

March 28, 2018

SCRANTON, PENNSYLVANIA 18503

The Scranton School Board of Directors held a special meeting for the specific purpose of adopting the 2018 Budget on Wednesday, March 28, 2018 immediately following the monthly work session in the auditorium of Scranton High School, 63 Munchak Way, Scranton, PA 18508.

President Dixon called the meeting to order at 8:35 PM.

Roll Call: By the Secretary.

Present: Directors Casey, Cognetti, Duffy, Gilmartin, McAndrew, Oleski, Schuster and Dixon.

Absent: Director Lesh.

Public Comment:

Courtney Novak, teacher, taxpayer and parent of Scranton School District students, thanked Dr. Kirijan, Directors McAndrew, Cognetti and Dixon for responding to her emails and spoke on behalf of the West Scranton Community, urged the board to vote in favor of the boundary changes for equal population at both high schools and keep the schools intact citing safety concerns and overcrowding at Scranton High School..

Patrick Festa, Vice President of Scranton Federation of Teachers, urged the board to vote against furloughs and program cuts, remarked that today is a day of reckoning of sorts and he has decided to speak tonight to be sure the voices of the teachers are heard loud and clear before the board makes any formal decision that will negatively affect the students, he believes that programs should be preserved and expanded not eliminated and cut. Mr. Festa added that there are many variables yet to be explored like bidding contracts, healthcare cost savings, special education overhaul, minimizing lawsuits and good budgetary practices that have been neglected.

Matthew Loftus, Scranton Federation of Teachers, referred to an auditor general's report that stated every dollar spent on no bid contracts is a dollar spent that could be for a teacher in the classroom, and also spoke of a letter the board received from Governor Wolf's office advising the district not to furlough teachers. Mr. Loftus asked the board to please consider those two items this evening and on behalf of the teachers, parents and students Mr. Loftus asked that at least one director to please make a motion prior to passing the budget to remove the furloughs and said the \$300,000.00 that would be saved is not worth the systemic void that will be created by eliminating and diminishing the programs that students need.

Rosemary Boland, SFT President, asked for a moment of silence in memory of Al Sakovich, former teacher and union leader who passed away recently and also keep in prayers our guidance counselor from Northeast Intermediate who is ill and in ICU.

Ms. Boland echoed Mr. Loftus' pleas that a board member makes a motion to not furlough teachers. Ms. Boland also spoke of the shortage of substitutes and psychologists, and reminded the board that they are elected officials and that the health, safety and welfare of every student and employee is in their hands tonight.

Kevin Kays, Scranton Federation of Teachers, inquired about the prior year budget numbers, would like to see the actual expenditures for 2017, any increases in healthcare expenditures over 2017 and how many furloughs or layoffs in administration and any group other than the SFT.

Dr. Kirijan assured him she would get these numbers to him first thing in the morning.

March 28, 2018

Director Cagnetti apologized for not having the information Mr. Kays is asking for in front of her, spoke of the handout of the budget revenues and expenditures available to the public and assured him that Dr. Kirijan would provide the information he is asking for as soon as possible.

Jim McGough, city resident and tax payer, spoke of his six grandchildren and that he has assured them that there isn't going to be any changes with their teachers and he hopes the board follows through (without teacher furloughs) so he doesn't have to tell them otherwise.

Mr. McGough asked where the prior year budget numbers are for comparison, questioned the whether the two transportation contracts are considered valid and money owed to the district from Mr. Daniel Sanski.

President Dixon explained the situation is under investigation.

Director Cagnetti echoed Mrs. Dixon adding that this board has nothing to do with that situation so it isn't something they can address. Mrs. Cagnetti said that there has been discussion whether the primary transportation contracts are binding; she doesn't believe there have been any questions of the other contractor and first they have to find out if there is a binding agreement and then they can move forward and perhaps try to get some rebates. Mr. McGough began to debate and Mrs. Cagnetti expressed she didn't feel it was appropriate for them to have a back and forth dispute and that it has been a very intense few months, which pales in comparison to the intensity of the experience of the teachers and families who may be furloughed and this board has tried to address every possible way to save positions.

