

Minutes
Committee of the Whole
March 1, 2004

The Penn Manor School Board met as a Committee of the Whole at 7:00 p.m. in the Board Room at Manor Middle School. Present were Mr. DeLuca, Dr. Frerichs, Mr. Geist, Mr. C. Willis Herr, Mr. Kreider, Mr. Lyon, Mr. Rintz, and Mrs. Wert. Mrs. Withum was absent. Present from the administrative staff were Mr. Stewart, Mrs. Griffis and Mr. Johnston. Also in attendance were Penn Manor Residents, Mrs. Rhoades and Mrs. Howard.

Mr. Willis Herr asked if there were any Citizen's Comments. There were none at this time.

Mr. Willis Herr asked the committee whether there were any additions or corrections to the Minutes of the February 9, 2004, Committee of the Whole Meeting. Hearing none, on a motion by Mr. Kreider, a second by Mr. Lyon, and a unanimous voice vote, the Minutes were approved as printed.

Mr. Chris Johnston explained information the board received regarding a "Swap" investment opportunity. "Swap" is a contract between parties to agree to make interest payments based upon principal amounts of outstanding debt. Currently, the school district pays the debt service payments based on a fixed rate. Under this plan the district would be swapping the fixed rate debt for a variable rate debt for payments. The amount that the school district pays would be based upon prevailing variable rates and the counterparty agree to pay a fixed rate. Pennsylvania law was recently amended to allow school districts to enter into swap transactions and mandates conservative practices to reduce the risk. A synthetic variable rate structure would allow the District to convert existing fixed rate bonds to floating rate obligations without traditional variable rate demand bond risks and costs. This would generate savings between the fixed and floating swap rates. To reduce the risk, the district would be required to go through an investment advisor who would review the proposed transaction and approve the plan. The plan would allow the district to take advantage of lower variable rates. A target rate would be set so the district would be ready to take advantage of favorable rates when that target is met. Preliminary groundwork must be completed first, including legal work, choosing a financial advisor and discussion of the whole transaction. Mr. Johnston stated that a rough estimate of the costs involved for the plan would include

\$15,000-\$25,000 for a bond counsel, \$20,000-\$25,000 for an independent financial advisor, insurance rate of \$7,500-\$10,000 and an annual interest rate management plan of \$3,000-\$5,000 per year for the length of the plan. Steps to the Swap would include a financial analysis, school official's education and decision, an interest rate management plan, preparation of Swap documents and formal action by the board for the Swap resolution. An acceptable spread amount would need to be set in conjunction with Mr. Johnston, the independent financial advisor and the counterparty. When the market is right, a conference call between parties to discuss and agree upon the interest rate, an agreement would be signed, public advertisements would be required before and after the Swap resolution and filing with the state would be required. The district would be able to escape from the agreement with some additional cost. The costs would be based upon the rate curve at the time of the transaction. The initial agreement should be entered into knowing that some fluctuations are to be expected and endured. Mr. Johnston's recommendations at this time are to continue to study the swap proposal, discussions concerning the target rate would be needed and educating the board. Mr. Johnston explained that last month the board was presented with other options and the Swap plan option was presented to him since the last board meeting. Mr. Johnston introduced Mr. Mike Stramara and Mr. Dan Burton from RBC Dain Rauscher. Mr. Burton explained that the variable rate debt has been used for a long time by other organizations. In his opinion, there are two basic reasons for entering into the Swap. He believes the variable rate will stay below the fixed rate strike price that will be set for a period of time, and secondly, the assets and liabilities of the district would be matched to keep a favorable spread. Mr. Burton explained that after board approval, the district would be paid \$600,000 and RBC Dain Rauscher would have the right after one year and one day to execute the trade. Mr. Burton further explained the option with examples, reviewed a couple of the charts in the packet and answered questions from the board. After a question from Mr. Herr about the first option that was presented, Mr. Burton compared the option presented a month ago with the Swap option and how the Swap desk functions. Mr. Geist asked if the state would allow the money (\$600,000) to be put into a reserve account until it was spent. Mr. Burton did suggest that all of the money should be saved, especially for the first couple of years. Dr. Frerichs suggested that a small committee of board members be formed to meet with Mr. Johnston to review the options and that committee would report to the full board with a recommendation. Mr. Herr asked that board members let him know if they were interested in being on that committee.

Mr. Stewart passed around the school district calendar of events. He asked the board to indicate which activities they would like to attend so many of the events would have representation from the board.

Mr. Stewart distributed a decision tree with options for the athletic fields. He asked if the board would be interested in forming an athletic fields improvement sub-committee. Mr. Herr recommended that Mr. Geist, Mr. Rintz and Mr. DeLuca serve on the committee. Approval for placement of this item on the March School Board Meeting Agenda was approved on a motion by Mr. Lyon, a second by Mrs. Wert, and a unanimous voice vote.

The non-resident Student Policy was reviewed by Mr. Stewart. Mr. Stewart stated that there have been previous discussions about students who live outside of the Penn Manor school district and their eligibility to attend Penn Manor based on being a paid tuition student. Three options were discussed. A “status quo” where no changes would be made to the current policy, a policy to permit students who have a pre-existing relationship with the Penn Manor school district to continue as a tuition student, and the third would be to open Penn Manor as a tuition school district. Mr. Stewart reviewed some current policies from other school districts and the current policy for Penn Manor. He asked the Board if they would like changes to the current policy. Mr. Herr stated he spoke with the solicitor and was informed that more school districts are starting to allow tuition students. Dr. Frerichs asked if the same amount of tuition would be charged for a special needs student as a regular student. Dr. Frerichs asked Mr. Stewart if he could obtain some policies from other districts which would specifically talk about non-resident students. Mr. Gary Reynolds, resident, stated that there seems to be a difference of opinion on the board regarding a policy for students who lived in the district and students who did not live in the district. He urged the board not to delay the decision to revise the policy. Mr. Stewart stated that he would like to set classroom caps and send a tuition student to a building where there was available space to keep class sizes down. Approval for placement of this item on a future School Board Meeting Agenda, pending review by Mr. Stewart and the district solicitor, was approved on a motion by Mr. Lyon, a second by Mrs. Wert, and a unanimous voice vote.

