

**Cardinal Local School District
Work Session/Special Meeting
January 24, 2018**

The **Work Session/Special Meeting** of the Cardinal Board of Education held at 6:00 p.m. on January 24, 2018, was attended by Ken Klima, Wendy Anderson, Barb Rayburn, and Linda Smallwood. Katie Thomas was absent.

Discussion Item:

Spring 2018 Pay-to-Participate Fees – Dr. Hunt wanted to remind everyone of our story. Last year we were deeply involved in the discussion of how to pay for PTP fees in the spring due to the District's financial situation at the time. He proposed a very high dollar number for each sport and the Board voted 0-5 against it and decided not to go with that figure. He was glad that happened as it opened the door for more conversations and community support. Groups raised money to cover the cost of the spring sports PTP fees. When we passed the new levy in May, we never planned to reduce the fees with levy money for FY 2018. They had to be completely funded by the students or outside sources as we would not be receiving any new money until 2018. Now there will be a different conversation this spring when the Board discusses the FY 2019 PTP fees. We had great support from the community who raised enough money this summer to cover the fall PTP fees. The intention was not to have the boosters and other groups cover the full cost of the fees and have no fees for the students. They recently had a meeting with the boosters to discuss the spring standings and future expectations. They should not be expected to pay for PTP fees and should not spend their fundraising monies on the total cost of PTP fees. There will always be a fee for participation in sports and music activities but there can be donations towards the cost of those fees. That being said we are not looking to have donations for spring fees. Due to the carryover money from last spring's fundraisers being applied to this spring's fees, the amount is reduced from the full cost divided by the minimum number of participants. He wanted to remind everyone the PTP fees have only been established to cover the cost of the coach(es) and the bus driver(s). All costs associated with the bus itself are paid for by the Board, such as fuel and maintenance.

For the Spring PTP fees:

Baseball with 2 coaches and a minimum of 25 players will cost \$8,104 less the carryover cash balance of \$2,004 and a spring fundraiser per the Boosters of \$2,000 leaving a cost of \$4,100 to be divided per participant. This fee is set at \$164 for the spring.

Softball with 1 coach and a minimum of 13 players will cost \$6,035 less the carryover cash balance of \$2,822 and a spring fundraiser per the Boosters of \$1,000 leaving a cost of \$2,213 to be divided per participant. This fee is set at \$170 for the spring.

HS Track with 2 coaches and a minimum of 30 players will cost \$10,475 less the carryover cash balance of \$4,785 leaving a cost of \$5,690 to be divided per participant. This fee is set at \$190 for the spring.

MS Track with 2 coaches and a minimum of 25 players will cost \$4,821 divided per participant. This fee is set at \$193 for the spring.

Dr. Hunt asked if the Board had any questions. *Mr. Klima stated after going through the last two seasons, he believes they have a good understanding of the process.* Dr. Hunt added in the spring the Board will discuss the PTP fees for next year. Fall sports cost about \$100,000 for the season. *Mrs. Smallwood thought the fee amounts looked good.* Dr. Hunt stated the fees will be approved later in the meeting and thanked the Board.

Bonds - Dr. Hunt stated the bond discussion and the strategic plan discussion tie together in the front story he is about to share again. In the last year we looked into QZAB bonds as the Board approved a resolution to move forward with this program. We were looking at \$9,600,000 in 0% interest bonds with a 25 year payoff for

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permanent improvements of all District buildings and for some iStem classroom set up costs in the CIS building. The state pulled this program off the table at the end of 2017 and we were not in a place to be approved before the end of 2017. We still have things waiting to get done – such as window replacements, replace or repairs to roofs on all buildings, grounds improvements and the stadium project for lights and field updates. Since the PI levy attempt did not pass to help with these costs we have had to look in other directions. The community task force made some recommendations to the Board:

- Cost Containment – closed CIS and repurposed the building.
- Salary and Benefits – joined a consortium to save on insurance premium costs.
- Economic Development – working with the businesses in town for internships.
- Energy Conservation – looking to replace windows, etc.
- Capital Projects – includes grounds maintenance and updates.
- Student fees – manageable.

