



S&P Global Ratings Management Meeting: Big Spring Sch Dist, PA

Call Date: February 20th, 2018 11:00 am (EST)

Dial-in: +1 (866) 420-6426 Passcode: 2337082#

Richard Kerr, Big Spring Business Manager

Brad Remig, PFM

Ken Phillips, RBC

Allison Macchi, RBC

Olivia Sweigart, RBC

Taylor Budrow, S&P Global

Debt/Capital Needs

1. Please discuss the purpose and plan of financing for the series 2018 bonds.

The District is in the middle of a seven-year capital renovation campaign to address operational and programmatic issues within all schools. Beginning in 2013 we did a complete window replacement in the Middle School followed by an ESCO performance contract at Oak Flat ES in 2014 to address high humidity and other issues. Also in 2013 we began resurfacing all pavement area starting at the High School with the Middle School finishing next year. In 2016 we renovated the stadium and in 2017 we installed a new all-weather track and synthetic turf field in the center of the campus.

This final two years of the campaign will touch every school including complete interior renovations of Newville ES in 2018 and Mt. Rock ES in 2019 and minor projects in all the others. At [Encl 1 –Current Projects](#) are those items being addressed in the 2018 and 2019 projects & bonds.

2. Timing – rating and report
3. Describe any major capital needs that could require debt issuance in the next few years, including purpose and estimated amount.
Once these projects are finished, the District doesn't foresee any major renovations until 2025, or later, when the High School would be eligible for PlanCon consideration. All buildings, including roofs and parking lots will be in great shape. And, as part of these final two years, we are addressing new flexible classroom furniture in the ES and partial replacement at the secondary schools.
4. Does the district have any direct purchase debt?
none
5. Aside from the 2 outstanding bank loans with F&M Trust, does the district have any other loans with a local bank or any other obligations placed privately?
none

6. Does the district have any variable rate debt or swap agreements?
No swaps and the only variable rate debt (PLGIT Pool) will be paid off this year

Big Spring School District
Proposed Gross Outstanding Debt Service
As of July 1, 2017

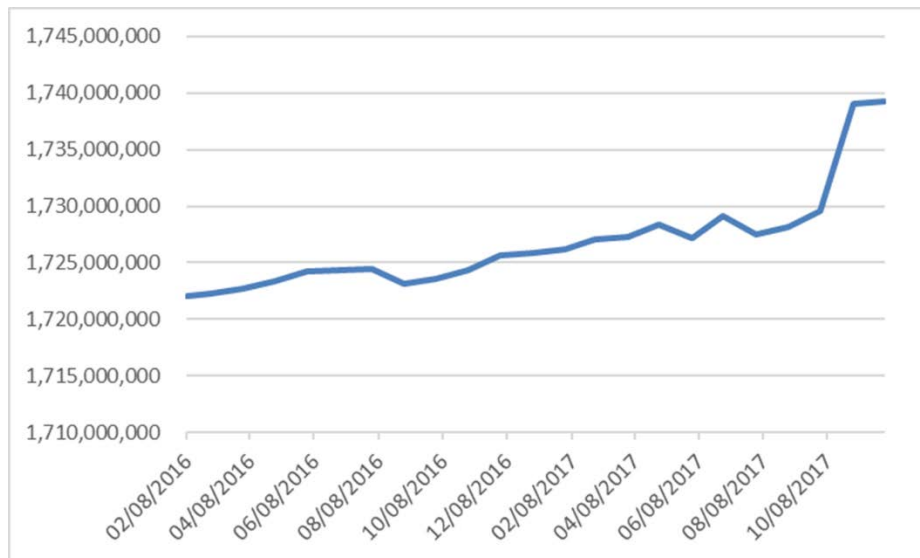
As of Fiscal Year Ending June 30	1999 (1) (1996 PLGIT Pool) G.O. Note	(2) 2012 G.O. Bonds	(3) 2013 G.O. Bonds	(4) 2015 G.O. Bonds	(5) 2016 G.O. Bonds	(6) 2016A G.O. Bonds	(7) 2017 G.O. Bonds	(8) Proposed 2018 G.O. Bonds	(9) Proposed 2019 G.O. Bonds	Total
2018	406,770	912,425	780,250	592,673	1,263,508	80,854	408,870	0	0	4,445,350
2019	0	1,032,625	0	1,468,735	1,260,810	80,757	486,390	449,868	0	4,779,185
2020	0	1,029,500	0	1,469,710	1,262,724	80,660	486,328	454,868	269,961	5,053,750
2021	0	1,031,800	0	1,466,160	1,269,153	80,563	486,250	454,731	274,961	5,063,618
2022	0	1,788,700	0	2,008,060	0	80,466	486,163	454,586	274,817	5,092,791
2023	0	3,830,100	0	280,160	0	80,369	486,063	454,435	274,666	5,405,792
2024	0	0	0	295,650	0	3,120,272	485,950	454,272	274,503	4,630,647
2025	0	0	0	2,675,250	0	851,199	560,825	454,098	274,329	4,815,701
2026	0	0	0	0	0	0	3,883,425	453,915	274,145	4,611,485
2027	0	0	0	0	0	0	3,883,175	453,724	273,955	4,610,854
2028	0	0	0	0	0	0	3,880,925	453,524	273,755	4,608,204
2029	0	0	0	0	0	0	1,900,925	1,738,318	968,548	4,607,791
2030	0	0	0	0	0	0	0	2,868,622	1,738,868	4,607,490
2031	0	0	0	0	0	0	0	2,848,979	1,757,418	4,606,397
2032	0	0	0	0	0	0	0	2,832,785	1,775,618	4,608,402
2033	0	0	0	0	0	0	0	1,004,928	523,400	1,528,328
Total	406,770	9,625,150	780,250	10,256,398	5,056,195	4,455,140	17,435,288	15,831,650	9,228,941	73,075,780

