

Finance, Facilities, Technology Committee

Minutes

January 21, 2021

Members Present:

Johanna Wright, Kamal Zubieta, Shannon Cuttle, Elissa Malespina, Dr. Ronald Taylor, Paul Roth, Keith Bonds

The committee meeting was held via webex and was open to the public.

Update on VOIP phone system implementation:

- During the month of February 2020, the district began the process of procuring and implementing a VOIP phone system to replace its aged phone system. The district's current analog telephone system is over 10 years old and no longer supported by the manufacturer. The manufacturer of the phone system no longer makes telecommunications equipment and no longer provides parts for the existing phone system. The implementation of the new on premise IP based phone system will allow for greater flexibility and control of the district's communications platform. In addition, the district will gain tighter integration with paging systems, security systems, and other critical services used on a daily basis.
- The biggest challenge with implementing a phone system in the district is wiring dedicated ethernet connections to each of the classrooms and office spaces. As of January 2021, approx 90% of the cabling is complete.
- New network switches, battery backups, and server hardware have been installed to support the implementation of the new phone system.
- New handsets are being installed in each classroom and office space. The old headsets will be left in place while the installation of the new headsets continues throughout the district.
- The upgrade of the on-premise phone system is in the initial phase of a larger modernization of the district's communications platform. In the months and years to follow, the district's carrier services will be upgraded to allow for cost savings and redundancy of services.
- Barring any unforeseen circumstances with the phone system rollout, the technology department anticipates cutting the district over to the new phone system during the President's Day weekend 2021.
- Training materials (videos, manuals, quick reference sheets, and limited in-person training) will be made available to allow users to become comfortable with the new phone system.

Update on Internet Connectivity

- As discussed during the district's return to school town hall meetings, the technology department recognizes that bandwidth requirements will grow over the next few months.
- Assuming 50% capacity of buildings during a hybrid schedule, on average the district would need roughly 6 Gbps of internet connectivity. The current internet circuit has a maximum speed of 5 Gbps.
- Prior to the pandemic, the district contracted with a service provider for 1.5 Gbps of internet connectivity. In preparation for returning to school, the district increased the speed of this internet connection to 5 Gbps. Recognizing that this increase may still pose challenges, the district procured a secondary 3 Gbps internet circuit. This circuit can be upgraded to 5 Gbps if needed.
- The increase in internet connectivity does not resolve any Infrastructure (WAN, LAN, Wireless LAN) concerns. This can include poor wireless signal coverage in classrooms, link limitations between network closets, a saturation of a WAN link, maximizing utilization of core switching or distribution switching, etc. These require larger investments in the technology infrastructure.
- These upgrades are generally addressed systematically during the district's budget process.

Perkins Audit

The New Jersey Department of Education, Office of Fiscal Accountability and Compliance has completed a fiscal audit for the secondary Carl D. Perkins Grants of The School District of South Orange-Maplewood (SOMSD). The review covered the period July 1, 2018 through June 30, 2019.

The review and the findings of the audit will be discussed publicly during the January 25th Board of Education meeting. During the February 22nd Board of Education meeting the Board will be asked to review and approve a corrective action plan to address the findings in the audit and a copy of the resolution and corrective action plan will be sent to the Office of Fiscal Accountability.

The district receives approximately \$42,000 a year to support career and technical education programs.

The following recommendations were identified in the audit

- The district needs to establish two additional policies to “determine allowability of costs” and to address “mandatory disclosures of federal violations”.
- Update the purchasing manual to reference the most recent regulations for managing the federal grant.
- Each line item on a purchase order expending federal grant funds should reflect the location the goods and services will be delivered. A single ship to location in the header is not sufficient.

Budget Revenue and Debt Service

June of 2019, the district's long range facility plan was approved and authorization was provided to raise funds in the amount of \$160 million to fund the capital projects identified in the long range facility plan. August of 2019 and November 2020 bonds were sold in the amount of \$64.4 million and \$60 million respectively. The last bond sale is scheduled for the summer/fall of 2021. Every year the Board of Education must appropriate funds to repay the loans. The annual payments to repay the loan is referred to as debt service. The revenue for debt service consists of local taxes, state debt service aid, and interest earned on bond proceeds. Since authorization to raise funds was already authorized, local tax levy needed to repay the loan is automatic and not part of the calculation to determine the Board's allowable tax levy increase for the operating budget..

