Officials defend costs for Walhalla High



JESSICA KELMS | THE JOURNAL

Site preparation is taking place for construction of the new Walhalla High School, set to begin in the spring. School District of Oconee County officials say the cost of the new school is now expected to exceed the $50 million figure that was originally set.

New estimate within 10 percent of original price tag

BY GREG OLIVER
THE JOURNAL

WALHALLA — School District of Oconee County officials say the new Walhalla High School won't cost significantly more than its original estimate of $50 million.

"We're going to be within 10 percent for sure," said Michael Thorsland, assistant superintendent for operational services, in a Tuesday interview with The Journal. "We don't know exactly how much we'll have to borrow, but it'll have to go above $50 million."

During Monday evening's school board work session, Thorsland told board members that the cost of the new Walhalla High School would exceed its original estimate due to unexpected costs and the Duke Energy reassessment that came in lower than anticipated.

"We could have put the Walhalla High project on hold for another year, but didn't feel good about it," Thorsland said. "Trehel is already on site and working."

The lower-than-anticipated Duke reassessment and inflation in the overall cost of the project are things that Thorsland said he feels will ultimately create a cash flow issue once construction of the new school begins next year. However, Thorsland dismissed rumors that the project's final cost could run anywhere from $60 million to $65 million.

"We're not talking about that amount, but rather a maximum number of $55 million," he said. "We won't know the exact total until the guaranteed maximum price comes out in February."

Trehel, the project construction management company at risk, will deliver the guaranteed maximum price figure to the school district early next year.

"Some schools do design-build where you don't know anything until bid day and you open bids of different prices — finding out

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how much the project is going to cost," Thorsland said. "This guaranteed maximum price is kind of like bid day in which we receive the final number from Trehel. But, in this case, they guarantee it won't go over that amount and give us a credit if it comes below that.

"We have to wait because the architect is doing final design work. Once that is completed, Trehel will give plans to subcontractors and pick the lowest bids from all of them to determine what will be the most suitable for the school district."

In an effort to address the additional costs, Thorsland proposed an equipment acquisition financing plan to the board. The plan, recommending a form of equipment-lease financing of between $5 million to $8 million, does not count against the 8 percent borrowing cap for building projects, won't change the 31-tax mill debt service and keeps the Walhalla High project on schedule.

"Without this equipment acquisition plan, we would have had to spend further from our fund balance or delay the project," Thorsland said. "We didn't want to spend from the fund balance because we don't feel it would make good financial sense since the capital budget is in better shape than the operational budget."

The assistant superintendent added that capital expenditures are for construction of school buildings, as well as maintenance items, including a new roof, paved parking or mechanical items. For example, he pointed out that teacher salaries could not be taken out of the capital budget.

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