

Finance and Audit Committee Minutes

Monday, May 7, 2018 – 7:00 PM
Colonial Elementary - Board Room

The meeting was called to order by Chairman Adam Schupack at 7:37 p.m. in the Colonial Elementary Meeting Room in the District Office, 230 Flourtown Road, Plymouth Meeting, PA.

Finance Committee Member Present: Adam Schupack, Eunice Franklin-Becker and Susan Moore

Other Board Members Present: Mel Brodsky, Jennifer Dow, Leslie Finegold, Rosemary Northcutt, Cathy Peduzzi, Felix Raimondo

Others Present: Dr. Michael Christian, and David Szablowski

Public Present: 3

No public comments on the agenda

Regular Meeting:

Mr. Szablowski introduced Scott Shearer, Managing Director, PFM Financial Advisors, and Lou Verdelli, Managing Director, RBC Capital Markets, to present to the committee “Bond Financing Basics”. The Colonial Middle School renovation planning has begun and the District will need to finance the construction project through the issuance of General Obligation Bonds (GOB). The presentation explained the characteristics of bond financing, detailing various debt structures, State and Federal regulations, as well as the process required to issue and market bonds to the public through an underwriter to be compliant with the regulations. The District Aaa bond rating issued through Moody’s Investor Services was also discussed and the factors that are considered in earning and retaining this high credit rating, which only 7 districts in the State have attained. The outstanding debt issues of the District were discussed and 3 scenarios detailing the borrowing of \$50 million, \$60 million, and \$70 million were illustrated for the committee with the budget impact and possible tax effects at each amount of financing. Several questions from the committee and the public in attendance were addressed.

The 2017-2018 Budget through the month of April was compared to the results of April 2018. Several changes to the report were explained to the committee. The budget transfers included in the budget are now shown separately from the operating budget to accurately reflect the normal operations of the District. Mr. Szablowski explained various revenue and expenditure variances from this year to last, detailing several revenue sources that have not been received through the end of April. Specifically,

assessment settlements are lagging as well as EIT and RE Transfer tax receipts. These will be closely monitored through the last two months of the year. Regarding expenditures the April report reflects an increase in wages and benefits above the level from the previous year. Overall, the 17-18 budget is not as favorable as last year.

An update on the 2018-2019 Budget was presented by Mr. Szablowski. The Committee reviewed the full budget at the April 2 meeting, but the budget included estimates of wages and benefit expenditures based on the 17-18 budget with proposed percentage increases based on each collective bargaining agreement. The resulting expenditures exceeded projected revenue reflecting a \$4.8 million deficit. This deficit did not include any assumed tax increase. During the last month, administration met with department and building personnel to review and justify budget requests. After these meetings, budgets were amended to reflect savings without an impact on educational programs. Personnel budgeting utilizing the financial software and actual benefit increases for insurance and pension benefits, produced a much lower increase in wage and benefit expenses than previously reported. The revenue projections were updated with reported assessment increases received from Montgomery County for March and April. The projected invoicing of educational services to home districts for students placed at the Martin Luther/Silver Springs facility was increased based on the increased enrollment at that facility. The decrease in budgeted expenditures combined with the increase in projected revenues and the inclusion of a tax increase to the 2.4% Act 1 Index produce an estimated deficit of \$540,000. Mr. Szablowski provided details of each major object explaining the increases or decreases as proposed in the budget. The 2018-2019 Final Proposed Budget as presented will appear on the May 17, 2018 Board agenda for adoption. The budget will be available for public review in the District Business Office and on the District website for at least 30 days prior to the planned adoption of the Final 2018-2019 Budget on June 21, 2018. Administration will continue to monitor student enrollment and teacher attrition and the possible impact on the budget through June 21.

There were questions posed during public comment, which were addressed by Dr. Christian and Mr. Szablowski.

The meeting was adjourned at 9:05.