

**Northwestern Lehigh School District
6493 Rt. 309, New Tripoli PA 18066
SPECIAL BOARD MEETING
District Board Room
Wednesday, January 4, 2017, 7:00 PM**

1. Opening Procedures

1.01 Call to Order

The January 4, 2017 Special Board Meeting of the Northwestern Lehigh School District Board of Directors was called to order at 7:00 PM by President Willard Dellicker.

1.02 Opening exercises included the Pledge of Allegiance and a moment of silence

1.02 Roll Call

PR/AB

AB**	John Casciano	PR	Paul Fisher	PR	Charlene D. Rauscher, Esq.
PR	Willard Dellicker	PR	Todd Hernandez	PR	Darryl Schafer
PR	Joseph Fatzinger	PR^	Todd Leiser	PR	Phil Toll

** John Casciano arrived at 7:07 PM

^ Todd Leiser present via Skype

Also Present:

Ray Nemeth, Kyle Elliot, Erica Gross, Brian Brandis, Mike Spadafora, Terry Degroot, Scott Shearer, Arthur Oakes, Leslie Frisbie, Aileen Yadush, William Dovico, Luann Matika, Jennifer Holman, Mary Anne Wright and Janine Partenio.

1.03 Approval of Agenda

Moved: P. Toll

Seconded: P. Fisher

Vote: 8 Aye, 0 Nay

1.04 President welcomed guests

1.05 Courtesy of the Floor

None at the time

1.06 Purpose of Special Meeting

W. Dellicker explained the meeting was to discuss and take action on the High School Modernization Project Bid Specifications. He also stated S. Shearer, from Public Financial Management (PFM), was in attendance to discuss financing options. W. Dellicker said bids would be advertised this week and due back by February 21, 2017 for a recommendation to the Board on February 23, 2017.

2. High School Modernization Project

2.01 Approve High School Modernization Project to be publicly advertised for bid. Included within the bid advertisement is approval to bid the flashing school zone light replacement on RT 309N, drainage improvements at the Middle School, and asbestos abatement at the High School.

A. Oakes explained the High School Modernization Project is Phase III (the last) of renovations to be made at the High School. He stated this will address safety, security, accessibility and efficiency. He said some of the renovations include: the Girl's Locker Room to move to the middle of the athletic area by the Boy's Locker Room; a secure entrance will be added to Guidance and the main office; an additional classroom will be added, as well as an LGI (Large Group Instruction); the Gym will be renovated with a new floor, equipment and access to the locker rooms; the Band/Choir Room will be renovated to maximize space; and the outside driveway will be expanded for busing safety.

A. Oakes introduced M. Spadafora from D'HUY Engineering. M. Spadafora explained they are seeking approval on the specification of bids in order for advertisement on Friday. He said bids are due February 21st and contractor reviews are slated for February 23rd. He mentioned since the December 8th Committee Meeting it was recommended that all three projects be combined into one contract for efficiency with permitting. He said the three projects are the High School Modernization, the Middle School drainage and the flashers on RT 309. He explained the Middle School project could be done as an alternate. He said if the pricing does not come out favorable, there is enough time to rebid. He explained that April 17, 2017 is slated as the start date with the Middle School starting in the summer; however, he would like to use the same excavators for both projects.

M. Spadafora reviewed the timeline saying temporary fencing would be up on April 17, 2017. He said he met with SSM for abatement. He stated they would need to come in to work prior to the contractors coming in for the project. He explained there is a pre-construction meeting set for April 11, 2017 for mobilization on April 17, 2017. He said there is an August 31, 2018 completion date set and phasing of the project will allow large group space availability at all times.

M. Spadafora stated the total project cost is about \$15 Million and is very close to the preliminary number. He is hoping that competition will bring the numbers down. He also said there was not much change with the design since the December 8th Meeting.

P. Toll asked when the front of the building would be coming down. M. Spadafora said April 17th will begin that process. Dr. Wright said the front classrooms would not be available during that time. P. Toll asked if she is comfortable with the students not having those classrooms. Dr. Wright explained that she is not comfortable with any type of displacement but understands the process and felt the administration had worked well with the design team in order to address the students' needs.

T. Leiser asked if there are any penalties for missed dates. M. Spadafora explained there are liquidated damages built into the contract.

