

NORTHERN TIOGA SCHOOL DISTRICT

110 Ellison Road
Elkland, PA 16920

Minutes – Buildings & Grounds Committee Meeting May 7, 2020

The Northern Tioga School District Buildings & Grounds Committee met for a committee meeting in the Superintendent's Office at 110 Ellison Road, Elkland, PA. The meeting was called to order by Superintendent Barnes at 6:05 PM.

Board Committee Members in attendance via Zoom: Ed Bonham, Greg Cummings, and Jean Kohut.

Administrators Present: Superintendent Barnes, Jeremy Freeman, and Kathy VanSchaick.

Project Financing

The Buildings & Grounds Committee held a meeting to discuss financing options for upcoming projects including roof repairs and automation, security and fire systems. Jamie Doyle and Melissa Hughes of PFM Financial Advisors LLC began the meeting with a presentation of financing options for the projects. They began by presenting items to consider when looking at new money project needs. The first item to consider is a reimbursement resolution which allows the issuer to pay itself back from the bond proceeds for costs related to the project. Adopting a reimbursement resolution does not obligate the district to borrow or spend any money, it just gives the district flexibility to reimburse itself if they do borrow. The second item to consider is federal tax law. The Internal Revenue Code permits the issuer to borrow funds at a tax-exempt interest rate and invest the proceeds at an unlimited yield during the period of project construction, but not more than 3 years, if the reasonable expectations of the issuer are to meet the following three tests: the expenditure test which means the district will spend 85% of the proceeds within 3 years, the time test which means within 6 months of settlement of the transaction the district will spend at least 5% of the proceeds, and lastly that the district will proceed with due diligence to complete the capital project and expend the proceeds for the capital project. The next part of the presentation involved fund balance considerations. Having cash helps districts weather delays in state revenue. It can be reserved to help with PSERS and healthcare increases and help to mitigate the speed and size of tax increases. Districts can utilize reserves for capital costs but it can also be difficult to rebuild reserves after large draws occur. Very large draws may result in a lower credit rating and higher borrowing costs. Financing projects allows the cost to be paid over time by those who end up benefiting from the project. Projects can be funded by both borrowed funds and fund balance. Jamie and Melissa also presented two different funding scenarios to committee members. They illustrated what reserve balances would look like if the district used all cash versus a new bond to fund the projects. They also presented three different new money scenarios illustrating what payments and interest amounts would look like for a 15 year, 20 year, and wrap term bond.

Greg Cummings asked Kathy VanSchaick, Business Manager, which of the financing options she would be most comfortable with. Kathy said there is a lot to consider. While rates are low, it could be beneficial to borrow the money to avoid drawing the capital reserve down too far. The district could also consider just doing some of the proposed projects rather than all of them. Dr. Barnes stated that it would not be wise for the district to draw down the capital reserve below 10% of the budget. Ed Bonham asked Kathy which of the new money scenarios she preferred. Kathy said with all of the unknowns with funding right now, she prefers the wrap term that gives the district lower monthly payments to begin with and increasing payments over time. Jamie said the wrap term they have illustrated is 18 years. Ed agreed that this would be the best new money option given the unknowns right now.

Jamie Doyle stated that the district could adopt the reimbursement resolution so it is available as an option and then take some time to discuss which projects they want to do. Jean Kohut asked why the reimbursement resolution is for \$5,000,000.00. Jon Cox, of Eckert Seamans, prepared the resolution and stated that the amount listed is a not to exceed amount and can be changed. He said there is no harm in giving the district maximum flexibility as they decide how to proceed. Jean stated that the district needs to make responsible decisions with the current unknowns. The district would end up paying a lot in interest if they decide to borrow. She also stated that the district is not guaranteed to receive PlanCon money. Jamie noted that the district is entitled to the PlanCon money and she has never heard of a district not receiving it. Ed Bonham stated that despite the interest that the district would pay, Williamson High School needs a new roof. Jean suggested that the district use the capital reserve to pay for the roof. Greg Cummings stated that the district might not want to reduce the capital reserve by that much. Dr. Barnes asked committee members if they still wanted to consider doing the roof at Cowanesque Valley High School while it is eligible for PlanCon reimbursement. Jean stated that the district does not stand to receive that much in PlanCon reimbursement and that it would be asking a lot from taxpayers to replace that roof right now if it is not in bad shape. Greg noted that the window for PlanCon reimbursement is closing. Jean stated that the capital reserve would not be lower than it has been in the past if the Williamson High School roof were paid for out of the reserve. Ed noted that, as our budget increases every year, the amount of money in the capital reserve needs to be higher each year to keep us at the 10% threshold.

Kathy VanSchaick said she will gather more information for Monday night's Board meeting. She said she would recommend putting the reimbursement resolution on the agenda for Monday so the Board has the option of using it if they want to. Committee members agreed that they would like to see the resolution in the amount of \$3,000,000.00 instead of \$5,000,000.00. A decision now needs to be made regarding whether the Board wants to finance the projects or use capital reserve funds. Greg Cummings noted that the Board must also consider the possibility of any other projects that are not currently on the district's radar that could come up in the next few years. There are items that were cut from the building project that could need to be done in the future. Committee members will review items cut from the building project as well as their current project list to see which items are most important. Jean Kohut noted that the committee had discussed using left over building project funds for the automation, security, and fire systems. Dr. Barnes and Kathy stated that these funds are included in the calculations from PFM. Jeremy Freeman stated a decision regarding funding the roof replacement at Williamson High School needs to be a priority so he can start the process of getting the project scheduled. Committee members agreed that buildings and grounds discussion would be placed on Monday's agenda as a new business item so the Board can decide how they want to proceed.

Cleaning

Greg Cummings asked Jeremy if any new recommendations have come out regarding cleaning techniques and how things should be handled in the fall if students return. Jeremy said they have been cleaning more often and that there are some new techniques out that could be utilized including use of things like ultraviolet light. Dr. Barnes added that no direction has been given with regards to cleaning. Frequent deep cleaning and washing is the current recommendation. Greg and Ed said they feel the district should come up with a plan now for the fall.

The meeting adjourned at 7:20 PM.

Alyson Yerrick
Board Secretary