

Master Facility Committee Meeting Minutes

June 1, 2020 4:00 PM

<https://www.youtube.com/EngageCRschools/>

Members Present: Dain Brunscheen, Lindsay Schumacher, Sue Shanklin, Steve Shupp, Pat Loeffler, and Dave Dvorak.

Members Absent: Frank Rainbolt and Tina Rusbult

Committee Support Present: David Nicholson, Sarah Brown, Justin Schaefer, and Jon Galbraith from the District.

Jeff Portman with Solum Lang. Chad Schumacher and Joe Tursi with OPN.

Note taker: Jon Galbraith

Pat Loeffler convened the meeting at 4:00 PM

Minutes: The minutes from the May 4, 2020 Master Facility Plan Oversight Committee meeting were reviewed. A revision was made to correct the spelling of the word 'capital'. Motion to pass revised meeting minutes made by Sue Shanklin and seconded by Dain Brunscheen.

Financial Report—Dave Nicholson

- Dave Nicholson explained the financial report SAVE summary of revenue and expenses through end of April. SAVE beginning balance of \$39,779,731, revenue balance of \$16,109,901, expenses totaling \$20,136,487, leaving an ending balance of \$35,753,145. FY 2019, revenue exceeded expenses by approximately \$33 million. This was in part due to the issuance of \$25 million in SAVE bonds, so this will go down with the construction of the new elementary at Coolidge site. Current year miscellaneous income has \$22,725 more than was budgeted. Investment income may fall short based off estimates due to COVID affecting the interest rates.
- Dave Nicholson explained that the new elementary line in the budget shows that the budget is \$4,954,717, with \$22,603,415 being spent. The spent amount contains the purchase order for the new construction, so this is an encumbered amount. At the end of the fiscal year, a final financial report will be ran which will show true amounts for expenses.
- PPEL has an ending balance of \$9,312,365, with revenue in the amount of \$9,703,139, and expenses totaling \$10,125,382. FY 2019 and beyond shows an increase in balances, and we should expect to see expenditures increase as well. Investment income is ahead of what was budgeted, and about 94% of property taxes have been collected.
- Pages 9-16 of the financial report shows all expenses and encumbrances for all PPEL Projects. Notes discuss what the original budgets are, and the inflationary impact which will be used for budget numbers going forward.
- Page 16 shows the grand total of \$23,578,980 being spent, and a budget of \$26,179,254. The overages may be due to not using inflationary budget amounts in the past. Jon Galbraith also stated that some budgets have not been added for FY 2020/21.
- Page 17 shows SAVE projections. The top of the page shows SAVE bond information for Coolidge and Jackson. Coolidge has a bond issued in the amount of \$28.185 million, with a yield of 2.33%. At Jackson, the bond issued is intended to be in the amount of \$25.75

million, and the yield is not yet known. Dave Nicholson stated that we know we need to have a coverage level of 1.2%. Dave Nicholson stated that he has been in contact with Tim Oswald from Piper Sandler, and asked him for his professional opinion on how much revenue can drop and still allow us to be in an okay position moving forward on the technology purchases in addition to the new elementary at Jackson site. Right now, they are projecting at this point anywhere from a 3-5% drop in sales tax revenue. If a 5% drop occurs, our coverage level will still be okay with the issuance of the Jackson bonds. At a 5% drop, the coverage will be at 1.25% coverage which is still above the 1.2%. More information will be known in August after the Department of Revenue submits their updated estimates. If the revenue drops more than 5%, we still have \$56 million SAVE bonds which can be refinanced if necessary. There is not a huge windfall in refinancing, but if we needed to, we would still be able to have some in savings and increase the coverage level. If the bond rate continues to drop, it may be to the District's advantage to refinance. There is a \$4 million dollar reserve on the bonds right now that can be used to buy those bonds down when reissued.