Economy

1. Please discuss any significant economic developments in the last year, or expected in the next year.
2. What have been the factors leading to the increasing assessed values in recent years?
3. What are your assessed value expectations for the next several years?
4. Discuss any pending, significant tax appeals, lawsuits/legal settlements, or any contingent liabilities that could significantly impact district's finances in the next year.

Cumberland County has one of the lowest unemployment rates in the state and as a result the economy has been stable. The District is in the enviable position of a slowly declining enrollment while experiencing increasing tax assessment due to continued build out of warehouses. The District has 8 sites that are in various stages. Three are operating and the oldest one has a 5-year LERTA (50% tax reduction) that expires this year. Three more are started with earth moving and two are in final stages of approval. We would expect the sites under construction to hit within the next 2-3 years with around +\$500,000 each. Recent increase due to warehouse activity is shown on the graph on next page.

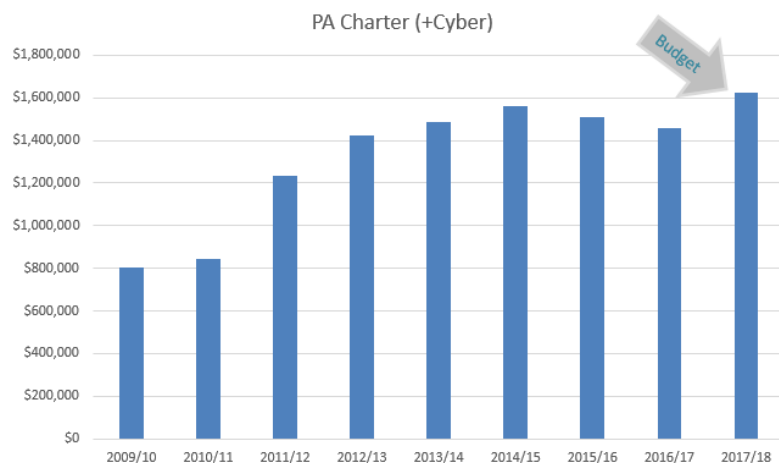
There are no known or anticipated tax appeals, lawsuits, settlements or other contingent liabilities at this time.



Enrollment

- What are the driving factors for the decreasing enrollment numbers in recent years?
The District's enrollment decline parallels that the reduced agriculture footprint and fewer extended farm families. Also, as a farming community, there hasn't been any real expansion of utility infrastructure to support housing development. However, with the warehouse construction expanding the utility footprint, we expect some residential expansion in the next decade to be centered around or nearby those structures.
- What is driving that expected slight enrollment decrease in future years? (POS pg. B-5)
see above
- How do you project enrollment projects? Any outside sources?
We use PDE projections – see [Encl 2 – PDE Enrollment](#). So far, it has been fairly close.

- Does the district have any pressured from charter or cyber schools?
*Previously, yes.
 However, recent years appear to show moderation – see graph at right. The 2017-18 \$\$ while higher are conservative budget figures.*



Finances

1. In 2016, what led to the \$780k operating surplus?
 - a. Any significant one-time revenues or expenditures throughout the year?

