

# minutes

Finance Committee/ Citizen Board Oversight Committee		
11.13.2019	4:00 PM	Conference Call
<b>Committee Chair</b>	<b>Heath Kahrs</b>	
<b>Attendees</b>	<b>Ken Gatson, Anthony Pullella, Bob Hill, Ed Capodanno, Vickey Alexitch, Don Fulton, and Heath Kahrs</b>	
<b>Guest Attendee</b>	<b>Dan Silva (Callowhill Capital Advisors)</b>	

## I. November Finance Committee Meeting

### II. Financial Reports

- a. Discussed October financial reports.
- b. Currently at 33.33% of our budget year. We received 60.3% (\$4,393K) of our total anticipated revenue versus 62.2% (\$4,422K) for the same period last year. During October, we received the balance of the 35% preload from the school districts.
- c. Expenditures are at 38.6% through three months versus 39.8% for the same period last year. The major contributing factor for the high expenditure ratio is due to the upfront debt service of \$769K. If the debt service was prorated evenly throughout the year, the organization would be at 31.6% of the expense budget.
- d. There were no concerns relating to variances and explanations contained in the October financial reports.

### III. USDA

- a. Dan Silva (Callowhill Capital Advisors) discussed the organization's current status of the 2014 revenue bonds which bear interest rates between 4% - 5%.
- b. The organization, in 2017, submitted an application for \$15.0 million with the USDA for the purpose of the eventual refunding of those bonds at a lower rate. The ceiling rate that was locked in at the point in time the application was filed and approved by the USDA was 3.875%.
- c. DMA had a period of time for which it could pull the trigger and exercise its option to refund these bonds. The longer DMA waits, the more the savings would be to the organization.
- d. As of November 2019, the current USDA rate dropped to 3.0%. Since the 3.875% is the ceiling, DMA would actually get the current rate of 3.0% if the bonds are refunded before 12/31/19. New rates for January through March 2020 are posted in late December.

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- e. After discussion among the Finance Committee, DMA leadership, and Callowhill, the current rate drop makes the benefit to DMA now worth accelerating the timetable on the refunding.
- f. See proposed Finance Committee recommendation put forth to the Board of Directors in the November Board meeting.

## **IV. Capital Reserve**

- a. Discussed the current capital reserve that has been established. Currently based upon Finance Committee recommendation and Board approval in prior years, \$75K is encumbered and allocated to the capital reserve each year. The current balance in the account is \$350K (including the funding for the year-end 6/30/20).
- b. Discussion revolved around:
  - What should the goal be for the amount to build this account to?
  - Should the funding remain at \$75K per year?
- c. Action:
  - Ken to look back through prior year records and minutes to see if there is any formal or informal review of the building's systems and cost to replace, as well as life.
  - Upon review of that document by the Finance Committee, determination to be discussed and made whether a limited study of our systems needs to be done so that an appropriate funding goal can be established based upon a methodical assessment.