

**EAST STROUDSBURG AREA SCHOOL DISTRICT
BOARD OF EDUCATION
FINANCE COMMITTEE MEETING
January 10, 2022
Administration Center Board Room and Via Zoom
5:30 PM
Minutes**

- I. The Chairperson, Rebecca Bear, called the Finance Committee meeting to order at 5:32 p.m. and led those present in the Pledge of Allegiance. Secretary, Patricia Rosado called the roll.
- II. **Board Committee Members Present:** George Andrews, Rebecca Bear and Richard Schlameuss. Wayne Rohner was absent.

School Personnel Present: Brian Borosh, Diane Kelly, Fred Mill, Craig Neiman, Jason Picciano, William Riker, Patricia Rosado and William Vitulli.

Other: John Molloy, Managing Director PFM Asset Management

III. **Approval of Agenda and Minutes**

RECOMMENDATION BY THE COMMITTEE:

Motion was made by George Andrews to approve the agenda for January 10, 2022 and with members of the Committee reserving the right to add to the agenda and take further action in the best interest of the District. Motion was seconded by Richard Schlameuss and carried unanimously, 3-0.

RECOMMENDATION BY THE COMMITTEE:

Motion was made by Richard Schlameuss to approve the minutes of the December 14, 2021 meeting. Motion was seconded by George Andrews and carried unanimously, 3-0.

IV. **Items for Discussion:**

a. PA OPEB Trust –

Mr. Craig Neiman said Mr. John Molloy, Managing Director PFM Asset Management, is here to speak about the Pennsylvania OPEB Trust. This would be a new opportunity for the district. This is something we are not currently participating in. I have been speaking to Mr. Molloy over the last several months about this as a potential opportunity for us to possibly increase our investment return in a rather unique fashion. I was very interested in what could be a nice opportunity for the district so I thought it would be good for the Committee to hear what Mr. Malloy has to say about the Pennsylvania OPEB Trust.

Mr. John Molloy said thank you for being School Board members since it is not an easy task. As a parent of kids in public schools in Pennsylvania, he appreciates it. He said Mr. Neiman asked me to take just a few minutes of introducing you about the Pennsylvania OPEB Trust and liabilities in general. I want to start off with what OPEB is all about, the liabilities and how these things work with financial statements in particular for school districts. I will then tell you about the trust and how it has been built to try to address those needs and offer long-term investment options for these long-term type liabilities. We will then get to the part where you will have questions and I will stop to address them.

OPEB Liability – government account standards have been changing over the years to work more like corporate accounting standards. A few years ago, GASB 44 and 45 came out and more recently 74 and 75. It told us the OPEBs are long-term liabilities that have to be reported on annual financial reports. Before that, it did not have to be. All government entities reported these things as a pay as you go basis. GASB recognized and lots of others have now, that these obligations are not current obligations but those that extend out to the future much like a pension fund does. Just like we save dollars for the pension, OPEB has started to work a bit more like that. OPEB liabilities are looked at by auditors, rating agencies, investors, creditors, and the PA Department of Education. As a school district, you have limitations on the amount of the fund balance you can have allocated for particular needs. In Pennsylvania, these rules for GASB 74 and 75 are fairly new for all of us even though they have been out there for few years. Many districts have been considering whether they should invest in a certain fashion against the liability to take advantage of the way you can offset the liability, improve credit ratings and find new ways to invest funds that may be different and potentially better than a typical school district investment program. We are not talking specifically about all of the investments for the school district but those that would connect to OPEB liabilities. With that as a preamble to OPEB, other postemployment benefits typically would be retiree healthcare although there could be some other types you would offer to retirees. The Pennsylvania OPEB Trust was recreated in 2011 as a turnkey investment program specifically tailored for Pennsylvania School Districts and Intermediate Units to help them meet their OPEB funding needs. It is a common trust, meaning every school district in the State does not have to set up their own trust. They can adopt the trust that the Pennsylvania Trust has set up for you to use all of the work that has been done earlier like legal opinions. This makes the setup and operations easier. It is very important for OPEB liabilities, especially for School Board these days. Contributions into an OPEB Trust are irrevocable meaning once you put that money aside for future retiree healthcare benefits, you cannot pull it back out and add it again to the general fund nor spend it on the many other things that the school district needs to spend funds on. Making careful decision about dollars that would go into the trust are very important. Withdrawals can only be made for OPEB expenses. In order for it to be a good investment program, we had to create some Board diversified investment products. These

are different than the normal school code. Overall, we tried to make sure that the costs are reasonably lower and shared by creating a pool investment program for school districts rather than having each school district having to do things on its own. Administration tries to make that as efficient as they can. The Administration actually runs out of the Central Susquehanna Intermediate Unit. It is very much a school focus organization. As a participant in a program, your district would receive quarterly statements, annual performance reports and a visit periodically, if you wish.

On the right hand side of the page, you see option A, B, C and some pie charts. OPEB Trust is not a one size fits all investment choice like many that may be out there. The districts have the opportunity to select from any one of those first three options, which are basically mutual funds with combined funds of varying types of stocks and bonds international, domestic, large and small into a pre-mixed balanced portfolio. Many school district investors in the trust pick the first one (A) which has 30% in stocks and 70% in bonds. The next one is a 50% in stocks and 50% in bonds and option C looks more like the pension fund of a typical Pennsylvania Government of 65% stocks and 35% bonds. For the schools that would find the three mixes that just don't meet its needs, Option D is really a custom portfolio. We can blend that together in any mixture or any asset allocation that an investor would like. We would work closely together to figure how that picture would look like. Down the left hand side of that page there is a variety of asset classes in an attempt to illustrate for you what we look at. It is all these and more as we try to find the best underlying investment options that go into those pre-made portfolios.

