

FINANCE AND LONG RANGE BUDGET PLANNING COMMITTEE
MINUTES – MEETING OF FEBRUARY 17, 2010

In attendance:

Committee: Thomas Reinboth; Mark Miller; Michael Hartline

Board: Cynthia Mueller; Jane Schrader Lynch

Staff: Timothy Vail; Thomas Turnbaugh; Jennifer Foight-Cressman; Karen Kinzle

Public: Robert Schaffer

Press: None

Call to Order:

Mr. Reinboth called the meeting to order at 7:00 p.m.

Approval of Minutes

Motion to approve the minutes of the January 20, 2010 meeting as submitted by Mr. Miller. Second by Mr. Hartline. Motion Carried 2-0-1. Mr. Hartline abstained due to absence at the January 20, 2010 meeting.

Food Service Cooperative Purchasing – 2010-2011

Ms. Kinzle provided Committee members with an update on purchasing plans for the upcoming 2010-2011 bidding season. She reported that for the first time there has been some movement in getting the many area co-operatives to join forces in more areas than just the cereal bid. This year the Delaware Valley School Business Officials (DVASBO) Co-Op is tackling a commodity bid for next year which includes pizza and many of the expensive protein grocery items. The Bucks IU Consortium joined in as well. DVASBO is also tackling the grocery quote for next year and Tri-County has joined that effort. The BCIU is still separate so it looks like our District will again be dealing with two massive bids which is burdensome for the staff in the smaller buildings. She noted there is talk of trying to find an IU in the area to handle the DVASBO bid in the future, so we may be headed to better consolidation by 2011-12. Lastly she reported that the District has also added the Bucks IU small wares bid to our arsenal for next year. Mrs. Mueller suggested that if the data base can be fine tuned in the coming year the staff time involved could be reduced. Ms. Kinzle indicated that she is looking at that as well.

Concession Fund Profit Disposition – 08-09

Mr. Vail reported that with all outstanding obligations paid for 2008-2009, the Concession Fund ended the year with a balance of \$3,964.43. The one outstanding item that remains unpaid is the administrative time spent by Food Service Department staff ordering food and organizing deliveries associated with concessions. He noted that documentation included with this evening's agenda indicates that \$950.75 was expended toward meeting this obligation. Administration recommends that the Board authorize the reimbursement of \$950.75 from the Concession Fund to the Cafeteria Fund to offset these expenses with the remaining \$3,013.68 being directed to the General Fund toward paying down the outstanding stadium loan.

Mr. Miller stated that he is in favor of transferring the full \$3,964.43 in 08-09 profits toward paying down the stadium loan. He indicated that the Cafeteria Fund is subsidized in a variety of ways by the general fund in the areas of utilities and maintenance services and as such the administrative costs associated with ordering food and supplies for the concession stands is more than offset. Dr. Turnbaugh agreed and stated that of more consequence is the public perception of the boosters organizations in the area of concession management.

Motion by Mr. Miller to recommend that the Board transfer the 08-09 Concession Fund profits of \$3,964.43 to the general fund toward paying down the stadium loan. Second by Mr. Hartline.
Motion Carried 3-0.

Installment Payments – Real Estate Taxes

Mr. Vail reported that the District entered into a three year agreement with Plymouth Park Tax Service (XSPAND) in 2007 to purchase all outstanding balances on those residential taxpayers who elected to pay under the Act 1 mandated installment payment program. That agreement was for the 2007-08, 2008-09 and 2009-10 years and expired with the installment payments made in July, 2009. This agreement permitted our residential property taxpayers to pay at face value monthly in six equal installments between July and December each year with no penalties imposed. Per the letter attached to this evening’s agenda, Plymouth Park is declining to submit a proposal to continue in this capacity as the program has not been economically advantageous to their operation. They will, however continue to purchase our lien real estate taxes each March/April under a second agreement which remains in place until 2011. Mr. Vail noted that Act 1 mandates that school districts offer installment payments to homestead exempt taxpayers. Since there are no other companies presently offering the program that Plymouth Park offered in the past, it would appear that the District will need to assign this collection to the elected tax collectors. Further, since the dollars that were forthcoming in August of each year from the purchase of the outstanding installments by Plymouth Park will no longer be a source of revenue the Board must decide if they are willing to offer the extended payment plan beyond the end of the face period at the end of October. In anticipation of this discussion, Mr. Vail indicated that he had conducted a survey of the other Bucks County districts to see how many installment payments they offer and the due dates. They are as follows:

