

**FINANCE AND LONG RANGE BUDGET PLANNING COMMITTEE**  
**MINUTES – MEETING OF DECEMBER 7, 2010**

In attendance: Committee Chair Thomas Reinboth, members Michael Hartline and Mark Miller and Board member Cyndi Mueller.

Staff: Dr. Jenny Foight-Cressman and William R. Gretton III.

Public: David Angle, Jennifer Higgins, Betty Kline, Robert Schaffer; Paul Rukuskie and a number of professional staff members (no sign-in sheet).

Press: None

Call to Order:

Mr. Reinboth called the meeting to order at 7:01 p.m. and introduced the members of the Board and Mr. Gretton, the Interim Business Administrator.

Approval of Minutes

A motion to approve the minutes of the November 15, 2010 meeting was made by Mr. Miller and seconded by Mr. Hartline. Motion Carried 3-0-0. .

Cyber Charter School Payments

Mr. Reinboth referred to a letter sent to PDE disputing the attendance of two students in the Commonwealth Connections Charter School, when in fact, they were attending the Centennial School District. Mr. Miller indicated that this was an example brought forth to the administration and related to the bill to fund Cyber Charter Schools. He referred to the directive by PDE to pay charter school invoices in a timely manner following receipt and verification of the students attending the charter school. He noted that the charter school can notify PDE of non-payment by the District, and that Centennial still utilizes this method of payment to the charter schools. He indicated that he had spoken with Mr. Faust who reported that this was practice was established when the District enrolled only five (5) students in local charter schools and was a form of “protest” to the charter school process. He indicated that if the charter school receives the money from PDE without the review by District personnel, it was more difficult to return the funds back to the District. He reported that a significant violation is based upon the Special Education tuition rate.

Mr. Hartline asked the District had received a response from PDE. Mr. Gretton indicated that a response would take several weeks, and possibly longer. Mr. Gretton informed the Committee that the District regularly “audits” the invoices received from charter schools, and that is how this error from the Commonwealth Charter School was detected. He indicated that the invoices often are not sent in a timely manner. He also indicated that the District would have until August, 2011 to recover the funds because PDE would adjust the state subsidy as they received additional information from the District.

Mr. Reinboth questioned the process for changing the payments to the charter schools. Mr. Gretton responded that the process can be changed by requiring accurate information from the charter by a certain date and the payment would be made prior to Board approval each month. Mr. Miller asked how much time the business office would need to enact such a change. Mr. Gretton responded that a change could be made within a few weeks. Mr. Hartline asked how this related to cyber charter schools and Mr. Gretton indicated that cyber charter schools send a bill in the same manner as a standard charter school. Mr. Miller indicated that area schools send letters to parents attending charter schools confirming their attendance to assure the accuracy of those being charged to the District. Mr. Miller informed the public that he had sent out a survey

of area districts and they indicated that some students had moved from the District and had paid for them prior to their

It was moved by Mr. Miller and seconded by Mr. Hartline to change to the payment of charter school invoices to the direct payment method following review by the Business Office. Motion carried 3-0-0 and Mr. Reinboth requested that this motion be placed on the agenda for the December 14, 2010 meeting.

### OCIP PROPOSALS:

Mr. Reinboth acknowledged the attendance of Mr. Angle from Reynolds Construction to discuss the OCIP program and Mr. Miller for bringing the issue for consideration to the Board. Mr. Angle explained the program and the recent experience with the PSBA sponsored program, which had provided higher quotes than the contractor provided liability and worker's compensation insurance in the current "soft" insurance market. Mr. Angle indicated that the District expressed an interest in pursuing a separate OCIP program and that Reynolds was provided direction to receive proposals on this concept. Reynolds constructed an RFP to secure a broker to manage the program and sent this out to approximately ten (10) brokers to secure a fee and get an idea of their program. He indicated that a commitment had not been made to the brokers to utilize this concept, but to have the contractors bid with the insurance included and to consider the OCIP after the bid process. Following the exclusion of the contractor insurance and solicitation of insurance quotes by the appointed broker, a decision would be made on the least expensive method. Mr. Angle suggested that this extensive process seems to have "scared" several brokers away from the process because of the cost of the effort without any guarantee that the concept would be utilized and the relatively low amount (\$54 million) of the projects involved. OCIP programs are typically economical at much higher cost construction levels, and therefore, higher premiums.

