



SCHOOL COMMITTEE

BUSINESS MEETING OPEN SESSION MINUTES February 5, 2019

Meeting:	School Committee
Date:	February 5, 2019
Location:	MERMHS Learning Commons
Attendees:	Pamela Beaudoin, Superintendent Avi Urbas, Director of Finance Shannon Erdmann, Chairperson Rachel Fitzgibbon, Co-Chairperson Ken Warnock Ann Cameron Sarah Wolf Caroline Weld Julie Riordan
Absent:	
Guests:	Ginny Boutchie Antell, Essex Town Accountant Greg Federspiel, MBTS Town Administrator Mory Creighton, MBTS Finance Committee Chairman
Recorded by:	Gail Hunter

A. Call to Order – Ms. Erdmann called the School Committee Business meeting to order at 6:00 p.m.

B. Business Meeting Open Session

- 1) **Public Comment** – There was no public comment this evening.
- 2) **Student Report** – There was no student report this evening

3) Chairman's Report

Ms. Erdmann stated members of the Newburyport School Committee would be attending the MERSD School Committee meeting on March 5, 2019 to discuss late start for High School students.

4) Consent Agenda –

- Acceptance of Warrants
- Minutes 1/29/19 – will be reviewed at March 5, 2019 meeting.

Ms. Cameron moved to approve the Warrants, Ms. Fitzgibbon seconded the motion. The motion passed unanimously.

Ms. Erdmann asked an acknowledgement be added for the Grid Iron Club gift accepted at the 1/15/2019 meeting. The Minutes were amended to include the following acknowledgement:

The School Committee acknowledges the generous gift from the Grid Iron Club and thanks the Club on behalf of all athletes for their support of District athletic programs. Thank you only begins to express the gratitude we feel for all you have done and do!

5) Sub-Committee Reports

a) Elementary Facilities/MSBC (Ms. Weld and Ms. Cameron)

The full School Building Committee is meeting tomorrow evening, February 6, 2019 to review the current status of value engineering.

b) Finance Sub-Committee (Ms. Cameron and Ms. Erdmann)

Ms. Erdmann stated the Finance Committee report will be part of the budget discussion – later in this evening's meeting.

c) Policy Sub-Committee (Mr. Warnock and Ms. Fitzgibbon)

The Policy Sub-Committee has not met since last week's meeting, according to Ms. Fitzgibbon

d) Negotiation Team (Ms. Wolf and Ms. Riordan)

According to Ms. Wolf there have been a lot of meetings and negotiations are continuing and progressing

6) Continued Business

- Memorial School Building Project Construction Bond

Vote to approve sale and issuance and details of bonds for construction of new Memorial School and sign related closing documents.

Mr. Urbas informed the Committee the District's credit rating had been updated to AA+ with Standard & Poor's. The improved rating is based on the strong and healthy financials of the Towns, the District's good financial management and the collaboration of the District and the Towns. It was noted that as the auditor's have recommended S & P recommended the District formalize financial policies and focus on maintaining the level of reserves.

The \$35M bonds were issued at an interest rate of 3.289%. Overall the District will save \$17M from the originally proposed request estimated at an interest rate of 5%. Manchester tax payers will realize a savings of approximately \$12M, while Essex taxpayers will realize a savings of approximately \$6M. The savings were realized through the work of a great collaborative group and with the help of Hilltop Securities, Inc.

Mr. Urbas asked the Committee to take a vote to pursue with bonding in the formalized format presented to the Committee.

Mr. Warnock moved to pursue with bonding according to the formalized format of 8 votes as presented to the School Committee, Ms. Cameron seconded the motion. The motion passed unanimously with all MERSD School Committee members present.

I, Shannon Erdmann, the District Secretary of the Regional School District School Committee (the "Committee") of the Manchester Essex Regional School District, Massachusetts (the "District"), certify that at a meeting of the Committee held February 5, 2019, 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: that we hereby determine, in accordance with G.L. c.70B, that the amount of the cost of the Manchester Memorial Elementary School construction project authorized by a vote of the Committee passed on September 4, 2018 not being paid by the school facilities grant is \$39,953,459 and we hereby approve of the issuance of notes and bonds in such amount under said G.L. c.70B.

Further Voted: that the sale of the \$32,290,000 General Obligation School Project Loan, Chapter 70B Bonds of the District dated February 14, 2019 (the "Bonds"), to UMB Bank, N.A. at the price of \$35,154,571.58 and accrued interest, if any, is hereby approved and confirmed. The Bonds shall be payable on February 1 of the years and in the principal amounts and bear interest at the respective rates, as follows:

