

FINANCE AND LONG RANGE BUDGET PLANNING COMMITTEE  
MINUTES – MEETING OF NOVEMBER 17, 2008

In attendance:

Committee: Thomas Reinboth; Andrew Pollock; Joseph Simpson

Board: Cynthia Mueller; Jane Schrader Lynch; Mark Miller; Thomas Hezel; Betty Huf

Staff: Timothy Vail; Sandy Homel; Victor Lasher

Public: Randy Lawlace; Mike Lillys; Barbara Patrick

Press: None

Call to Order:

Mr. Reinboth called the meeting to order at 6:38 p.m.

Approval of Minutes

Motion to approve the minutes of the October 20, 2008 meeting as submitted by Dr. Pollock. Second by Mr. Simpson. Motion Carried 3-0.

2009 General Obligation Bond Issue – WTHS Project

Mr. Vail reported that in conjunction with the Board's approval of PlanCon Part D and scheduling of the Act 34 hearing on the project, which are both coming forward for review by the Operations Committee early in December, Administration is now in a position to begin the process of selling the general obligation bonds needed to fund the project early in January, 2009. He noted that attached to this evening's agenda is a resolution drafted by Bond Counsel Mr. Tim O'Neill authorizing the bond issue to proceed. This resolution would authorize the preparation of a bond purchase proposal from the underwriters to the School District for the 2009 Bonds for approval at the Board's January 13, 2009 meeting. The bond market appears to be stabilizing since the economic downturn of September, and experts anticipate that the market will be ripe for a relatively attractive rate during the first half of January which has historically been an ideal time to sell municipal bonds. Mr. Vail went on to report that the preliminary proposal from District Underwriters Janney Montgomery Scott and RBC Capital Markets is also attached to this evening's agenda. This analysis calculates that the District needs to borrow a total of \$73.1 million to fund the anticipated project of \$79.25 million. The bond issue assumes interest earnings on the bond proceeds of \$2.4 million over the life of the project with the additional \$3.75 million needed for architect fees to come from the surplus district funds which were appropriated toward the project back in March, 2008. He noted that the use of surplus funds to pay the architect fees is an excellent use of idle District revenues for a non-recurring expense and has the added benefit of reducing the amount of money the District needs to borrow to pay for the project. Administration is very pleased to present this proposal as it represents a very innovative approach to incurring and paying for this debt. The proposal calls for the bonds to be sold as two separate series (Series A and Series B) at the same time in January, 2009. This recommendation is being made in recognition that the dollars already appropriated for bond debt in the current 2008-2009 budget can be earmarked in all future budgets between now and 2038 to pay for \$29,180,000 of the debt without having to impact at all upon the 2006 \$110 million Bond Indebtedness Resolution passed by the Board in May, 2006 in anticipation of the limits that would be imposed on incurring debt under Act 1. The result of this is that only \$43.920 million of this \$110 million will be needed for the high school project, leaving the remaining balance of \$66.080 million available for future projects if and when they become feasible. Administration is recommending that the Finance Committee approve forwarding the attached resolution to the full Board for action at the December 9, 2008 meeting in conjunction with the approval of PlanCon Part D and setting the date for the Act 34 hearing on the project at that meeting as well.

There was a wide range of discussion on the scenario being presented as well as the proposed timing of the bond sale. Dr. Pollock questioned if it might be best to wait until later in the year to sell bonds given that the market is so volatile now. Mr. Lawlace and Mr. Lillys indicated that the market has stabilized somewhat over what had been occurring over the past 30 to 45 days and that they anticipate that January will be a very good time to go to market. They also advised that if the market is not advantageous at that time, the sale could be delayed until later in the year if the Board so chooses. Mr. Vail also indicated that the bond issue as presently structured provides for a 10-year call on the bonds. If market conditions become more favorable than what exists at the time of the bond sale, an early refunding could be done over the course of the next 10 years and funds escrowed so this issue could be paid off when the bonds become callable in 2019. That would only be recommended if market conditions were such that refunding would be financially advantageous to the District over the cost of issuance of the refunding series of bonds. Board members also questioned how the amount needed to finance the bonds would not totally impact the \$110 million Bond Indebtedness Resolution passed by the Board in May, 2006. Mr. Vail explained that the millage the Board put in place within the 08-09 budget was within the special education exclusion granted by PDE and as such the use of the grandfathered debt exclusion, also granted by PDE was not necessary. Given that this millage is in place and is dedicated toward the debt associated with the anticipated WTHS project, it was determined that the best way to track this “non-grandfathered” debt would be via a series of bonds separate from the borrowing that would be necessary against the 2006 Bond Indebtedness Resolution. The result is that less of this debt would be incurred against the 2006 Resolution leaving a larger balance to be used for future projects if and when they are approved.

Mr. Lasher indicated that he would like to also take this opportunity to add his concern over the amount of the bond issue, as presently structured, being adequate to fund the entire project. He indicated that items to be bid as alternates (e.g. terrazzo flooring, better quality roof, etc.) could throw the total project cost beyond the \$80 million threshold approved by the Board last spring. He suggested that the Board consider adding an additional \$3 million in financing onto the project to cover bid awards above \$80 million if that becomes necessary. Board members questioned what would be done with the money if the bids come in below the \$80 million threshold and the entire project, with alternates, could be done for less than \$83 million. Mr. Lawlace and Mr. Lillys responded that if the money is borrowed and not needed it could be used toward future projects, resulting in less borrowing for those at some future date. Mrs. Mueller indicated she could support this additional borrowing so long as it keeps us under the Act 34 limits. Mr. Lasher indicated that an additional \$3 million could be done and still keep us under the Act 34 limits. Mr. Hezel indicated he would like to see the Board stay at the \$80 million limit as the public has been told the project would not exceed that amount. After some discussion the Committee agreed that they could live with recommending financing an additional \$3 million placing the total project cost at \$82.25 million, not including cost of issuance. Motion by Dr. Pollock to recommend that the resolution attached to this evening’s agenda be brought forward for Board approval at the December 9, 2008 meeting with the numbers amended to set the total project cost at \$82.25 million, not including cost of issuance. Second by Mr. Simpson. Motion Carried 3-0.