As you can see, we are already doing some of things the task force recommended. For the building and grounds portion we have already repaired portions of high school roofs. Eric Prall and Edward Cavezza are here to do a presentation in regards to the potential lease-purchase option for financing some improvement needs. They helped with the QZAB bonds in 2017 and afterwards we had a discussion about other financing options. Dr. Hunt reviewed the list of needs included with the QZAB application and reduced the list to include:

- Roofs replaces/repairs at all buildings.
- Window replacement at all buildings.
- Door replacement at all buildings.
- Lighting upgrade to LED in all buildings.
- Solar panels.
- Field Maintenance/upgrades – track, field, lights, concession stand and toilets.

Eric Prall stated they are serving as the underwriter of the District to raise the capital needed. We put the needs together and present this to the investors and work to drive down the interest rates. Moody's has given the District a less than desirable rating and we are looking at other options to improve the rating and options. There is a borrowing that is considered a lease-purchase which has a 20 year payback period. The interest rate is set at the day of closing. We are starting this process with trying to improve the rating and hope to end with providing capital for your needs. This type of offering is like an auction; we put it out there and investors bid to drive the cost down. We receive the bids and interest rates from the investors and work to drive the cost of the interest down. The end result is you get the capital you need for your permanent improvement projects with a fixed 20 year financing option. The District is not obligated until you sign off and close the agreement. You will then receive the capital. There are a lot of moving parts to this process but that is the basic rundown. The kicker is the unknown rating right now. We are working to get an upgrade to investment grade as this will open a whole new pool of investors. Mr. Klima asked if the interest rate is fixed until paid off or refinanced. Mr. Prall replied yes. It will be a fixed rate at the date of closing. Each bond will have a graduated rate, but a fixed blended rate is used at the close of business. The interest rate can go down depending on the market and the rating of the District. Edward Cavessa joined in stating he lives and works in Columbus and enjoys getting to help school districts. While Eric is the money man, he documents the transactions and certifies it is legal. Voted bond levy is the traditional way of financing improvement projects. They have instead heavily relied on a particular statute that allows a lease-purchase option. Every year the board has to authorize the appropriations for the payment of the lease. The interest is set at closing as Eric mentioned. There is more documentation but the market is very familiar with this type of borrowing. It is a good opportunity for a board to approve how much you can afford and feel comfortable with to get upfront tax exempt borrowing. The best option for the District is to keep it legal and keep it tax exempt. It is your decision on how much you want to spend and how much you can afford as repayment each year. If you choose not to continue with this, there is no bill to you. He

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thanked the Board for their time and for the chance to talk to them. *Mrs. Smallwood asked if the resolution is only to move forward in the process and not commit to it with no going back.* Dr. Hunt replied yes. This is to engage these gentlemen to go forward to see what could happen with financing.

Strategic Plan – Dr. Hunt introduced Sally Breyley from Time Zero Consultants. He has asked her to give a brief update on the Strategic Plan process. A strategic plan has been discussed before and a task force has moved the process forward. This plan is for 2019 through 2021. There was a lot of discussion taking place at these meetings. The core group met and completed the basic process on Monday night.