Bensalem	3 Installments	Sept 1, October 16, December 1
Bristol Borough	3 Installments	Sept 1, October 15, November 30
Bristol Township	3 Installments	Not specified
Central Bucks	3 Installments	August 31, Sept 30, October 31
Morrisville	3 Installments	August 15, October 15, December 15
Neshaminy	3 Installments	July 31, Sept 15, October 31
New Hope	3 Installments	July 31, August 31, October 31
Palisades	3 Installments	August 31, October 31, December 15
Pennridge	3 Installments	August 15, October 15, December 15
Pennsbury	3 Installments	Sept 2, October 2, November 2
Quakertown	3 Installments	August 15, October 15, December 15

Boards who have elected to extend the last payment into the penalty period (November 1 through December 31) have determined that the delayed collection of the revenues beyond October 31 does not constitute a significant negative impact on their district’s cash flow. It appears that nothing in Act 1 prohibits the Board from doing this.

Mr. Reinboth indicated it would appear that the three installment option would be the way to go and suggested that he would be in favor of the 8/31, 10/15, 11/30 model used by Bristol Borough. He indicated that configuration gives the taxpayer an additional month beyond the end of the face period to make the last installment payment without any penalty being imposed. Mr. Hartline suggested that the Committee would need to have some sense as to what other districts are paying the local elected tax collectors in the way of compensation to collect these installment payments. Mrs. Lynch said she would also like to know what percentage of taxpayers are using the installment payment option in these districts as well. The Committee members agreed this would be useful information and directed that Administration have that

information ready for the March 15 meeting. After some discussion it was also directed that the three elected tax collectors be invited to attend the March 15 Finance Committee meeting to get their input on transition concerns as well.

2010-2011 Budget

Education Initiative Fund

Mr. Vail reported 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 in the expense portion of the 2010-11 Proposed Preliminary General Fund Budget in the amount of \$418,012. Dr. Foight-Cressman provided an explanation of the funding requested for 2010-11. She noted that the funding appropriation is roughly based upon \$100 per student or \$12.50 per student per year over the 8 year cycle. She noted that next year's appropriation will be \$320,000 for secondary math textbooks and \$32,000 for calculators. She noted that all secondary math classrooms now have electronic white boards. Mr. Miller expressed concern that this budget request puts the cart before the horse. He indicated that the Committee needs to crunch budget numbers as much as possible to reduce the projected millage increase. He also noted that the Education Committee has yet to review this particular item. Dr. Foight-Cressman noted that this item will appear on the April Education Committee agenda. Mr. Miller also noted his concern over the practice of spending just because money is in the budget without subsequent board action on specific large purchases.

General Fund Budget Concerns

Mr. Reinboth noted that a significant portion of the March 15 Finance Committee meeting will be devoted to review of the 2010-2011 budget. He indicated that Administration is working on recommendations for cuts that will be presented at that time to mitigate the projected 8.34 mill tax increase that was included within the proposed preliminary budget adopted earlier this month. Dr. Turnbaugh expressed concern that in 2006 the Board looked at potential cuts in 33 areas of the budget in a marathon session that lasted until 1 a.m. The result was that little to nothing was cut for that year's budget. He noted that he continues to find interesting ways that the District is spending money citing the mid-day bussing of kindergarten students which is not done in most districts. He noted that the mindset here is that if funds have been budgeted they should be spent. We need to change that to one of only spending what we need to spend. Dr. Turnbaugh indicated that Administration will need direction on what kind of cuts the Board is looking for. Significant cuts will almost need to come from staffing, and he noted he is hopeful that this exercise will result in positive action by the Board. Mr. Reinboth indicated that the 8.34 mill increase is not palatable to him and many other Board members. He noted that the Board owes it to the community to look at all options.

