

Finance, Facilities, Technology Committee

Agenda

September 3, 2020

Board Members:

Thair Joshua – Finance Chair

Anthony Mazzocchi

Johanna Wright

Kamal Zubieta

Administration

Dr. Ronald Taylor, Superintendent

Paul Roth, Business Administrator

Keith Bonds, Technology Director

Discussion Items:

- Health Care
- Custodial Contract
- YMCA Facility Use / Agreement
- PPE Donation
- Debt Service / Facilities Construction and Renovation

New Business

- Employee Salaries

Finance, Facilities, Technology Committee

Minutes

August 10, 2020

Members Present:

Johanna Wright, Kamal Zubieta, Erin Siders, Elizabeth Baker, Dr. Ronald Taylor, Paul Roth, Keith Bonds

Health Care (Note that this relates to negotiations; therefore, sections will not be available in the public minutes)

The district participates in the State Employees Health Benefits Program (SEHBP). Recently New Jersey changed the structure of SEHBP created a new program called the New Jersey Educators Health Plan (NJEHP).

SEHBP was restructured by removing all health care plans except for Direct10 and Direct15. Employee contributions for participating in SEHBP following chapter 78 rules. According to chapter 78, the employee contributes to health care by paying a percentage of the premium. The percentage is determined by the employees salary.

NJEHP contains only 1 plan which is basically the same as Direct 0. Direct 0 is a low cost plan with the same benefits as direct 10 when using a doctor in network, but has reduced coverage for out of network doctors. Employee contributions are not but on chapter 78 rules. Instead, an employee contributes by paying a percentage of their salary towards health care. The percentage is determined by the employees salary.

Beginning January 1, 2021, any employee hired on July 1, 2020 or after must enroll into NJEHP. During the fall open enrollment period, employees hired prior to July 1, 2020 have the choice to remain with SEHBP or change to NJEHP. Once enrolled in NJEHP an employee can never go back to SEHBP.

The district's bargaining unit agreements list Direct1525 as the base health care plan. Any employee selecting a health care plan more expensive than Direct1525 pays the full difference in premium. The changes to the state offered health care options eliminated Direct1525. According to labor law (verified with counsel), the new base becomes Direct15 as of January 1, 2021. The only way to establish a different base is to renegotiate the contract (both parties have to agree) or to shop and move to private insurance.

The table below compares current monthly health care premiums to the new premiums beginning on January 1, 2021.

	2019	2020	2021
NJ Direct 10			
Single	1,104.45	1,053.23	1007.12
Member Spouse	2,208.90	2,106.46	2014.24
Family	3,158.72	3,012.24	2880.35
Parent Child	2,054.27	1,959.01	1873.24
NJ Direct 15			
Single	1,051.39	1,002.64	958.74
Member Spouse	2,102.78	2,005.28	1917.48
Family	3,006.98	2,867.55	2742.01
Parent Child	1,955.59	1,864.91	1783.26
NJ Direct 1525			
Single	1,016.00	969.11	
Member Spouse	2,032.00	1,938.22	
Family	2,905.76	2,771.65	
Parent Child	1,889.76	1,802.54	
NJEHP			
Single			882.84
Member Spouse			1765.68
Family			2524.92
Parent Child			1642.09

Typically the district would receive a "buy up" from employees choosing to enroll in a plan more expensive than Direct1525. The "buy up" was the difference in premium between Direct1525

and the more expensive plan (Direct15 or Direct10). Historically, Direct1525 is on average \$65 per month less expensive than Direct15 and \$162 per month less expensive than Direct10.

Starting January 1, 2021 the 2021 Direct15 is, on average, \$20 per month less expensive than the 2020 Direct15 premium and \$73 per month for Direct10. This equates to the district losing an average of \$45 per month for each employee enrolled in Direct15 and \$89 per month for each employee enrolled in Direct10.

Until open enrollment ends, there is no way to actually know the number of employees that will be enrolled into each plan. Assuming health enrollment ratios remain the same after open enrollment the loss of additional employee contributions will most likely amount to about \$370,000.

The district spent \$14.9 million on health care during the 2019-20 school year and has \$12.6 million budgeted for 2020-21 school year. The district relies on employee health care contributions to help pay for health care. There is no doubt the district will receive less in employee contributions due to the loss of the base plan or due to employees moving to the NJEHP where contributions are no longer based on chapter 78.

Current estimates show health care will cost about \$14.2 million for the 2020-21 school year and employee contributions to amount to \$1.6 million. Basically the health care budget is very tight and the estimates need to be updated once open enrollment closes.

Custodial Contract

This topic was covered after Board Member Elizabeth Baker left the meeting.