President Dixon reminded Mr. McGough that his time was up.

Robert Lozada, quoted the State Board of Education requirements, noted the drastic, dramatic decrease in programs and the amount of days students are missing in music, the arts and physical education, increases in class sizes and shared that research and studies show that increases in class sizes is not a sound educational philosophy and expressed dismay that should the board decide to pass this budget what the board essentially saying is that they are more willing to take out a loan to borrow tens of thousands of dollars to hire more lawyers whose expressed purpose is to keep the highest qualified teachers away from the students.

At this time, Director Cagnetti announced for the record that prior to the work session, preceding this Special Meeting for the Budget, Mr. Gretton from PFM presented a power point of projected expenditures and revenue of the budget to the board, audience and public.

#### Budget and Finance Committee

The following was submitted by Director Cagnetti.

B-1

BE IT RESOLVED that the Board of Directors of the School District of the City of Scranton adopted a placeholder budget on December 28, 2017 consisting of expenditures of \$161,774,063.00, revenue and other funding sources of \$157,668,070.00 and a deficit of \$3,527,539.00, as permitted by the Pennsylvania Department of Education (PDE), the 2018 Budget was to be balanced with a final passage of a final budget on or before April 1, 2018.

BE IT FURTHER RESOLVED that the Board of Directors of the School District of the City of Scranton hereby approve a **final budget** consisting of expenditures of \$161,863,185.00, revenue of \$152,403,369.00 and other sources consisting of transfers and other funding sources of \$9,370,694.00 as per attached. All other Budget Resolutions remain consistent with their adoption on December 28, 2017 and such matters including all revenue, taxing and other budget matters from 2017 are incorporated herein by reference.

March 28, 2018

THEREFORE BE IT RESOLVED upon the adoption of the final budget, copies of which are carried hereby and are available to the public and the District Secretary shall file and advertise the Budget in accordance with law.

The resolution was seconded by Director Casey and passed unanimously on roll call.

ON THE QUESTION:

Director Gilmartin asked Director Cognetti to repeat the amount of transfers and other funding sources.

Director Cognetti responded \$9,370,694.00 and confirmed with Mrs. Orr that the correct, updated resolution was provided to her.

ALSO

The following was submitted by Director Cognetti.

B-2

Whereas, the School District of the City of Scranton Budget and Finance Committee recommends approval of the following resolution:

Whereas, the School District had heretofore issued \$31,015,000.00 original aggregate principal amount general obligation notes, series of 2014 (“the notes”), pursuant to a resolution of the School District adopted on November 17, 2014; and

Whereas, the School District of the City of Scranton hereby approves the remarketing agreement scheduled to close on or before April 2, 2018; and

Whereas, the School District has undertaken the remarketing on April 2, 2018 of the notes from the current index rate mode to a new index rate mode (hereinafter referred to as the “Conversion”); and

Now therefore be it resolved that the remarketing agreement of the notes are hereby approved with the closing to occur on or before April 2, 2018.

The resolution was seconded by Director Casey and passed unanimously on roll call.

ON THE QUESTION:

Director Cognetti clarified that this vote is for the remarketing of the Series 2014 notes that were set for a fixed rate for three years and the school district had to remarket the notes in order to get the new rates for 2018 moving forward either one, two, three or four years adding that Mr. Judge from Casecon spoke last week at a meeting about the transaction and that it was successful and the rates did come down about \$45,000 over the course of one full year which isn’t a ton of money but at least we are on our way down in terms of interest rates and the district got a three year term and the district had to do this in order to avoid penalty. The intercept agreement with the state is based on the school district’s underlying credit rating and based on the intercept agreement with the state that will pay some of the interest costs automatically and then bill the district but then it shows that the Commonwealth of Pennsylvania is invested in the Scranton School District.

ALSO

March 28, 2018

The following was submitted by Director Cagnetti.

