

MINUTES

Council Rock School District Finance Committee Thursday, March 27, 2014, at 6:30 p.m.

The Chancellor Center, Historic Classroom 1

I. Introduction of the First Draft of the 2014-2015 Budget Document:

Mr. Reinhart distributed the First Draft of the 2014-2015 Budget document to all Board members in attendance. He also made two copies of the document available to members of public that were attendance. He explained that the document has been prepared as it has in the past three years.

The first item he presented was to show the Committee the general fund, fund balance for the fiscal year ended June 30, 2013:

Nonspendable:

Prepaid Items	\$	5,386
Inventories		47,392

Committed to:

Employer Retirement Stabilization		7,477,408
Property Tax Rate Stabilization		4,127,924
Self-Insured Health Insurance		3,889,000
Balance Budget		2,132,842

Assigned:

Outstanding Encumbrances		58,477
--------------------------	--	--------

Unassigned		10,363,991
------------	--	------------

TOTAL FUND BALANCE	\$	28,102,420
---------------------------	-----------	-------------------

He explained that the 2014-2015 fiscal year is following similar trends as last year and expects the general fund, fund balance be maintained at year end.

II. Review of the 2014-2015 Budget:

Mr. Reinhart reviewed a PowerPoint presentation that highlighted the areas of the budget that have impacted the budget most materially. The following table displays the total Estimated Revenues, Appropriations and Change in Fund Balance in the First Draft of the 2014-2015 Budget:

REVENUES	\$ 209,791,702
EXPENDITURES	216,229,654
(Shortfall) Surplus	<u>\$ (6,437,952)</u>

He explained that the current revenues do not include any increases in the Current Real Estate Taxes that would result from an increase in the millage rate. The following is the calculation of the maximum revenues that could be raised based on the 2014-2015 Act 1 Index limitation:

ACT 1 LIMITS	
Value of a Mill	\$ 1,221,869
Current Millage Rate	114.02
Act 1 Index	2.10%
Act 1 (Mils)	2.39
Additional Revenue (Act 1 Max)	<u>\$ 2,920,266</u>

A. Estimated Revenues

The following table shows the comparative total of Estimated Revenues:

	2013-2014	2014-2015	Variance
Revenues and Other Financing Sources	<u>\$ 205,071,132</u>	<u>\$ 209,791,702</u>	<u>\$ 4,645,570</u>

The following table analyzes the variance in the specific revenues between the 2013-2014 and 2014-2015 budget:

State Retirement Reimbursement	\$ 2,712,069
Earned Income Tax	1,100,000
Current Real Estate Taxes	609,841
Other Local Revenues	160,412
Other State Sources	363,248
Transportation Subsidy	(300,000)
	<u>\$ 4,645,570</u>

He reminded the Committee that these revenues do not reflect any increases associated with an increase in the real estate millage rate.

B. Appropriations

The following table shows the comparative total of Appropriations:

	2013-2014	2014-2015	Variance
Expenditures and Other Financing Uses	\$ 207,278,974	\$ 216,229,654	\$ 8,950,680

The following table analyzes the variance in appropriations by major objects between the 2013-2014 and 2014-2015 budgets:

	2013-2014	2014-2015	Variance	Percentage Increase (Decrease)
Retirement Contribution	\$ 18,161,144	\$ 23,585,282	\$ 5,424,138	23.00%
Salaries and Wages	107,442,138	110,389,790	2,947,652	2.74%
Healthcare	17,308,565	18,816,744	1,508,179	8.71%
Transportation Contract	9,110,705	8,631,039	(479,666)	-5.26%
Other Program Costs			(449,623)	N/A
			<u>\$ 8,950,680</u>	

He explained that as in the past four years the employer contribution to the retirement system leads the list of increases in the 2014-2015 budget. The following table shows the increase in these costs over the past four years:

	Total Budgeted Amount	Increase In Budget	Retirement Contribution Rate
2010-2011	\$ 8,759,525		5.64%
2011-2012	9,184,852	\$ 425,327	8.65%
2012-2013	13,035,500	3,850,648	12.36%
2013-2014	18,161,144	5,125,644	16.93%
2014-2015	23,585,282	5,424,138	21.40%

The following table shows the District's continued increase in the employer contribution to the retirement system over the next two years. Once the contribution rate increases to approximately 30%, the contribution rate will plateau for the foreseeable future.

