

**WEST WINDSOR-PLAINSBORO REGIONAL SCHOOL DISTRICT
BOARD FINANCE COMMITTEE MINUTES**



<u>BOE Committee:</u> Anthony Fleres (Chair) John Farrell Ellen Walsh	<u>Administration:</u> Victoria Kniewel Larry Shanok Lawrence LoCastro	<u>Guest/Public:</u> Scott Clelland, Wiss Jon Fisher Anthony Branco
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October 18, 2011

The meeting was called to order at 6:30 PM at Central Office in the superintendent's office. Topics covered included:

2010-2011 Public Audit: Scott Clelland introduced his associates and discussed the Comprehensive Annual Financial Report (CAFR). The financial condition, internal controls, and financial reporting of the district are in fine shape. He remarked that the effort in the district is very professional and the opinion of the financial statements is a clean one – the best category of opinion. He noted that the district's previous CAFR was awarded the district's third consecutive Certificate of Excellence in Financial Reporting award from the International Association of School Business Officials.

There are two findings in the Management Report compared to four last year; neither finding is material and neither is a repeat of last year's findings.

The Committee asked the auditor's view of the district's management of its fund balances. Mr. Clelland indicated that most of his school districts generate fund balances; given both emergencies and variability in state actions it is sensible to maintain balances. The fund balance restricted for subsequent years expenditure is larger than past years. It has generally run in the \$4 to \$6 million range, but was as low as \$2 million a year ago. In addition to tax relief, he noted that consideration could be given to utilizing it for Capital Reserve replenishment as well as for the Unemployment Compensation trust fund.

In response to a question about budgeting in a budget-to-budget versus a budget-to-actual fashion, Mr. Clelland indicated that most districts utilize budget-to-budget. Among the reasons for doing this is the volatility of special education funding and expenditures which often vary greatly year to year. Furthermore, a deficit in a given year can lead to the State of New Jersey appointing a state monitor which generates costs and loss of district independence. Due to these factors, districts adopt a very conservative budget model; one based on trends rather than actuals.

A question was raised on what would be his top financial priorities to pay attention to? He suggested careful excess surplus decisions since such dollars are not necessarily recurring – use for one time uses make the most sense. He noted that with privatization there was heavy activity in the unemployment compensation account – it could make good sense to use some of the surplus to aid that account to safeguard the future more; with \$4 million coming out of capital reserve in 2011-12 an addition to capital reserve is a good one time use; interest income is low currently, but with low interest rates today that is difficult to avoid – be on the alert for qualified investments that pay better occasionally; and, finally that it could make sense to charge some qualifying expenses to Community Education and thus inhibit the growth or even consume some of the balance in that account – those balances must be used in support of Community Education rather than general district use.

Another query was to the safety of the cash of the district. Mr. Clelland remarked that school districts are limited as to the types of investments they may invest in, as noted in note #3 in the CAFR. The Governmental Unit Deposit Protection Act (GUDPA) was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution. The district is in compliance with these rules.

Mr. Clelland observed that the use of capital reserve by the district has been effective. He knows of no other district receiving as many third round Regular Operating District (ROD) grant projects. The large amount of state imposed paper work and bureaucracy has inhibited applications by other districts; yet the advantage to a district is that 40% of a project is paid for by state funds rather than by local tax dollars – a very attractive advantage.

The Committee expressed its thanks to the auditors both for their efforts for the district and in their participation in tonight's discussion. Mr. Clelland noted that he also enjoyed it especially since there are so few districts in which the finance Committee actively discusses the reports as much and as well as in West Windsor-Plainsboro Regional School District.

As the auditors departed, the Committee expressed its appreciation to the business office staff for their work.

Review Agenda Items: Mr. LoCastro noted the revised treasurer's reports for June and July; these bring the Payroll Agency fund's ending cash balance to a more conventional zero balance. It was observed that the word "revised" should be added to the reports. The agenda items are supported by the Committee. Mr. LoCastro commented that the reviewing of interest rate availability may lead to agenda items approving the use of additional banks.

2012-2013 Budget: There was a continuation of the discussion from last meeting about allocating costs to Community Education (CE). It has always been recognized that the CE effort should run on as a self-sustaining operation, but up to this point the district allowed a balance to grow so as to be able to maintain services on a steady basis should fluctuations arise. With increases in costs associated with serving some children and the tightening effect of the 2% general fund tax levy cap, it was agreed that the next budget cycle should see the introduction of the allocation concept. The first year would be at around the \$250,000 level and subsequent years would increase gradually to the full covering of costs associated with Community Education's efforts. The administration is to develop a logical plan and the first year would be expected to allocate costs of about a quarter of a million dollars.

The Committee discussed the capital spending budget and agreed that it would be prudent to return this budget to the \$1,500,000 level once again. It should be remembered that with over \$200 million of physical assets, an annual budget expenditure of \$5,000,000 would not be excessive. As it is the district needs to be able to utilize capital reserve funds in a meaningful manner as long as the budget contains capital dollars well below the \$5,000,000 level.

Another budget cycle decision will be about the additional \$1.5 million of state aid. With the large balance restricted for use in 2012-13, it may serve to mitigate a drop off of such funds in 2013-14 with the use of the additional state aid in that budget cycle.

FSA Plan and Limit: The State of New Jersey has placed another unfunded mandate on the district – the required introduction of a Flexible Spending Account for employees. Third party administrators charge between \$4.25 and \$6.25 per participant per month plus an assortment of additional fees. This could generate new costs to the district of \$80,000-100,000 annually. While private sector employers benefit from the social security dimension of the federal FSA rules, this is of little benefit to New Jersey school districts. The district is targeting having the plan available in January. The Committee suggested that the minimum and maximums selected by the district have meaning to the employee.

Solar Direction: A variety of options were outlined. The present emphasis on conducting a referendum utilizing both federal Clean Renewable Energy Bonds and state debt service aid will not be possible after another 12 months have passed. The CREBs expire October 2012 (though the State of New Jersey still sits on our November 2010 application). Among other options is proceeding without debt service aid, perhaps through funding the investment with capital reserve dollars as the district did with the Phase I projects. And of course, the district could decide to simply suspend additional solar projects for the foreseeable future.

Meeting Date Change/January 17, 2012: Consideration of a new committee date is needed now that this date will be used for a Board of Education retreat.

The Committee moved to closed session. The Committee returned to open session.

The meeting adjourned at 9:02P.M.

NEXT MEETING: Tuesday, November 15, 2011, 6:30 PM @ Central Office

Topic for Next Meeting

Review Agenda Items
2012-13 Budget
Technology Refresh

Future Topics:

Impact of Recent Legislation
Policies