

FINANCE AND LONG RANGE BUDGET PLANNING COMMITTEE
MINUTES – MEETING OF DECEMBER 15, 2008

In attendance:

Committee: Thomas Reinboth; Andrew Pollock; Joseph Simpson

Board: Cynthia Mueller; Jane Schrader Lynch; Mark Miller; Thomas Hezel; Betty Huf; Mike Monaghan

Staff: Timothy Vail; Sandy Homel; Victor Lasher; Bob Reed; Susan Klyman; Jenny Foight-Cressman

Public: Barbara Patrick; Joseph Faust; Barbara Loftus

Press: Bill Devlin (Intel)

Call to Order:

Mr. Reinboth called the meeting to order at 6:32 p.m.

Approval of Minutes

Motion to approve the minutes of the November 17, 2008 meeting as submitted by Mr. Simpson. Second by Dr. Pollock. Motion Carried 3-0.

Real Estate Tax Collector Compensation

Mr. Vail reported that the term for elected tax collectors ends at the end of calendar year 2009 and the election for the new four year term is held in the upcoming primary and general 2009 elections. He indicated that legally the three taxing bodies (school district, municipality and county) for whom they collect taxes must set the compensation for these positions by February 15 of the year in which they run for office so that all candidates are aware of the compensation before they file to run for the office of tax collector. Attached to this evening's agenda is the current compensation configuration.

Dr. Pollock recommended that the current compensation package remain in place adding the standard 3.5% increase each year for the new 4-year term. Mrs. Huf indicated that she would like to hear what Warminster Tax Collector, Barbara Loftus, has to say on the matter. Mrs. Loftus stressed that the matter before the Board is for the upcoming term. She indicated she would be a candidate for the position, but the compensation set by the Board would be paid regardless of who is elected. Mrs. Lynch indicated that Mrs. Loftus works hard and should be compensated fairly. Mr. Reinboth indicated that this is an austere time economically and he would not be in favor of going any higher than the 3.5% increase per year. He asked former Board member, Joseph Faust, for some history on this issue. Mr. Faust indicated that the Board had always tried to treat everyone the same in past compensation resolutions. Discussion then turned to the terms and conditions outlined in the current resolution. Mrs. Loftus indicated that the percentages outlined in the resolution are designed to provide the greatest portion of the annual salary to the collectors over the summer months as that is when the majority of the work is performed. Mr. Miller added that he would like to see the tax collectors take a more active role in encouraging property owners to file for the homestead/farmstead exclusion with the Bucks County Assessment Office. Motion by Dr Pollock to move this item forward for Board approval with a 3.5% increase per year in compensation and all other existing terms and conditions staying in place. Second by Mr. Simpson. Motion Carried 3-0.

Sale of 2008-2010 Real Estate Tax Liens

Mr. Vail reported that, per action at the November 11, 2008 Board meeting, Administration had solicited bids for the sale of anticipated District real estate tax liens for tax years 2008, 2009 and 2010. Attached to this evening's agenda is a recap of the bids received on the RFP for the sale of tax liens to be filed beginning in January, 2009.

Mr. Vail reported that we received only one bid from the major firms involved in the purchase of tax liens within the Commonwealth of Pennsylvania. After reviewing the bid submitted, Administration recommends that award be made to XSPAND (Plymouth Park Tax Services). Award recommendation is based solely upon the percentage to be paid at full redemptive value each company was asked to quote in their bid. This bid is in keeping with the amount offered the last time liens were sold in 2007. He indicated that the amount the District will actually receive will depend upon the total amount of liens outstanding at the time of settlement.

Mr. Vail reported that our bid advertisement also prompted receipt of a proposal from Portnoff Law Associates who has come into the business of collecting liens in lieu of the county-based Tax Claim Bureaus. They state in their proposal that “unlike the provision of the Real Estate Tax Sale Law, the Municipal Claims and Tax Liens Act offers flexible payment plans and shifts 100% of the cost of collection to the tax delinquent, thus resulting in 100% recovery of the face, 100% of the penalty and 100% of the accrued interest to the taxing districts. Administration does not see this as a viable option to selling the liens to a third party as it just shifts the collection responsibilities. Mr. Vail reported that if bid is awarded at the January 13, 2009 Board meeting, the initial settlement on all 2008 outstanding liens will occur not later than March 15, 2009. Actual settlement date to be determined in consultation with the winning bidder and the Bucks County Tax Claim Bureau. Settlement on the 2009 and 2010 liens to be filed in January, 2010 and January, 2011 respectively will occur on a similar schedule. Actual settlement date to be determined in consultation with the winning bidder and the Bucks County Tax Claim Bureau.

