

POTTSVILLE AREA SCHOOL DISTRICT

Board of Directors
December 10, 2019
Special Board Meeting
Academic Center
7:00 p.m.

Present: Mr. Quandel, Dr. Blankenhorn,
Dr. Cardamone, Mrs. Dewitt, Dr. DiCello,
Mr. Moran, Mr. Shields, Mr. Urban,
Ms. Wytovich, Dr. Zwiebel, Superintendent;
Mr. Manning, Business Manager; Mrs.
Lombel, Asst. Business Manager/Board
Secretary; Atty. Reid, Solicitor

The Special Board Meeting was called to order at 7:00 p.m. by President Mr. Quandel. After the Pledge of Allegiance, Mr. Quandel welcomed everyone attending the Special Board Meeting.

Mr. Quandel announced that an executive session was held from 6:00 p.m. to 7:00 p.m. to discuss personnel matters.

Mr. Quandel introduced Mr. David Faust, project developer with Solar Renewable Energy LLC. Mr. Faust answered the most significant questions about the proposed solar project for the Pottsville Area School District. Mr. Doug Neidich, CEO of GreenWorks Development, LLC was available via phone. The questions/answers are as follows:

1. What are the goals of the Pottsville Area School District solar project? There are several main goals to this project:
 - Saving the Pottsville Area School District as much as possible on its electricity costs
 - Generating value in state incentives for solar generation for the district
 - Insulating the district from increased electricity cost over time
 - Using the system as an educational tool for the district's students, faculty and community
2. What is the scope of the Project? The project scope is to install solar arrays on school roofs and on the practice ball field behind the Academic Center to generate approximately 79% of Pottsville ASD's current electricity use. The solar layouts will be on the roofs of the Academic Center, JSC Elementary Center, PAHS, Martz Hall/Middle School and Practice Field.
3. Don't we need the practice field? The plan is to relocate the practice field to Alumni Field.
4. What is the cost of the solar installation? The total cost of the system is \$4,289,000. The cost is paid over a 40 year period.
5. How much of that cost does the district pay up front? There is no upfront cost. An investor group will purchase, own, operate and maintain the array for a period of at least five years, to allow the district to see the benefit of a 30% federal investment tax credit that exists for solar projects that are begun in calendar year 2019. That investor group

will pay the entire cost of the project up-front, and the district will lease the solar system from the investor group. After the initial five year period (the minimum period that the investors are required to own the system to qualify for the tax credit), the district is encouraged (but not required) to purchase the system. Purchasing the system will significantly increase the district's cash flow, as discussed below.

6. Is the 30% federal tax credit still available if the project doesn't start in calendar year 2019? If 5% or more of total project costs aren't expended in calendar year 2019, the 30% tax credit drops to 26% for calendar year 2020. This difference would cost the district 4% of the total cost of the project over its first five years.
7. Wouldn't it be better for the district to wait another few years until the cost of solar came down further? The cost of solar panels has dropped from \$101/watt in 1975 to less than \$0.40/watt today, and can't drop much more. The cost of installation techniques has dropped significantly too, meaning that the installed cost of solar is about as low as it can get right now. While costs have dropped as low as they can, the 30% federal tax incentive is scheduled to decrease each year for the next few years eventually down to 10%, and state solar incentives are increasing and should continue to increase. This is really a good time to install solar in Pennsylvania.
8. What are the savings to the school district because of the solar installation? After the system is installed, the district will begin saving approximately \$44,000 per year. If the district purchases the system after the initial five years, those savings will increase to approximately \$170,000 per year. Total savings for the system are estimated at \$7.4 million over the 40-year period with expected assumptions on electricity rate increase, SREC value and loan terms. A worst-case cash flow analysis (minimum SREC value after 5 years and zero electricity rate increase over the 40-year period) shows an expected cash flow of \$471,000.
9. What will it cost the district to purchase the system after five years? The cost to buy out the system after 5 years is \$2,865,832. This can be 100% financed, meaning no cost to the district at buyout.
10. What makes up the savings each year for the district? In year 1 of the project, the district will save approximately \$192,000 in electricity cost and will also generate approximately \$131,000 in Solar Renewable Energy Certificate (SREC) value. The district's year-1 lease payment is \$279,000. Subtracting the lease payment from the electricity savings and SREC income nets \$44,000.

