

Minutes of the Finance Committee of the Board of Education
Regional School District 14 www.ctreg.org
Monday, April 8, 2019

In attendance were: Committee members George Bauer, Janet Morgan, Michael Devine. Also in attendance were Wayne McAllister, Barry Bernabe of Phoenix Advisors LLC, and Alex de Sorbo.
Missing: Dave Lampart

The Meeting was called to order at 6:01pm. Mr. Bauer requested to move agenda item #5 to the 1st discussion of the night as this discussion is time sensitive.

Barry Bernabe was invited to discuss financial options regarding the NHS renovation project payback. Mr. Bernabe went over each page of the handout given committee members. Page 2 chart shows a 50-year historical view of long term interest rates. He mentioned that these current numbers are not far from the July 2016 low of 1.4%. Page 3 shows numbers over the course of the past year. At the end of 2018, long term rates fell. Page 4 shows the short term rates for Bond Anticipation Notes (BAN) which have increased from zero. Page 5 shows the district's bond rating from Moody's rating scale. Region 14's current rating is at AA2. Since Woodbury currently holds a AA1 and is comprised of 75 % of district, there may be upward pressure on improving the region's rating. Page 7 reflects the July 2018 Bond for a 25-year rate of 3.27%, as well as an \$18M BAN issue for a 1-year term at 1.71%. Short term rates are about the same as last year and bonding rates have come down since last year. Page 8 reflects the total project cost of \$63.8M, with an estimated net cost of \$38M after all grants are received from CSDE (\$12M bonded amount from last year and \$18M BAN borrowed so far). The estimated completion of the NHS renovation project is scheduled for Spring 2020. Mr. Bernabe advised that the region would need to borrow another \$8M in addition to the \$18M BAN for total of \$26M, to take the region through to the end of the project. Mr. McAllister advised that the State of CT holds 11% of the final grant funds until the final audit is complete. This hold back is estimated at approximately \$3M. He advised that we would need a short term note of \$3M in form of a Grant Anticipation Note (GAN) which will be paid off when the final grant is received.

The question to the committee was deciding on how to finance the remaining \$26M to complete the project.

Page 10 of the handout, breaks down two scenarios. Scenario 1 being the bonding of \$26M over 26 years starting in July 2019. Scenario 2 being the bonding of \$26 M over 27 years, which suggests skipping the 1st principal payment. Both scenarios assume the \$3M grant hold back is issued as BAN (GAN).

On page 13, column D, it shows skipping the 1st principal payment by paying only the interest, and then paying a level payment of \$1M annually for 26 consecutive years thereafter to soften the impact.

Mr. Bernabe advised that State laws allow for 30 years to pay back bonds.

Under public comment Mr. deSorbo commented that he thinks there are some options but the idea of buying a BAN at the time is not good. He advised the committee to decide what it is that is needed. Woodbury has \$800K which might be a possibility if it saved \$1M over term; employ it as Region 14 scenario 2 which would be to pay to town rather than borrowing from a third party. He suggested borrowing what the region needs and then decide on the rest at the end of the project.

Mr. McAllister recommended transferring funds from the 2018-19 budget line item for HS renovations to the 2018-19 interest payment for BAN line item. The committee was in agreement. To be brought to the BOE meeting directly following the finance meeting for approval.

The YTD General Fund Financials and NHS Building Project Financials updates to be tabled to next meeting.

Hearing no further business, the meeting was adjourned at 6:58pm

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "N. Schwartz". The signature is fluid and cursive, with the first letter of the first name being a large, stylized 'N'.

Regional School District 14 Board Clerk

Recorded and filed subject to Board of Education approval by: Natascha Z. Schwartz, Board Clerk 4/16/2019

Revised date: 5/3/19