Mrs. Breyley said the process was incredibly inclusive and had a number of people involved. The stakeholders were the staff, parents, business owners, students and the community. We held a community café and had a decent turnout that planted the seed for future café communications. Planning began with the soul of the organization, core values and then looked at key areas. Two committees did some interim work between meetings and we met on Monday night to bring it all together. Reviewing it and pulling the final plan together is where we are now. We will need to look at some funding for some areas, but that will be a discussion for another time. We started our process based on the surveys put out to the staff, parents, students and community. We had a decent response come back. From that we will pull together a mission statement. The components of our mission statement include a safe environment, productive students and life-long learners. We also focused on the core values of how you operate, treat people, and need of consistency in several areas. The culture of the district was divided by our current culture and our desired culture. There was lots of agreement between the groups taking the survey. The survey also looked at internal strengths and internal areas for development. The highest priority areas for improvement were varied, but like most schools across the county financial stability was important. We used all of the factors from the survey in the planning sessions. In sessions 1 and 2 we did good work on the mission statement and purpose as well as the vision of the plan. We came up with three statements that resonated with the group and the purpose of the plan. There is some wordsmithing to be done and then the final product will be presented to the Board. Dr. Hunt stated it is very evident in the last year we have been trying to climb a mountain in our community. We had a pretty diverse group on the committee. It's important to know how we leverage our community to work in our future here at the district. Mrs. Breyley said the planning group was made up of staff members, a student, and community members. We worked based on the five core values of leaning, teamwork, acceptance/respect, caring and safety. We worked on statements of what they mean for the Cardinal community and we set goals and strategies. We have a tremendously strong foundation to build on here and the outcome will be good for the District as a whole.

Dr. Hunt stated we will have to add the resolution for the bond project at the end of the items listed here.

Superintendent's Report

Action Items:

District Calendar

Mr. Klima moved and Mrs. Rayburn seconded a motion to approve the 2018-2019 District Calendar (Attachment A).

Roll call vote:

Wendy Anderson, aye Barb Rayburn, aye Linda Smallwood, aye Ken Klima, aye

Spring Pay-to-Participate Fees

Mrs. Smallwood moved and Mrs. Rayburn seconded a motion to approve the Pay-to-Participate fees for the Spring 2018 season.

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- Baseball – minimum of 25 players \$164/Student
- Softball – minimum of 13 players \$170/Student
- HS Track - minimum of 30 players \$190/Student
- MS Track – minimum of 25 players \$193/Student

Roll call vote:

Barb Rayburn, aye Linda Smallwood, aye Ken Klima, aye Wendy Anderson, aye

Joint Resolution

Mrs. Smallwood moved and Mrs. Anderson seconded a motion to approve the following joint agreement appointing the Business Advisory Council of the Geauga County Educational Service Center to serve as the Business Advisory Council for the district:

As the Cardinal Local School District Board of Education (“Board”) had entered into an agreement under R.C. 3313.843 and/or R.C. 3313.845 to receive any services from the Geauga County Educational Service Center Governing Board (“ESC”), the Board is not required to appoint a business advisory council pursuant to R.C. 3313.82, R.C. 3313.821, and applicable laws as the Board and ESC hereby agree that the ESC’s business advisory council shall represent the business of Cardinal Local School District consistent with the authority granted by the Ohio General Assembly. This agreement shall remain in full force and effect until either the Board or ESC terminates the same by formal resolution.

Roll call vote:

Linda Smallwood, aye Ken Klima, aye Wendy Anderson, aye Barb Rayburn, aye

Lease/Purchase Agreement

Mrs. Anderson moved and Mrs. Rayburn seconded a motion for the adoption of the following resolution:

RESOLUTION AUTHORIZING THE LEASE-PURCHASE FINANCING OF IMPROVEMENTS, INCLUDING A GROUND LEASE AGREEMENT AND A LEASE AGREEMENT, AND MATTERS RELATED THERETO.

WHEREAS, the Cardinal Local School District, Counties of Geauga and Trumbull, Ohio (the "School District") intends to finance certain improvements at the School District's Jordak Elementary School, Cardinal Intermediate School, Cardinal Middle School, Cardinal High School, and Board of Education offices, including the construction, remodeling, and renovation of school facilities, including technology and site improvements, together with equipment, furnishings, and landscaping, and other improvements to its school facilities (the "Project"); and

WHEREAS, in order to finance the Project and pursuant to Ohio Revised Code Section 3313.375, it is determined to be necessary and appropriate to undertake a lease-purchase financing program as described herein; and

WHEREAS, the amount to be financed, including the cost of any municipal bond insurance, capitalized Base Rent payments (defined herein) and other costs of issuance, shall not exceed \$5,500,000;

