



GETTYSBURG AREA SCHOOL DISTRICT

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TO: Board of School Directors
FROM: Jason Perrin
RE: Capital Improvement Program
DATE: January 16, 2018

Please find two documents specific to this memorandum:

- 1) **Capital Improvement Program (5 Year Plan 2018/19-2022/23)**
- 2) **Spreadsheet of Capital Accounts**

Background/Rationale:

The process to budget for capital needs each year as part of the district budgeting process was initiated two years ago, and approved by the Board as part of the 2016/17 Budget. This established a 5-year plan with average 5 year needs being funded annually through the general fund budget, via transfer to the Capital Projects Fund. This process was put in place to eliminate the regular transfer of surplus general funds to fund capital needs, as had occurred in past years, creating a more stable revenue stream to address ongoing district capital needs, in order to protect and improve district assets. Available capital funds have permitted the district to reduce its costs through timely funding of projects, reduced borrowing needs, reduced interest and bond underwriting, along with other legal and closing costs.

Goals of Capital Planning/Funding:

Below are significant goals specific to Capital Planning/Funding:

1. Allows for continued funding of average annual needs through the general fund, as approved by the Board.
2. Maintains a sufficient level of “unspecified” capital funds for long term stability and for emergency needs. These funds can also be used to cover initial planning and development costs for major projects funded by borrowing.
3. Ensures transparency for the maintenance and use of all capital funds, including plans for future needs. This would include segregating the various types of capital funds, such as those that are part of the 5-year capital plan, annual funding for periodic purchases (admin tech, copiers, etc.), required equity for student home sites, unspecified funds, etc.
4. Manages capital funds to maintain or improve the District’s current Bond Rating by national rating agencies, for less expensive borrowing in the future.

Proposed Capital Expenditures for 2018/19 Budget Year:

The “Capital Improvement Program” document outlines recommended projects for the 2018-2019 school year. These items have been discussed and are recommended by the Finance/Building Grounds subcommittee of the board. Page 4 of the document outlines the proposed 2018/2019 capital project items, and pages 6-17 outline project details specific to this recommendation. The 2018-2019 capital project items are presented to you this evening for approval.

Also recommended by the board subcommittee, is to create a district practice where completion of projects with a total cost below the current Board Policy (#610) and Administrative Guidelines (#610) bidding thresholds (currently \$19,100) will generally be completed without further Board action, except for approval of payment invoices according to current practice. For those projects above the bidding threshold, Board action will be sought to approve bids for those projects.

Recommended Financing Plan:

The spreadsheet specific to “Capital Accounts” has been arranged to group capital items by category, in order to make the document more easily understood based on feedback from subcommittee and administrative conversations. It has also been aligned to costs presented in the “Capital Improvement Program” document.

For 2018-2019 capital items, I am recommending that we transfer \$922,160 from the 2018-2019 general fund budget, and that the district utilize \$207,340 from the capital plan leveling funds in order to meet the total proposed projects cost of \$1,129,500. This recommendation would allow the district to continue to address capital needs, through a predictable yearly funding process based on the ongoing five-year plan average.

This recommendation would also provide for unspecified funds of \$4,188,547.43 to remain for capital emergencies not outlined in the five-year plan, or for start-up costs associated with future projects. This amount is equal to approximately 3% of our current Capital Investments (\$137,047,253) as outlined in the recent audit.

Though I would prefer to see the unspecified % be higher in relation to our total capital investments, I would propose consulting with professionals that deal with capital financing; bond raters, underwriters, etc., in order to better understand what percentage is common practice in the public sector, and most advantageous to the district community, in order to protect our assets, position us well for future planning, and support the overall capital health of the district, as we carry out our mission of supporting student programming.