The service providers start off with the Pennsylvania Trust, which is right out of the Central Susquehanna Intermediate Unit. They are responsible for the general supervision and administration of the trust, which are all the day to day operations. They are the entity that hires PFM to be the investment advisor. They hired the trustee, US Bank, to hold the funds and they are managed by a Board Trustee all comprised of School Boards or School Business Officials. PFM is the advisor and has been since it started. We are the investment advisor to the PLIGIT Program that the school district uses for its operating funds as well. It is a national business. We are up to about 170 billion dollars in assets and 13 billion dollars is from the Pennsylvania Funds. In pension, there are about 20 billion dollars of that overall total. We were recently acquired by US Bank National Association. US Banks is the fifth largest bank in the country. They are an independent custodian and hold all of the security. It is kind of important to have independent custody of the assets. That is what US Bank's job is. There are also the trustees for this program. There are also a couple of law firms to keep an eye on all of us. Michael Balducci is the General Counsel to the trust and Fox Rothschild is the special counsel to the trust and helps to write the legal opinion about the investment options and the trust itself.

I want to talk about the advantages of funding the liabilities now. This is interesting and a little bit different than what we usually see. The idea here, this is all for illustration and not an actual example, is that we are just making the numbers do what we want them to. If you think about a program like the Pennsylvania OPEB Trust where you can set funds aside and you are taking out of fund balance, our example uses one million dollars, it says let us just put a million dollars in at the beginning of this time period. Over the years, the earnings on those will compound. In year five, if you take out some dollars proportionately to what is in there between earnings and contributions, 29% of the dollar is earnings and 71% is the contribution you put in and over time, these longer term investment options (15-35years), the contribution will start to become a much smaller and smaller percentage. It is the gains on the investments themselves that are helping to fund these OPEB liabilities that the school district will have for its retirees. We can get into more of those kind of scenarios after you think about this.

Here is an illustration of performance. These are actual numbers. They are not through the end of the year but as of September 30, 2021. If you can see that we have got a pretty good track record for this program now. It goes back to at that time, July of 2011, for the first two options conservative and moderate growth series and it goes back to February of 2012 for the growth series. We are about a ten-year result once we update these numbers. There are a couple things that jump out as we look at these numbers. First, if you look right in the middle at the one-year number that is year ended September 30, 2021, there are outstanding numbers. We all have seen and heard about the stock market and how good it was last year. The OPEB Trust has investments in the stock market. It has an increasing percentage of those as we go down the list of investment options 10%, 15% or 20% on the one year numbers. Those one year numbers are pretty much outsized as a strong year. If you go back five years, it is 7%, 9.5% and 11%, which is a little bit more typical since inception numbers. Those are about and ten-year period or close to 6%, 8% and almost 10%. This is still a very good time period for the stock market and bond market overall. That is when I bring you back to the quarter and this is really important. In the typical school district investment that you can make according to school code, those investments are CDs, bank accounts and treasury bills. In the OPEB Trust because it is an employee benefit fund, you are not subject to the same restrictions. That is where the permission to invest in equities and longer term different fixed income comes in. It also means returns can go up and down. If the quarter ended September 30th, you see some negative results. Negative results are certainly something that can happen over time. I think it is certain to say they will happen. Any ideas of being longer term investments, over time, the ups and downs even out to give you better overall results than you could get with a short-term school-code type of investments that are typically allowed. The bottom of the page show pie charts with more details than those I showed. Those are the actual allocations that we had at the end of September in the different

series. The overall mix is the same the 30%/70%, 50%/50%, 65%/35% but there are different categories of asset allocation that the trust invests in. We always provide the details of the exact categories.

With the end in mind should you eventually want to get there, the decisions, like any good School Board decisions, are up to the Board. They should be done by a resolution and the three resolutions that really take care of all of this are: there is resolution to join the trust, there is a resolution to affirm an investment option, which is one of those three that we talked about or if you would like the custom one and there is a resolution related to any amount that you would like to put into the trust. Those are really the three steps, which require a little bit of work around each one. We would be happy to go through it in depth with all of you, Mr. Neiman and the Business Office staff as needed.

Mrs. Bear asked Mr. Neiman if we chose what qualified purchases are and then we set it aside and it goes into this account. To get it out, how do we do that? Is there a schedule on how we get the funds out? Mr. Molloy said the withdrawals could happen at any time. The trusts processes withdrawals once a month at the end of the month. You send us the form that I will provide to Mr. Neiman. He would fill that out and tell us the amount that is needed and certify that it is being taken out for qualified OPEB expenses. Mrs. Bear said so it's not trade plus two. It is going to be just the end of the month. It's always the end of the month. Trade, plus two does not matter for this. Mr. Molloy said she is correct. Mrs. Bear asked are the costs the same for each investment we choose whether we choose conservative, moderate or growth oriented. Mr. Molloy said they would be slightly different in that the mix of underlying investments that each hold. The charges that the funds would make would all be the same though. Those charges are an investment advisory fee, and administration fee and the trustee fee. After that, you have the underlying funds and those would be the only place that it is different. Mrs. Bear asked so what is the overall investment management fee? Is it tiered? If you put one million in as opposed to five million in the fund, does the fee go down based on more assets or is it a flat overall same fee due to whatever each district puts in based on what is in the overall total of the Susquehanna Intermediate Unit. Mr. Molloy said it is based on the overall size of the trust. Your dollars combined with all of the other investors would get to the total expense ratio. Those fees are tiered so as the trust grows, the expense for everyone goes down. Mrs. Bear said so there are break points. Mr. Molloy said correct. Mrs. Bear asked how do you choose which mutual funds to invest in or mutual funds versus exchange traded funds which currently have lower fees than mutual fund. Mr. Molloy said PFM Asset Management, as the investment advisor, would do all of the selecting of which funds and would make up those pre-mixed options. Mrs. Bear asked do you have favorite mutual funds company that you use versus others. Are the managers

for those funds reviewed on a regular basis to make sure they are staying in line with the strategies and the goals that you want to achieve? How often do you review them?