If the district purchases the system after the initial five years, the cash flow increases significantly. After purchase, instead of a lease the district would pay a principal and interest payment on a long-term loan and pay an operations and maintenance fee on the system. If the system is purchased after the initial five years, the year-6 savings would be:

Electricity savings year 6:	\$207,000
SREC savings year 6:	\$128,000
Principal/interest payment year 6:	-\$156,000
Operations/maintenance payment year 6:	-\$ 10,000
Year-6 savings:	\$169,000

11. What are Solar Renewable Energy Certificates (SRECs)? SRECs are “green certificates” that are generated when you produce solar electricity. They are tradable on a market in Pennsylvania and SRE can handle those trades for the district if desired. We’ve shown a value of \$45 per credit in the Pottsville cash flow analysis. That number varies like stocks vary, but we feel strongly that market dynamics are in place to increase that value over the next several years. The district could elect to sell its initial 5 years of SRECs as soon as the system starts generating electricity to minimize risk. This would also eliminate possible upside value of those SRECs in those 5 years. SRE follows the market closely and will give the district the benefit of its experience in the market over time.
12. What variables can affect the district’s savings over the life of the project? The variables that can affect savings are:
 - Conventional electricity rate increase: We’ve assumed a 2% annual increase but have provided an Excel version of the cash flow projection so the district can explore other rate of increase. (See office file)
 - SREC value: Our analysis used a \$45 value per credit. That value has increased significantly over the last 2 years and market dynamics in both supply and demand of credits should continue to increase that value over the next several years.
 - Loan terms: The cash flow analysis that we’ve provided to the district assumes long-term, fixed rate financing from the US Dept of Agriculture. Different loan terms will affect long-term savings.
13. What is the expected life of the system? Solar arrays have an expected life of at least 40 years.
14. Will the installation of solar panels affect the integrity of the roof? No, the rooftop arrays are installed with no penetrations into the roof. They are self-ballasted and designed to minimize impact on the integrity of the roof. We will work with your roofing manufacturer to ensure that your roof warranties will not be affected after installation.
15. What would be the cost to remove and reinstall the system if the roof needs to be replaced in the next 40 years? The estimated cost to remove and reinstall on all roofs is \$271,000.
16. Will any part of the system need to be replaced over that 40 year period? The system’s inverters are the only part of the system that will need to be replaced. They will be installed with a 20-year warranty and will likely all need to be replaced in years 21 to 25. We’ve included a full replacement cost for all the system’s inverters in year 21 of the cash flow statement.
17. Is the output of the system guaranteed over time? Yes, the contract includes minimum output guarantees over the life of the system.
18. Does the output of the panels degrade over time? Solar panel manufacturers estimate that panels degrade by 0.5% per year. This is included in the cash flow analysis.
19. Is there a requirement for the district to bid a solar project like this one? SRE has done over the last 10 years for municipal and not-for-profit entities like Pottsville ASD. Each

entity's solicitor has reviewed bid requirements and a significant majority of those solicitors have decided that bidding the project was not required.

20. Who should I call if I have any other questions? Doug Neidich at 717.514.0751 or email him at dneidich@greenworksdev.com.

Mr. Faust also reviewed the 40 year cash flow spreadsheet. (See office file).

After the presentation from Mr. Faust, Mr. Quandel asked if any Board members had questions.

Dr. Cardamone said that since the SREC is a market driven commodity, in the worst case scenario, and if the SREC would drop down to 7 in year 6, would the district still see a savings? Mr. Faust said there would still be savings.

Mr. Moran asked what that savings would be in the worst case scenario. Mr. Faust said it would be a \$1.2 million savings. He stressed that would be a worst case scenario. Mr. Quandel said the probable savings over the 40 year period would be \$4,775,276.

Dr. DiCello asked what the commission would be? Mr. Faust said he was not sure of the commission and Mr. Manning asked for an estimated number. Mr. Neidich (via phone) said it is on a low cost basis but would get back to the Board with the information.

Dr. DiCello asked if the roof warranty would be voided when placing the solar panels on the roof. Mr. Faust said that the project would not go through if the roof warranty is voided.

Mr. Moran asked if the panels would penetrate the roofs if the panels would move due to inclement weather such as high winds. Mr. Faust noted that there is an "equilibrium racking system" which can withstand winds up to 100 mph.

Dr. DiCello asked about the warranties on the panels. The panels have a 30 year warranty, racking has a 20 year warranty.