MBIT 2010-2011 Budget

Mr. Vail reported that attached to this evening's agenda is the final proposed budget for the Middle Bucks Institute of Technology for FY 2010-11. He pointed out that Centennial's share is \$1,779,772 which is down from the 2009-2010 budgeted figure of \$1,848,504. Board action is necessary to adopt this budget as presented. Mr. Miller noted that the MBIT Executive Council and MBIT Administration deserve praise for sticking to the commitment of reducing expenses. The new teacher contract was a positive step in this direction and impacted well on this budget. Mrs. Lynch questioned how many students Centennial currently has enrolled at MBIT. Dr. Turnbaugh indicated he would provide that information to the Board in this week's Friday

update. Motion by Mr. Miller to forward the proposed MBIT 2010-2011 Budget to the Board for approval as submitted. Second by Mr. Hartline. Motion carried 3-0.

BCIU Program/Services Budget – 2010-2011

Mr. Vail reported that attached to this evening's agenda is the BCIU 2010-11 Programs and Services Budget. He noted that Centennial's share of this budget includes an increase in over the current 2009-10 budget level of \$71,581 for both facets of the program (direct billing and subsidy deduct) to \$72,572. Board action is necessary to adopt this budget as presented. Motion by Mr. Hartline to forward the proposed BCIU 2010-2011 Program and Services Budget to the Board for approval as submitted. Second by Mr. Miller. Motion Carried 3-0.

PA Auditor General Report – 7/1/04-6/30/08

Mr. Vail reported that attached to this evening's agenda is the written report from the Office of the PA Auditor General on the recently completed audit for the years ended June 30, 2005 through June 30, 2008 – an unprecedented 4 year audit. The report states that “our audit found that the CSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures and contains no written or verbal findings or recommendations.” Mr. Vail congratulated the District's administrative and secretarial staff on a job well done. He indicated that the auditors were on site for over 3 months in the winter/spring of 2009 and there was a tremendous amount of staff time devoted to responding to their requests. Historically official Board action has been taken to accept and respond to the report. Administration would recommend that the same course of action be followed in this case with the response just being a simple letter to the Auditor General acknowledging receipt of the report and indicating the date of Board acceptance.

Mr. Reinboth and Mrs. Lynch thanked and congratulated the Administration indicating that all involved had done a good job. Motion by Mr. Miller to forward the Auditor General report to the Board for acceptance as submitted. Second by Mr. Hartline. Motion carried 3-0.

Revisions to Business Privilege/Mercantile Resolutions

Mr. Vail reported that on January 15, 2010 he met with representatives from Warminster Township, McCarthy & Company and Berkheimer Tax Administrators to begin to put together a strategy for addressing Warminster Township's concerns on the inefficient and ineffective way that the Business Privilege and the Mercantile Taxes are being collected. He indicated that during the course of the meeting it became apparent that the Township's concerns with the way Berkheimer is collecting these taxes has some merit. Further, it also became apparent to all who attended the meeting that a big part of the problem might be resolved if we move to a calendar year collection rather than a fiscal year collection. Those in attendance at the meeting discussed this at length and the information attached to this evening's agenda nicely summarizes the situation there. Mr. Vail indicated that based on the above referenced meeting he would recommend that the Finance Committee consider the following actions:

