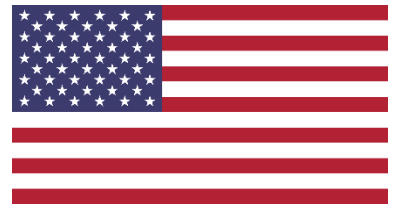


**Lehigh Area School District
Finance Committee Meeting
Monday, August 10, 2020 at 6:00 PM**



Finance Committee Minutes

The meeting was called to order at 6:00 p.m.

The following Board Members were present:

Richard Beltz, Rita Spinelli, Nathan Foeller, Larry Stern (audience) and David Bradley (audience)

The following Administration Members were present:

Patricia Denicola, Jonathan Cleaver and Meghan Christman

Refinancing/Debt Restructuring Plan

Review of the Points of Discussion and Preliminary 2020 Financing Schedule documents. Mr. Foeller and Mrs. Spinelli agreed to recommend the two debt resolutions to the full board for approval at the August Board Meeting.

2019/2020 YTD Budget Update

Review of the Preliminary 6/30/2020 Year End Expenditures document. Ms. Denicola explained revenues owed from the 2019-2020 year and received in the 2020-2021 year would increase cash flow as opposed to increase revenue.

Audience discussions with:

- David Bradley- Sunshine Act & refinancing
- Brian Shaner- Refinancing, costs associated with RBC & PFM, payment to George's Transportation & continuing to utilize improved spending procedures
- Barb Bowes- Fiscal irresponsibility, bonds & Moody's rating
- Sue Salerno- Charter school costs, LAVA & grants
- Fred Kemmerer- Payment to Concern, bond resolutions, working with RBC & PFM & use of the refinancing funds

The meeting was adjourned at 7:08 p.m.

Next Meeting Date: Monday, September 14, 2020 6:00 p.m.

PJD/mmc



Lehigh Area School District

Points for Discussion

August 10, 2020



I) Multi-Step Refinancing / Restructuring Plan Overview:

1. The District had authorized its financing team (PFM Financial Advisors, RBC Capital Markets and King Spry, Herman, Freund & Faul) at its June 22nd meeting to prepare two (2) separate debt resolutions for the boards consideration.
2. Resolution #1 – This will prepare the District for the possibility of refinancing its Series of 2015 and 2015A Bonds in one or more phases in the future. This contemplates taking the old higher interest rates on the existing bonds and replacing them with new lower interest rates which will result in debt service savings for the District. These opportunities will depend on the District's credit rating, future market conditions and changes in federal tax law.
3. Resolution #2 – This will prepare the District for a debt restructuring that is designed to provide short term budgetary relief in FYE 2021 and 2022. This resolution will identify certain maturities of each of its outstanding series of debt to be paid by the District in the next 24 months and push those payments out further to create short term budget relief with the understanding it will have an overall long term cost.
4. Resolution 1 is unlikely to occur until at least calendar year 2021, while Resolution 2 (debt restructuring) is meant to be executed in the next few months (see timeline on next page).
5. It is our understanding from the Administration that the District will use the one (1) time savings in budget FYE 2021 and 2022 to build up general fund reserve levels. This debt restructuring is meant to be one aspect of the District's multi-year recovery plan that includes future tax increases and rebuilding of reserve levels.
6. It is very important that the District does NOT lower its debt service budget going forward because of the debt restructuring. As mentioned above, this debt restructuring is only designed to provide one time savings in the FYE 2021 and 2022 budget years, and after that the District's debt service budget will go back to its current level (approximately \$3.795 Million).



LEHIGHTON AREA SCHOOL DISTRICT
Preliminary 2020 Financing Schedule
2020 Debt Restructuring



August 2020						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23/30	24/31	25	26	27	28	29

September 2020						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

October 2020						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

November 2020						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

Tentative Timeline

<u>Date</u>	<u>Objective</u>
Monday, June 15, 2020	* Regularly Scheduled Committee of the Whole Meeting * - Financing Team Discussion on Borrowing - Authorization for Financing Team to Proceed
Mid July 2020	PFM to Send Info Request to District
Month of August	District to Return Info Request to PFM Draft Preliminary Official Statement "POS" Send Out Credit Rating and Bond Insurance Packets
Monday, August 10, 2020	* Regularly Scheduled Finance Committee Meeting * - Update of Refinancing / Restructuring Plan
Monday, August 24, 2020	* Regularly Scheduled /Special School Board Meeting * - Adoption of 2 Separate Max Parameters Resolutions: <u>Resolution 1</u> - Future Refinancing of 2015 and 2015A Bonds <u>Resolution 2</u> - Debt Restructuring for FY 21 and FY 22 Budgetary Relief
Week of September 7th or 14th	- Credit Rating Interview with Moody's - Due Diligence Call with Financing Team and District
Week of September 14th or 21st	- Moody's Credit Rating Due Back to District / Financing Team - Finalize and Print Final Preliminary Official Statement "POS"
Week of September 21st or 28th	- Potential Pricing Date/Interest Rate Lock
End of October / Early November	- Estimated Settlement Date

Preliminary 6/30/2020 Year End Expenditures	
Total 2019/20 Expenses as of 8/5/2020	\$ 40,824,453.17
<i>2019-20 Invoices yet to be received and/or paid:</i>	
Charter Schools Tuition 2019-20 amounts due	\$ 291,894.01
403(b) Contributions	\$ 221,188.00
Lehigh Carbon Community College	\$ 15,122.75
George's Transp. (In Accordance with Act 13)	\$ 110,000.00
Borough of Lehigh	\$ 10,635.98
Construction EC- Phillips	\$ 32,869.05
Construction EC- Jay R Reynolds	\$ 45,369.88
Construction EC- EI	\$ 13,264.30
Concern Treatment Center	\$ 119,330.10
Miscellaneous Vendor Invoices	\$ 33,424.06
Food Service Fund Transfer	\$ 25,000.00
Total Estimated Expenditures as of 6/30/2020	\$ 41,742,551.30
Total 2019/20 Estimated Revenue as of 6/30/2020 **	\$ 41,799,472.37
**See important notes below	
Estimated 2019/20 Net Surplus	\$ 56,921.07

** Important Revenue Notes - 2019/20 Non-recurring (One Time) Revenue	
Total 2019/20 Estimated Revenue as of 6/30/2020	\$ 41,799,472.37
6944 Tuition from other LEA's	\$ (1,102,167.74)
9400 Sale of Shull David and Franklin Elementary	\$ (817,974.00)
Total 2019/20 Estimated Recurring Rev as of 6/30/2020	\$ 39,879,330.63
Total Estimated Expenditures as of 6/30/2020	\$ 41,742,551.30
Estimated Use of Fund Balance 2019/20 if no one-time revenue	\$ (1,863,220.67)

2019/20 recap:

While at this point based on invoices received through 8/10/2020, the district will have operated at a small surplus for 2019/20. However this surplus was only generated due to one-time revenue received of \$1.92 million; had this one-time revenue not occurred the district would have operated at a loss of \$1,863,220.67

Looking forward:

2020-21 Estimated Expenditures of 41,056,215 are 1.8% less than actual 2019/20 expenditures; revenue and spending must continue to be closely monitored to ensure district spends within available revenue streams