

**COLONIAL SCHOOL DISTRICT
PLYMOUTH MEETING, PA**

Finance and Audit Committee Chairperson, Kathleen Oxberry, called to order a meeting of the Finance and Audit Committee at 6:30 P.M. on Wednesday, November 3, 2010 in the Superintendent's Conference Room located in the Colonial Elementary School at 230 Flourtown Road, Plymouth Meeting, PA.

Finance Committee Members Present: Mel Brodsky, Kelly Jowett

Other Board Members Present: Gary Johnson, Sue Moore, Bernie Brady, Beth Suchsland, Alan Tabachnick

Others Present: Dr. Vincent F. Cotter, Superintendent, Dr. Mary Ellen Gorodetzer, Assistant Superintendent, Joseph P. Bickleman, Chief Financial Officer/Treasurer, Richard Hartz, Director of Human Resources, Loren Szczesny, Fox Rothschild

Public Present: Alan Fiermonte

Mrs. Oxberry began the meeting by calling for an executive session to discuss legal matters related to real estate tax assessment appeals.

After the executive session, which ended at 7:30, Mrs. Oxberry asked Mr. Bickleman to lead the discussion on the agenda.

Mr. Bickleman presented a Five Year Financial Projection Report for the period 2010-11 through the 2014-15 school year. These estimates illustrated the negative impact of the Act 1 index, local revenue decline, federal stimulus funding cutoff, the PSERS increase, increasing costs, and the current economic conditions on district's finances. In summary, annual budgetary shortfalls (expenditures greater than revenues) are estimated to be (\$3.6 million) for 10-11, (\$7.0 million) for 11-12, (\$7.2 million) for 12-13, (\$7.8 million) for 13-14, and (8.0 million) for 14-15. The preliminary fund balance estimates are a surplus \$5.7 million for June 30, 2011, and deficits of (\$1.3 million), (\$8.4 million), (\$16.2 million), and (\$24.3 million) for the next four years ending on June 30, 2015. These projections include real estate tax increases of 2.4% for 11-12, 9.7% for 12-13, 3.3% for 13-14, and 3.4% for 14-15. The tax increases included Act 1 index estimates of 1.4%, 1.7%, 2.0% and 2.0% plus estimates for the Act 1 retirement exception of 1.0%, 8.0%, 1.3% and 1.4%. Estimated new real estate taxes generated by the 11-12 Act 1 index of 1.4% will total \$908,000. Salary increases in the outlying years were based on step only for CEA and estimated Act 1 percentage increases for other employee groups. Medical premium increases were estimated at 8% per year while net PSERS retirement costs were projected to increase 46.8%, 91.9%, 6.0% and 3.5%. Retirement costs are expected to increase \$15.3 million dollars over the next four years if legislation is not passed to limit these increases. Costs for earned income tax collection will be declining \$36,000 due to the transition to county-wide collection beginning on January 1, 2011. Mr. Bickleman pointed out that the vo-tech tuition costs estimates include an annual credit of approximately \$800,000. Colonial's annual vo-tech tuition costs are estimated at \$2.2 million and the elimination of this credit in any given year will negatively affect the district's "bottom line". The district's debt service payments will be increasing \$590,000 in 11-12, not due to additional borrowing, but to debt service refinance savings enjoyed over the last few years that are not expected in future years. Local revenues continue to experience declines due to the current economic conditions. These include a declining tax base due to assessment appeals, investment interest rates of .3% or less, transfer taxes on sluggish property sales, and earned income taxes. Built in to the local revenue projections is a potential real estate tax settlement in the district's favor for 11-12. State revenue is projected with a 2% minimum increase for the basic education subsidy

but Mr. Bickleman noted that this could be in jeopardy due to the state's own budget problems. Mr. Bickleman noted that the state received federal stimulus funds in 10-11 that was passed along to districts. These federal dollars plugged a \$328,000 hole in the basic education subsidy for Colonial and there is a possibility that this could be cut by the state resulting in a 11.3% subsidy reduction. Mr. Bickleman reported that the district's own federal stimulus funds would not be available in 11-12 and approximately \$300,000 of 10-11 expenditures would need to be funded from other sources.

Mr. Bickleman reported that the district is continuing to monitor the new Federal Educational Jobs Fund Program which was established to provide district funding for the hiring of personnel and other related instructional expenses. It is expected that these funds will be distributed to districts based on the state's schools basic education funding formula or the Title I distribution guidelines.

Mr. Bickleman then reviewed an Earned Income Tax (EIT) Resolution that will be presented for board action at the November 18th meeting. The resolution will recognize the agreement between Berkheimer and the MONTCO Tax Collection Committee (TCC) as the authorizing document to collect the district's EIT beginning with the early implementation date of January 1, 2011. The agreement between Berkheimer and the TCC establishes an EIT collection rate of 1.39% which is down from the current 2% resulting in estimated annual savings of \$36,000. Mr. Bickleman pointed out that there are attachments in the agenda from the latest TCC proceedings.

Mrs. Oxberry then asked for public comment.

Mr. Fiermonte asked questions related to the current district discussions on its advertising policy and revenue estimates for allowing commercial advertising on district property. Dr. Cotter noted that the policy will be presented for first reading at an upcoming board meeting and that revenue estimates are not available at this time since the scope of the advertising has not been discussed. Mr. Fiermonte then proceeded to ask questions related to the five year projection report that was presented by Mr. Bickleman.

There being no further business to be brought before the committee, Mrs. Oxberry adjourned the meeting at approximately 8:10 P.M.

Respectfully submitted,

Joseph P. Bickleman
Chief Financial Officer/Treasurer