- Recommend that the Board agree to participate in the audit services contracted with McCarthy and Sons. The information provided in very rough form by Berkheimer at the meeting indicates that there are several hundred open and unresolved delinquent accounts. Mr. Vail indicated that despite Board concerns that Berkheimer should be held responsible for collection on these delinquent accounts, after discussions with all parties, he tends to concur that a third party may serve us well in addressing and tying up these loose ends. He reported that at the conclusion of the meeting he had asked Mr. Williams

of McCarthy and Sons to draft an agreement for services to the District separate and apart from their agreement with Warminster Township. Mr. Vail indicated that if we are to go in this direction he recommends a separate agreement with McCarthy rather than them being under contract solely to Warminster Township. A separate agreement is also desirable if the District opts to expand the scope of their services into the other two municipalities if they perform well with the Warminster audits.

- Recommend that the Board change the collection year for both the Business Privilege Tax and the Mercantile Tax to a calendar year rather than a fiscal year. This recommendation is made with the understanding that all four taxing bodies (the District and the three municipalities) would need to agree to this change. A copy of the original resolutions enacting these taxes is attached to this evening's agenda. This change will make it much easier for businesses to reconcile their tax returns to Berkheimer on an annual basis in keeping with almost universal annual calendar reporting requirements for all other taxes. It will also provide for a more uniform collection and audit procedure for Berkheimer or any future collector. The goal would be to make this change for the 2011 calendar year with 2010 collections limited to an abbreviated transition period of 7/1/10-12/31/10. Mr. Tate, Warminster Township Manager, advises that he has had preliminary discussions with his Board on this and reports they seem receptive. Mr. Vail indicated that at of this date he has not had any confirmation from Ivyland or Upper Southampton Township on where they stand with this. However, if we are going to move ahead all four taxing bodies would need to do so by April or May at the latest.

Mr. Reinboth asked if changing to a calendar collection would help with compliance. Mr. Vail responded that it would as most taxes are reconciled on a calendar year basis and most businesses track their accounts that way. Mr. Miller expressed concern that a transition by 2011 might be unrealistic in terms of getting all 4 governing bodies on board. He indicated that 2012 might be more realistic. Mr. Vail indicated that Warminster Township is already on board and he hopes to get Ivyland and Upper Southampton Township on board as well. He pointed out however that even if Ivyland and Upper Southampton don't make a decision in time we could potentially move ahead with the Business Privilege change as of 1/1/11 as neither of those municipalities share in that tax revenue. The Committee agreed that having our own agreement with McCarthy is in the District's best interest and that this aspect of the issue should move forward for Board action. Mr. Vail indicated that he would get in touch with them and have them fine tune the agreement prior to next week's Board meeting. Mr. Miller indicated that Berkheimer should be approached about subsidizing this expense since these costs are related to the dissatisfaction with their collection performance. Mr. Vail indicated he would prefer to wait until we see the results from the McCarthy audits before pursuing this. Mr. Reinboth agreed that is the best strategy. Motion by Mr. Miller to pursue changing the business privilege/mercantile tax collection to the calendar year effective 1/1/11 with a transition collection period of 7/1/10-12/31/10. Second by Mr. Hartline. Motion carried 3-0. Motion by Mr. Miller to recommend that the Board enter into agreement with McCarthy and Company for business privilege tax audit services per the proposal submitted as revised. Second by Mr. Hartline. Motion carried 3-0.

Review of Taxpayer Request – Late Real Estate Tax Payment

Mr. Vail reported that per documentation attached to this evening's agenda, a taxpayer is requesting that the Board refund the real estate tax penalty payment on a residential property due to a death in the family. Mr. Vail pointed out that District legal counsel has consistently advised against granting refunds unless some error in billing had occurred. That is not the case in this matter. After some discussion Committee members agreed that no recommendation to grant the refund would be made to the Board at this time and directed Administration to inform the taxpayer of this ASAP.

Adjournment

Meeting was adjourned at 9:01 p.m.

Respectfully submitted,

Timothy E. Vail