

MINUTES

Council Rock School District Finance Committee Wednesday, December 19, 2012, at 7:00 p.m.

The Chancellor Center, Historic Classroom 1

I. Presentation on our Debt Financing for Future Capital Projects

Mr. Reinhart introduced the subject by reminding the Committee of the information he presented during the November 15th Finance Committee Meeting. The following is a summary of this information:

Council Rock School District Summary of the Capital Projects Fund October 31, 2012

Cash and Cash Equivalents	\$ 28,169,333.38
Total Assets	<u>28,169,333.38</u>
Funds Needed to Complete Projects:	
Holland Elementary School	6,822,286.00
2012 Summer Projects	<u>500,000.00</u>
Total Committed Funds	<u>7,322,286.00</u>
Current Available Assets for Future Projects	<u><u>\$ 20,847,047.38</u></u>
Additional Resources:	
Estimated Proceeds from the Series of 2013	9,700,000.00
Transfer from General Fund(Capital Reserve)	<u>312,376.00</u>
Total Additional Resources	<u>10,012,376.00</u>
Total Available assets for Future Projects	30,859,423.38
Current Projects Under Consideration	
Goodnoe Elementary School	18,815,918.00
Hurricane Sandy Damage Insurance Proceeds	(625,000.00)
2013 Summer Projects	<u>3,722,625.00</u>
	<u>21,913,543.00</u>
Funds Available for Additional Projects	<u><u>\$ 8,945,880.38</u></u>

He explained that the financing we are discussing this evening is reflected in the shaded area in table above.

Mr. Williard of Public Financial Management, our financial advisors, was introduced. He presented the attached Financing Analysis report. The following points were made in his presentation:

- The District's current financing plans for the 2013 calendar year include the following:
 - The refinancing of the Series of 2008 Bonds:
 - The savings made from this refinancing will be spread across the several year debt service budget.
 - The District will contribute approximately \$440,000 from the 2012-2013 budget to reduce the amount of the refinancing. These funds will be available because the current year's general fund debt service line item is estimated to be under expended by that amount.
 - The issuance of new Bank Qualified new money bond in the approximate amount of \$9.75 million. There will be no need to increase taxes to provide for this new debt service because of the wrap around debt structure and our decreasing debt service on our existing debt.
- The District's financing plans for 2014 include the following:
 - There are two new refinancing opportunities for the 2014 calendar year.
 - Similar to previous years, the savings generated from this refinancing will be used to reduce debt service in future years.
 - Additional new money financing will be considered based on our need to fund capital expenditures.

II. New Procurement Card Proposal

Mr. Reinhart explained that he and Mrs. Klohe have met with representatives from the Pennsylvania Local Government Investment Trust regarding there Procurement Card Program. It was explained that we currently utilize Citizens Bank for our credit card services. We will need to move these services as part as our move from Citizens Bank. Mr. Reinhart made the following points regarding the new procurement card proposal:

- PLGIT has a significant number of other Pennsylvania governments utilizing this service and consistently shares best practices.
- We are able to download monthly activity online.
- Security and Financial Controls:
 - Card issued to cardholder, billed to entity.
 - Restrict cardholder spending by:

- Dollar amount
 - Transaction
 - Merchant category codes
 - Location
- No liability for fraudulent use
- The District is eligible to receive rebates based on the volume of business conducted through the card.

He explained the representatives from PLGIT would be happy to present during the next Finance Committee Meeting if desired should the Committee additional information. If not, he would like to offer a resolution to move to this organization during our January 3, 2013 Board Meeting.

After some discussion the Committee asked Mr. Reinhart to prepare the resolution for a Board vote on January 3, 2013.

III. 2013-2014 Proposed Preliminary Budget Approval

Mr. Reinhart explained that based on Act 1 deadlines, the District must act by January 31, 2013 to adopt a Proposed Preliminary Budget and seek Act I budget exceptions or adopt a resolution limiting the increase in the District's current real estate millage to 1.70% or 1.91 mils. He explained that the administration is recommending the Board to adopt a resolution to not exceed the Act I index. The following points were made in determining this recommendation:

- The District's finances for the fiscal year ended June 30, 2012 remained healthy. The general fund, fund balance increased slightly.
- The District Self-Funded Healthcare program for the year ended June 30, 2012 generated a surplus based on developed premiums.
- The increases in wages included Collective Bargaining Agreements are reasonably low.
- The District's retirement contribution rate for 2013-2014 is increasing from 12.36% to 16.93%, an increase of approximately \$4.8 million. One half of this increase will be funded by additional state revenue. Therefore, local sources of revenue or the use of fund balance will be needed for approximately \$2.4 million of this increase.
- Should we decide to increase the real estate millage rate by 1.70%, the maximum amount allowable under Act 1 we would receive approximately \$2.3 million.

The committee supported the recommendation and requested the administration to prepare the appropriate resolution to be included in the January 3, 2013 Board agenda.

IV. Ownership of Sun Life Stock

Mr. Reinhart explained that the District received an IRS tax form indicating the District had received dividends in 2011. After considerable investigation it was determined that the District is owner of 5,825 common shares of Sun Financial. The district obtained these shares through the demutualization of Sun Life of Canada in 1998.

Mr. Reinhart met with a representative of Allied Financial Consultants, LLP to aid him in determining the proper procedure to obtain the shares and have all un-cash dividend checks reissued to the school district. The following is the process that will be utilized:

1. The Board of School Directors of the Council Rock School District must adopt a resolution including the following:
 - a. Acknowledgment of ownership of 5,825 shares of Sun Life Financial Services of Canada common stock.
 - b. Acknowledgement that the initial issued stock certificates cannot be located and authorize the administration to request re-issuance of the stock certificates.
 - c. Authorize the administration to request re-issuance of all un-cashed dividend checks.
2. Once the adopted resolution is forwarded and received by the Canadian Stock Transfer Company, Inc., we will receive a form to request re-issuance of the stock certificates. This will include the payment of a fee of 3% of the market value of the common stock value to the Canadian Stock Transfer Company. It was explained that a portion of this fee is to purchase a surety bond supporting this transaction.
3. The stock certificates will be issued and delivered to the School District.
4. All un-cashed dividend checks will be re-issued to the School District.
5. The school District will redeem the certificates and all shares will be deposited into a brokerage account.
6. Once the shares are deposited into the brokerage account the shares can be sold at their market value.