- Lindsay Schumacher asked what the consequences would be if the District breached the bond covenants. Lindsay Schumacher requested that Dave Nicholson ask Piper Sandler or bond council what the outcome would be if the bond covenants are breached. Dave Nicholson will get back to the committee.
- Lindsay Schumacher asked what the bond rating is for the bonds that have been issued and stated that sometimes when you breach covenants you get a bond rating downgrade which results in interest expenses going up.
- Lindsay Schumacher asked if the bonds are callable, is there a prepayment premium charged to the District. Dave Nicholson stated the bonds are callable and there is no prepayment premium.
- Lindsay Schumacher inquired if there was any ability given the extension of the penny tax, to extend the maturity to give a debt relief. Dave Nicholson stated the whole Master Facility Plan outlines an approach to refinance the bonds in addition to growth factors like student enrollment. If interest rates continue to drop, it would be wise to refinance them. In doing so, that will increase the coverage level quite a bit, possibly 1.5-1.6%. Lindsay Schumacher asked if this was because we would be extending maturity, and Dave Nicholson responded yes. Lindsay Schumacher stated that the tight margin is concerning (5 basis points relative to coverage ratio). Sue Shanklin asked Lindsay Schumacher what number would be more comfortable. Lindsay stated we are in uncharted times regarding unemployment, consumption/sales tax, uncertain economic variables, etc., and that it needs to be noted that the breaching of the covenants of the bond is not a good thing for the District. Lindsay Schumacher responded to Sue Shanklin's questions of an appropriate DCR indicating that 1.5 would be an appropriate target objective.
- Dave Dvorak inquired if PPEL funds could be borrowed against to keep SAVE in a favorable position. Emergency PPEL dollars were set back and is it possible to use those funds for SAVE. Dave Nicholson stated you cannot borrow to increase the reserve but could move projects funded from SAVE that could be shifted to PPEL. That would free up some commitments from SAVE.

New Elementary School at Coolidge ES Site Discussion—Jon Galbraith

- Jon Galbraith explained phase 1 site demo and dirt moving has begun and things are progressing nicely. Hopefully building pad will be up and footings started soon, but it is depending on the weather.
- Chad Schumacher from OPN stated they are waiting for the dirt to dry, and a lot of backstage things happening regarding materials/submittals/contractors/etc.
- Chad Schumacher and Joe Tursi from OPN Architects were introduced to the committee.

Future Meeting Schedule

- Jon Galbraith discussed with the committee the next meeting time/date. It was decided that the next meeting will be held July 13th to avoid conflicts with the 4th of July holiday. Justin Schaefer reminded the committee this was also a Board meeting day, but if the agenda stops before the Board meeting begins it will be okay. Pat Loeffler suggested moving up the meeting time. The committee decided that a 3:30 PM zoom meeting would take place on July 13th, 2020.

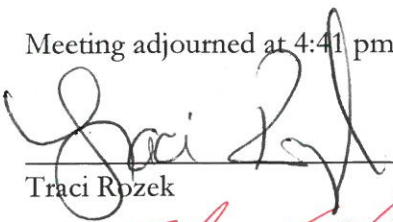
Comments and Recommendations

- The meeting was held virtually on June 1st, due to COVID19. Zoom was used to have the meeting, and it was broadcast through a YouTube channel for members of the public to participate.
- Lindsay Schumacher suggested discussing the computer rollout at future meetings.

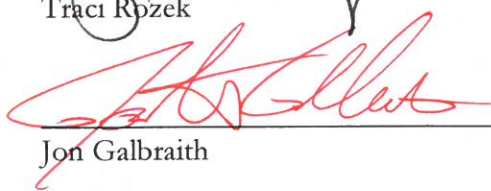
Action Items

- Dave Nicholson will provide information to the committee regarding bond rating and consequences for breaching bond covenants.
- Lindsay Schumacher requested Dave Nicholson do an analysis regarding how many basis points the coverage moves up if the reinjection money is not reserved.

Meeting adjourned at 4:41 pm



Traci Ryzek



Jon Galbraith