to remain functional and attractive throughout the entire life of the building – so we may pay extra in the short term, but save far more than that over time in replacement costs and maintenance.

## How was the per-foot cost computed?

When the *Indianapolis Star* claimed that the construction cost of the new PHS was over \$200 per square feet, the paper simply divided the total project budget by the approximate square footage of the building. That computation included land and other non-construction costs that the Indiana Department of Local Government does not include in the guidelines that school districts are expected to follow.

If the state's formula is used accurately, the construction portion of the new high school's projected cost is actually just under \$83.7 million, or about \$165 per square foot.

We do not object to being held to a standard – we just want to ensure that the standard is applied fairly and accurately. The \$165 figure is consistent with the process the state uses.

## Was the high school completed on schedule?

No. We took occupancy of the building and campus several weeks later than planned. There were two reasons.

The first involved ensuring that all work was completed to our satisfaction. Anyone who has built a home is familiar with the concept of a “punch list,” which is a list of minor repairs and omissions that need to be corrected by the builder before the job is done. A homeowner’s list may contain a couple dozen items, but over the last few months, our project’s punch list numbered in the thousands. While we were frustrated by the delay, we believed that it was more important to have the work completed correctly than to have it done quickly.

The second involved weather. Remember all that rain Plainfield received in spring and early summer? While there were dry days here and there, there weren’t enough in a row to allow the contractors to complete much of the outside work in a timely fashion.

## Were there any problems with contractors?

Many contractors and subcontractors were involved in the project, and while we were extremely pleased with most of the work, there were a handful of firms whose employees did not perform to the standards set by the School Board and the architects, or who failed to meet contractual obligations. We either required them to repair deficiencies, or hired other firms to correct the problems and deducted the cost of repairs from what we paid the contractors, as stated in our contracts with them.

Some of the contractors disagreed with our assessment of their responsibilities or work, or felt that taxpayers should bear the cost of correcting that work, and have taken steps to demand that we pay them. We believe that taxpayers should receive the quality that was specified at the cost stated in

the contract, and we intend to defend that position. (Unfortunately, these types of battles have become common in the construction industry.)

## What other work was completed as part of the PACE plan?

In addition to the new high school, the PACE plan included renovations to the former high school building to make it more suitable for the middle school’s instructional program. For example, while the high school is separated into departments such as English and Math, the middle school is broken down by grade levels.

The former middle school had renovations to transform it into Clarks Creek Elementary, and a number of improvements were made to classrooms and common areas at Brentwood Elementary. In addition, we took steps to enhance student and staff security at Central Elementary, Brentwood Elementary and the middle school.

## When will the PACE project affect tax rates?

The high school and other PACE projects are already reflected in your tax rate, and have been (in part) for the last two years. While the portion of your tax rate that covers debt service (bond payments) may increase slightly next year, it is expected to decline after that.

***While the 2008 tax rate reflects an increase of approximately 6 cents over the previous year, you may be surprised to learn that the high school was not the reason for that increase. In fact, the portion of the tax (debt service) related to the bonds for the high school actually declined 2 cents over the prior year. The tax increase was actually driven by a 7-cent increase in the amount for the General Fund, which is controlled and determined by the Indiana General Assembly, not by your local School Board.***



## How do actual tax rates compare with your original projections?

Because the new high school and the other PACE projects cost taxpayers quite a bit less than originally anticipated, and because assessed valuation grew more than expected, the tax impact is less than our original projections. The chart shows the current expected maximum tax impact on a \$100,000 home, compared to what we had projected in 2004. Note that this is the *maximum* impact, and the actual amounts will likely be less than what's projected here (although we legally cannot promise that).

PROJECTED TAX RATE IMPACT ON \$100,000 HOME			
Tax impact on a home with an assessed valuation of \$100,000			
Tax year (payable in)	As estimated in 2004	Based on current projections	Percent less than 2004 estimate
2008	\$360	\$213 <small>(actual rate)</small>	41
2009	\$348	\$267	24
2010	\$336	\$259	23
2011	\$325	\$252	23
2012	\$314	\$244	23