Dr. Pollock made a motion to move this item forward for Board approval as submitted. Second by Mr. Simpson. Motion Carried 3-0.

Refund Business Privilege Tax Overpayment – Tenet Health Systems

Mr. Vail reported that this evening’s agenda contains correspondence from Berkheimer and all related backup on the need to refund a portion of the 2007 Business Privilege Taxes (BPT) paid by Tenet Health Systems for the second half of 2007 given the sale of the Warminster Hospital property to Abington Hospital. As outlined in Berkheimer’s letter, Abington Hospital is a not for profit entity and as such they are not subject to the District’s Business Privilege Tax. Mr. Vail reported that the refund request is for \$118,341.39, of which the school district is responsible for \$71,004.83 due to the 60/40 split of BPT revenues with Warminster Township. Berkheimer made the offer to deduct the amount due from future BPT collections, but Administration would prefer making the refund directly to Tenet Health Systems as a refund of a prior year receipt so as not to skew our collection statistics and budget impacts for upcoming years. Mr. Vail indicated he had been in touch with the Tenet Health System representative about the possibility of making the refund in two installment payments, and they have agreed to this. Mr. Reinboth indicated that he researched this matter when it was brought to his attention earlier this week. It appears that Abington Hospital purchased the site in October, 2007 rather than in July, 2007 as indicated by Berkheimer. The interim owner was Solis, a for profit company, and as such subject to the BPT. Thus it would appear that the refund, based on a 6 month period may only be legitimate for three months. Mr. Reinboth requested that Berkheimer be notified of this and attempt to get the matter clarified before the refund is approved and processed. Dr. Pollock made a motion to table this item until the matter is further clarified. Second by Mr. Simpson. Motion Carried 3-0.

2009-2010 Proposed Budget

Overview

Mr. Vail reported that the initial run of the 2009-10 general fund preliminary budget indicates the following:

Projected Revenues	\$93,657,057
Projected Expenditures	\$93,657,057

At this point expenses are in sync with revenues assuming a 3.95 mill tax increase per the Act 1 index level of 4.1% and a 2.86 mill increase based on the preliminary numbers associated with the 2009 General Obligation Bond Issue.

Some of the factors driving this budget include the following:

EXPENDITURES

- Salaries are projected to increase by \$3,599,616. This increase represents a combination of contracted salary increases plus an additional \$443,808 in new positions and stipends as detailed in the first page of the full budget report. Increase in teacher salaries amounts to \$2,808,274 and represents a 7.19% increase over teacher salaries budgeted for the current 2008-09 year.
- Overall fringe benefit costs are projected to decrease by \$94,248 as the employer share of retirement contributions was budgeted to decrease from the current budgeted amount of 7.13% to 4.75%. This more than offsets the projected 22.44% increase in employee health insurance costs which are scheduled to increase by \$748,049. Social security payments increase by \$244,680 based on salary increases incorporated into the 09-10 budget.
- Overall the Special Education budget is decreasing by \$542,721 due to projected savings in BCIU contracted services. However, when the new staffing being requested is added into the equation, this decrease would translate to a net \$238,162 decline in the Special Education budget over 08-09.
- Requests for books and supplies are actually down by \$609,742. This figure does not include the initiatives budgeted for in the Education Initiative Fund which adds an additional \$733,022 to the equation.
- Utility and fuel budget requests from the Facilities and Transportation Departments are budgeted to decreasing by \$511,152 over 08-09 budgeted levels. However, if fuel costs continue to fall this figure may be adjustable even further as we get closer to final budget adoption time.
- Fund transfers to the Education Initiative Fund; the Technology Reserve Fund; and the Capital Reserve Fund are budgeted at \$2,294,734 - an overall increase of \$265,529 over the current year. We are recommending that the Finance Committee fund all 09-10 capital project requests of \$726,700 with fund balance reducing the impact on the general fund budget, and justified by the fact that these are non-recurring expenses.
- The impact of the 2009 General Obligation Bond issue will be minimized on the 09-10 budget by virtue of the fact that a portion of the millage for that debt is already in place from the 08-09 budget and a portion of the funds budgeted to be spent on debt service in 08-09 which will not be needed given the anticipated structure of the bond issue can be carried

forward to reduce the impact on the 09-10 budget even further. Overall, a grandfathered debt exception under Act 1 will be necessary to balance this budget, adding an additional 2.86 mills to the 3.95 mills permitted under the index for a total millage impact of 6.81 mills. This is subject to change we go to market to sell the bonds and the actual costs become known.

- Overall 2009-10 expenses are increasing by \$5,592,409 over the current budget, which represents a 6.3% increase over the current 2008-09 budgeted expense total.