Mr. Molloy said we have a team of research analyst who work out of our Philadelphia Office. All they do is review investment managers, mutual funds for inclusion in this program and the other pension and OPEB accounts that we run. Overall, the assets that we ran in similar fashion total up to about 20 billion dollars. We are working with a couple hundred clients in that fashion. We do not have a favorite list but we have an approved list based on our research and due diligence into many different managers. The data bases that we use have thousands of funds and managers in them. Certainly not thousands are used by us but probably less than 100. The team, there is two, that does this. There is the investment committee that makes the decisions and the research committee that brings the managers that they researched and recommend to that committee. We have our own internal process to make those decisions to allocate funds to a manager, add, subtract or delete/fire a manager. I would be happy to get you more information on how we do that. Mrs. Bear asked if statements are segmented out so that we know how our portion is doing within the whole conglomerate or is it overall. Mr. Molloy said when you buy into one of those series or fund, it will look like a mutual fund to you in that there will be share price for the series. They all started at \$10 a share so they are significantly higher than that now. You will see the share or units that you purchased and the price of which you purchased them and that is what will fluctuate over time. Through our performance reporting, we will share with you all of the underlying managers or funds that make up the main fund itself. Mrs. Bear asked if we decide to go for it and you start investing on February 20th, do you just throw all of it on the 20th or do you dial cost average of what we put in. What if February 20th is a good day and the next day we totally tank. Mr. Molloy said you can think of it like a mutual fund. You would share your funds with the manager of the mutual fund given that the fund is probably larger than your investment, they would probably invest all of it at the same time as we would. It would be spread across the 10 or 12 managers that make up the underlying investments of the fund itself. If you had a significant amount and you would like to dollar cost average that in, we would be sure to work on that with you to spread it out over a period of months. Mrs. Bear asked if there is a certain day that you invest versus another day because you said you withdraw at the end of the month. Is there a certain day that can bring anything in? Mr. Molloy said it would be at the same time. If you would send the money in at a different time, it would sit in a money market fund until the end of the month. It is at the end of the month that we make all of those trades. Mr. Andrews said his investment person uses the same procedures. Mr. Schlameuss said for these funds, we would take the money out of the reserve that we would keep aside for healthcare and PSERS and put it into this account because this would earn a higher rate of return than what we are getting currently in the bank. I would assume. Mr. Neiman

said I would be remiss if I did not thank Mr. Schlameuss for actually encouraging me to look farther into this as a potential option. He had requested for us to look into this as a district so I got in contact with Mr. Molloy. The way that I was thinking about this is as of June 30, 2021, the Board committed in our general fund balance dollars for future costs. One of the categories is future healthcare cost. We also had another amount committed for PSERS and the retirement benefits. The Board committed 6 million dollars for future health care costs. I was thinking that this amount we can start to discuss as a maximum for us to consider. The idea is that we would transfer it out of our general fund so it no longer will be part of our normal banking account balances. We would transfer some amount into the trust fund for these investments separate from that every year that the auditors come here and review our audit statement. Mr. Molloy started the conversation about OPEB Liabilities and the fact that the auditor will let us know that we have a negative net position on our balance sheet is the biggest part driving the future commitments to our retirees for healthcare and pension related costs. We work with an actuarial company who does those calculations to say based on our employee population is how much you will have to pay out. That is the number that the auditors put on our balance sheet. So these investment earnings that Mr. Molloy is talking about they need to go into funding that future liability that sits on our balance sheet. To me the word of caution here is if we would elect to take money out of our fund balance and invest it in the trust and we have a problem in our general fund during a particular year, that money is no longer available to use to solve any operating concern in the current year. We need to have a conversation and talk about that to make sure what to do. We are in a fortunate position to be able to talk about the long-term liability. The word of caution is if something extreme happens, this money that we put in the trust will no longer be available us. Mr. Schlameuss said on the same side, we could pull that money back and plug in the hole to use it to pay for healthcare and PSERS amounts, which are substantial any way. Mrs. Bear asked what if there is mass retirement, could we take the funds and use it for that. Mr. Schlameuss said I was thinking you put in five million dollars and every year you get the interest on it and put the interest back in the budget and keep the principal in the trust in order to fund healthcare and PSRS. You can grow the principal a little bit every year. Mrs. Bear asked are we able to do that. Mr. Andrews said are we going to see the growth that we saw on the chart. Mr. Schlameuss said you will not see that growth. Mrs. Bear asked if we are able to do that. Mr. Neiman asked Mr. Molloy if we invest 5 million dollars and every year we earn interest on that money, can we bring the interest earnings back every year as a revenue stream for our general fund budget. Mr. Molloy said if you look at your open footnote in your annual financial reports, there is a term in there that relates to the annual OPEB amount. This would basically be the amount that you pay for retiree healthcare each year so be sure to include both words there. The increase in the retiree healthcare amount, as long as it is connected to retiree healthcare, you can pull that back out. You could not pull out dollars if it were related to

