

February 25, 2022

To: MERSD School Committee

From: Avi Urbas, Director of Finance & Operations

Copy: Pam Beaudoin, Superintendent of Schools

Re: Financials/Warrants for 3/1/22 School Committee Meeting

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1. Budget

- a. We will be asking School Committee to vote on the Operating & Capital (debt service) budgets.
- b. FY23 Capital Budget – updated to include BAN sold earlier this week (see below)
- c. FY23 Operating Budget:
  - i. 3 Scenario files are attached. Each are 3 pages (revenue, personnel expenses and operating expenses). The scenarios match the chart that Pam has provided moving from left to right as follows:
  - ii. Scenario 1: 2.29% total assessment (3.79% Essex, 1.45% Manchester)
  - iii. Scenario 2: 2.65% total assessment (4.15% Essex, 1.82% Manchester)
  - iv. Scenario 3: 3.49% total assessment (4.99% Essex, 2.65% Manchester)

2. Vouchers

- a. V1042: \$63 total taxes owed on meals purchased by adults/staff at MERSD schools since the start of the school year. On a separate voucher because funds must be wired to the Commonwealth by MERSD's treasurer.
- b. V1043: main AP voucher. Of note:
  - i. Curriculum & Technology
    1. \$7K to CDW for single Promethean Board, with mobile cart, Chromebox (for interface w/Chromebooks) and support contract. Last summer we ordered 4 additional units for Memorial for new school wing that opened in August, and 2 added units for Essex Elementary, which have all been held up due to supply chain issues – this one is for Essex and as such is paid from Stabilization as part of the tech equity program for EES previewed last year with school committee.
    2. \$2.8K to Carbonite for annual license on district data backups
    3. \$505 for asset labels – you will see reference to asset tracking in the COSO document and Gary Jones, our new technology manager, has worked with Axis to update our asset tracking procedures in light of the massive 1:1 device roll out during COVID (we use asset tracking software in addition to labels).
    4. \$300 for annual Quickbooks license – building principals use QB to track savings and checking balances, and individual club ledgers (including

Class of 202x accounts) in our Student Activity funds. This process is supervised, supported and internally audited by the business office.

ii. Facilities & Operations

1. \$17K for snow/ice removal districtwide by Jeffrey's Creek, bringing our seasonal total to \$45K. We know there will be more for today's event.
2. \$7K to Frank Rounds for servicing the new boiler at Memorial School. Although the warranty is only one year, we have been working with WT Rich to solicit a credit for this service from the sub-contractor as we both agree that the extent of repairs is unusual and unsatisfactory on such new, expensive equipment.
3. \$40K monthly charge for bus service to Salter Transportation, less \$14K credit for reduction of 1 bus due to lower ridership. We believe this consolidation can continue into FY23 as noted in our list of potential reductions for next year.
4. \$500 to Robert Half for Accounts Payable services for 3 weeks of service. With our new hire, Jocelyn Sanborn up to speed, we no longer need recurring outsourced assistance, hence the minimal expense, compared to prior periods, but we have used our Robert Half temp for smaller, discrete special projects such as preparing our next round of FEMA submission for COVID expenses.

iii. Grant Management: We have 3 grant related payments on this voucher.

1. Two are payments we are required to make to MA Teacher Retirement System (MTRS) for the 9% employer share of salaries funded through the Title I (\$1,001.45) and Special Education Early Childhood (\$110.69) grant in FY21. The Commonwealth picks up the employer share for all MTRS-eligible positions paid out of the General Fund, with employees paying a 9% match out of payroll. For federal grants, however, we are required to use grant funds to cover the employer share. For this reason, we typically minimize use of federal grants to pay for MTRS-eligible employee salaries.
2. The other payment is \$1,400 return of grant funds for the FY21 Digital Literacy. This grant was awarded by DESE in April 2021 with a June 30<sup>th</sup> deadline, so MERSD was not able to utilize the entire award prior to the deadline. The grant funds we did expend (\$2.8K) allowed representatives from each school to work with our prior Curriculum Director on enhancing our technology curriculum.