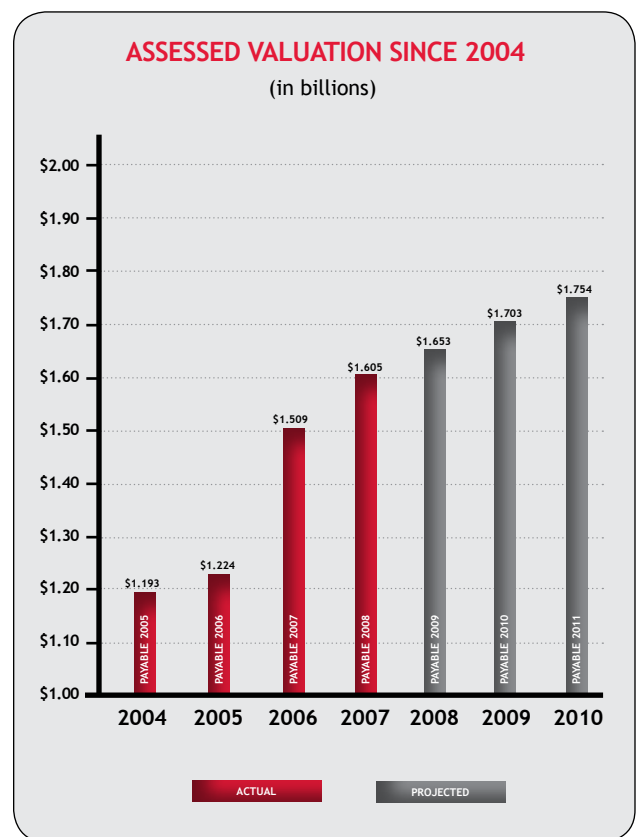
*Calculations assumes homeowner takes advantage of mortgage credit and CEDIT homestead credit (based at 2008 level). Projections reflect conservative estimates given the changes in the property tax system.*

## Why is the tax impact so much lower than expected?

The biggest single reason is that Guilford Township's assessed valuation has grown much faster than projections, largely because of industrial and commercial development. That means the cost of projects such as the new high school are spread out

across more property, so the impact on any one piece of property (such as your home) is less. If assessed valuation continues to climb at higher-than-expected rates, you can expect your school tax rates to fall even more.

Another reason for the lower impact is that we were able to time the issuance of the bonds so that interest rates were extremely low. In addition, Plainfield Schools has earned a reputation in the investment community for prudent, conservative financial management, giving us a favorable credit rating. Because of that credit rating, investors were willing to pay a lower interest rate for our bonds, further lowering our cost to borrow money, and reducing the impact on local taxpayers like you.



## Did you overestimate tax impact?

When we developed costs for the new high school and other PACE projects, we made conservative forecasts of assessed valuation to protect taxpayers in the event that it did not grow as quickly as we expected. We wanted to be sure that the only surprises would be pleasant ones. In addition, we also included all of the costs related to the new high school – from land to construction to financing and more – in all of our projections. Some other school districts publicize only the actual cost of construction, which makes their projects appear to be smaller than they really are. We believed it was important to be upfront with the taxpayers.

## What percentage of my property taxes goes toward the high school and related projects?

The total school property tax rate for 2008 is \$1.5897 for every \$100 of a property's assessed value. Of that, 58.87 cents is for Debt Service, which pays off bonds for school facilities. Bonds for the new high school and other PACE projects are responsible for about 39 cents of that amount.

Your overall property taxes vary, depending on where you live in Guilford Township. For property taxpayers who live within the Town of Plainfield, the total property tax for 2008 is \$2.6332 for every

## About your tax rate

While most taxpayers understand that the property tax rate and the assessed value of their homes determine the amount of tax they pay, few know that their school tax rate is actually several rates combined into one. Generally speaking, state law says that money that's placed in one fund cannot be used for costs in another. For example, Indiana will not let us use money for building projects (from the Debt Service Fund) to cover the cost of classroom instruction (which comes from the General Fund).

For 2008 property taxes, the total rate for Plainfield Schools is \$1.5897. Here's how that rate breaks down:

**\$0.6057 General Fund.** The General Fund covers all instructional costs such as teacher salaries and benefits, as well as supplies, utilities, and insurance. The amount of money going into this fund and the tax rate are not controlled by your School Board. Instead, the Indiana General Assembly determines how much money each school corporation will receive per student, and then the tax rate is set to provide that amount of funding.

**\$0.5887 Debt Service.** Money in this fund pays off bond issues like the ones used to fund the new high school and other PACE projects.

**\$0.0319 Retirement & Severance.** Several years ago, the State of Indiana required all school corporations to fully fund teacher retirement programs. Like most districts, Plainfield issued bonds to cover those costs, and this fund pays the cost of those bonds.

**\$0.2525 Capital Projects Fund.** Money from this fund is primarily used to maintain and improve buildings, and to cover the cost of technology such as computers and software. We are also allowed to use part of it to offset today's higher utility costs.

**\$0.0936 Transportation.** This fund covers Transportation Department salaries and benefits, fuel and supplies, bus insurance, and related costs.