PSERS and use it to make your PSERS contribution. A pension fund contribution is not included in the OPEB contribution. Mrs. Bear asked if we put six million dollars towards future healthcare costs and each year we know we spent \$350,000 on our retirees' healthcare costs and that is what we make on the investment, can we pull that amount out if we know it is going to be that amount. Mr. Molloy said yes, you sure can. Mr. Andrews asked who runs our healthcare now. Mr. Neiman said that we are members of the EBTEB Trust Eastern Division. Mr. Andrews said is it a trust itself. PSERS handles the paperwork. Dr. Riker said PSERS handles the pension. Mr. Andrews said the premium for the healthcare comes from our PSERS check. Mr. Neiman said pension and healthcare are different. Medical and pension are separate. Mr. Andrews said PSERS takes money from the account and pays for the healthcare. Mrs. Bear said PSERS pays the pension and that is it. Mr. Andrews said PSERS pays the pension check and take out money for taxes and healthcare. Mr. Neiman said individual accounts are separate from the district. Mr. Andrews said we, as a district, are looking for another way to make money more aggressively than we are already doing now. Mr. Neiman said we are discussing that we have a liability on our books for folks that are retired or have not even retired yet based on the actual assumptions. There are forecast for how much money it would cost the district in medical cost for the life of the employees. We are talking about a new vehicle to fund that liability. Mr. Andrews asked if the person that just retired are paying a premium for health insurance. Dr. Riker said they do if they aged out of the district's healthcare because the district carries them until age 65. Mr. Andrews said the employee after age 65 can get additional healthcare with Medicare Part B. Dr. Riker said we are worried about when we are funding those employees before 65. Mr. Neiman said we also have to take into account any current employee. There is an estimate of when they will retire and how much those costs will be as well. That is all part of the liability calculation. Mr. Schlameuss asked Mr. Neiman what would you recommend. Does this make sense? Is there a recommendation that you would make? Mr. Neiman said after my conversation with Mr. Molloy, I was intrigued and felt that at least this committee should hear about the opportunity for more money to pay down future liability. Our hands are tied as far as investment options go. Typically, given difficult current interest rates, and the current environment making pennies on the dollar, any chance to diversify your portfolio is good. I don't want my message to be that this is a cure all for our budget issues that we may have. Once the money is out of our bank account, we cannot bring it back. That amount that Mr. Molloy referenced that could actually bring into the budget is not that large. Mr. Schlameuss asked what does that cost every year. Mr. Neiman said I don't have those figures tonight. Mr. Andrews said I thought we have to use the investments that we are currently are using even though they are the bottom of low return. I thought we were tied into that. I am surprised that we can do this. Mr. Neiman said our money gets transferred into the trust. Mrs. Bear said municipalities in the past used to invest on their own and not in a trust where there is a lot more rules.

When you do irrevocable trust, there are rules of what you can do and cannot do that are set by the trust. A lot of firms stopped doing it for municipalities individually because of the rules were “wishy washy. People were losing money in 2008 when the market crashed. At that time, a lot of firms got out of that world. This is different because we are joining a trust. We will see the trust agreement before we move forward to say what the intermediate allows us to do. It sets guardrails up. If we chose 30%/70%, they cannot tomorrow put us in 100% equity and then the market crashes because of the guardrails. We are set for this track. We cannot sway. Mr. Andrews said these options are still more risky than what we currently have and I have no problem with that. Mrs. Bear said in a portfolio, you do not need, if you are going to invest in the market, a little bit of equity because your equity is what is going to offset inflation. If you are all bonds, you are not going to fight inflation. You need that 30% equity at least to offset inflation. In the past, inflation was like 1% or 2%. Right now, for the first time in years, we are seeing inflation rise. We have not seen inflation rise over a couple of years. This will hedge us against inflation. Mr. Schlameuss said what I am hearing from you, Mr. Neiman, is if we are going to consider this perhaps we should be looking at what the cost that we are paying and what we are using with these funds. You may need to look at five to ten years from now and see what you think we will be at. We can invest an amount of money that will get us that return in a conservative or moderate form. Mrs. Bear said in a conservative portfolio you usually shoot for 3%. The return you are seeing now are not the norm. What I would say when you consider this is think about a conservative portfolio in the market with that type of split. Over a long period of time, you are going to average 3% or 4 % per year. You will not see the 7% or 9% as now because this is an anomaly. When you make your decision, think about that you are going to earn 3% per year. Mr. Andrews said another thing you want to think about is that you do not want to take the 3% out every year because then it does not compound. Mr. Schlameuss said we have 400 or so teachers that have been here for 20 years. They are going to be retiring in the next five to ten years. We are going to be on the hook from when they retire to age 65. After that, it will drop for the next 20 years and we should be building the other way. At the same time, our bonds are going to go away in 2030. What I am trying to say is what should we put in that amount. I don't know the right answer. I would like a recommendation from Administration. Mr. Neiman said if the committee is interested, I will work with Mr. Molloy to come up with a comfortable number. Tonight, it was about introducing the concept and to see if the committee was interested in continuing the conversation. Mrs. Bear said I do not want to do Option B because it is very aggressive. I do not think we should be playing with our tax dollars that way. Mrs. Bear said to me the comfort level would be option a 70%/30% more bonds because It is not our money. Mr. Andrews said I would be comfortable with Option B. Mrs. Bear said when you do a proposal for us, I would like to see both options. Mr. Andrews said I agree not Option C. Mr. Schlameuss said it is really about what do we need. Is it two million dollars or six

million dollars for the next ten years. Mr. Andrews asked what can we afford. Mrs. Bear said we do not want to put too much in there just in case something catastrophic happens. Mrs. Bear said we should look into this more. Mr. Neiman said he would be in touch with Mr. Molloy to discuss the next steps.

