Concord School District
Joint Finance/Capital Facilities Committee Minutes

School Board Committee: Finance Committee

Date: May 12, 2014

Finance Committee members present: Tom Croteau, Chair, Kass Ardinger, Rusty Cofrin, Patrick Taylor

Capital Facilities Committee members present: Oliver Spencer, Chair, Tom Croteau, Melissa Donovan, Patrick Taylor

Other Board members present: Clint Cogswell, Jennifer Patterson

Administration: Superintendent Chris Rath, Business Administrator Jack Dunn, Director of Facilities and Planning Matt Cashman

Finance Committee Chair Tom Croteau called the meeting to order at 5:33 p.m. He noted that this is a Joint Finance/Capital Facilities meeting and the agenda for this meeting includes summer 2014 capital projects, bonding capital projects for 10 or 15 years, other considerations, expendable trust funds and upcoming meetings. Mr. Croteau turned the meeting over to Director of Facilities and Planning Matt Cashman.

Mr. Cashman stated that all projects are currently out to bid and bidders are doing a walk-through at each school.

The following is a list of capital projects:

Beaver Meadow School
Exterior Doors $36,000
Flooring – Replace Carpet and Tile $36,000
Replace Gym Roof $100,000
TOTAL $172,000

Broken Ground School
Exterior Doors $30,000
Fire Alarm $55,000
TOTAL $85,000

Concord High School
Cafeteria Floor $110,885

Classroom, Bathroom and Locker Room Flooring $31,050
Fire Alarm Panel $65,835
TOTAL $207,770
Jennifer Patterson made a motion to recess to a Non-Public Session at 5:38 p.m. under RSA 91-A:3 Nonpublic Sessions. – (i) that states “Consideration of matters relating to the preparation for and the carrying out of emergency functions, including training to carry out such functions, developed by local or state safety officials that are directly intended to thwart a deliberate act that is intended to result in widespread or severe damage to property or widespread injury or loss of life.”

The Finance and Capital Facilities Committees voted 6-0 by roll call to recess to a Non-Public Session at 5:38 p.m. under RSA 91-A:3 Nonpublic Sessions – (i) (motioned by Ms. Patterson, seconded by Kass Ardinger) to discuss Rundlett Middle School.

The committees came out of its Non-public Session at 6:08 p.m.

The Finance and Capital Facilities Committees came out of Non-Public Session and voted 6-0 to seal the minutes under RSA 91-A:3 Nonpublic Sessions – (i) Rundlett Middle School (motioned by Ms. Patterson, seconded by Melissa Donovan).

Business Administrator Dunn then explained the Bus Replacement Plan that includes replacing six vehicles by financing three Type A vehicles (two 20 passenger and one 9 passenger at $51,000 each) and two Type C vehicles (77 passenger; one at $85,000 and one at $91,000) for a payment of $50,492 for seven years. The plan also includes the purchase of a used passenger van costing $8,500.

Mr. Dunn directed the Committees’ attention to Handout A detailing the Concord School District Vehicle Fleet Replacement Plan and explained approximate bus replacement costs each year through 2025. The life expectancy of a bus is typically 10 years, after which time they are sold to auction.

Mr. Dunn moved on to the finance issues and explained that the purpose of this section in the meeting was to provide the committees with financial plans using general obligation bonds for the purposes of planning. As a side note, he added that during the elementary consolidation project the Board reviewed over 29 different financial bonding plans.

Two different types of bond payment structures were proposed. The first was Equal Principal, which amortizes the debt faster so there is less interest cost in the aggregate over the life of the loan. The second was Level Debt (Payment), which can provide some budgetary relief up front but accumulate additional interest cost over the life of the loan. The Level Debt structure is similar to a mortgage payment.

Mr. Dunn displayed the Bond Rating History Comparison between the Concord School District and the City of Concord from January 2010 to December 2013. Ms. Ardinger explained to the committees that historically, the District had bonded through the city, but for the elementary consolidation project the District issued the bonds itself due to the risk of losing building aid because of the moratorium. Mr. Dunn explained that the District might want to go to the bond market on its own because the City is considered Bank Qualified (BQ). The BQ designation allows the city to take
advantage of lower rates, if it commits to bonding no more than $10 million of tax-exempt debt with be designated. The commitment allows the issuer to deduct up to 80% of the carrying costs from their federal tax liability. It also gives a .20 basis point advantage. If the city lost its BQ this could result in interest costs of $500,000 on a $10 million dollar bond. Ms. Patterson asked what NOO means under the “Outlook” column. Mr. Dunn noted that he will find out and let the committees know.

