

**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, January 5, 2011 in the Superintendent's Conference Room located in the Colonial Elementary School at 230 Flourtown Road, Plymouth Meeting, PA.

Finance Committee Members Present: Kelly Jowett, Sue Moore, Mitch Zimmer

Other Board Members Present: Gary Johnson, Bernie Brady, Mel Brodsky, 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

Public Present: None

Mrs. Oxberry began the meeting by asking Mr. Bickleman to review the items on the agenda.

Mr. Bickleman provided a report showing the fund balance projection for June 30, 2011. The district's fund balance is estimated to be \$6,089,876 at the end of this fiscal year. This is a decline of \$3,233,049 from last year's ending fund balance.

Mr. Bickleman then presented the initial draft of the 2011-12 preliminary budget which includes a shortfall (expenditures in excess of revenues) of \$6,198,441. Expenditures are budgeted at \$96,421,673, an increase of \$2,362,673 or 2.51% from 10-11. Revenues are budgeted at \$90,223,232, an increase of \$664,232 or 0.74% from year. The main expenditure reasons for the shortfall are increases in salary, \$827,688 or 1.7%, and benefits, \$1,308,069 or 7.78%. Premium increases for healthcare accounted for approximately \$1 million of the benefit increase. District retirement contributions increased \$267,785 due to the budget to budget increase in the PSERS rate from 8.22% to 8.65%. The actual employer contribution rate to PSERS for 10-11 is 5.64%. Equipment increases of \$185,553 or 21.61% are mainly associated with technology infrastructure and classroom upgrades. Debt payments are increasing \$590,940 or 21.06%, not a result of additional borrowing, but to the resumption of the regular debt payment schedule. The district has applied refinancing savings to its budgets over the past two years.

On the revenue side of the 11-12 preliminary budget draft, Mr. Bickleman noted that the estimated maximum real estate tax increase allowed under Act 1 guidelines would be 1.58%, (1.4% Act 1 index plus an estimated 0.18% for employer retirement contributions) which would generate an additional \$1.3 million of revenue. He noted that recent commercial assessment increases of \$30 million will generate \$500,000 dollars of tax revenue next year. These assessment increases also added \$400,000 of interim taxes for 10-11. He highlighted the fact that the 11-12 preliminary budget draft includes a reduction in the state's basic education subsidy of \$328,461 due to the end of federal stimulus dollars that were provided to the state over the last two years. There will also be an additional reduction of \$240,271 of federal IDEA stimulus funds that subsidized district special education costs. Mr. Bickleman noted that other local revenue continues to be flat or declining. For example, real estate transfer taxes are expected to decline \$100,000 and interest earnings are projected to decrease \$110,530 for a total of \$97,623.

Mr. Bickleman then provided a report estimating the Annual Budget Shortfall Estimates for the next four years, 11-12 (\$6,198,441), 12-13 (\$8,497,900), 13-14 (\$10,837,638), and 14-15 (\$13,035,118). These figures do not include any tax increases above the estimated Act 1 rate for any exceptions that are granted to the district by PDE.

After much discussion on the severity of the district's financial situation due to rising costs and limited/declining revenues, the committee members reached a consensus and instructed Dr. Cotter and his administrative team to prepare a list of budget reductions totaling \$3 million for the 11-12 budget. There was also a proposal brought forth by Alan Tabachnick to increase revenue streams through corporate sponsorships. Dr. Cotter stated that he will meet with his cabinet tomorrow and Friday to develop an action plan to address the district's budget crisis.

There being no further business to be brought before the committee, Mrs. Oxberry adjourned the meeting at approximately 8:00 P.M.

Respectfully submitted,

Joseph P. Bickleman
Chief Financial Officer/Treasurer