b. John Deere 3039 R Loader, quote - \$23,413.75

Mrs. Bear said I assume this item went to the Property/Facilities Committee meeting. Mr. Neiman said it did not. A lot of the vehicle-type purchases come directly to the Finance Committee. Mr. Daryle Miller brought this item to my attention. This item, as presented, has been budgeted. Note, this price is net of a trade-in so he is trading in a tractor for this one. Mr. Andrews asked why did this request not go to the Property/Facilities Committee. Mr. Neiman said it is a budgeted item. Mr. Andrews said I understand that, but I think we are stepping on some people's toes. Not that I would not say yes to this. I think this should go to the Property/Facilities Committee for discussion. Mrs. Bear said usually what we discussed before is if this is a budgeted item and if it was in the budget, it would go directly to the Finance Committee. Mr. Andrews said it should go to the Property/Facilities Committee first. Mrs. Bear said it probably went to them when we looked at budgeted items. Mr. Andrews said it did not. Mrs. Bear said I do not know what everyone else's thoughts are. Mrs. Andrews said it should go to the Property/Facilities Committee; otherwise, you will be ruffling some feathers. Mrs. Bear asked is this vehicle is available now. Mr. Neiman said I do not know. Mrs. Bear said the reason I ask is because I do not want to throw it back to the Property/Facilities Committee and risk the fact, with the market we are going through with equipment, not getting it easily. If this is something we need now or can it wait. Dr. Riker said Mr. Neiman would not have that answer either. However, I do think that the question, for clarification moving forward, is can budgeted items such as this, which obviously needs the full Board's vote anyway regardless if it goes to the Property/Facilities Committee, come directly to the Finance Committee knowing it was part of the budget. I think to Mr. Andrew's point may be items such as this that are unbudgeted should go through the Property/Facilities Committee and then through entire process. All we are really doing is delaying any action by the Board for no real reason. Mr. Andrews said the Property/Facilities Committee meets a week before the Finance Committee and then the Finance Committee meets 2 weeks before the Regular Board meeting; therefore, there is no reason why it cannot go to the Property/Facilities Committee to get the okay and then to the Finance Committee to get the okay and then the Board meeting. The Property/Facilities Committee always gets it before the Finance Committee. To me, it does not make a difference, I am on the Finance Committee and I am ok with this purchase. Mr. Schlameuss asked Mr. Andrews, not that we have done this in the past several years when we buy buses, but does that go through the Property/Facilities Committee or does that come to the Finance Committee. Mr. Andrews said we talked

about the buses at the Property/Facilities Committee. Mrs. Bear said I don't think the Property/Facilities Committee talked about the 30-passenger that we just purchased. Dr. Riker said we did because that was an unbudgeted item. I think it is a redundancy that is not needed. A Committee has to forward the item to the whole Board or Mr. Schlameuss or I have to put it on the Board agenda anyway. I am prepared to do that. Mr. Andrews said what I am saying is that since the Property/Facilities Committee meets before The Finance Committee, it should go there. Dr. Riker said I understand but it is a procedural item that you can change. If it is a budgeted item so it makes sense to come to the Finance Committee. I understand your point, but maybe it is time to change that process. Mr. Andrews said I am looking at some of personalities at the committee. Mrs. Bear said all committee members should have been present tonight. Are we looking to purchase several or is it just one tractor? Mr. Neiman said it is one with several quotes. The difference in the quotes is the trade-in value. The greater value is the one we recommend. Mr. Schlameuss said it was part of the budget from the beginning of the year. Dr. Riker said it is part of the budget that you approved in June. Mrs. Bear asked are we just replacing an old one. Are we trading the old one in and getting a newer model? Dr. Riker said that is correct. Mrs. Bear said she does not know anything about tractors. I just want to make sure that we are getting the best price and the best trade-in value and that it is in the budget. Mr. Andrews said that is another reason it should go to the Property/Facilities Committee because they know about tractors. Mrs. Bear said they can look over the information when they receive the paperwork for the Board meeting.

c. J.M. Hill Vestibule Access Control and Intercom, quote - \$9,512.08

Mr. Brian Borosh said you have a quote in front of you from CSI, which is from Co-Stars. D'Huy Engineering worked directly with CSI on the specs for this project. The installation, programming and parts are all priced from Co-Starts PA Cooperative purchasing contract. Unfortunately, there are a couple of equipment that costs a little bit more. It is for a double swipe lock on the front door at J.M. Hill Elementary. This will add this functionality. Additionally, the buzzer/video phone to call the office needs an upgrade. Mr. Andrews asked when you say double swipe, do you swipe it twice or is it two different items. Mr. Borosh said the vestibule will be similar to next door. It will be double access.

d. Cisco Meraki WiFi Access Point Bid Results (eRate), quote - \$931,458.00

Mr. Borosh said right now we have 730 access points across the district at the schools, administration center, maintenance, etc. The current layout we have there are Cisco access points and they report back to a server room that has a controller. There is two down here and two at north. Those controllers that control those 730 access points have come to their end of life. The end of support for them is July 31, 2023. We knew that and a year ago, we bought the Cisco Meraki access points, which have no controller but it

is a cloud based controller. We bought them for the administration center. We deployed 25 of them here. They work very well. We are happy with the layout of the control panel. We are proposing to replace the entire wireless network with these. We got four quotes. Two of them were for other products that we did not spec. The other two quotes were from IntegraOne and SHI. IntegraOne was the lowest vendor. This is an e-rateable project. We already did the first part of the e-rate process, which is basically a start of the competitive bidding. If the Board approves this, we would file an eRate Form 470 and be eligible for an 80% discount of the \$931,458.00. We would get that amount of equipment for \$186,291.60. Basically when you get the e-rate projects, usually the vendor gives us 50% off the MSRP. You are already at 50% so you are buying this equipment for 10 cents on the dollar. Mrs. Andrews asked would we do away with the four servers. Mr. Borosh said there is no physical hardware on site. Mr. Andrews said this would be done with maintenance's help. Mr. Borosh said that is correct. Mrs. Bear asked how often do these need to be replaced. Mr. Borosh said we are going to buy seven-year licenses for these. The cost is broken by device, license, and insulation. They will go around and take down the old access points and the old mat on the track ceiling and put a new one up and plug it in. We will not do any new wiring but basically just ribbon replacing. Mrs. Bear asked will this occur here and at North. Mr. Borosh said it will occur at all instructional facilities. Mr. Andrews asked if a server goes down, we will just lose that one. Mr. Borosh said what we currently have are two servers. If one goes down, the other will pick up. We had that occurred already. It is the fact of the matter that, technology is moving away from having stuff on the premise but rather on the cloud. Mr. Schlameuss said he has managed the Meraki Cloud and it is good. Mr. Borosh said the cameras are Meraki so we are familiar with the management console. It is very easy to manage and years to come we will be looking to transitioning our Cisco switches to Meraki as well. I'll be back next year probably for High School South.

