

FINANCE AND LONG RANGE BUDGET PLANNING COMMITTEE
MINUTES – MEETING OF NOVEMBER 16, 2009

In attendance:

Committee: Thomas Reinboth; Kati Driban; Cyndi Mueller

Board: Mark Miller; Jane Schrader Lynch

Staff: Timothy Vail; Thomas Turnbaugh; Susan Klyman

Public: Bob Tate; Michael Hartline; Joseph Faust; Bob 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 October 19, 2009 meeting as submitted by Mrs. Mueller.
Second by Ms. Driban. Motion Carried 3-0.

Warminster Township Proposal-Business Privilege Tax Services

Mr. Vail reported that per discussion at last month's Finance Committee meeting, he had touched base with both Warminster Township Manager, Bob Tate, and our Berkheimer Representative. Attached to this evening's agenda is correspondence from both gentlemen. Mr. Tate is in attendance at this evening's meeting to address questions and concerns raised at the last meeting. A copy of the draft agreement with McCarthy and Company is attached to this evening's agenda as well as a copy of the letter from Mr. Tate supplied with last month's agenda. Mr. Tate indicated in his opening remarks that the Warminster Board of Supervisors had reorganized early this year and that the new Finance Committee has been looking at ways to find new revenue opportunities. The Committee began focusing on the level of Business Privilege Tax collections and became concerned that some businesses in the Township were not filing returns and payments while other appeared to be underpaying. After several meetings with Berkheimer the Committee determined that a third party collector should be retained to examine the situation, identify and collect on those not paying or underpaying. McCarthy & Company had been recommended by the Township Solicitor as an expert in this field. The matter was taken before the Board of Supervisors and they approved the retention of McCarthy & Company. Audit services will begin in 2010. It could be a 2-3 year process.

Mr. Reinboth asked if the Township had looked at other firms as well. Mr. Tate responded they he had made some calls, but that there was no formal RFP. He indicated he was most comfortable with McCarthy & Company after speaking with the firms he contacted. Mr. Vail asked how McCarthy will select the local businesses to be audited. Mr. Tate indicated that delinquents identified by Berkheimer will be audited first. The company will then identify businesses that never filed. Lastly, there will be a random analysis of other companies who are currently filing to determine if they are underpaying. Mr. Reinboth asked if the Township had any idea of the total cost of these services and why the firm had not been retained on a contingency basis. Mr. Tate indicated that the cost would be somewhere within the range of 10 to 15% of recovery. He indicated that the Township felt that the cost would be higher if the firm was retained on a contingency basis. He indicated that the hourly rate was deemed best if we have to go to court, as legal council can make less of a claim they the company went after their client on the basis of a profit motive. Ms. Driban asked if the process would be ongoing after the initial audit services are complete. Mr. Tate indicated that the current thinking is this would not be an ongoing arrangement. Mrs. Mueller questioned why, if the Township had identified certain businesses as non payers, Berkheimer had not taken the lead in going after them. Mr. Tate indicated he has found that when it comes to business taxes this is Berkheimer's weak link. The Township is concerned that no one at Berkheimer is validating the integrity of the numbers

or their accuracy. Ms. Driban questioned if the Township is looking toward moving away from Berkheimer as the collector. Mr. Tate indicated that there are other collectors out there, but that avenue is not currently being pursued. Taking this one step at a time. The Township prefers to get the audit done and see what it looks like. He indicated they would be taking their time with the whole issue of switching collectors. Mr. Miller stated that he agrees something needs to be done, however, he is concerned about the hourly vs. the contingency arrangement. He indicated that ultimately we should hold Berkheimer accountable for this. We have a right to expect Berkheimer has done their job and met the terms and conditions of their contract. Mr. Tate indicated that the Township Finance Committee has wrestled with this. The Solicitor indicated that the language in the current Berkheimer contract hinges on how "audit" is defined. Additional concerns raised included whether the audit should be expanded to include Ivyland and Upper Southampton, and the possibility of an amnesty period for delinquent taxpayers to pay without penalty.

Mr. Tate was excused from the meeting and the Committee began discussion as to where to go from here. Mr. Vail indicated that per conversation with Mr. Reinboth he did not invite the Berkheimer rep to attend the meeting this evening. The plan for tonight's meeting was to hear Mr. Tate out and have him address Committee questions and concerns then afterwards review the Berkheimer response. At that time, if we want to bring in a Berkheimer representative he indicated he could make those arrangements. Mrs. Mueller indicated that she thinks Berkheimer should be brought in here. If they are aware of these concerns they need to get the job done. She indicated she is not quite where Warminster is in terms of hiring a third party audit team at this point in time. The Committee agreed that the next step should definitely be to bring Berkheimer in and directed that Administration make the arrangement for them to attend the next meeting scheduled for Monday, December 14, 2009. Dr. Turnbaugh indicated that he concurs with bringing Berkheimer in and indicated that the Solicitor needs to be brought up to speed on this issue as well. Both will be taken care of.