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>
2020	\$1,080,000	5.00%	2035	\$1,075,000	4.00%
2021	1,080,000	5.00	2036	1,075,000	4.00
2022	1,080,000	5.00	2037	1,075,000	4.00
2023	1,080,000	5.00	2038	1,075,000	4.00
2024	1,080,000	5.00	2039	1,075,000	4.00
2025	1,080,000	5.00	2040	1,075,000	4.00
2026	1,080,000	5.00	2041	1,075,000	4.00
2027	1,080,000	5.00	2042	1,075,000	4.00
2028	1,075,000	5.00	2043	1,075,000	3.50
2029	1,075,000	5.00	2044	1,075,000	3.50
2030	1,075,000	5.00	2045	1,075,000	3.50
2031	1,075,000	5.00	2046	1,075,000	3.625
2032	1,075,000	5.00	2047	1,075,000	3.625
2033	1,075,000	4.00	2048	1,075,000	3.625
2034	1,075,000	4.00	2049	1,075,000	3.625

Further Voted: that any premium received by the District upon the sale of the Bonds, less any such premium applied to the payment of the costs of issuance of the Bonds, may be applied to the payment of costs of the projects for which the Bonds are issued, in accordance with Chapter 44, Section 20 of the General Laws, thereby reducing the amount authorized to be borrowed to pay such costs by a like amount.

Further Voted: that in connection with the marketing and sale of the Bonds, the preparation and distribution of a Notice of Sale and Preliminary Official Statement dated January 24, 2019, and a final Official Statement dated January 31, 2019 (the "Official Statement"), 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 Bonds shall be subject to redemption, at the option of the District, upon such terms and conditions as are set forth in the Official Statement.

Further Voted: that the Chairperson of the Committee be, and hereby is, authorized to execute and deliver a continuing 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 Bonds for the benefit of the holders of the Bonds from time to time.

Further Voted: that we authorize and direct the District Treasurer to establish post issuance federal tax compliance procedures in such form 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 Bonds.

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.

Ms. Cameron indicated this was an excellent story for the Towns to hear and suggested an article about final financing for the Memorial School Building Project including information on the District's upgrade credit rating. Ms. Cameron also indicated it was important to act on developing financial policies recommended by District auditors and S & P.

- FY 20 Budget
Update & Discuss

Superintendent Beaudoin initiated the discussion by stating the District had held 2 budget hearings and presented the Towns with a final version including a limited 3.3% increase. The District was in line with FY 19 budget having cut \$380K from the initial budget to reach 3.3%. At this point the District was asked to solve a new problem – to reduce the assessment to Essex.

Superintendent Beaudoin stated there was too little time to go about in a thoughtful way and without reducing programming to solve the problem. As a result, the District looked at the option of utilizing reserves to lower the assessment to Essex. She went on to state there are pros and cons to this solution.

Pro – it preserves the current level of spending in the FY 20 budget. By law the money earned from interest on bonds borrowed will flow into the District's general ledger and the District will receive money to invest in Capital. The reserve funds will be returned to the District.

Con – reserves moved into the revenue stream will suppress assessments and may eventually require an override to sustain the real needs of the District's growth at the mid 3.5% to 4.0% level. The solution is open for the School Committee to discuss their level of comfort with the solution.

Ms. Wolf indicated she was not 100% comfortable with the solution, however, if this is the best solution, she would support the recommendation.

Ms. Riordan asked if the use of reserves would negatively impact the District's bond rating. Mr. Urbas indicated credit analyst are interested in cash availability. It is less about a single item and more about a multi-year trajectory. Ms. Riordan also indicated this may be a multi-year problem given the constraints of Proposition 2 ½ and Essex having a difficult year. Mr. Warnock indicated there a multi-year challenges and long-term problems over many years.

Ms. Cameron asked the School Committee to support the request and proposed solution in light of the support received from Essex on the School Building ask and their ongoing support of the

District. Ms. Weld does not believe the District is in a position to take any money out of reserves, we do not have money to give. And if money was taken out of reserves it should go to the students and programming. Ms. Cameron stated there would be interest money coming in and those funds would benefit students from both Towns. Ms. Wolf sees this as a 3-way Venn Diagram with one part of the Diagram needing help.

Superintendent Beaudoin to Ms. Weld's point stated the solution was helping our students. The alternative is reducing programming, and this was the best solution offered.

Mr. Buttrick, Chairman Essex Finance Committee stated the District's collaboration and help would make challenging conversations with Town Department Heads easier when they understand the District is playing a role. The Town historically utilizes reserves to cover operating expenses and over the course of the year replenishes the reserves with cash receipts. He cited Retirement, OSCA, Health Insurance and Legal expenses as the primary additional expenses driving the Town to ask for help with their shortfall.

Ms. Fitzgibbon thanked Mr. Buttrick and indicated she agreed with Ms. Wolf about the need for all the partners to have each other's backs. She also stated she felt confident that superintendent Beaudoin and Mr. Urbas had come up with solution that will keep the collaboration secure.

The Committee had some preliminary discussions around the possible need for an override in the not too distant future. Superintendent Beaudoin indicated discussions were premature and it was important to focus on the immediate problem and proposed solution.

Vote to Approve

Ms. Cameron moved to approve the Manchester Essex Regional School District Operating Budget in the amount of \$26,064,946.00, Ms. Weld seconded the motion. The motion passed unanimously.