The district's custodial service provider Atalian, was recently awarded the contract to provide custodial services for the year. The vendor contacted the district asking to renegotiate the contract fee. The vendor was informed that the district cannot renegotiate the cost as this is a violation of purchasing regulations. August 26th, the vendor sent a written notice that they cannot proceed with services as the pricing does not cover all labor costs and they offered to continue services through September 30th. Our labor attorney was contacted and a request to cover services through November 30th to provide time for the district to procure a new vendor. The vendor replied saying they will not provide services after Sept. 30th. Arrangements will be made to ensure the buildings can be cleaned if there is a disruption of service. The district can pursue legal action for breach of contract. Legal will send a recommendation on the course of action at a future date.

Tuesday, September 1, 2020, an ad was placed in the paper advertising for custodial services. The bid opening is set for September 16, 2020 with the goal of presenting a resolution to the board on September 21, 2020 to award a new contract.

YMCA Facility Use / Agreement

September 8, 2020 school begins. Instruction will be delivered virtually until November 12, 2020 when instruction will shift to a hybrid (Virtual and / In person). A concern some families have is the need for child care so they can work. Some of these families cannot afford child care.

The district has been working with the YMCA and the Achieve Foundation to provide child care solutions. The Board will be presented resolutions to enter into a three party agreement. The agreement is to license rooms to the YMCA to use. Since enrollment is limited (reduced capacity per space) the rent per room will be lowered accordingly. The agreement will include new COVID related items to protect the district from liability. Facilities will be available for the full day and change to before / after care when schools open for in person instruction. The YMCA will agree to reserve 15% capacity for economically disadvantaged students and provide child care at an 80% discount for these families. Achieve will agree to fund raise an additional 10% of tuition costs for economically disadvantaged families to provide further financial assistance. The district will verify students that qualify (based on free / reduced lunch) and pass the funds onto the YMCA.

FFT committee members requested that the district waive remaining rent from the YMCA and in turn have the YMCA cover 90% of the tuition costs and increase the number of reserved seats for economically disadvantaged families.

PPE Donation

The district is receiving a donation of shields to provide to our staff. The shields will be used as an additional layer of protection in addition to masks. A resolution will be presented to the Board accepting the donation. The donor is asking that board Board provide a letter stating they will not take action against them if an employee becomes ill with COVID. Legal recommend the following language.

Dear [volunteer group],

The Board hereby accepts the donation of [X] of plastic shields. In consideration for receipt of these plastic shields, the South-Orange Maplewood Board of Education knowingly and voluntarily waives any right to seek contribution or indemnification against [volunteer group] arising out of receipt of these plastic shield(s) in the event that an employee of the Board that uses a plastic shield provided by [volunteer group] is subsequently diagnosed with COVID-19 and makes a claim against the Board.

Sincerely,

FFT committee members asked if a letter can be issued to an individual vs. an organization. District is following-up with legal.

Debt Service / Facilities Construction and Renovation

June of 2019 the district was authorized to raise funds in the amount of \$157,386,000 to increase instructional space and address facility health and safety concerns. August of 2019, the district sold bonds in the amount of \$64,400,000 and is scheduled to hold two more bond sales in the amount of \$60,000,000 and 36,968,000.

Currently the district spent \$4.8 million on architecture and legal (bond attorney, advertising, bond sale) fees. Elementary school plans are going through code review, and design work started on the secondary schools. The district has a balance of \$55.6 million remaining from the first bond sale. Once the elementary school plans are out of code review, the elementary projects would be advertised for bid. The estimated cost for elementary school projects total \$85.7 million. The district spent \$4.1 million on the elementary school projects leaving a balance of \$81.6 million to complete elementary school projects. The district needs to bond a minimum of \$26 million to complete the elementary school projects and additional funds to continue design work on the secondary school projects.

The anticipated timeline for the second bond sale is:

- 9/17/2020 Submission of Rating Request
- 9/18/2020 Confirm Compliance with Secondary Market Disclosure
- 9/21/2020 Adoption of Authorizing Resolution
- 9/24/2020 Distribution of 1st Draft of Preliminary Official Statement (POS)
- Week of 9/28/2020 Rating Agency Presentation/Conference Call
- 10/1/2020 Submission of Comments to 1st Draft of POS
- 10/2/2020 Distribution of 2nd Draft of POS
- 10/8/2020 Submission of Comments to 2nd Draft of POS
- 10/8/2020 Receipt of Rating
- 10/9/2020 Distribution of Final Draft of POS
- 10/14/2020 Submission of Final Comments to POS
- 10/15/2020 Posting of POS and NOS
- 10/15/2020 Apply for CUSIPs for New Issue
- 10/22/2020 Sale of Bonds via Competitive Sale
- 10/23/2020 Distribution of Draft of Official Statement (OS)
- 10/27/2020 Submission of Comments to Draft of OS
- 10/28/2020 Printing/Posting of Final OS
- 11/3/2020 Pre-Closing
- 11/4/2020 Closing All

Due to the COVID-19 pandemic, there are community members raising concerns over future tax impact. The district has the option to lessen the tax impact for the 2021-22 school year by bonding a lesser amount to complete the elementary school projects or to bond the full amount

as originally planned and continue to complete the elementary school projects and continue working on secondary school designs.