	Total Budgeted Amount	Increase In Budget	Retirement Contribution Rate
2015-2016	\$ 28,473,806	\$ 4,930,705	25.84%
2016-2017	32,253,417	3,779,611	29.27%

Mr. Reinhart further explained the source of the increases in Salaries and Wages. The following table identifies the areas of increase:

\$ 1,588,363	CREA scheduled wage increases and lateral movement
257,740	Ten additional Instructional Assistants
315,783	CRESPA scheduled wage increases
95,717	Administration
690,079	Additional Wages
<hr/>	
\$ 2,947,682	

It was noted that these increases will be reduced as staff retirements are announced and lower costs replace the more senior salaries.

Governor's 2014-2015 Budget Proposal

Mr. Reinhart made the following points regarding the Governor's 2014-2015 Budget Proposal:

- Increased education funding is contingent on Pension Reform and other one-time savings.
- Basic Education Funding – Level Funded
 - The “funding formula needs an overhaul.”
- Ready to Learn – \$341 million, \$100 million of that is from the existing Accountability Block Grant (ABG).
 - \$561,671 District Total.
 - \$405,511 more than the existing ABG.
 - \$156,160 is in Draft Budget document.
- Special Education Funding Increased by \$20 million
 - Will be distributed based on Special Education Commission recommendations.
 - 2014-2015 Draft Budget document includes an increase of \$40,000 over 2013-2014 estimated actual.
- PlanCon Remains Level Funded at \$296 Million
 - \$1.2 billion due to +350 school construction projects in PlanCon Pipeline.
 - There is some legislative movement on issue.
- Pupil Transportation is Down 1% from 2013-2014 Budget.
 - 2014-2015 Draft Budget shows a \$300,000 reduction from last year.
- Project ACCESS Funding
 - We are estimating that annual revenue from this source will be decreasing to approximately \$ 546,000.

Moving Forward in the Budget Process

Mr. Reinhart highlighted the following points regarding moving forward with the 2014-2015 budget:

- Plan to Eliminate Per Capita Tax:
Per Capita Revenue \$462,000
Collection Costs (55,000)
Net Reduction in Costs \$407,000

There was considerable discussion regarding the prospects of eliminating the taxes. The Committee requested Mr. Reinhart to discuss some legal issues with counsel as we move forward. The Committee agreed to continue the discussion of this issue.

- Accounting for the Savings Generated From Staff Retirements

Past history indicates we can expect approximately 25 professional staff retirements each year. Although some retirements have been announced there are additional retirements we are expecting. Should we receive the normal retirements our cost will decrease approximately \$1.2 million.

- Adjustments to Staffing Based on Scheduling and Enrollment Changes

This process is ongoing and adjustments will be made based on expected elementary enrollment and high school scheduling of student classes.

- Keeping an Eye on Local and State Revenues

We will continue to monitor tax receipts and the state budget to make any necessary adjustments to our estimated revenues.

III. Review of the Pennsylvania Local Government Investment Trust (PLGIT)

Mr. Byelich reviewed a PowerPoint presentation regarding his concerns with the amount of investments being held by the Pennsylvania Local Government Investment Trust (PLGIT). One of his focus points was the \$500,000 insurance limit on Securities Investor Protection Corporations (SIPC) coverage on the investments held in PLGIT. He further explained the length of time the claim process would take in the event of a claim.

He further explained that other investment companies, such as Vanguard, purchase additional coverage with aggregate in excess of \$250 million.

He also displayed the following table providing the status of our PLGIT investments as of February 28, 2014:

Fund	Investment Amount	Net Yield	Annual Yield	Expense %	Annual Expense Cost
General Fund PLGIT TOTAL	\$ 36,188,274.92	0.07%	\$ 25,770.71	0.16%	\$ 58,070.83
Capital Reserve PLGIT TOTAL	3,136,978.98	0.01%	313.70	0.19%	5,960.26
Artificial Turf PLGIT TOTAL	76,918.25	0.01%	7.69	0.19%	146.14
Capital Projects PLGIT TOTAL	13,076,481.33	0.01%	1,307.65	0.19%	24,845.31
Cafeteria PLGIT TOTAL	320,463.43	0.01%	32.05	0.19%	608.88
Scholarships PLGIT TOTAL	28,398.63	0.01%	2.82	0.19%	53.96
TOTAL PLGIT	\$ 52,827,515.54	0.05%	\$ 27,434.62	0.17%	\$ 89,685.39

He explained his concern for the amount of funds the District is investing in PLGIT. He suggested the District prepare a Request for Proposal (RFP) to hire a professional investment advisor to aid the business office in investing the District's excess cash.

After some discussion the Committee agreed to table this issue until the later this year. At that time we will ask representatives from PLGIT to attend a Finance Committee Meeting to address the committee concerning these issues.