3. COSO Framework:

- a. A copy of our COSO-compliant Internal Control Manual is attached. I will be previewing this document on Tuesday evening. As background, last year, our auditors, Powers & Sullivan, included in their Management Letter an item related to "Documentation of Internal Controls Over Federal Awards." In it, they recommend that MERSD present to School Committee the documentation we have in place. As noted in the Management

Letter, these Internal Controls are the responsibility of management. Although they will not be part of School Committee policies, they govern how the business office manages compliance in this area, and as such, sharing our documentation with School Committee is an important part of the oversight process.

- b. Internal Controls are methods and procedures used by management to ensure that operational and compliance objectives are met. Documentation of our Internal Controls is a requirement for the federal grants we receive (e.g., Title I , II & IV, and for special education, IDEA and Early Childhood grants). The MA Association of School Business Officials (MASBO) has provided a template for this documentation that complies with federal guidance and the Internal Control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (aka "COSO"). MERSD and other school districts have modified the template to reflect specific procedures in place locally.
  - c. Given the length of the manual, a few summary points may be helpful.
    - i. Most of the procedures have been in place for many, many years, as they reflect compliance terms and conditions that MERSD agrees to in the annual "Grant Assurances" contract we sign with the MA Department of Elementary & Secondary Education (DESE) regarding federal grant management. DESE plays an intermediary role in dispensing federal grant awards and managing financial reporting and compliance in accordance with federal terms and conditions.
    - ii. In practices, however, some procedures are needed less frequently. For example, MERSD has not traditionally used federal grants to pay for "indirect costs," and given that MERSD's annual, recurring federal grants are not large, they typically are not used for acquiring property.
    - iii. Given the size of the business office, it can be a challenge to keep on top of so many federal requirements, but we do spend a good deal of time on these procedures every month. Thom Couto, our Financial Data Analyst (and former Powers & Sullivan accountant), has been instrumental in helping me to implement these procedures for managing federal grants, and he did an enormous amount of work to compile our Internal Controls manual.
4. Debt Issuance:
- a. Earlier this week, MERSD issued \$1.3 million in temporary, short-term debt, known as Bond Anticipation Notes (aka BANs) to fund the Memorial School Construction project through to conclusion. School Committee will need to vote to accept the bonds. Language regarding the form of vote is attached below from Bond Counsel.
  - b. Like all debt we issue, these BANs were competitively bid by our financial advisors, Hilltop Securities, to get the most favorable interest rate. These BANs, as offered by the winning bidder, carry a Net Interest Cost (NIC) of 1.0935% with \$25.9K interest due in 1-year. This amount has been added to the FY23 Capital Budget, which is excluded from Proposition 2.5.
  - c. If you are interested in additional detail, below are highlights of information I shared about the BAN strategy with our budget collaboration group last week prior to the sale:

- i. As you may recall, when we last issued bonds for the Memorial School Construction project in late summer (\$3.23 million in August 2021, following \$32.29 million in February 2019) we discussed that the next step would be to issue short-term debt (Bond Anticipation Notes, or BANs) this winter, which is intended to carry us through to end of the project.*
- ii. The reason we are issuing BANs at this time and not bonds is that it gives us time until the final district share of the project is known and finalized, which is pending MSBA's final closeout and audit process. This is because we do not want to borrow on a long-term basis (e.g. 20-30 years) for more than we need. According to our OPM, MSBA's close out process is likely to extend into FY23 or even potentially FY24. BANs can be issued for a maximum of 12 months so this issue will mature in March of 2023, at which time we will either "roll" the BANs into another short-term issuance (e.g. 6 to 12 additional months) if the MSBA process is still ongoing, or we will sell a final MMES project bond if the MSBA final reimbursement is known. In both scenarios, we will prepare an FY24 debt service estimate in our budget documents at that time next year, prior to adoption by the School Committee. With regard to BAN size, the \$1.3 million is conservatively estimated for maximum district share, based on a low scenario for final MSBA reimbursement and a high scenario for project spending. This approach is intended to prevent MERSD from running out of cash and needing to go back to the markets prior project completion. In other words, based on current excellent progress with project savings, I would expect the final bond amount to be less than \$1.3 million, regardless of what happens with MSBA.*