e. Computer Bid Results, quotes -

i. Apple Computers, Apple - \$676,983.35

Mr. Borosh said we have a four-year computer replacement cycle. Last year we replaced the elementary schools. The year before that, we did the middle schools and the year before that, we did this building and server stuff. This year it is the high schools turn. Every year, we do grades 1, 5 and 9 for the Chromebooks. Those students keep the Chromebooks for grades 1-4 and get a new one in 5th grade. They then keep it for grades 5-8 and get a new one in 9th grade as they go into the high school. They return it when they graduate. There are three quotes here. The first one is for Apple. We have a lot of specialized labs at our high schools, i.e. Tech Ed, Music, Business and Computer Science labs. That is the bulk of the computers; 247 IMacs for the labs and 95 IMacs for teachers who have a choice to choose what they want. That is basically what makes up the Apple order along with some ancillary items, too.

ii. HP Computers, RTI - \$330,029.61

Mr. Borosh said we are requesting 97 HP Desktop Computers and related peripherals for the two high schools. We received seven quotes for this. Reversible Technologies, Inc. (RTI) is the lowest vendor at \$330,029.61. We issued an RFQ on November 24, 2021 which was due on December 21, 2021.

iii. Lenovo Chromebooks, Y&S Tech - \$942,301.84

Mr. Borosh said we are requesting 2,312 Lenovo Chromebooks to deploy to students in grades K, 1 and 5 at each elementary school and 9th grade at both high schools. An RFQ was issued on November 24, 2021, which were due on December 21, 2021. We received eight quotes and the lowest was Y & S Technologies. We have never dealt with them. We checked six references on them and I am satisfied using them. Mr. Andrews asked if these computers will go to 1st, 5th and 9th graders. Mr. Borosh said not this year. What we have been doing for kindergarteners is reusing devices that are five years old. We thought it would work well, but it became difficult due to how much use they already had. What we are going to do this year is add in kindergarten and moving forward every five years replace kindergarten only. The kindergarten devices do not go home. They stay in a cabinet. Mr. Andrews asked if this request is for kindergarten, 5th and 9th grades. Mr. Borosh said they are for kindergarten, 1st, 5th and 9th. Mr. Schlameuss said the kindergarteners do not leave home with their devices. Mr. Borosh said they stay in the classroom every day. Mr. Andrews asked if they will be replaced every 4 or 5 years. Mr. Borosh said at least five years. This is just a small volume of them. Mrs. Bear said the cycle reserves the computers for the kindergarten students so we do not forget them. Mr. Borosh said we built in a 15% contingency increase for enrollment or damages.

f. Computer Financing Bid Results, Lease Proposals

i. First American - \$325,910.25, 1.56%

ii. Apple Financial Services - \$169,245.84, 0%

Mr. Brian Borosh said there are two leases. Apple is through Apple Financial. We have been dealing with them for 14 years, if not more. We do not get a huge discount equipment with Apple. They typically buy the cost of the lease down to 0% so we do see a discount on that. They did offer to finance this transaction at 0%. It is a four-year lease dollar purchase option on capital lease. Since it was 0%, we felt we could not do much better. We did not get other quotes on this one. We sent out for the RFQ for the HP and Chromebooks. We received five proposals back. We have been dealing with First American and American Capital over the last several years. For whatever reason, American Capital normally has

the lowest proposal during the odd years and First American during the even years. I'm not sure if it is the same company. First American came in with the lowest rate at 1.56%. That rate is locked in once the Board approves the transaction. Mr. Andrews asked are we paying the total amount but not all at once. Mr. Borosh said both are four-year capital leases and are tax exempt. Mr. Andrews said so we are not actually paying \$900,000 out of our annual budget. Mr. Borosh said item e. on this agenda has the total amounts of the lease per year which total about 1.2 million dollars. The amount we are going to finance is for four years is under f i. \$325,910.25. Mrs. Bear asked if it is budgeted. Mr. Borosh said the lease payment and not the whole amount is budgeted. This expense is down about \$100,000 from when I started. We were able to reduce my budget by this amount.

g. EBTEP voting roster proposed change

Mr. Neiman said I thought it was a good time to have this conversation. Each year when the Board has their Reorganization Meeting, they appoint a Board member to be a member of the EBTEP Trust roster. Mrs. Bear got to experience her first meeting last month. It was a very exciting multi-hour meeting to sit through. It is an important role for the district. We get a lot of benefits being a part of that trust. What I have in front of you is something that the trust brought to my attention and made this request. In your packet, you will see for the district the current voting roster and how it is aligned, Dr. Riker representing administration, Mrs. Bear representing the Board and so forth. You will note that I am the Board alternate with the current roster. If Mrs. Bear attends a meeting, I do not have voting rights as the CFO of the district. I by default turn that over to Mrs. Bear. What the trust pointed out to me on the top of the page Article V: Appointment of Trustees and Alternate Trustees. Section 5.1 (3) says: one Liaison Trustee and one Alternate to represent the Central Administrative Staff, which shall be the Business Manager, Business Administrator or Chief Financial Officer of the Employer; and (4) one Trustee and one Alternate (which may be any non-bargaining unit employee on the Central Administrative Staff), to represent the Board of Directors. They just highlighted that as the CFO for the district, you really should have a vote in this organizational grid. Under the proposed structure, although what I am proposing here does not fit to the letter of what the Trust Articles of Incorporation said, they are fine with what they recommended. I would flip flop with Mrs. Bear and become the voting member for the Board. If we read this Trust Agreement to the letter of the law, I would actually replace Dr. Riker as the voting member of the Administration. Mrs. Bear would retain the Board Representative position. My only problem with that issue is that Jennifer Schnaitman, who is our Benefits Coordinator and very close to this information, will no longer have a vote as part of the trust. This is how I arrived at