REVENUES

- The draft budget includes a line item which assumes that the Board will raise the millage to the level of the State-wide index as imposed under Act 1. The Index for 2009-10 has been set at 4.1% which, in Centennial's case, allows for a millage increase of 3.95 mills. This translates to \$2,047,689 in additional real estate revenues. Taxable real estate assessments for 2009 are available in preliminary form from Bucks County and indicate a slight decrease in assessments. Rate of collection was budgeted at 96.5%.
- The draft revenues anticipate no significant change in the collection levels of real estate tax; earned income tax; or revenues from the remaining 511 taxes. This may need to be revisited later in the year as the impact of the international economic downturn becomes fully known.
- State subsidy revenue was estimated in the absence of the Governor's proposed budget which will not be released until February. Based on past history, a very conservative 2% in each subsidy source was incorporated into the draft budget. The PSERS Board of Trustees is scheduled to meet December 12, 2008 and will set the rate of employer contribution for FY 2009-10 at that time. The draft budget presently sets this rate at 4.75%, but the budget will be adjusted, if necessary, once the actual rate is known.
- Based on Administration's calculation that the fund balance will exceed the 8% maximum required under Act 46, the Finance Committee in years past has recommended that the dollars needed for capital projects and budgetary reserve be taken from surplus funds. We are again recommending this be considered for 09-10 in the amount of \$929,700.

Dr. Pollock suggested the teacher union should be approached about taking less than the 7.19% in the final year of their current contract. He suggested 5.19% would be an acceptable compromise. Mrs. Mueller indicated that the Labor Relations Committee could approach the CEA leadership about this, but she does not hold out much hope that they would agree. Discussion focused on how this could be handled in light of the fact that the contract runs one more year. Mrs. Lynch indicated that she was concerned about the percentages of increase that were given in the current contract. She asked that the Board be given a matrix of the percentage of increase by salary step. Mr. Vail indicated he could do this. Mrs. Mueller indicated that these issues are best discussed by the Labor Relations Committee in executive session and this will be done in the near future. Dr. Pollock also expressed concerns over the very large 22.44% increase in the medical rates from Keystone. Board members encouraged Administration to take a very close look at our options and make changes if necessary. Mr. Vail indicated this would be done and pointed out that it is early enough in the process that we have time to deal with this before the final budget is adopted in June. Mrs. Mueller commended Administration for a very complete and concise budget package this early in the process. The fact that the Administration

is presenting a budget that is within the state index has not been accomplished in other years this early in the process. Mr. Reinboth added his commendation as well, but stated if additional cuts can be made between now and final budget adoption in June this will be done.

Capital Requests

Mr. Lasher indicated that there are \$726,700 worth of capital requests in the 09-10 budget. An itemized list is included with this evening's budget. Mr. Lasher went through the list item by item noting that almost all of the requested amount is for two items on the list. Both the Klinger and Log College Middle School A/C units need to be replaced over the summer of 2009. This budget request, if funded, will enable this. Mr. Reinboth added these projects will have the added benefit of energy savings as well. Dr. Pollock asked why blackboard replacement is on the list. Mr. Lasher explained that blackboards are being systematically replaced by white boards throughout the District. Mrs. Mueller asked if any of the projects in the elementary buildings could wait for the major renovation project presently being contemplated. Mr. Lasher indicated that the items on the list are in need of being done in the very near future to keep the buildings functional. Committee indicated that they were in agreement with the list as submitted.

Education Initiative Fund

Mr. Vail indicated that the Education Initiative Fund is a sub-fund of the CSD General Fund and was created by the Board a number of years ago to provide a mechanism for separately tracking the expenses associated with annual curriculum initiatives recommended by Administration in keeping with a revolving review and update of subject areas within the curriculum. The Education Initiative Fund is fully funded by the CSD General Fund on an annual basis, and the total amount requested for this fund is shown as a fund transfer on page 321 in the expense portion of the 2009-10 Proposed Preliminary General Fund Budget. The additional \$200,000 needed to fund the Initiative Fund 2009-10 budget request will come from surplus funds that have accumulated in the Fund over the past several years. These monies represent funds in excess of those actually needed to pay for planned initiatives since the fund was created several years ago. Dr. Foight-Cressman provided an explanation of the funding requested for 2009-10 as well as a copy of the Education Initiative Budget by account. She explained the focus for 09-10 is on the Phase II reading implementation. The program is shifting increasingly from full scale reading to grouping students by needs. Dr. Pollock questioned why there is no longer an SAT Prep Course. Dr. Foight-Cressman responded that the 6-period day has made it difficult to offer it. Committee indicated that they were in agreement with the Education Initiative budget as submitted.