#### Street Road Crossing Guard Update

Mr. Vail reviewed a memo attached to this evening’s agenda from Wayne Robinson, District Transportation Manager, providing an update on that status of the Board’s request that Administration approach Warminster Township about adding a crossing guard at Street and Centennial Roads in order to better protect pedestrian students attending WTHS within the walking zone and crossing Street Road at Centennial. Mr. Robinson indicated that Administration had met with Warminster Township officials and they had indicated that

PennDOT has complete jurisdiction in this matter as Street Road is a state highway. Chief Murphy discussed the information they had already obtained through a study of their own that was prompted by a conversation with School Board President, Michael Monaghan. He stated that their study showed that there were 10 students that crossed the intersection in the morning when students would normally be walking to school and 17 that crossed the intersection in the afternoon when students would normally be walking home from school. Chief Murphy confirmed that there have not been any pedestrian-related accidents at this location/intersection during the times that students would normally be walking to or from school. Bob Tate, Township Manager, also mentioned that the Public Works Department had addressed the issue with the bushes/branches along the walkway between Winding Way and the Administration Building and the walkway is now clear. Possibilities explored included the following:

- A 15MPH School Zone along Street Road;
- Having a Crossing Guard controlling the traffic light manually, and changing the timing of the light or the duration of the green light/walking signal at the intersection for the students. Use of a crossing guard to actually stop traffic along Street Road would be difficult if not impossible to implement and present more safety issues than it would solve. Chief Murphy also pointed out that a Crossing Guard's responsibility is to provide traffic control at a location where students are crossing a roadway getting to and from school. Since there is already a traffic light with a control mechanism for the students to cross the street, there would be no need for a Crossing Guard at the location.

Chief Murphy stated that each one of these changes would require that Warminster Township perform a traffic/engineering study and submit their findings to PennDOT, who would also perform their own traffic study. There is also the issue of the costs associated with changing the traffic lights or adding the lights for the 15MPH School Zone, which Chief Murphy estimated at a minimum of \$50,000.00 that would have to be funded by Warminster Township. For all of the above reasons, Warminster Township indicated they will not be adding a Crossing Guard to the Street Road intersection with Centennial Road and Reeves Lane at this time. Mr. Vail also indicated that Administration also has concerns about the costs associated with such an endeavor for such a limited number of students given that funds have not been budgeted for any of this. Mrs. Homel added that the Township feels that students cross at this intersection during the summer months and during non-school hours as well. This has never been an issue either. She indicated that Township officials are adamant that they are not willing to pursue this. Dr. Pollock indicated that one of the problems he sees is that the timing of the light is such that it does not stay red for Street Road traffic long enough for pedestrians to get totally across Street Road. He suggested that at a minimum the Township consider changing the timing on the traffic signal. Mr. Miller indicated that the Township would probably have no jurisdiction on that issue as well given that all signals along Street Road are timed in sync with each other. Altering the time of one light along the route could be problematic. Mrs. Homel indicated that she would go back to Township officials and make this suggestion.

#### 2009-2010 Budget Update

Mr. Vail reported on the following major parameters that are of concern in preparing the draft 2009-2010 budget:

- State-wide Act 1 Index limit was set in September, 2008 for the 2009-10 budget. That rate is 4.1%, which is lower than last year's rate of 4.4%.

- The District is now entering the last year of the current CEA agreement. The projected increase in teacher salaries for 2009-2010 is estimated at 7.19%. Actual anticipated salary levels will be incorporated into the budget document.
- Preliminary calculations indicate that the PSERS employer share will be in the neighborhood of 4.75% for the 2009-2010 Fiscal Year. This is good news as the current 2008-2009 budget contains a rate of 7.13% based on the Governors recommendation the all district budget at the actual 2007-08 rate as hedge against the large spike increase anticipated in 2013. The legislation requiring this was never actually passed by the legislature, and it appears that districts will be permitted to budget at the actual rate for 2009-2010. In anticipation on this, the draft budget will calculate the employer share of the retirement rate at 4.75%.
- Keystone Blue Cross has notified us officially that their “first look” at our rates for 2009-2010 show a rate increase of a whopping 22.44%. Although the draft budget will include this level of increase, we have scheduled a meeting with our benefits broker, BAS, to review our options given the limitations imposed on the medical plans we must offer per the CEA agreement. Administration will keep the Committee and Board apprised as we formulate plans and recommendations to deal with this projected increase.

Dr. Pollock questioned if the teacher union could be approached about taking less than the 7.19% in the final year of their current contract. He suggested 5.19% would be an acceptable compromise. Mrs. Mueller indicated that the Labor Relations Committee could approach the CEA leadership about this, but she does not hold out much hope that they would agree. Dr. Pollock also indicated he is very concerned about what we will get from the state. The state is projecting a major shortfall in revenues this year as a result of the economic downturn. This could well fall on the backs of school districts. Board members also expressed concerns over the very large increase in the medical rates from Keystone. They encouraged Administration to take a very close look at our options and make changes if necessary. Mr. Vail indicated this would be done and it is early enough in the process that we have time to deal with this before the final budget is adopted in June.

#### Adjournment

Meeting was adjourned at 8:05 p.m.

Respectfully submitted,

Timothy E. Vail