Ms. Wytovich asked about the baluster warranty. Mr. Faust said it is either a 10 or 15 year warranty.

Dr. DiCello asked about the cost of replacing the panels if the warranty had expired. Mr. Faust said he did not have that information but would get back to her.

Mr. Moran asked if any other school districts have solar panels. Mr. Faust said Tamaqua School District anticipated the solar panels will be installed by the end of the school year; Mid West in Snyder County and Commonwealth Charter School in Harrisburg have a solar array on its roof top. Mr. Moran asked about the proposal for the practice field and how would the panels sit on the field. Mr. Faust said the solar panels are driven into the ground and the racking sits on a post.

Ms. Wytovich asked how the contract works if during the installation there is trouble with the panels, are we then obligated to buy them. Also how do we get higher than the 79%. Mr. Neidich answered that the final design of the panels will be adjusted accordingly. In order to get to a higher offset, the company will look for other areas to increase that number. The company will try to get as close to 100% as possible.

Dr. DiCello asked what the difference in cost would be if the project was initiated in 2020 instead of 2019. Mr. Manning said the difference will be \$200,000.

Dr. DiCello also asked if the panels will work if there is snow on them. Mr. Faust noted that the panels are bifacial; the panels take energy from both sides. This is relatively new.

Dr. Zwiebel passed out pictures of Alumni Field. The proposal would be to move the football practice field closer to Market Square Apartments (rear) and then widen the soccer field on both sides for a practice field for both boys and girls soccer. The press box may have to be moved to the other side of the field. Mr. Ditzler along with Dr. Zwiebel reviewed Google Maps to verify availability of space for both the football and soccer fields.

Dr. DiCello asked if there are schedules in place for practices. Dr. Zwiebel said he does not have the schedules.

Dr. DiCello also inquired if there were enough lights on the fields. Mr. Manning said there are four lights.

Dr. Blankenhorn asked if there is a square footage requirement if all teams are on the field at one time; is it doable to accommodate everyone.

Mr. Shields said the teams could use Veteran's Stadium if need be. Mr. Shields said we have to work out a schedule which benefits everyone. Mr. Shields said the object of these solar panels is to make the district money. Mr. Shields said the district is in bad shape and we have to do something to produce revenue for the school district.

Dr. DiCello said that Alumni Field is very heavily used and is concerned that there is not a concrete plan in place. Dr. DiCello said she is not hearing a defined plan and would like to know how we are going to accomplish all these changes.

Mr. Quandel stressed that because of the timeline and the savings of \$200,000, we can work out a defined plan with the Athletics and Grounds Committee. We do not get many opportunities like this one that would produce revenue for the district.

Mr. Manning asked what is the cost of the solar installation and how much of the Federal tax credit is passed through to the district. Mr. Neidich said the investor return is approximately

8% plus the buyout. Mr. Neidich does not have the investor breakdown on the total cost but will provide figures to Mr. Manning. Mr. Neidich also noted that with the federal tax credit, the company is able to structure this project and entice investors. The project is 100% financed and the district does not have to have any money up front.

Mr. Manning received an email on the concern of putting panels on the roof and would it impact the roof warranty. Mr. Manning asked if the company will be indemnified if the warranty is impacted. Mr. Neidich said their company will give all the specifications to the manufacturer and will make sure warranty is maintained.

Mr. Quandt asked if there were any Public Comments this evening. He noted that starting in the New Year, there will be two public comments: one in the beginning of the meeting and one at the end of the meeting. Speakers will be limited to three (3) minutes.

Josephine Kwiatkowski of Pottsville and frequent attendee of the school Board meetings said, "I have attended most meeting of the school Board and yet I cannot remember any report given from the Buildings and Grounds Committee. The response when asked for a report has always been "no report", even during the mold crisis. If solar panels were discussed in committee, why was a report not given at the November or December meeting? What is the urgency regarding this proposal? To present one week and expect an answer the next seems coercive. It gives the appearance that we are being railroaded.

I have read the figures in the paper. I am sure that they represent the best possible outcomes of this deal. However, if there is only one proposal and it was not advertised, how do the taxpayers know if this is the best option?

As this decision will surely affect the school district's budget, why are we not adhering to the guideline set forth in the Auditor General Report of September 2019? I quote from the Audit "Display the multi-year prominently on its website for the public so that taxpayers and District officials can publicly discuss the details of the budget at open meeting." Page 23, Performance Audit, conducted by the Auditor General.