NOW, THEREFORE, BE IT RESOLVED by the Board of Education of the Cardinal Local School District (the "Board"), Counties of Geauga and Trumbull, Ohio, that:

Section 1. It is hereby determined to be necessary and in the best interest of the inhabitants and citizens of the School District, and the School District hereby agrees, to finance the Project, in accordance with the plan of lease

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financing described in this Resolution. The Project will be acquired and constructed on parcel(s) of land (collectively referred to as the "Site") located in the School District which are owned by the School District, all as more particularly described on EXHIBIT A to the Ground Lease Agreement referred to herein or one or more addenda thereto.

Section 2. The Board shall sublease the Site to such entity as the Treasurer shall designate (the "Ground Lessor") pursuant to a Ground Lease Agreement (the "Ground Lease") to be dated as determined by the Treasurer, in substantially the form presently on file with this Board, which is hereby approved. The President of the Board, the Treasurer, the Superintendent of the School District, or any of them, are hereby authorized to execute and deliver the Ground Lease on behalf of the Board with such changes not substantially adverse to the School District as the official executing the same may approve; the approval of such changes and that the same are not substantially adverse to the School District shall be conclusively evidenced by the execution of the Ground Lease by such official. The initial term of the Ground Lease shall be until June 30, 2018, provided that the Ground Lessor or its assignee shall have the right to renew for a total of not more than twenty-five (25) additional one-year renewal terms beginning on July 1, 2018 and continuing on July 1 of each year thereafter through and including the last renewal term which shall not be later than July 1, 2042 to the earlier of June 30, 2043 or the termination date of the last permitted renewal term of the Lease (as defined below), as determined by the Treasurer. The Ground Lease shall provide for the payment, in advance for all permitted renewal terms, of rent in the amount of One Dollar (\$1.00) per calendar year or portion thereof throughout the term of the Ground Lease.

Section 3. The Board shall sublease the Site and related grounds and facilities, if any, back from the Ground Lessor pursuant to a Lease Agreement (the "Lease") dated of even date with the Ground Lease, in substantially the form presently on file with this Board, which is hereby approved. The President of the Board, the Treasurer, the Superintendent of the School District, or any of them, are hereby authorized to execute and deliver the Lease on behalf of the Board with such changes not substantially adverse to the School District as the official executing the same may approve; the approval of such changes and that the same are not substantially adverse to the School District shall be conclusively evidenced by the execution of the Lease by such official. The Lease shall require the School District, as agent for the Ground Lessor or its assignee, to finance the Project, and shall provide, among other things, for the payment of Base Rent (as defined in the Lease) from the School District to the Ground Lessor or its assignee. Base Rent shall be payable in periodic installments over the term of the Lease, in such amounts and at such times as shall be determined by the Treasurer, provided that the actual Base Rent payments shall not exceed in any year the amounts that would be required if the applicable interest rate were eight percent (8.00%) per annum applied on a principal amount of \$5,500,000. The initial term of the Lease shall be until June 30, 2018, provided that the School District shall have the right to renew for a total of not more than twenty (20) additional one-year renewal terms as determined by the Treasurer, beginning on July 1, 2018 and continuing on July 1 of each year thereafter through and including the last renewal term which shall not be later than July 1, 2037 to June 30, 2038. The Lease shall provide for termination in the event the School District fails to appropriate funds adequate to pay rent due with respect to any renewal term.