Our surplus is a product of tax revenue above forecast and decreasing healthcare premiums. Starting in 2015-16 we switched to an HSA plan. In 2016-17 we reduced rates by 6%. In 2017-18 we reduced rates again, by 10%. Currently we are forecasting a 3% reduction for 2018-19.

The District has made sizable investments in both technology infrastructure and student devices over the past three years. This year we completed a \$500,000 infrastructure update using Erate Category 2 funds. We now provide individual student devices from 4-12 grade with 4-8 using Chromebooks and 9-12 receiving ThinkPads.

2. In 2017, what led to the \$284k operating surplus?
 - a. Any significant one time revenue or expenditure assumptions?

The District revenues were actually \$60,000 less than budgeted. However, personnel costs were down significantly due to the reduced healthcare experience. In addition to that, operations & maintenance was under budget by \$400,000 thanks to mild winters and low electricity rates currently hedged through 2020 with the Lincoln IU joint purchasing board.

	Jul '16 - Jun 17	Jul '15 - Jun 16
Ordinary Income/Expense		
Income		
4010 • Premiums - Traditional	3,437,936.38	3,482,818.61
4310 • Stop Loss - Reimbursements	544,788.54	214,251.70
Total Income	3,982,724.92	3,697,070.31
Expense		
5010 • Claims	86,032.86	0.00
5015 • Claims - Vision	19,617.86	22,796.43
5020 • Claims - CBC	3,464,769.96	3,001,793.91
5040 • Claims - Rx	0.00	-3,266.89
5110 • Admin - BC/BS	9,760.08	0.00
5130 • Admin. - CBC	136,334.80	123,303.48
5310 • Stop Loss	95,791.34	92,215.74
5530 • Office Expense	35.04	14.85
5560 • Insurance	58.04	57.63
5610 • Executive Director	2,815.20	2,815.20
5620 • Benefits Consultant	24,999.96	24,999.96
5650 • Accounting & Auditing	4,594.04	4,591.44
5690 • Bank / Cash Management Fees	750.73	1,021.02
Total Expense	3,845,559.91	3,270,342.77
Net Ordinary Income	137,165.01	426,727.54
Other Income/Expense		
Other Income		
9510 • Interest Income	10,234.42	4,700.38
Total Other Income	10,234.42	4,700.38
Net Other Income	10,234.42	4,700.38
Net Income	147,399.43	431,427.92

3. What does the district expect to report for fiscal 2018? In line with the budgeted \$180k deficit?

- a. How have healthcare costs been through the year?

At left is a look at our balance with South Central Trust for our self-funded healthcare expenses at June 30. Three years ago, we had \$2,212,434 in the SCT and at 31 Dec 2017 it grew to \$3,269,567—despite several premium holidays and two years of rate reductions.

At right is a look at our 1st+2d quarter results for SCT:

With no large purchases in the forecast, based on our actual spend so far, we expect a revenue surplus similar to last year.

	Jul - Dec 17	Jul - Dec 16
Ordinary Income/Expense		
Income		
4010 • Premiums - Traditional	1,804,142.35	1,714,579.26
4310 • Stop Loss - Reimbursements	36,081.06	106,846.88
Total Income	1,840,223.41	1,821,426.14
Expense		
5015 • Claims - Vision	13,885.37	9,171.81
5020 • Claims - CBC	1,271,267.98	1,505,783.90
5130 • Admin. - CBC	96,670.98	59,393.63
5310 • Stop Loss	59,314.20	43,478.50
5530 • Office Expense	23.66	25.72
5610 • Executive Director	1,407.60	1,407.60
5620 • Benefits Consultant	12,499.98	12,499.98
5650 • Accounting & Auditing	3,067.78	2,909.80
5710 • Actuarial Fees	2,825.34	0.00
Total Expense	1,460,962.89	1,634,670.94
Net Ordinary Income	379,260.52	186,755.20
Other Income/Expense		
Other Income		
9510 • Interest Income	0.00	4,214.43
Total Other Income	0.00	4,214.43
Net Other Income	0.00	4,214.43
Net Income	379,260.52	190,969.63

- Can the capital reserve fund be used for debt service payments?
Yes. We did that 2 years ago when the State failed to appropriate.
- When are teacher contracts up?
June 30, 2019. There is some discussion of either an extension or early bird.
- Are there currently any plans in the future to draw down available reserves?
Only if the State were to make it a requirement. With the building projects over the next two years completing most of the capital needs, there may be some use of the Capital Projects Reserve fund for furniture. However, there is no plan or intent to drastically reduce this fund.
- Any plans to decrease the balance committed for PSERS increases?
Only if the State required it.