The secrecy and urgency of the Board make this entire issue suspect. Therefore, I respectfully request that this issue and vote be tabled until the district holds public information forums where the public can ask questions and receive answers. Thank you."

Amy Babcock, President of the Pottsville Area School District Education Association stated, "While we understand that out of the box thinking is necessary to solve some of the District's financial problems, we have many questions and concerns about the proposed Solar Project. A 25 year commitment should require more than a week's consideration. At the last Board meeting, there was an adjournment and most of the public and the press left the building. It was only coincidence that three of the Association officers stayed to hear the presentation after the meeting was re-opened. If we had left, we would have had no information about the proposed project or its effect on the District. We are very invested in the decisions that the Board makes because we are on the front lines every day educating and nurturing the children

of this District. We feel the public, parents and teachers deserve more details – therefore, we approached the District for more information.

Our main concerns are the many financial variables the project entails. Nothing is ever truly free. While the proposal shows some financial benefits to the District, are they based on projections, unknown investors and variable profits?

- Does the District definitely have investors willing to pay all start-up costs and the first 5 years of lease payments?
- Are the investors locked in for all 5 years or could they possibly withdraw?
- How are the savings affected if the District is unable to finance the system after 5 years?
- If the District is able to finance the system after 5 years, what will the cost of maintenance be? For example, the chart provided in the proposal says that in year 21, the District must pay \$305,000 for a total inverter replacement. While I will not be working here in 21 years, there are young teachers who may be. The Association cares about future students as much as we care about the current ones.
- Once the District owns the system, does it have to pay for equipment costs and insurance for the solar panels?
- Right now, our roofs are older than the company recommends for this project and will eventually need to be replaced. What will the cost be when it comes time to replace the roof in each building, take the system off and then replace it again?
- Will the roofs need restructuring because of the weight of the panels and concrete to hold the panels down?
- Some companies with solar energy mention having battery backups for their panels. Is this necessary for us to have?
- Why were there no other bids from companies providing the same or equal services? Teachers and administrators in this district are required to find the best deal on any and all materials. Does the Board know this is the best company to provide these services?
- Did the Board reach out to any companies or school districts that went through with the project? Did the project save them as much as was projected?
- How will the loss of the practice field, costs of finding a replacement field and restructuring our current fields affect the District financially?
- How will the solar panels affect the beauty of our campus and our historic buildings?

We are not against new projects to improve the District educationally or financially. However, knowledge is power – and the staff and public have not had enough time or information to support or reject this project. Transparency is key to a good relationship between the Board, the teachers, the students and the community.

The teachers in our Association and the students have felt the financial constraints of the past 5 years. We have had to do more with less. As the Board is aware, over the past 5 years the teaching staff has been reduced by 21 teachers. However, we continue to provide a quality education for our students, despite increased workloads and classroom sizes. Therefore, anything that affects the District's finances is extremely important to us. Our number one concern is and will always be the students. If it affects them – it affects us.

Dr. Elizabeth Robison, Superintendent of Pocono Mountain School District and Pottsville resident asked the Board several questions:

- How are proposed savings calculated?
- Does this solar array produce 100% of the District's electric requirements?
- Does it compare entire electric spent? PPL distribution charges, capacity and transmission costs do not go away.
- Savings based off exaggerated future costs? 3% increase per year? Electric rates have actually decreased. There are school districts that entered into agreements that are paying more than market rate.
- 30% tax rebate in 2019. 26% tax rebate in 2020. Is it worth rushing into this agreement for 4%. Take more time for due diligence before signing a 40 year contract.
- Majority of the tax breaks/rebates and depreciation is realized during the first 5 years while the system is being lease. Does the company gain and the District does not?
- Solar array lifespan? Panels lose 10% capacity every 10 years. Is there a guarantee of how much energy will be produced annually by this system? Is this specified in the contract?
- Guaranteed results/loss, what happens if savings are not met?
- Who maintains, operates and inspects the system after the lease period? Cost incurred included in the figures presented?
- 40 year lifecycle costs? Changes in technology. Will this system become obsolete over the next 40 years? What is the cost to dispose of outdated panels?
- How does climate change/weather conditions impact projected savings?
- What are the current conditions of buildings? Roofs? Will installation void existing warranties?
- 8.8 million dollar savings over 40 years equates to \$220,000 per year. Have other cost savings measure been investigated? LED lighting, motion sensors, HVAC calibration, temperature setbacks when unoccupied, building envelope survey, these and many other ideas would have greater impact on the annual utilities spent with much less District investment?
- No other districts contacted on the reputation of this company and the completion of projects.

