

BIG SPRING SCHOOL DISTRICT

Newville, Pennsylvania

COMMITTEE OF THE WHOLE OF THE BOARD MEETING MINUTES

MONDAY, FEBRUARY 1, 2010

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I. CALL TO ORDER

The Committee of the Whole of the Board of School Directors for the Big Spring School District met in the Big Spring High School Large Group Room, Room 140, at 7:02 P.M. with President Wilbur Wolf, Jr., presiding. Eight (8) directors present: Wilbur Wolf, Jr., President; William Swanson, Vice President; Robert Lee Barrick, Secretary; Terry Lopp, Treasurer; Tarin Houpt; Richard Norris; William Piper; and Richard Roush.

Kingsley Blasco joined the meeting in progress at 7:29 P.M.

Others in attendance: Richard Fry, Superintendent; Jeanne Temple, Assistant Superintendent; Kevin Roberts, Director of Curriculum/Instruction and Educational Technology; Richard E. Kerr, Jr., Business Manager; Erica Dolson, The Sentinel; and Brenda Line, Board Minutes. Also present: Kelly Bales, Susan Benso, Danielle Bingaman, Charlene D'Amore, and April Messenger.

II. PRESENTATIONS

A. Project Financing – Mr. Brad Remig, PFM, and Mr. Ken Phillips/Ms. Lauren Eby, RBC Capital Markets

The members of the Board of School Directors were provided with copies of a 12-page document along with a cover page entitled "Debt Profile and Capital Project Financing Review, Big Spring School District" dated February 1, 2010. The document was prepared by Kenneth Phillips, Managing Director, RBC Capital Markets; Lauren Eby, Associate, RBC Capital Markets; and Brad Remig, Managing Director, Public Financial Management. Please refer to the attached document.

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II. PRESENTATIONS (Continued)

A. Project Financing (Continued)

Mr. Phillips reviewed the document and answered questions. The following items were noted:

1. The proposed projects in the range of \$15 million to \$17 million could be financed with "very little to zero mills" because of the wraparound debt structure being proposed.
2. Referring to Footnote 4 on Page 1, the Series of 2005 borrowing is callable on 12/1/10. It may be worthwhile tying those bonds into the new borrowing if there is an interest rate savings at the time of the borrowing for the Plainfield project.
3. Page 2 contains a review of the net outstanding debt service as of July 1, 2009, approximately \$2.85 million.
4. Page 3 outlines the gross principal outstanding as of July 1, 2009, approximately \$32 million. This figure does not include interest owed.
5. Page 4 features a pie chart of the District's outstanding principal.
6. Page 5 demonstrates the gross outstanding debt service, two issues, as of July 1, 2009, for the Newville and Plainfield projects. Footnotes 6 and 7 show the proposed borrowing for the Newville and Plainfield projects for September 1, 2010. A combined borrowing for the two projects is being recommended to save the District money related to bond issuance.
7. Reimbursement from the State is expected to be 11 to 12 cents on the dollar for the Plainfield project.
8. Page 6 outlines the proposed net debt for the Newville and Plainfield projects.
9. Page 7 shows a millage study for the Newville and Plainfield projects. A cushion has been built into the figures because the interest rate is unknown at this time. No new mills are required for the Newville and proposed Plainfield Elementary School projects. The 3.2 mills available from prior debt would be used to fund the proposed projects.
10. Mr. Phillips commended the Board for making fiscally responsible decisions that have limited the amount of long-term debt the District has.
11. Pages 8, 9, and 10 contain the proposed gross debt, proposed net debt, and millage study for the Newville project only.
12. Page 11 outlines the financing timelines for the Newville and Plainfield projects for both temporary and permanent financing.
13. RFPs have been sent to area banks seeking bank financing for the Newville project. More information will be provided at the February 15, 2010 Board meeting. This bank financing would be used as interim financing for the Newville project until the permanent financing for the Newville and Plainfield projects would be completed later in the year. A quote from a bank was received for 5 percent today; however, it is expected that a better rate than that will come in.
14. Mr. Phillips added that if no attractive bank financing offer is received, the District could "borrow from itself and reimburse itself to the extent that cash is available."
15. Ideally, the permanent financing for the Newville and Plainfield projects would be finalized in August or September 2010.
16. Page 12 outlines the historical interest rates from 1970 to the present.
17. In response to a question from Director Barrick, Mr. Phillips indicated that a bank loan to finance the Newville project in the short term is still a better option than seeking two separate bond issues for the Newville and Plainfield projects.

President Wolf thanked Mr. Phillips, Ms. Eby, and Mr. Remig for the presentation this evening.