my proposed alignment. If we were looking at this and want to align with what the EBTEP Trust wants to do, I would replace Dr. Riker. Dr. Riker said I have no objection. Mrs. Bear asked could Dr. Riker be the Board's alternative. Mr. Neiman said we can do that or have Dr. Riker be the Administration's alternative. Mrs. Bear said I suggested this since you mentioned that you want to keep Mrs. Schnaitman on the trust. Dr. Riker said she normally attends on my behalf. Mr. Neiman said Mrs. Schnaitman typically by default ends up being the Administrative vote. The Board member becomes the other vote which is a little off since I do not have a vote in that trust. Dr. Riker asked do I have to be on there at all. Mr. Neiman said you are mentioned because the Superintendent does play a role here. Mr. Neiman said if we read it by the letter of the law, it would be myself for the Administration Representative and Mrs. Bear for the Board. Dr. Riker would be the Board backup and Mrs. Schnaitman would be the backup for the Administration. Mrs. Bear said we did not vote at the last meeting. It was just for informational purposes and I took notes. Mr. Schlameuss said this does not affect me. Mrs. Bear said it does because it is about how you want the Board to be represented. Mr. Schlameuss said you are the one actually sitting in that seat. Mr. Neiman said if you are busy and do not want to attend the two-hour meeting in the middle of the day, I am there to represent the Board. Mr. Schlameuss or you can attend the meeting and just not vote. Mrs. Bear said the question is how does the Board feel about a Board member no longer having a vote. Dr. Riker said you are a vote of one of all of the districts that are part of it. Mrs. Bear asked of all of the districts in Pennsylvania. Dr. Riker said no all of the district who are part of the IU. Mr. Schlameuss said last year Larry Dymond was our representative. I don't know if he attended. Mr. Neiman said he would attend via Zoom. He never made a motion or second anything but I would assume he voted. They do not reach out to individuals but rather do consensus votes. Mrs. Bear said no one ask questions or says anything. The meeting was more of being talked at and not interactive like at this meeting. Mr. Neiman said they do a nice job of lining up professionals to make the presentations. Mr. Schlameuss said I do not have an issue with this. It is a matter of being Mrs. Bear's decision. Mrs. Bear said it will be up to the Board to decide. We can make a presentation to the Board for your suggested option or a second option with the second option to see what the Board is comfortable with. I am okay with attending the meetings but I also want you to have a vote as well as Chief Financial Officer. We need to find the best way to do this that everyone on the Board is comfortable with it. I don't want them to say that we are giving up control. Mr. Neiman said the two options would be: 1. With myself as the Board vote and 2. With myself as the Administration vote. Mrs. Bear said and Dr. Riker a backup for the Board and Mrs. Schnaitman as back up for the Administration. We will place both choices on the agenda and see what the Board wants. I am ok with either one as the representative.

V. Recommendations by the Property & Facilities Committee

a. Applications for Payment

- i. High School North and Lehman Intermediate Window Replacement – D&M Construction – Application #7 \$34,229.70
- ii. High School North Sanitary Liner Replacement – Atlantic Lining – Application #4 \$31,882.08
- iii. J.M. Hill Vestibule – Bognet, Inc. – Application #6 \$10,976.83

b. Current Project List

Mrs. Bear said that it looks like we are making progress. There is a lot of our current projects that are close to their final payments. The list of projects will grow again. Dr. Riker said you will have the summer projects added to the list. Mrs. Bear said she likes seeing the low balances. Mr. Schlameuss asked when will the turf project be completed. Dr. Riker said it will be done over summer. Mr. Andrews said he thought that the North HS Sanitary Lagoon Liner Replacement project was more than 77% complete. Mrs. Bear said there is still \$126,000 left. Does that include the change order? Mr. Neiman said the report does not include the January approvals yet. Mr. Andrews said he thought they finished since he saw pictures of it. Mrs. Bear said we always do some hold outs. Mr. Schlameuss said it is 77% of the funding but we may more than 77% of the project being complete. Dr. Riker said the item on the agenda is application #4. You only see two applications on the chart and we are further along with that so you are correct.

c. Project Bid Results –

- i. High School North Natatorium Roof Replacement - Munn Roofing, \$884,000, to be funded by ESSERS
- ii. High School North Natatorium HVAC Replacement - ASL Mechanical, \$460,990, to be funded by ESSERS
- iii. High School North Flooring Replacement - H&P Construction, \$886,615, to be funded by ESSERS
- iv. Smithfield Elementary Flooring Replacement - Cope Flooring, \$358,400, to be funded by ESSERS
- v. High School South Turf Replacement - Sprinturf, \$558,210

Mr. Andrews asked have we heard back any information from St. Luke's for the South Turf replacement. Mr. Neiman said we had a meeting with St. Luke's before the holidays and are waiting to hear back. Mr. Andrews asked if we

received the money for the projects that will be funded by ESSERS. Mr. Neiman said the application is still outstanding with PDE. They have not approved the ESSERS III application yet. Mrs. Bear asked if they foresee a problem with the application being approved. Dr. Riker said I am confident that we will get the funding for this summer's projects. The application for the little over 5 million dollars for next summer's projects, I am not as confident. Mrs. Bear asked what are the above mentioned projects. Dr. Riker said these are all for this summer.

