

# MONROE PUBLIC SCHOOLS BOARD OF EDUCATION

Special Work Session

Tuesday, January 24, 2017

7:30 p.m.

## MINUTES

### Roll Call and Call to Order

Board Members Present: President Lawrence VanWasshenova, Vice President Floreine Mentel, Secretary Cynthia Taylor, Parliamentarian Cheryl Sweeney, Trustee Matthew Bunkelman, Trustee Robert Nichols, and Trustee Rosalie Pasko

Board Members Absent: None

Administrators Present: Julie Everly, Katherine Eighmey, Cindy Flynn, Terry Joseph, Jerry Oley, David Payne

Administrators Absent: None

President VanWasshenova called the meeting to order at 7:30 p.m.

### Vehicle Purchase and Financing

On November 8, 2016, the Board approved the purchase of new vehicles and buses, and to allow Mrs. Eighmey to seek options to finance the purchase. The purpose of this work session was to give our new Board members some background information on this topic.

Mrs. Eighmey discussed the different types of financing that have been used in the district.

- An equipment loan purchase is when the equipment is purchased up front and payments are made over a period of time.
- Cash flow borrowing is done annually. State Aid is paid October through August; cash flow borrowing takes place in August.
- A capital lease is when payments are made annually just like a loan. We take ownership of the equipment at the end of the lease.
- An operating lease is more of a rental agreement.

The finance history from 2007 to current and the bus and maintenance vehicle inventory was shared with Board members. The manufacturer suggested life span of a bus is 10 years. We have exceeded that time period with several buses, and in some cases, it's been doubled. Mr. Oley attributes this to the excellent preventative maintenance provided by First Vehicle. As buses age, a lot of money is invested to keep them road worthy. Every year, our buses have to pass an inspection by the Michigan State Police under Public Act 187, which specifies the condition of a bus. Several of the older buses are used as sub buses, and a lot of them have rust spots. It was very expensive to get them up to par to pass inspection this past summer. If we adhere to a schedule, we should replace four or five buses a year; we are still below that number. The average cost of a new bus is \$75,000, and the average cost of a special needs bus is \$100,000.

Warranties on new buses are similar to vehicles. The most dependable buses are International, and they typically come in as the lowest bidder. Experience tells us how long these buses will last, and part of their longevity is because of preventative maintenance. We used to have a fleet of 76 buses, and now we have a fleet of 65 with 59 on the road. The extra buses are kept as a backup when preventative maintenance is

being performed or in the event of a breakdown. Every bus goes through a cycle of preventative maintenance every 4,000 miles. If a bus is pulled in for preventative maintenance in the morning, it will be back on the road in the afternoon.

The group discussed rust inspection and whether or not tire replacement is part of the contract with First Vehicle. The discussion then moved to non-contracted work, some of which can be performed by a utility worker. Non-contracted work can include anything from washing a bus to repairing a seat. Unfortunately, we didn't have a utility worker between May and July of 2016. First Vehicle performed non-contracted work during that time, and the cost was substantial. We recently hired a gentleman and he is doing a great job. We would like to maintain his position to avoid paying First Vehicle for non-contracted work. Our transportation supervisor is cognizant of the repairs our utility worker should complete. This prevents a charge by First Vehicle for non-contracted work. First Vehicle is not obligated to repair rust, but they can at a cost. There have been amendments to the contract over the years, but in the past 20 years, no one has bid against them; this is a very specialized service. The current contract expires in June 2017. Some districts repair their buses internally; some have chosen to privatize their bus fleet; and smaller districts use local vendors.

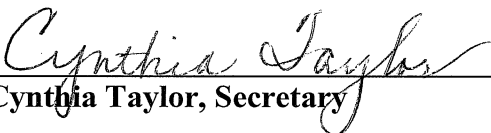
The vehicles are ordered and the Board asked Mrs. Eighmey to explore financing options. The question is should we borrow the money or pay cash? If we finance the buses, we will not have to take a large amount from the fund balance. Moreover, in the event of an emergency, we would have the cash on hand if needed. At the end of February, Mrs. Eighmey will present a budget amendment to the Board. A result of paying for the vehicles, and with our student loss this year, the fund balance could be down to five percent. Mrs. Eighmey stated that the interest rate of 1.65% gives us a safety net for a couple of years to see if our student enrollment decreases further. It is a fixed rate with no early pay off fee. Mr. VanWasshenova thinks a 10% fund balance is excessive. Why should we add additional cost (interest) if we do not have to? When the Board met to set their goals, they agreed on a 7% fund balance. If we pay for the vehicles and buses, the fund balance would be 5.9%. Interest for this loan, over a three-year period, would be \$20,000.

Mr. Bunkelman feels comfortable financing the buses, but not the vehicles. Mrs. Mentel agrees; she would rather have money in reserve. Mr. Nichols' concern is if we finance the buses, will we spend the money foolishly down the road. Mrs. Everly stated that when we think about negotiating with our employees, we think of the fund balance, as well as student enrollment and recruitment. We need to continue to attempt to give our people something when they come to the table. Borrowing the money to pay for the buses gives us the ability to take care of our employees; we cannot borrow money to pay employee raises. We cannot afford to let our teacher turnover rate get any higher. Studies show that it takes eight years for a teacher to master a classroom.

#### **Adjournment**

Motion by Mr. Bunkelman; support by Mrs. Taylor that the 7:30 p.m., January 24, 2017, Special Work Session of the Monroe Public Schools Board of Education be adjourned.

Vote: Motion carried by a 7-0 hand vote at 9:20 p.m.

  
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Cynthia Taylor, Secretary