The table below shows the amount of interest and principal needed to repay all outstanding bond issues. The district must appropriate funds in the amount of \$9.3 million to meet the debt service payment schedule for the 2021-22 school year. The revenue will come from a combination of local tax levy, debt service aid, and interest earned on bond proceeds.

Bond Issued	Principal	Interest	Total
8/31/2011	405,000.00	132,325.00	537,325.00
2/23/2012	800,000.00	267,000.00	1,067,000.00
4/9/2014	365,000.00	75,375.00	440,375.00
2/15/2015	510,000.00	336,100.00	846,100.00
2/15/2015	950,000.00	204,750.00	1,154,750.00
8/27/2019	1,700,000.00	1,562,875.00	3,262,875.00
11/4/2020	0	2,003,401.56	2,003,401.56
Total	4,730,000.00	4,581,826.56	9,311,826.56

The table below estimates revenue sources for the 2021-22 school year and compares anticipated revenue to the current school year. At this time many assumptions were made regarding state and federal funding sources. The projected revenue presented today will change as actual state aid funding information is received at the end of February.

Revenue Source	2020-21	2021-22	% Change
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Local Tax Levy	123,334,105	125,800,787	2.00%
State Aid	5,880,802	5,880,802	0.00%
Extraordinary Aid	1,186,896	1,000,000	-15.75%
Audited Fund Balance	3,453,594	6,676,301	93.31%
Miscellaneous (incl. tuition)	275,000	275,000	0.00%
State/Federal	2,337,709	1,987,053	-15.00%
State/Federal Carry Over	654,925	0	-100.00%
Cares Grant and COVID relief aid	723,584	0	-100.00%
SEMI	106,638	106,638	0.00%
Non Public aid	170,268	170,268	0.00%
PEEA (Montrose)	5,501,260	5,396,426	-1.91%
Maintenance Reserve	1,000,000	0	-100.00%
Required fund Balance	818,150	630,000	-23.00%
Spending Freeze	574,004	0	-100.00%
Sub Total	143,976,744	147,923,275	2.74%
Debt Service Tax Levy	5,373,761	7,846,203	46.01%
Budgeted fund Balance - Debt Srv	0	460,615	
Debt Service aid	1,005,009	1,005,009	0.00%
Debt Service	6,378,770	9,311,827	45.98%
Total Revenue	150,355,514	157,235,102	4.58%

The Board of Education has the authority to increase local tax levy by 2% to support the annual operating budget. The Board can choose to “bank” some or all of this taxing authority to lower the overall tax impact and, within three years, decide to use this “banked” taxing authority. The table is showing the estimated maximum revenue the Board may generate for the 2021-22 school year.

Due to schools shutting down during the COVID pandemic, \$6.6 million of surplus remained as of June 30th. These funds are appropriated towards the next budget cycle.

The district applies for federal grants after the budget process is completed. The general guidance is to estimate revenue from federal grants to be 15% less than current federal grants approved for the current school year. During the 2021-22 school year the district received one time COVID relief funds from state and federal sources. It is anticipated that additional funds will not be provided for the 2021-22 school year.

The district's preschool program is funded by the New Jersey Preschool Expansion Aid Grant. Preschool grant funds remaining from the prior year are carried into the next budget cycle and used as revenue. It is assumed that grant funding will remain flat. The difference between the current revenue for pre-school and anticipated revenue for next year is due to the amount of carry over funds that are available from the prior year.

During the last few budget cycles, the district used funds from the maintenance reserve account and enacted spending freezes to generate revenue for the school year. This was a useful short term tactic to avoid employee reductions. Each year the district reduced reliance on these methods. The recommendation is to fully eliminate the use of this strategy and not to use maintenance reserve funds or enact a spending freeze to generate revenue for the 2021-222 budget. The district is in position to met this goal due to the amount of available surplus that resulted from schools closing due to the COVID pandemic.

The maximum revenue increase for the operating budget is estimated to be about \$4 million assuming the district increases the local tax levy by 2%. A 2% tax increase will generate about \$2.5 million. If the board decides to "bank" taxing authority, revenue is expected to increase by \$1.5 million.