Overall, the Board should enact due diligence immediately on this matter. Prudent action would be to table this project. There should be no future recommendation without research.

Mr. David Swirsky asked if panels could be put on just one building.

Mr. Edward Braukus, a member of the International Brotherhood of Electrical Workers questioned why this project is not going out for bid. Mr. Braukus said if the district would put the project out for bid, it could be more beneficial.

Mr. Michael Babcock is concerned with mounting panels on the roofs. Mr. Babcock noted that this would cause more weight on the roofs.

Mr. Marty Mohl asked Mr. Faust if the company put solar panels on any other school districts. Mr. Faust said that they did a charter school recently. Mr. Mohl also said he has been involved with the Pottsville Midget Football League and they would not be able to afford using the field lights.

Mr. Quandel thanked everyone for their comments.

Under the Superintendent's Report, Dr. Zwiebel had the following informational items:

- The students of the PAHS Marching Band will be performing at Disney World, Florida from February 25 through 29, 2020. It should be noted that the band has traditionally traveled to Florida every four years for the past forty years and will not cost the school district any money. Board approval was granted April 18, 2018.
- Lillian Hobbs, PAHS Librarian, was nominated for the Leadership Institute for School Librarians of the University of Pittsburgh on the basis of leadership demonstrated in a previous Academy. She was accepted as one of the sixteen participants in the new Leadership Institute for PA School Librarian, which is a 2019-2020 collaborative initiative of the Pennsylvania School Librarians Association (PSLA) and the University of Pittsburgh. This is a yearlong professional development program designed to foster leadership in the areas of curriculum development, instructional design, technology integration, professional development, student advocacy, information literacy instruction, and collaboration. Monthly virtual institutes will be held beginning in December 2019 and three face-to-face professional development sessions will be held beginning in February and ending in July.

On the recommendation of the Committee on Buildings, Real Estate and Transportation, and on motion of Dr. Cardamone, seconded by Mr. Urban, the Board authorized entering into a Solar Energy Power Service Agreement with Pottsville SD Solar Partners, LLC subject to a finalized contract between the parties as reviewed by the solicitor and deemed satisfactory to administration. Motion carried by roll call vote: Dr. Cardamone, Mrs. Dewitt, Mr. Shields, Mr. Urban and Mr. Quandel, Aye. Dr. Blankenhorn, Dr. DiCello, Mr. Moran and Ms. Wytovich, Nay.

On the recommendation of the Committee on Personnel and on motion of Dr. DiCello, seconded by Mr. Moran, the Board approved the following Leave Without Pay as per School Board Policy(s): 334,434, and 534:

- Employee #996 – paraprofessional – February 25, 26, 27, 28, 2020
- Employee #1320 – paraprofessional – December 6, 2019

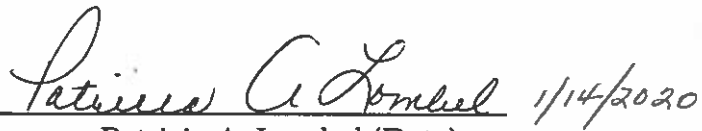
Motion carried.

On the recommendation of the Committee on Technology, and on motion of Mr. Urban, seconded by Mr. Moran, the Board approved the withdrawal from the Schuylkill Education

Technology Advisory Council (SETAC) and withdraw authorization for the Schuylkill Intermediate Unit to submit E-rate funding/support on behalf of Pottsville Area School District for the consortium purchase of Regional Wide Area Network services. In doing so, the Board considered the fact that the 2016 Services Agreement (E-Rate) is between Comcast and IU#29, not SETAC, and that neither the 2016 Services Agreement (E-Rate) nor the SETAC by-laws provide for termination fees to be paid by the terminating party. Motion carried.

On the recommendation of the Committee on Technology, and on motion of Mr. Urban, seconded by Mr. Moran, the Board authorized the Administration to approve Internet Services that will be effective July 1, 2020 for the Pottsville Area School. Motion carried.

There being no further new business, on motion of Mr. Urban, seconded by Dr. Blankenhorn, the meeting adjourned at 8:28 p.m.


Patricia A. Lombel (Date) 1/14/2020
Board Secretary