Financial Management Assessment

1. Revenue/Expenditure Assumptions for Annual Budgeting-same
 - a. How many years of history do you use when forecasting trends?
 - b. What outside sources of information do you use or consult? Or is it all done in house?
 - c. What methodology do you use for budgeting (line item, zero base, etc)?
We general look back to recent experience (2-3 years) for the most accurate trend. However, we do review the past 10 years also. We currently use two analytical tools – [Eidex](#) and [Forecast 5](#) for budget and program analysis.
2. Budget Amendments & Updates
 - a. How many times per year do you provide the board with budget-to-actual reports? Please provide most recent report.
The board reviews & approves payments at all board meetings; financials are presented once a month and include the budget to actual for both expense and taxes (see [Encl 3 - Board Report 180219](#)).
 - b. In case of an emergency, how quickly could an amendment to the budget be made?
 - c. **Please provide a copy of most recent budget to actual**
3. Long-Term Financial Planning
 - a. Is any type of multiple-year financial forecasting utilized? Or is it just the budget year?
 - b. How frequently are these projections updated?
 - c. **Provide a copy of projections.**
We use a 5-year window when budgeting for the next year – see [Encl 4-Budget19 draft](#). This is probably updated, in some form, weekly during budget season. Once approved, probably updated monthly until next cycle.
4. Long-Term Capital Planning
 - a. Is a written, multiple-year capital improvement plan maintained? If so how many years does the plan look forward?
The last board approved capital campaign was done in 2017 – see [Encl 5-Capital Project List](#). As the current project timeline developed and was compressed, we haven't updated the master list. However, I would expect that practice to resume once these projects are complete.
 - b. If so, how frequently is the plan updated?
 - c. **Provide a copy of the plan.**
5. Investment Management Policies
 - a. Is there a formally approved investment management policy, or are the state guidelines simply followed when making investments?
Link to [Investment policy](#). We use RBCCM / PSDLAF to manage our investments.
 - b. How often are investments and holdings reported to the board?
 - c. **Provide a copy of the policy and most recent report.**
6. Debt Management Policies
 - a. Is there an approved debt management policy that goes beyond statutory limitations to restrict the structure or amount of debt issued?
The District does not have any additional policy beyond the voluminous guidance in law and school code. A list of current financial policy is below in the reference section.
 - b. **Provide a copy of the policy.**

7. Reserve and Liquidity Policies

- a. Has the board approved a formal fund balance or reserve policy or is there a target to maintain a certain fund balance?

The District does not have any additional policy beyond the voluminous guidance in law and school code. A list of current financial policy is below in the reference section.

- b. If there is a target, why was that particular target chosen?

- c. **Provide a copy of the policy.**

References

The District's maintains its historical [financial documents at the link](#).

The District maintains all of its [policies on our website](#). A quick link to the financial policies:

Series	Policy Title	Policy #
600 Finances	601 Fiscal Objectives	601
600 Finances	602 Budget Planning	602
600 Finances	603 Budget Prep	603
600 Finances	604 Budget Adoption	604
600 Finances	605 Tax Lev	605
600 Finances	606 Tax Collection	606
600 Finances	607 Tuition Income	607
600 Finances	608 Bank Accounts	608
600 Finances	609 Investments of District Funds	609
600 Finances	610 Purchases Subject to Bid Quotation	610
600 Finances	611 Purchases Budgeted	611
600 Finances	612 Purchases Not Budgeted	612
600 Finances	613 Cooperative Purchasing	613
600 Finances	614 Payroll Authorization	614
600 Finances	615 Payroll Deductions	615
600 Finances	616 Payments of Bills	616
600 Finances	617 Petty Cash	617
600 Finances	618 Student Activity Funds	618
600 Finances	619 District Audit	619
600 Finances	621 Local Taxpayer Bill of Rights	621

600 Finances	624 Gasb Statement	624	
600 Finances	625 Procurement Cards	625	
600 Finances	626 Federal Fiscal Compliance	626	
600 Finances	626.1 Travel Reimbursement - Federal Programs	626.1	