P. Toll asked when the driveway will be addressed. M. Spadafora said April as well. He explained the lower lot will be the drop off location while construction is under way. C. Rauscher asked where the entrance to the school would be for the students. M. Spadafora said the Library entrance. A. Yadush explained the Library entrance will be used for bussing or drop-off; however, Mr. Zimmerman's athletic entrance would be used for the rest of the school. P. Toll asked if there was an egress issue. M. Spadafora stated students will be redirected in all directions for safe egress. He explained they will make sure there are coordinated plans for that purpose and emergency evacuations.

D. Schafer questioned where the staging would take place and if it would affect parking. M. Spadafora explained the front row of the parking lot would be used and he did not believe there would be any issue with parking. A. Oakes said some parking spaces would remain open in the lower lot in order to allow for drop off.

P. Toll asked where the bids would be delivered to. M. Spadafora said they would be addressed to the District's Business Manager and all bids would be opened at the District after the deadline date and specified time. He said bids are due on February 21st. Dr. Wright said probably by 2:00 PM.

D. Schafer asked about trees being removed from the Middle School. T. Degroot stated some trees must be removed in the courtyard and they will be replaced over by the soccer field.

J. Casciano asked for details about the driveway. T. Degroot said when it was decided that the front of the building would be extended, it was determined that the front of the building would touch the driveway and that would need to be extended as well. He explained the driveway would have to be moved and while discussing the driveway, it was determined to extend the driveway. He said this way two buses would be able to fit and allow for the safety of the students.

J. Casciano asked what the issue was with the drainage. T. Degroot stated the drainage structures were not completed and/or functioning properly at Northwestern Elementary. He said these items needed to be addressed in order to close out that permit and begin a new one. J. Casciano asked about the drainage with the driveway. T. Degroot said two infiltration bins will be added with one addressing the drainage issue to cure the permit.

B. Brandis explained the bids consist of 130 drawings and three volumes of technical specifications. He showed a general overview saying this was the last area of the High School to be renovated. He explained the addition will have offices, a nurse's suite, LGI and a new entrance. He showed plans explaining blue areas to be light renovations and red areas with more extensive renovations. He stated the trainer's room would be moved to the rear of the building to have access to the fields; entrances will be handicap accessible; stage will have a ramp; all bathrooms would be ADA accessible; one classroom will be renovated to standards and choir/band room would be combined for efficiency. A. Oakes explained that after school hours the LGI room could be available to the public while the rest of the building could be locked down.

B. Brandis reviewed the phasing diagrams explaining the process begins in the front of the building. D. Schafer asked what would happen with the girl's locker room. A. Oakes said they would be able to use the trainer's room, if need be, but it should not be an issue.

B. Brandis said the next phase addressed the Gym and the hallway back. P. Fisher asked if the lighting was already done in that area. A. Oakes said yes, it was added as an alternate since it would have to be removed and stored. P. Fisher asked what gym equipment is being replaced. A. Oakes said the backboards will be replaced and the seating would remain and seating would not be lost.

B. Brandis said the next phase is the auditorium where they are trying to increase seating. He explained the last phase is the corridors and classrooms across from admin. A. Oakes said the phasing would minimize the amount of time for office displacement.

P. Toll asked if the flooring situation could be explained because he cannot justify \$200,000 for terrazzo flooring down to the ramp. He said it was not part of the original plan. A. Oakes stated the terrazzo is in the base bid with the lobby and the logo. He said the second base bid is the main corridor down to the ramp by the library. He explained it would fix the telegraphing in the VCT now and is part of the main corridor for the public and students when looking at aesthetics. He said the deduct is the two lobbies and the second is the corridor. He said a third can be added as the floor from the guidance area to the ramp. B. Brandis wanted to clarify that the \$200,000 price was for all the corridors in the High School project using terrazzo, not the way it is currently planned.

P. Toll asked if the asbestos will be removed before the front of the building comes down. A. Oakes said most of it will be done over weekends when students are not in the building. He said their start date is April 10, 2017 to allow for containment and removal.

P. Toll asked why the Middle School is being done as an alternate. M. Spadafora explained there would be additional costs for contractors when it could all be done under one submission instead of two. He said it is being done as an alternate bid to see the numbers they receive as they are trying to make it the most beneficial and efficient for the District. J. Holman asked if they could do it as an alternate and as a separate bid. M. Spadafora said yes, but he feels there will be a better price if it is combined.