Mr. Angle explained that two proposals were received and others felt that the project was "borderline" and would not expect savings from an OCIP program. Both firms have experience with these programs, and although they have provided a fee structure, the real costs would not be known until the firm had solicited costs for the insurance program versus what the contractor would charge. Safety programs and claims management are important aspects of this program, along with the treatment of the risk management programs. The Committee needs to decide whether to take the next step, which would be to interview both companies and appoint one to help craft the bid documents.

Mr. Reinboth asked whether this would delay the bidding process. Mr. Angle responded that a broker should be appointed within the next few weeks to help with the bid documents and follow-up with insurance quotes prior to receipt of the bids. Mr. Miller has reviewed the proposals and still has some concerns and explained the program to the audience. He explained the funding as well as the single responsibility of the insurer rather than the issues being addressed by multiple insurance companies through the contractors. Mr. Miller also cited an increase in liability limits as well as the increased monitoring that occurs through these programs. He indicated that the cost of the PSBA program may have been due to the approach that they were the only company offering this program to schools at the level (estimated \$54 million) of these projects. Mr. Miller had solicited information from a variety of brokers and reported that fourteen (14) brokers were willing to participate at a level of \$30 million on the projects. He questioned Mr. Engle about one company that had not submitted a proposal but was seeking additional information. Mr. Angle indicated that the information requested would be relevant in the next stages of the process, not this initial stage of establishing a fee.

Mr. Miller indicated that five (5) companies had initially responded, with two declining and one indicating that they could not provide a price based upon the information. He indicated that he had only received one letter and the proposed fee would be \$100,000 and there may be a danger in choosing either of these brokers if the insurance costs are higher. Both these companies have experience in the OCIP business and suggested that the District go back to all five (5) companies and request that they be interviewed. Mr. Miller also suggested that if Willis is chosen that they may go back to PSBA and have them re-consider the add/alternate form of bidding.

Mr. Reinboth asked whether going back through this process would cause delays that would eliminate any savings to be realized. Mr. Miller indicated he was only trying to be fair to all five (5) brokers in the process. Mr. Angle indicated that in any case, the Board is only selecting a broker and the real cost is in the securing of favorable insurance rates. Mr. Miller indicated that Mr. Angle's suggestion of allowing multiple brokers to access the market may be favorable to the District. He recommended that more than one broker could be designated for specific insurance companies to secure bids that are more competitive. Mr. Reinboth suggested that the reason some brokers may have not responded based upon the cost of the projects compared to other business that they carry.

Mr. Reinboth expressed concern over the timing of the interviews and the scheduling of a meeting to take action. Mr. Angle recommended that a broker be appointed to help establish the limits and criteria of the program.

Ms. Mueller questioned whether the proposals had been only communicated to the Committee. She recommended that the two brokers be invited to a "special" Finance Committee meeting and have the full Board review the program. She asked whether the proposals listed the companies that they would do business with for this project. Mr. Angle responded that these proposals did not include the list and the companies may change based upon the low dollar amount of the project.

Mr. Hartline asked about the recent project Reynolds was involved with that did not utilize the OCIP. Mr. Angle indicated this was a \$22 million project. Mr. Miller explained that the PSBA OCIP combines the value of all projects, which allows them to offer some economy in the process, but apparently not in this market. He explained that PSBA offers the "direct buy" method that would cost 2.51% of the construction value, and the "quote" method which would cost 2.78% of the construction costs. Mr. Miller indicated he would lose interest in the process if there was only one broker chosen for the process.

Mr. Reinboth reviewed the District calendar and suggested a meeting for December 15<sup>th</sup> or 16<sup>th</sup> and requested that Mr. Angle contact the brokers to request that they schedule a presentation. Mr. Angle and Mr. Hartline indicated they are not available on December 16<sup>th</sup>, so the recommendation was to schedule a meeting for December 15<sup>th</sup>.