Important items to consider are

- Currently Essex county has about a 20% unemployment rate
- Maplewood has about a 12% unemployment rate
- Possible tax collection issue in the future
- Instructional space and facility repairs / upgrades are still needed.
- Interest rates are very low.
- With increased borrowing and bonding, there are concerns that the demand to purchase municipal bonds will drop.
- Concerns that public bond ratings will drop when the state borrows 4 billion
- The board can consider a lower tax levy on the operating budget. Note that additional expenditures for transportation may be needed to meet redistricting mandates. Additionally, it is reasonable to expect increased custodial services will be warranted to continually disinfect buildings. Holding down operating budget tax levy may not be possible without downsizing staff..

Debt Service analysis

May 2019, an estimated tax impact analysis was presented. The May 2019 analysis estimated debt service to be \$5.8 million for the 20-21 school year, \$7.9 million for the 2021-22 school year and peak debt service occurring during the 2023-24 school year in the amount of \$11.5 million.

During the summer of 2019, the district sold the first series of bonds in the amount of \$60.4 million. Lower than expected interest rates were locked in and the actual debt service for the 2020-21 school year was \$5.4 million, \$400,000 better than expected.

The district is preparing for the second bond sale of \$60 million as directed by district goals. The latest projections show that debt service is expected to be \$7.2 million during the 2021-22 school year, \$700,000 lower than expected. Furthermore, peak debt service will cap at \$10.8 million, \$700,000 lower than projected.

The estimated tax impact to bond the remaining \$92,986,000 is estimated to be \$236.97 or 5 cents per \$100 of assessed value for Maplewood residents with an averaged assessed value of \$497,500. The estimated tax impact for South Orange residents with an averaged assessed value of \$581,000 is \$306.45 or 5 cents per \$100 of assessed value.

FFT committee members asked what the impact is if the remaining \$92 million was borrowed up front. This was added to the analysis below.

The revenue analysis below shows the estimated tax impact for various amounts of bonding. Assuming a 2% operating budget increase the estimated tax impact for borrowing:

- \$30 million is 2.73%
- \$60 million is 3.36%
- \$92.986 million is 4.06%

Minimizing tax impact by bonding \$30 million will provide the financing to complete the elementary school projects; however, work on secondary school designs would stop and the district would increase risk of higher interest rates when bonding the following year.

Bonding \$60 million as planned provides a balance in reducing risk of higher future interest rates and maintains a gradual pace to increasing debt service.

Bonding the remaining amount upfront eliminates the risk of borrowing at increased interest rates in the future; however, peak debt service would occur during the 22-23 school year and the tax impact for the 21-22 school year would exceed 4%.

Revenue Projections

Revenue Source	2020-21 Update	21-22 Projection 60 million Bonds	21-22 Projection 30 million Bonded	21-22 Projection 90 million Bonded
Local Tax Levy	123,334,105	125,800,787	125,800,787	125,800,787
State Aid	6,880,802	6,880,802	6,880,802	6,880,802
Audited Fund Balance	3,453,594	5,425,996	5,425,996	5,425,996
Miscellaneous (incl. tuition)	275,000	0	0	0
State/Federal	1,904,071	1,904,071	1,904,071	1,904,071
Semi	106,638	106,638	106,638	106,638
Non Public	129,120	129,120	129,120	129,120
PEEA (Montrose)	5,501,260	5,501,260	5,501,260	5,501,260
Maintenance Reserve	1,000,000	0	0	0
Required fund Balance / Spending Freeze	1,392,154	800,000	800,000	800,000
Operating Budget	143,976,744	146,548,674	146,548,674	146,548,674
Operating Budget w/o Pre-K	138,475,484	141,047,414	141,047,414	141,047,414
Debt Service Aid & Fund Balance	1,005,009	1,728,330	2,033,205	2,673,300
Debt Service Levy	5,373,761	7,236,445	6,416,320	8,138,200
Total Debt Service	6,378,770	8,964,775	8,449,525	10,811,500
Total Revenue	150,355,514	155,513,449	154,998,199	157,360,174
	Tax Impact	3.36%	2.73%	4.06%

New Business

Employee Salaries

Board Member Wright raised concerns that employee salaries for central office administrators were below some ASCA member salaries and this was leaving the district exposed to liability issues for discrimination.