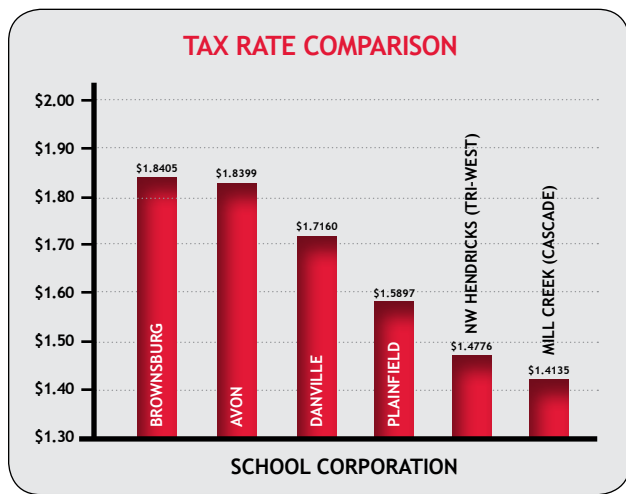
**\$0.0157 Bus Replacement.** The only purpose of this fund is to purchase buses. State law used to allow replacement after 10 years; it is now after 12 years.

**\$0.0016 Pre-School.** Federal law says that schools must provide developmental preschool services to 3-to-5-year-olds who will qualify for Special Education. This fund covers salaries and benefits for preschool teachers and aides.

\$100. The portion of the rate for the new high school and other PACE projects represents approximately 15 percent of your total property tax.

## How does Plainfield's tax rate compare with other school districts?

Here are Hendricks County school tax rates for each \$100 of assessed valuation for 2007 (which homeowners will pay in 2008).



## Is enrollment continuing to grow?

Official enrollment for the 2008-2009 school year is 4,375, up 143 from last school year, and up from 4,035 when the PACE plan was developed. While the economy has slowed the development of new homes, once things turn around, we expect construction to resume at a greater rate. Overall, our growth projections have been accurate, confirming that the Yellow Ribbon Task Force's recommendations were sound.

## Do you expect to build any other new buildings soon?

Not in the immediate future. We anticipate that another K-3 elementary may be needed within the next ten years, depending on the rate of growth in our community. We are currently evaluating ways to delay the need for a new building through smaller expansions to our existing elementary buildings.

The school corporation already owns additional land at the north end of the new high school site and 40 acres at the intersection of Hadley and Moon Roads. Either site can easily accommodate one or more future buildings. We felt it was prudent to purchase and hold the land before development occurs.

In addition, the PACE plan called for a future addition to the new high school that would allow for enrollment of up to 600 additional students when needed. While there is no timetable for building that addition, much of the infrastructure has already been put in place, so we can build the addition far more economically once that need arises.

Meanwhile, we will continue to invest in upgrades and renovations to our existing buildings to ensure that they meet the needs of the community for many years to come.

## Do tax abatements for warehouses mean homeowners pay more?

No. In fact, without the distribution centers (warehouses) and other buildings that were built with those tax abatements, you would probably be paying significantly higher property taxes.

Tax abatements do not eliminate property taxes — they only remove part of the taxes on improvements to the property. Abatements generally work on a sliding scale over ten years. The property owner receives the full abatement on the improvements for the first year, with the amount of the abatement decreasing in each successive year. Over the ten-year period, the property owner pays roughly half of the normal tax amount, which is still a significant amount of money on a multi-million-dollar building.

In addition, taxes on the land itself are not abated, so the increased land value means that industrial property owners pay far more than the farmers who previously owned the land. For example, an acre of farmland may have been worth \$3,000 before it was developed, and the owner paid property taxes on that value. When the land became industrial property, its value shot up several times, and the owner then paid more taxes because of the higher value.

Without tax abatements and the development they encouraged, homeowner property taxes would be significantly higher. (Tax abatements are granted by the Town of Plainfield, and the School Board has no direct involvement in the tax abatement process. We do support the Town's strategy and appreciate the benefits it has provided.)

## Are my taxes paying for FieldTurf and the bell tower?

No. The cost of the FieldTurf surface for the football field (which will allow the field to be used by physical education classes, the band, and other teams) is being funded by the Legacy Foundation, a group of alumni and local residents and business-people. While the School Board advanced the money to meet construction deadlines and take advantage of a special pricing opportunity, the Legacy Foundation will reimburse the school corporation. The bell tower was funded by a pair of generous PHS alumni.

## Shouldn't we invest in instruction, rather than buildings?

Indiana law does not give local school boards that choice. Funding for instruction (which includes teacher and aide salaries, supplies, and the other costs involved in teaching students – even utilities) is set and provided directly by the General

Assembly, while costs for buildings, transportation, and other items are raised as needed by local school boards. Funds for one purpose cannot be used for another, so the School Board is legally prohibited from diverting any money to instructional needs. Similarly, the School Board cannot use instructional funds for other purposes. While the state's funding has not kept up with increasing costs, the School Board and administration have carefully managed the budget to ensure that we maintain current programs at a high level of quality.

### What if I have a question?

Please ask a School Board member, call the Administrative Office at 839-2578, or email your question to [pace@plainfield.k12.in.us](mailto:pace@plainfield.k12.in.us).

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