VOTE OF THE MANCHESTER ESSEX REGIONAL SCHOOL DISTRICT  
SCHOOL COMMITTEE

I, the District Secretary of the Manchester Essex Regional School District, Massachusetts (the “District”), certify that at a meeting of the Regional School District School Committee (the “Committee”) held March 1, 2022, of which meeting all members of the Committee were duly notified and at which a quorum was present, the following votes were unanimously passed, all of which appear upon the official record of the Committee in my custody:

Voted: to approve the sale of \$1,300,000 2.00 percent General Obligation Bond Anticipation Notes (the “Notes”) of the District dated March 4, 2022, and payable March 3, 2023 to Piper Sandler & Co., at par and accrued interest, if any, plus a premium of \$11,752.00.

Further Voted: that in connection with the marketing and sale of the Notes, the preparation and distribution of a Notice of Sale and Preliminary Official Statement dated February 16, 2022 and a final Official Statement dated February 23, 2022, each in such form as may be approved by the District Treasurer, be and hereby are ratified, confirmed, approved and adopted.

Further Voted: that the District Treasurer and the Chair of the Committee be, and hereby are, authorized to execute and deliver a significant events disclosure undertaking in compliance with SEC Rule 15c2-12 in such form as may be approved by bond counsel to the District, which undertaking shall be incorporated by reference in the Notes for the benefit of the holders of the Notes from time to time.

Further Voted: that we authorize and direct the District Treasurer to establish post issuance federal tax compliance procedures and continuing disclosure procedures in such forms as the District Treasurer and bond counsel deem sufficient, or if such procedures are currently in place, to review and update said procedures, in order to monitor and maintain the tax-exempt status of the Notes and to comply with relevant securities laws.

Further Voted: that any certificates or documents relating to the Notes (collectively, the “Documents”), may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document; delivery of an executed counterpart of a signature page to a Document by electronic mail in a “.pdf” file or by other electronic transmission shall be as effective as delivery of a manually executed counterpart signature page to such Document; and electronic signatures on any of the Documents shall be deemed original signatures for the purposes of the Documents and all matters relating thereto, having the same legal effect as original signatures.

Further Voted: that each member of the Committee, the District Secretary and the District Treasurer be and hereby are, authorized to take any and all such actions, and

execute and deliver such certificates, receipts or other documents as may be determined by them, or any of them, to be necessary or convenient to carry into effect the provisions of the foregoing votes.

I further certify that the votes were taken at a meeting open to the public, that no vote was taken by secret ballot, that a notice stating the place, date, time and agenda for the meeting (which agenda included the adoption of the above votes) was filed with the Town Clerks of each of the member towns of Manchester-by-the-Sea, and Essex, Massachusetts (collectively, the "Town Clerks") and a copy thereof posted in a manner conspicuously visible to the public at all hours in or on the municipal buildings in which the offices of the Town Clerks and the District Secretary are located, or in accordance with an approved alternative method of notice prescribed or approved by the Massachusetts Attorney General as set forth in 940 CMR 29.03(4), at least 48 hours, not including Saturdays, Sundays and legal holidays, prior to the time of the meeting and remained so posted at the time of the meeting, that no deliberations or decision in connection with the sale of the Notes were taken in executive session, all in accordance with G.L. c.30A, §§18-25 as amended.

Dated: March 1, 2022

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District Secretary

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