Finance Committee Chair Clint Cogswell called the meeting to order at 6:30 p.m.

There were two items on the agenda for this Finance Committee meeting: a) long-term bid purchases and b) financing the elementary schools project.

a. Long-Term Purchases

Per the Board’s bid policy, Michele Croteau informed the Finance Committee about three long-term contracts recently agreed to by the district:

1. Lease agreement with Schiavi for a portable classroom unit at Conant School for the term August 2010 through August 2012 at cost of $277 per month for a total of $66,384.

2. Two-year agreement with Constellation Energy for electricity for the larger schools, CHS and RMS, at a rate of .0738 per KWH.

3. Two-year agreement with Constellation Energy for electricity at the remaining smaller schools at a rate of .0799.

Ms. Croteau explained that she had worked with a vendor to do the bidding process; the rate was advantageous at this time and the two-year agreement enables the district to be able to accurately project costs for the next two years.

b. Financing the Elementary Schools Project

The Committee reviewed new bond schedules for the $55 million to be financed in October 2010 (with the $800,000 planning BAN and $5 million construction BAN), provided by the District’s financial advisor at First Southwest. The options being reviewed at this meeting included a debt schedule for 30 years and a schedule for 20 years. In addition, there were two schedules for a 30-year bond (27a and 27b) and two schedules for the 20-year bond (27h and 27x). One of these bond schedules is structured in
such a way that used reserves to stay within the $3.2 million target and the second bond schedule stays within a $4 million target.

Ms. Croteau conveyed the guidance from Cinder McInerny of First Southwest that the Board should bond as early as possible to take advantage of current low rates, to consider the impact on the tax rate and the impact on the operating budget with the goal of staying within 5% of the budget.

The second issue the Committee considered was the decision to bond independently as the School District or to bond in January through the City government. Ms. Croteau distributed an email from Cinder McInerny reminding the Board that litigation could result in an increase in the interest rate for the project. The School District’s bond rating was recently increased as the City’s. The potential impact of further litigation on the interest rate could be 10-15 basis points; the potential savings of bonding through the City would be approximately 5 basis points.

Committee members discussed the potential exposure of the School District if there is another vote approving this project taking place during the moratorium on building aid. This could give rise to a challenge to the District’s eligibility for building aid. In addition, any litigation that could arise with another vote could also increase the interest rate by investors for these bonds.

Committee members discussed the pros and cons of the 20-year bond schedule compared to the 30-year schedule. There was consensus that the Board should opt for a schedule that enables future Boards to reserve for future projects or bond future projects; the Board wants to minimize the impact on the tax rate, especially in the short term. There was not yet consensus about which schedule achieved these goals in the most favorable way.

Ms. Croteau recommended that the Board elect the 30-year debt schedule, pointing out that the 30-year schedule would have less impact on the taxpayer in the short term over the 20-year schedule, and yet still provide future Boards the flexibility they might need.

The motion was made and seconded for the Finance Committee to approve the 30-year debt schedule. The Committee voted 2 to 2 (Cogswell and Glahn for; Fleming, Bonk against) so there was no recommendation from the Committee on this issue. The Committee hoped for input from the community on this issue and urged the full Board to make this policy decision in the coming weeks.

The meeting adjourned at 7:00 p.m.

Respectfully submitted,

Clint Cogswell, Finance Committee Chair
Chris Rath, Recorder