B-3

Whereas, the School District of the City of Scranton Budget and Finance Committee recommends approval of the following resolution:

Whereas the School District had heretofore issued \$31,015,000.00 original aggregate principal amount general obligation notes, series 2014 (“the notes”), pursuant to a resolution of the School District adopted on November 17, 2014; and

Whereas, Section 20 of the resolution sets forth that all expenses incurred by the school district related to the notes shall be paid out of proceeds derived from the issuances of the notes or from other available funds of the school district; and

Now therefore be it resolved as follows:

1. All expenses incurred in connection with the conversion are set forth on Schedule 1 attached hereto shall be paid directly by the School District out of its funds on or prior to April 2, 2018; and
2. The President or Vice President of the Board of School Directors is authorized to approve requests for payment of such expenses and to pay or direct the payment of such expenses not exceeding the amounts set forth in Schedule 1 attached hereto.

School District of the City of Scranton  
General Obligation Note, Series of 2014  
Sources and Uses of Funds

Dated Date	12/29/2014	Previous	
Delivery Date	12/29/2014	Estimate	Actual
		<u>3 year</u>	<u>3 year</u>
<u>Estimated Sources of Funds</u>			
Par Amount		\$30,540,000.00	\$30,540,000.00
SSD Funds – Principal		255,000.00	255,000.00
SSD Funds – Interest		308,209.67	308,209.67
SSD Funds – Costs	<u>\$371,483.44</u>	<u>216,120.00</u>	(0.662135%) <u>202,216.00</u>
Total Estimated Sources		31,319,329.67	31,305,425.67
<u>Estimated Uses of Funds</u>			
Principal Tendered		30,540,000.00	30,540,000.00
Principal Paid		255,000.00	255,000.00
Interest Paid		308,209.67	308,209.67
Remarketing Agent – PNC	139,567.50	91,620.00	88,566.00
Bond Counsel – Stevens & Lee	35,000.00	25,000.00	25,000.00
Financial Solutions LLC	39,500.00	0.00	0.00
Solicitor – Minora	17,500.00	12,500.00	3,000.00
Bank Administration Fee	200.00	0.00	0.00
Rating – Moody’s	23,500.00	23,500.00	25,650.00
Municipal Advisor – CaseCon	70,000.00	35,000.00	30,000.00
Paying Agent – Wilmington Trust	4,500.00	0.00	0.00

March 28, 2018

Remarketing Agent Counsel – Cozen	30,000.00	25,000.00	25,000.00
Bank Counsel	6,500.00	0.00	0.00
Printing Expense	3,500.00	3,500.00	2,500.00
DAC	0.00	0.00	2,500.00
Other	<u>1,715.94</u>	<u>0.00</u>	<u>0.00</u>
Total Estimated Uses of Funds	371,483.44	31,319,329.67	31,305,425.67

Schedule for Resolution:

School District of the City of Scranton  
General Obligation Note, Series of 2014  
Remarketing Fees 2018

Remarketing Agent – PNC	\$88,566.00
Bond Counsel – Stevens & Lee	\$25,000.00
Solicitor – Minora	\$ 3,000.00
Rating – Moody's	\$25,650.00
Municipal Advisor – CaseCon	\$30,000.00
Remarketing Agent Counsel – Cozen	\$25,000.00
Printing Expense – McElwee	\$ 2,500.00
Disclosure Compliance – Digital Assurance Certification (DAC)	<u>\$ 4,000.00</u>
Total Estimated Uses of Funds	\$203,716.00

The resolution was seconded by Director Casey and passed with five (5) affirmative and three (3) negative votes. The negative votes were cast by Directors Gilmartin, McAndrew and Schuster.

ON THE QUESTION:

Director Casey asked about the \$1,715.94 indicated in 'Other'. Director Cagnetti responded that she is unsure that it was for in November, 2014 but it is zero dollars for this transaction and the column we're looking at tonight is the 'Actual 3 year' per the discussion last week where Mr. Minora and Mr. Judge have come down on their fees and is reflected in this document.

There being no further business a motion to adjourn was made by Director Oleski, seconded by Director Gilmartin and the meeting adjourned at 9:24PM.

By: \_\_\_\_\_  
Secretary