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II. PRESENTATIONS (Continued)

B. Preliminary Budget – Mr. Kerr

Mr. Kerr provided the members of the Board of School Directors with copies of a 19-page document entitled "Big Spring School District Preliminary Budget, 2010-2011, Working Papers (Includes Revised Exception \$\$.)" Please refer to the attached document.

Mr. Kerr reviewed the document and answered questions. The following items were noted:

1. It is hoped that real estate tax collections will offset the earned income tax (EIT) collections next year. The EIT has been level-funded in next year's budget because no increase in EIT is expected in light of the state of the economy.
2. The 2010-2011 budget is not on the "normal" budgeting time schedule because the District will ask for an exception for the PSERS increase. Because of the requested exception, the proposed budget must be approved by the Board by February 17, 2010, and submitted to the Pennsylvania Department of Education for review and approval in accordance with Act 1 requirements.
3. By 2015, the PSERS rate will be 33.60 percent of payroll.
4. The healthcare increase is another significant factor affecting future budgets.
5. Debt service is included in the proposed budget.
6. The Capital Reserve Fund is being increased using the monies from the retired debt service mills. These monies will be used to complete items on the five-year capital plan.
7. Refer to Page 14 for notes on the 2010-2011 proposed budget.
8. The District will know the status of the Race to the Top funding by April 2010.
9. Payroll has the biggest effect on the budget (4.35 percent increase according to the teacher contract and 3.5 percent for classified staff).
10. The proposed 2010-2011 budget includes a 5.44 percent increase. 3.8 percent is the index allowed under Act 1. 1.64 percent of the increase is for PSERS, and an exception will be requested from PDE for this item.
11. This budget is prepared using the "worst-case scenario." This is a conservative budget.
12. The proposed budget could be adjusted upward or downward prior to final approval on or before June 30, 2010. Thirty days before final approval, a tentative budget must be approved. The budget presented this evening is the first of three budgets required when an exception to the index is requested.
13. In response to a question from President Wolf, Mr. Kerr indicated that he does not predict that monies would be available from the State for the homestead/farmstead rebate for 2010-2011. It appears that those monies were used to balance the State budget. The District will know of any possible rebate by the first of May 2010.
14. Mr. Fry indicated there is legislation in the house with regard to the State supplanting some of the money lost from the Clean and Green Act.
15. The District's electricity expense will reach approximately a million dollars in two years.
16. At the peak of the proposed PSERS rate increase, the District will be paying \$6 million a year for PSERS, with half of that (\$3 million) returning to the District in the form of State subsidy. The District's current PSERS cost is \$450,000.00.
17. The EIT is the most difficult part of the budget to predict.
18. When the EIT is collected in a county-wide system, the District will see a delay in revenue because collections will be quarterly instead of monthly.
19. Even if the warehouse in the District is opened, the additional revenue will not cover the increased costs associated with PSERS.

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III. PREVIEW OF THE AGENDA

A. Combine and Address

President Wolf requested that the Board address XIII., NEW BUSINESS, A., PERSONNEL CONCERNS, Items A-1 through A-10, as a single action item.

B. XIII., NEW BUSINESS., A., Item #10

In response to a question from President Wolf, Mr. Fry indicated that Mrs. Heather Hess resigned effective February 5, 2010.

C. XIII., C., Approval of Standard Stormwater Facilities and Best Management Practices Maintenance and Monitoring

In response to a question from President Wolf, Mr. Fry indicated that both Big Spring and Newville Borough solicitors have been working together to move forward with the land development process for the Newville Elementary School project.

D. Proposed 2010-2011 School District Calendar

In response to a question from President Wolf, Mr. Fry indicated that the 2010-2011 proposed School District calendar is nearly identical to the 2009-2010 calendar.

Mr. Fry added the following notes about the calendar:

1. Educational Veterans Day activities would be planned for the students on Veterans Day.
2. Four make-up snow days are built into the proposed calendar.
3. Four 2-hour delay data days are built into the proposed calendar.
4. The PSSA window is being moved to March, and 22 days of instruction will be required to prepare for the PSSA. The 22 days in block scheduling pose an extra challenge since that equates to 44 days of instruction lost.
5. The third marking period will be 46 days long. Extra days were built in because of the instructional days that would be lost during that time.
6. With the exception of the Board meeting after Labor Day and the Board meeting on March 22, 2011, all regular school board meeting are slated for Monday evenings.
7. BSEA has reviewed the calendar, and the calendar is aligned with the vo-tech calendar as closely as possible.

IV. ADJOURNMENT

Motion by Norris, seconded by Roush to adjourn to Executive Session to address negotiations issues. Roll call vote: Voting Yes: Blasco, Houpt, Norris, Piper, Roush, Lopp, Barrick, Swanson, and Wolf. Motion carried unanimously.

The meeting was adjourned at 7:46 P.M.



Robert Lee Barrick, Secretary