Section 4. The Board hereby consents to and approves the assignment of the Ground Lease and the Lease from the Ground Lessor to a such bank or trust company as the Treasurer shall designate, or its nominee, as Trustee and the execution of a Lease Assignment Agreement (the "Assignment Agreement") and of a Trust Indenture (the "Indenture") relating to the collection and distribution of rental payments and the issuance of Certificates of Participation (Cardinal Local School District – 2018 School Facilities Project) (the "Certificates") evidencing proportionate interests in the Base Rent to be paid by the School District under the Lease. The form of the Indenture and of the Certificates in substantially the forms presently on file with this Board, and the issuance of the Certificates, are hereby approved. The President of the Board, the Treasurer, the Superintendent of the School District, or any of them, are hereby authorized to approve the Indenture and the Assignment Agreement on behalf of the Board with such changes not substantially adverse to the School District as the official executing the same may approve; the approval of such changes and that the same are not substantially adverse to the School District shall be conclusively evidenced by the approval of the Indenture by such official. The Board hereby authorizes and directs that the Certificates shall be sold to Ross, Sinclair & Associates, LLC, Powell, Ohio, at a price not less than 97% of the par value thereof, and resold at a price or prices approved by the Treasurer. The Treasurer is authorized and directed to arrange for the purchase of municipal bond insurance in connection with issuance of the

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Certificates, if in the Treasurer's judgment, such insurance would result in a cost savings to the School District and any such actions heretofore taken by the Treasurer and any other officer or employee of the Board or the School District are hereby approved, ratified and confirmed. The payment of the premium and expenses relating to any such insurance policy from the proceeds of the Lease and the Certificates is hereby authorized. The determinations of the final terms of sale of the Certificates, and the resulting Lease terms, including the interest rate, financed amount, term, capitalized Base Rent payments, and amortization schedule, together with the terms of municipal bond insurance, if any, and any other matters required by this Resolution to be determined or approved by the Treasurer, shall be set forth by the Treasurer in a certificate to be entitled the "Certificate of Award."

Section 5. The Board agrees to execute and perform the Ground Lease and the Lease in accordance with the terms thereof. The Board agrees to comply with the terms and conditions of the Indenture insofar as they relate to the School District, and further agrees to comply with the terms and conditions of such additional documents and agreements relating thereto as shall be deemed, by the Treasurer, the President of the Board or the Superintendent of the School District, or any of them, in their discretion, necessary or appropriate in connection with the financing herein described.

Section 6. The Treasurer, the President of the Board, and the Superintendent of the School District, or any of them, are hereby authorized and directed to execute and deliver, on behalf of the Board, such additional instruments, documents, agreements, certificates, and other papers as may be in their discretion necessary or appropriate in order to carry out the intent of this Resolution in such forms as the official executing the same may approve.

Section 7. Nothing in the Ground Lease, the Lease, the Indenture, the Certificates, or any agreements or documents relating thereto shall constitute or be construed or deemed to constitute a debt or bonded indebtedness or a general obligation of this Board, the School District or any agency of the School District. Neither the taxing power nor the full faith and credit of this Board or the School District are pledged or shall be pledged for the payment or security of the Ground Lease, the Lease, the Indenture, the Certificates, or any other related agreement or document.

Section 8. The Board hereby covenants that it will restrict the use of the proceeds of the Lease and the Certificates hereby authorized in such manner and to such extent, if any, as may be necessary after taking into account reasonable expectations at the time the debt is incurred, so that they will not constitute "arbitrage bonds" under Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations prescribed thereunder and will, to the extent possible, comply with all other applicable provisions of the Code and the regulations thereunder to retain the Federal income tax exemption for interest on the Lease and the Certificates, including any expenditure requirements, investment limitations, rebate requirements or use restrictions. The Treasurer or any other officer having responsibility with respect to the issuance of the Certificates is authorized and directed to give an appropriate certificate on behalf of the School District, for inclusion in the transcript of proceedings, setting forth the facts, estimates and circumstances and reasonable expectations pertaining to said Section 148 and the Regulations.

Section 9. There is hereby appropriated from the net proceeds of the Certificates, to the extent the same are available for the payment of costs of the Project, a sum not to exceed \$5,500,000 to be used for the payment of such costs and related costs, as outlined herein, and funding capitalized Base Rent payments for the Lease and the Certificates, if required. There is further appropriated, from unappropriated funds, a sum not to exceed \$-0- to pay the cost of lease payments due or coming due under the Lease for the initial term ending June 30, 2018.

