

**BOYERTOWN AREA SCHOOL DISTRICT**

**Boyertown, Pennsylvania**

[www.boyertownasd.org](http://www.boyertownasd.org)

**Finance Committee Meeting**

**Tuesday, April 15, 2014**

**Meeting Minutes**

Mrs. Hartford, Finance Committee Chair, called the meeting to order at 7:19 pm in the Education Center Board Room.

Members attending: Mr. Caso, Dr. Christman, Mrs. Dennin, Mr. Elsier, Mrs. Hartford, Mr. Landino, Ms. Neiman, Mr. Stengle, Mrs. Usavage

Administration: Dr. Faidley, Mr. Scoboria, Mr. Szablowski

Members of the Public: 3

Everyone recited the Pledge of Allegiance to the Flag and observed a moment of silence.

Mrs. Curry discussed a recent presentation on Healthcare that was made at the Personnel Committee meeting.

The approval of the minutes from the committee meeting of 4/1/14, were moved by Mr. Elsier, second by Dr. Christman. The minutes were adopted unanimously via a voice vote.

David Szablowski presented a review of the 2014-2015 Budget, explaining that this was the last committee meeting before the Final Proposed Budget was to be considered by the School Board. A copy of the presentation is included with these minutes. Mr. Szablowski informed the committee that due to the number and cash value of health care claims in 2013-2014, the most recent projection for premium increases is 10%, up from the 6% included in the Preliminary Budget. Mr. Szablowski distributed the health insurance worksheet and explained the structure of the District's self-insured program. The fixed administrative costs paid to Capital Blue Cross were reviewed including the access to their network and discounts. Mr. Szablowski explained the results of the process to determine a third-party administrator (TPA) for healthcare claims and the fact that the District continues to use Capital through the Lehigh Valley Business Coalition Health Consortium, which through our membership saves the District administrative expense. The District has had very good experience regarding the levels of claims over the last six years and 13-14 has not been as positive with numerous and expensive procedures required for our covered population. Mr. Szablowski reviewed the changes from the Preliminary Budget adoption and the April 1 presentation. Although the cost of healthcare increased the overall expenditures decreased and the 4.31% tax increase in February, which was reduced to 3.12% on April 1 with the utilization of the Ready to Learn Block Grant, is now down to a 2.99% increase. There were several discussions about healthcare premiums and the use of the reserves to lower the projected increase but with the Affordable Care Act effective July 1, 2015, there was no recommendation to utilize the reserves. The tax rates were discussed as well as the equalization process. One member asked about simplifying the tax rate by dividing the total district assessed property value into the needed revenue to determine one tax rate throughout the District instead of the current method based on each County's market value. Mr. Szablowski reviewed the 13 year history of taxes between the two counties and explained the long-term ramifications of the simplified method. The discussion about changing equalization methodology and the difficulty of ever returning to the market based approach would be complicated and possibly non-compliant with Act 1. The scenario of one County, but not both, performing a county wide reassessment was discussed, which further complicates the issue. There were discussions about the tax rates in both counties and the need to reduce the tax increases to a lower level in order to support the budget. Ideas about using more fund balance to lower the tax were discussed or possibly increasing the tax collection rate, which was explained as a risk if the economy was not improving. After several statements by the committee members, it was decided to move forward with the 2.99% tax

increase with the understanding that the final budget in June would need to be closer to the Act 1 Index and the tax rate in Berks would need to be below 4%.

The 2014-2015 Food Services Budget was introduced and explained briefly. The proposed Food Service Budget is projected to be a deficit budget but does not increase the price of lunches in the District.

Mr. Szablowski distributed a graph of the current Debt Service as compared to the projected budgeted debt service at \$6.5 million. With several existing debt issues scheduled to be retired over the next 3-5 years, the difference between the existing debt and the \$6.5 million is proposed to be used to finance the proposed construction projects in the next five years. Further information on the debt service and the financing of the construction projects is scheduled for the April 29<sup>th</sup> Finance committee meeting. Brad Remig from PFM will be in attendance.

Mr. Scoboria explained the issue of declining ACCESS funds to the Committee. PSBA has proposed that school districts should adopt a resolution regarding the School Based ACCESS Program (SBAP), that would extend a deadline scheduled for May in which funds held awaiting third party insurance denials would be lost forever. The committee agreed to add the resolution to the April 22, 2014 agenda for consideration.

Mr. Caso produced a list of requests he has made to Administration and remaining unresolved and requested that his requests be addressed. The first request had to do with the insurance coverage that the District has regarding the Errors and Omissions regarding School Board Members especially in the area of Board surcharges. Dr. Faidley responded that the District's insurance agent is investigating the coverage but has not responded with a definitive response. PSBA was contacted with the same request and School Claims Service is also investigating the request. Mr. Caso asked for a review of the District's Fund Balance Accounts requesting an analysis of all activity above the \$5,000 threshold. Mr. Szablowski responded by logging onto the financial software and reviewing how school districts account for Fund Balance. There are very few entries into fund balance, which in effect clears all revenue and expenditures, either adding or subtracting from the fund balance depending on whether the fiscal year ended in a surplus (add to Fund Balance) or deficit (subtract from Fund Balance). All other activity, which is the commitment of fund balance, must have School Board authorization. The final issue discussed was the monthly reporting of budget numbers; how the financials were presented, with a request to provide full accrual accounting and a comprehensive quarterly review of the budget. Mr. Szablowski responded by stating school districts function on a modified accrual basis and that the State mandates the accounting structure. Full accrual accounting is not feasible based on school accounting and the function of a school budget. Several examples of the work required to produce full accrual financials each month were discussed by Mr. Szablowski as unnecessary, unrealistic, and economically unfeasible. More discussion about the current system of reporting was discussed.

Mrs. Curry commented on several issues regarding the budget, the healthcare presentation and the tax equalization methodology.

Mrs. Hartford announced the following meetings:

April 16, 2014	Community Forum – BASH Project, JHW	6:30 p.m.
April 22, 2014	School Board Meeting, Pine Forge	7:00 p.m.
April 29, 2014	Community Forum – BASH Project, Ed Center	9:00 a.m.
April 29, 2014	Finance Committee, Education Center	6:00 p.m.
April 29, 2014	Curriculum Committee, Education Center	7:00 p.m.

Mrs. Hartford adjourned the meeting at 11:30 p.m.