Contracted ACCESS Clerical Services-BCIU

Mrs. Klyman indicated that Administration is recommending that the District's current ACCESS program be expanded to include IEP students in Centennial School District programs. She indicated we have successfully received ACCESS funding for students in IU programs using IU staff to complete this complex, rule driven, and time consuming process. The ACCESS program has provided the District with federal dollars to offset eligible costs associated with the education of special students. The BCIU has instituted a program to assist local districts with the clerical aspects of documenting eligible costs and applying for reimbursement. The agreement attached to this evening's agenda would provide clerical assistance to the District by a BCIU clerical employee familiar with the program and the data that needs to be provided. We estimate that this person will work between 2 and 3 days per week. There will be no financial impact to the District's general fund as a portion of the dollars generated from applying for the funds can be used toward offsetting these clerical costs. Discussion focused on some of the language in the proposed agreement with Paragraph numbers 5 and 7 needing additional clarification. Motion by Mrs. Mueller to move this matter forward for Board review and approval once Administration clarifies contract language. Second by Ms. Driban. Motion Carried 3-0. Dr. Turnbaugh indicated that BCIU staff will be contacted to provide clarification and that, once resolved, the Board will be informed if additional action is required.

2010-2011 Budget Update

Mr. Vail reported that the draft preliminary budget is scheduled to be submitted to the Finance Committee on December 14, 2009. At this time the numbers were not all completely analyzed,

but Administration can state the following several factors that will have a significant impact on the budget. They are as follows:

- State-wide Act 1 Index limit was set in September, 2009 for the 2010-11 budget. That rate is 2.9%, which is significantly lower than last year's rate of 4.1%.
- The District is finishing the last year of all current labor contracts and agreements with CEA, CAA and the Support Staff. As such the current projected increase in salaries for 2010-2011 is unknown. Dollars are being appropriated for salary increases, however, actual salary levels will be incorporated into the budget document when and if they are known during the course of budget adoption between now and June.
- Preliminary calculations for the employer share of retirement is based on an estimate of 8.4% for the 2010-2011 Fiscal Year as provided earlier this fall by PSERS. This is almost double the current rate of 4.78% for the current 2009-10 Fiscal Year. The actual rate will be set by the PSERS Board of Trustees when they meet in mid December, but for the time being the preliminary budget will reflect the 8.4% figure provided earlier. As you know one of the exceptions provided for in Act 1 is that if the increase in the retirement rate is above the index level that difference can be added on to the allowable tax increase for the year. We have not yet done this calculation, but that will need to be done when PDE releases the 2010-11 exception calculation worksheets sometime in December.
- Keystone Blue Cross has notified us officially that their "first look" at our rates for 2010-2011 show a rate increase of 16.13%. This is significantly higher than the 9.31% increase we negotiated last year. Although the draft budget will include this level of increase, we have scheduled a meeting with our benefits broker, BAS, to review our options given the limitations imposed on the medical plans we must offer per the CEA agreement. We will keep the Committee and Board apprised as we formulate plans and recommendations to deal with this projected increase.
- 2010-11 represents the last tax increase necessary to fully fund the 2009 bond issue. As it stands right now no debt service payment for the elementary project is included in the 2010-11 budget unless directed to do otherwise. Hopefully the issue can be timed so that the first payment on this debt will not hit until on or after 7/1/12 which puts us into FY 2011-12. We anticipate that the bond issue would have to be done sometime in 2010-11. However we will need some firm numbers before we do a bond issue. Given the fact that we have \$13 million left from the 2009 issue that was not needed for the WTHS project we could almost wait until the bids come in and we have actual costs before proceeding with a bond sale.
- Attached to this evening's agenda is a calculation on the impact of the 2.9% index on the current assessment level as well as the additional real estate tax that can be imposed to fund the remaining portion of the debt. The reductions in assessed value resulting from tax assessment appeals results in a net loss of \$129,685 in real estate tax revenues based on the current millage rate of 102.7. As stated earlier the District should also be eligible for the Act 1 Retirement Exception which will enable the Board to increase taxes for that portion of the retirement increase over and above the index level. That millage impact is unknown at this time.

Mr. Miller added that it was reported at the School Leadership Conference that the state is taking a non-committal approach to the PSERS problem. The state seems to be leaning toward spreading the liability out for a longer period of time, but no decision on a formula for doing this has been made at this time. Ms. Driban expressed concern over the increase in the medical insurance rates. She encouraged that Administration look at options and suggested contacting MBIT who recently changed carriers.

Purchasing Concerns

Mr. Miller expressed concerns about the \$70,000 worth of laptop computers recently purchased by the District without prior Board approval. Dr. Turnbaugh indicated that he had contacted District Solicitor Mike Levin for an analysis and interpretation on how school code requirements on contracts over \$100 being approved by the Board affects purchasing. Hopefully we will have this in time for the Friday update. He indicated that if Administration has to come back to the Board for all purchases over \$100 we would be, in effect, adopting the budget time after time. Mrs. Mueller indicated that the \$100 threshold is not of paramount concern, but she does feel that certain purchases need scrutiny at the Board level to maintain an adequate level of checks and balances. Dr. Turnbaugh indicated that Administration is confused as to what we are and what we are not permitted to purchase. He agreed we need to be fiscally prudent. In summary, Mr. Reinboth indicated that we would wait for the Levin letter and decide at that point if further debate is warranted.

Adjournment

Meeting was adjourned at 8:55 p.m.

Respectfully submitted,

Timothy E. Vail