Debt service is expected to be \$9.3 million. Currently the district is receiving about \$1 million is debt service aid and will apply \$460,000 of interest earned toward debt service. The result is \$7.8 million, a \$2.5 million increase, in local tax levy to cover debt service payments. The district is expecting an increase in debt service aid; however, due to revenue shortfalls resulting from the COVID pandemic, the current assumption is that state aid will remain flat.

The table below calculates the estimated school tax increase

Revenue Source	Projected
20-21 tax levy	123,334,105
21-22 tax levy	125,800,787
Tax impact Operating	2%
20-21 Debt Service	5,373,761

20-22 Debt Service	7,846,203
Tax Impact Debt Service	32%
20-21 Total Tax Levy	128,707,866
21-22 Total Tax Levy	133,646,990
Tax impact	3.7%

Tax impact is estimated to be in the range of 1.8% to a maximum of 3.7% if the Board decides to increase revenue by the maximum allowable 2% increase.

The following comments were posted by the public in the chat section of webex

January 21, 2021 6:00 PM from Lorraine Sudol-Sciacca (privately): Agreed, Keith. Things were working well.

January 21, 2021 6:01 PM from Lorraine Sudol-Sciacca (privately): Thank youi for your efforts. Evyn was great help.

January 21, 2021 6:05 PM to Lorraine Sudol-Sciacca (privately): Thank you :-)
It's a work in progress, I do appreciate the kind words.

January 21, 2021 7:36 PM from Paul Haley to everyone: I dont want to join your committee, I want to offer my 20 years of Facilities and Corporate Real Estate expertise to help you.

January 21, 2021 7:36 PM from Ron Charles to everyone: Joanna, I echo Paul's statement. 15 years of MEP design from myself eager to help.

January 21, 2021 7:37 PM from HJ Saslovsky to everyone: Thank you Elissa for posting the information so that we could attend.

January 21, 2021 7:38 PM from Erin Scherzer to everyone: What is the timeline to fix the remaining univents? The machines with missing motors, etc.

January 21, 2021 7:38 PM from Narda Chisholm-Greene to everyone: Thank you for your transparency!

January 21, 2021 7:38 PM from Ron Charles to everyone: Yes, and thanks Elissa for raising the topic for discussion!

January 21, 2021 7:39 PM from Erin Scherzer to everyone: I emailed my uestions to the BOE, Dr. Taylor, and Mr. Roth on Sunday and again yesterday.

January 21, 2021 7:39 PM from Erin Scherzer to everyone: *questions

January 21, 2021 7:40 PM from Paul Haley to everyone: I can speak if you wish lol

January 21, 2021 7:42 PM from Paul Haley to everyone: Can local govt assist with expediting DOE approval?

January 21, 2021 7:43 PM from Marian Cutler to everyone: Committee minutes never/very rarely get shared with the public. Please make it a mandatory requirement.

January 21, 2021 7:43 PM from HJ Saslovsky to everyone: What is the schedule and how do we get the link each time?

January 21, 2021 7:44 PM from Marian Cutler to everyone: Suggestion ... how about the BOE members hold the committee chairs, including the ones here previously, accountable?

January 21, 2021 7:45 PM from CT to everyone: Paul— If they're members of the BSE I can't see why a well-worded letter from those serving in an executive capacity in SOMA and also in the BSE would hurt. IF the approvals are coming soon I wouldn't bother.

January 21, 2021 7:46 PM from CT to everyone: Thanks to all, and special thanks to Paul Roth for a typically solid overview.

January 21, 2021 7:47 PM from Paul Haley to everyone: Good point CT can they assist.

January 21, 2021 7:47 PM from Paul Haley to everyone: ?

January 21, 2021 7:47 PM from Paul Haley to everyone: Thanks to all indeed....!

January 21, 2021 7:48 PM from Paul Haley to everyone: Lets do what CT suggested: If they're members of the BSE I can't see why a well-worded letter from those serving in an executive capacity in SOMA and also in the BSE would hurt. IF the approvals are coming soon I wouldn't bother.

January 21, 2021 7:48 PM from CT to everyone: Ciao, all.