Mr. Stewart updated the board on the long range maintenance projects. The plan is to complete the priority one projects next year and improvements to the high school auditorium the following summer. A plan to renovate the

existing seats in the auditorium is being explored. Dr. Frerichs suggested a campaign to have patrons purchase a seat in the auditorium with a donor name plate installed. This could potentially be a cost savings for the district. Mr. Stewart reported that he has asked Mr. Coleman to begin plans to replace the roof at Martic and remove and replace the asbestos tiles at Marticville.

Mr. Stewart explained that he asked principals and department coordinators for their input regarding staffing requests and program requests related to the accountability grant. It is anticipated that the district will be receiving \$547,000 from the accountability grant. At this time the items are for review and some might be included in the budget for next year. Mr. Geist questioned if the accountability grant would be for one year. Mr. Stewart stated that both Rep. Boyd and Secretary of Education Phillips indicated that the money would be available on a long-term basis. Mr. Geist encouraged that some of the money from the accountability grant be used for new programs or other items that might be included in the budget. Questions were asked regarding specific items on the accountability grant requests lists. Dr. Frerichs inquired about the middle school book rooms. Mrs. Griffis explained that at every elementary school there is a level book room. Each teacher could go to that room and get books based on individual students reading level. The goal is to have level books available in the middle school in areas such as science and social studies. Mrs. Griffis stated that textbooks companies are now producing the same textbook on three different levels to allow for individual students reading abilities.

Mrs. Griffis updated the board on the cyber litigation. She received communication from the Levin Group stating that the Einstein Academy litigation is now officially over. The Commonwealth Court ruled that school districts and taxpayers don't have standing under the Charter School Law to challenge a charter issued to a cyber school or to question the legality of a cyber school operation. She stated that Penn Manor had also joined the Western PA litigation. According to Levin the Western Pa litigation will probably turn out the same as the Einstein litigation. Since the outcome would probably be the same, Penn Manor has dropped out of the Western PA litigation. The Einstein litigation served the purpose of telling the Cyber education story to the public and to the courts. As a result of the litigation the courts have forced accountability. The courts have also ruled that school districts cannot challenge the operation of cyber schools unless you are the chartering school district. The Department of Education is now threatening

to sanction school districts who do not pay their cyber bills. Levin is now recommending that Penn Manor pay the cyber bills except if they are incorrect. The cyber school budget for this year was \$150,000 which won't be totally used. Currently we have 19 students in two cyber schools and the subsidy deduct has totaled \$35,637 for these students. Mr. Geist asked how much of the \$150,000 budget would be used after paying the cyber bills. Mrs. Griffis stated that we have two subsidy deducts a year so probably half of the budgeted amount would be used. She felt that overall the litigation was good.

Mr. Johnston reviewed the proposed 2004-05 budget for student services, elementary schools, high schools and middle schools. He explained the history of percentages given to the buildings for the past few years. Mr. Johnston stated that the student services will have large increases because the IDEA grant money, which went through the IU, will be changed for next year. He stated that the budget for next year can be viewed on the Penn Manor web site as it is developed.

Mr. Stewart informed the board that he has drafted a Code of Conduct for volunteer coaches and activity sponsors to sign. There is a plethora of volunteers working in the district, but only the volunteers who would serve in a coaching or supervisory role would be completing the code of conduct. Some suggestions were offered for changing some of the wording of the contract. Approval for placement of the amended item on the March School Board Meeting Agenda was approved on a motion by Mr. Lyon, a second by Mr. Rintz, and a unanimous voice vote.

Mr. Herr stated that because two members left the board there is a need to fill the two positions on the Act 93 Committee. Mr. Jeff Lyon, Mrs. Donna Wert and Mr. Jeffrey Kreider volunteered to be appointed to the committee. Approval for placement of this item on the March School Board Meeting Agenda was approved on a motion by Dr. Frerichs, a second by Mr. Rintz, and a unanimous voice vote.

Mr. Stewart explained the reason for the Change Order #3 to provide electrical access to the Comet Field irrigation system. As the bids were being offered it was questioned that there might not be electricity in the hot box located near the meter station to drive the irrigation system. Because the irrigation project was time sensitive it was decided not to delay the bidding process. The low bidder did discover that there wasn't enough

electricity. Approval for placement of this item on the March School Board Meeting Agenda was approved on a motion by Mr. Lyon, a second by Mrs. Wert, seven affirmative votes and Mr. Kreider opposed.

Mr. Kreider reported that he had a meeting at the Career and Technology Center. He reported that the CTC's plan to purchase property for the CTC sample home was frustrating because properties were selling faster than the board could act. A process will be put in place to find buyers who would like to sell specific properties to the CTC.

Mr. Stewart pointed out that the new artwork in the board room by elementary students.

The Committee of the Whole adjourned at 8:55 p.m. on a motion by Mrs. Wert, a second by Dr. Frerichs, and a unanimous voice vote.