- d. Change Order #2 - High School North Sanitary Liner Replacement, Atlantic Lining Co., Increase \$24,226.48

VI. Recommendations from Curriculum & Instruction (to be forwarded to EPR committee)

- a. LETRS Training Materials, quote - \$8,088.36
Mrs. Bear said this item will go before the Finance Committee today and then the Education Programs & Resources Committee meeting on Wednesday.
Dr. Vitulli said as you know, we have elementary teachers teaching science and reading through the use of the LETRS Training Program. Recently, the company was purchased by another organization and are changing their materials. We have an opportunity to purchase the existing materials for the coming couple of years. I am requesting to buy sets of these books to get us through several years. They are in a train sequence. Mr. Andrews said so they want to change the books. Dr. Vitulli said another company bought them and want to change the material. We prefer to stick to what we have and buy the books now. Mr. Andrews asked how long will this get us through. Dr. Vitulli said it would get us through a couple of years. Mrs. Bear said we will then have to figure out what's next. Dr. Vitulli said I think having the books on hand allows us to train individuals for a number of years.

VII. Public Participation - Limited to Items of Discussion

None

VIII. Advisory Recommendations for Consideration by the Board of Education

1.

RECOMMENDATION BY THE COMMITTEE:

Motion was made by Richard Schlameuss to recommend that the Board consider for approval the quote from Hilltop Sales & Service Inc., for a John Deere 3039 R loader, in the amount of \$23,413.75 (net of trade in). Motion was seconded by George Andrews and carried unanimously, 3-0.

2.

RECOMMENDATION BY THE COMMITTEE:

Motion was made by George Andrews to recommend that the Board consider for approval the quote from CSI, for JM Hill Vestibule Access Control and Intercom, in the amount of \$9,512.08. Motion was seconded by Richard Schlameuss and carried unanimously, 3-0.

3.

RECOMMENDATION BY THE COMMITTEE:

Motion was made by George Andrews to recommend that the Board consider for approval The quote from IntegraOne, for Districtwide CISCO wireless local area network upgrades, in the amount of \$931,458. Motion was seconded by Richard Schlameuss and carried unanimously, 3-0.

4.

RECOMMENDATION BY THE COMMITTEE:

Motion was made by George Andrews to recommend that the Board consider for approval the following computer Bid Results quotes:

- Apple Computers, Apple - \$676,983.35
- ii HP Computers, RTI - \$330,029.61
- iii Lenovo Chromebooks, Y&S Tech - \$942,301.84

Motion was seconded by Richard Schlameuss and carried unanimously, 3-0.

5.

RECOMMENDATION BY THE COMMITTEE:

Motion was made by George Andrews to recommend that the Board consider for approval the following Computer Financing Bid Results, Lease Proposals:

- i. First American - \$325,910.25, 1.56%
- ii. Apple Financial Services - \$169,245.84, 0%

Motion was seconded by Richard Schlameuss and carried unanimously, 3-0.

6.

RECOMMENDATION BY THE COMMITTEE:

Motion was made by George Andrews to recommend that the Board consider for approval to appoint Craig Neiman as the Board Representative to the EBTEP Trust with primary voting rights and to appoint Rebecca Bear as the Board Alternate to the EBTEP Trust with secondary voting rights or to appoint Craig Neiman as the Administration Representative to the EBTEP Trust with primary voting rights and to appoint William Riker as the Board Alternate to the EBTEP Trust with secondary voting rights. Motion was seconded by Richard Schlameuss and carried unanimously, 3-0.

7.

RECOMMENDATION BY THE COMMITTEE:

Motion was made by George Andrews to recommend that the Board consider for approval the following Property/Facilities Committee meeting items. Motion was seconded by Richard Schlameuss and carried unanimously, 3-0.

- a. Applications for Payment
 - i. High School North and Lehman Intermediate Window Replacement – D&M Construction – Application #7 \$34,229.70
 - ii. High School North Sanitary Liner Replacement – Atlantic Lining – Application #4 \$31,882.08
 - iii. J.M. Hill Vestibule – Bognet, Inc. – Application #6 \$10,976.83
- b. Current Project List
- c. Project Bid Results –
 - i. High School North Natatorium Roof Replacement - Munn Roofing, \$884,000, to be funded by ESSERS
 - ii. High School North Natatorium HVAC Replacement - ASL Mechanical, \$460,990, to be funded by ESSERS
 - iii. High School North Flooring Replacement - H&P Construction, \$886,615, to be funded by ESSERS
 - iv. Smithfield Elementary Flooring Replacement - Cope Flooring, \$358,400, to be funded by ESSERS
 - v. High School South Turf Replacement - Sprinturf, \$558,210
- d. Change Order #2 - High School North Sanitary Liner Replacement, Atlantic Lining Co., Increase \$24,226.48

8.

RECOMMENDATION BY THE COMMITTEE:

Motion was made by George Andrews to recommend that the Board consider for approval the quote from Voyager Sopris Learning, Inc. for LETRS Training Materials, in the amount of \$8,088.36. Motion was seconded by Richard Schlameuss and carried unanimously, 3-0.

IX. Next Meeting - February 14, 2022

RECOMMENDATION BY THE COMMITTEE:

Motion was made by Richard Schlameuss to adjourn. Motion was seconded by George Andrews and carried unanimously, 3-0.

X. Adjournment: 7:03 p.m.

Respectfully submitted,
Patricia L. Rosado
Board Secretary