P. Fisher asked if anything was received in writing from the teachers union about this Project. He stated during negotiations, the teachers brought up the cost of construction. J. Holman said there were no written communications received; however, there were user group meetings with departments that were affected by the modernization. A. Oakes stated the user groups were very helpful in the planning of the project. Dr. Wright said the project was also shared with everyone on opening day of this school year.

Moved: J. Fatzinger

Seconded: J. Casciano

Roll Call Vote:

Aye	John Casciano	Nay	Paul Fisher	Nay	Charlene D. Rauscher, Esq.
Aye	Willard Dellicker	Aye	Todd Hernandez	Nay	Darryl Schafer
Aye	Joseph Fatzinger	Aye	Todd Leiser	Nay	Phil Toll

2.02 Project Financing Update Presentation by Scott Scherer of PFM

L. Frisbie introduced S. Shearer. She said he was in attendance to revisit financing options and draw schedules for the High School Modernization Project. S. Shearer explained the plan was set for a total of \$15.5 Million and included a potential use of cash reserves estimated in the amount of \$4 Million. He explained the District has a good rating based on the Fund Balance and urged the District not to utilize too much of that balance so it would not affect the rating. He said the District can use the cash reserves to lower the borrowing based on rates and terms and also mentioned the District be aware of the uncertainty of property tax elimination.

S. Shearer explained items to be considered relating to the new financing. He said timing is important to ensure the District has funds available when they are needed. He stated the District should determine whether the structure of the debt service should be level or wraparound. He proposed a two-step plan which allows for flexibility and more time to determine the reserves to be utilized and urged the Board to fit the new debt service within the Act I index.

S. Shearer discussed other refunding opportunities such as 2012 bonds. He explained there is a \$9.975 Million of principal outstanding with an August 15, 2017 call date. He said the current coupons range from 2.00% to 3.45%. He recommended including a net savings target of at least 2.00% in the Parameters Resolution. He said this would require about a 20 basis point drop in long term rates.

S. Shearer reviewed the financing timeline saying January 18, 2017 will be the authorization to proceed. February 15, 2017 would be the adoption of the Parameters Resolution including the refunding of the 2012 bonds. March 15, 2017 the Board would take action to approve the construction bids then price a series of 2017 bonds and lock in the rate. He said 35 days later the transaction would close and District will receive the funds to pay contractors. He explained there will be two separate transactions for IRS regulations.

S. Shearer went over the 20 year level payments and wraparound payments. He stated the wraparound has a lower annual budget impact but higher interest in the long run. He explained that there is a 50/50 split between organizations using a level vs wraparound structure. L. Frisbie said historically, the District had used wraparound structures to levelize the impact.

L. Frisbie reviewed the following information summarizing the project financing:

ESTIMATED PROJECT COST	
HS Project	\$ 15,239,920
MS Drainage	195,000
Flashers	38,000
	15,472,920
DISTRICT CASH CONTRIBUTION	
Use of GF Balance	4,000,000
Bond Issue April 2017	8,000,000
Bond/Bank Loan April 2018	3,770,000
	\$ 15,770,000
Difference due to bond proceeds vs. net cash	

ESTIMATED FUND BALANCE USE	
Millage Rate Stabilization	\$ 1,604,483
Energy Stabilization	575,000
Capital Projects	820,517
Unassigned	1,000,000
	\$ 4,000,000

P. Toll asked if the estimation from March 2016 used the wraparound structure. L. Frisbie said yes. L. Frisbie reviewed the two options of new debt service with the following summaries:

NEW ANNUAL DEBT SERVICE OPTION 1							
	2017-18	2018-19	2019-20	2020-21	2021-22	Thereafter	Total
Bond Issue-April 2017	224,680	589,616	587,544	584,549	585,870	8,811,926	11,384,185
Bond/Bank Loan- April 2018	-	264,128	261,802	263,708	265,141	4,251,701	5,306,480
	224,680	853,744	849,346	848,257	851,011	13,063,627	16,690,665
Millage Equivalent	0.1495	0.5681	0.5652	0.5645	0.5663		
Annual Allowable Millage							
Assuming 2.9% Index	0.4629	0.4629	0.4629	0.4629	0.4629		