Mr. Miller offered a motion that all five (5) of the original applicants be offered the opportunity to comply with the requirements of the RFP in order to be invited to an interview, and anyone who does not comply with the requirements cannot make a presentation. Mr. Reinboth suggested a motion that a meeting be established for December 15<sup>th</sup> at 7:00 p.m. in order to interview the brokers. It was moved by Mr. Hartline and seconded by Mr. Miller to establish this meeting. It was agreed by the Committee.

Mr. Miller indicated that it was a surprise that the Committee had not seen the proposals. Ms. Mueller suggested that the full Board have the opportunity to review the proposals, and preferably sent via e-mail. Mr. Reinboth requested that Mr. Gretton provide copies to the Board.

#### PENALTY/INTEREST FORGIVENESS

Mr. Reinboth reviewed a letter from a local business responsible to pay the Business Privilege tax, requesting forgiveness of the penalty and interest charges for late payment. Mr. Reinboth recommended the Committee support the rejection of the waiver based upon their error and not the fault of the taxpayer. Mr. Miller supported this position and indicated that the Board could not show any favoritism to any taxpayer if the fault clearly was not that of the District or a District-appointed taxpayer. Mr. Miller made a motion that the Committee reject the request of the taxpayer for forgiveness of the penalty and interest. Mr. Hartline seconded the motion. Motion carried 3-0-0. Mr. Reinboth indicated that full Board action was not necessary on this request.

#### 2011-12 PROPOSED BUDGET

Mr. Reinboth reviewed the 2011-12 Proposed Budget totaling \$98,162,409. The current budget reflects a short-fall of \$967,366 which will be addressed by the administration prior to final adoption of a Preliminary Budget and includes a tax-increase of 5.04 mills. This is based upon the permitted index (1.4%) of 1.52 mills and a grand-fathered exemption for debt-service of 3.52 mills. He indicated salaries will be reduced by \$1,971,429 based upon current staffing due to the reduction of the current year and an increase of 2% overall in the salary budgets. Benefits were increased based upon the new retirement rate and quoted rates on the medical and prescription benefits. Mr. Reinboth noted that there would be a continuing effort to decrease these expenditures as the budget is developed.

Mr. Reinboth noted that the supply accounts are reduced but that \$450,000 has been included in the Education Initiative Fund which will be used for the elementary math program. A decline is expected in the utility costs due to the closing of the Leary Elementary School, and he reviewed the transfers to the Education Initiative Fund, the Technology Reserve Fund, the Capital Project Fund and the Capital Reserve Fund. Mr. Gretton indicated that the budget is currently out of balance by the \$967,366 and that the 5.04 mills only provides funding of the Proposed Budget.

Mr. Miller indicated that the communication of the budget should be made through the web-site and also noted that reductions in the budget should not only come from staff reductions, but a review of the purchasing practices that may provide savings. He noted that purchase through the state contract system is not always the most advantageous to the District. Mr. Miller would also like to see the District increase revenues, possibly through partnerships, as a means of balancing the budget.

Mr. Hartline inquired about the Capital Projects list and should those projects be part of the GO Bonds for the elementary schools. Mr. Gretton indicated that this was a decision made earlier to be outside of the bids in order to reduce cost and install with the latest technology.

Mr. Gretton cautioned the Board to consider the revenue picture because of the approach of the current Legislators and the Governor-elect. He indicated that public school districts may not get the support that has been experienced recently under the current administration. Mr. Gretton also indicated that a new Governor has an extra month to present a budget and that the timing for knowledge of the actual funding will be delayed. Mr. Reinboth emphasized that the District has

been required to approve a final version of the budget before the approval of the state budget providing precise information.

Mr. Miller also noted the passage of the Child Nutrition Act that will require additional provisions for the students, and although some school districts will benefit, the Centennial School District will not benefit from this Act. He indicated that the Act may require that free bottled water be provided for the students.

Dr. Foight-Cressman indicated that in an effort to increase communication the 2011-12 Proposed Budget will be placed on the web-site. Mr. Reinboth added that questions may be directed to Mr. Gretton's office.

Mr. Hartline asked whether the reduction in assessed values have been considered in this budget. Mr. Gretton responded that the latest assessments had been considered, barring any adjustments made by the courts.

Adjournment

Meeting was adjourned at 8:09 p.m.

Respectfully submitted,

William R. Gretton III  
Acting Business Administrator