Section 10. The Treasurer, the President of the Board, and the Superintendent of the School District, or any of them, are each hereby separately authorized, alone or with others, to prepare and distribute to prospective purchasers of the Certificates and other interested parties, a preliminary official statement or offering circular with respect to the Certificates on behalf of the Board, which shall be in substantially the form presently on file with the Board, which is hereby approved, with such changes not substantially adverse to the School District as such official may approve, and which shall be deemed final for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1) except for certain information excluded therefrom in accordance with such Rule. Such officials, or any of

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them, are hereby authorized to prepare, execute and deliver a final official statement or offering circular with respect to the Certificates on behalf of the Board, which shall be in such form and with such changes from the preliminary official statement or offering circular as the official executing the same may approve, and which shall be deemed to be final for purposes of Securities and Exchange Commission Rule 15c2-12(b)(3). Execution or delivery thereof on behalf of the School District by such official shall be conclusive evidence of such authorization and approval and that any such changes are not substantially adverse to the School District, and copies thereof are hereby authorized to be prepared and furnished to the purchaser of the Certificates for distribution to prospective purchasers of the Certificates and other interested persons.

The Board hereby covenants and agrees that it will execute, comply with and carry out all of the provisions of a continuing disclosure certificate dated the date of issuance and delivery of the Certificates (the "Continuing Disclosure Certificate") in connection with the issuance of the Certificates. Failure to comply with any such provisions of the Continuing Disclosure Certificate shall not constitute a default on the Certificates; however, any holder of the Certificates may take such action as may be necessary and appropriate, including seeking specific performance, to cause the School District to comply with its obligations under this paragraph and the Continuing Disclosure Certificate.

Section 11. That the Treasurer, the President of the Board, and the Superintendent of the School District, or any of them, are each hereby separately authorized, alone or with others to apply for a rating from one or more national rating services or for a qualified insurance policy to have in lieu of a reserve fund with respect to the Lease and the Certificates, and any such actions heretofore taken are hereby approved, ratified and confirmed. The payment of the fees and expenses relating to any such ratings or insurance from the proceeds of the Lease and the Certificates is hereby authorized.

Section 12. The law firm of Dinsmore & Shohl LLP be and is hereby retained as special counsel to the School District to prepare the necessary authorization and related closing documents for the issuance, sale and delivery of the Ground Lease, the Lease, the Indenture, the Certificates and, if appropriate, rendering its approving legal opinion in connection therewith in accordance with the written agreement presently on file with the School District which the President of the Board, the Treasurer, the Superintendent of the School District, or any of them, are hereby authorized to execute and deliver on behalf of the School District, with such changes thereto not substantially adverse to the School District as may be approved by such officers. The approval of such changes by such officers, and that the same are not substantially adverse to the School District, shall be conclusively evidenced by the execution of such agreement by such officers. Such law firm shall be compensated by the School District for the above services in accordance with such written agreement.

Section 13. It is hereby found and determined that all formal actions of this Board concerning and relating to the adoption of this Resolution were adopted in an open meeting of this Board, and that all deliberations of this Board and of any of its committees that resulted in such formal action, were in meetings open to the public, in compliance with all legal requirements including Section 121.22 of the Ohio Revised Code.

Section 14. This Resolution shall take effect immediately upon its adoption.

Roll call vote:

Ken Klima, aye Wendy Anderson, aye Linda Smallwood, aye Barb Rayburn, aye

Information:

Mr. Klima informed the Board he received an email from the Board at West Geauga stating they are trying to put together a board member breakfast/lunch in the spring and wanted to know if anyone was interested in attending. *All members were interested.*

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Adjournment:

Mrs. Anderson moved and Mrs. Rayburn seconded a motion to adjourn the meeting.

Meeting adjourned at 6:50 P.M.

Roll call vote: unanimous yes.

Kenneth Klima, President

Merry Lou Knuckles, Treasurer