Ms. Cameron moved to approve the Manchester Essex Regional School District Capital Budget in the amount of \$4,483,000.00, Ms. Wolf seconded the motion. The motion passed unanimously.

Ms. Cameron moved to modify the Manchester Essex Regional School District FY 20 Operating Budget by \$100K with the use of Reserves, Ms. Wolf seconded the motion. The motion passed with 5 School Committee members in favor and 1 opposed.

- Food Service Financial Review

Overview – Chartwells (CW) Partnership continues to benefit MERSD

- Significant improvement in financials and staff management since program first outsourced in FY 17
- Specialized program expertise

Increased revenue per student district-wide, particularly at MSHS, offset by MERSD's declining student enrollment

- Elementary participation remains low – enrollment is an issue

Key Financial Issues:

- Outsourcing highlights benefits costs that previously were charged to General Fund (i.e. not measured in Food Service Financial performance)
- CW has reduced fringe cost by >50%, but expense now charged to Food Service revolving fund via monthly CW invoices – **requires additional funding as planned in original outsourcing bid standards**
- Although expectation has always been that program will run at a loss on fully-loaded basis, which is industry standard, CW has improved bottom line performance by 67% (\$135K/year)
- **Requesting \$177K transfer to fund FY 17 and FY 18 fringe costs. Forecasted FY 19 excess down to \$65K.**

Participation Changes by School:

- FY 18 participation declined across the board, but has rebounded in current year – MSHS (44% today) remains above FY 14 – FY16 pre-CW period
- Memorial School (36%) is low historically consistent with prior year average
- Elementary schools continue to lag MSHS

Collections:

- CW has stabilized unpaid meals situation – Excluding one-time write offs in FY 16, the FY 17—FY 19 unpaid debt increases are lowest since FY 13.
- Continued collections improvement would boost revenue and improve bottom line financial performance.
- Planning outreach campaign in 2nd half of year

Free/Reduced Price School Lunch (FRSL):

- Participation in FRSL meals program has been flat – small % of total meals delivered.
- 8.7% of MERSD students eligible, but many do not participate

Closing Fund Balance Deficit:

- Fund balance deficits prior to out-sourcing were from operating losses, excluding fringe, which was charged to General Fund, together with all MERSD employee healthcare.
- CW has brought operating losses to nearly \$0 – annual deficit now roughly = fringe cost.
- Proposed \$177K transfer from reserves equivalent to FY 17 and FY 18 fringe.

Discussion on Food Service:

Mr. Urbas stated when the District decided to out-source food service it was to achieve financial management and expertise that did not exist within the District. The agreement with CW was current employees would move to CW at a compensation level equal to their current level. It was understood there would need to be periodic adjustments to cover employee benefits.

The request before the Committee covers the operating debt for close to 2 years. It is important for the School Committee to be fully aware of the process and to understand that historically fringe benefits for food service personnel were not assigned to the program but were rolled into the District's population. Those benefits now need to be paid out of pocket.

Additional points of discussion:

- Collections is not the story it is health care according to Superintendent Beaudoin.
- Enrollment has impacted the increase in food service participation at the MSHS and the decline in Elementary Schools. Mr. Urbas pointed out current revenue per student is \$250-\$260 and pre-out-sourcing it was \$220-\$230 per student.
- Product – at the MSHS there is greater capability for food prep – compared to limited capability in the elementary schools.
- Food served is regulated by the Department of Education and no non-approved foods are served by the District.
- Food Service is nearing break-even and the bottom line looks good.
- Collections continues to need work

Ms. Fitzgibbon moved to close the multi-year deficit in the Food Service Revolving Fund by transferring \$177K from the Reserve Fund to the Revolving Fund, Ms. Cameron seconded the motion. The motion passed unanimously.

7) Superintendent's Report –

Meetings:

March 13, 2019, 7:00 p.m. General Community Meeting to inform the public about the School Building Project.

March 27, 2019, 7:00 p.m. Invitation event for neighbors to take them through the process and address their concerns.

May 8, 2019, 7:00 p.m. Discuss phasing and plans for occupancy during construction.

March 6, 2019, 6:30 p.m. High School parent event for ADL around building capacity for understanding diversity.

Superintendent Beaudoin mentioned that the K-12 Literacy Task Force will be engaging with Hill Literacy Group to assess the District's literacy practices. Hill Literacy Group will provide a 3rd Party analysis and program review.

Ms. Cameron mentioned the Regionalization Meeting in Essex on January 31, 2019 – stating it was a good meeting in which the process for working with MAPC and the Collins Center group in developing a strategic plan for 2 Towns and District was reviewed. Superintendent Beaudoin sees opportunities for DPW and technology collaborations.

Ms. Wolf informed the Committee the Drama Club would hold an open and free dress rehearsal of their production Big Love on February 15, 2019.

8) Public Comment – There was no public comment at the end of the meeting.

C. Adjourn

Ms. Cameron moved to adjourn the School Committee Business meeting, Mr. Warnock seconded the motion. The motion passed unanimously.

School Committee Next Meeting – March 5, 2019 – MERMHS Learning Commons