Mr. Dunn then asked the committees to look at Handout B describing in detail the projects at Beaver Meadow, Broken Ground, Rundlett and Concord High School planned through FY2024. The grand total for all projects in this time period is $7.6 million.

Mr. Dunn reviewed the proposed financing plans. Plan 1A is the issue of 10-year bonds for school capital in 2014, then 30-year bonds for the Rundlett Middle School in 2021. Plan 1B is the issue of 15-year bonds for school capital in 2014, the 30-year bonds for the Rundlett Middle School in 2021. All bonds on Plan 1A and 1B assume equal principal structures. Plan 2A is the issue of 10-year bonds for school capital in 2014, then 30-year bonds for the Rundlett Middle School in 2021. Plan 2B is the issue of 15-year bonds for school capital in 2014, then 30-year bonds for the Rundlett Middle School in 2021. All bonds in Plan 2A and 2B assume level debt (payment) structures.

Mr. Dunn asked the committees to review Handout C that compares the Capital Project Financing as described in the plans stated above.

Ms. Ardinger reminded the committees that with bonding there should be no false sense to find money for projects, as all capital costs are removed from the annual budget and there is a mechanism in the budget process to keep tight control on operating expenses in order to make payments. Ms. Patterson asked whether the bonds are broken down by facility or are included in one lump sum. Mr. Dunn replied that the bonds are one lump sum and the capital costs must live out the cycle of the bond.

Mr. Dunn also included a high-level summary of steps that the district will need to follow in order to go to the market and receive bond proceeds.

Mr. Dunn highlighted other considerations as the Board contemplates bonding capital projects: city valuation; contract negotiations; the state bi-annual budget in 2015; the consideration of no capital projects for the new schools; Deerfield tuition revenue; and the unreserved fund balance. The unreserved fund balance was projected at $2.1 million in the FY15 budget; the current projection, however, is $1.65 million. The fund balance has been affected by special education out-of-district costs.

Ms. Ardinger stated that the District is getting further and further behind with capital projects and to ignore the possibilities of bonding would be disservice. Ms. Patterson added that bonding is a way to stabilize known recurring expense. Mr. Dunn noted that the only downside is that once the Board commits, that is a fixed payment that will be fixed in the budget for some time. Ms. Donovan asked if the bond allows flexibility with capital projects for each school and Mr. Dunn replied that language that is general in nature can be created to allow this.
Ms. Ardinger reminded the committees that bonding allows stability in the tax rate. Mr. Dunn added that bonding will eliminate three budget cycles of financing buses.

The Finance and Capital Facilities Committees voted 6-0 (motioned by Ms. Ardinger, seconded by Mr. Taylor) to recommend to the full Board to authorize the administration to work with the district’s financial advisor to prepare the necessary documentation to issue a bond authorization of up to $8.6 million.

Mr. Dunn stated that the Expendable Trust balance for the School Buildings Maintenance and Renovation Trust Fund is $648,000 and the balance for the Facilities Purchase and Renovation Trust Fund is $63,348. These balances reflect the withdrawals for the FY15 budget.

The committees discussed transferring funds from the School Building Maintenance and Renovation Trust to the Facilities Purchase and Renovation Trust. Mr. Taylor asked about the reasoning behind the transfer, to which Ms. Ardinger responded that the Facilities Purchase and Renovation Trust has typically been used like a savings account to fund future capital projects and stabilize the tax rate. Ms. Patterson added that the trust fund language for both does look similar but each fund has been used differently. Clint Cogswell suggested the committees can motion to transfer the money now and revisit the decision at a future date.

The Finance and Capital Facilities Committees voted 6-0 (motioned by Ms. Donovan, seconded by Ms. Ardinger) to recommend to the full Board to transfer $536,652 from the School Building Maintenance and Renovation Trust Fund to the Facilities Purchase and Renovation Trust Fund and authorize the administration to issue the appropriate public notifications and to schedule the appropriate meetings.

The upcoming June meetings include a review of the building rental fees, a review of athletic fees and other open items.

The Finance and Capital Facilities Committees voted 6-0 (motioned by Mr. Croteau, seconded by Ms. Donovan) to adjourn.

The meeting adjourned at 7:11 p.m.

Respectfully submitted,

Tom Croteau, Chair Finance Committee
Oliver Spencer, Chair Capital Facilities Committee
Jack Dunn, Recorder