Special Education/Pupil Services

Mr. Vail reported that the Special Education/Pupil Services Department oversees all staff and contracted services associated with special education services; pupil personnel services; psychological services; social worker services; and medical/nursing services. Attached to this evening's agenda is a memorandum from Mrs. Susan Klyman, Director, addressing the budget requests within her department associated with contracted services, tuition payments, supplies and equipment. A copy of these budget requests by account is also attached. Mr. Vail indicated this overview does not include staff salary and fringe benefits associated with the in-house personnel assigned to this department as that is part of the staffing overview provided later in this agenda. Mrs. Klyman indicated that estimated tuition costs for off-site programs and facilities are also outlined in the agenda attachments. She indicated that students are placed in these locations in a variety of ways. In addition to District staff recommendations placement can be through probation, disciplinary process and hospitalization. Dr. Pollock noted that some of these appear to be very expensive programs. Mrs. Klyman responded that many of these students are in very unique situations and require very specialized educational services. She indicated that her department continues to look for more cost-effective way to provide these services. Dr. Pollock questioned why the recommendation is being made to bring the autistic program back in-house. Mrs. Klyman responded that class sizes make it more cost-effective to do so. It is very

expensive to continue to educate our growing autistic student population through IU contracted services. Mr. Monaghan noted that bringing back the speech and language program from the IU failed. Why would taking back the autistic program be any more effective? Mrs. Klyman indicated that the autistic program is a self-contained program whereas speech and language is a more open ended pull out program and referrals are made for both special education and regular education students with speech issues. Mrs. Huf noted that the Del Valley Alternative High School now has 40 student slots. Mrs. Klyman noted that we are using those slots. This program is very attractive to a certain segment of the student population who would probably drop out of school without this alternative. The program also is in a position to graduate students twice a year which is also attractive to many. Mr. Monaghan asked if Del Val graduates get Centennial diplomas. Mrs. Klyman responded that get Del Val diplomas. Mr. Vail added that although this is true we still claim their membership on our annual reports which is factored into our state subsidy calculations. Dr. Pollock commended Mrs. Klyman for keeping costs under control. Committee indicated that they were in agreement with the special education budget requests as submitted.

Technology Reserve Fund

Mr. Vail reported that, similar to the Education Initiative Fund, the Technology Reserve Fund is a sub-fund of the CSD General Fund and was created by the Board a number of years ago to provide a mechanism for separately tracking the expenses associated with annual technology supply, equipment, and maintenance costs recommended by Administration in keeping with a revolving replacement of computers and technology within the district. The Technology Reserve Fund is fully funded by the CSD General Fund on an annual basis, and the total amount requested for this fund is shown as a fund transfer on page 321 in the expense portion of the 2009-10 Proposed Preliminary General Fund Budget in the amount of \$1,035,012. Mr. Reed explained that three major expenses drive the budget this year: funds to repair or replace broken equipment, funds to replace outdated equipment, and funds to renew licenses and support agreement for existing applications. He also noted that the final payment for the Skyward Student Information Software is also part of this budget - \$130,000 is budgeted for this final payment which is due and payable in July, 2009. Mr. Miller questioned if the 404 PC's being replaced are spread out around the District. Mr. Reed confirmed this is true with the largest number (159) located at WTHS. He also indicated that 8 out of the 9 principals indicated that they were not in favor of reducing the number of computers in each classroom. Committee indicated that they were in agreement with the Technology Reserve budget requests as submitted.

New Staffing Requests

Mr. Vail reported that recommendations associated with creation of new positions and adjustments to specific support staff salaries total \$443,808 in the 2009-10 proposed preliminary budget. The specifics on these recommended items as well as the projected costs associated with each are included behind the first tab in the proposed budget binder and are not reproduced in this agenda Mr. Reinboth indicated he would prefer to handle these items in executive session as they deal with personnel matters.

Budget Adoption Timeline

Mr. Vail indicated that the following resolution will require Board action at the January 13, 2009 meeting in order to stay on schedule with the budget calendar adopted in August:

BE IT RESOLVED THAT THE CENTENNIAL SCHOOL BOARD:

In conformance with Special Session Act 1 of 2006, hereby authorizes Administration to advertise intent to adopt a proposed preliminary general fund budget for FY 2009-10 in the amount of \$93,657,057 and further authorizes said proposed preliminary budget to be placed on the agenda for adoption at the regular Board of Directors meeting scheduled for February 10, 2009.

Motion by Mr. Pollock to move this resolution ahead for Board review and approval at the January 13, 2009 meeting. Second by Mr. Simpson. Motion Carried 3-0.

Executive Session

Mr. Reinboth noted that an Executive Session would immediately follow adjournment to review personnel and staff issues.

Adjournment

Meeting was adjourned at 8:50 p.m.

Respectfully submitted,

Timothy E. Vail