NEW ANNUAL DEBT SERVICE OPTION 2							
	2017-18	2018-19	2019-20	2020-21	2021-22	Thereafter	Total
Bond Issue-April 2017	249,789	298,648	298,538	298,415	298,283	11,039,047	12,482,720
Bond/Bank Loan- April 2018	-	121,923	145,209	145,009	144,976	5,464,622	6,021,739
	249,789	420,571	443,747	443,424	443,259	16,503,669	18,504,459
Millage Equivalent	0.1662	0.2799	0.2953	0.2951	0.2950		
Annual Allowable Millage							
Assuming 2.9% Index	0.4629	0.4629	0.4629	0.4629	0.4629		

D. Schafer asked why the District is borrowing more than the cost of the project. L. Frisbie explained it is because of proceeds versus contract cost. Dr. Wright stated before the final borrowing the District may choose a different cash option.

L. Frisbie explained there were preliminary discussions with New Tripoli Bank and that S. Shearer proposed a bank loan at the time. S. Shearer said the District can investigate whether to utilize a bond issue or bank loan in the future. P. Toll asked if it is hard to get a fixed rate. S. Shearer stated he is not sure at this time since they are all different; however, he has gotten fixed rates in the past. He said with the variable a rate can be capped at 4%.

P. Fisher said he noticed there was a spike in rates in the last few days and asked if there was any guidance on where rates may be going. S. Shearer said there was a dramatic increase in rates due to the overreaction of uncertainty of Trump's proposed plans. He said he believes long term rates may increase or short term rates may increase with mid and long term rates flattening. He explained that so many things may happen since the international volatility is unpredictable. He said he would like to handle the paperwork early so there is the opportunity to react before any changes occur. He explained a small cushion is built in and modeled with conservative numbers. P. Fisher asked if the bank borrowing interest rate is typically higher than a bond issue. S. Shearer said yes; however, the fees are lower.

P. Fisher asked how the District's rating would be impacted by a large borrowing. S. Shearer said lenders like to see ample reserves. He explained the use of fund balance may have a negative impact the District's rating and he is not sure if they would just watch it or actually decrease the rating and costs would increase for the District when borrowing.

P. Fisher asked what would happen with the Emmaus Bond Pool rates with the two borrowings. S. Shearer said it increases along with federal rates and tied to the short term rates. He explained throughout the year there are variable spikes and then they go back to normal.

P. Fisher questioned how the proposed timeline would affect the 2017/2018 Budget. L. Frisbie explained the preliminary budget included the new debt. She said the Act 1 index and the Resolution for borrowing is set for action at the January Board Meeting. She explained the Board would need to determine which structure the Board would prefer for the borrowing and what strategy should be used with millage impact. Dr. Wright said the Board will need more discussion before the February Meeting for the Parameters Resolution. L. Frisbie mentioned it can be discussed at February Workshop and once the structure is determined it can then be incorporated into the budget plan for 2017/2018, as well as long term, in order to phase in the debt over the next few years. S. Shearer said another option is to utilize the \$4 Million cash reserves to assist with millage impact.

P. Fisher asked if the financing could be discussed at next week's Workshop Meeting. L. Frisbie said we can. P. Fisher recommended discussing it with updated budget numbers since the state has under projected about a half billion dollars. He said if the state is facing that type of deficit, he believes it would impact our state reimbursements. L. Frisbie explained that the budget has flat lined numbers for basic education and special education built-in. She stated no increases were included but is concerned about Plan Con. P. Fisher asked if adjustments were made for the new PSERS rates. L. Frisbie said yes. P. Fisher said PSERS has about a \$350,000 negative gross impact on the District. He said if there is a 50% reimbursement, the District has a net \$175,000 hit based off of the 2016/2017 numbers. He explained that the District had a negative impact last year when the PSERS projection was off and this year it is a 6.4% increase off of those projections. He believes if the trend continues then fund balance would be non-existent. L. Frisbie explained that the preliminary budget uses the projected PSERS rates that are published. She said they had then been significantly higher than the published projected rate. She stated the PSERS rate was 32.57% and the budgeted projection was 30.62%.

W. Dellicker thanked all the professional services for coming to the meeting.

3. Communications

3.01 Courtesy of the Floor

R. Nemeth stated the PSERS rate had a good result because of the stock market and he felt it may not be that way in the future.

4. Adjournment

Upon motion by T. Hernandez, seconded by J. Fatzinger, the meeting was adjourned at 9:13 PM.

Respectfully submitted,

Todd Hernandez, Secretary
By J. Partenio, Recording Secretary